



Annual Report 2013

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Annual General Meeting

Date	1 November, 2013	Time	12.00 pm
Venue	DLA Piper Australia 201 Elizabeth Street Sydney NSW 2000		



FREEDOM FOODS GROUP LIMITED
ABN 41 002 814 235
Annual Report for the year ended 30 June 2013

■ Financial Highlights and Five Year Summary

	2013	2012	2011	2010	2009
Sales Revenue (\$000's)	88,831	58,132	45,256	44,071	48,596
Operating EBDITA (\$000's)*	11,600	5,447	4,041	3,816	3,494
Net Profit after Tax (\$000's)	13,722	3,012	4,387	3,357	1,320
Net Operating Profit after Tax (\$000's)	6,351	3,305	2,607	3,929	2,642
Basic Earnings per Share (cents)	14.7	3.9	5.7	5.0	2.4
Number of Ordinary Shares Issued (000's)	113,754	77,996	77,497	77,435	54,660
Number of Convertible Redeemable Preference Shares Issued (000's)	17,219	19,415	19,415	-	-
Ordinary Dividend per Share (cents)	2.00	0.50	0.50	-	1.00
Convertible Redeemable Preference Dividend per Share (cents)	2.80	3.40	1.00	-	-
Dividend Paid (\$000's)	2,327	1,020	405	-	545
Total Assets (\$000's)	126,839	103,881	75,456	71,090	63,659
Shareholders Equity (\$000's)	82,395	47,270	49,983	40,263	30,161
Net Assets Per Share (cents)	63	49	52	52	55
Net Tangible Asset Backing (cents)	47	24	29	22	13

* Earnings before depreciation, interest, tax and amortisation

■ Chairman's Letter

Dear Shareholder

In the 2013 financial year, Freedom Foods Group Limited ("FFG") achieved Operating EBDITA of \$11.6 million, an increase of 113% against the prior corresponding period, reflecting increased sales and profitability in the Freedom Foods business, consolidation of Pactum Australia for 12 months and a contribution from Specialty Seafood.

Operating Pre-tax Profit was \$7.5 million for the 12 months ended 30th June 2013, reflecting a 117% increase on the previous corresponding 12 month period.

The Reported Net Profit of \$13.7 million included non-operating after tax profit of \$8 million from the sale of 40 million shares in A2 Corporation, employee share option expense of \$246k (after tax), bad debts provision of \$205k (after tax) and resolution of a long term employee claim of \$140k (after tax). The Company is utilising future income tax benefits to reduce cash tax payable on the sale of the A2C shareholding.

The result included strong sales growth in Freedom Cereals of 41%, compared to the previous corresponding period, with business unit EBDITA increase reflecting sales growth and improved operating efficiencies at Leeton. Dairy alternative beverage sales continued their trend with sales growth of 28% compared to the previous corresponding period.

In the Specialty Seafood business, the Brunswick Sardine brand maintained its No 1 brand leadership position in Australia and New Zealand.

Pactum Australia contributed a strong sales result in its first full twelve month period as a consolidated entity. Pactum's expansion into portion pack UHT, for value added beverages, was completed in December 2012 and the business unit made a material contribution in FY13. The establishment of the new Pactum Dairy Group (PDG) UHT dairy facility was progressed during the year.

The Board is pleased with these results and the Company has continued the positive trend in the development of its unique business platforms in specialised areas of the food market. It has two key growth opportunities in Freedom Foods and Pactum Australia, a stable business base in Specialty Seafood and a strategic opportunity in A2C.

The Managing Director's report provides further commentary on operations.

The Company completed 2 capital raisings;

- in April 2013 we raised \$17.4 million (gross proceeds) at \$1.04 per share from a placement and entitlements offer; and
- in September 2013 we raised \$27 million which, together with a small entitlement offer for \$3 million (currently underway), will complete this \$30 million capital raising.

Both capital raisings were significantly oversubscribed.

A2 Corporation (A2C) (18.04% FNP shareholding) reported continued strong growth in the Australian fresh milk business with sales up 48% over the prior year. In December 2012, the Company sold 40 million shares in A2C for a total net consideration of \$15.4 million, recording a pre tax profit of \$11.8 million, which brought our shareholding in A2C down to 18.04%. A2C's market capitalisation at 27 September 2013 of A\$403 million implies a value for the Company's shareholding of approximately A\$73 million, materially above the book value of A\$9.9 million.

With improving profitability, the Board has recommended payment of a final fully franked dividend of \$0.01 per ordinary share in November 2013. The total dividend for the year represents a dividend payout ratio of 39% of operating net profit in FY 2013, which includes the dividends paid out on the preference shares. Dividend priority remains with the converting preference shareholders, with a further dividend to be paid in accordance with the terms of the converting preference shares in early November 2013.

I would also like to pay tribute to Mr Geoff Babidge, who retired from the Board in June this year.

Geoff joined the Company in 2002, as Managing Director. He has played a leading role through this period in building the Company growth platform in Freedom Foods and Pactum Australia, and in particular driving the significant value creation opportunity in A2 Milk through A2 Corporation, of which the Company is the largest shareholder. His contribution has been crucial in transforming the Company to target a range of exciting growth opportunities both domestically and offshore. Since stepping down as Managing Director in 2010, he has displayed a keen interest in all aspects of the Company and has been a strong contributor to the Board, in particular providing support to the senior management team under Rory Macleod, Managing Director.

The Board and Management wish him well in his ongoing role as Managing Director and CEO of A2 Corporation and to creating further value for FNP shareholders

As a consequence of Geoff's retirement and to ensure process of renewal at the Board, Mr Trevor Allen has joined the Board as an independent non-executive director, effective 1 July 2013.

Trevor brings extensive experience in business, corporate finance and capital markets and we look forward to his contribution as a director.

On behalf of the Board, I would like to thank all employees for their dedication and hard work throughout the year. There is much to be done and a great deal of confidence about Freedom Foods Group long-term prospects.



Perry Gunner
Chairman

■ Managing Director's Review of Operations

Group Summary Result

Year ended 30th June	2013 \$'000	2012 \$'000	% Change
Gross Sales Revenues (1)	115,514	72,556	+59.21%
Net Sales Revenues	88,831	58,132	+52.81%
EBDITA (Operating) (2)	11,600	5,447	+112.96%
EBITA (Operating) (2)	8,972	4,075	+120.17%
Equity Associates Share of Profit	819	1,214	-32.54%
Pre Tax Profit (Operating)	7,524	3,476	+116.46%
Pre Tax Profit (Reported)	18,524	3,250	+469.97%
Net Profit (Operating)	6,351	3,305	+92.16%
Net Profit (Reported)	13,722	3,012	+355.58%
Interim Ordinary Dividend (cps)	1.00	-	-
Final Ordinary Dividend (cps)	1.00	1.00	-
Interim CRPS Dividend (cps)	1.40	1.40	-
Final CRPS Dividend (cps) (3)	1.40	1.40	-
EPS (cents per share)(Fully Diluted for CRPS) On Adjusted Reported Net Profit	11.96	3.11	+284.57%
EPS (cents per share)(Fully Diluted for CRPS) On Operating Net Profit	5.40	3.32	+62.56%
Net Debt / Equity	10%	82%	-87.80%
Net Assets per Share	\$0.63	\$0.49	+29.69%

Notes:

- (1) Gross Sales Revenues does not include revenues from the group associate entity, A2 Corporation.
- (2) Operating EBDITA and EBITA, excludes abnormal or non-operating charges with an add back of non cash employee share option expense of \$352k, bad debts written off expense of \$293k and employee claim settlement expense of \$200k.

The company achieved an Operating EBDITA of \$11.6 million, an increase of 113%, reflecting increased sales and profitability in the Freedom Foods business, consolidation of Pactum Australia for 12 months and a contribution from Specialty Seafood.

Operating Pre-tax Profit was \$7.5 million for the 12 months ended 30th June 2013, reflecting a 117% increase on the previous corresponding 12 month period.

The Reported Net Profit of \$13.7 million included non-operating after tax profit of \$8 million from the sale of 40 million shares in A2 Corporation (A2C), employee share option expense of \$246k (after tax), bad debts provision of \$205k (after tax) and resolution of a long term employee claim settlement of \$140k (after tax). The Company is utilising future income tax benefits to reduce cash tax payable on the sale of the A2C shareholding.

Net Operating Profit was \$6.4 million, an increase of 92%, including an increase in operating income tax expense of \$1.2 million for this period against \$185k for the last period.

Equity Associates contributions of \$0.8 million reflected the share of estimated 2013 profits from A2C. In addition to a share of equity profits from A2C from 2012 not previously recognised.

Net assets at 30 June 2013 increased to \$0.63 per share from \$0.49 at June 2012, reflecting the impact of the sell down of the A2C shareholding, exercise of options by shareholders and the capital raising undertaken in April 2013.

HIGHLIGHTS

Highlights for the year included:

- Group Operating EBDITA of \$11.6 million, a 35% increase on the previous corresponding period.
- Operating Net Profit was \$6.4 million for the 12 months ended 30th June 2013, reflecting a 93% increase on the previous corresponding 12 month period.
- Sales growth in Freedom Cereals of 41%, compared to the previous corresponding period, with business unit EBDITA increase reflecting sales growth and improved operating efficiencies at Leeton.
- Dairy alternative beverage sales continued their trend with sales growth of 28% compared to the previous corresponding period.
- In the Speciality Seafood business, the Brunswick Sardine brand maintained its No 1 brand leadership position in Australia and New Zealand.
- Pactum Australia contributed a strong sales result in its first full twelve month period as a consolidated entity. Pactum's expansion into portion pack UHT, for value added beverages, was completed in December 2012 and the business unit made a material contribution in FY 13. The establishment of the new Pactum Dairy Group (PDG) UHT dairy facility was progressed during the year.
- A2C (18.04% FNP shareholding) reported continued strong growth in the Australian fresh milk business with sales up 48% over the prior year. In December 2012, the Company sold 40 million shares in A2C for a total net consideration of \$15.4 million, recording a pre tax profit of \$11.8 million, which brought our shareholding in A2C down to 18.04%. A2C's market capitalisation at 27 September 2013 of A\$403 million implies a value for the Company's shareholding of approximately A\$73 million, materially above the book value of A\$9.9 million.



- The Company completed a capital raising of \$17.4 million (gross proceeds) at \$1.04 per share from a placement and entitlements offer in April 2013. The capital raising was significantly oversubscribed with strong demand from a broad range of high quality institutional investors and existing shareholders.
- Net Debt / Equity at 10% from 82% at June 2012, reflected the sell down of the A2C shareholding and exercise of options by shareholders as well as the \$17.4 million capital raising during the period.
- Net assets per share at \$0.63 and net tangible assets of \$0.47 per share, with A2C investment recorded at a book value of \$9.9 million.
- The Company is to pay a final dividend for the year of \$0.01 per ordinary share (fully franked) in November 2013, equating to a total ordinary share dividend of \$0.02 for the year. A fully franked converting preference share dividend will be paid in November 2013.

BUSINESS UNITS - WHOLLY OWNED

Freedom Foods

The Freedom Foods business unit continued to build momentum from the prior financial year, delivering overall gross sales growth of 29% compared to the previous corresponding period.

During this period the business drove the Freedom branded portfolio with a focus on effective promotional price points, new product innovation and increased merchandising in major retailers and independent channels to improve distribution and stock weights.

As a result, the business sold 1 million Cereal cases, equal to volume growth of 50% and gross sales growth of 41%, compared to the previous corresponding period.

Cereal volume growth contributed to increased efficiencies at the Leeton manufacturing facility, with further benefits from management focus on improving efficiencies in labour, supply chain and distribution. The Leeton facility is the only integrated large scale manufacturing capability in Australia (and overseas) producing cereals and snacks "free from" key allergens such as gluten, nuts and dairy to the lowest detectable standards.

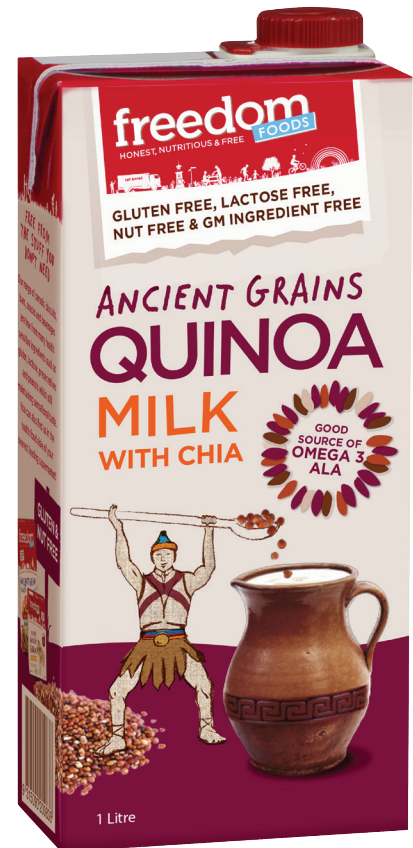
Freedom Foods continued its focus on leveraging its Cereal base into breakfast snack alternatives, as well as meeting demand for "nut free" snacks, with growth in volumes of 127%, albeit from a small base.

Aligned with the increasing sales base is a strong focus on improving sales margins and operational efficiencies at the Leeton site, with the business well progressed to meeting our benchmark 15% return on funds employed in the medium term.

Dairy alternative beverage sales (soy, rice and almond) continued the trend from FY 2012 with volume growth of 14% and sales growth of 24% compared to the previous corresponding period, reflecting increased market share of Australia's Own Organic and Blue Diamond Almond Breeze Milk brands.

The business continued its development of export markets, with volume growth in North America reflecting Freedom's unique point of differentiation in offering a Cereal range free of all common allergens and from non genetically modified sources. With the US gluten free market estimated at US\$3.4 billion and growing at 15% CAGR per annum, Freedom Foods is increasing its development activities in North America to grow sales of Freedom branded and contract pack supply from its Leeton facility.

The previously announced expansion of Freedom Foods into North America has commenced under a new wholly owned subsidiary and the relocation of a senior commercial executive, Michael Bracka to North America to lead the commercialisation activities of the North American business. Freedom's long term target is to develop a sales base of up to





1 million cases of Freedom branded Cereals and Cereal snacks. The retail sales channel focus is on specialty or natural product retailers in key demographic regions in the USA, namely around California, Texas, Mid West, New York, Florida and into Canada.

The impact of sales and efficiency improvements during the period resulted in significantly increased business unit EBDITA.

The focus for the business into FY 2014, remains on increasing sales through growth in distribution channels and building awareness of the brand and products across a broader consumer market open to healthier digestive and nutritional products. The business will continue to drive category leadership of the health channel and support private label development that is complimentary to the business both in Australia and internationally.

As part of this and meeting growth demands, the business has commenced a number of major capital programs including:

- \$3.5 million investment on downstream cereal packaging capabilities to improve efficiencies and provide for increased capacity in range and format, with new capabilities on stream from January 2014; and
- \$2.5 million investment in additional Cereal extrusion capacity to meet ongoing growth requirements in Australian and International markets in relation to Cereals and Cereal based products such as bars and ingredients, with new capabilities on stream from June 2014.

The total investment will materially increase Freedom Foods Cereal production capability, with no material net increase in cash overheads.

The business is also well progressed on plans to upgrade its nutritional snack manufacturing capabilities in calendar 2014, to improve efficiencies and meet demand for nutritious allergen free snacks in a range of consumption formats in Australia and internationally.

Specialty Seafood

The Speciality Seafood business performed below the previous corresponding period, reflecting lower sales in New Zealand and increased cost of Salmon.

Brunswick sardines maintained its No 1 brand leadership position in Australia and New Zealand.

In Salmon, Paramount increased its share in the Pink Salmon segment, although the brand suffered some SKU ranging reductions in the 2nd half.

While the business has seen the benefit of higher exchange rates on inventories purchased in \$USD and \$CAD, this was not sufficient to meet cost increases in salmon, compared to the previous corresponding period. The business continued to utilise the procurement power of Bumble Bee Foods of North America, with Bumble Bee securing inventory requirements through priority access to Salmon and Sardine catch volumes.

The business is focussed on driving category leadership of the speciality seafood channel through introducing new product opportunities (including value added and snacking offerings) and revitalised packaging for the Brunswick brand, while continuing to utilise Bumble Bee Foods procurement base.

Pactum Australia

Pactum Australia, which provides innovative contract manufacture solutions in long life (UHT) food beverages for private label and proprietary customers, delivered a strong sales and business EBDITA contribution in its 12 months as a consolidated entity.

Pactum Australia non-dairy production volumes increased during the year to support the growth of Freedom Foods Australia's Own and Blue Diamond brands, in particular focussed on the fast growing almond beverage category.

The business continued to see benefit at its Sydney facility of increasing its mix of value added UHT products to a range of private label and proprietary customers, while migrating out of standard dairy milk production.

As part of its growth strategy, Pactum finalised commissioning in December 2012 of an approximate \$7.5 million capital program to expand its packaging capability at its southern Sydney site to provide portion pack UHT (200-330ml configuration) for value added beverages. Initial customer production commenced in January 2013, with the new capacity operating on a 3 shift operation to meet customer demands.

Pactum Dairy Group (PDG)

In December 2012, Pactum announced that it intended to build a state-of-the-art UHT processing plant to meet demand for high quality dairy milk in export and domestic markets. Pactum will operate the new plant through a joint venture, Pactum Dairy Group Pty Limited (PDG), to be owned jointly (50/50) with Australian Consolidated Milk (ACM), a major Australian dairy milk supply group.

