

Freedom Foods Group Limited

ABN 41 002 814 235

Half Yearly Report Appendix 4D - 31 December 2015

1. Company details

Name of entity:	Freedom Foods Group Limited
ABN:	41 002 814 235
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	21.0% to	54,117
Profit from ordinary activities after tax attributable to the owners of Freedom Foods Group Limited*	down	57.6% to	23,422
Profit for the half-year attributable to the owners of Freedom Foods Group Limited*	down	57.6% to	23,422

* Profit for the prior period ended 31 December 2014 includes a gain on reclassification of investment in The a2 Milk Company (a2MC) of \$53 million. During the period ended 31 December 2015, the a2MC investment was sold down. The reported gain on disposal was \$25 million.

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the half year ended 31 December 2015 for ordinary shares payable on 30 April 2016	1.75	1.75
Interim dividend for the half year ended 31 December 2015 for convertible redeemable preference shares payable on 30 April 2016	1.35	1.35
Final dividend for the year ended 30 June 2015 for ordinary shares paid on 30 November 2015	1.50	1.50
Final dividend for the year ended 30 June 2015 for convertible redeemable preference shares paid on 30 November 2015	1.35	1.35

Comments

For further details, refer to the "Results for announcement to the market"

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>127.24</u>	<u>106.35</u>

4. Control gained over entities

Name of entities (or group of entities)	Popina (Vic) Pty Limited
Date control gained	1 December 2015
Name of entities (or group of entities)	Darlington Point Mill
Date control gained	31 August 2015

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Dividend Reinvestment Plan 'DRP' is current and remains unchanged from prior years. All Shareholders when initially registered, receive a copy of the DRP and details concerning participation in the DRP. The DRP provides shareholders with the opportunity to receive ordinary shares, in lieu of cash dividends, at a discount (set by the directors) from the market price at the time of issue. The last date for lodgement of election notices to the share registry for the interim dividend to be paid on 30 April 2016 is Friday 1 April 2016.

6. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
The a2 Milk Company Limited (a2MC)*	-	17.80%	-	-
Pactum Dairy Group Limited (PDG)	1.00%	1.00%	(28)	-
Australian Fresh Milk Holdings Pty Limited (AFMH)	10.00%	-	220	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities after income tax			192	-
Income tax on operating activities			(82)	-


*The a2 Milk Company Limited ceased being an associate from 19 November 2014

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditor and the review report is attached as part of the Half Yearly Report Appendix 4D.

8. Signed

Signed  _____

Rory J F Macleod
Managing Director
Sydney

Date: 29 February 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Freedom Foods Group Limited (referred to hereafter as the 'group' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

The following persons were directors of Freedom Foods Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Perry R. Gunner - Chairman (Non-Executive)
Rory J.F. Macleod - Managing Director (Executive)
Anthony M. Perich - Director (Non-Executive)
Ronald Perich - Director (Non-Executive)
Trevor J. Allen - Director (Non-Executive)
Michael R. Perich - Alternate Director (Non-Executive)
Melvyn Miles - Director (Non-Executive) (resigned on 14 August 2015)

Rounding of amounts

The group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Rory J F Macleod
Managing Director

29 February 2016
Sydney

Freedom Foods Group Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015



		Consolidated	
	Note	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Revenue			
Revenue from sale of goods	2	54,117	44,725
Cost of sales		(36,953)	(29,758)
		17,164	14,967
Gross profit			
Share of profits of associates accounted for using the equity method	3	192	-
Other income		157	367
Gain from reclassification of a2MC investment	4	-	53,148
Gain from disposal of a2MC investment		25,035	-
Expenses			
Marketing expenses		(3,056)	(1,470)
Selling and distribution expenses		(5,821)	(5,823)
Administrative expenses		(2,600)	(2,525)
Depreciation		(2,105)	(1,542)
Acquisition costs re Popina (Vic) Pty Limited		(717)	-
Acquisition costs re Ringwood Mill		(372)	-
Net finance (costs)/income		(522)	277
		27,355	57,399
Profit before income tax expense			
Income tax expense		(3,933)	(2,209)
		23,422	55,190
Profit after income tax expense for the half-year attributable to the owners of Freedom Foods Group Limited			
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value movement in a2MC investment, net of tax		16,383	(686)
Reclassification to profit or loss on disposal of a2MC investment		(22,122)	-
Foreign currency translation		(495)	-
		(6,234)	(686)
Other comprehensive income for the half-year, net of tax			
Total comprehensive income for the half-year attributable to the owners of Freedom Foods Group Limited		17,188	54,504
		Cents	Cents
Basic earnings per share		14.40	36.39
Diluted earnings per share		14.13	35.37