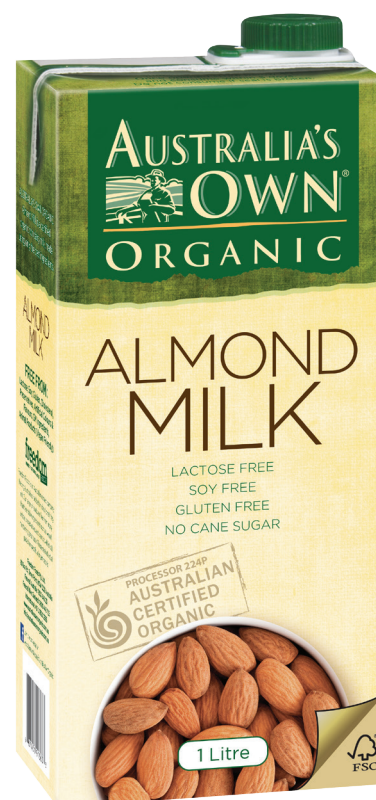
The primary market focus of the new capacity is on supply of high quality UHT dairy milk for export markets to proprietary and private label customers in South East Asia, including China. The new facility will enable Pactum to meet growing demand for UHT dairy milk, while providing additional capacity for value added beverages and food at its Sydney facility.

The location of the new plant at Shepparton in Victoria, will provide for long term access to sustainable and economic sources of dairy milk. The initial capabilities of the plant will be 200ml portion pack and 1 Litre UHT configuration. Initial capacity will be up to 100m litres, with capability to significantly increase this capacity in the longer term.

Pactum has made an initial investment contribution of up to \$4.5 million as equity funds to PDG (being 50% of total proposed equity contribution of \$9 million), funded through internal sources. National Australia Bank is providing finance facilities to PDG.

The new UHT dairy facility at Shepparton is well progressed with trial production to commence in December 2013.

The business is well advanced in securing volumes to meet its base business plan for 2014, with a phased development over 3 years. The business recently established a dedicated sales office in China.



Packaging Capabilities Expansion

As part of its focus on providing innovative contract packaging solutions, Pactum will expand its packaging formats to meet the increasing demands from its private label and proprietary customer base. From July 2014, Pactum will expand its capabilities to include 250ml Prisma format and 330ml Prisma Dreamcap format.

These formats are increasingly being utilised to provide premium packaging for food and beverage products. Prisma 250ml is the leading format for premium beverages, while the Prisma Dreamcap will be the first installation of this format in the Australian market for broad contract packaging application, with its use being for premium consumption formats as a more versatile and environmentally friendly alternative to plastic.

Both capabilities will be available for domestic customers and dairy based export customers.

The packaging capability will be owned by Pactum Australia and operated at PDG's Shepparton facility. It is expected that certain volume from Pactum's Sydney facility will be transferred to the new capability to free up existing capacity for new customers in the Sydney facility.

The total investment for the packaging capabilities will be approximately \$15 million, with an initial earnings contribution from FY 2015 and phased development over 3 years.

Exclusive Supply Agreement for a2 UHT Dairy Milk

Pactum and A2C have agreed the key terms of an agreement for the exclusive supply of a2 UHT milk for Australian and Asian markets utilising Pactum's capabilities at its Sydney and soon to be completed Shepparton facility.

The agreement will provide for an initial term of 5 years, with renewal options and requires agreement from A2C shareholders as a result of Freedom and A2C sharing two common directors.

Strategic Alliance for China Dairy Milk Market

As part of its strategy to develop long term value added supply relationships into China and SE Asia, Freedom Foods and Pactum have agreed to enter into a licence and supply agreement with Shenzhen JLL Group (JLL) in China. JLL will work with Freedom to take dairy products into the China market under Freedom's long standing brands.

JLL will invest in brand marketing and distribution. JLL is owned by Chinese nationals associated with the development of significant consumer beverage brands in the China market.



STRATEGIC EQUITY ASSOCIATES

A2 Corporation Limited (A2C), 18.04% Equity Interest

The Company is the largest single shareholder in A2C. A2C owns and commercialises unique and comprehensive intellectual property rights relating to a2™ brand milk and related dairy products in international markets.



A2C reported for the FY 2013 year, sales of NZD\$94.3 million, an increase of 51% over the prior year and Net Profit After Tax of NZD \$4.1 million. Operating EBITDA (before share of associate earnings and unusual items) was NZD\$10.6 million, an increase of 125% over the prior year.

a2™ branded milk is the fastest growing milk brand in the Australian market and the major driver of category growth nationally, accounting for in excess of 7.4% of grocery channel market share by value. Sales growth in Australia increased 48% over the previous corresponding period.

A2C launched a2™ brand milk in the UK market in October 2012 in partnership with Müller Wiseman Dairies, Britain's largest fresh milk company and by June 2013, had established distribution in 1000 retail outlets in the UK.

The Company progressed its plan for the launch of a2™ Platinum™ infant formula into China, which is expected in September 2013.

In December 2012, A2C completed an equity raising for NZ\$20 million, including a partial sell down by the Company's three largest shareholders. As part of this, the Company sold 40m shares in A2C at NZ\$0.50, for a total net consideration of \$15.4 million, recording a pre tax profit of \$11.8 million.

Post the capital raising and sell down, FNP remains the largest single shareholder in A2C with a fully diluted shareholding of 18.04%. A2C is listed on the main board of the New Zealand Stock Exchange (NZX: ATM), with a market capitalisation as at 27 September 2013 of approximately NZ\$454 million (A\$403 million) implying a value for FNP's 18.04% investment of around A\$73 million, materially above the book value of A\$9.9 million.

The Company equity accounted profit of \$0.8 million. This reflects its share of estimated year end profits from A2C, and its share of profits from 2012 not previously recognised.

Capital Management

The Company's Net Debt / Equity ratio at the year end was 10%, compared to 82% as at 30 June 2012, reflecting the sell down of the A2C shareholding, exercise of options by shareholders and capital raising in April 2013.

Net cashflow from operations during the period increased to \$5.9m, compared to \$5.4m in the previous corresponding period, reflecting consolidation of Pactum Australia. Capital expenditure of \$5.9 million comprised, operating capital expenditure, the balance of the Pactum packaging expansion and initial commitments to expansion at Freedom's Leeton facility.

The Company completed a capital raising of \$17.4 million (gross proceeds) from a placement and entitlements offer in April 2013. The capital raising was significantly oversubscribed with strong demand from a broad range of high quality institutional investors and existing shareholders. The proceeds of the Placement and Entitlement Offer are being utilised to fund the Company's growth strategy including acceleration of capital projects within Freedom Foods and Pactum Australia, new product initiatives, acceleration and expansion of international sales activities and additional working capital requirements.

The Company had \$10.5 million of debtor finance facilities classified under accounting standards as current debt. The debtor finance facilities form part of the Company's financing facilities which are part of a rolling annual review.

The Company intends to maintain a conservative gearing with net debt to equity not to exceed 50%.

The Company completed a buy-back of all unmarketable parcels of shares in the Company in April 2013. The buyback resulted in 42,930 shares being held by 209 shareholders being bought back and cancelled by the Company for a consideration of \$40k.

The Company has on issue approximately 5.2m convertible redeemable preference shares (CRPS), which are convertible 1 for 1 into ordinary shares at election of the holder at any time. The Company has a buy back option from December 2013, which it intends to proceed with for any CRPS not converted into ordinary shares prior to this date.

Dividends

Consistent with the continued improvement in group performance, the Company will pay a final fully franked dividend for FY 2013 of \$0.01 per ordinary share, consistent with the interim dividend paid in April 2013. The dividend will be paid in November 2013. The record date for determining entitlements is 1 October 2013 and the payment date is 1 November 2013.

Ordinary share dividend growth will be in line with the improving financial returns of the Company.

The Company will pay a fully franked converting preference share dividend to be paid in accordance with the terms of the converting preference shares in early November 2013. The record date for determining entitlements is 1 October 2013 and the payment date is 1 November 2013.

The total dividend for the year represents a dividend payout ratio of 39% of operating net profit in FY 2013, which includes the dividends paid out on the preference shares.

Outlook

The Company has continued the positive trend in the development of its unique business platforms in specialised areas of the food market, with two key growth opportunities in Freedom Foods and Pactum Australia, a stable business base in Specialty Seafood and a strategic opportunity in A2C.

Freedom Foods is expected to continue to deliver improved results from growth in existing distribution channels and international markets, aligned with increasing manufacturing efficiencies at its Leeton facility.

The expansion of packaging capabilities in Pactum will result in an increase in sales and profitability in FY 2014, with further growth opportunities through meeting the increasing demands of its private label and proprietary customer base. The investment in Pactum Dairy Group provides a potential medium term opportunity to increase exposure to the growing demand for high quality and safe dairy products from South East Asia, including China.

The strategic investment in A2C provides the Company and its shareholders a potentially significant value creation opportunity through A2C's growth in Australia and international markets.

Overall the Company anticipates growth in sales, operating profitability and improving return on funds employed in FY 2014.



Rory J F Macleod
Managing Director
Freedom Foods Group Limited
+612 9526 2555

■ Directors' Report

Your Directors submit the financial report of Freedom Foods Group Limited (the Company) for the year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

For the names and particulars of the Directors of the Company during or since the end of the financial year, refer to the Corporate Governance Statement.

Company Secretary

Mr Rory J F Macleod held the position of Company Secretary during and at the end of the financial year. He has been with the Company for over 10 years and is the Managing Director. Sharon Maguire is the Assistant Company Secretary.

Principal activities

The principal activities of the consolidated entity during the financial year were:

- manufacture, distribution and marketing of allergen free cereals, nutritional snacks and biscuits;
- manufacture and distribution of long life beverages;
- distribution and marketing of canned seafood;
- investment in branded dairy milk manufacture, marketing and distribution activities.

There were no significant changes in the nature of the principal activities during the financial year.

Review of operations

The consolidated entity's profit attributable to equity holders of the Company, after providing for income tax, amounted to \$13,722,000 (2012 profit: \$3,012,000).

Refer to the commentary in the Managing Directors Review of Operations.

Dividends paid or recommended

In respect of the financial year ended 30 June 2013, the Directors are recommending that a final ordinary dividend of 1 cent per share be paid at the beginning of November 2013 and a converting preference share (CRPS) dividend of 1.4 cents per CRPS to be paid at the beginning of November 2013.

Significant changes in state of affairs

There are no significant changes in the state of affairs for the current financial year.

Subsequent Events

Apart from items disclosed in Note 27, there are no further subsequent events.

Future developments

In future financial years, the consolidated entity expects to further its growth through expansions to other territories, and forming strategic alliances and partnerships.

Environmental regulations

The consolidated entity's operations are subject to environmental regulation under the law of the Commonwealth (AQIS) and the State (Workcover, EPA, Sydney Water, Safe Food NSW) and local council regulations.

- The consolidated entity operates under a Dangerous Goods Licence issued by Workcover.
- There were no breaches of environmental laws, regulations or permits during the year.
- The consolidated entity is currently operating in accordance with local council consent in regard to hours of operation.

Indemnification of officers and auditors

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings; with the exception of the following matter.

During the financial year the Company paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of an officer of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Rounding off of amounts

The Company is an entity to which ASIC Class Order 98/0100 applies. Accordingly amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Meetings of Directors

During the financial year 13 meetings of Directors (including committees) were held.

The following persons acted as Directors of the company during the financial year, with attendances to meetings of Directors as follows:

	Directors Meeting		Audit, risk & compliance committee meetings		Remuneration & nomination committee meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P.R. Gunner	10	10	-	-	1	1
G.H. Babidge	10	9	2	2	1	1
A.M. Perich	10	9	-	-	-	-
R. Perich	10	9	2	2	1	1
M. Miles	10	10	2	2	-	-
R.J.F. Macleod	10	10	2	2	-	-
M.R. Perich (alternate director)	10	8	-	-	-	-

Remuneration report - audited

This report details the nature and amount of remuneration for each Director and the Executives.

Key management personnel include:

P.R. Gunner - Chairman and Non-Executive Director
 R.J.F. Macleod - Managing Director
 G.H. Babidge - Non Executive Director
 A.M. Perich - Non-Executive Director
 R. Perich - Non-Executive Director
 M. Miles - Non-Executive Director
 M. Bracka - CEO, Freedom Foods North America
 A. Haddad - CEO, Pactum Australia
 M. Gauci - Operations Manager, Pactum Australia
 P. Brown - General Manager, Sales, Freedom Brands
 T. Moses - General Manager, Leeton Operations

Remuneration policy

Remuneration arrangements for key management personnel of the Company and Group ("the Directors and Executives") are set competitively to attract and retain appropriately qualified and experienced Directors and Executives. As part of its agreed mandate, the Remuneration and Nomination Committee obtains independent advice when required on the appropriateness of remuneration packages given trends in comparable companies and the objectives of the consolidated entity's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates. The remuneration structures take into account:

- The capability and experience of the Directors and Executives;
- The Directors and Executives' ability to control the relevant operational performance; and
- The amount of incentives within each Director and Executive's remuneration.

Managing Director and Executives

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

The Managing Director and Executives remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers the overall performance of the Group.

Performance based remuneration

Performance based remuneration is at the discretion of the Remuneration and Nomination Committee. These can take the form of share options or cash bonuses. During the year, cash bonuses were paid to A Haddad (Pactum Australia) and M Gauci (Pactum Australia) relating to FY 2012 performance and 600,000 options at 60 cents per option exercise price were granted to RJF Macleod, M Bracka and A Haddad under the Company's Employee Share Option Plan (ESOP).

The ESOP allows the Company to grant options over shares to all directors (excluding Ron and Tony Perich) and permanent full time or part time employees, or their respective nominees, of a company in the group (Group Companies), which includes related bodies corporate of the Company and a body corporate in which the Company has voting power of 20% or more, whom the Board determines to be eligible to participate. The Board believes that Options granted are appropriate to aligning key executive performance with long term performance and growth of the Company.

Options are valued using the binomial method.

Non-Executive Directors

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at an Annual or Extraordinary General Meeting. Total fees for all Non-Executive Directors, last voted upon by shareholders was in June 2013, was not to exceed \$500,000 in total. Total fees paid to Non-Executive Directors for 2013 was \$223,179 (2012: \$195,343). To align director interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The Chairman receives approximately twice the base fee of Non-Executive Directors. Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board activities including Committee Fees. There are no termination or retirement benefits for Non-Executive Directors.

Service agreements

Neither the Managing Director or any other Executive has a fixed term contract. All senior executive management are employed under contract. The agreements outline the components of the remuneration paid to executives including annual review. The agreements do not obligate the business to increase fixed remuneration, pay a short term incentive, make termination benefits or offer a long term incentive in any given year. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. The agreements may be terminated by written notice from either party or by the employing entity within the Group making a payment in lieu of notice. The notice periods are 9 months for the Managing Director, 6 months for CEO Pactum Australia and 12 months for CEO Freedom Foods North America. Other notice periods for other executives are between 1 and 2 months.

Company performance, shareholder wealth and directors and senior management remuneration

The remuneration policy of the company and group is at the discretion of the Remuneration and Nomination Committee. These can take the form of share options or cash bonuses.

The following table shows the revenue, profits, dividends and earnings per share for the past five years for the consolidated entity:

	2013	2012	2011	2010	2009
Revenue (\$000s)	88,831	58,132	45,256	44,071	48,596
Net Profit After Tax (\$000s)	13,722	3,012	4,387	3,357	1,320
Ordinary Dividends Per Share (cents)	2.00	0.50	0.50	-	1.00
CRPS Dividends Per Share (cents)	2.80	3.40	1.00	-	-
Basic Earnings per Share (cents)	14.7	3.9	5.7	5.0	2.4

The Remuneration and Nomination Committee considers that the Company's remuneration structure is appropriate to building shareholder value in the medium term.

Directors and executive officers emoluments

The benefits of each Director who held office and other key management personnel for the year ended 30 June 2013 are as follows:

2013	Short-term employee benefits					Post employment benefits	Share based payments		% of total being
Directors	Salary	Directors' Fees	Committee Fees	Other	Non-cash Benefits	Superannuation Contributions	Options	Total	Options
	\$	\$	\$	\$	\$	\$	\$	\$	
P.R. Gunner	-	68,250	-	-	-	6,143	-	74,393	-
R.J.F. Macleod (1)	350,460	-	-	-	-	15,674	151,605	517,739	29%
G.H. Babidge	-	34,667	-	-	-	3,120	-	37,787	-
A.M. Perich	-	35,425	-	-	-	-	-	35,425	-
R. Perich	-	36,779	-	-	-	1,008	-	37,787	-
M. Miles	-	34,667	-	-	-	3,120	-	37,787	-
Executive Officers									
M. Bracka	317,493	-	-	-	-	17,046	122,628	457,167	27%
(CEO, Freedom Foods North America)									
A. Haddad (2)	276,226	-	-	62,000	-	25,106	108,139	471,471	23%
(CEO, Pactum Australia)									
P. Brown	173,570	-	-	-	-	15,124	-	188,694	-
(General Manager, Sales)									
T. Moses	145,414	-	-	-	-	15,242	-	160,656	-
(General Manager, Leeton Operations)									
M. Gauci (2)	149,020	-	-	25,000	-	14,336	-	188,356	-
(Operations Manager)									
	1,412,183	209,788	-	87,000	-	115,919	382,372	2,207,262	17%

- (1) RJF Macleod remuneration included pay out of accrued leave during the financial year
 (2) Other is a bonus for performance relating to FY2012

2012	Short-term employee benefits					Post employ- ment benefits	Share based payments		% of total being
Directors	Salary	Directors' Fees	Committee Fees	Other	Non-cash Benefits	Superannuation Contributions	Options	Total	Options
	\$	\$	\$	\$	\$	\$	\$	\$	
P.R. Gunner	-	61,000	2,000	-	-	5,670	-	68,670	-
R.J.F. Macleod	259,800	-	-	-	-	15,775	76,088	351,663	22%
G.H. Babidge	-	20,333	1,000	-	-	2,880	-	24,213	-
A.M. Perich	-	31,700	1,000	-	-	-	-	32,700	-
R. Perich	-	30,000	2,000	-	-	2,880	-	34,880	-
M. Miles	-	30,000	2,000	-	-	2,880	-	34,880	-
Executive Officers									
M. Bracka	309,800	-	-	-	-	15,775	60,870	386,445	16%
(CEO, Freedom Brands)									
A. Haddad (1)	59,150	-	-	59,000	-	5,066	53,261	179,477	30%
(CEO, Pactum Australia)									
P. Brown	164,220	-	-	-	-	14,780	-	179,000	-
(General Manager, Sales)									
T. Moses (2)	43,366	-	-	-	-	4,681	-	48,047	-
(General Manager, Leeton Operations)									
M. Gauci (3)	33,935	-	-	31,200	-	3,800	-	68,935	-
(Operations Manager)									
	870,271	173,033	8,000	90,200	-	74,187	190,219	1,405,910	14%

- (1) Salary is for the period from 1 April 2012 to 30 June 2012 during which Pactum was a subsidiary of the Group. Other is a bonus relating to FY2011.
- (2) Commenced 12 March 2012.
- (3) Salary is for the period from 1 April 2012 to 30 June 2012 during which Pactum was a subsidiary of the Group. Other is a bonus relating to FY2011.

No Director or senior management person appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

Bonus payments as compensation for the current financial year

Bonus payments are payable to Group employees with respect to the financial year ended 30 June 2013.

Employee share options

During the financial year share options have been granted to key management personnel of the Company and consolidated entity as part of their remuneration.

Details of unissued shares or interests under option granted to key management personnel as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of options	Expiry date of options
Freedom Foods Group Limited (i)	6,250,000	Ordinary	\$0.40	2 February 2017
Freedom Foods Group Limited (ii)	2,200,000	Ordinary	\$0.60	30 August 2017

Grant date	Fair value at grant
(i) Issued 2 February 2012	\$0.122
(i) Issued 30 August 2012	\$0.066

Recipients (i)	Name	Number	Fair Value (\$)	Conditions
Issued 2 February 2012	R.J.F. Macleod	2,500,000	305,000	Employment
Issued 2 February 2012	M. Bracka	2,000,000	244,000	Employment
Issued 2 February 2012	A. Haddad	1,750,000	213,500	Employment
Issued 30 August 2012	R.J.F. Macleod	200,000	13,200	Employment
Issued 30 August 2012	Senior Employees	2,000,000	132,000	Employment

There are no further performance criteria that need to be met in relation to options granted. Options vest over a period of either 3 years and relate to an employee's service period only.

The holders of these options do not have the right by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Directors' shareholding

Refer to Principle 2 "Structure of the Board to add value" in the Corporate Governance Statement.

Non-audit services

During the year Deloitte Touche Tohmatsu, the auditors have performed certain other services in addition to their statutory duties. With respect to the non-audit services provided during the year by the auditor, the Board has considered written advice provided and a recommendation of the Audit, Risk and Compliance Committee. The Board is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporation Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by The Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Details of the amounts paid/payable to the auditor of the consolidated entity, Deloitte Touche Tohmatsu for audit and non-audit services provided during the year are set out below:

	Consolidated	
	2013 \$	2012 \$
Audit Services		
Auditors of the Company - Deloitte Touche Tohmatsu		
- audit and review of financial reports	219,810	209,010
- taxation advice	125,429	72,937
- research and development advice	59,872	34,504
	405,111	316,451

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. s.300(11B)(c) The directors are of the opinion that the services as disclosed in note 8 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

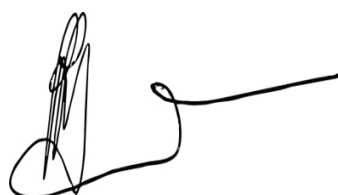
A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act follows the Directors' Report.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all of those proceedings.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Perry Gunner

Chairman

Dated at Sydney 30 September 2013



Rory J F Macleod

Managing Director

■ Lead Auditor's Independence Declaration



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Eclipse Tower
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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

Dear Board Members

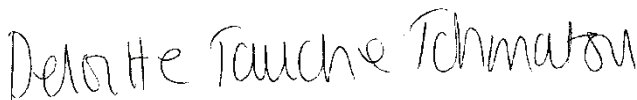
Freedom Foods Group Limited

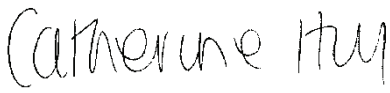
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Freedom Foods Group Limited.

As lead audit partner for the audit of the financial statements of Freedom Foods Group Limited for the financial year ended 30 June 2013, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely


DELOITTE TOUCHE TOHMATSU


Catherine Hill
Partner
Chartered Accountants
Sydney, 30 September 2013

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

■ Corporate Governance Statement

Freedom Foods Group Limited (the Company) is committed to implementing the highest possible standards of corporate governance and ensures, wherever possible, that its practices are consistent with the Second Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations.

Each of the eight principles is listed in turn. In certain circumstances, due to the size and stage of development of the Company and its operations, it may not be practicable or necessary to implement the ASX Principles in their entirety. In such instances, the Company will identify the areas of divergence. The Corporate Governance Statement, Policies and Charters are available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction.

Principle 1

Lay solid foundations for management and oversight by the Board

The Board's responsibilities are encompassed in a Charter which is available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction. The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include:

- (1) oversight of the Company, including its control and accountability systems;
- (2) appointing and removing the Managing Director (or equivalent) for the ongoing management task of developing and implementing suitable strategies consistent with the Company's policies and strategic direction, including approving remuneration of the Managing Director and remuneration policy and succession plans for the Managing Director;
- (3) ratifying the appointment and, where appropriate, the removal of the CFO (or equivalent) and the Company Secretary;
- (4) reviewing and determining the strategic direction and policies of the Company, the allocation of resources, planning for the future and succession planning;
- (5) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (6) monitoring executive management performance and implementation of strategy and ensuring appropriate resources are available;
- (7) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- (8) continuously monitoring and overseeing the Company's financial position; and
- (9) approving and monitoring financial and other reporting.

Key responsibilities of the Board include the overseeing of the strategic direction of the Company, determining its policies and objectives and monitoring executive management performance. The Board adopts a three-year business plan and a 12 month operating plan for the Company. Financial results and general performance are closely monitored against the operating plan objectives.

To assist in carrying out its responsibilities, the Board has established the following committees of its members. They are:

- (1) Audit, Risk and Compliance Committee; and
- (2) Remuneration and Nomination Committee.

The responsibilities delegated by the Board to the Company's management, as set out in the Company's Statement of Delegated Authority, include managing the day-to-day operations of the Company and Consolidated entities. The Statement of Delegated Authority is available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction.

The Managing Director and Senior Executive management have service contracts and position descriptions, setting out their duties, responsibilities, and conditions of service and termination entitlements. Any new Directors appointed will receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

The Managing Director and Senior Executive management are subject to a formal performance review process on an annual basis. The Remuneration and Nomination Committee reviews the performance of the Managing Director and Senior Executive management against clear performance objectives. Principal and secondary objectives for the financial year have been established which are evaluated against and includes monthly monitoring of performance. A performance evaluation was undertaken in August 2012 in accordance with the process disclosed.

Principle 2

Structure of the Board to add value

The Board determines the Board's size and composition, subject to limits imposed by the Company's Constitution. The Constitution provides for a minimum of three Directors and a maximum of ten. At this time the Board comprises of six Directors (excluding alternate Director), three of whom are non-executive independent Directors including the Chairman. A Director is deemed to be independent if he or she is a Non-Executive Director and:

- (1) is not a substantial shareholder;
- (2) has not been employed in an executive capacity in the Company in the last three years;
- (3) has not acted as a material consultant to the Company in the last three years;
- (4) is not a material supplier or customer of the Company;
- (5) has no material contractual relationship with the Company;
- (6) has not served on the Board for a period which could materially interfere with his or her ability to act in the best interests of the Company; and
- (7) is free from any interest which could materially interfere with his or her ability to act in the best interests of the Company.

The test of independence for Directors is set out in detail under section 4 of the Board Charter, which is available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction. Materiality thresholds referred to above are assessed on a case-by-case basis.

Whilst the Board is not structured with a majority of independent directors in terms of the ASX Corporate Governance Council's discussion of independent status, the Board believes that the Directors are able, and do make, quality and independent judgement in the best interests of the Company on all relevant issues before the Board. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent Directors.

The Board aims to attract and maintain a Board which has an appropriate mix of skills, experience, expertise and diversity.

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr P.R. Gunner

Chairman (Non-Executive), Age 66. Appointed in April 2003, Director 10 years.

B.Ag.Sc - is former Chairman and CEO of Orlando Wyndham Wine Group, a current Director of A2 Corporation, Deputy Chairman of Vitterra Inc and Director of Australian Vintage Ltd. Appointed Chairman in July 2006. Chairman of the Remuneration & Nomination Committee.

Interest in shares and options are 526,009 ordinary shares, 159,604 convertible redeemable preference shares and 159,604 \$0.40 options over ordinary shares. Measured against the independence criteria adopted by the Company, Mr Gunner is considered an independent Director.

Mr R.J.F. Macleod

Managing Director Age 45. Appointed Director in May 2008, Director 5 years.

B.Econ (Hons) - currently Managing Director and director of all Group entities. Mr Macleod has been with the group for the past 10 years responsible for strategic and corporate development and finance and administration. Former Senior Director, corporate finance for UBS in Australasia and Europe where he gained extensive experience in strategy and commercial development, mergers and acquisitions and corporate analysis.

Interest in shares and options are 193,792 ordinary shares, 6,666 \$0.40 options over ordinary shares and 2,700,000 options (2,500,000 exercisable at \$0.40 and 200,000 exercisable at \$0.60) under the group employee share option scheme. Mr Macleod, being Managing Director of the Company, is not considered independent.

Mr G.H. Babidge

Non Executive Director, Age 60. Appointed Director in January 2002 and resigned in June 2013, Director 11 years.

B.Comm., ACA – extensive public company experience within the food industry. Currently Managing Director of A2 Corporation Limited. Former Managing Director of Freedom Foods Group Limited, former CEO of the major milling and baking group, Bunge Defiance and many years Managing Director of the dairy interests of National Foods Limited.

Interest in shares and options are 100,391 ordinary shares, 30,643 convertible redeemable preference shares, 30,643 \$0.40 options over ordinary shares.

Mr A.M. Perich

Director (Non-Executive), Age 72. Appointed Director in July 2006, Director 7 years.

Member of the Order of Australia - Joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Company, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. He is also a property developer, farmer and business entrepreneur. Outside of the Perich Group Mr. A.M. Perich holds a number of other directorships which include, Greenfields Narellan Holdings, East Coast Woodshavings Pty Limited, Breeders Choice Woodshavings Pty Limited, Austral Malaysian Mining Limited, Pulai Mining Sdn Bhd (Malaysia) and Inghams Health Research Institute. Memberships include Narellan Chamber of Commerce, Narellan Rotary Club, Urban Development Institute of Australia, Urban Taskforce, Property Council of Australia, past President of Narellan Rotary Club and Past President of Dairy Research at Sydney University.

Interest in shares and options are 69,225,112 ordinary shares and 15,995,142 convertible redeemable preference shares. Being a substantial shareholder of the Company, Mr. A.M. Perich is not considered an independent Director.

Mr R. Perich

Director (Non-Executive), Age 70. Appointed Director in April 2005, Director 8 years.

Joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Company, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. He is also a property developer, farmer and business entrepreneur. Former Director of United Dairies Limited. Member of the Audit, Risk & Compliance Committee and member of the Remuneration & Nomination Committee.

Interest in shares and options are 69,225,112 ordinary shares and 15,995,142 convertible redeemable preference shares. Being a substantial shareholder of the Company, Mr. R. Perich is not considered an independent Director

Mr M. Miles

Director (Non-Executive), Age 64. Appointed Director in November 2006, Director 6 years.

B.Sc (Hons) F.I.B.D. - former Vice President of Carlton and United Breweries and Foster's Group, former Director of Carlton & United Breweries & its subsidiaries, current Director of A2C and Brewtique Pty Limited and former Chairman of South Pacific Distilleries, Fiji. Member of the Strategic Planning Committee of the Institute of Brewing and Distilling Asia Pacific. Member of the Remuneration and Nomination Committee and the Audit, Risk & Compliance Committee.

Interest in shares and options are 222,413 ordinary shares, 64,584 convertible redeemable preference shares and 64,584 \$0.40 options over ordinary shares. Measured

against the independence criteria adopted by the Company, Mr. Miles is considered an independent director.

Mr T.J. Allen

Director (Non-Executive), Age 57. Appointed Director July 2013.

B Comm (Hons), CA, FF, MAICD – former partner of KPMG and the National Head of its Mergers and Acquisitions business. With over thirty years experience in the corporate advisory sector including senior positions at SBC Warburg (now part of UBS), Baring Brothers and KPMG. He is a non-executive director of Peet Limited, where he chairs its Remuneration Committee, a non-executive director and honorary treasurer of the Juvenile Diabetes Research Foundation and an executive director of ICS Advisory Limited, a boutique corporate advisory firm. He is Chairman of the Audit Risk & Compliance Committee.

Interest in shares are 16,000 ordinary shares. Measured against the independence criteria adopted by the Company, Mr. Allen is considered an independent director.

Mr M.R. Perich

Alternate Director (Non-Executive), Age 38. Appointed Alternate Director for A.M Perich and R. Perich in March 2009, Director 4 years.

B AppSci (SysAg), Director of Arrovest Pty Limited, Leppington Pastoral Company, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. Former Director of Contract Beverages Packers of Australia Pty Limited, a joint venture controlled equally by the Company and Arrovest, Director of Australian Dairy Conference and Dairy NSW, Vice President of Dairy Research Foundation and Graduate Member of the Australian Institute of Company Directors post nominals.

Interest in shares and options are 69,225,112 ordinary shares and 15,995,142 convertible redeemable preference shares. Being a substantial shareholder of the Company, Mr. M. Perich is not considered an independent Director.

In order to facilitate independent judgement in decision making, each Director may seek independent professional advice at the Company's expense. If advice is sought by the Chairman, he must obtain board approval if the fees for such advice exceeds \$50,000 (exclusive of GST), such approval is not to be unreasonably withheld. Where advice is sought by the other Directors, prior written approval by the Chairman is required but approval will not be unreasonable withheld. If the Chairman refuses to give approval, the matter must be referred to the Board. All Directors are made aware of the professional advice sought and obtained.

There is a clear division of responsibility between the Chairman and Managing Director.

The Remuneration and Nomination Committee of the Board comprises of three Non-Executive Directors-Messrs. P.R. Gunner, R. Perich and G.H. Babidge, up until his

resignation in June 2013 when he was replaced on the committee by T Allen. Two out of three committee members are independent. Mr Gunner, who is an independent Director, is the Committee Chairman. The Committee Charter which is available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction, details the process and timing for re election of directors. The Board's policy for nomination and appointment of Directors also forms part of the Charter.

The Company Constitution states that at each Annual General Meeting (AGM) one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the nearest number greater than one-third, shall retire from office. A retiring Director shall be eligible for re-election. No Director (other than a Managing Director) may hold office without re-election past the third annual general meeting following their appointment or three years, whichever is longer or, in the case of a Director appointed by the Directors as an additional Director or to fill a casual vacancy, past the next annual general meeting of the Company. Any Director appointed by the Board since the last AGM must stand for election at the next AGM.

The Remuneration and Nomination Committee is responsible for ensuring that the Board is of a size and composition that allows for:

- (1) decisions to be made expediently;
- (2) a range of different perspectives to be put forward regarding issues before the Board;
- (3) a range of different skills to be brought to Board deliberations; and
- (4) Board decisions to be made in the best interests of the Company as a whole rather than of individual shareholders or interest groups.

The Committee's functions are to review and report to the Board on:

- remuneration policy for the entire consolidated entity (including Managing Director, Senior Executives and Non-Executive Directors);
- identifying nominees for Directorships and other key Executive appointments;
- assessing Director competencies;
- evaluating the Board's performance annually; and
- remuneration policies and practices.

The Remuneration and Nomination Committee is responsible for the:

- (1) evaluation and review of the performance of the Board (excluding the Chairman);
- (2) evaluation and review of the performance of individual Directors;

- (3) review of and making of recommendations on the size and structure of the Board; and
- (4) review of the effectiveness and programme of Board meetings.

A review of the performance of the individual Directors occurs each year. The Board undertook an evaluation of itself and its committees in June 2013, with all Directors providing input as to the effectiveness of the board processes, meetings, composition and reporting with Directors having an opportunity to discuss and comment on such matters with the Chairman. The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. The Board also reviews the performance and composition of its committees on an annual basis.

The Remuneration and Nomination Committee meets as frequently as required and at least twice a year. The quorum for such meetings is two members, at least one of whom shall be independent. Details of the Committee members' attendance at Committee meetings are set out in the Directors' Report.

Subject to normal privacy requirements, each Director has the right of access to all of the Company's records, information and senior Executives. They receive regular detailed reports on financial and operational aspects of the Company's business and may request elaboration or explanation of these reports at any time. New Directors undergo an induction process in which they are given a full briefing of the operations of the Company. Where possible, this includes meetings with key Executives, tours of the operating sites (if practicable), provision of an induction package containing key corporate information and presentations. Directors and Executives are encouraged to broaden their knowledge of the Company's business and to keep abreast of developments in business more generally by attendance at relevant courses, seminars, conferences, etc. The Company meets expenses involved in such activities.

Names of Members of Committees

	Remuneration and Nomination Committee	Audit Risk and Compliance Committee
P.R. Gunner	✓	-
G.H. Babidge (up until resignation in June 2013)	✓	✓
A.M. Perich	-	-
R. Perich	✓	✓
M. Miles	-	✓
R.J.F. Macleod	-	-
T.J. Allen (from appointment in July 2013)	✓	✓

Principle 3

Promote ethical and responsible decision-making

The Directors acknowledge the need for, and continued maintenance of, a high standard of corporate governance practices and ethical conduct by all Directors and employees. In maintaining its ethical standards, the Company will:

- (1) behave with integrity in all its dealings with customers, shareholders, employees, suppliers, business partners and the community;
- (2) ensure its actions comply with applicable laws and regulations;
- (3) not engage in any activity that could be construed to involve an improper inducement;
- (4) achieve a working environment where:
 - (i) equal opportunity is rigorously practised;
 - (ii) harassment and other offensive forms of behaviour are not tolerated;
 - (iii) confidentiality of commercially sensitive information is protected; and
 - (iv) employees are encouraged to discuss concerns and ethical behaviour with Directors and senior Executives.