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Freedom Foods Group Limited
Condensed consolidated statement of financial position
As at 31 December 2015



	Note	Consolidated 31 Dec 2015 \$'000	30 Jun 2015 \$'000
Assets			
Current assets			
Cash and cash equivalents		109,355	2,329
Trade and other receivables		31,696	25,303
Inventories		32,895	24,475
Other financial assets		611	500
Prepayments		2,317	2,094
Total current assets		<u>176,874</u>	<u>54,701</u>
Non-current assets			
Investments accounted for using the equity method	3	10,360	4,432
Investment in a2MC	4	-	72,618
Property, plant and equipment		141,393	103,430
Intangibles		38,992	21,488
Deferred tax		276	-
Loans due from associated entities		15,399	14,336
Total non-current assets		<u>206,420</u>	<u>216,304</u>
Total assets		<u>383,294</u>	<u>271,005</u>
Liabilities			
Current liabilities			
Trade and other payables		25,843	18,779
Borrowings	5	19,938	22,025
Income tax		9,979	8,316
Provisions		2,004	1,776
Other financial liabilities		715	193
Total current liabilities		<u>58,479</u>	<u>51,089</u>
Non-current liabilities			
Payables		52	52
Borrowings	6	57,096	30,890
Deferred tax		-	2,785
Provisions		339	260
Total non-current liabilities		<u>57,487</u>	<u>33,987</u>
Total liabilities		<u>115,966</u>	<u>85,076</u>
Net assets		<u>267,328</u>	<u>185,929</u>
Equity			
Issued capital	7	165,383	99,028
Reserves		(2,656)	3,398
Retained profits		104,601	83,503
Total equity		<u>267,328</u>	<u>185,929</u>

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

Freedom Foods Group Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Issued capital \$'000	Reserves \$'000	Retained Profits \$'000	Total equity \$'000
Balance at 1 July 2014	94,419	(3,636)	31,450	122,233
Profit after income tax expense for the half-year	-	-	55,190	55,190
Other comprehensive income for the half-year, net of tax	-	(686)	-	(686)
Total comprehensive income for the half-year	-	(686)	55,190	54,504
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	180	-	180
Issue of ordinary shares under employee share option plan (note 7)	714	-	-	714
Issue of ordinary shares in accordance with the dividend reinvestment plan (note 7)	1,717	-	-	1,717
Share issue costs (note 7)	(64)	-	-	(64)
Related income tax (note 7)	19	-	-	19
Dividends paid (note 8)	-	-	(2,283)	(2,283)
Balance at 31 December 2014	96,805	(4,142)	84,357	177,020
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2015	99,028	3,398	83,503	185,929
Profit after income tax expense for the half-year	-	-	23,422	23,422
Other comprehensive income for the half-year, net of tax	-	(6,234)	-	(6,234)
Total comprehensive income for the half-year	-	(6,234)	23,422	17,188
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	180	-	180
Issue of ordinary shares under employee share option plan (note 7)	578	-	-	578
Issue of ordinary shares from entitlement offer (note 7)	65,466	-	-	65,466
Issue of ordinary shares in accordance with the dividend reinvestment plan (note 7)	1,808	-	-	1,808
Share issue costs (note 7)	(1,612)	-	-	(1,612)
Related income tax (note 7)	115	-	-	115
Dividends paid (note 8)	-	-	(2,324)	(2,324)
Balance at 31 December 2015	165,383	(2,656)	104,601	267,328

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

Freedom Foods Group Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2015



	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	51,930	41,662
Payments to suppliers (inclusive of GST)	<u>(50,480)</u>	<u>(43,049)</u>
	1,450	(1,387)
Interest received	182	-
Interest and other finance costs paid	(2,274)	(645)
Receipts of government grants	-	78
Income taxes paid	<u>(2,675)</u>	<u>-</u>
Net cash used in operating activities	<u>(3,317)</u>	<u>(1,954)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(17,150)	(16,750)
Advances to associates	(441)	(1,874)
Repayment of loan by joint venture	100	-
Proceeds from sale of associate shares	90,229	107
Investment in equity interest	(5,733)	(645)
Payments for businesses acquired	<u>(39,422)</u>	<u>-</u>
Net cash from/(used in) investing activities	<u>27,583</u>	<u>(19,162)</u>
Cash flows from financing activities		
Proceeds from issue of shares	65,962	714
Payment of share issue costs	(1,613)	(45)
Dividends paid	(560)	(565)
Proceeds of borrowings	18,974	16,720
Payment of related party transactions	<u>(3)</u>	<u>504</u>
Net cash from financing activities	<u>82,760</u>	<u>17,328</u>
Net increase/(decrease) in cash and cash equivalents	107,026	(3,788)
Cash and cash equivalents at the beginning of the financial half-year	<u>2,329</u>	<u>4,873</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>109,355</u></u>	<u><u>1,085</u></u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

Freedom Foods Group Limited (the company) is a for profit company incorporated and domiciled in Australia. The Half Year Financial Report compiles the company and its subsidiaries (together the 'Group' or 'Consolidated entity').

The financial report for the half year ended 31 December 2015 (Half Year Financial Report) has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The Half Year Financial Report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

The Group is organised into four segments which is the basis on which the Group reports and the principal products and services of each of these operating segments are as follows:

Freedom Foods - Cereals and Snacks	A range of products for consumers including allergen free (ie gluten free, wheat free, nut free) low sugar or salt or highly fortified, oat based and cluster formats. The product range covers breakfast cereals, snack bars, soy, almond and rice beverages and other complimentary products. These products are manufactured and sold in Australia and overseas.
Freedom Foods North America - Cereals and Snacks	A range of products for consumers requiring a solution to specific dietary or medical conditions including allergen free (ie gluten free, wheat free, nut free) low sugar or salt or highly fortified. The product range covers breakfast cereals and other complimentary products. These products are manufactured in Australia and sold in North America.
Seafood	A range of canned seafood covering sardines, salmon and specialty seafood. These products are manufactured overseas and sold in Australia and overseas.
Pactum Australia - Beverages	A range of UHT (long life) food and beverage products including liquid stocks, soy, rice, almond and dairy milk beverages. These products are manufactured and sold in Australia and overseas.

The 'unallocated group' consists of the Group's other operating segments that are not separately reportable, including the investments in The a2 Milk Company, Australian Fresh Milk Holdings Pty Limited and Pactum Dairy Group Pty Limited, as well as various shared service functions.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in their capacity as the chief operating decision makers of the Group in order to allocate resources to the segments and assess their performance.

Information regarding these segments is presented below.

Note 2. Operating segments (continued)

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

Operating segment information

Consolidated - 31 December 2015	Freedom Foods \$'000	Freedom Foods North America \$'000	Seafood \$'000	Pactum \$'000	Unallocated \$'000	Total \$'000
Revenue						
Sales to external customers	30,446	764	6,625	16,282	-	54,117
Intercompany sales elimination	943	-	-	10,174	(11,117)	-
Total sales revenue	31,389	764	6,625	26,456	(11,117)	54,117
Total revenue	31,389	764	6,625	26,456	(11,117)	54,117
EBITDA	3,159	(505)	1,050	4,764	-	8,468
Depreciation and amortisation	(900)	-	-	(839)	(366)	(2,105)
Shared services	-	-	-	-	(1,455)	(1,455)
Net finance costs	-	-	-	-	(522)	(522)
Net gain on a2MC investment	-	-	-	-	25,035	25,035
Acquisition costs re Popina (Vic) Pty Limited	-	-	-	-	(717)	(717)
Acquisition costs re Darlington Point Mill	-	-	-	-	(372)	(372)
Other	-	-	-	-	(1,326)	(1,326)
Convertible and loan note interest	-	-	-	-	157	157
Share of associates profit	-	-	-	-	192	192
Profit/(loss) before income tax expense	2,259	(505)	1,050	3,925	20,626	27,355
Income tax expense						(3,933)
Profit after income tax expense						23,422
Assets						
Segment assets	126,040	1,736	18,805	80,153	-	226,734
<i>Unallocated assets:</i>						
Shared services						104,786
Investment in associates						10,360
Acquisition of businesses						41,414
Total assets						383,294
<i>Total assets includes:</i>						
Investments in associates	-	-	-	-	10,360	10,360
Liabilities						
Segment liabilities	31,055	139	121	10,707	-	42,022
<i>Unallocated liabilities:</i>						
Shared services						73,944
Total liabilities						115,966