The Board, Senior Executives and all employees of the Company are committed to implementing this Code of Ethics and each individual is accountable for such compliance. A copy of the Code is made available to Directors, employees, contractors and relevant personnel and is available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction.

Senior Executive management is responsible for establishing, implementing and reviewing the effectiveness of the Code of Ethics as well as for overseeing that all of the Company's employees and contractors understand, and act in accordance with the Code.

The Board has implemented a range of procedures designed to oversee that the Company complies with the law and achieves high ethical standards in identifying and resolving or managing conflicts of interest. All Directors must advise the Chairman of all business dealings with the Company.

As a part of active promotion of ethical behaviour, any behaviour that does not comply with the Code must be duly reported. Protection will be provided for those who report violations in good faith.

The Company's Securities Trading Policies for Directors and Senior Executives generally allow Directors and Senior

Executives to deal in the Company's securities other than the following:

- a. from 1 month prior to the release of the annual or half yearly accounts;
- b. within the period of 1 month prior to the issue of a prospectus;
- c. where there is price sensitive information that has not been disclosed because of an ASX Listing Rule exemption; and
- d. any additional period arising from time to time that the Board imposes a prohibition on trading by Key Management Personnel as an 'ad-hoc' prohibition on trading of Securities. Further details of the policies are available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction.

Diversity Policy

In accordance with the ASX Corporate Governance Recommendations on diversity, the Board established a Diversity Policy in the 2012 financial year which includes:

- a. a requirement that the Board establish measurable objectives for achieving gender diversity; and
- b. a requirement for the Board to assess annually both the gender objectives and the progress in achieving them.

This policy once adopted will be available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction and assessments will be reported in the annual report.

The Company acknowledges the positive outcome that can be achieved through a diverse workforce and is committed to actively managing diversity as a means of enhancing the Company's performance.

The Board will establish measurable objectives for achieving gender diversity in the upcoming financial year and will report on the progress in achieving them in the following year's annual report.

As at 30 June 2013, the proportion of women employed by the Company was as follows:

- Board of Directors: 0%
- Senior Executive positions: 0%
- Total Company workforce: 36%

Workplace Gender Equality

The Workplace Gender Equality Act 2012 (WGE Act) puts a focus on promoting and improving gender equality and outcomes for both women and men in the workplace. All non-public sector employers with 100 or more employees are required to report annually under the WGE Act.

The Company has submitted its 2013 report to the Workplace Gender Equality Agency. A copy of this report is available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction.

Principle 4

Safeguard integrity in financial reporting

The Board has established an Audit, Risk and Compliance Committee comprising three Non-Executive Directors, with appropriate experience. Every member of the Committee must be able to read and understand financial statements with experience in financial and accounting matters. Currently, the Committee comprises of Mr T Allen (Chairman), Mr R Perich and Mr M Miles. Mr G H Babidge resigned from the Committee in June 2013 when he was replaced on the committee by Mr T Allen. Up until June 2013, one out of the three Committee members were independent. The Chairman of the Committee is an independent Director and is not Chairman of the Board.

The Managing Director, other senior management and the external audit partner attend Committee meetings at the discretion of the Committee.

The external auditors have a direct line of communication at any time to either the Chairman of the Audit, Risk and Compliance Committee or the Chairman of the Board.

The Audit, Risk and Compliance Committee is responsible for:

- (1) reviewing and reporting to the Board on the half yearly and annual reports and financial statements of the Company and consolidated entities;
- (2) nominating the external auditor and reviewing the adequacy, scope and quality of the annual statutory audit and half yearly statutory review;
- (3) reviewing the effectiveness of the Company's internal control systems;
- (4) monitoring and reviewing the reliability of financial reporting;
- (5) monitoring and reviewing the compliance of the Company with applicable laws and regulations;
- (6) monitoring the Australian Accounting Standards and Interpretations;
- (7) monitoring financial risks and exposure of the Company's assets;
- (8) monitoring the risk management policy and plans;
- (9) reviewing the Company's Occupational Health and Safety obligations and the Company's compliance;
- (10) reviewing the Company's insurance policies and coverage; and

- (11) overseeing the independence of external auditors and annually reviewing the Company's policy on maintaining the independence of external auditor.

The Committee has a formal Charter which is available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction. The Committee meets as frequently as required and at least twice a year. The quorum for such meetings is two members, at least one of whom shall be independent. Details of the Committee members' attendance at Committee meetings are set out in the Directors' Report. The minutes of each Committee meeting are reviewed at the subsequent Board meeting and signed as an accurate record of proceedings. At the subsequent Board meeting the Chairman of the Committee reports on the Committee's conclusions and recommendations.

The candidates for the position of external auditor must be able to demonstrate complete independence from the Company and an ability to maintain independence throughout the engagement period. The external auditors have advised, after consultation with the Company, that the audit engagement partner shall be rotated every five years. The Board may select an external auditor based on the criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, costs, and any other matters deemed relevant by the Board.

Principle 5

Make timely and balanced disclosure

The purpose of the Continuous Disclosure Policy is to ensure that there are mechanisms in place to provide all investors with equal and timely access to material information concerning the Company. Such information must be presented in a clear and balanced way so as not to omit any material information.

This Policy is designed to ensure that the Company meets its continuous disclosure obligations under the ASX Listing Rules and is available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction.

Type of information that needs to be disclosed

Listing Rule 3.1 states that any information that a reasonable person would consider to have a material effect on the value of the Company securities must be disclosed. Examples of such information include a change in revenue, asset values or significant transactions.

Directors receive copies of all announcements immediately after notification to the ASX. All announcements are posted to the Company's website. A report is submitted to each Board meeting of disclosures to the ASX since last meeting with the Disclosure File available for review.

Disclosure Officer

The Board has appointed the Company Secretary to act as the Disclosure Officer, responsible for communications with the ASX. The Company Secretary in discussion with the Managing Director and Chairman (as required) decides what information must be disclosed. The Disclosure Officer holds the primary responsibility for ensuring that the Company complies with its disclosure obligations. In addition, Directors, employees or consultants are all responsible for reporting price sensitive information that is not generally available to the Disclosure Officer.

To enhance clarity and balance of reporting and to enable investors to make an informed assessment of the Company's performance, financial results are accompanied by commentary.

Principle 6

Respect the rights of shareholders

The Company aims to keep shareholders informed of the Company's performance in an ongoing manner. Apart from information provided pursuant to the Company's legal and ASX Listing Rules obligations regarding continuous disclosure of information, the Company also communicates with shareholders through the:

- (1) Annual Report which is available to all shareholders. The Annual Report includes relevant information about the Company's operations and performance;
- (2) invitation to the annual general meeting and all accompanying papers;
- (3) by contacting the Company on +612 9526 2555 whilst the corporate website is under construction;
- (4) reports to the ASX and the press;
- (5) half year and full year profit announcements; and
- (6) information and presentations to analysts (which are released to the ASX).

The Annual General Meeting provides an important opportunity for shareholders to express their views and respond to initiatives being proposed by the Board.

The Company also requests that the external auditor attend the Annual General Meeting and be available to answer shareholder questions about the audit and the preparation and content of the audit reports.

In accordance with Principle 6 of the ASX Principles, the Company will establish a Communications with Shareholder Policy, incorporating matters disclosed above. The policy once adopted will be available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction.

Principle 7

Recognise and manage risk

Risk oversight and management policies

The Company's Risk Management Policy is available by contacting the Company on +612 9526 2555 whilst the corporate website is under construction. The Policy covers the areas of oversight, risk management, risk profile, compliance and control and assessment of effectiveness. The Audit, Risk and Compliance Committee (details and composition of which have been set out earlier) is responsible for providing the Board with advice and recommendations regarding the ongoing development of the Policy.

Risk management and risk profile

The Committee is responsible for:

- (1) providing the Board with advice and recommendations regarding the Company's:
 - (i) risk management system; and
 - (ii) risk profile that describes the material risks (including financial and non-financial risks)
- (2) reviewing the effectiveness of the Company's implementation of the risk management system at least once a year;
- (3) regularly reviewing and updating the Company's risk profile; and
- (4) ensuring that the appropriate Executives have established and implemented a system for identifying, assessing, monitoring and managing risk throughout the organisation. The system is to include the Company's internal compliance and control systems.

Executive management provide the Committee and Board with regular reports on operational, financial, regulatory and commercial matters within their business divisions. This ensures Management accountability. Executive management is responsible for designing and implementing a risk management and internal control system to manage the Company's material business risks. Executive management identifies and reviews the major risks impacting each area of the business and develops strategies to effectively mitigate these risks.

As required by the ASX Principles, Executive management has reported to the Board on the effectiveness of the management of its material business risks. The ultimate responsibility for risk oversight and management rests with the Board.

Due to the size and scale of operations of the Company, there is no separate internal audit function.

Executive Management Assurances

As part of the structure of financial review and authorisation, the Managing Director and Senior Executive management are required to provide written assurances that the financial reports present a true and fair view of the Company's and consolidated entity's financial position in all material aspects and that the integrity of the financial statements is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board and is operating efficiently and effectively in all material aspects in relation to financial reporting risks. As part of internal management reporting policy relevant senior personnel provide written assurances regarding the integrity of the financial reports to support the Managing Director and Senior Executive management assurances to the Board. The Board received the written assurances with respect to the 2012 financial year.

Principle 8

Remunerate fairly and responsibly.

The Board has established a Remuneration and Nomination Committee to consider and report on, among other matters, remuneration policies and packages applicable to Board members and to Senior Executives of the Company. The Committee is responsible for ensuring that any equity-based Executive or Non-Executive Director remuneration is made in accordance with any thresholds approved by shareholders. The composition and details of the Committee have been detailed earlier in this Statement.

In respect of remuneration issues, the responsibilities of the Committee include determining, evaluating and reporting to the Board with respect to:

- (1) executive remuneration and incentive policies, including ensuring that the remuneration policies and practices of the Company are consistent with its strategic goals and human resource objectives;
- (2) the Company's recruitment, retention and termination policies and procedures for executives;
- (3) incentive schemes;
- (4) superannuation arrangements; and
- (5) the remuneration framework for Directors.

The Committee operates independently of the senior management of the Company in its recommendations to the Board in relation to:

- (1) reviewing on an annual basis the performance and salary of the Executive management group including Executive and Employee Share Option Plan participation;
- (2) the remuneration packages and other terms and conditions of appointment and continuing employment of senior Executives; and
- (3) reviewing Non-Executive Directors' remuneration within the maximum amount approved by shareholders.

The Board believes that Directors are properly rewarded through payment of a fee which is reviewed annually in the light of market conditions and has regard to the responsibilities placed on the Directors by the legal and financial framework within which they act.

The Committee's main functions include:

- (1) conditions of service and remuneration of Executive management and their direct reports;
- (2) performance of the Executive management;
- (3) ensure that the remuneration policy achieves both a level and composition of remuneration that is both competitive and reasonable. Remuneration policies are designed to attract and maintain talented and motivated Directors and employees as well as raising the level of performance of the Company; and
- (4) recommendation to the Board, which has the discretion to reward eligible employees with the payment of bonuses, share options and other incentive payments. These incentive payments are designed to link reward to performance and are determined by both financial and non-financial imperatives.

Executive management attend meetings of the Remuneration and Nomination Committee by invitation when required to report on, and discuss, senior management performance, remuneration matters, etc.

Non-Executive Directors receive fees determined by the Board, but within the aggregate limit approved by Shareholders at a General Meeting.

The structure of remuneration for Non-Executive Directors and the Managing Director is different. As explained in the Remuneration Report, the Managing Director and key management personnel receive fixed remuneration, employer contributions to superannuation funds and options. Options are valued using the binomial method and are not linked to the performance of the Company, but to the personnel's employment. The Securities Trading Policy for Directors and Senior Executives restricts entering into transactions with securities in associated products which operate to limit the economic risk of any unvested entitlements under any equity based remuneration scheme offered by the Company. Remuneration packages of Non-Executive Directors are fee based. Non-Executive Directors do not participate in bonus payments or any retirement benefits other than statutory superannuation.

In accordance with the securities trading policy, Senior Executives and Directors are prohibited from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration schemes offered by the Company.

■ Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the financial year ended 30 June 2013

	Notes	Consolidated \$'000	
		2013	2012
Revenue from sale of goods	5	88,922	58,137
Cost of sales		(60,522)	(40,549)
Gross profit		28,400	17,588
Other income	5	108	468
Marketing expenses		(2,433)	(2,419)
Selling and distribution expenses		(10,157)	(6,746)
Administrative expenses		(5,072)	(3,670)
Depreciation		(2,628)	(1,372)
Finance costs	6	(2,356)	(1,813)
Profit on sale of A2C shares		11,843	-
Share of profit of joint ventures accounted for using the equity method		-	564
Share of profit of associates accounted for using the equity method	35	819	650
Profit before tax		18,524	3,250
Income tax expense	7	(4,802)	(238)
Profit for the year		13,722	3,012
Other comprehensive income		-	-
Total comprehensive income for the year		13,722	3,012
Profit attributable to:			
Owners of the company		13,722	3,012
Non-controlling interests		-	-
		13,722	3,012
Total comprehensive income attributable to:			
Owners of the company		13,722	3,012
Non-controlling interests		-	-
		13,722	3,012
Earnings per share			
From continuing operations:			
Basic earnings per share (cents per share)	9	14.73	3.88
Diluted earnings per share (cents per share)	9	11.96	3.11
Ordinary Dividends per share paid - Final 2012 (cents per share)		1.00	0.50
CRPS Dividends per share paid - Final 2012 (cents per share)		1.40	2.00
Ordinary Dividends per share paid - Interim 2013 (cents per share)		1.00	-
CRPS Dividends per share paid - Interim 2013 (cents per share)		1.35	1.40

Notes to the financial statements are included on pages 34 to 78.

■ Consolidated Statement of Financial Position

For the financial year ended 30 June 2013

	Notes	Consolidated \$'000	
		2013	2012
ASSETS			
Current assets			
Cash and cash equivalents	22(a)	14,106	767
Trade and other receivables	10	19,076	17,746
Other financial assets	11	148	81
Inventories	12	14,886	13,144
Prepayments		918	644
Total Current Assets		49,134	32,382
Non-current assets			
Investments in associates	11	9,909	12,357
Deferred tax assets	7	1,146	2,035
Property, plant and equipment	14	45,162	35,619
Goodwill	13	5,214	5,214
Other intangible assets	13	16,274	16,274
Total non-current assets		77,705	71,499
TOTAL ASSETS		126,839	103,881
LIABILITIES			
Current liabilities			
Trade and other payables	15	15,847	14,773
Borrowings	16	14,282	19,001
Current tax liabilities	7	4,375	816
Loans payable to related parties	16	-	8,064
Other liabilities	15	472	423
Provisions	17	1,217	902
Total current liabilities		36,193	43,979
Non-current liabilities			
Trade and other payables	15	63	73
Borrowings	16	8,066	12,395
Provisions	17	122	164
Total non-current liabilities		8,251	12,632
TOTAL LIABILITIES		44,444	56,611
NET ASSETS		82,395	47,270
EQUITY			
Capital and Reserves			
Equity attributable to owners of the company			
Issued capital	18	62,978	39,508
Reserves	19	(3,549)	(3,901)
Retained earnings	20	22,966	11,663
TOTAL EQUITY		82,395	47,270

Notes to the financial statements are included on pages 34 to 78.

■ Consolidated Statement of Cash Flows

For the financial year ended 30 June 2013

	Notes	Consolidated \$000	
		2013	2012
Cash flows from operating activities			
Receipts from customers		87,480	55,926
Payments to suppliers and employees		(81,605)	(50,495)
Cash generated from operations		5,875	5,431
Interest paid		(1,979)	(1,808)
Income tax paid		(353)	(119)
Receipt of government grants		115	182
Net cash generated by operating activities	22(b)	3,658	3,686
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	18
Payment for property, plant and equipment		(10,193)	(5,144)
Purchase of shares in associated entity		(20)	(2,064)
Proceeds from sale of shares in associated entity		15,277	-
Net cash inflow on acquisition of subsidiary		-	168
Advance to Joint Venture		-	(1,438)
Net cash provided by/(used in) investing activities		5,064	(8,460)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the company		24,109	211
Payment of share issue costs		(722)	(6)
Dividends paid		(2,327)	(1,020)
Proceeds from borrowings		4,201	7,511
Repayment of borrowings		(12,257)	(3,401)
Repayment of related party loan		(8,387)	-
Proceeds from related parties		-	2,064
Net cash provided by financing activities		4,617	5,359
Cash and cash equivalents at beginning of financial year		767	585
Net increase in cash and cash equivalents		13,339	182
Cash and cash equivalents at end of financial year	22(a)	14,106	767

Notes to the financial statements are included on pages 34 to 78.

■ Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2013

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
	Notes	Fully paid ordinary shares \$'000	CRPS Shares \$'000	Retained earnings \$'000	Equity - settled employee benefits reserve \$'000	Other Reserve \$'000	Asset revaluation reserve \$'000	Total \$'000	Non controlling interest \$'000	Total Equity \$'000
CONSOLIDATED										
Balance as at 30 June 2011		33,655	5,633	9,689	533	0	473	49,983	-	49,983
Equity issues	18	229	-	-	-	-	-	229	-	229
Share issue costs	18	(9)	-	-	-	-	-	(9)	-	(9)
Acquisition of subsidiary under common control	19	-	-	-	-	(5,013)	-	(5,013)	-	(5,013)
Profit for the year		-	-	3,012	-	-	-	3,012	-	3,012
Other comprehensive income for the year		-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	19	-	-	3,012	-	-	-	3,012	-	3,012
Recognition of share-based payments		-	-	-	106	-	-	106	-	106
Dividends paid	21	-	-	(1,038)	-	-	-	(1,038)	-	(1,038)
Balance as at 30 June 2012		33,875	5,633	11,663	639	(5,013)	473	47,270	-	47,270
Equity issues	18	24,851	(659)	-	-	-	-	24,192	-	24,192
Share issue costs	18	(1,026)	(4)	-	-	-	-	(1,030)	-	(1,030)
Related income tax		308	-	-	-	-	-	308	-	308
Profit for the year		-	-	13,722	-	-	-	13,722	-	13,722
Other comprehensive income for the year		-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	13,722	-	-	-	13,722	-	13,722
Recognition of share-based payments	19	-	-	-	352	-	-	352	-	352
Dividend paid	21	-	-	(2,419)	-	-	-	(2,419)	-	(2,419)
Balance as at 30 June 2013		58,008	4,970	22,966	991	(5,013)	473	82,395	-	82,395

Notes to the financial statements are included on pages 34 to 78.