Note 2. Operating segments (continued)

Consolidated - 31 December 2014	Freedom Foods \$'000	Freedom Foods North America \$'000	Seafood \$'000	Pactum \$'000	Unallocated \$'000	Total \$'000
Revenue						
Sales to external customers	22,769	660	6,519	14,777	-	44,725
Intercompany sales elimination	750	-	-	10,053	(10,803)	-
Total sales revenue	23,519	660	6,519	24,830	(10,803)	44,725
Total revenue	23,519	660	6,519	24,830	(10,803)	44,725
EBITDA						
Depreciation and amortisation	(728)	-	-	(627)	(187)	(1,542)
Shared services	-	-	-	-	(1,978)	(1,978)
Net Finance Costs	-	-	-	-	(347)	(347)
Gain on a2MC investment	-	-	-	-	53,148	53,148
Other income	-	-	-	-	367	367
Profit/(loss) before income tax expense	1,784	(356)	1,337	3,631	51,003	57,399
Income tax expense	-	-	-	-	-	(2,209)
Profit after income tax expense	-	-	-	-	-	55,190
Consolidated - 30 June 2015						
Assets						
Segment assets	86,622	1,707	19,141	67,272	-	174,742
<i>Unallocated assets:</i>						
Shared services	-	-	-	-	-	19,213
Investment in associate	-	-	-	-	-	4,432
Investment in a2MC	-	-	-	-	-	72,618
Total assets	-	-	-	-	-	271,005
<i>Total assets includes:</i>						
Investments in associates	-	-	-	-	4,432	4,432
Liabilities						
Segment liabilities	24,398	2,491	5,494	38,232	-	70,615
<i>Unallocated liabilities:</i>						
Shared services	-	-	-	-	-	14,461
Total liabilities	-	-	-	-	-	85,076

Note 3. Non-current assets - investments accounted for using the equity method

	Consolidated 31 Dec 2015 \$'000	30 Jun 2015 \$'000
Investment in Pactum Dairy Group Pty Limited	4,404	4,432
Investment in Australian Fresh Milk Holdings Pty Limited	5,956	-
	10,360	4,432

Note 3. Non-current assets - investments accounted for using the equity method (continued)

Pactum Dairy Group Pty Limited (PDG)

PDG was established in 2013 for the purpose of supplying high speed low cost liquid products to the Domestic and International market. PDG is a joint venture between Pactum Australia Pty Limited, a wholly owned subsidiary of the Group and Australian Consolidated Milk Pty Limited ('ACM'), a major Australian dairy milk supply group. FNP equity accounted 1% of the loss in line with the current ownership structure. The Group has the capacity to obtain a 50% interest in PDG by converting convertible notes issued to it as part of its original investment.

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Opening balance	4,432	4,474
Share of loss after income tax	(28)	(42)
	4,404	4,432
Closing balance	4,404	4,432

Australian Fresh Milk Holdings Pty Limited (AFMH)

The Group acquired 10% of the consortium Australian Fresh Milk Holdings Pty Limited (AFMH). The consortium acquired Moxey Farms on 3 August 2015. Moxey Farms is one of Australia's largest single-site dairy operations. The consortium comprises Leppington Pastoral Company Pty Limited (LPC), New Hope Dairy Holdings Co Ltd (New Hope Dairy) and Freedom Foods Group Limited. The Group acquired its 10% of the consortium for \$5.7 million.

The completion of the Acquisition ensures AFMH has in place a scalable operating platform to invest in additional greenfield dairy sites, enabling the consortium to become a significant player in the Australian dairy industry.

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Equity investment	5,736	-
Share of profit after income tax	220	-
Closing balance	5,956	-

Note 4. Non-current assets - Investment in a2MC

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Investment in The a2 Milk Company Limited	-	72,618
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half year are set out below:		
Opening fair value	72,618	-
Reclassification of investment to available for sale	-	11,125
Gain on reclassification	-	53,148
Revaluation increments	17,611	8,345
Net proceeds on sale	(90,229)	-
Closing fair value	-	72,618

The Group reclassified the investment to an available for sale on 18 November 2014 following the resignation of Mr P R Gunner from the board of a2MC at the conclusion of their AGM.