■ Notes to the Financial Statements

For the financial year ended 30 June 2013

1. General Information

The financial report of Freedom Foods Group Limited ("Group" or "Company") for the year ended 30 June 2013 was authorised for issue in accordance with resolution of Directors on 30th September 2013.

Freedom Foods Group Limited is a company incorporated in Australia whose shares are publicly traded on the Australian securities exchange. The company is trading under the symbol 'FNP'.

The nature of the operations and principal activities of the Group are described in note 4.

2. Adoption of New and Revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Amendments to AASB 101 'Presentation of Financial Statements' part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'

Amendments to AASB 101 'Presentation of Financial Statements' part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The reported results and position of the Group will not change on adoption of these pronouncements as currently there are no transactions that will be materially impacted by these pronouncements. Adoption of these pronouncements will however, result in changes to information currently disclosed in the financial statement. The Group does not intend to adopt any of these pronouncements before their effective dates.

Standard/Interpretation	Effective Date
AASB 10 Consolidated Financial Statements	30 June 2014
AASB 11 Joint arrangements	30 June 2014
AASB 12 Disclosure of Involvement with Other Entities	30 June 2014
AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 Note: the requirements of AASB 13 are to be applied prospectively, with comparatives for prior years not required on initial adoption	30 June 2014
AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) and AASB 2011-11 Amendments to AASB 119 (2011) arising from Reduced Disclosure Requirements	30 June 2014

3. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30th September 2013.

(b) Basis of preparation

The financial report has been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Parent under ASIC Class Order 98/0100, dated 28 June 2013. The Parent is an entity to which the class order applies.

(c) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

Impairment of goodwill and other intangible assets

Determining whether goodwill or other intangible assets are impaired requires an estimation of the value in use of the cash generating units to which the goodwill or other intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

The value of the goodwill as at the end of the financial year was \$5,214,000.

The value of other intangible assets as at the end of the financial year was \$16,274,000, with no impairment loss charged against the other intangible assets.

Further details in relation to the goodwill and other intangible assets of the consolidated entity are set out in note 13.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Freedom Foods Group Limited and its subsidiaries as at 30 June each year (the Group). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(e) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity

3. Significant Accounting Policies

(continued...)

instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of Pactum Australia Pty Limited

The acquisition of Pactum Australia Pty Limited ("Pactum") in April 2012 was accounted for as a common control transaction as at the time of this transaction both Freedom Foods Group Limited and Pactum Australia Pty Limited were controlled by the same shareholder group. As a common control transaction, the acquisition does not reflect the fair value of assets and liabilities acquired or any recording of additional goodwill at the time of the acquisition of Pactum. The acquisition balance sheet of Pactum reflects the values for assets and liabilities acquired from Pactum's accounting records. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired is recognised as a common control reserve in the consolidated financial statements.

(f) Interests in joint ventures

The Group's interest in joint ventures represent jointly controlled entities which have been measured by applying the equity method of accounting. Under the equity method of accounting the carrying amounts of interests in joint venture entities are increased or decreased to recognise the Group's share of the post acquisition profits or losses and other changes in net assets of the joint ventures.

(g) Foreign currency translation

Both the functional and presentation currency of Freedom Foods Group Limited and its Australian subsidiaries is Australian dollars (AUD). Transactions in foreign currencies are recorded initially in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the rate of exchange ruling at the end of each reporting period. Exchange differences are recognised in the profit or loss in the period in which they arise.

(h) Property, plant and equipment

Plant and equipment, motor vehicles and equipment under finance lease are stated at cost less accumulated depreciation and impairment.

Land and Buildings held for use in the production of goods, are carried in the statement of financial position at fair value, less any subsequent accumulated depreciation. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on

3. Significant Accounting Policies

(continued...)

the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Construction in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

The following depreciation rates are used in the calculation of depreciation:

Class of Fixed Assets	Depreciation Rate
Buildings	2-6%
Plant and equipment	4-20%
Leased plant and equipment	4-20%
Motor vehicles	15-33%

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

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Group's control and the Group remains committed to a sale.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the CGU (or group of CGUs) is

3. Significant Accounting Policies

(continued...)

less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the cash-generating units pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in the profit or loss and is not reversed in a subsequent period. On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(l) Intangible assets

Brand names

Brand names recognised by the group have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy in note 3(m).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(m) Impairment of long-lived assets excluding goodwill

At each reporting date the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group

estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

(n) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials: purchase cost on a first-in, first-out basis;

Manufactured finished goods: cost of direct materials, direct labour and an appropriate portion of manufacturing variable and fixed overheads based on normal operating capacity but excluding borrowing costs;

3. Significant Accounting Policies

(continued...)

Purchased finished goods: purchase cost on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(o) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and cash equivalents, which are short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(p) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding

the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recoverable amount is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(r) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(s) Share-based payments

Equity-settled payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

3. Significant Accounting Policies

(continued...)

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

(t) Leased Assets

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to the qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 3(j). Contingent rentals are recognised as expenses in the periods in which they are incurred. Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental

expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(u) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for terms, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(v) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the group other than the requirement to operate in certain regions or industry sectors.

3. Significant Accounting Policies

(continued...)

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are recognised as deferred income in the statement of financial position and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which it becomes receivable.

(w) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for on the basis of temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that

sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in branches and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and its probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly

3. Significant Accounting Policies

(continued...)

in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(x) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') except:

- where the amount of GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of acquisition of the asset or as part of the expense item as applicable; or
- for receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified within operating cash flows.

(y) Financial instruments

Recognition of investments

Investments are initially measured at fair value, net of transaction costs, except for those financial assets carried at fair value through the profit and loss, which are initially measured at fair value when the related contractual rights or obligations exist. Subsequent to initial recognition these investments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term if so designated by management and within the requirements of AASB 139 Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and

unrealised gains and losses arising from changes in their fair value of these assets are included in the consolidated statement of profit and loss and other comprehensive income in the period in which they arise.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Loans and receivables

Loans and receivables have fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment. Interest income is recognised by applying the effective interest rate.

Held-to maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method less impairment.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and

3. Significant Accounting Policies

(continued...)

substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(z) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 26 to the financial statements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group has not adopted hedge accounting during the financial year or previous corresponding period.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at their fair value with changes in fair value recognised in profit or loss.

4. Operating Segments

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

Freedom Brands

Freedom Foods: 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, biscuits, snack bars, soy, almond and rice beverages and other complimentary products. These products are produced and sold in Australia and overseas.

Seafood: A range of canned seafood covering sardines, salmon and specialty seafood. These products are produced overseas and sold in Australia and overseas.

Pactum Australia: A range of UHT (long life) food and beverage products including liquid stocks, soy, rice, almond and dairy milk beverages. These products are produced and sold in Australia and overseas.

Thorpedo Foods: Thorpedo range of low GI beverages. These products are produced and sold in Australia and overseas.

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 maker of the group in order to allocate resources to the segments and assess their performance.

4. Operating Segments

(continued...)

Information regarding these segments is presented below. The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	External sales		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Segment revenue				
<i>Continuing operations</i>				
Freedom Foods	40,070	31,085	40,070	31,085
Seafood	15,787	17,958	15,787	17,958
Pactum	32,943	9,030	32,943	9,030
Thorpedo Foods	31	59	31	59
Other	-	-	199	473
Total revenue of the consolidated group	88,831	58,132	89,030	58,605

Revenue generated by equity accounted associates from external sales is not consolidated, instead under the equity method of accounting, the carrying amounts of interest in joint venture entities are increased or decreased to recognise the Group's share of post acquisition profits or losses and other changes in net assets of the joint venture/minority interest.

96% of total external sales of the consolidated group and equity accounted associates are generated in Australia (2012: 95%) and 72% of total external sales (2012: 84%) are through major Australian retailers.

	2013 \$'000	2012 \$'000
Segment result		
<i>Continuing operations</i>		
Freedom Foods	6,124	3,237
Seafood	2,717	3,953
Pactum	6,427	1,452
Thorpedo Foods	(12)	(13)
	15,256	8,629
FNPL share of equity accounted associates	819	1,214
Shared services	(3,917)	(3,288)
Finance costs	(2,356)	(1,813)
Depreciation	(2,628)	(1,372)
Profit on sale of A2C shares	11,843	-
Write off of non recurring legal expense and unrecoverable amounts	(493)	(120)
Income tax expense	(4,802)	(238)
Profit for the year from continuing operations	13,722	3,012

Total profit from equity accounted associates for the period totalled \$3,482,000 (2012: \$4,553,000). The consolidated entities share of these profits was \$819,000 (2012: \$1,214,000).

4. Operating Segments

(continued...)

	2013 \$'000	2012 \$'000
Segment assets		
Freedom Foods	48,858	44,857
Seafood	19,905	21,644
Pactum	33,236	22,284
Thorpedo Foods	885	1,162
	102,884	89,947
Unallocated (Shared Services)	23,955	13,934
Total assets of the Group	126,839	103,881
Segment liabilities		
Freedom Foods	13,462	14,068
Seafood	4,463	10,028
Pactum	24,780	20,117
Thorpedo Foods	4	5
	42,709	44,218
Unallocated (Shared Services)	1,735	12,393
Total liabilities of the Group	44,444	56,611

Other segment information

	Depreciation and Amortisation		Additions to non-current assets	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Freedom Foods	1,793	1,170	1,522	1,941
Seafood	-	-	-	-
Pactum	829	280	10,538	10,939
Thorpedo Foods	-	-	-	-
	2,622	1,450	12,060	12,880
Unallocated (Shared Services)	6	(78)	105	94
	2,628	1,372	12,165	12,974

The add back of depreciation for the prior year in the unallocated line relates to motor vehicles which were fully depreciated and disposed of during the year.

Information about major customers

Included in revenues arising from external sales of \$88.8 million (2012: \$58.1 million) (see segment revenue above) are revenues of approximately \$69.1 million (2012: \$60.6 million) which arose from sales to the Group's two largest customers. No other single customers contributed 10% or more to the Group's revenue for both 2013 and 2012.

5. Revenue

	Consolidated \$'000	
	2013	2012
Segment revenue		
<i>Continuing operations</i>		
Sale of goods	88,831	58,132
Interest received		
• Loans and receivables	-	-
• Cash and Cash equivalents	91	5
	88,922	58,137
Other income		
• Government/State grants - refer below	33	120
• Gain on disposal of fixed assets	-	21
• Payroll Tax Refund	75	75
• Management fee received	-	252
	108	468
Total Revenue	89,030	58,605

The above grants are the Export Market Development Grant received or receivable for 2013 and 2012 (2013: \$23,000, 2012: \$20,000), State Training Grant (2013: \$5,000, 2012: \$6,000) and Department of Education, Employment and Workplace Relations Grant (2013: \$5,000, 2012: \$63,500).

6. Profit for the year before tax

	Consolidated \$'000	
	2013	2012
Profit for the year was arrived at after charging the following expenses:		
Finance costs		
• Interest on bank overdrafts and loans	1,485	1,397
• Interest on related party loan	360	261
• Interest capitalised as addition to the cost of qualifying assets	-	(360)
• Interest on obligations under finance leases	511	515
Total borrowing costs	2,356	1,813
Depreciation on property, motor vehicles, plant and equipment	2,628	1,372
Rental expense on operating leases (equipment)	329	221
Rental expense on operating leases (property)	623	159
Research and development costs expensed	375	330
Impairment of trade receivables	29	(14)
Employee benefit expense		
Post employment benefits - defined contribution plans	1,029	1,349
Share-based payments - equity settled share based payments	352	106
Other employee benefits	8,162	6,692
Total employee benefit costs	9,543	8,147

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities. Refer to Note 26.

6. Profit for the year before tax

(continued...)

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

During the financial year the Group utilised foreign exchange contracts for the purchase of inventory and capital equipment. The foreign exchange contracts were denominated in USD, CAD and NZD. As at 30 June 2013 the Group held foreign exchange contracts totalling USD 168,480, CAD 677,771 and NZD 967,290.

The contracts related to highly probable forecasted transactions for the purchase of inventory for the Specialty Seafood business (Salmon and Sardines) and the Freedom Foods business (Spreads and Almond paste) with the purchase consideration being settled in the above currencies. The Group's objective in entering into foreign exchange contracts is to provide certainty to the income and cash flow implications for the designated foreign currency purchase, relating to purchase of inventory.

As the Group does not adopt hedge accounting, derivative financial instruments held by the Group are required under the Australian Accounting Standards to be valued at fair value as at balance date. A valuation at fair value assumes that the Group would settle the contracts at a specific date and recognise a gain or loss depending on the prevailing spot rate at value date, even though the intention of the Group is to settle the contract at contract expiry in relation to the purchase of inventory or an asset required for manufacturing.

7. Income Taxes

	Consolidated \$000	
	2013	2012
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	4,384	497
Adjustments recognised in the current year in relation to the current tax of prior years	(858)	(293)
Tax on sale of shares in investment	387	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	889	34
Total expense/(income) tax recognised in the current year relating to continuing operations	4,802	238
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit before tax from continuing operations	18,524	3,250
Income tax expense calculated at 30%	5,557	975
Effect of revenue/expenses that are not deductible in determining taxable profit	253	(345)
Effect of tax concessions (research and development)	(150)	(99)
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Prior year R&D claim	(858)	(293)
	4,802	238

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Income tax recognised directly in equity

An amount of \$308,000 was credited to equity in relation to share issue costs during the year (2012: \$Nil).

7. Income Taxes

(continued...)

Income tax recognised in other comprehensive income

No current or deferred tax amounts were charged/(credited) directly to other comprehensive income during the year.

	Consolidated \$'000	
	2013	2012
Current tax assets/(liabilities)		
Income tax receivable/payable attributable to:		
• Entities in the tax-consolidated group	(4,375)	(816)
	(4,375)	(816)

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

Consolidated 2013	Opening Balance \$'000	Recognised on acquisition of common controlled entity \$'000	Charged to income \$'000	Closing balance \$'000
Temporary differences:				
Provisions	348	-	95	443
Doubtful debts	-	-	9	9
Property plant & equipment	(347)	-	(51)	(398)
Other	(10)	-	68	58
	(9)	-	121	112
Unused tax losses and credits:				
Tax losses (i)	2,006	-	(1,010)	996
Withholding tax paid	38	-	-	38
	2,044	-	(1,010)	1,034
	2,035	-	(889)	1,146

- (i) Current year earnings together with forecast future earnings support the recognition of carried forward losses as deferred tax assets

7. Income Taxes

(continued...)

Consolidated 2012	Opening Balance \$'000	Recognised on acquisition of common controlled entity \$'000	Charged to income \$'000	Closing balance \$'000
Temporary differences:				
Provisions	329	7	12	348
Doubtful debts	4	-	(4)	-
Property plant & equipment	(9)	(197)	(141)	(347)
Other	(1,031)	118	903	(10)
	(707)	(72)	770	(9)
Unused tax losses and credits:				
Tax losses (i)	2,503		(497)	2,006
Withholding tax paid	344	-	(306)	38
	2,847	-	(803)	2,044
	2,140	(72)	(34)	2,035

The company and its wholly-owned Australian subsidiaries have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Freedom Foods Group Limited. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Entities within the tax-consolidated group have entered into a tax funding arrangement and a taxsharing agreement with the head entity. Under the terms of the tax funding arrangement, Freedom Foods Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

8. Auditors remuneration

	Consolidated \$'000	
	2013	2012
Current year		
Remuneration of the auditors of the Group for:		
• audit or review of the financial report	220	209
• taxation advice and preparation of tax returns	125	73
• research and development advice and preparation of the return	60	34
	405	316

The auditor of the consolidated entity is Deloitte Touche Tohmatsu.

9. Earnings per share

	Consolidated Cents per share	
	2013	2012
Basic earnings per share from continuing operations	14.73	3.88
Diluted earnings per share from continuing operations	11.96	3.03
The earnings and weighed average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	\$000	
(a) Earnings used in the calculation of basic EPS	13,722	3,012
(b) Earnings used in the calculation of diluted EPS	14,074	3,012
	Number '000	
(c) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	93,155	77,599
Shares deemed to be issued for no consideration in respect of:		
- CRPS	18,741	19,415
- ESOP	4,345	-
- unlisted options	1,433	2,504
(d) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS including CRPS	117,674	99,518

17,219,015 Convertible Redeemable Preference Shares were in issue.

At 30 June 2013, 2,492,384 (2012: 19,222,791) ordinary share options and 8,450,000 (2012: 6,250,000) employee share options were outstanding (6,250,000 Exercisable at 40 cents per share and 2,200,000 Exercisable at 60 cents per share)

10. Trade and other receivables

	Consolidated \$000	
	2013	2012
Current		
Trade receivables	18,750	16,738
Allowance for doubtful debts	(29)	-
	18,721	16,738
Other receivables	355	1,008
	19,076	17,746

The average credit period on sales of goods is 32 days (2012: 34 days). No interest is charged on trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods, determined by reference to past default experience. During the current financial year, the allowance for doubtful debts increased by \$29,000 (2012: decreased by \$14,000) in the Group. The allowance for doubtful debts/impaired trade receivables as at 30 June 2013 is \$29,000 (2012: \$Nil). The Group does not hold any collateral over these balances.

	Consolidated \$000	
	2013	2012
Current (i)	17,853	15,779
Past due but not impaired (ii)	868	959

10. Trade and other receivables

(continued...)

- (i) The current receivables for the Group are with a weighted average of 26 days (2012: 29 days). Management considers that there are no indications as of the reporting date that the debtors will not meet their payment obligations.
- (ii) The past due but not impaired receivables for the Group are with a weighted average of 69 days (2012: 69 days). These relate to a number of customers for whom there is no recent history of default and other indicators of impairment. Management considers that no provision is required on these balances.

The Group does not have significant risk exposure to any one debtor, however 72% (2012: 84%) of sales and 63% (2012: 81%) of year end receivables are concentrated in major supermarkets throughout Australia.

Movement in the allowance for doubtful debts

	Consolidated \$000	
	2013	2012
Balance at the beginning of the year	-	14
Impairment losses recognised on receivables	322	-
Amounts written off as uncollectable	(293)	-
Impairment losses reversed	-	(14)
Balance at the end of the year	29	-

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Management has assessed that these are all recoverable and no impairment has been taken.

11. Other financial assets

	Consolidated \$000	
	2013	2012
Current		
Receivables from related parties - refer Note 29 Related party transactions	148	81
Non-current		
Investment in associates - refer Note 35 Related party transactions	9,909	12,357

12. Inventories

	Consolidated \$000	
	2013	2012
Current		
Raw materials	5,662	4,029
Finished goods	9,361	9,191
Provision for stock obsolescence	(137)	(76)
	14,886	13,144

All inventories of the Group are expected to be recovered within a 12 month period.

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$60,522,000 (2012: \$40,549,000).

13. Intangibles

	Goodwill \$'000	Brand Names \$'000	Total \$'000
2013			
Balance at 1 July 2012	5,214	16,274	21,488
Balance at 30 June 2013	5,214	16,274	21,488
2012			
Balance at 1 July 2011	5,214	16,274	21,488
Balance at 30 June 2012	5,214	16,274	21,488

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Seafood
Freedom Foods

The consolidated entity carries an amount of \$16,274,000 of brand names with indefinite useful lives allocated between the Seafood and Freedom Foods cash generating units. The brand names relate to major brands purchased as part of business combinations that have long establishment and are considered to be market leaders within their market segment. The brand names operate in a stable industry with a strong positioning in the consumer functional foods market. There wasn't any goodwill associated to the Group's acquisition of Pactum Australia Pty Limited.

The carrying amount of goodwill has been allocated to the identified cash-generating units as follows:

	Consolidated \$000	
	2013	2012
Seafood	1,982	1,982
Freedom Foods	3,232	3,232
	5,214	5,214

The recoverable amounts of the cash generating units are determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10.1% pa post tax and 13.1% pa pre tax (2012: 10.5% pa post tax and 13.7% pa pre tax). Cash flow projections during the budget period for the cash-generating units are also based on the same expected gross margins during the budget period.

Key assumptions

Budgeted market share

Cash-generating units

Average market share in the period immediately before the budget period plus a growth of up to 1% of market share per year. Management believes that the planned market share growth per year for the next four years is reasonable.

Budgeted gross margin

Average gross margins achieved in the period immediately before the budget period is consistent with that used by management.

14. Property, plant and equipment

	Consolidated \$000	
	2013	2012
Non current		
Freehold land (at fair value)	254	254
Total Land	254	254
Buildings (at fair value)	4,850	4,850
Accumulated depreciation	(626)	(505)
Total Buildings	4,224	4,345
Total Land and Buildings	4,478	4,599
	Consolidated \$000	
	2013	2012
Plant and Equipment (at cost)	45,644	21,215
Accumulated depreciation	(13,204)	(4,326)
	32,440	16,889
Capital work in progress at cost	8,235	14,122
Total Owned Plant and Equipment	40,675	31,011
Motor Vehicles (under finance leases)	21	30
Accumulated depreciation	(12)	(21)
Total Motor Vehicles	9	9
Total property, plant and equipment	45,162	35,619

Movements in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year:

	Freehold Land	Buildings	Plant & Equipment	Motor Vehicles	Total
	\$000	\$000	\$000	\$000	\$000
Group 2013					
Balance at 1 July 2012	254	4,345	31,011	9	35,619
Additions	-	-	12,165	-	12,165
Disposals	-	-	-	6	6
Depreciation expense	-	(121)	(2,501)	(6)	(2,628)
Balance at 30 June 2013	254	4,224	40,675	9	45,162
Group 2012					
Balance at 1 July 2011	160	4,466	19,460	9	24,095
Additions	94	-	5,417	-	5,511
Additions through acquisition of subsidiary	-	-	7,463	-	7,463
Disposals	-	-	-	(78)	(78)
Depreciation expense	-	(121)	(1,329)	78	(1,372)
Balance at 30 June 2012	254	4,345	31,011	9	35,619

14. Property, plant and equipment

(continued...)

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	Consolidated \$000	
	2013	2012
Freehold land and buildings	121	121
Plant and equipment	2,501	1,329
Motor vehicles	6	(78)
	2,628	1,372

15. Trade and other payables

	Consolidated \$000	
	2013	2012
Current		
Trade payables (i)	9,238	11,330
Other payables and accruals (ii)	6,609	3,443
	15,847	14,773
Payables from joint ventures and related parties – refer Note 29 Related party transactions	472	423
Non-current		
Other payables and accruals (ii)	63	73
	63	73

- (i) Trade payables are paid on average within 60 days of invoice date. No interest is charged on trade payables.
- (ii) Included in other payables and accruals for 2012 was an amount due to the vendor of \$562,000 for the purchase of the Leeton property. This has now been fully paid.

16. Borrowings and loans from related parties

Borrowings	Consolidated \$000	
	2013	2012
Secured - at amortised cost		
Current		
Loan payable (i)	1,741	5,578
Finance leases (ii) (iii)	4,079	2,761
Finance Facility (i)	8,462	10,662
Non-current		
Loan payable (i)	-	7,532
Finance leases (ii) (iii)	8,066	4,863
	22,348	31,396
Disclosed in the financial statements as:		
Current borrowings	14,282	19,001
Non-current borrowings	8,066	12,395
	22,348	31,396

- (i) Secured by assets as detailed in note 36.
(ii) Secured by leased assets as detailed in note 24.
(iii) Included as part of the finance leases is the Equipment Financing utilised to purchase equipment for Leeton and Taren Point 3rd Line.

	Consolidated \$000	
	2013	2012
Loans from related parties		
Loans from Leppington Pastoral Company - refer Note 29 Related party transactions	-	8,064

During the prior year the above loan attracted interest payable at 10% per annum.

17. Provisions

	Consolidated \$000	
	2013	2012
Current		
Employee benefits (i)	1,217	902
Non-current		
Employee benefits	122	164
	1,339	1,066
Employee benefits movement		
Balance at 1 July 2012	1,066	985
Additional provision recognised	821	671
Amounts used	(548)	(590)
Balance at 30 June 2013	1,339	1,066

- (i) The current Group provision for employee benefits includes \$122,000 of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2012: \$87,000).

18. Issued capital

	Consolidated \$000	
	2013	2012
Fully paid ordinary shares		
113,754,106 (2012:77,995,731) ordinary shares fully paid	58,008	33,878
Balance at 1 July 2012	33,875	33,655
Issue of shares (i)(ii)	24,133	220
Balance at 30 June 2013	58,008	33,875

- (i) During the year there were a total of 35,758,375 ordinary shares issued as a result of exercise of options, CRPS converted to ordinary shares, new ordinary shares issued as part of a capital raising, a buy back of unmarketable parcels and the dividend reinvestment plan (DRP); 16,730,407 ordinary shares at \$0.40 per share, 2,195,785 ordinary shares at \$0.30 per share, 16,788,190 ordinary shares at \$1.04 per share, (42,930) ordinary shares at \$0.95 per share, 59,749 at \$0.722 per share under the DRP and 27,174 at \$1.418 per share under the DRP. Costs incurred totalled \$721,000 after tax.
- (ii) During the prior year there were a total of 499,129 ordinary shares issued as a result of exercise of options and the dividend reinvestment plan (DRP); 153,571 ordinary shares at \$0.40 per share, 300,000 ordinary shares at \$0.50 per share and 45,558 at \$0.389 per share under the DRP. Costs incurred totalled \$6,000 after tax.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. 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.

Convertible Redeemable Preference Shares

The CRPS are perpetual with no maturity, but redeemable after 3 years at the option of the Company. The CRPS are transferable. The dividend rate is 9.0% p.a. on the issue price of \$0.30. It is a preferred, discretionary and non cumulative dividend and CRPS holders have no claim or entitlement in respect of a non payment.

Dividends are to be payable half-yearly in arrears. CRPS holders who convert their CRPS prior to a dividend payment date will not be entitled to any dividend for that part period in respect of that CRPS. However upon conversion to ordinary shares a holder who is on the register on the record date for a dividend payable in respect of ordinary shares will be entitled to the full ordinary dividend for that period. Dividends on the CRPS will be payable in April and October each year until converted or redeemed. CRPS holders are entitled to receive dividends in priority to holders of ordinary shares and equally with the holders of other CRPS that may be issued by Company on these terms.

CRPS are convertible into fully paid ordinary shares in Company on the basis that each CRPS is convertible at the election of the CRPS holder into one ordinary share, subject to any restrictions imposed by the Corporations Act and ASX Listing Rules. There is no time limit within which CRPS must be converted. No additional consideration is payable on conversion.

Notwithstanding the right of holders of CRPS to convert at any time, all CRPS will convert into ordinary shares automatically on the occurrence of certain trigger events including certain transactions involving a change in control of Company, such as a takeover of Company or a scheme or merger between Company and another body.

From the date that is 3 years from the date of issue of the CRPS, the Company may redeem the CRPS at its option for the payment per CRPS of the higher of:

- the issue price of \$0.30; and
- an amount determined by the Board of the Company with reference to the value of a CRPS as determined by an independent expert appointed by the Board.

18. Issued capital

(continued...)

	Consolidated \$000	
	2013	2012
Convertible Redeemable Preference Shares		
17,219,015 (2012: 19,414,800) convertible redeemable preference shares	4,970	5,633
Balance at 1 July 2012	5,633	5,633
Conversion to ordinary shares (i)	(663)	-
Balance at 30 June 2013	4,970	5,633

- (i) During the year there were a total of 2,198,785 CRPS converted to ordinary shares at \$0.30 cents per share. Costs incurred totalled \$4,000.

Share options granted under the employee share option plan

For information relating to the Freedom Foods Group Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer note 30.

19. Reserves

	Consolidated \$000	
	2013	2012
Equity-settled employee benefits	991	639
Asset revaluation	473	473
Other reserves	(5,013)	(5,013)
	(3,549)	(3,901)
Equity-settled employee benefits		
Balance at 1 July 2012	639	533
Share based payment	352	106
Balance at 30 June 2013	991	639

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the Employee Share Option Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 30 to the financial statements.

	Consolidated \$000	
	2013	2012
Asset revaluation		
Balance at 1 July 2012	473	473
Revaluation increment	-	-
Balance at 30 June 2013	473	473

The asset revaluation reserve arises on the revaluation of land and buildings. Where a revalued land or building is sold that portion of the asset revaluation reserve which relates to the asset, and is effectively realised, is transferred directly to retained earnings.

19. Reserves

(continued...)

	Consolidated \$000	
Other reserve	2013	2012
Balance at 1 July 2012	(5,013)	-
Acquisition of subsidiary under common control	-	(5,013)
Balance at 30 June 2013	(5,013)	(5,013)

As described in Note 3(e), the acquisition of Pactum by the Company is accounted for as a common control transaction. As a consequence, the difference between the fair value of the consideration paid and the existing book values of assets & liabilities of Pactum has been debited to a common control reserve (\$5,013,000). Upon disposal of all interests in Pactum by the Group this reserve would be transferred to retained earnings.

20. Retained earnings

	Consolidated \$000	
	2013	2012
Balance at 1 July 2012	11,663	9,689
Profit attributable to owners of the company	13,722	3,012
Dividends paid	(2,419)	(1,038)
Balance at 30 June 2013	22,966	11,663

21. Dividends

	2013		2012	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend: fully franked at 30% tax rate	1.00	898	0.50	370
Dividends reinvested: fully franked at 30% tax rate	72.00	43	-	-
Interim dividend: fully franked at 30% tax rate	1.00	931	-	-
Dividends reinvested: fully franked at 30% tax rate	142.00	39	39.00	18
<u>Convertible Redeemable Preference Shares</u>				
Final dividend: fully franked at 30% tax rate	1.40	272	2.00	388
Interim dividend: fully franked at 30% tax rate	1.35	236	1.00	262
		2,419		1,038

On 31 August 2013, the directors declared a fully franked final dividend of 1.00 cents per share to the holders of fully paid ordinary shares in respect of the financial year ending 30 June 2013 to be paid to shareholders (registered as at 1st October 2013) on 1st November 2013 and dividends for the converting preference shareholders (registered on 1st October 2013) on 1st November 2013. The total estimated dividend to be paid is \$1,148k for ordinary dividend and \$241k for the CRPS dividend.

21. Dividends

(continued...)

	Parent (\$'000)	
	2013	2012
Adjusted franking account balance	373	230
Impact on franking account balance of dividends not recognised	(592)	(451)

22. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of Cash Flows, cash and cash equivalents includes cash on hand and funds held in cash management and cheque accounts net of bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated \$'000	
	2013	2012
Cash	14,106	767
	14,106	767

(b) Reconciliation of profit for the period to net cash flows from operating activities

Profit for the year	13,722	3,012
Depreciation of non current assets	2,628	1,372
Movement in provision for employee entitlements	(273)	(81)
Gain on disposal of assets	-	(21)
Profit on Sale of A2C shares	(11,843)	-
Interest recognised regarding Leeton facility using amortised cost method	288	299
Share based payments	352	106
Interest received	(91)	(5)
Interest capitalised	-	(360)
Gain in associates	(819)	(650)
Gain in jointly controlled entity	-	(564)
Movements in Working Capital		
Increase in trade and other receivables	(1,474)	(830)
Increase in inventory	(3,429)	(3,157)
Decrease in other assets	1,412	266
Decrease/(Increase) in deferred tax assets	5,525	(192)
(Decrease)/Increase in trade and other payables	(1,352)	4,434
(Decrease)/Increase in provision for income tax	(988)	57
Net cash from operating activities	3,658	3,686

Details of credit stand-by arrangements available and unused loan facilities are shown in note 23 to the financial statements.

22. Notes to the statement of cash flows

(continued...)

(c) Non-cash financing and investing activities

	Consolidated \$'000	
	2013	2012
Acquisition of common controlled entity, Pactum	-	6,000

During the prior year the Group acquired 50% of interest in Pactum for \$6,000,000 (refer note 38). This was a non cash transaction which resulted in a recognition of a loan payable to the related party (refer note 16).

23. Standby arrangements and unused credit facilities

	Consolidated \$'000	
	2013	2012
Financing Facility		
Secured loan facilities		
- amount used	1,741	13,110
- amount unused	7,959	822
	9,700	13,932
Secured finance facilities		
- amount used	20,607	18,286
- amount unused	5,238	2,038
	25,845	20,324
Unused financing facilities	13,197	2,860

The bank facilities are arranged with HSBC Bank Australia Limited with general terms and conditions and certain facility components that 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.

Interest rates are variable and subject to adjustment.

24. Capital and leasing commitments

Finance leases

Leasing arrangements

Finance leases relate to motor vehicles and equipment with lease terms of up to 5 years. The Group has options to purchase the equipment for an agreed amount at the conclusion of the lease agreements. The Group's obligation under finance leases are secured by the lessor's title to the leased assets.

24. Capital and leasing commitments

(continued...)

	Minimum future lease payments		Present value of minimum future lease payments	
	Consolidated \$000	Total \$000	Consolidated \$000	Total \$000
	2013	2012	2013	2012
Finance lease liabilities				
Payable:				
• No later than 1 year	4,700	2,818	4,079	2,761
• Later than 1 year but not later than 5 years	9,142	5,465	8,066	4,863
Minimum future lease payments (i)	13,842	8,283	12,145	7,624
Less future finance charges	(1,697)	(659)	-	-
Present value of minimum lease payments	12,145	7,624	12,145	7,624
Included in the financial statements as: (note 16)				
Current borrowings			4,079	2,761
Non-current borrowings			8,066	4,863
			12,145	7,624

(i) Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

Operating leases

Disclosure for lessees

Leasing arrangements

Operating leases relate to office equipment with lease terms of between one and two and a half years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated \$000	
	2013	2012
Non-cancellable operating lease commitments		
- Not longer than 1 year (i)	526	340
- Longer than 1 year but not longer than 5 years	16	30
	542	370
Group's share of jointly controlled entities capital commitments		
- Not longer than 1 year	-	-

(i) Operating leases not longer than 1 year include rental payments to Leppington Pastoral Company (a related party) as a result of the acquisition of Pactum Australia Pty Limited.

25. Personnel note

	Consolidated \$000	
	2013	2012
The entity employs casual and full time staff numbering	178	143

26. Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balances.

The Group's overall strategy remains unchanged from 2012. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 18, 19 and 20 respectively.

Operating cash flows are used to maintain and expand the Group's manufacturing and distribution assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

Gearing ratio

The Group's financial management team reviews the capital structure on a regular basis. As a part of this review management considers the cost of capital and the risks associated with each class of capital.

	Consolidated \$000	
	2013	2012
Financial liabilities		
Debt (i)	22,348	39,460
Cash and cash equivalents	(14,106)	(767)
Net debt	8,242	38,693
Equity (ii)	82,395	47,270
Net debt to equity ratio	10%	82%

(i) Debt is defined as long and short-term borrowings, as detailed in note 16.

(ii) Equity includes all capital and reserves.

(b) Financial risk management objectives

The Group's financial management team provides services to each of the group businesses, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, credit risk and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(c) Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into foreign exchange forward contracts to manage exposure to foreign currency risk for its imports. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

The Corporate Treasury function reports monthly to the board which monitors risks and policies implemented to mitigate risk exposure.

(d) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

26. Financial instruments

(continued...)

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date is as follows:

	Financial assets \$'000		Financial liabilities \$'000	
	2013	2012	2013	2012
Consolidated				
US dollars (USD)	481	7	228	1,218
Canadian dollars (CAD)	389	374	272	835
New Zealand dollars (NZD)	-	-	388	-

There have been no changes to the Group's exposure to foreign currency risks or the manner in which it manages and measures the risks from the previous period.

Forward Exchange Contracts

The Group enters into forward exchange contracts to buy specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward exchange contracts is to protect the Group against unfavourable exchange rate movements for the contracted purchases undertaken in foreign currencies.

The Group had entered into contracts (for terms not exceeding 12 months) to purchase finished goods from suppliers in the United States and Canada and equipment from New Zealand. The contracts related to highly probable forecasted transactions for the purchase of inventory for the Specialty Seafood business (Salmon and Sardines) and the Freedom Foods business (Spreads and Almond paste) with the purchase consideration being settled in the above currencies. The Group's objective in entering into foreign exchange contracts is to provide certainty to the income and cash flow implications for the designated foreign currency purchase, relating to purchase of inventory or other capital assets. The Group had USD 168,480, CAD 677,771 and NZD 967,290 outstanding foreign exchange contracts as at 30 June 2013.

The Group does not adopt hedge accounting. The following table details the forward foreign currency contracts outstanding as at reporting date:

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2013	2012	2013	2012	2013	2012	2013	2012
			FC'000		\$'000		\$'000	
Outstanding contracts								
Consolidated								
Buy US Dollars								
Less than 3 months	1.024	0.959	168	1,502	165	1,566	17	(89)
Consolidated								
Buy CA Dollars								
Less than 3 months	0.982	0.998	678	652	690	653	10	(26)
Consolidated								
Buy NZ Dollars								
Less than 3 months	1.190	-	967	-	813	-	2	-

26. Financial instruments

(continued...)

Foreign currency sensitivity analysis

The following table details the sensitivity to an increase / decrease in the Australian dollar against the relevant currencies in relation to foreign exchange exposures. Sensitivity rates of 14% (USD), 17% (CAD) and 15% (NZD) have been used as these represent management's assessment of a likely maximum change in foreign exchange rates.

A positive number indicates an increase in profit where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and the balances below would be negative.

	Profit or loss \$'000	
	2013	2012
Consolidated		
US dollars (USD) impact		
AUD appreciates by 14%	(33)	112
AUD depreciates by 14%	44	(138)
Canadian dollars (CAD) impact		
AUD appreciates by 17%	(20)	105
AUD depreciates by 17%	28	(137)
New Zealand dollars (NZD) impact		
AUD appreciates by 15%	44	-
AUD depreciates by 15%	(60)	-

This is mainly attributable to the exposure outstanding on foreign currency receivables and payables at year end in the consolidated entity and the parent.

(f) Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The Group manages this risk by maintaining an appropriate mix between fixed and floating rate borrowings.

Exposures to interest rate risk, which is the risk that a financial instrument's value, its borrowing costs and interest income will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial instruments are set out below:

Group				
Financial Instrument	Note	Weighted average effective interest rate	Amount	
			2013	2012
		%	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	22	0%	14,106	767
Total Financial Assets			14,106	767
Financial Liabilities				
Due to related parties	16	10%	-	8,064
Finance facilities	16	5%	8,463	10,662
Loan payable	16	6%	1,741	13,110
Total Financial Liabilities			10,204	31,836

During the financial year there has been no change to the Group's interest rate risk exposure or the manner in which it manages and measures these risks.

26. Financial instruments

(continued...)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the impact of 150 basis point increase in interest rates on the exposure to interest rates as detailed in the above table.

The impact of a 150 basis point interest rate movement during the year with all other variables being held constant will be:

- an increase on the consolidated entity's net profit of \$29,000 (2012: decrease of \$173,000).

This is mainly attributable to the consolidated entity's exposure to interest rates on its variable rate borrowings.

A 150 basis point movement represents management's assessment of the possible change in interest rates.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

Quality of Trade and Other Receivables and Other Financial Assets have been disclosed in notes 10 and 11 respectively.

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with a Board approved policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Counterparty credit limits are reviewed by the Board on an annual basis and may be updated throughout the year subject to approval of the Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at statement of financial position date, to recognised financial assets of the Group which have been recognised on the statement of financial position is the carrying amount, net of any allowance for doubtful debts.

(h) Liquidity risk management

Liquidity risk arises from the possibility that the Group may be unable to settle a transaction on the due date. The ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities. Included in Note 23 is a listing of additional undrawn facilities that the company and the consolidated entity has at their disposal to further reduce liquidity risk.

Liquidity risk tables

The following table details the consolidated entity's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity can be required to pay. The table includes both interest and principal cash flows.

26. Financial instruments

(continued...)

	Weighted average effective interest rate	Less than 1 year		1 to 5 years		More than 5 years	
		2013	2012	2013	2012	2013	2012
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated							
Financial Liabilities							
Trade payables	-	9,238	11,330	-	-	-	-
Other payables and accruals	-	6,609	2,881	63	-	-	-
Other payables	0%	288	928	-	-	-	-
Due to related parties	10%	-	8,605	-	-	-	-
Finance leases	8%	4,700	2,818	9,142	5,465	-	-
Finance facilities	5%	8,463	11,334	-	-	-	-
Loan payable	6%	1,741	5,935	-	8,014	-	-
Total Financial Liabilities		31,039	43,831	9,205	13,479	-	-

(i) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values. The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

27. Subsequent Events

On the 17th July 2013 the group incorporated a subsidiary in North America, Freedom Foods North America Inc, to distribute allergen free cereals and cereal snack bars.

On 16th September the group completed a capital raising through a placement. The placement resulted in 12,857,143 new ordinary shares being placed to institutional and sophisticated investors. The group intends to proceed with an entitlements issue to existing shareholders to raise \$3 million. The entitlements issue is expected to close in mid October 2013.

28. Key management personnel compensation

Remuneration policy

Remuneration arrangements for Directors and executives of the company and Group ("the Directors and executives") are set competitively to attract and retain appropriately qualified and experienced Directors and executives. As part of its agreed mandate, the Remuneration and Nomination Committee obtains independent advice when required on the appropriateness of remuneration packages given trends in comparable companies and the objectives of the consolidated entity's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates. The remuneration structures take into account:

- The capability and experience of the Directors and executives;
- The Directors and executives ability to control the relevant operational performance; and
- The amount of incentives within each Director and executive's remuneration.

28. Key management personnel compensation

(continued...)

Managing Director and Executives

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

The Managing Director and Executives remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers the overall performance of the Group.

Performance based remuneration

Performance based remuneration is at the discretion of the Remuneration and Nomination Committee. These can take the form of share options or cash bonuses. During the year, cash bonuses were paid to A Haddad (Pactum Australia) and M Gauci (Pactum Australia) relating to FY 2012 performance and 600,000 options at 60 cents per option exercise price were granted to RJF Macleod, M Bracka and A Haddad under the Company's Employee Share Option Plan (ESOP).

The ESOP allows the Company to grant options over shares to all directors (excluding Ron and Tony Perich) and permanent full time or part time employees, or their respective nominees, of a company in the group (Group Companies), which includes related bodies corporate of the Company and a body corporate in which the Company has voting power of 20% or more, whom the Board determines to be eligible to participate. The Board believes that Options granted are appropriate to aligning key executive performance with long term performance and growth of the Company.

Options are valued using the binomial method.

Non-Executive Directors

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at an Annual or Extraordinary General Meeting. Total fees for all Non-Executive Directors (last voted upon by shareholders in June 2013), is not to exceed \$500,000 in total. Total fees paid to Non-Executive Directors for 2013 were \$223,179 (2012: \$195,343). To align director interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The Chairman receives approximately twice the base fee of Non-Executive Directors. Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board activities including Committee Fees. There are no termination or retirement benefits for Non-Executive Directors.

Service agreements

Neither the Managing Director or any other Executive has a fixed term contract. All senior executive management are employed under contract. The agreements outline the components of the remuneration paid to executives including annual review. The agreements do not obligate the business to increase fixed remuneration, pay a short term incentive, make termination benefits or offer a long term incentive in any given year. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. The agreements may be terminated by written notice from either party or by the employing entity within the Group making a payment in lieu of notice. The notice periods are 9 months for the Managing Director, 6 months for CEO Pactum Australia and 12 months for CEO Freedom Foods North America. Other notice periods for other executives are between 1 and 2 months.

Parent performance, shareholder wealth and directors and senior management remuneration

The remuneration policy of the company and group through short term (cash bonuses) and long term incentive structures (employee share options) aligns the remuneration of the Managing Director and senior Executives to long term performance and growth of the Company and development of shareholder wealth.

28. Key management personnel compensation

(continued...)

The following table shows the revenue, profits and dividends for the past five years for the Group.

	2013	2012	2011	2010	2009
Sales Revenue (\$000's)	88,831	58,132	45,256	44,071	48,596
Net Profit After Tax (\$000s)	13,722	3,012	4,387	3,357	1,320
Ordinary Dividends per share paid - Interim and Final (cents)	2.00	0.50	0.50	-	1.00
CRPS Dividends per share paid (cents)	2.75	3.40	1.00	-	-
Basic Earnings per Share (cents)	14.73	3.88	5.67	5.00	2.40

The Remuneration and Nomination Committee considers that the Parents remuneration structure is appropriate to building shareholder value in the medium term.

The aggregate compensation made to Directors and other members of key management personnel of the Parent and the Group is set out below:

	Consolidated \$000	
	2013	2012
Short-term employee benefits	1,621,971	1,167,142
Post-employment benefits	115,919	82,562
Share-based payment	382,372	190,219
Bonus payment (paid in FY13)	87,000	90,200
	2,207,262	1,530,123

Details of key management personnel

P.R. Gunner - Chairman and Non-Executive Director

R.J.F. Macleod - Managing Director

G.H. Babidge - Non-Executive Director

A.M. Perich - Non-Executive Director.

R. Perich - Non-Executive Director.

M. Miles - Non-Executive Director

M. Bracka - CEO, Freedom Foods North America

A. Haddad - CEO, Pactum Australia

M. Gauci - Operations Manager, Pactum Australia

P. Brown - General Manager, Sales, Freedom Brands

T. Moses - General Manager, Leeton Operations

Determination of remuneration of specified directors

Remuneration of Non-Executive Directors comprise fees determined having regard to industry practice and the need to obtain appropriately qualified independent persons. Fees do not contain any non-monetary elements.

Remuneration of the Managing Director is determined by the Remuneration & Nomination Committee. In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility.

Options have been granted to the Managing Director to acquire ordinary shares in Freedom Foods Group Limited.

28. Key management personnel compensation

(continued...)

The compensation of each member of the key management personnel of the Group is set out below:

	P. R. Gunner	R.J.F. Macleod(i)	G.H. Babidge	A. M. Perich	R. Perich	M. Miles
2013	\$	\$	\$	\$	\$	\$
Short term benefits						
Salaries and fees	68,250	350,460	34,667	35,425	36,779	34,667
Bonus	-	-	-	-	-	-
Non monetary	-	-	-	-	-	-
Other	-	-	-	-	-	-
Post employment benefits						
Superannuation	6,143	15,674	3,120	-	1,008	3,120
Equity compensation						
Options	-	151,605	-	-	-	-
Total	74,393	517,739	37,787	35,425	37,787	37,787
	M. Bracka	A. Haddad	P. Brown	T. Moses	M. Gauci	Total
	\$	\$	\$	\$	\$	\$
Short term benefits						
Salaries and Fees	317,493	276,226	173,570	145,414	149,020	1,621,971
Bonus	-	62,000	-	-	25,000	87,000
Non monetary	-	-	-	-	-	-
Other	-	-	-	-	-	-
Post employment benefits						
Superannuation	17,046	25,106	15,124	15,242	14,336	115,919
Equity compensation						
Options	122,628	108,139	-	-	-	382,372
Total	475,167	471,471	188,694	160,656	188,356	2,207,262

Notes (i) R.J.F. Macleod remuneration included pay out of accrued leave during the financial year.

	P. R. Gunner	R.J.F. Macleod	G.H. Babidge	A. M. Perich	R. Perich	M. Miles
2012	\$	\$	\$	\$	\$	\$
Short term benefits						
Salaries and fees	63,000	259,800	21,333	32,700	32,000	32,000
Bonus	-	-	-	-	-	-
Non monetary	-	-	-	-	-	-
Other	-	-	-	-	-	-
Post employment benefits						
Superannuation	5,670	15,775	2,880	-	2,880	2,880
Equity compensation						
Options	-	76,088	-	-	-	-
Total	68,670	351,663	24,213	32,700	34,880	34,880

28. Key management personnel compensation

(continued...)

	M. Bracka	A. Haddad (i)	P. Brown	T. Moses (ii)	M. Gauci (iii)	Total
	\$	\$	\$	\$	\$	\$
Short term benefits						
Salaries and Fees	309,800	59,150	164,220	43,366	33,935	1,051,304
Bonus	-	59,000	-	-	31,200	90,200
Non monetary	-	-	-	-	-	-
Other	-	-	-	-	-	-
Post employment benefits						
Superannuation	15,775	5,066	14,780	4,681	3,800	74,187
Equity compensation						
Options	60,870	53,261	-	-	-	190,219
Total	386,445	176,477	179,000	48,047	68,935	1,405,910

- (i) Salary is for the period from 1 April 2012 to 30 June 2012 during which Pactum was a subsidiary of the Group. Other is a bonus relating to FY2011.
- (ii) Commenced 12 March 2012.
- (iii) Salary is for the period from 1 April 2012 to 30 June 2012 during which Pactum was a subsidiary of the Group. Other is a bonus relating to FY2011.

29. Related party transactions

(a) Equity interests in related parties

(i) Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 32 to the financial statements.

(ii) Equity interest in associates

Details of interests in associates is disclosed in note 35 to the financial statements.

(b) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 28 to the financial statements.

(ii) Key management personnel equity holdings

Fully paid ordinary shares of the Group

29. Related party transactions

(continued...)

	Balance at 1 July 2012	Granted as compensation	Received on exercise of options	Net other change (2)	Balance at 30 June 2013
	No.	No.	No.	No.	No.
2013					
P. R. Gunner	510,732	-	-	15,277	526,009
R.J.F Macleod	182,775	-	-	11,017	193,792
G.H Babidge	98,057	-	-	2,334	100,391
A. M. Perich (1)	51,620,094	-	15,995,142	1,609,886	69,225,122
R. Perich (1)	51,620,094	-	15,995,142	1,609,886	69,225,122
M. Miles	212,812	-	-	9,601	222,413
M.Perich (1)	51,620,094	-	15,995,142	1,609,886	69,225,122
M Bracka	327,602	-	50,391	80,088	458,081
A. Haddad	80,384	-	-	3,627	84,011
M. Gauci	-	-	-	-	-
T. Moses	-	-	-	-	-
P. Brown	-	-	-	60,643	60,643
	Balance at 1 July 2011	Granted as compensation	Received on exercise of options	Net other change (2)	Balance at 30 June 2012
	No.	No.	No.	No.	No.
2012					
P. R. Gunner	510,732	-	-	-	510,732
R.J.F Macleod	182,775	-	-	-	182,775
G.H Babidge	98,057	-	-	-	98,057
A. M. Perich (1)	51,465,265	-	-	154,829	51,620,094
R. Perich (1)	51,465,265	-	-	154,829	51,620,094
M. Miles	210,110	-	-	2,702	212,812
M.Perich (1)	51,465,265	-	-	154,829	51,620,094
M Bracka	220,436	-	-	107,166	327,602
A. Haddad	-	-	-	80,384	80,384
M. Gauci	-	-	-	-	-
T. Moses	-	-	-	-	-
P. Brown	-	-	-	-	-

- (1) Mr A.M. Perich, Mr R. Perich and Mr M. Perich (as their alternate) are Joint Managing Directors of Arrovest Pty Limited, the entity holding a direct interest in the Group.
- (2) Subscribed to during the year.

29. Related party transactions

(continued...)

Convertible Redeemable Preference shares of the Group (Issued in FY 2011)

	Balance at 1 July 2012	Granted as compensation	Received on exercise of options	Net other change (2)	Balance at 30 June 2013
	No.	No.	No.	No.	No.
2013					
P. R. Gunner	159,604	-	-	-	159,604
R.J.F. Macleod	6,666	-	-	(6,666)	-
G.H. Babidge	30,643	-	-	-	30,643
A. M. Perich (1)	15,995,142	-	-	-	15,995,142
R. Perich (1)	15,995,142	-	-	-	15,995,142
M. Miles	64,584	-	-	-	64,584
M. Perich (1)	15,995,142	-	-	-	15,995,142
M. Bracka	50,391	-	-	-	50,391
A. Haddad	-	-	-	-	-
M. Gauci	-	-	-	-	-
T. Moses	-	-	-	-	-
P. Brown	-	-	-	-	-

- (1) Mr A.M. Perich, Mr R. Perich and Mr M. Perich (as their alternate) are Joint Managing Directors of Arrovest Pty Limited, the entity holding a direct interest in the Group.
- (2) Converted to Ordinary shares during the year.

Option over ordinary shares of the Group (exercisable at \$0.40 cents) (Issued in FY 2011)

	Balance at 1 July 2011	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2012
	No.	No.	No.	No.	No.
2013					
P. R. Gunner	159,604	-	-	-	159,604
R.J.F. Macleod	6,666	-	-	-	6,666
G.H. Babidge	30,643	-	-	-	30,643
A. M. Perich (1)	15,995,142	-	-	(15,995,142)	-
R. Perich (1)	15,995,142	-	-	(15,995,142)	-
M. Miles	64,584	-	-	-	64,584
M. Perich (1)	15,995,142	-	-	(15,995,142)	-
M. Bracka	50,391	-	-	(50,391)	-
A. Haddad	-	-	-	-	-
M. Gauci	-	-	-	-	-
T. Moses	-	-	-	-	-
P. Brown	-	-	-	-	-

- (1) Mr A.M. Perich, Mr R. Perich and Mr M. Perich (as their alternate) are Joint Managing Directors of Arrovest Pty Limited, the entity holding a direct interest in the Group.
- (2) Options exercised during the year

29. Related party transactions

(continued...)

Employee Share Options in the Group

	Balance at 1 July	Lapsed	Granted as compen- sation	Exercised	Net other change	Balance at 30 June	Balance vested at 30 June	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
2013										
R. J. F. Macleod	2,500,000	-	200,000	-	-	2,700,000	833,333	-	833,333	-
G.H. Babidge	-	-	-	-	-	-	-	-	-	-
A. Haddad	1,750,000	-	200,000	-	-	1,950,000	583,333	-	583,333	-
M. Bracka	2,000,000	-	200,000	-	-	2,200,000	666,666	-	666,666	-
Senior Employees	-	-	1,600,000	-	-	1,600,000	-	-	-	-
2012										
R. J. F. Macleod	1,700,000	(1,700,000)	2,500,000	-	-	2,500,000	-	-	-	-
G.H. Babidge	1,700,000	(1,700,000)	-	-	-	-	-	-	-	-
A. Haddad	-	-	1,750,000	-	-	1,750,000	-	-	-	-
M. Bracka	-	-	2,000,000	-	-	2,000,000	-	-	-	-
P. Nathan	300,000	-	-	300,000	-	-	-	-	-	-

- (i) All share options issued to key management personnel were made in accordance with the provisions of the Employee Share Option Plan.

Further details of the Employee Share Option Plan are contained in note 30 to the financial statements.

For further transactions with key personnel of the Group, refer to transactions between Group Company and its related parties below.

(c) Transactions with other related parties

Other related parties include:

- entities with joint control or significant influence over the Group
- joint ventures in which the entity was a venturer
- subsidiaries
- other related parties

(i) Transactions between the Group and its related parties

During the financial year, the following transactions occurred between the Group and its other related parties:

- Pactum Australia Pty Limited is now a 100% owned subsidiary and as such has related party transactions with the Group. In the 12 months to 30 June 2013 goods totalling \$9,886,000 (2012: \$7,323,000) were sold to the Group at cost and have been excluded from revenues.
- The Group entered into a lease commitment with Leppington Pastoral Company on 1 April 2012. The Group made payments of \$340,000 in the current financial year and \$85,000 in the last 3 months of the prior financial year.
- The Group was reimbursed by A2DP \$19,000 (2012: \$43,000) for labour and other administrative services provided.

These services are provided under normal terms and conditions.

29. Related party transactions

(continued...)

(ii) Transactions between other related parties of the Group

During the financial year, the following transactions occurred between the Group and other related parties:

- Leppington Pastoral Company sold goods and services totalling \$6,071,000 in the current financial year (2012: \$4,576,000) to Pactum at cost.

These services are provided under normal terms and conditions.

(d) Parent entities

The Parent entity of the Group is Freedom Foods Group Limited and the ultimate parent entity is Arrovest Pty Ltd which is incorporated in Australia.

30. Share based payments - Employee Share Option Plan

Senior employees are eligible to participate in the share scheme under which executives are issued options to acquire shares in the Parent. Each employee share option converts into one ordinary share of the Parent on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. There are no vesting conditions attached to these options other than continuing employment within the Group.

The options granted expire within five years of their issue, or one year of the resignation of the senior employee, whichever is the earlier. In relation to the options issued, the options vest in three equal tranches over a period of 3 years.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant
Option series				\$	\$
Senior Executive Grant	6,250,000	2/02/12	2/02/17	0.40	0.122
Senior Executive and Management Grant	2,200,000	30/08/12	30/08/17	0.60	0.066

The weighted average fair value of the share options granted during the financial year is \$0.066 (2012: \$0.122). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Expected volatility is based on historical share price volatility over the past 2 years. It is expected that options will be exercised only in the event of market price exceeding exercise price.

Inputs into the model	Executive Options	Executive and Management Options
	2 February 2012	30 August 2012
Grant date share price	0.46	0.65
Exercise price	0.40	0.60
Expected volatility	20%	5%
Option life	5 years	5 years
Dividend yield	2.5%	2.5%
Risk-free interest rate	5%	5%

30. Share based payments - Employee Share Option Plan

(continued...)

The following reconciles the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

	2013		2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	6,250,000	0.40	3,700,000	0.50
Granted during financial year	2,200,000	0.60	6,250,000	0.40
Exercised during financial year	-	-	(300,000)	0.50
Lapsed during financial year	-	-	(3,400,000)	0.50
	8,450,000	0.45	6,250,000	0.40
Exercisable at end of financial year	2,083,332	0.40	-	0.40

Balance at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of \$0.45 (2012: \$0.40), and a weighted average remaining contractual life of 1,522 days (2012: 1,648 days). No options were exercised during the financial year.

31. Contingent liabilities

	Consolidated \$'000	
	2013	2012
Bank guarantee arising from rental of office premises. No liability is expected to accrue.	14	14

32. Controlled entities

Controlled Entity	Country of Incorporation	Ownership interest	
		2013	2012
Paramount Seafoods Pty Limited (i)	Australia	100%	100%
Nutrition Ventures Pty Limited (i)	Australia	100%	100%
Nutrition Ventures Financing Pty Limited (i)	Australia	100%	100%
Freedom Foods Pty Limited (i)	Australia	100%	100%
Pactum Australia Pty Limited (i)	Australia	100%	100%
Pactum Dairy Group Pty Limited	Australia	100%	100%
Australian Natural Foods Holdings Pty Limited (i)	Australia	100%	100%
Thorpedo Foods Group Pty Limited (i)	Australia	100%	100%
Thorpedo Foods Pty Limited	Australia	75%	75%
Thorpedo Seafoods Pty Limited	Australia	75%	75%

The consolidated statement of comprehensive income and statement of financial position of the entities party to the deed of cross guarantee is the consolidated statement of comprehensive income and statement of financial position included in the 2013 financial report.

(i) These companies are members of the tax consolidated group.

33. Companies party to deed of cross guarantee

The following have entered into a deed of cross guarantee as a condition to obtaining relief under ASIC Class Order 98/1418 from the Corporations Act 2001 requirements to prepare and lodge an audited financial report and a directors' report.

Members of the closed group are:

- Freedom Foods Group Limited
- Paramount Seafoods Pty Limited
- Nutrition Ventures Pty Limited
- Nutrition Ventures Financing Pty Limited
- Freedom Foods Pty Limited
- Australian Natural Foods Holdings Pty Limited
- Thorpedo Foods Group Pty Limited
- Pactum Australia Pty Limited

Each party to the deed of cross guarantee, guarantees to each creditor in the group payment in full of any debt upon winding up under the provisions of the Corporations Act 2001 or, in any other case, if six months after a resolution or order for winding up, any debt of a creditor that has not been paid in full. The consolidated financial report of the closed group would not be materially different from the report of the group as a whole.

34. Parent entity disclosures

(a) Financial position

	Parent	
	\$000	\$000
	2013	2012
Assets		
Current assets	15	2,117
Non-current assets	85,360	59,657
Total assets	85,375	61,774
Liabilities		
Current liabilities	3,027	8,595
Non-current liabilities	669	1,309
Total liabilities	3,696	9,904
Net Assets		
	81,679	51,870
Equity		
Issued capital	63,022	39,508
Reserves	965	638
Retained earnings	17,692	11,724
Total equity	81,679	51,870

(b) Financial performance

	Parent	
	\$000	\$000
	2013	2012
Profit for the year	8,387	640
Other comprehensive income	-	-
Total comprehensive income	8,387	640

34. Parent entity disclosures

(continued...)

(c) Contingent liabilities of the parent entity

	\$000	\$000
	2013	2012
Bank guarantee	14	14

(d) Commitments for the acquisition of property, plant and equipment by the parent entity

	\$000	\$000
	2013	2012
Plant and equipment, PV of minimum future lease payments		
Not longer than 1 year	26	8
Longer than 1 year and not longer than 5 years	-	27
Longer than 5 years	-	-

35. Share in associate entity

			Output interest (fully diluted) (%)	
Name of associate	Country of incorporation	Principal activity	2013	2012
A2C	New Zealand	Sale of a2 milk in Australia	18.0	25.8

The group holds 110,535,140 ordinary shares and 6,000,989 partly paid shares in A2C at 30 June 2013. There are two common directors on the A2C board, Mr Melvyn Miles and Mr Perry Gunner.

Reconciliation of movement in investment accounted for using the equity method:

	A2C \$'000	
	2013	2012
Balance at 1 July	12,357	9,558
Share of profits for the year (i)	819	650
	13,176	10,208
Dividends	-	-
Costs of shares sold	(3,303)	-
Equity investment	20	2,064
Costs associated with investment	16	85
Balance at 30 June	9,909	12,357

(i) Included in the share of profits is \$245,000 that related to a post year end adjustment for 2012

35. Share in associate entity

(continued...)

Summarised financial information in respect of Freedom Foods Group Limited's share in the associate is set out below:

	A2C \$'000	
	2013	2012
Current assets	7,273	5,064
Non current assets	3,766	5,032
Total assets	11,039	10,096
Current liabilities	1,890	2,497
Non current liabilities	12	7
Total Liabilities	1,901	2,503
Net assets	9,138	7,593
Shareholder funds	9,138	7,593
Revenue	14,378	12,694
Profit / (loss) after income tax	628	895

36. Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 16 to the financial statements, all non-current assets of the Group, have been pledged as security. The holder of the security does not have the right to sell or repledge the assets. The Group does not hold title to the equipment under finance lease pledged as security.

During 2009, Freedom Foods Pty Limited entered into an equipment lease with National Australia Bank to assist in financing equipment requirements for the Freedom manufacturing site at Leeton. The maximum facility limit is for financing amounts of up to \$8 million with a lease term of 5 years with a 20% residual. The facility is secured by the financed equipment and Freedom Foods obligations under the lease are guaranteed by Freedom Foods Group Limited. In June 2013, Pactum Australia Pty Limited entered into an equipment lease with National Australia Bank to assist in financing equipment requirements for its 3rd line at the Taren Point site. The lease term is 5 years with a 35% residual. The facility is secured by the financed equipment and Pactum Australia's obligations under the lease are guaranteed by Freedom Foods Group Limited.

The Group now also holds equipment leases with Westpac relating to its acquisition of Pactum Australia Pty Limited. These leases have a maximum lease term of 5 years with residual payments of between 20% and 50%. The facility is secured by the financed equipment at our Taren Point site.

■ Directors' Declaration

FREEDOM FOODS GROUP LIMITED DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2013

The directors declare that:

- (a) 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;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements.
- (c) 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; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

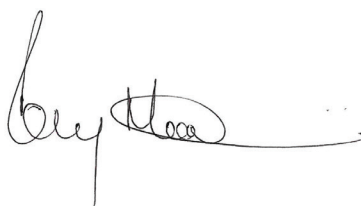
In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 33 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the directors



P R Gunner
Chairman



Rory J F Macleod
Managing Director

Sydney, 30 September 2013

■ Independent Audit Report



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Eclipse Tower
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Freedom Foods Group Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 34 to 78.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited



Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Freedom Foods Group Limited on 30 September 2013 would be in the same terms if provided to the directors as at the date of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Freedom Foods Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3a.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Freedom Foods Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Catherine Hill
Partner
Chartered Accountants
Parramatta, 30 September 2013

■ Shareholding

Class of shares and voting rights

At 31 August 2013, there were:

114,797,363	ordinary shares of the Parent on issue.
17,219,015	convertible redeemable preference shares of the Parent on issue.

Substantial shareholders

The number of shares held substantial shareholders as listed in the Parent's register as at 31 August 2013 are:

	Number
Ordinary Shares	
Arrovest Pty Ltd	69,225,122
RBC Investor Services Australia Nominees Pty Limited	6,860,798
Citicorp Nominees Pty Limited	6,700,354
UBS Nominees Pty Ltd	5,770,000
Convertible Redeemable Preference Shares	
Arrovest Pty Limited	15,995,142

The Parent's listed ordinary shares are of one class with equal voting rights and all are quoted on a Member Exchange of the Australian Stock Exchange Limited (the home exchange being the Australian Stock Exchange (Sydney) Limited).

Distribution of ordinary shareholders as at 31 August 2013

	Ordinary
1-1,000	211
1,001-5,000	431
5,001-10,000	143
10,001-100,000	209
100,001 and over	39
	1,033

Non marketable securities which are holdings of less than 500 ordinary shares are held by 80 shareholders. This statistic is based on the share register as at 31 August 2013.

Substantial shareholders

(continued...)

20 largest ordinary shareholders as at 31 August 2013

	Name	Number of Ordinary Shares Held	% Held of Ordinary Capital
1	Arrovest Pty Ltd	69,225,122	60.30%
2	RBC Investor Services Australia Nominees Pty Limited	6,860,798	5.98%
3	Citicorp Nominees Pty Limited	6,700,354	5.84%
4	UBS Nominees Pty Ltd	5,770,000	5.03%
5	National Nominees Limited	4,251,132	3.70%
6	Mirrabooka Investments Limited	1,850,000	1.61%
7	BNP Paribas Noms Pty Ltd	1,479,723	1.29%
8	Telunapa Pty Ltd	1,225,000	1.07%
9	UBS Wealth Management Australia Nominees Pty Ltd	937,652	0.82%
10	Mr Stephen Francis Higgs & Mrs Rosemary Jean Higgs	823,714	0.72%
11	East Coast Rural Holdings Pty Limited	682,007	0.59%
12	J P Morgan Nominees Australia Limited	642,868	0.56%
13	Aust Executor Trustees Sa Ltd	606,278	0.53%
14	Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	526,009	0.46%
15	Sea Change Consulting Pty Ltd	458,081	0.40%
16	Mr Lawrence Lip & Mrs Sabina Lip	327,002	0.28%
17	Mr Lawrence Lip	304,486	0.27%
18	Connaught Consultants (Finance) Pty Ltd	300,000	0.26%
19	Moorebank Property Management Pty Ltd	296,247	0.26%
20	Mr Lawrence Rose & Mrs Jennifer Rose	266,937	0.23%
		103,533,410	90.19%

The proportion of ordinary shares held by the 20 largest shareholders is 90.19%

Stock exchanges that have granted quotation to the securities of the Parent quoted in Australia:

All Member Exchanges.

Distribution of convertible redeemable preference shareholders as at 31 August 2013

	Ordinary
1-1,000	24
1,001-5,000	20
5,001-10,000	11
10,001-100,000	27
100,001 and over	2
	84

Substantial shareholders

(continued...)

20 largest convertible redeemable preference shareholders as at 31 August 2013

	Name	Number of Ordinary Shares Held	% Held of Ordinary Capital
1	Arrovest Pty Ltd	15,995,142	92.89%
2	Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	159,604	0.93%
3	Donwood Pty Ltd	100,000	0.58%
4	Mr Lawrence Rose & Mrs Jennifer Rose	80,995	0.47%
5	Mr Melvyn Miles & Mrs Joanna Miles	64,584	0.38%
6	Mr Robert John Perry & Mrs Jennifer Joy Perry	62,500	0.36%
7	Sea Change Consulting Pty Ltd	50,391	0.29%
8	Mr Legh Davis & Mrs Helen Davis	40,869	0.24%
9	Mr Richard James Wishart & Mrs Jillian Rosemary Wishart	40,625	0.24%
10	Mr Mathew John	34,720	0.20%
11	Mrs Kathleen Alice O'Shea	33,300	0.19%
12	Mr Robert William Owen & Mrs Yvonne Owen	31,559	0.18%
13	Mr Kenneth Francis Smith & Mrs Margaret Lorraine Smith	31,250	0.18%
14	Mr John Wien-Smith	31,250	0.18%
15	Mr Geoffrey Howard Babidge & Mrs Catherine Mary Babidge	30,643	0.18%
16	R & M Gugliotta Pty Ltd	30,000	0.17%
17	Mr Roger Leo Henry & Mrs Patricia Margaret Henry	25,000	0.15%
18	Mr Benjamin Gerst	25,000	0.15%
19	Borlas Pty Limited	24,039	0.14%
20	Lewis Little River Pty Ltd	23,438	0.14%
		16,914,909	98.23%

The proportion of convertible redeemable preference shares held by the 20 largest shareholders is 98.23%

■ Corporate Directory

Company Secretary

Rory J F Macleod

Assistant Company Secretary

Sharon Maguire

Principal Registered Office

80 Box Road
Taren Point NSW 2229
Tel: (02) 9526 2555
Fax: (02) 9525 5406

Bankers

HSBC Australia Limited
Level 32, 580 George Street
Sydney NSW 2000
Tel: 1300 308 188 (toll free)
Fax: (02) 9255 2647

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Tel: (02) 8280 7111
Fax: (02) 9287 0303

National Australia Bank Ltd.
Level 3, 255 George Street
Sydney NSW 2000
Tel: (02) 9237 1171
Fax: (02) 9237 1400

Insurance Brokers

InterRisk Australia Pty Limited
Level 1, 7 Macquarie Place
Sydney NSW 2000
Tel: (02) 9346 8050
Fax: (02) 9346 8051

Westpac Banking Corporation
Level 20, 275 Kent Street
Sydney NSW 2000
Tel: (02) 6760 0000
Fax: (02) 6766 7215

Solicitors

Gilbert + Tobin
2 Park Street
Sydney NSW 2000
Tel: (02) 9263 4000
Fax: (02) 9263 4111

Auditor

Deloitte Touche Tohmatsu
Chartered Accountants
Eclipse Tower, 60 Station Street
Parramatta NSW 2150
Tel: (02) 9840 7000
Fax: (02) 9840 7001

Addisons

Level 12, 60 Carrington Street
Sydney NSW 2000
Tel: (02) 8915 1000
Fax: (02) 8916 2000

Management

Rory J F Macleod Managing Director
Amine Haddad CEO, Pactum Australia
Michael Bracka CEO, Freedom Foods North America
Peter Brown General Manager, Sales, Freedom Brands
Timothy Moses General Manager, Leeton Operations
Mark Gauci Operations Manager, Pactum Australia



Freedom Foods Group Limited

ABN 41 002 814 235 | Ph: 02 9526 2555 | Fax: 02 9525 5406

80 Box Road Taren Point NSW 2229 | PO Box 2531 Taren Point NSW 2229