Significant influence was deemed to be lost at the conclusion of the a2MC AGM and therefore on this date the Group reclassified the investment to an Available for Sale investment (AFS) under the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

The Group sold its remaining shareholding in The a2 Milk Company (a2MC) in October and November 2015. The shares were sold at a price of \$AU0.68 and \$AU0.85 respectively, realising a gain after transaction costs of \$25,035k.

Note 5. Current liabilities - borrowings

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Loan payable	8,434	5,698
Finance facility	7,821	12,143
Bank bill facility	-	1,650
Equipment financing liability	3,683	2,534
	19,938	22,025

Refer to note 6 for further information on assets pledged as security and financing arrangements.

Note 6. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Bank bill facility	37,529	16,500
Equipment financing liability	19,567	14,390
	<u>57,096</u>	<u>30,890</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Loan payable	8,434	5,698
Finance facility	7,821	12,143
Equipment financing liability	23,250	16,924
Bank bill facility	37,529	18,150
	<u>77,034</u>	<u>52,915</u>

Assets pledged as security

The bank facilities are arranged with HSBC Bank Australia Limited with general terms and conditions. The debtor finance and trade finance facilities are subject to annual review. The bank facilities of the Group are secured by a first equitable mortgage over the whole of the Group's assets and undertakings (including uncalled capital), (except items specifically discharged under the Freedom Foods and Pactum Australia equipment finance arrangements), and a first registered mortgage over the Group's Leeton property.

The equipment finance facilities relate to specific equipment operating at the Freedom Foods Leeton facility and Pactum Taren Point facility, arranged with National Australia Bank and Westpac. These facilities are secured over the assets financed under the facility, which have been specifically discharged from the first registered mortgage held over all the Group's property. The leases are over a period of 2 to 6 years and the final residual on the current leases will be due in 2020.

Interest rates are fixed and variable and subject to adjustment.

Amounts used represented by

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
- current	19,938	22,025
- non-current	57,096	30,890
	<u>77,034</u>	<u>52,915</u>

Note 6. Non-current liabilities - borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Total facilities		
Loan facilities	13,500	9,700
Finance facilities	19,000	14,000
Bank bill facilities	38,300	18,150
Equipment financing liability	26,000	21,050
	<u>96,800</u>	<u>62,900</u>
Used at the reporting date		
Loan facilities	8,434	5,698
Finance facilities	7,821	12,143
Bank bill facilities	37,529	18,150
Equipment financing liability	23,250	16,924
	<u>77,034</u>	<u>52,915</u>
Unused at the reporting date		
Loan facilities	5,066	4,002
Finance facilities	11,179	1,857
Bank bill facilities	771	-
Equipment financing liability	2,750	4,126
	<u>19,766</u>	<u>9,985</u>

Note 7. Equity - issued capital

	Consolidated			
	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	179,458,357	154,624,900	165,360	98,995
Convertible redeemable preference shares - fully paid	102,307	137,027	23	33
	<u>179,560,664</u>	<u>154,761,927</u>	<u>165,383</u>	<u>99,028</u>

Movements in ordinary share capital

Note 7. Equity - issued capital (continued)

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2014	150,645,371		94,378
Employee share options exercised		2,350,000	\$0.40	940
Employee share options exercised		333,332	\$0.60	200
Employee share options exercised		75,000	\$1.65	124
Convertible redeemable preference shares (CRPS)		15,100	\$0.30	5
Dividend reinvestment plan (DRP) shares		604,193	\$2.85	1,717
Dividend reinvestment plan (DRP) shares		601,904	\$2.83	1,705
Transaction costs net of income tax		-		(74)
Balance	30 June 2015	<u>154,624,900</u>		<u>98,995</u>
Details	Date	Shares	Issue price	\$'000
Balance	1 July 2015	154,624,900		98,995
Employee share options exercised		833,334	\$0.40	333
Employee share options exercised		316,668	\$0.60	190
Employee share options exercised		33,000	\$1.65	55
Convertible redeemable preference shares ('CRPS') conversions		34,720	\$0.30	10
Dividend reinvestment plan ('DRP') shares		645,194	\$2.80	1,808
Capital raising via Entitlement Offer		22,970,541	\$2.85	65,466
Transaction costs (net of income tax)		-		(1,497)
Balance	31 December 2015	<u>179,458,357</u>		<u>165,360</u>

Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Changes to the then Corporation Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1988. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

The Dividend Reinvestment Plan provides shareholders with the opportunity to receive ordinary shares, in lieu of cash dividends, at a discount (set by the directors) from the market price at the time of issue.

Note 8. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Final fully franked dividend for the year ended 30 June 2015 (2014: 30 June 2014) of 1.50 cents (2014: 1.50 cents) per ordinary share	515	561
Dividends reinvested: fully franked at 30% tax rate	1,807	1,718
Final fully franked dividend for the year ended 30 June 2015 (2014: 30 June 2014) of 1.35 cents (2014: 1.35 cents) per convertible redeemable preference share	2	4
	<u>2,324</u>	<u>2,283</u>

Note 8. Equity - dividends (continued)

On 29 February 2016, the directors declared a fully franked interim dividend of 1.75 cents per share to the holders of fully paid ordinary shares in respect of the 6 months period July 2015 to December 2015, which is to be paid to shareholders on 30 April 2016. The record date for determining the entitlements to the final dividend is 1 April 2016. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$3,141,000

On 29 February 2016, the directors declared a fully franked interim dividend of 1.35 cents per share to the holders of converting redeemable preference shares in respect of the 6 months period July 2015 to December 2015, which is to be paid to shareholders on 15 April 2016. The record date for determining the entitlements to the final dividend is 1 April 2016. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$1,400.

Note 9. Business combinations

Over the course of the half year the Group acquired two businesses. Each acquisition was for 100% of the respective enterprise. Details of the businesses acquired as at the date of each acquisition were as follows:

On 1 December 2015 the Group acquired 100% of the ordinary shares of Popina (Vic) Pty Limited (Popina) for the total consideration transferred of \$35.6 million. Popina is a major Australian manufacturer of oat based cereals and snacks. It is a recognised leader in cluster format cereal and snacks in Australasia, with manufacturing operations based in Dandenong, Victoria.

On 31 August 2015 the Group acquired business and assets of Darlington Point Mill based at Darlington Point in the Riverina District of New South Wales for a total consideration of \$8.5 million. The Mill operates an established grain processing facility for the supply of milled flours and popping corn. It is a significant processor of popping corn in Australia and processes gluten free and non GMO grains. The Mill supplies customers in food service and processing markets in Australia as well as in export markets.

Details of the Popina acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	471
Trade receivables	8,067
Inventories	6,900
Property, plant and equipment	15,267
Other liabilities	(11,464)
	<hr/>
Net assets acquired	19,241
Goodwill	16,325
	<hr/>
Acquisition-date fair value of the total consideration transferred	35,566
	<hr/> <hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	35,566
Non cash consideration - lease refinance	(5,262)
Less: cash and cash equivalents	(471)
	<hr/>
Net cash used	29,833
	<hr/> <hr/>

Note 9. Business combinations (continued)

Details of the Darlington Point Mill acquisition are as follows:

	Fair value \$'000
Inventories	2,652
Property, plant and equipment	<u>4,670</u>
Net assets acquired	7,322
Goodwill	<u>1,178</u>
Acquisition-date fair value of the total consideration transferred	<u><u>8,500</u></u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	<u><u>8,500</u></u>

The fair values of the assets and liabilities acquired have been determined on a provisional basis at the end of the reporting period.

Note 10. Events after the reporting period

On 1 January 2016 the Group elected to convert its Notes held in Pactum Dairy Group Pty Limited into ordinary shares. The share of profits will increase to 50% in line with the Groups shareholding.

The Group paid down its debtor finance and trade finance borrowing facilities during early January 2016.

Apart from the dividend declared as disclosed in note 8, no other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

The directors declare that:

- in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Rory J F Macleod
Managing Director

29 February 2016
Sydney

Independent Auditor's Review Report to the Members of Freedom Foods Group Limited

We have reviewed the accompanying half-year financial report of Freedom Foods Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 half-year 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 2015 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 Freedom Foods Group Limited, 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Freedom Foods Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Freedom Foods Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU.

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants
Sydney, 29 February 2016

The Board of Directors
Freedom Foods Group Limited
80 Box Road
TAREN POINT NSW 2229

29 February 2016

Dear Board Members

Auditor's Independence Declaration to Freedom Foods Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Freedom Foods Group Limited.

As lead audit partner for the review of the financial statements of Freedom Foods Group Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU.

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants