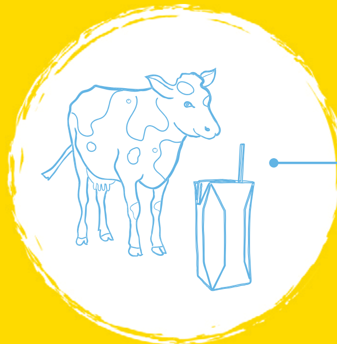
2017 ANNUAL REPORT

GROWING THROUGH CAPABILITY

CONTENTS

Freedom Foods is on a mission to make great tasting and high quality food and beverages that help Australians to eat healthier.



DAIRY

CEREAL

NUTRITIONALS & SPECIALTY

SNACKING

PLANT BASED

MAKING FOOD BETTER

CHAIRMAN'S LETTER

Dear Shareholders

I am very pleased to be able to report a significant year in the Company's development as we build a new generation food and beverage company based in Australia, but operating in key international markets in China, South East Asia and North America.

The significant investments we have made in recent years has enabled our Company to be uniquely and strategically well positioned to build scale in our key business platforms of plant based beverage, premium dairy and specialty cereal and snacks.

Our investment in recent years has been on creating a unique supply and manufacturing footprint in our key categories. We believe the ability to control supply and manufacturing inputs and more quickly deliver innovation across a range of product formats for our brands and key customers is a key strategic advantage in the medium to long term, particularly in value adding Australia's unique agricultural base. While this has required significant capital investment and patience, we will continue to invest to achieve this outcome.

During the year, a number of initiatives were undertaken across our business activities, with the highlights including:

- Completion of a new world class UHT dairy and plant milk processing facility at Ingleburn in Sydney.
- Purchase of the remaining 50% interest in the Pactum Dairy Group (PDG) UHT diary operation at Shepparton from our former joint venture partner, Australian Consolidated Milk.
- Acquisition of the Vital Strength assets and business, expanding the Company's brand and offering into the performance and adult nutritionals markets.
- Further capital investment across the Group including expansion upgrades at Shepparton for upfront processing capacity and at Dandenong for oat cereal capabilities and a major upgrade of the Company's ERP system.
- Development of a large number of new branded products in key food and beverage categories which were only recently launched in August 2017.

The Company also completed a successful capital raising initiative in December 2016 raising $75 million through an entitlement issue and placement.

The underlying operating EBITDA for the year was $26.2 million, an increase of 22% on the previous corresponding period (PCP). Comparable net sales revenue increased by 54% to $262 million over PCP. The reported net profit after tax increased by $3.8 million to $7.5 million, excluding the FY 2016 gain on sale of the investment in the a2 Milk Company and the fair value gain on conversion of options in (PDG).

The Board has recommended payment of a final fully franked dividend of 2.25 cents per ordinary share in December 2017, taking total dividends for FY 2017 to 4.25 cents per share fully franked.

On behalf of the Board, I would like to thank my fellow directors and all our 430 employees for their extraordinary dedication and hard work again this year.

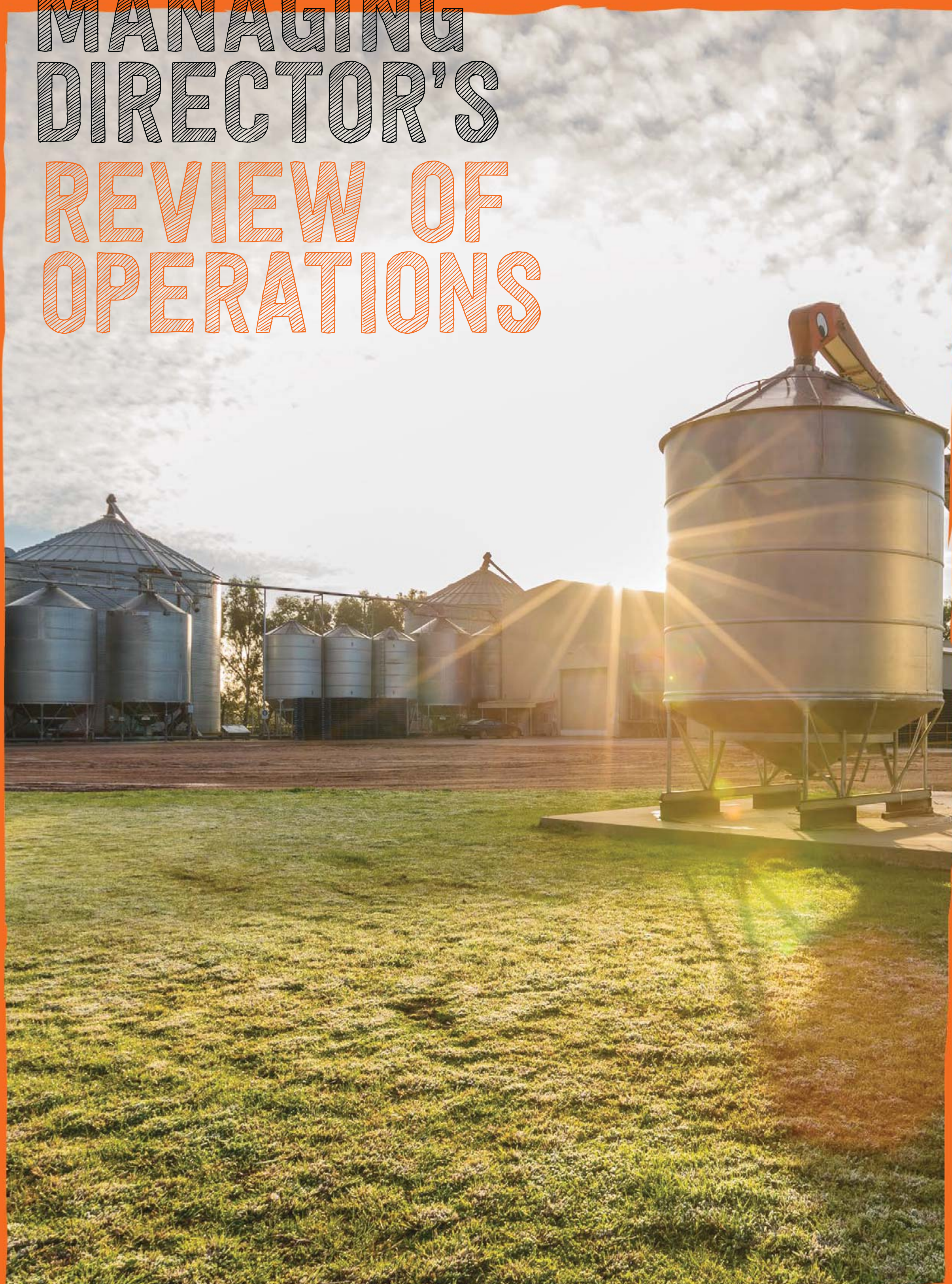
In particular, I would like to recognise the ongoing support of our largest shareholder, the Perich Group. Their dedication and support to our Company is unique and a key contributor to our ongoing development.

As a signal to the sales and profit opportunities arising from our significant investments in recent years, the Company is experiencing a strong start to the 2018 financial year, with net sales revenues for the full year estimated to be in the range of $340 to $360 million, as compared to $262 million in FY 2017.

I encourage you to read the Managing Directors review of operations, which provides further details of the years activities and the Company's future.

Perry Gunner
Chairman

MANAGING DIRECTOR'S REVIEW OF OPERATIONS



Highlights

A Company strategically well positioned to build scale in key food and beverage platforms with strong diversification in sales, together with earnings growth over the long term from key markets and channels in Australia/ New Zealand, China, South East Asia and North America.

Operating EBDITA of $26.2 million, an increase of 22% on the previous corresponding period. Comparable Net Sales Revenues increased 54% to $262 million.

A credible operating performance in a year of significant development for the Company, with the result impacted by a number of once off non recurring factors. These factors reflected principally the increased cost of manufacture at Taren Point site due to capacity limitations and downtime associated with major processing upgrades at Shepparton.

Completion of approximately $130 million of major capital expenditure projects across the Group, including a new state-of-the-art UHT dairy and plant milk processing facility at Ingleburn in South West Sydney, which will drive material ongoing earnings benefits over the medium term. Examples of expansion include upgrades to dairy processing, standardisation and filling capability at the Shepparton UHT dairy milk facility, expanded oat cereal capabilities at the Dandenong cereal facility and major upgrades to the Company's technology platforms.

Planned launches in FY 2017 of new product ranges were delayed by retailer timetables with a significant pipeline of new products introduced from August 2017.

Overall a very successful 12 month period investing in the Company's sales and marketing capabilities to deliver profitable growth consistent with its medium term plan:

- Continued transformation of a business driving growth through its icon brands, including Freedom Foods and Australia's Own;
- Ongoing strong growth in Plant beverages, including branded and non-branded sales in the growing retail Almond milk categories;
- Strong sales growth in new channels including Food Services in Australia with MilkLab and Almond Breeze Barista brands;
- Acceleration of growth in sales of dairy beverages, including our Australia's Own Kid's Milk in China, with the brand now the leading imported Kid's Milk brand in China where it is distributed;
- Growth in oat based cereals in branded offers in Australia and China led by Arnolds Farm; and
- Ranging of a strong pipeline of differentiated product innovation across all key categories leading to further sales growth into 2018.

Completion of the acquisition of Australian Consolidated Milk's 50% interest in Pactum Dairy Group at Shepparton, providing for a more integrated dairy processing platform, with the potential for a significant increase in sales and earnings over time.

Acquisition of the "Vital Strength" Performance Nutrition brand to expand the Company's brand and category segment offering in the performance and adult nutrition markets, providing a unique vertical integration opportunity to the Company's expanding dairy nutritional capabilities.

The Company is experiencing a strong start to the 2018 financial year, with net sales revenues estimated to be in the range of $340 to $360 million, as compared to $262 million in FY 2017.

MADE & OWNED

Financial Summary

The Company achieved an underlying Operating EBDITA of $26.2 million, 22% above the previous corresponding period.

A credible operating performance in a year of significant development for the Company, with the result impacted by a number of once off non recurring factors. These factors reflected principally the increased cost of manufacture at Taren Point site due to capacity limitations and downtime associated with major processing upgrades at Shepparton.

The Company reported an operating net profit of $9.9 million, a decrease of 9.0% from the prior corresponding period, reflecting increased operating EBDITA, offset by higher depreciation and finance costs as compared to the prior year.

The statutory net profit was $7.5 million. Included in the statutory net profit result was costs not representing underlying performance including once off acquisition costs of $1.3m, unrealised foreign exchange loss of $444k and restructuring costs of $668k, including costs relating to discontinued operations realised in the year and workers compensation settlement from a 2015 incident.

In FY 2016, the statutory net profit was $50.6 million, but this included the impact of a pre-tax gain of $25.0 million arising from the sale of the final remaining investment in The a2 Milk Company (a2MC). The income tax expense reflects an operating tax rate of approximately 19.4%. The change in the effective tax rate from the prior year reflected an increased research and development claim. The prior year period tax rate includes the one off tax adjustment related to the a2 Milk Company share sales transactions.

Each of the business units increased gross margin $, with the exception of Specialty Seafood, which was impacted by an unfavorable exchange rate on purchasing in Salmon and Sardines. Notwithstanding, the business increased market share in Salmon and is trading ahead of plan. The integration of the Dandenong and Shepparton operations for the full year impacted gross margin % as compared to the prior year.

The Cereal and Snacks operations delivered an increased operating earnings reflecting growth in sales in branded and non-branded activities in both Australia and China.

Plant beverages delivered increased sales, reflecting growth in retail and food service brands, with operating contribution slightly ahead of the prior year period. The Taren Point facility is at capacity with increased cost of maintaining operations and logistics limitations impacting the benefit expected to be incurred from increased sales. The new facility at Ingleburn, which will replace Taren Point during FY 2018, will materially reduce the cost of ongoing operations.

The Dairy operations at Shepparton achieved sales growth, reflecting new retail contracts and increasing demand in Australia, China and South East Asia. The operation reported a positive operating earnings contribution, reflecting increased sales and factory utilisation. During the period, the Company invested in additional 1 litre format capacity as well upgrading processing capability and downstream packaging. These investments which are critical to long term growth, impacted output during 2nd half of FY 2017, with a consequent negative impact on manufacturing recoveries and margin.

Group Services costs increased during the year, reflecting investment in sales, marketing and finance resources necessary to manage the growth of the Company.

Set out below is a reconciliation of statutory EBDITA to underlying Operating EBDITA.

12 MONTHS TO 30 JUNE (A$ MILLION)	2017	2016	MOVEMENT
Underlying Operating EBDITA[1]	26.2	21.5	+4.7
Other costs not representing underlying performance[2]	(2.4)	(2.2)	+0.2
Employee Share Option Expense (non cash)[3]	(0.4)	(0.4)	-
Statutory EBDITA[4]	23.3	18.8	+4.5

Note:

1. *Operating EBDITA (Earnings before depreciation, interest, tax and amortisation) is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Operating EBDITA is used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments.*
2. *FY 2017 other costs not representing underlying performance comprise once off acquisition costs of $1.3m, unrealised foreign exchange loss of $444k and restructuring costs of $668k including costs relating to discontinued operations realised in the year and workers compensation settlement from a 2015 incident.*
3. *Non cash employee share option expense of $448k in FY 2017.*
4. *During the year, a change to the Company's trading structure and resulting accounting treatment changed the process for transfer and realisation of profit in inventory held for sale between the Pactum and Freedom Foods entities. The impact of this change was a reduction in profit in finished good inventory being recognised at 30 June 2017 of $664k.*

Segment Financials

For the year ended 30 June 2017, the Company has presented the segment reporting consistent with its core business categories and management reporting basis effective from 1 July 2016. This has changed from the segments reported in FY 2016 and at the half year.

The changes in the composition of the reportable segments include:

- » Freedom Foods entity is now classified as Cereals and Snacks with the transfer of retail branded plant beverage sales from Freedom Foods entity to Pactum entity.
- » Pactum entity is now classified as Plant Beverages with the transfer of dairy beverage sales from Pactum entity to Dairy Beverages entity.
- » Pactum Dairy Group entity is now classified as Dairy Beverages with the transfer of dairy beverage sales from Pactum entity to Dairy Beverages entity.
- » Nutritionals is a new segment reporting, comprising the "Vital Strength" branded business and nutritionals products to be manufactured in future years.
- » Specialty Seafood remains unchanged.

12 MONTHS TO 30 JUNE 17 (A$ MILLION)	CEREAL SNACKS	PLANT	DAIRY	NUTRITIONALS	SEAFOOD	OTHER	TOTAL
Net Sales Revenue (1)	92.2	82.6	94.1	1.8	13.8	(21.9)	262.5
Trading EBDITA	10.7	12.8	7.4	0.5	1.9	-	33.3
Other Gains and Losses	-	-	-	-	-	0.2	0.2
Equity Associates (2)	-	-	-	-	-	0.5	0.5
Corporate Costs (3)	-	-	-	-	-	(7.7)	(7.7)
Operating EBDITA	10.7	12.8	7.4	0.5	1.9	(7.1)	26.2
Net Sales Change (YOY %)	+39.9%	+10.5%	+131.9%	NA	+10.9%	NA	54.0%
Net Sales Change (YOY $ million)	26.3	7.9	53.5	1.8	1.3	NA	92.0

Note:

1. *Net Sales Revenue is after intercompany elimination of sales (Cereals and Snacking of $2.6m, Plant Based beverages of $18.4m and Dairy of $891k).*
2. *Equity Associates is share of NPAT of Australian Fresh Milk Holding (10% equity interest held by Freedom Foods Group).*
3. *Corporate costs exclude non cash employee share option expenses of $448k.*

12 MONTHS TO 30 JUNE	2017 $'000	2016 $'000	% CHANGE
Net Sales Revenue	262,481	170,444	+54.0%
EBDITA (Underlying Operating)[(1)]	26,240	21,526	+21.9%
EBDITA (Statutory)	23,375	18,926	+23.5%
Equity Associates Share of Profit[(2)]	480	372	+29.0%
Pre Tax Profit (Operating)	12,213	13,691	-10.8%
Pre Tax Profit (Reported)	9,348	57,114	-83.6%
Income Tax (Operating)	2,363	2,873	-17.7%
Net Profit (Operating)	9,850	10,818	-9.0%
Net Profit (Reported)	7,539	50,631	-85.1%
Interim Ordinary Dividend (cents per share)	2.25	2.25	-
Interim CRPS Dividend (cents per share)	1.35	1.35	-
EPS (cents per share) (Fully Diluted for CRPS)	4.78	28.54	-83.3%
EPS Operating (cents per share) (Fully Diluted)	6.51	6.06	+7.5%
Shareholders Equity[(3)]	321.4	287.1	+12.0%
Net Debt/Equity[(3)]	56.3%	14%	-
Net Assets per Share (cents)	160.0	158	1.3%
Net Tangible Assets per Share (cents)	109.0	119.8	-9.0%

Notes:

1. *Underlying Operating EBDITA excludes pre-tax abnormal or non-operating charges including an add back of non cash employee share option expense of $448k. FY 2017 other costs not representing underlying performance comprising once off acquisition costs of $1.3m, unrealised foreign exchange loss of $444k and restructuring costs of $668k including costs relating to discontinued operations realised in the year and workers compensation settlement from a 2015 incident.*
2. *Equity Associates is share of NPAT of Australian Fresh Milk Holdings (10% equity interest held by Freedom Foods Group).*
3. *Shareholders equity at year end of $321m, reflected a debit to reserves of $54.1m. This related to the acquisition impact of acquiring the ACM shareholding in Pactum Dairy Group (PDG) in February for $47m. As PDG was an existing controlled entity of the Group, the accounting standards require the goodwill generated on acquisition to be debited against the common control reserve, with a consequent negative impact on equity.*

PLANT BASED BEVERAGES BUSINESS GROUP

Plant based (non-dairy) volumes and sales increased during the period to support the growth of the Australia's Own brand, new branded product launches as well as an expansion of private label requirements.

Branded portfolio

STRONG GROWTH IN AUSTRALIA'S OWN, MILKLAB & BLUE DIAMOND BRANDS IN PLANT BASED BEVERAGES

Plant based branded beverage sales continued the upward trend from the 2016 financial year, with volume growth compared to the previous corresponding period, reflecting strong growth in the Australia's Own range and Blue Diamond Almond Breeze brand in retail and food service channels.

In retail grocery, the Company remains the largest supplier of Almond beverages, including products under the Australia's Own brand, our licensed Blue Diamond Almond Breeze brands and private label offers.

The trend towards plant based food and beverages is increasing in Australia and global markets, driven by a desire for healthier and "cleaner" lifestyles, which is motivating consumers to focus on fruits, vegetables, nuts, seeds grains and other botanicals.

As part of a focus on building beyond traditional retail segments and channels, the Company launched new products in plant milks and continued to invest behind products made for food service channels, with a particular focus on coffee milk applications.

The Company launched a range of fresh organic Almond beverages under the Australia's Own Brand into retail grocery. The launch is the Company's first activation into the chilled category and has performed ahead of expectations. Additional products were launched recently into the chilled category. The products were sourced from a contract manufacturer and will be manufactured at the Company's Ingleburn facility during 2018.

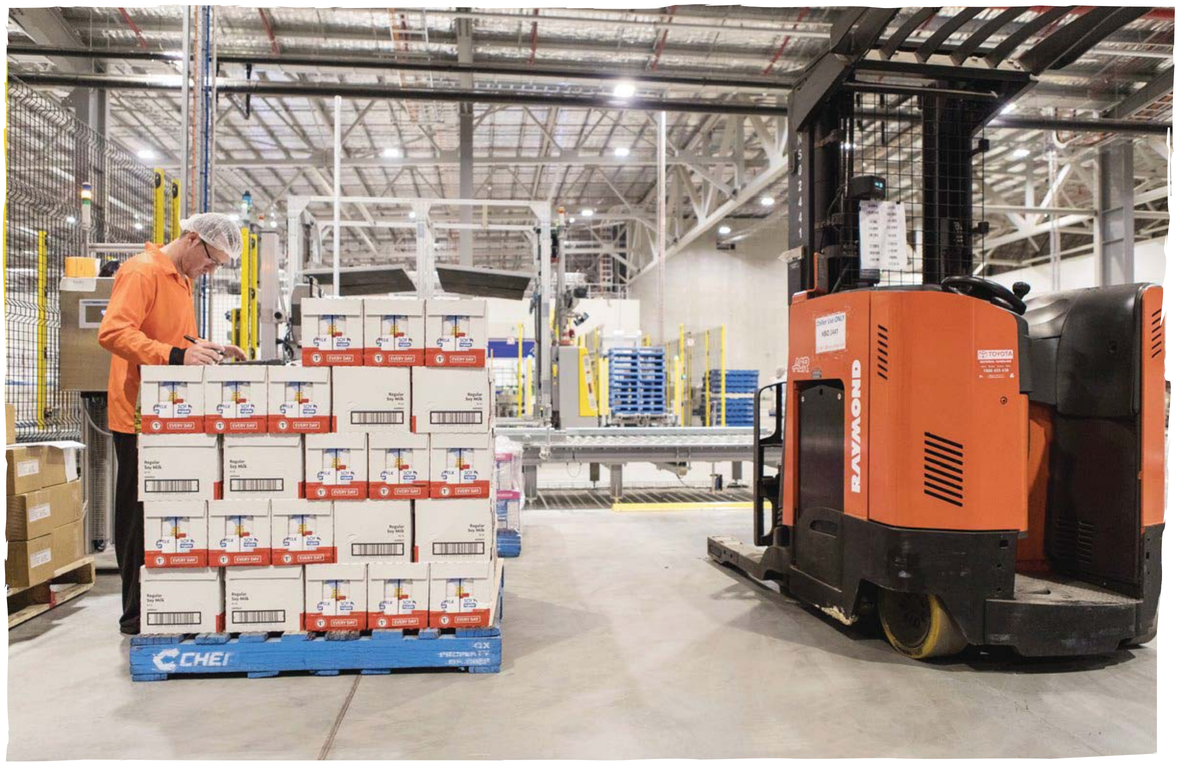
The increasing growth of food service channels (e.g. cafes and similar) and demand for plant based milks, consistent with the retail grocery trend, has seen increasing demand for coffee milk products. The Company's range of Barista blend brands including the premium "MilkLab" range, "Almond Breeze" Almond Barista incorporate process technology to deliver a product that "works" with coffee. Further investment during the period in marketing and sales resources support resulted in continued strong growth in sales.

The Company sees significant growth opportunity in the growing and high margin food service channel and is further expanding its food service field team to accelerate this business area in 2018. This investment and growth aligns with expanded production capabilities at Ingleburn.

During the period, the Company invested in sales and distribution to develop new channels in South East Asia and the Middle East, with increasing sales of the Australia's Own range and MilkLab.

Australia's Own UHT liquid stocks increased sales and distribution during the period. The business is also a significant supplier of liquid stocks to retailers and other brands.

Non-Branded portfolio



LEADING PRODUCER OF UHT PRIVATE LABEL PRODUCTS

The Company is a significant supplier of plant based beverages and liquid stock products to retailers and other brands, reflecting a total category approach that leverages our manufacturing platform and provides a strong base of earnings to further invest into our brands.

The Company believes its continued investment in product development and leading manufacturing capability in plant based beverages provides for significant long term growth in supporting retailer and other branded products.

New World Class UHT Facility Ingleburn, South West Sydney

LARGEST INVESTOR IN UHT TECHNOLOGY & CAPACITY IN AUSTRALIA

The current plant based non-dairy business has been constrained in both production and distribution at the Taren Point operation, restricting growth and financial returns in the 2017 financial year period.

While sales and volumes are growing, the potential additional profit from growing volumes is impacted by increasing cost of plant reliability and outsourced distribution arrangements. The plant has been operating at 7 days for the majority of the current year with significant cost associated with transport and logistics across more than 5 warehouse locations.

The Company has from August 2017 completed construction of a new state-of-the-art UHT facility at Ingleburn in South West Sydney. The transfer of operations to the Ingleburn site from our existing Taren Point operation is currently underway with all production expected to be transferred between September and October 2017.

1st stage installed UHT carton capacity will be approximately 80 million litres, from current capacity at Taren Point of approximately 50 million litres. Total liquids processing capacity is 180 million litres, which is available to be developed as and when required as the infrastructure to support this expansion has been included in the building program to date.

UHT FACILITY INGLEBURN, SOUTH WEST SYDNEY

The Company will also install a number of additional capabilities including yoghurt processing and a state-of-the-art PET plastic bottle capability for both long life (UHT) and short shelf life (ESL) formats.

The drinking Yoghurt category is the fastest growing beverage category in China, with further growth anticipated including from other markets in South East Asia. The Company has significant demand for this product from its existing China based customers including opportunities to sell the product under the Australia's Own and So Natural brands in China. The Company will look to utilise these capabilities for products in Australia including manufacture of plant based yoghurt products.

The PET bottle capability will facilitate expansion of our branded product range into retail, food service and Petrol & Convenience channels. It will also provide the capacity for domestic and export sales into China and South East Asia of premium dairy formats utilising dairy milk sourced from our associated company, Australian Fresh Milk Holdings (AFMH[1]).

Installation of both capabilities will commence in January 2018, with a contribution to sales and earnings growth expected from FY 2019.

The facility will also be capable of processing dairy products to allow a two-way redundancy with the Shepparton facility, while providing the opportunity to expand the Company's base in dairy from multiple processing sites as required.

Our sales volume capacity in our branded products has been constrained by the capacity of our Taren Point operations. The new facility will provide the opportunity for the Company to expand its branded product sales, with a material expansion in capacity and efficiency improvements compared to current operations. These improvements include more efficient and lower cost production, warehousing and logistics solutions compared to current arrangements. This is expected to materially impact sales and earnings during FY 2018 with the full benefit from FY 2019.

As part of the transition from the Company's Taren Point facility to Ingleburn, the Company expects to incur one off costs of closure including write down of inventory on product formats to be discontinued, plant and equipment not utilised in the new facility as well as redundancies for staff not transferring. The costs are yet to be determined as the transfer of operations from Taren Point has not been completed. The costs will be written off and classified as a non-operating expense in the FY 2018 full year financial reporting.

Note:
1. Freedom has a 10% shareholding in AFMH

DAIRY BUSINESS GROUP

Branded Portfolio

Dairy based branded beverage sales continued the upward trend from the 2016 financial year with sales and profit growth over the previous corresponding period, reflecting increased sales of Australia's Own Kid's Milk and the So Natural and Vitalife brands in domestic food service and export markets.

Australia's Own

LARGEST IMPORTED KID'S MILK BRAND IN CHINA

The Company commenced production of our "Australia's Own" branded "Kid's Milk" to support its launch in China in February 2015 under a long term brand licensing arrangement to our Chinese partner Shenzhen JiaLiLe Food Co. Ltd (**JLL**).

With significant ongoing marketing investment including point of sale promotion, sampling and sponsorship of leading children's TV programmes, the product has continued its strong growth trajectory, with the product now the largest imported Kid's Milk brand in China where it is distributed. The Kid's Milk product is utilising milk sourced from AFMH.

The Company has been producing the Kid's Milk product from its Taren Point site with production limited by capacity of approximately 35 million packs per annum.

With demand now beyond current capacity, the Company has invested in high speed 200ml capacity to be available from late 2017, with volume to be in excess of 60 million packs in calendar 2018.

The Company expects the Kid's Milk product and other new product formats to be a significant contributor to growth and profitability.

ESTABLISHMENT OF AUSTRALIA'S OWN DAIRY COMPANY CHINA

As announced in July 2017, the Company entered into binding documentation with JLL to establish a new company called Australia's Own Dairy Company China (**AO China**) to expand our commitment to the growth of the Australia's Own Kid's Milk brand in China.

The new structure will provide a stronger strategic link between the existing brand operations in China (sales, marketing, and distribution) and brand production in Australia (sourcing, processing, manufacturing).

AO China will continue to grow Australia's Own branded Kid's Milk products in China, as well as developing plans for launch of other dairy products including Ambient Drinking Yogurt in 2018 and Infant Formula products under the Australia's Own brand.

Freedom Foods will subscribe for an initial 10% investment in AO China for a consideration of RMB22 million (approximately AUD$4.4 million at current exchange rates). Freedom Foods will have an option to subscribe for up to 30% of AO China within 3 years from the date of the initial subscription.

The transaction is subject to regulatory approvals in China and expected to formally complete no later than 31 December 2017.

So Natural & Vitalife

FASTEST GROWING DAIRY BRANDS ON ONLINE & OFFLINE CHANNELS IN CHINA

The Company has progressively developed the So Natural and Vitalife brands in the China market, commencing in 2014 through offline specialty channel distributors. Sales of “So Natural” and “Vitalife” UHT products have continued to grow through cross border ecommerce channels with the major online retailers JD.com and Tmall.

As well, the Company invested in additional sales capability to build sales for these brands in general trade ecommerce, reflecting its position as the primary growth channel for ecommerce in China. An example of recent success has been the So Natural brand being utilise in the Costa Coffee chain.

The So Natural brand has also developed a presence in the food services market in Australia, with new contracts in high volume food service segments gained in the period, including cruise ship and mining industries.

Shepparton UHT Operations

LARGEST SUPPLIER OF CONTRACT PACKED MILK BRANDS TO CHINA & PRIVATE LABEL MILK IN AUSTRALIA

The Shepparton operations commenced in April 2014, to provide innovative UHT dairy milk capability for our own branded requirements, as well as third party customers in domestic and export markets.

Dairy operations at Shepparton achieved sales in FY 2017 of $85.4 million, a 33.8% increase on the comparable corresponding period, reflecting the contribution from the new contracts entered into in 2016 and increasing demand in Australia, China and South East Asia.

In Australia, the Company supplies a number of long term retail customers that provide a strong base of underlying volume and earnings support.

In China, the Company has continued key relationships with major dairy manufacturers and brand owners including JLL (Guangzhou), Bright Dairy (Shanghai), New Hope Dairy (Chengdu), Weigang Dairy, online retailers, Pinlive and a number of regional dairy manufacturers and distributors. Each of these relationships is complementary, enabling us to take advantage of the high level of regionalisation and diversification in local market distribution, product range and capability within this market.

In South East Asia, the Company has also developed other customer relationships in markets such as Hong Kong, Singapore, Philippines and Vietnam.

The Company expects further growth in retailer and other brand owner relationships in key markets in the coming years, reflecting growth in demand and changing competitor supply dynamics in Australia.

New Capacity

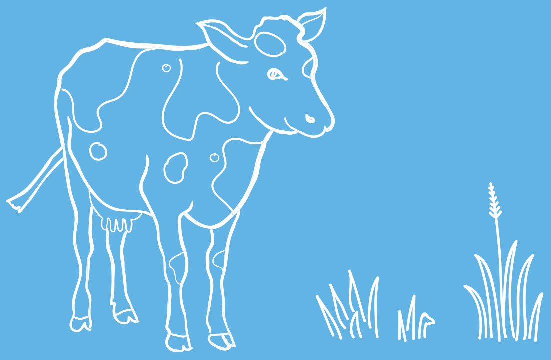
LARGEST INVESTOR IN UHT TECHNOLOGY & CAPACITY IN AUSTRALIA

To meet the increased demand for UHT dairy milk and associated value added products, the Company invested in additional 1 litre format capacity as well upgrading processing capability and downstream packaging. These investments are critical to long term growth. Installation of the additional capacity impacted output during 2nd half of FY 2017, with a consequent negative impact on manufacturing recoveries and margin.

The installation, which is now complete, will provide for significantly improved output and for the operation to facilitate a more efficient 24/6 production cycle from August 2017.

Total installed capacity is approximately 180 million litres or 455 million packs per annum.

During the 2nd half of FY 2017, the Company entered into a long term lease (with purchase options) over the land and warehouse facilities adjacent to the UHT operation. The securing of these facilities has enabled us to internalise the expanding logistics and supply chain requirements, as well as providing a facility for the group's emerging nutritionals capabilities.



ACQUISITION OF AUSTRALIAN CONSOLIDATED MILK'S 50% INTEREST IN Pactum Dairy Group

On 1 February 2017, the Company completed the acquisition of Australian Consolidated Milk's (**ACM**) 50% interest in Pactum Dairy Group (**PDG**), which is the holding company for the Shepparton operations.

With expanding capabilities in dairy, a full integration of the PDG operations into the Company provides for a more integrated dairy processing platform into the future, with the potential for a significant increase in sales and earnings.

As part of the new ownership arrangements, cream offtake will be managed directly by the Company, providing for a market based price to be realised from the commencement of FY 2018.

The Company acquired ACM's 50% interest in PDG for an equity consideration of A$50.7 million, comprising $50.1 million in cash and an issue of 168,538 shares in the Company at an issue price of $4.45 per share. The cash consideration was funded from the proceeds of the equity raising completed in December 2016.

ACM will continue to be a key strategic supply partner for the long term, with the Company and ACM having entered into a 10 year supply agreement for dairy milk from existing ACM farmer suppliers in Northern Victoria. To augment supply of dairy milk from ACM farmers, the Company has entered into supply arrangements with other dairy farmers in Northern Victoria and NSW.

Dairy Supply - AFMH

AUSTRALIA'S LARGEST SINGLE SITE DAIRY MILKING OPERATION

AFMH operates Moxey Farms, a fully integrated dairy farming operation located in the Lachlan Valley, New South Wales, 340 km west of Sydney. Collectively the combined Moxey and Perich Group's Leppington Pastoral dairy milk production is the largest dairy milking operation in Australia.

FNP has a 10% shareholding in AFMH, with the balance held by the Perich Group's Leppington Pastoral Company Pty Limited (LPC), New Hope Dairy Holdings Co Ltd and the Moxey family. The Company equity accounted 10% of the net profit of AFMH in the period.

Farm Expansion & New Sites

AUSTRALIA'S TOP DAIRY FARM EXPANDING FROM 75 MILLION LITRES OF MILK PA, TO 100 MILLION LITRES PA BY 2018

Since acquisition in 2015, Moxey Farms has expanded from 3,700 milking cows to 6,000 milking cows as part of a $40 million expansion including new state-of-the-art rotary processing dairy, cow barns, effluent management and expansion of land holdings including water and irrigation capabilities. Total land under ownership and use is 2,100 hectares.

AFMH is currently undertaking an expansion to 8,000 milking cows or 100 million litres per annum, as part of a 5 year plan to increase production up to 200m litres.

As part of its expansion strategy, the major shareholders in AFMH acquired a property 30km south of Moxey farms titled 'North Logan', which comprises 1,151 hectares of land and water entitlements. 'North Logan' is one of the largest aggregations of land available upstream of Moxey Farm on the Lachlan River with the potential to develop large scale irrigation.

The acquisition provides further capability to grow feed production capacity for the Moxey Farm expansion from 6,000 to 8,000 cows and potential development area for expanded dairy operations as part of the long term expansion to up to 200m litres.

During the year, AFMH acquired the Bruem Dairy in the Lachlan Valley, 20km north of the Moxey Farm operation. The Bruem Dairy has land of 327 hectares, with 229 hectares under irrigation. The current dairy has 500 milking cows.

AFMH will continue to actively acquire additional dairy or farming sites to build more fully integrated dairy farming operations, allowing its customers to secure access to additional consistent and long-term supply of high quality milk.

The Company intends to utilise a growing proportion of this new output from Moxey Farm for its Australia's Own Kid's Milk and other dairy product formats.

The Company contributed $1.8 million to AFMH in the form of equity and loans as part of the shareholders contribution to the North Logan and Bruem dairy acquisitions.

Our total investment to date in AFMH is $7.6 million.

NUTRITIONALS BUSINESS GROUP

The Company is leveraging its growing dairy capabilities to build a branded high margin product portfolio in specialty nutritional products.

Dairy nutritionals are increasingly used in segments such as bakery & confectionery, dairy products, convenience foods, infant milk formula, performance & clinical nutrition. The market for dairy ingredients is projected to show strong growth in upcoming years due to increasing awareness about the health benefits of nutritional food products.

The Company is establishing a nutritionals capability that will provide for protein standardisation and ability to separate milk into industrial grade protein components, including Casein, Lactoferrin, Alpha-lactalbumin and Whey Protein Isolate. These dairy nutritional ingredients derived from our dairy milk supply base can be utilised in current and new product formats either manufactured by the Company for our branded products or supplied to our customers for their products.

The 1st stage protein standardisation capability has been installed and will contribute to sales and earnings in FY 2018. The platform is being established adjacent to the existing UHT site at Shepparton in Victoria, providing synergies with the existing UHT operation.

The 2nd stage protein fractionation and drying capability will be installed over the next 18 months, with a potential for a material contribution to sales and earnings during FY 2019.

ACQUISITION OF PERFORMANCE NUTRITION BRAND

Vital Strength

In May 2017, the Company completed the acquisition of Power Foods International (**Power Foods**), a major Australian manufacturer and brand owner in the sports and adult nutrition category.

Power Foods owns the "Vital Strength" and "UProtein" brands that market a range of performance and adult nutrition products. The Vital Strength brand is recognised as a leader in high quality nutrition products, sold through retail grocery, pharmacy and fitness retailers in Australia.

Power Foods manufactures all its protein powders at its own blending and packing facility in Marrickville, Sydney. The purchase price for Power Foods was a cash consideration of $21 million.

The acquisition of Power Foods will enable Freedom Foods to expand its brand and category segment offering into the performance and adult nutrition market in Australia, China and South East Asia, leveraging existing retail customer and distribution capabilities. Importantly, it will provide a unique vertical integration to the Company's expanding dairy nutritional capabilities.

Power Foods has strong distribution into retail pharmacy chains which provides an opportunity for Freedom Foods to expand distribution of its expanding product range into this growing channel.

The Company has developed a range of snacks and beverages to complement the existing Vital Strength range of protein powers and supplements. The new range builds on the Vital Strength brand proposition to deliver a higher protein serve per gram as compared to other competitor products, based on cleaner protein sources with fewer ingredients. The Company commenced retail distribution of this expanded range across key retail stores from August 2017.

The "Vital Strength" range will be sold through the Company's ecommerce platforms in China from November 2017.

In the medium term, the business will benefit from sourcing internally key dairy protein ingredients from the dairy nutritionals platform at Shepparton. This will lead to significant cost improvements and further efficiencies including additional product claims not available to other competitors.

ADULT NUTRITION

The Company is developing a range of Adult Nutrition products for launch during FY 2018.

The products will provide a clear functional benefit for the over 50 adult target market, including in powder and drinkable formats. The products will be distributed across the Company's expanding retail and pharmacy distribution capability.

Infant Nutrition

The Company continued to cautiously build distribution of Australia's Own "Diamond" Infant Formula for Step 1 to 3 in Australia and SE Asia markets.

In June 2017, Australia's Own "Diamond" Infant Formula was launched with FairPrice retail chain in Singapore. Strong support to the launch from FairPrice and the Singapore government has seen good consumer response, with repeated orders since launch.

The Company is developing an enhanced version of the Australia's Own "Diamond" Infant Formula product for launch in 2018. The product range will be distributed in in Australia, SE Asia and in the medium term into China leveraging off Australia's Own China brand and distribution capabilities.

Blending & Packing Capabilities

Aligned to the Company's investment in value added protein capabilities, the Company is proposing to establish within the Shepparton site a blending and packing facility to package product formats in performance, adult and infant nutrition. This would include the relocation of existing performance nutrition blending and packing capabilities from Marrickville.

Aligned to these capabilities, the Company is discussing with one of its China based partners, a potential partnership in relation to the proposed infant manufacturing capabilities at site, which would seek to obtain registration with the China Food and Drug Administration (**CFDA**) for sale of these products to China.

With these capabilities established, the Company's site at Shepparton would comprise a unique vertically integrated dairy processing facility, with capability to package milk and speciality powder products utilising the value chain derived from its core milk supply.

Health Care Practitioner Network

To support the expanding nutritional product capabilities, the Company appointed Dr Sonja Kukuljan PhD as Group Nutrition Manager with responsibility for building a leading health care practitioner network in Australia, China and North America

CEREAL & SNACKS BUSINESS GROUP

A GLOBAL LEADER IN HEALTHY CEREALS & SNACKS

SNACKING

SNACKING

Branded Portfolio

AUSTRALIA

Number 1 Health Food cereal brand & growing

Freedom Foods branded products delivered sales growth in its Cereal and Snacks segments compared to the prior year period.

During the period, the Company launched a brand marketing and promotional campaign with Australian icon, Jennifer Hawkins, as brand ambassador to showcase the brand and our mission of making food better. Jennifer Hawkins is a respected Australian role model and is assisting in communicating to a wider audience the opportunities for eating healthier with Freedom Foods.

Alongside sales, marketing and specific product launch investments, the Company continued to invest in product development capability to drive further growth in retail and other channels such as food service in the medium term.

Significant additional ranging of an expanded Crafted Blends range launched late in the 1st half of FY 2017, as the business delivered more innovation and product differentiation to the Health category. Growth in traditional format products following product and format renovation, as well as stronger engagement with retailer customers, saw the business grow its share of the Health Cereal category, with a +40% market share.

The Freedom Foods “Arnold’s Farm” brand achieved growth in its oat based cereal products through its exclusive distribution in Woolworth’s supermarkets.

Further innovation in value added cereals and snacks including products developed for on the go channels in food service were launched in August 2017. These include the Messy Monkeys kids snacking range, Barley + cereals and snacks and Crafted Blends snacks.

The Freedom Foods business is the category leader in the Health Food section of retail supermarkets. Our expanding innovation, product range and formats through our manufacturing capabilities provides a unique opportunity to continue to build the Freedom Foods brand as a leading and trusted brand for healthier tasty cereal and snacks options.

Tasty, functional and combination format products, as well as portable and convenience options, will be key drivers of growth in the Cereal and Snacks business.

CHINA & SOUTH EAST ASIA

Fastest growing Australian cereal brand on Alibaba's Tmall

In November 2015, Freedom Foods launched an online flagship store to promote the "Freedom Foods" branded product portfolio to Chinese consumers in cereal and milk products.

Within the cereal category, since our notable early success, sales have progressed well, with further growth achieved and increasing brand recognition in this small but growing category in China.

The Freedom Foods "Arnold's Farm" brand is one of the top 3 oat cereals on Tmall International. The Company and Tmall International have built a joint business plan to accelerate development of a number of key products within the cluster cereal and oat porridge category under the Freedom Foods brands, specifically for the Chinese market.

The market for oat based cereal products in China, including cluster and premium muesli porridge formats, is expected to grow, driven by demand for better quality oats in existing consumption formats, and also changing consumption patterns. The demand for high quality Australian origin oats will also be further developed through consumers accessing product through China's cross border free trade zones and the China Australia Free Trade Agreement, which will reduce tariffs on oat based products over the next 5 years.

The Company believes its sourcing and conversion capabilities uniquely position it to build a significant branded business in high quality imported oat based Cereal and Snacks. As a result, the Company is increasing its investment in building distribution of its key brands including "Arnolds Farm" in traditional off line distribution channels in key tier 1 and tier 2 cities.

The Company also continues to develop strategic partnerships with Chinese brand owners that build diversification of supply into the China market including Pinlive, Seamild and VV Group.

NORTH AMERICA

Emerging specialty food and beverage capability in the USA

Freedom Foods has restructured its business operations in North America to provide for an acceleration of its sales and earnings base.

Freedom Foods is establishing a North American entity in partnership with AFT Holdings to grow our North American business significantly faster than that which we could have achieved independently. AFT Holdings is a San Diego based investment group with operations in natural protein products and with strong sales and operations execution experience. The new entity will form part of the Specialty Cereal and Snacks Business Group. Freedom Foods will have a 75% equity ownership with rights to acquire AFT Holdings' interest over a 3 to 5 year period.

The Group is investing in building a stronger local experienced team in sales, operations and finance. AFT Holdings will provide back office administrative resources. Under the new ownership arrangements, Freedom Foods is expanding its US based sales, marketing and distribution base to expand the offering of Freedom Foods branded products that go beyond the Allergen Free base, leveraging its unique global position in healthy cereals and snacks.

As part of this strategy, the Company launched the Barley + cereal range in 1,500 Kroger stores from July 2017.

Additional business has also been secured in both branded and private label supply, with a leading private label retailer ranging a number of cereal products later in 2017. The Company also intends to launch its Messy Monkey range, as well as its specialised MilkLab "coffee milk" offering in targeted cities in the USA.

Based on developments to date and ongoing strategic initiatives, the Company expects the entity to be accretive to earnings in its first full year of operation in FY 2018, with additional sales and operational efficiencies in the medium term.

Non-Branded Portfolio

The Company is a significant supplier of cereal, snack and grain based ingredients to retailers and other brands, reflecting a total category approach that leverages our manufacturing platform and provides a strong base of earnings to further invest into our brands.

The Company believes its continued investment in product development and leading manufacturing capability in cereal and snacks provides for significant long term growth in supporting retailer and other strategic branded products in Australia, China and North America.

Freedom Farmers

BUILDING A FULLY INTEGRATED PADDOCK TO PLATE PROVIDER

As part of ensuring best quality and growth in supply of key grains to our Freedom Foods Group production facilities, the business expanded its Freedom Farmers platform, with a number of key farmer groups engaged to build the Company's specialised grains supply platform over the coming years that will guarantee our strategy of being a high quality integrated paddock to plate provider. Australian sourcing of all key grain based ingredients will be a key source of competitive advantage for the Company.

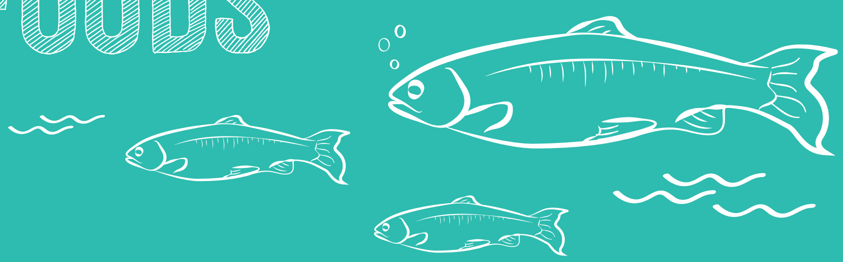
During the year, the Company managed, for the first time, seed and planting processes under contract with its Freedom Farmers for all its internal Oat and Barley requirements. Similar processes continued for Popping Corn, Maize and Buckwheat requirements.

Cereal & Snacks Manufacturing Base

The Company intends to maintain, in the medium term, an integrated cereal and snacks operation at Leeton and an oats and cluster format cereal processing and packaging operation at Dandenong.

The Company completed a significant expansion of its cereal oven and related packaging capabilities at the Dandenong facility during the year. This critical expansion of capacity will provide for meeting the growing demands of existing customers and our branded portfolio in Australia, China and SE Asia.

SPECIALTY SEAFOODS



Number 1 Sardine brand in Australasia

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

During the period, supply impacts from prior year were overcome with reactivation of sales promotions from August 2016. The Company has established a dual supply base for Atlantic sourced Sardines to reduce exposure to a single fishing area.

The Paramount Salmon brand performed well during the period, with strong growth in market share (20% at June 17 from 18.4% prior year) across red and pink salmon segments.

Financial performance was impacted by unfavourable exchange rate on purchasing in Salmon and Sardines. Tight management of sales promotions and reduced promotional spend negated some of the exchange rate impact on gross margin.

The business remains focused on positioning for growth through calendar 2017 through category leadership of the Specialty Seafood channel, including a number of new products to be launched under the Brunswick brand.

The business continued to utilise the procurement power of Bumble Bee Foods of North America, with Bumble Bee securing 2017 inventory requirements through priority access to salmon and sardine catch volumes.

INNOVATION CAPABILITIES

The Company has invested significantly in its innovation capabilities across its business groups, including appointment of product development personnel. This investment aligned to its significant capital investment in manufacturing capabilities provides a strong base to accelerate new product development pipelines.

A number of new products developed during FY 2017 have only recently been launched including 24 new branded sku's from August 2017.

WE BELIEVE THAT FOOD CAN BE HEALTHY & DELICIOUS

...and we are thrilled that our innovation has really resonated with the market place. This is what we strive for every day.

CAPITAL EXPENDITURE

The Company has substantially completed a capital expenditure program of $250 million over the last 3 years. This has included construction of 2 greenfields sites at Shepparton and Ingleburn and incremental development of 2 other sites at Leeton and Dandenong.

The capital expenditure now provides a strong operational platform to significantly increase the Company's sales and operating financial returns.

Ongoing operational capital expenditure through FY 2018 and FY 2019 will relate to new capability and or product format expansion within our key operating sites at Ingleburn, Shepparton and Leeton. The Company will continue to build on these sites as our primary operating platforms for the future, providing operating efficiencies through maximising common overhead and expense base.

Barley+ in store in Kroger Dallas, Texas USA

CORPORATE & GROUP MANAGEMENT

Our people

As at 30 June 2017, the Company employed 430 employees compromising of 378 full time equivalent employees and 52 casual employees across Australia and North America.

The average length of service is 4.0 years (2016: 3.0 years).

FREEDOM FOODS GROUP

Employee in Focus 2017

Each year Freedom Foods recognises the extraordinary contribution of staff members to the success of the Company.

We are fortunate to have people throughout the Company that are committed to our mission and every day make an extraordinary contribution.

This years "Employee in Focus" actually comprises a team of 4 individuals, being the INGLEBURN PROJECT TEAM, namely Timothy Moses, Chris Monkton, Gary Saywell and Andrew Johnson.

This team delivered an outstanding new operational capability at Ingleburn. There were contributions from many others along the way, including in our recent commissioning, however, this team delivered a very material project to the Company without the support of a large construction company and in the face of dealing with many challenges, including weather, sub-contractors and changes to plan. Through this process, we went from dirt to locked up facility within 12 months and at a cost far less than if we had tendered out construction to a large building company.

The Ingleburn facility is truly a unique capability that will deliver substantial sales and operational benefits for years to come.

We are extremely proud of this team and our collective efforts to deliver the Ingleburn facility. Importantly, we delivered it the "Freedom" way!!

We also recognise the achievements of a number of other employees who have made an extraordinary contribution during the year, including Stephanie Graham (Finance), Jelica Topalovic (Operations), Zarko Juric (Sales), Kerry Xanthoulis and Rosane Simoes (Product development).

Please join me in congratulating these employees on their recognition.

Rory J F Macleod
Managing Director and CEO

Diversity & Inclusion

The Company is committed to actively managing diversity and recognises the value that diversity has in enhancing the Company's performance and attracting and retaining talented people. The Company is dedicated to ensuring inclusion of all individuals regardless of gender, age, ethnicity, race, religion and sexual orientation.

The Company is dedicated to ensuring:

- that the Company's corporate culture at all levels supports diversity in the workplace whilst maintaining a commitment to a high performance culture;
- that consideration is given to programs and processes for the development of skills of all employees and support for an individual's domestic responsibility; and
- that the policy for selection and appointment of new directors is transparent.

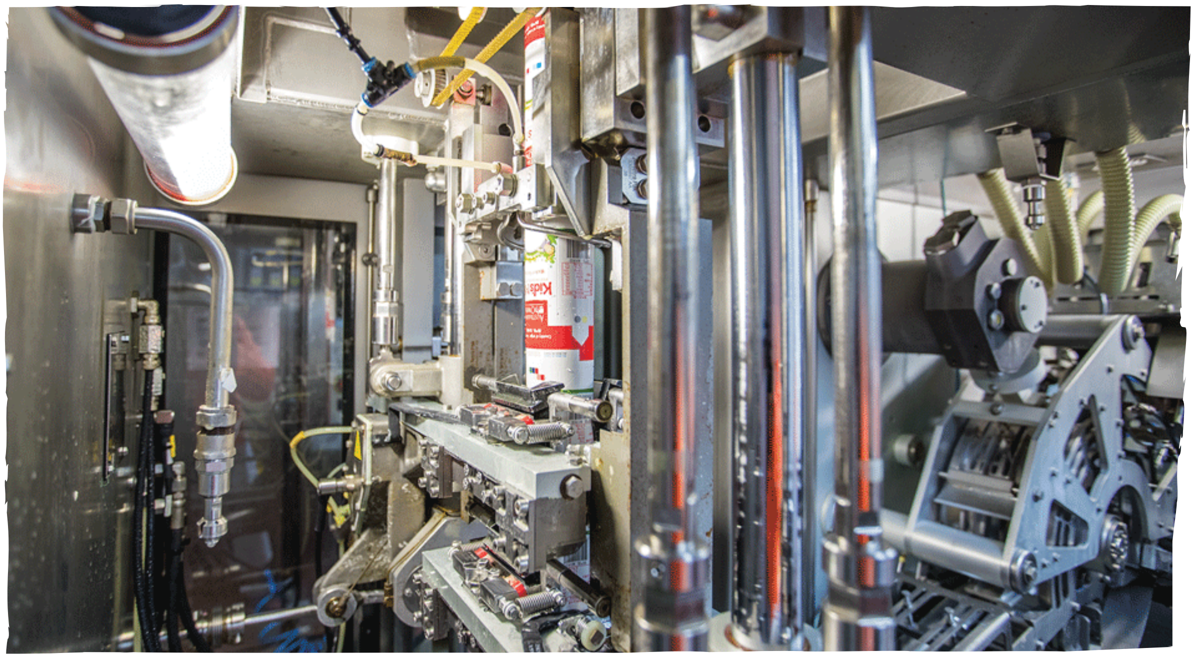
The Company's Diversity Policy is located on the Company website www.ffgl.com.au under Corporate Governance.

As at 30 June 2017, women represent 38% of the Company's workforce, which is an increase of 3% from 2016. Women represent 38% of senior management positions across the Company, which is an increase of 10% from 2016.

REPRESENTATION OF WOMEN AS AT 30 JUNE 2017

POSITION	NUMBER	% WOMEN
Key Management Personnel	0	0%
Senior Management positions	6	38%

Quality & Food Safety



Quality and food safety is the foundation for the ongoing success of the Group. The Group strives to achieve quality across the business through the products, services and people. Quality and food safety is intrinsic to the business philosophy and culture. The quality and safety of the products, as well as meeting the requirements of the customers, are of the highest priority to the Group.

The Group is committed to the ongoing review of the food safety and quality objectives and has a focus on continuous improvement by constantly reviewing and challenging the Quality and Food Safety Management Systems, as well as utilising improvement methodologies to ensure delivery on the Group's quality commitment.

Freedom Foods has a range of certification and regulatory bodies independently auditing our sites regularly to the following standards but not limited to:

- Regulatory audits: State based Food Authority audits and Export Registered Facilities audit via the Department of Agriculture
- Global Food Safety Initiative (GFSI) Standards such as Safe Quality Food (SQF) and British Retail Consortium (BRC)
- HACCP Certification complying with requirements of Codex Alimentarius Alinorm: 2003/13A
- Australian Retailer and Other Customer standards
- Product specific standards: Australian Certified Organics and Gluten-Free Certification program
- Registered and Compliant with FDA (Food and drug administration) for sites exporting into North America

To compliment independent audits an internal audit program is also in place to monitor and continuously improve processes.

Our goal is to have all Freedom Food sites independently certified to globally recognised Quality Management System standards (GFSI). We have recently achieved BRC certification for our Darlington Point Mill facility and aim to have our new state of art Facility at Ingleburn BRC certified by January 2018.

The Ingleburn UHT facility has been designed and constructed with stringent GMP standards and with processing technology that is delivering products with improved quality and consistency.

At Freedom Foods we are passionate about making food better. We have established key Quality metrics to help drive a continuous Improvement philosophy and culture.

We continue to attract top talent into Freedom Foods for key positions around Milk supply, Technical UHT skills and nutritionals to support growth and strategic direction.

Key initiatives the Group has undertaken during the year:

- Bactoscan purchased to perform rapid testing on raw milk to improve Quality consistency at the Shepparton facility.
- Optical sorter installed at our Darlington point Mill facility to improve Quality of Popping Corn.
- NIR (Near Infrared) technology to monitor grain Quality upon receivable into Darlington Point Mill.
- Trialing and further exploring foreign matter control technologies for our Cereal production facilities.
- Collaboratively working with key service providers to standardise expectation/deliverables across the Group.
- Working closer with farmers on improving Quality specifications for grains and raw milk.
- We continue to progress with the implementation of our Cloud base Quality Management system "Qumulus" with 60% of Phase 1 modules implemented. Remaining phase 1 modules to be completed by the first half of FY 2018. Some key benefits:
    1. Monitoring and Managing supplier Performance across the group. We will further progress in centralising Vendor Assurance function in FY 2018
    2. Real time data analysis to drive continuous improvement on key quality metrics.
    3. Efficiencies gained on management of data and reduction of paper based systems, including mobility across a number of platforms.
    4. Commenced integrating Work health safety system into Qumulus and will further develop in FY 2018:
        - Group Quality protocols developed and implemented to standardise best practices across the group and will continue to build on through FY 2018.
        - Review of processes to optimise quality performance of products.
        - Revised NPD pathway process to ensure all new products developed have undergone a comprehensive review before launch.

Talent & Technology

The Company continued to make investments in people and capability to ensure the Company can implement and manage growth. During the period, we invested in talent and capability in marketing and innovation across beverage, cereal and snacks capability as well as operations, quality, financial and compliance.

For our expanding capital projects initiatives, we increased our capability to manage and install our key projects that will provide for ongoing capability at our sites, reducing reliance on 3rd party providers. The Ingleburn site construction was managed by our own teams, with no external builders or project managers. This provided a significant time and cost saving to the Company.

We are developing our people and talent identification process to align with the Company's rapidly expanding sales and operational platform.

The Company is well progressed on a complete transformation of its IT/ERP systems, with the transition from a 1st generation platform to a new cloud based ERP system materially completed by October 2017. Further investments in technology will be made to ensure we increase efficiency and productivity.

Capital Management

CAPITAL RAISING

The Company completed a capital raising in December 2016 that comprised a pro-rata accelerated non-renounceable entitlement offer and institutional placement.

The offer raised a total of $75 million, with the institutional component being significantly oversubscribed with strong demand from a broad range of high quality institutional investors including existing institutional shareholders. The offer price was $4.45 per share, which represented a 5.9% discount to the volume weighted average trading price over the preceding 30 day period.

The funds raised from the capital raising were utilised in the funding of the Company's growth strategy including the acquisition of Australian Consolidated Milk's 50% interest in Pactum Dairy Group, the acquisition of Power Foods as well as providing the Company with additional balance sheet flexibility for future growth opportunities including the capital expenditure initiatives which are ongoing in relation to product and capability expansion at our Shepparton, Ingleburn and Dandenong facilities.

LIQUIDITY & FINANCE FACILITIES

The Company held cash of $4.2 million at 30 June 2017, with total borrowings of $185.2 million, comprising term facilities, equipment finance leases and working capital facilities. Net debt at 30 June 2017 was $181.0 million, with a net debt to equity ratio of 56.3%.

Cash flow from operations was $10.8 million, a decrease of $3.8 million from prior year period, reflecting increased working capital requirements.

During the 2nd half FY 2017, the Company funded a significant increase in working capital requirements for the transition of the Taren Point and Ingleburn sites, including raw materials, packaging, labour and associated costs. These transitionary working capital requirements are estimated to be in excess of $10 million and will reduce during 2nd quarter of FY 2018 as the Ingleburn site assumes full operation.

During the period, the Company invested $134.7 million in capital expenditure (relating to new facilities being constructed at Ingleburn and capital expenditure on plant and equipment at Shepparton, Dandenong, Leeton and Darlington Point operations) which was funded by cash and finance facilities.

With a significant proportion of the Company's capital expenditure plan now complete, the Company is establishing with its long term banking partners a more flexible group finance and liquidity structure that will provide for the working capital and capital expenditure needs of the business from continued revenue growth. The term of a new secured bilateral and syndicated facility is expected to be 3 years and will be formally established prior to 31 December 2017. Reflecting the renegotiation timetable with our long term banking partners, the Company's balance sheet as at 30 June 2017 shows a larger proportion of the banking facilities as a current liability.

To provide ongoing balance sheet flexibility and to reduce any requirement for equity capital outside of a material acquisition initiative, the Company has entered into a sale and leaseback of its Ingleburn land and buildings for a net consideration of $75 million. Funds from the sale will provide flexibility to fund growth in working capital and capital expenditure over the coming 3 years.

The sale and leaseback is with a subsidiary of the Perich Group. The Perich Group has a substantial industrial and retail property portfolio and a strong track record in being a long term stable property owner, which suits the objectives of the Company. The sale and leaseback is for 20 + 10 years and has been negotiated on an arm's length basis. The transaction is expected to be completed on 30 November 2017, subject to shareholder approval at the Annual General Meeting.

DIVIDENDS

Consistent with the positive forward outlook for the Group's performance, the Company will pay a final fully franked dividend of 2.25 cents per ordinary share in November 2017, in line with the final dividend per ordinary share paid in November 2016. Allowing for the expanded share capital base following the December 2016 capital raising, the dividend will amount to $4.5 million, compared to $4.1 million in FY 2016.

The record date for determining entitlements is 2 November 2017 and the payment date is 1 December 2017.

The Company's Dividend Reinvestment Plan (**DRP**) remains open.

The Company will pay a fully franked converting preference share dividend in accordance with the terms of the converting preference shares. The record date for determining entitlements is 2 November 2017 and the payment date is 1 December 2017.

There are 101,627 converting preference shares remaining on issue at 30 June 2017.

AUSTRALIA'S OWN ORGANIC
ALMOND MILK
UNSWEETENED
Fruit & SEEDS
GLUTEN FREE WHEAT FREE NUT FREE
freedom
ACTIV
ALAN

Group Outlook

BUILDING A GLOBAL FOOD & BEVERAGE BUSINESS BASED IN AUSTRALIA

The Company is uniquely and strategically well positioned to build scale in its key business platforms of plant based beverage, premium dairy and specialty cereal and snacks, with strong sales and earnings growth over the long term from Australia and key international markets in China, South East Asia and North America.

Our key brands "Freedom Foods" and "Australia's Own" will be at the forefront of driving our returns from our innovation and manufacturing capabilities in Australia and international markets.

Our commitment to servicing a broader category including retailers and other brand owners will remain, driving scale and generating earnings to support our brand strategy.

The Company has created a unique supply and manufacturing footprint in its key categories. We believe the ability to control supply and manufacturing inputs and more quickly deliver innovation across a range of product formats for our brands and our key customers is a key strategic advantage in the medium to long term, particularly in value adding Australia's unique agricultural base. While this has required significant capital investment and patience, we will continue to invest to achieve this outcome.

The completion of our new plant and dairy based beverage capabilities at Ingleburn in Sydney is expected to result in a material increase in sales and profitability, with further growth opportunities through meeting the increasing demands of our brands as well as our private label and other branded customer base.

With a large base of dairy volume established, the focus is on driving the dairy business towards specialty and high value added products. The development of a specialised nutritionals platform at Shepparton aligned to the dairy UHT operations will provide for protein standardisation and the ability to separate milk into industrial grade pure protein components for use in our branded products and for sale to key strategic customers. The acquisition of the Vital Strength performance nutrition brand is a key part of this strategy and will materially contribute to sales and earnings in the medium term.

The Cereal, Snacks and Milling business is strategically well positioned to build a significant growth platform in multiple products, channels and distribution across Australia/NZ, China, South East Asia and North America. The business will deliver increasing sales and profit through innovation in new products, expansion of distribution channels in Australia and international markets, together with increasing manufacturing efficiencies from volume and cost efficiencies arising from the capital investment program at Leeton, Darlington Point Mill and Dandenong. This, aligned with investment in building awareness of the brand across a broader consumer market open to healthier products, is expected to provide a strong base for growth into future years.

Our capital raising, the sale and leaseback of Ingleburn and increasing operational cashflows in future years, along with support from our banking partners, provides a strong balance sheet capability to execute our strategy.

The Company is experiencing a strong start to the 2018 financial year, with net sales revenues estimated to be in the range of $340 to $360 million, as compared to $262 million in FY 2017.

We expect this and future year's sales increases to flow through positively to increased operating margins reflecting the ongoing benefits of the strategy and multi stage capital investment program with acceleration of profits and returns in FY 2018 and beyond.

WE DONT JUST FIND OPPORTUNITIES, WE CREATE THEM.

Quality + Nutrition + Taste

freedom FOODS GROUP LIMITED
Making food better

FINANCIAL REPORT

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Freedom Foods Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS

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

Perry R. Gunner - Chairman (Non-Executive)

Rory J.F. Macleod - Managing Director and Chief Executive Officer (Executive)

Anthony M. Perich - Deputy Chairman and Director (Non-Executive)

Ronald Perich - Director (Non-Executive)

Trevor J. Allen - Director (Non-Executive)

Michael R. Perich - Alternate Director for Anthony M. Perich and Ronald Perich (Non-Executive)

PRINCIPAL ACTIVITIES

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

- sourcing, manufacturing, selling, marketing and distribution of specialty cereal and snacks;
- sourcing, manufacturing, selling, marketing and distribution of plant and dairy based beverages;
- sourcing, manufacturing, selling, marketing and distribution of nutritional products;
- selling, marketing and distribution of canned specialty seafood; and
- investment in large scale dairy farming operations.

The Company operates sales, marketing and distribution activities in Australia, New Zealand, China, South East Asia and North America.

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

DIVIDENDS

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2017 $'000	2016 $'000
Final fully franked dividend for the year ended 30 June 2016 of 2.25 cents (2015: 1.50 cents) per ordinary share paid in cash	1,048	515
Dividends reinvested: fully franked at 30% tax rate	3,050	1,807
Interim fully franked dividend for the year ended 30 June 2017 of 2.00 cents (2016: 1.75 cents) per ordinary share paid in cash	1,560	688
Dividends reinvested: fully franked at 30% tax rate	2,439	2,455
Final fully franked dividend for the year ended 30 June 2016 of 1.35 cents (2015: 1.35 cents) per convertible redeemable preference share	1	1
Interim fully franked dividend for the year ended 30 June 2017 of 1.35 cents (2016: 1.35 cents) per convertible redeemable preference share	1	2
	8,099	5,468

On 31 August 2017, the directors declared a fully franked final dividend of 2.25 cents per share to the holders of fully paid ordinary shares in respect of the financial year ending 30 June 2017, which is to be paid to shareholders on 1 December 2017. The record date for determining the entitlement to the final dividend is 2 November 2017. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $4,519,000. The dividend reinvestment plan will be in operation in respect of this dividend.

On 31 August 2017, the directors declared a fully franked final dividend of 1.35 cents per share to the holders of the convertible redeemable preference shares in respect of the financial year ending 30 June 2017, which is to be paid to shareholders on 1 December 2017. The record date for determining the entitlement to the final dividend is 2 November 2017. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,372.

REVIEW OF OPERATIONS

The profit for the Group after providing for income tax and non-controlling interest amounted to $7,451,000 (30 June 2016: $50,492,000 which included one off profits of $24.5 million arising from the sale of the Company's remaining holdings in the A2 Milk Company Limited and $22.4 million arising from the fair value gain on conversion of options in Pactum Dairy Group Pty Limited).

Refer to the commentary in the Managing Director's and CEO's Review of Operations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 4 July 2017 the Company entered into a joint venture with Shenzhen Jialile Food Co. Limited (JLL) to establish a new company called Australia's Own Dairy Company China. The Company will subscribe for an initial investment of 10% for consideration of RMB22 million (approximately AUD$4.4 million), with the option to subscribe up to 30% within 3 years. The transaction is subject to regulatory approvals in China and is expected to be formally completed by no later than 31 December 2017.

On 31 August 2017, the Group entered into an agreement with a subsidiary of the Perich Group for the sale and leaseback of its Ingleburn land and buildings for consideration of $75 million. The lease is for a term of 20 years with an option for a further 10 years. This transaction is expected to be completed on 30 November 2017 subject to shareholder approval at the Annual General Meeting.

Apart from the dividend declared as disclosed in Note 18, the establishment of Australia's Own Dairy Company China and the sale and leaseback agreement, no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

In future years, the consolidated entity expects to continue to grow through organic sales development, leveraging its expanding capabilities in supply chain and manufacturing, product development, sales, marketing and distribution in its core business activities. Growth beyond Australia and New Zealand will be targeted through key export markets in Asia (China and South East Asia) and North America, either through company owned capabilities or through strategic alliances and partnerships.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to environmental regulation under the law of the Commonwealth,

State and local council regulations.

- There were no breaches of environmental laws, regulations or permits during the year.
- The consolidated entity is currently operating in accordance with local councils consent in regard to hours of operation.

INFORMATION ON DIRECTORS

Name: Mr Perry R. Gunner.

Title: Chairman and Non-Executive Director (Independent).

Qualifications: B.Ag.Sc, Grad Business Administration.

Experience and expertise: Perry is former Chairman and CEO of Orlando Wyndham Wine Group and was appointed Chairman in July 2006.

Other current directorships: Non-Executive Director of Australian Vintage Ltd.

Former directorships (last 3 years): A2 Milk Limited.

Special responsibilities: Chairman of the Remuneration and Nomination Committee and member of the Audit, Risk and Compliance Committee.

Interests in shares: 914,094.

DIRECTORS' REPORT

Name: Mr Rory J.F. Macleod.

Title: Managing Director and Chief Executive Officer.

Qualifications: B.Econ (Hons).

Experience and expertise: Rory has been with the group for the past 14 years with direct responsibility for and involvement in the Company's strategic, operational and financial development during this time. He is a former Senior Director, corporate finance for SBC Warburg (now UBS) in Australasia and Europe where he gained extensive experience in strategy and commercial development, mergers and acquisitions and corporate analysis. Prior to his corporate finance background, Rory was an Equities Research Analyst with SBC Warburg (now UBS). Rory was appointed as an Executive Director in 2008 and appointed Managing Director and CEO in August 2012.

Other current directorships: Non-Executive Chairman, Australian Fresh Milk Holdings Pty Limited (AFMH) and its subsidiaries. A director of operating subsidiaries of Freedom Foods Group Limited.

Former directorships (last 3 years): None.

Special responsibilities: None.

Interests in shares: 1,708,795.

Interests in options: Employee Share Options 2,500,000 @ $2.92.

Name: Mr Anthony M. Perich AM.

Title: Deputy Chairman and Non-Executive Director.

Experience and expertise: Anthony is a Member of the Order of Australia. He is 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, Anthony 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 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. He was appointed as a director in July 2006.

Other current directorships: None.

Former directorships (last 3 years): Austral Malaysian Mining Limited, Pulia Mining Sdn Bhd (Malaysia).

Special responsibilities: Deputy Chairman.

Interests in shares: 111,552,094.

Name: Mr Ronald Perich.

Title: Non-Executive Director.

Experience and expertise: Ronald is 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. He was appointed as a director in April 2005.

Other current directorships: None.

Former directorships (last 3 years): None.

Special responsibilities: Member of the Audit, Risk & Compliance Committee and member of the Remuneration & Nomination Committee.

Interests in shares: 111,552,094.

Name: Mr Trevor J. Allen.

Title: Non-Executive Director (Independent).

Qualifications: B Comm (Hons), CA, FF, FAICD.

Experience and expertise: Trevor has 39 years experience in the corporate and commercial sectors, primarily as a corporate and financial adviser to Australian and international public and privately owned companies. Trevor is an independent Non-Executive Director of Peet Limited, where he chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee. He is an independent Non-Executive Director of Eclipx Group Limited, where he also chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee. He is the interim Chair of Yowie Group Limited and the Chair of Brighte Capital Pty Limited, a start-up company financing residential solar and batteries. Trevor is a consultant to PPB Advisory. Prior to Trevor's Non-Executive roles, he had senior executive positions in the investment banking and corporate advisory sector, including Executive Director – Corporate Finance at SBC Warburg (now UBS) for over 8 years, Director at Baring Brothers Australia for one year and as a Corporate Finance Partner at KPMG for nearly 12 years. At the time of his retirement from KPMG in December 2011, he was the lead partner in its National Mergers and Acquisitions group. From 1997 – 2000 he was Director - Business Development for Cellarmaster Wines, having responsibility for the integration and performance of a number of acquisitions made outside Australia in that period. He was appointed as a director in July 2013.

Other current directorships: Non-Executive Alternate Director, Company Secretary and Public Officer of Australian Fresh Milk Holdings Pty Limited and Fresh Dairy One Pty Limited. Non-Executive Director of Peet Funds Management Limited, Yowie Hong Kong Holdings Pty Limited, Peet Flagstone Pty Limited and Brighte Capital Pty Limited.

Former directorships (last 3 years): Australian Childcare Projects Limited, Juvenile Diabetes Research Association, AON Superannuation Pty Ltd.

Special responsibilities: Chairman of the Audit Risk & Compliance Committee and a member of the Remuneration Committee.

Interests in shares: 84,079.

Name: Mr Michael R. Perich.

Title: Alternate Non-Executive Director.

Qualifications: B AppSci (SysAg).

Experience and expertise: 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 Graduate Member of the Australian Institute of Company Directors post nominals. He was appointed as an alternate director in March 2009.

Other current directorships: Non-Executive Director of Australian Fresh Milk Holdings Pty Limited, Milk Holdings Pty Limited, Fresh Dairy One Pty Limited, Australian Fresh Milk Pty Limited.

Former directorships (last 3 years): None.

Special responsibilities: None.

Interests in shares: 111,552,094.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Chief Financial Officer, Mr Campbell Nicholas was appointed Company Secretary on 1 September 2016 and has been a Certified Practicing Accountant for 25 years.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	FULL BOARD		AUDIT, RISK & COMPLIANCE		REMUNERATION & NOMINATION	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
Perry R. Gunner	10	10	4	4	1	1
Rory J.F. Macleod [(i)]	10	10	4	4	1	1
Anthony M. Perich	10	10	-	-	-	-
Ronald Perich	6	10	2	4	1	1
Trevor J. Allen	10	10	4	4	1	1
Michael R. Perich	10	10	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

(i) R.J.F. Macleod attended the Audit, Risk and Compliance Committee meetings at the invitation of the Audit, Risk and Compliance Committee.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Group performance, shareholder wealth and directors and key management personnel remuneration
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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.

During FY2016, the Remuneration and Nomination Committee obtained independent advice from Crichton + Associates Pty Limited in relation to current and future remuneration policies and structures for the Company and the Group.

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 and the individual.

Performance based remuneration

Performance based remuneration is at the discretion of the Remuneration and Nomination Committee. These can take the form of share scheme interests or cash bonuses although the Company's preference is to link performance and service to a Long Term Incentive Plan (LTIP). Approval was given at the Annual General Meeting in November 2016 for the adoption and establishment of the Freedom Foods Equity Incentive Plan (EIP) to replace the Company's existing Employee Share Option Plan (ESOP) for any new issue of securities under the LTIP. The ESOP will be terminated once all unexercised options under the ESOP have either exercised or lapsed.

The EIP allows the Company to grant a range of different share scheme interests to all directors (excluding Mr Ronald and Anthony M. 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 share scheme interest grants are appropriate to aligning key executive performance with long term performance and growth of the Company. These share scheme interests include options, performance rights, service rights, deferred shares, exempt shares, cash rights and stock appreciation rights. No share options have been issued under the EIP in FY 2017.

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 November 2016, was not to exceed $750,000 in total. Total fees paid to Non-Executive Directors for 2017 was $464,055 (2016: $368,720). To align director interests with shareholder interests, the directors are encouraged to hold shares in the Company.

DIRECTORS' REPORT

For the year ended 30 June 2017, the Chairman receives approximately 1.2 times the base fee of Non-Executive Directors. The Deputy Chairman receives approximately 1.1 times 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. Other than contributions towards superannuation funds, there are no termination or retirement benefits for Non-Executive Directors.

During the previous financial year, the Remuneration and Nomination Committee obtained independent advice from Crichton + Associates Pty Limited in relation to current and future remuneration policies and structures for the Company and the Group. As a result, the fees for directors in this financial year were adjusted to reflect market practice for comparable listed companies.

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following Directors of Freedom Foods Group Limited:

- Perry R. Gunner - Chairman and Non-Executive Director
- Rory J.F. Macleod - Managing Director and Chief Executive Officer
- Anthony M. Perich - Deputy Chairman and Non-Executive Director
- Ronald Perich - Non-Executive Director
- Trevor J. Allen - Non-Executive Director
- Michael Perich - Alternate Non-Executive Director for Anthony M. Perich and Ronald Perich

Executive Officers

- Amine Haddad - CEO, Commercial Operations Australasia
- Timothy Moses - Group General Manager, Group Operations
- Campbell Nicholas - Chief Financial Officer and Company Secretary

In making an assessment of the key management personnel, a review of the roles performed by various senior management is undertaken each year. This review takes into consideration senior management members' ability to plan, direct and control the principle activities of the Group. As a result of this review in FY 2017 Campbell Nicholas, CFO and Company Secretary, has been added to the key management personnel.

The benefits of each director who held office and other key management personnel for the year ended 30 June 2017 are as follows:

	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	
2017	SALARY $	DIRECTORS FEES $	SUPERANNUATION $	LONG SERVICE LEAVE $	OPTIONS $	TOTAL $
Non-Executive Directors:						
Perry R. Gunner	-	110,731	10,519	-	-	121,250
Anthony M. Perich	-	101,598	9,652	-	-	111,250
Ronald Perich	-	92,466	8,784	-	-	101,250
Trevor J. Allen	-	92,466	8,784	-	-	101,250
Michael Perich (alternate)	-	26,534	2,521	-	-	29,055
Executive Directors:						
Rory J.F. Macleod	460,384	-	19,616	-	279,369	759,369
Other Key Management Personnel:						
Amine Haddad	380,384	-	19,616	-	167,621	567,621
Timothy Moses	255,384	-	19,616	-	-	275,000
Campbell Nicholas*	253,772	-	17,061	-	-	270,833
	1,349,924	423,795	116,169	-	446,990	2,336,878

** Campbell Nicholas was appointed on 1 September 2016.*

2016	Salary $	Directors Fees $	Superannuation $	Long Service Leave $	Options $	Total $
	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
Non-Executive Directors:						
Perry R. Gunner	-	86,758	8,242	-	-	95,000
Anthony M. Perich	-	77,626	7,374	-	-	85,000
Ronald Perich	-	68,493	6,507	-	-	75,000
Trevor J. Allen	-	68,493	6,507	-	-	75,000
Michael Perich (alternate)	-	23,945	2,275	-	-	26,220
Melvyn Miles*	-	11,416	1,084	-	-	12,500
Executive Directors:						
Rory J.F. Macleod	400,692	-	19,308	-	280,135	700,135
Other Key Management Personnel:						
Amine Haddad	350,692	-	19,308	-	168,081	538,081
Timothy Moses	233,192	-	19,308	-	-	252,500
	984,576	336,731	89,913	-	448,216	1,859,436

* *The director fees for Melvyn Miles were paid up until his resignation date, 14 August 2015.*

No bonus payments are payable to Executive Directors or other key management personnel with respect to the financial year ended 30 June 2017. The remuneration is fixed in the above tables.

SERVICE AGREEMENTS

Neither the Managing Director nor 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, Commercial Operations Australasia and 3 months for Group General Manager, Group Operations and 2 months for the CFO and Company Secretary. Other notice periods for other executives are between 1 and 2 months.

SHARE-BASED COMPENSATION

Employee Share Options

Grant Date	Number of Shares Under Option	Expiry Date	Exercise Price	Fair Value per Option at Grant Date
30 August 2012	350,000	30 August 2017	$0.60	$0.066
1 July 2013	712,000	1 July 2018	$1.65	$0.181
1 July 2015	4,000,000	30 June 2020	$2.92	$1.195

Recipients	Number During the Year 2017	Number During the Year 2016	Fair Value ($) During the Year 2017	Fair Value ($) During the Year 2016
Rory J.F. Macleod - Issued 1 July 2015	-	2,500,000	-	2,987,500
Amine Haddad - Issued 1 July 2015	-	1,500,000	-	1,792,500

There is no performance criteria that need to be met in relation to 30 August 2012 and 1 July 2013 series options granted above. The options detailed above vest over a period of 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' REPORT

At the AGM on 30 October 2014, approval was granted for 2,500,000 options under the Employee Share Option Plan to be issued to Mr Rory J.F Macleod, Managing Director and CEO on 1 July 2015. Unlike the options on issue at 30 June 2015, these options will have a 5 year exercise period and will vest based on the achievement of Group Company EBDITA performance within the 5 year exercise period per the below:

- 750,000 on achievement of audited Group EBDITA of A$38 million;
- 750,000 on achievement of audited Group EBDITA of A$45 million; and
- 1,000,000 on achievement of audited Group EBDITA of A$57 million.

The above earnings targets include the results of Pactum Dairy Group. The audited Group EBDITA will be adjusted for any material acquisition or divestment. Since the grant of the options, the Company acquired Popina Foods, assets associated with the Darlington Point Mill (DP Mill) and the assets associated with Power Foods. As a result, the Group EBDITA performance targets have been adjusted to the following:

- 750,000 on achievement of audited Group EBDITA of A$44.5 million;
- 750,000 on achievement of audited Group EBDITA of A$51.5 million; and
- 1,000,000 on achievement of audited Group EBDITA of A$63.5 million.

In the final year of the 5 year exercise period for the options granted to Mr Rory J.F. Macleod (and other options issued under the same conditions to Mr Amine Haddad), any options deemed vested on the basis of a preliminary Group EBDITA for 30 June 2020 will be allowed to be exercised based on achievement of an Group EBDITA at 30 June 2020 up and until the audited Group EBDITA at 30 June 2020 is confirmed no later than 30 September 2020.

The options have been valued using an independent valuation from Ian S. Crichton (BA, FCA, MFTA), Principal, Crichton + Associates Pty Limited. The valuation and annual expense has been reflected in the Statement of profit or loss and comprehensive income.

GROUP PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration policy of the Company and Group is at the discretion of the Remuneration and Nomination Committee.

The earnings of the Group for the five years to 30 June 2017 are summarised below:

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Gross sales revenue*	313,335	213,833	129,502	122,722	115,514
Net sales revenue	262,481	170,444	91,460	87,856	88,922
Operating EBDITA**	26,240	21,526	16,420	15,289	11,600
Operating net profit**	8,915	10,818	4,970	12,518	6,351
Profit after income tax	7,539	50,631	56,631	12,132	13,722
EPS (Fully Diluted for CRPS) on operating net profit	5%	6%	3%	8%	5%

* *Gross sales revenues in the table above differs from the reported revenue, as the gross sales revenue above includes intercompany sales eliminated from the statutory reported revenue from sale of goods figure. This treatment reflects the Group's arm's length trading policy between Group activities.*

** *Operating EBDITA/Operating net profit excludes the non-operating charges and gains with an add back of the non-cash employee share option expense of $448 thousand.*

	2017	2016	2015	2014	2013
Share price at financial year end ($)	4.80	4.06	2.96	2.76	1.65
Total dividends declared (cents per share)	4.25	3.25	3.00	2.50	2.00
Basic earnings per share (cents per share)	3.89	29.52	37.11	8.65	14.73
Diluted earnings per share (cents per share)	4.01	28.54	35.99	8.14	11.96

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Key management personnel equity holdings

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	RECEIVED ON EXERCISE OF OPTIONS	DIVIDEND REINVESTMENT PLAN	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Ordinary shares					
Perry R. Gunner	781,569	-	-	132,525	914,094
Rory J.F. Macleod	1,654,487	-	1,068	53,240	1,708,795
Anthony M. Perich*	99,107,422	-	1,043,627	11,401,045	111,552,094
Ronald Perich*	99,107,422	-	1,043,627	11,401,045	111,552,094
Trevor J. Allen	68,593	-	-	15,486	84,079
Michael Perich*	99,107,422	-	1,043,627	11,401,045	111,552,094
Amine Haddad	1,192,962	-	8,049	19,101	1,220,112
Timothy Moses	100,000	75,000	-	(8,286)	166,714
	301,119,877	75,000	3,139,998	34,415,201	338,750,076

* *Anthony M. Perich, Ronald Perich and Michael Perich (as their alternate) are Joint Managing Directors of Arrovest Pty Limited, an entity holding direct interest in the Group.*

** *Campbell Nicholas, appointed 1 September 2016, held no shares in the Company during the financial year.*

Directors and key management personnel shareholdings increased during the year as a result of the Company issuing new shares under the Placement and Entitlement Offer during December 2016.

EMPLOYEE SHARE OPTIONS IN THE GROUP

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ LAPSED	BALANCE AT THE END OF THE YEAR
Options over ordinary shares					
Rory J.F. Macleod	2,500,000	-	-	-	2,500,000
Amine Haddad	1,500,000	-	-	-	1,500,000
Timothy Moses	75,000	-	(75,000)	-	-
	4,075,000	-	(75,000)	-	4,000,000

All share options issued to key management personnel were made in accordance with the provisions of the ESOP.

No director or senior management personnel of the Group appointed during the year received a payment as part of his consideration for agreeing to hold the position.

INDEMNITY AND INSURANCE OF OFFICERS

The group has not, during or since the financial year, in respect of any person who is or has been an officer 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 Group 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 Group. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

DIRECTORS' REPORT

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 34 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial 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.

The directors are of the opinion that the services as disclosed in Note 34 to the financial statements do not compromise the external auditor's independence requirements of the Corporations 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 and approved to ensure that 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.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report are rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Perry R. Gunner
Chairman

Rory J.F. Macleod
Managing Director and Chief Executive Officer

31 August 2017
Sydney

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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www.deloitte.com.au

The Board of Directors
Freedom Foods Group Limited
80 Box Road
Taren Point NSW 2229

31 August 2017

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 2017, 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

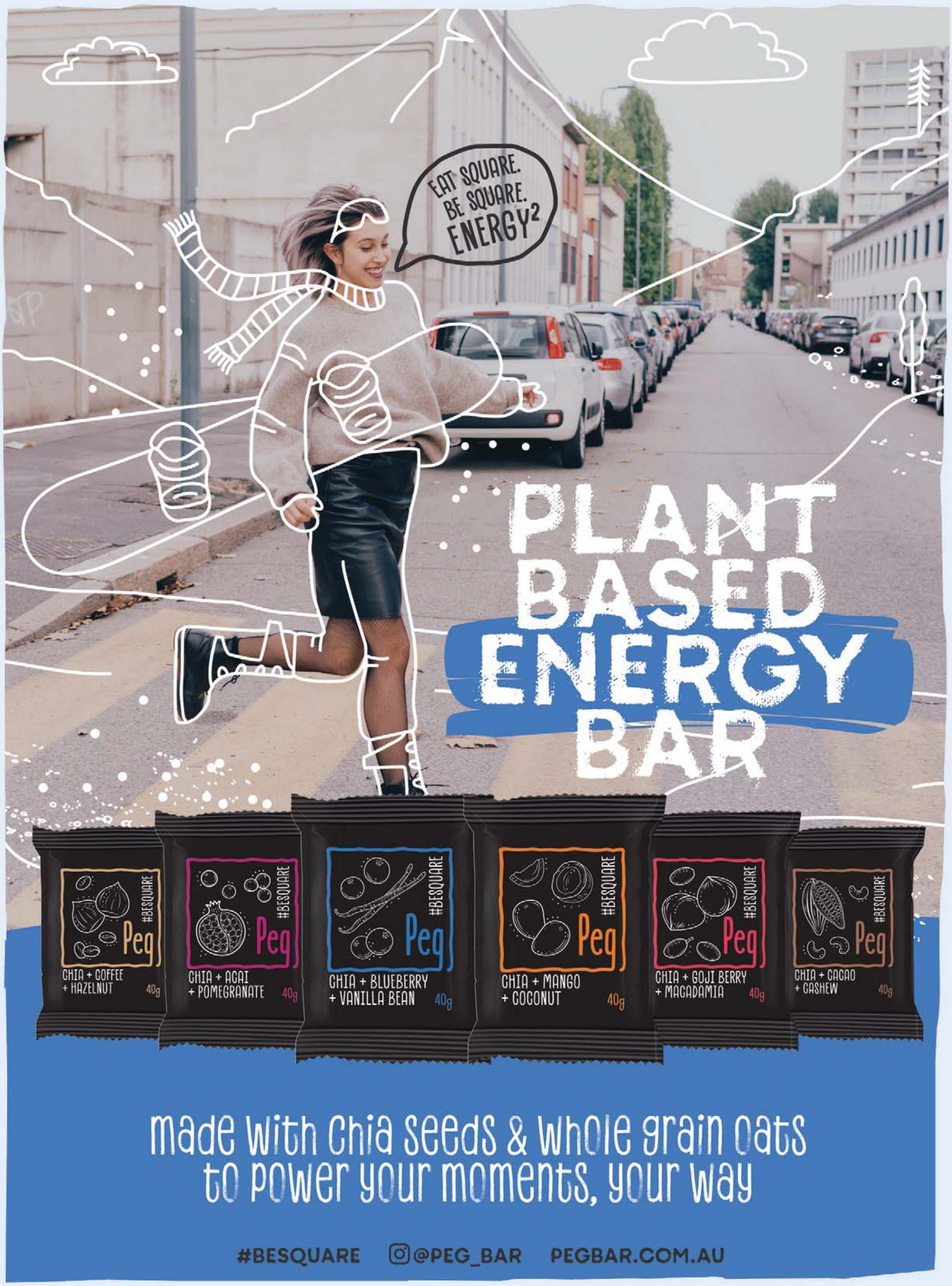
Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A. Coleman

Andrew J Coleman
Partner
Chartered Accountants

AUDITOR'S INDEPENDENCE DECLARATION


EAT SQUARE.
BE SQUARE.
ENERGY²
PLANT BASED ENERGY BAR
#BESQUARE Peg CHIA + COFFEE + HAZELNUT 40g
#BESQUARE Peg CHIA + ACAI + POMEGRANATE 40g
#BESQUARE Peg CHIA + BLUEBERRY + VANILLA BEAN 40g
#BESQUARE Peg CHIA + MANGO + COCONUT 40g
#BESQUARE Peg CHIA + GOJI BERRY + MACADAMIA 40g
#BESQUARE Peg CHIA + CACAO + CASHEW 40g
made with chia seeds & whole grain oats
to power your moments, your way
#BESQUARE @PEG_BAR PEGBAR.COM.AU

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE

Freedom Foods Group Limited ('the Company') continued to follow best practice recommendations as set out by the ASX Corporate Governance Council. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at **www.ffgl.com.au**.

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000
REVENUE			
Revenue from sale of goods	5	262,481	170,444
Cost of sales		(201,308)	(119,763)
Gross profit		61,173	50,681
Other income		3,435	307
Other gains and losses	6	(443)	658
Gain from disposal of a2MC investment	28	-	24,529
Fair value gain on conversion of options in PDG	35	-	22,353
EXPENSES			
Marketing expenses		(3,815)	(3,964)
Selling and distribution expenses		(27,899)	(17,352)
Administrative expenses		(8,132)	(9,421)
Depreciation and amortisation		(11,392)	(6,439)
Acquisition costs		(1,305)	(1,227)
Other expenses		(119)	(2,232)
Net finance costs		(2,635)	(1,151)
Share of profits of associates accounted for using the equity method	27	480	372
PROFIT BEFORE INCOME TAX EXPENSE		9,348	57,114
Income tax expense	13	(1,809)	(6,483)
PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR		7,539	50,631
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax	19	917	-
Foreign currency translation	19	(74)	(279)
Fair value movement in a2MC investment, net of tax	19	-	16,281
Reclassification to profit or loss on disposal of a2MC investment	19	-	(22,122)
Other comprehensive income for the year, net of tax		843	(6,120)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,382	44,511
Profit for the year is attributable to:			
Non-controlling interest		88	139
Owners of Freedom Foods Group Limited		7,451	50,492
		7,539	50,631
Total comprehensive income for the year is attributable to:			
Non-controlling interest		88	139
Owners of Freedom Foods Group Limited		8,294	44,372
		8,382	44,511
		CENTS	CENTS
Basic earnings per share	7	3.89	29.52
Diluted earnings per share	7	4.01	28.54

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTE	CONSOLIDATED 2017 $'000	2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	20	4,184	63,908
Trade and other receivables	8	65,920	45,548
Inventories	10	63,388	45,834
Derivative financial instruments	9	382	92
Other assets		-	1,053
Prepayments		1,717	2,834
Total current assets		135,591	159,269
NON-CURRENT ASSETS			
Investments accounted for using the equity method	27	7,634	6,163
Property, plant and equipment	11	340,356	217,057
Intangibles	12	102,611	78,388
Deferred tax	36	1,835	3,720
Loans due from associated entities		900	61
Total non-current assets		453,336	305,389
TOTAL ASSETS		588,927	464,658
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	65,629	50,790
Borrowings	22	161,763	32,437
Derivative financial instruments	16	236	381
Income tax	14	11,642	11,568
Provisions		4,086	3,148
Other liabilities		39	938
Total current liabilities		243,395	99,262
NON-CURRENT LIABILITIES			
Payables		52	52
Borrowings	23	23,395	71,393
Provisions		649	591
Other liabilities		-	6,235
Total non-current liabilities		24,096	78,271
TOTAL LIABILITIES		267,491	177,533
NET ASSETS		321,436	287,125
EQUITY			
Issued capital	17	249,954	169,106
Non-controlling interest		-	(8,234)
Reserves	19	(56,397)	(2,274)
Retained profits		127,879	128,527
TOTAL EQUITY		321,436	287,125

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	CONSOLIDATED 2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIEST			
Receipts from customers (inclusive of GST)		247,782	166,813
Payments to suppliers and employees (inclusive of GST)		(237,002)	(152,231)
Cash generated from operations		10,780	14,582
Payment for business acquisition costs		(1,305)	(1,227)
Claims and redundancies		(119)	-
Interest received		746	1,216
Interest and other finance costs paid		(3,340)	(5,254)
Income taxes paid		(1,381)	(2,675)
Net cash from operating activities	21	5,381	6,642
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of business, net of cash acquired	35	(72,671)	(39,423)
Payments for property, plant and equipment	11	(138,506)	(64,052)
Advances to associates		(900)	(71)
Repayment of loan by associate		-	100
Proceeds from disposal of associate shares		-	90,229
Investment in equity interest	27	(953)	(5,760)
Net cash used in investing activities		(213,030)	(18,977)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments of the company	17	76,991	66,800
Payment of share issue costs		(2,089)	(1,685)
Dividends paid	18	(2,611)	(1,256)
Proceeds/(repayments) of borrowings		81,328	10,362
Payment of related party balances		(5,694)	(307)
Net cash from financing activities		147,925	73,914
Net increase/(decrease) in cash and cash equivalents		(59,724)	61,579
Cash and cash equivalents at the beginning of the financial year		63,908	2,329
Cash and cash equivalents at the end of the financial year	20	4,184	63,908

The above statement of cash flows should be read in conjunction with the accompanying Notes

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	NON-CONTROLLING INTEREST $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 1 July 2015	99,028	3,398	-	83,503	185,929
Profit after income tax expense for the year	-	-	139	50,492	50,631
Other comprehensive income for the year, net of tax	-	(6,120)	-	-	(6,120)
Total comprehensive income for the year	-	(6,120)	139	50,492	44,511
Non-controlling interest share of profit after tax	-	-	-	-	-
Transactions with owners in their capacity as owner:					
Issue of ordinary shares under employee share option plan (Note 17)	1,420	-	-	-	1,420
Issue of ordinary shares in accordance with the dividend reinvestment plan (Note 17)	4,262	-	-	-	4,262
Issue of ordinary shares from an entitlement offer (Note 17)	65,466	-	-	-	65,466
Share issue costs (Note 17)	(1,185)	-	-	-	(1,185)
Related income tax (Note 17)	115	-	-	-	115
Additional non-controlling interests arising on the acquisition of Pactum Dairy Group	-	-	(8,373)	-	(8,373)
Share based payments (Note 19)	-	448	-	-	448
Dividends (Note 17)	-	-	-	(5,468)	(5,468)
Balance at 30 June 2016	169,106	(2,274)	(8,234)	128,527	287,125

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	NON-CONTROLLING INTEREST $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 1 July 2016	169,106	(2,274)	(8,234)	128,527	287,125
Profit after income tax expense for the year	-	-	88	7,451	7,539
Other comprehensive income for the year, net of tax	-	843	-	-	843
Total comprehensive income for the year	-	843	88	7,451	8,382
Non-controlling interest share of profit after tax	-	-	-	-	-
Common control reserve arising from acquisition of 50% of PDG (Note 35)	-	(55,414)	8,146	-	(47,268)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares under employee share option plan (Note 17)	1,313	-	-	-	1,313
Issue of ordinary shares in accordance with the dividend reinvestment plan (Note 17)	5,489	-	-	-	5,489
Issue of ordinary shares from an entitlement offer (Note 17)	75,027	-	-	-	75,027
Share issue costs (Note 17)	(2,091)	-	-	-	(2,091)
Related income tax (Note 17)	461	-	-	-	461
Share based payments (Note 19)	-	448	-	-	448
Issue of ordinary shares held in Escrow to ACM (Note 17)	649	-	-	-	649
Dividends (Note 17)	-	-	-	(8,099)	(8,099)
Balance at 30 June 2017	249,954	(56,397)	-	127,879	321,436

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

NOTE 1. GENERAL INFORMATION

The financial statements of Freedom Foods Group Limited ("Group" or "Company") for the year ended 30 June 2017 was authorised for issue in accordance with resolution of directors on 31 August 2017. The directors have the power to amend and reissue the financial statements.

Freedom Foods Group Limited is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The company is trading under the symbol 'FNP'.

The nature of the operations and principal activities of the Group are described in Note 3.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

GOING CONCERN

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

During the year, the Group drew down on its facilities with its long term banking partners HSBC and NAB to fund the new site being constructed at Ingleburn and the product and capability expansions at Shepparton and Dandenong. At 30 June 2017, a number of these facilities are due to mature within the next 12 months (refer to Note 22) and as a consequence the Group's current liabilities exceed current assets by $104.8 million. The Group is in the process of restructuring and increasing its existing total facilities of $181.5 million to a three year $225 million secured bilateral and syndicated facility, that is expected to be finalised in November 2017. The Group does not expect to repay the $161.8 million included in current liabilities in the next 12 months.

The banking partners have provided additional facilities for utilisation by the Group since year end.

To provide ongoing balance sheet flexibility and to reduce any requirement for equity capital outside of a material acquisition initiative, the Group has entered into a sale and leaseback of its Ingleburn land and buildings for a net consideration of $75 million. Funds from the sale will be utilised to increase capability to fund growth in working capital and capital expenditure over the coming 3 years. The restructuring and increase of the Group's banking facilities is not conditional upon the completion of this sale and leaseback.

After due consideration of the above, the directors believe that the Group will be able to continue as a going concern and the financial report has been prepared on this basis.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has adopted all relevant new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") which are effective for annual reporting periods beginning on or after 1 July 2015. None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current period or any prior period and they are not likely to significantly affect future periods.

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Company has conducted a preliminary review of its customer contracts and does not expect that this revenue recognition standard will have a material effect upon the financial statements.

The following accounting policies have been adopted in the preparation and presentation of the financial statements.

(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").

(B) BASIS OF PREPARATION

The financial statements have 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 Company is of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/ Directors' Reports) Instrument, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated. The financial statements are presented in Australian dollars.

(C) 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 power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of profit or loss and 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.

The non-controlling interests in the investments of Freedom Foods North America Inc. are entitled to their proportionate share of that entity's net assets, profits and losses and other comprehensive income during the period. The amounts attributable to the non-controlling interests are not separately disclosed as the financial statements are rounded to the nearest thousand dollars under Australian Securities and Investments Commission Corporations Instrument 2016/191.

(D) 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 instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in 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 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.

(E) FINANCIAL INSTRUMENTS

Recognition of investments
Investments are initially measured at fair value, net of transaction costs. Subsequent to initial recognition these investments are measured as set out below.

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

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.

Financial instruments held for trading
Derivative financial instruments such as forward foreign exchange contracts are included under this classification. The Group does not designate any derivatives as hedges in a hedging relationship.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) KEY ESTIMATES AND JUDGEMENT AREAS

In applying the Group's accounting policies, the directors are required to make estimates, judgements and assumptions that affect the amounts reported in the financial report. The estimates, judgements and assumptions are based on historical experience, adjusted for current conditions and other factors that are believed to be reasonable under the circumstances and reviewed on a regular basis. The actual results may differ from these estimates.

The estimate and judgements which involve a higher degree of complexity or that have a higher likelihood of causing adjustment to the carrying amounts of assets and liabilities are included in the following notes:

- Note 11: Estimates of useful life's of assets
- Note 12: Determining the recoverable amounts of assets
- Note 35: Business combinations and the application of the requirements of control

Revisions to accounting estimates are recognised in the period in which the estimate is revised.

ISSUED STANDARDS AND INTERPRETATIONS NOT EARLY ADOPTED

The below lists the Standards and amendments to Standards that were available for early adoption and were applicable to the Group. The reported results and financial position of the Group are not expected to change on adoption of any of the amendments to current standards listed below as they do not result in any changes to the Group's existing accounting policies.

AASB 9 (2014) 'Financial Instruments', and the relevant amending standards.

This Standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' model to recognise an allowance. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'; AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'; AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'; AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'

These Standards are applicable to annual reporting periods beginning on or after 1 January 2016.

AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'

This Standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Standard provides a single Standard for revenue recognition. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group will adopt this Standard from 1 July 2018. The Company does not expect that this revenue recognition standard will have a material effect upon the financial statements.

AASB 16 'Leases'

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective. AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 and continues to require a lessor to classify a lease either as an operating lease or a finance lease. As at 30 June 2017, the Group has non-cancellable operating lease commitments of $21.6 million. AASB 117 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short- term leases upon the application of AASB 16. The new requirement to recognise a right-of use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

NOTE 3. OPERATING SEGMENTS

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

Cereal and Snacks	A range of products for consumers including allergen free (ie. Gluten free, wheat free, nut free), nutritional oat based, low sugar or salt, highly fortified or functional. The product range covers breakfast cereals, snack bars and other complimentary products. These products are manufactured and sold in Australia and overseas.
Plant Based Beverages	A range of UHT (long life) food and beverage products including liquid stocks, soy, rice and almond beverages. These products are manufactured and sold in Australia and overseas.
Dairy Beverages	A range of UHT (long life) dairy milk beverage products. These products are manufactured and sold in Australia and overseas.
Specialty Seafood	A range of canned seafood covering sardines, salmon and specialty seafood. These products are manufactured overseas and sold in Australia and overseas.
Nutritionals	A range of performance and adult nutritional products. The product range covers powders, bars and drinks. These products are manufactured and sold in Australia.

For the year ended 30 June 2017, the Company has presented the segment reporting consistent with its core business categories and management reporting basis effective from 1 July 2016. This has changed from the segments reported in FY 2016.

The changes in the composition of the reportable segments include:

- Freedom Foods entity is now classified as Cereals and Snacks with the transfer of retail branded plant beverage sales from Freedom Foods entity to Pactum entity.
- Pactum entity is now classified as Plant Beverages with the transfer of dairy beverage sales from Pactum entity to Dairy Beverages entity.
- Pactum Dairy Group entity is now classified as Dairy Beverages with the transfer of dairy beverage sales from Pactum entity to Dairy Beverages entity.
- Nutritionals is a new segment report, comprising the "Vital Strength" branded business and nutritionals products to be manufactured in future years.
- Specialty Seafood remains unchanged.

The FY 2016 operating segments have been reported on the same basis as the prior year as the information under the new operating segments is not available. The FY 2016 revenue has however been restated in line with the new FY 2017 operating segments in an additional table below.

With the final integration and set up of the new IT platform, some allocations of key expense categories may change and will be reinstated as part of the segment reporting for FY 2018 in comparison to FY 2017.

The 'Unallocated Shared Services' group consists of the Group's other operating segments that are not separately reportable as well as various shared service functions.

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

Intercompany sales are eliminated in the Group's statutory results, however are included in the segment analysis as this is how the Group conducts its business operations.

NOTE 3. OPERATING SEGMENTS (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review, together with prior year comparatives:

CONSOLIDATED - 2017	CEREAL & SNACKS $'000	PLANT BASED BEVERAGES $'000	DAIRY BEVERAGES $'000	SPECIALITY SEAFOOD $'000	NUTRITIONALS $'000	UNALLOCATED SHARED SERVICES $'000	TOTAL $'000
Revenue							
Sales to external customers	89,584	64,123	93,229	13,751	1,794	-	262,481
Intercompany sales elimination	2,602	18,432	891	-	-	(21,925)	-
Total revenue	92,186	82,555	94,120	13,751	1,794	(21,925)	262,481
EBDITA	10,724	12,775	7,406	1,904	503	-	33,312
Convertible loan note and interest income	-	-	-	-	-	1,527	1,527
Share of associates profits	-	-	-	-	-	480	480
Other income	-	-	-	-	-	150	150
Shared services including ESOP	-	-	-	-	-	(8,150)	(8,150)
Depreciation and amortisation	(5,036)	(1,664)	(1,850)	-	(4)	(2,838)	(11,392)
Net finance costs	-	-	-	-	-	(4,162)	(4,162)
Acquisition costs	-	-	-	-	-	(1,305)	(1,305)
Other expenditure	-	-	-	-	-	(1,112)	(1,112)
Profit/(loss) before income tax expense	5,688	11,111	5,556	1,904	499	(15,410)	9,348
Income tax expense							(1,809)
Profit after income tax expense							7,539
Assets	145,111	198,058	151,283	18,644	21,826	-	534,922
Unallocated assets:							
Shared services						46,371	46,371
Investment in associate						7,634	7,634
Total assets	145,111	198,058	151,283	18,644	21,826	54,005	588,927
Acquisition of businesses	-	-	-	-	(21,432)	-	(21,432)
Segment Assets	145,111	198,058	151,283	18,644	394	54,005	567,495
Liabilities	51,499	100,071	77,923	2,491	622	-	232,606
Unallocated liabilities:							
Shared services						34,885	34,885
Total liabilities	51,499	100,071	77,923	2,491	622	34,885	267,491
Acquisition of businesses	-	-	-	-	-	-	-
Segment Liabilities*	51,499	100,071	77,923	2,491	622	34,885	267,491

* *The segment liabilities include finance leases, debtor finance facilities and multi advance facilities relevant to the appropriate operating segment.*

CONSOLIDATED - 2016	CEREAL & SNACKS $'000	PLANT BASED BEVERAGES $'000	DAIRY BEVERAGES $'000	SPECIALITY SEAFOOD $'000	NUTRITIONALS $'000	UNALLOCATED SHARED SERVICES $'000	TOTAL $'000
Revenue							
Sales to external customers	84,250	35,402	36,500	12,404	1,888	-	170,444
Intercompany sales elimination	2,494	20,594	70	-	-	(23,158)	-
Total revenue	86,744	55,996	36,570	12,404	1,888	(23,158)	170,444
EBDITA	10,632	11,296	2,002	2,025	(857)	-	25,098
Convertible loan note and interest income	-	-	-	-	-	157	157
Share of associates profits	-	-	-	-	-	372	372
Other income	-	-	-	-	-	150	150
Shared services including ESOP	-	-	-	-	-	(4,339)	(4,339)
Depreciation and amortisation	(2,859)	(1,700)	(911)	-	-	(969)	(6,439)
Net finance costs	-	-	-	-	-	(1,308)	(1,308)
Gain on a2MC investment (net costs)	-	-	-	-	-	24,529	24,529
Acquisition costs re Popina Foods	-	-	-	-	-	(835)	(835)
Acquisition costs re DP Mill	-	-	-	-	-	(392)	(392)
Other expenditure	-	-	-	-	-	(2,232)	(2,232)
Fair value uplift in conversion options	-	22,353	-	-	-	-	22,353
Profit/(loss) before income tax expense	7,773	31,949	1,091	2,025	(857)	15,133	57,114
Income tax expense							(6,483)
Profit after income tax expense							50,631
Assets	184,852	141,084	93,140	17,461	1,448	-	437,985
Unallocated assets:							
Shared services						20,510	20,510
Investment in associate						6,163	6,163
Total assets	184,852	141,084	93,140	17,461	1,448	26,673	464,658
Acquisition of businesses	(56,112)	-	(92,695)	-	-	-	(148,807)
Segment Assets	128,740	141,084	445	17,461	1,448	26,673	315,851
Liabilities	35,649	25,965	62,998	274	316	-	125,202
Unallocated liabilities:							
Shared services						52,331	52,331
Total liabilities	35,649	25,965	62,998	274	316	52,331	177,533
Acquisition of businesses	(12,046)	-	(69,437)	-	-	-	(81,483)
Segment Liabilities*	23,603	25,965	(6,439)	274	316	52,331	96,050

* *The segment liabilities include finance leases, debtor finance facilities and multi advance facilities relevant to the appropriate operating segment.*

NOTE 3. OPERATING SEGMENTS (CONTINUED)

FY 16 revenue restated into FY 17 operating segments

CONSOLIDATED - 2016	CEREAL & SNACKS $'000	PLANT BASED BEVERAGES $'000	DAIRY BEVERAGES $'000	SPECIALITY SEAFOOD $'000	NUTRITIONALS $'000	UNALLOCATED SHARED SERVICES $'000	TOTAL $'000
Revenue							
Sales to external customers	63,411	54,105	40,524	12,404	-	-	170,444
Intercompany sales elimination	2,494	20,594	70	-	-	(23,158)	-
Total revenue	65,905	74,699	40,594	12,404	-	(23,158)	170,444

All operating segments are conducted in Australia, with the exception of Freedom Foods North America, which operates in North America.

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.

81% of total external sales of the Consolidated Group are generated in Australia (2016: 86%) and 57% of total external sales (2016: 52%) are through major Australian retailers.

Total profit/(loss) from equity accounted associates for the period totalled $1,898,000 (2016: $(1,384,141)). The Group's share of these profits/(losses) was $480,000 (2016: $372,000).

INFORMATION ABOUT MAJOR CUSTOMERS

Included in revenues arising from external sales of $262.5 million (2016: $170.4 million) (see segment revenue above) are revenues of approximately $120.7 million (2016: $114.9 million) which arose from sales to the Group's two largest customers. One other customer contributed 10% or more to the Group's revenue for 2017 (2016: Nil).

NOTE 4. EXPENSES

	CONSOLIDATED	
	2017 $'000	2016 $'000
Profit before income tax includes the following specific expenses:		
Research and development costs expensed	-	1,073
Superannuation expenses	2,217	1,914
Share-based payments expense	448	448
Employee benefits expense excluding superannuation and share-based payment expense	24,009	14,231

NOTE 5. REVENUE

	CONSOLIDATED	
	2017 $'000	2016 $'000
Revenue		
Revenue from sale of goods	262,481	170,444

SIGNIFICANT ACCOUNTING POLICIES

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 significant risks and rewards of ownership of the goods have been transferred;
- the amount of revenue can be measured reliably;
- it is probable the revenue will be received; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTE 6. OTHER GAINS AND LOSSES

	CONSOLIDATED	
	2017 $'000	2016 $'000
Net foreign exchange (losses)/gains	(564)	660
Net gains on financial assets held at fair value through profit or loss	121	76
Net losses on financial liabilities held at fair value through profit or loss	-	(63)
Other losses	-	(15)
	(443)	658

NOTE 7. EARNINGS PER SHARE

	CONSOLIDATED	
	2017 $'000	2016 $'000
Profit after income tax	7,539	50,631
Non-controlling interest	(88)	(139)
Profit after income tax attributable to the owners of Freedom Foods Group Limited	7,451	50,492
Share-based payments expense	448	448
Profit after income tax attributable to the owners of Freedom Foods Group Limited used in calculating diluted earnings per share	7,899	50,940

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	191,441,729	171,052,844
Adjustments for calculation of diluted earnings per share:		
CRPS	114,217	114,217
ESOP	5,218,016	7,333,740
Weighted average number of ordinary shares used in calculating diluted earnings per share	196,773,962	178,500,801

	CENTS	CENTS
Basic earnings per share	3.89	29.52
Diluted earnings per share	4.01	28.54

At 30 June 2017, there were 200,853,531 ordinary shares (2016: 181,527,335) on issue and 101,627 convertible redeemable preference shares (2016: 101,627).

At 30 June 2017, there were nil unlisted ordinary share options (2016: nil). There were 4,643,666 employee share options outstanding (2016: 5,662,333), nil exercisable at $0.60 per share (2016: 350,000), 643,666 exercisable at $1.65 per share (2016: 1,312,333) and 4,000,000 exercisable at $2.92 per share (2016: 4,000,000).

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of Freedom Foods Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, as well as the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2017 $'000	2016 $'000
Trade receivables	57,660	39,978
Less: provision for impairment of receivables	(48)	(100)
	57,612	39,878
Other receivables	8,308	5,670
	65,920	45,548

The credit period on sales of goods ranges from 30 to 60 days. No interest is charged on trade receivables. No 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 decreased by $52,000 (2016: increased by $69,000) in the Group. The allowance for doubtful debts/impaired trade receivables as at 30 June 2017 is $48,000 (2016: $100,000). The Group does not hold any collateral over these balances.

Customers with balances past due but without provision for impairment of receivables amount to $25,366,000 (2016: $10,359,000). These relate to a number of customers for whom there is no recent history of default and other indicators of impairment. Management considers that there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The Group does not have significant risk exposure to any one debtor; however 57% (2016: 52%) of sales and 46% (2016: 46%) of year end receivables are concentrated in major supermarkets throughout Australia.

NOTE 9. CURRENT ASSETS - DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2017 $'000	2016 $'000
Forward foreign exchange contracts	382	92

Refer to Note 24 for further information on financial instruments.

NOTE 10. CURRENT ASSETS - INVENTORIES

	CONSOLIDATED	
	2017 $'000	2016 $'000
Raw materials - at cost	26,659	26,597
Finished goods - at cost	36,779	19,187
Less: provision for impairment	(50)	50
	63,388	45,834

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 $201,308,376 (2016: $119,763,486).

SIGNIFICANT ACCOUNTING POLICIES

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 proportion of manufacturing variable and fixed overheads based on normal operating capacity but excluding borrowing costs.
- 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.

NOTE 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2017 $'000	2016 $'000
Freehold land - at independent valuation	5,296	5,379
Buildings - at independent valuation	11,907	10,840
Less: accumulated depreciation	(1,159)	(891)
	10,748	9,949
Plant and equipment - at cost	128,686	126,358
Less: accumulated depreciation	(39,957)	(31,746)
Add: capital work in progress - at cost	235,471	106,952
	324,200	201,564
Motor vehicles - under lease	468	416
Less: accumulated depreciation	(356)	(251)
	112	165
	340,356	217,057

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

CONSOLIDATED	FREEHOLD LAND $'000	BUILDINGS $'000	PLANT & EQUIPMENT $'000	MOTOR VEHICLES $'000	TOTAL $'000
Balance at 1 July 2015	254	5,446	97,661	69	103,430
Additions*	4,336	5	2,700	143	7,184
Additions through business combinations (Note 35)	789	4,829	50,517	-	56,135
Additions through capital work in progress*	-	-	56,764	-	56,764
Disposals	-	-	(17)	-	(17)
Depreciation expense	-	(331)	(6,061)	(47)	(6,439)
Balance at 30 June 2016	5,379	9,949	201,564	165	217,057
Additions*	-	-	1,856	52	1,908
Additions through business combinations (Note 35)	-	-	472	-	472
Additions through capital work in progress*	-	-	128,519	-	128,519
Revaluation adjustment	-	1,067	-	-	1,067
Depreciation write back on revaluation	-	243	-	-	243
Disposals	(83)	-	-	-	(83)
Depreciation expense	-	(511)	(8,211)	(105)	(8,827)
Balance at 30 June 2017	5,296	10,748	324,200	112	340,356

* *Included in additions is $3,025,000 (2016: $949,000) of capitalised interest.*

SIGNIFICANT ACCOUNTING POLICIES

The Leeton site is carried at fair value as at 30 June 2017, less any subsequent accumulated depreciation. Fair value is determined on the basis of an independent valuation which is carried out regularly by an external valuer, based on discounted cash flows or capitalisation of net income, as appropriate.

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

Capital work in progress (CWIP) is stated at cost.

CWIP includes all expenditure directly attributable to bringing the asset to its working condition for its intended use, and includes the estimated cost of dismantling and removing the asset and restoring the site (where applicable).

NOTE 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cost includes installation costs, delivery costs, consultant's costs incurred to install the asset, fit out costs and labour costs of dedicated project staff associated with these projects. Start-up costs and similar pre-production costs do not form part of the cost of an asset unless they are necessary to bring the asset to its working condition. Initial operating losses incurred prior to an asset achieving planned performance must be recognised as an expense.

The costs will be initially recognised as a CWIP asset from the time that it satisfies the general recognition criteria for assets under the accounting standards. The approval (as required by the relevant delegation of authority) to proceed with a project is the point in time when the Group is able to satisfy the recognition criteria.

The Group formally assesses whether project costs are to be reclassified from CWIP. This assessment is done at December and June each year taking into consideration when the Commissioning Phase of each asset has been completed i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. At this point, it is classified as property, plant and equipment, to be depreciated over the useful life of the asset.

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 profit or loss.

ACCOUNTING ESTIMATES

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

Buildings	2 - 6%
Plant and equipment	4 - 25%
Leased plant and equipment	4 - 20%
Motor vehicles	15 - 33%
Leased motor vehicles	15 - 33%

NOTE 12. NON-CURRENT ASSETS - INTANGIBLES

	CONSOLIDATED	
	2017 $'000	2016 $'000
Goodwill*	59,204	54,854
Capitalised development^	11,106	7,131
Brand names and trademarks#	31,837	16,274
Software^	464	129
	102,611	78,388

* *Goodwill increased by $4,349,896 due to the Power Foods acquisition during the year. Refer to Note 35 for further details.*

^ *Capitalised development and software for 2016 have been reclassified from property, plant and equipment.*

Brand names and trademarks increased by $15,563,000 due to the Power Foods acquisition during the year.

SIGNIFICANT ACCOUNTING POLICIES

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

- Specialty Seafood
- Freedom Foods
- Shepparton (PDG)
- Nutritionals (Power Foods)

The consolidated entity carries an amount of $31,836,945 of brand names with indefinite useful lives allocated between the Specialty Seafood, Freedom Foods and Nutritionals cash generating units. The brand names relate to established major brands purchased as part of business combinations 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. Refer to Note 35 Business combinations, for the goodwill recognised on consolidation of PDG and Power Foods after deducting deemed consideration from fair value of Shepparton (PDG) identifiable net liabilities.

The carrying amount of goodwill is as follows:

	CONSOLIDATED	
	2017 $'000	2016 $'000
Specialty Seafood	1,982	1,982
Freedom Foods	3,232	3,232
Dandenong (Popina Foods)	16,832	16,832
Darlington Point Mill	1,178	1,178
Shepparton (PDG)	31,630	31,630
Nutritionals (Power Foods)	4,350	-
	59,204	54,854

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if, all of the following have been demonstrated following approval from the Board:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above together with the approval from the Board. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit and loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

ACCOUNTING ESTIMATES

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, a terminal value and a discount rate range between 8.72% - 18.72% pa post tax and between 12.46% - 26.74% pa pre-tax (2016: 8.80% - 15.00% pa post tax and 12.57% - 21.43% pre-tax).

Key assumptions used in the value in use calculations for cash generating units:

- Budgeted market share - average market share in the period immediately before the budget period plus a growth percentage 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.

The discount rate is based on the weighted average cost of capital determined by prevailing or benchmarked market inputs and includes a risk premium considered appropriate to a newly established business in a development phase.

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.

NOTE 12. NON-CURRENT ASSETS - INTANGIBLES (CONTINUED)

The value of the goodwill as at the end of the financial year was $59,204,000 (2016: $54,854,000), with no impairment loss charged against goodwill.

The value of other intangible assets as at the end of the financial year was $43,407,000 (2016: $23,534,000), with no impairment loss charged against the other intangible assets.

Intangibles with a Finite Life

- Capitalised development such as new product development, is deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.
- Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

NOTE 13. INCOME TAX EXPENSE

	CONSOLIDATED	
	2017 $'000	2016 $'000
Income tax expense		
Current tax	1,492	10,170
Adjustments recognised in the current year in relation to the current tax of prior years	(1,230)	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	1,547	(3,687)
Aggregate income tax expense	1,809	6,483
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	9,348	57,114
Tax at the statutory tax rate of 30%	2,804	17,134
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of revenue/expenses that are not deductible in determining taxable profit	(271)	(334)
Effect of tax concessions (research and development)	(20)	(50)
Tax impact on investment in a2MC	-	(4,264)
Fair value gain on conversion of options in PDG	-	(6,706)
Adjustments recognised in the current year in relation to the current tax of prior years	(1,230)	-
	1,283	5,780
Franking deficit tax	526	703
Income tax expense	1,809	6,483

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.

	CONSOLIDATED	
	2017 $'000	2016 $'000
Deferred tax balances		
Deferred tax assets comprises temporary differences attributable to:		
Plant and equipment	2,447	(2,164)
Provisions	(1,565)	1,158
Other	(2,420)	793
Tax losses	4,970	75
Tax losses through business combinations	-	5,470
Finance facilities	(1,597)	(2,412)
Total deferred tax assets	1,835	2,920

SIGNIFICANT ACCOUNTING POLICIES

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. Income tax expense/benefit, 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 tax sharing 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.

CURRENT TAX

Current tax is calculated as the expected 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 end of the reporting date.

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 it's 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 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 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 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.

NOTE 14. CURRENT LIABILITIES - INCOME TAX

	CONSOLIDATED	
	2017 $'000	2016 $'000
Income tax payable attributable to: entities in the tax consolidated group	11,642	11,568

NOTE 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2017 $'000	2016 $'000
Trade payables	43,404	36,316
Other payables and accruals	22,225	14,474
	65,629	50,790

Refer to Note 24 for further information on financial instruments.

Amounts not expected to be settled within the next 12 months

	CONSOLIDATED	
	2017 $'000	2016 $'000
Payables to related parties - refer Note 31 Related party transactions	39	938

Trade payables are paid on average within 60 days of invoice date (2016: 60 days). No interest is charged on trade payables.

NOTE 16. CURRENT LIABILITIES - DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2017 $'000	2016 $'000
Forward foreign exchange contracts	236	381

Refer to Note 24 for further information on financial instruments.

NOTE 17. EQUITY - ISSUED CAPITAL

	CONSOLIDATED			
	2017 SHARES	2016 SHARES	2017 $'000	2016 $'000
Ordinary shares - fully paid	200,853,531	181,527,335	249,940	169,090
Convertible redeemable preference shares - fully paid	101,627	101,627	14	16
	200,955,158	181,628,962	249,954	169,106

MOVEMENTS IN ORDINARY SHARE CAPITAL

DETAILS	DATE	SHARES	ISSUE PRICE	$'000
Balance	1 July 2015	154,624,900		98,995
Employee share options exercised		1,416,667	$0.40	567
Employee share options exercised		1,025,002	$0.60	615
Employee share options exercised		144,333	$1.65	238
Convertible redeemable preference shares ('CRPS')				
Conversions		35,400	$0.30	11
Dividend reinvestment plan ('DRP') shares		645,194	$2.80	1,807
Dividend reinvestment plan ('DRP') shares		665,298	$3.69	2,455
Shares issued under the entitlement offer		22,970,541	$2.85	65,466
Transaction costs		-	$0.00	(1,064)
Balance	30 June 2016	181,527,335		169,090
Employee share options exercised		350,000	$0.60	210
Employee share options exercised		668,667	$1.65	1,103
Dividend reinvestment plan ('DRP') shares		680,139	$4.48	3,050
Dividend reinvestment plan ('DRP') shares		598,742	$4.07	2,439
Shares issued under the entitlement offer		16,860,110	$4.45	75,027
Shares issued under Escrow		168,538	$3.85	649
Transaction costs		-	$0.00	(1,628)
Balance	30 June 2017	200,853,531		249,940

MOVEMENTS IN CONVERTIBLE REDEEMABLE PREFERENCE SHARES

DETAILS	DATE	SHARES	ISSUE PRICE	$'000
Balance	1 July 2015	137,027		33
Conversion to ordinary shares		(35,400)	$0.30	(11)
Transaction costs		-	$0.00	(6)
Balance	30 June 2016	101,627		16
Transaction costs		-	$0.00	(2)
Balance	30 June 2017	101,627		14

ORDINARY SHARES

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

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

CONVERTIBLE REDEEMABLE PREFERENCE SHARES (CRPS)

The CRPS are perpetual with no maturity, but redeemable after 3 years at the option of the Company. The CRPS are transferable and are convertible at the option of the CRPS holder. 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.

NOTE 17. EQUITY - ISSUED CAPITAL (CONTINUED)

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 November 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 the 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.

The Company may redeem the CRPS, 3 years from the date of issue of the CRPS, being 16 December 2013, 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.

The Company at this time has no plans to redeem the remaining CRPS still on issue due to the expense of the process of redemption being significantly more than the current value of the CRPS on issue.

SHARE OPTIONS GRANTED UNDER THE EMPLOYEE SHARE OPTION PLAN (ESOP)

For information relating to the Freedom Foods Group Limited ESOP, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 33.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

NOTE 18. EQUITY - DIVIDENDS

DIVIDENDS

Dividends during the financial year were as follows:

	CONSOLIDATED	
	2017 $'000	2016 $'000
Final fully franked dividend for the year ended 30 June 2016 of 2.25 cents (2015: 1.50 cents) per ordinary share paid in cash	1,048	515
Dividends reinvested: fully franked at 30% tax rate	3,050	1,807
Interim fully franked dividend for the year ended 30 June 2017 of 2.00 cents (2016: 1.75 cents) per ordinary share paid in cash	1,560	688
Dividends reinvested: fully franked at 30% tax rate	2,439	2,455
Final fully franked dividend for the year ended 30 June 2016 of 1.35 cents (2015: 1.35 cents) per convertible redeemable preference share	1	1
Interim fully franked dividend for the year ended 30 June 2017 of 1.35 cents (2016: 1.35 cents) per convertible redeemable preference share	1	2
	8,099	5,468

On 31 August 2017, the directors declared a fully franked final dividend of 2.25 cents per share to the holders of fully paid ordinary shares in respect of the financial year ending 30 June 2017, which is to be paid to shareholders on 1 December 2017. The record date for determining the entitlement to the final dividend is 2 November 2017. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $4,519,000.

On 31 August 2017, the directors declared a fully franked final dividend of 1.35 cents per share to the holders of the convertible redeemable preference shares in respect of the financial year ending 30 June 2017, which is to be paid to shareholders on 1 December 2017. The record date for determining the entitlement to the final dividend is 2 November 2017. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,372.

FRANKING CREDITS

	CONSOLIDATED	
	2017 $'000	2016 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	-	-
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	(1,356)	(1,225)
Net franking credits available based on a tax rate of 30%	(1,356)	(1,225)

NOTE 19. EQUITY - RESERVES

	CONSOLIDATED	
	2017 $'000	2016 $'000
Land and buildings revaluation reserve	2,416	1,499
Foreign currency translation reserve	(542)	(468)
Equity-settled employee benefits reserve	2,607	2,159
Common control reserve	(60,878)	(5,464)
	(56,397)	(2,274)

LAND AND BUILDINGS REVALUATION RESERVE

The land and buildings 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.

INVESTMENT REVALUATION RESERVE

The investment revaluation reserve is used to recognise increments and decrements in the fair value of the Group's investments in a2MC. This investment was disposed of during the prior year causing the reserve to be nil.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

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 33 to the financial statements.

COMMON CONTROL RESERVE

The common control reserve is used to account for the acquisition of Pactum Australia and Pactum Dairy Group by the Group. The difference between the fair value of the consideration paid and the existing book values of the assets and liabilities of Pactum Australia has been debited to a common control reserve ($5,464,000). During the current year, the reserve was increased due to the additional acquisition of interest in Pactum Dairy Group on 31 January 2017. The difference between the fair value of the consideration paid and the non-controlling interest balance on that date has been debited to a common control reserve ($55,414,000). Upon disposal of all interests in Pactum Australia or Pactum Dairy Group by the Group, the applicable reserve would be transferred to retained earnings.

NOTE 19. EQUITY - RESERVES (CONTINUED)

MOVEMENTS IN RESERVES

Movements in each class of reserve during the current and previous financial year are set out below:

CONSOLIDATED	LAND AND BUILDINGS REVALUATION RESERVE $'000	INVESTMENT REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE $'000	COMMON CONTROL RESERVE $'000	TOTAL $'000
Balance at 1 July 2015	1,499	5,841	(189)	1,711	(5,464)	3,398
Foreign currency translation	-	-	(279)	-	-	(279)
Fair value movement in a2MC investment, net of tax	-	16,281	-	-	-	16,281
Reclassification of profit or loss on disposal of a2MC investment	-	(22,122)	-	-	-	(22,122)
Share-based payments	-	-	-	448	-	448
Balance at 30 June 2016	1,499	-	(468)	2,159	(5,464)	(2,274)
Land and building revaluation	917	-	-	-	-	917
Foreign currency translation	-	-	(74)	-	-	(74)
Share-based payments	-	-	-	448	-	448
In relation to 50% acquisition of PDG	-	-	-	-	(55,414)	(55,414)
Balance at 30 June 2017	2,416	-	(542)	2,607	(60,878)	(56,397)

NOTE 20. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2017 $'000	2016 $'000
Cash	4,184	63,908

NOTE 21. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2017 $'000	2016 $'000
Profit after income tax expense for the year	7,539	50,631
Adjustments for:		
Depreciation and amortisation	11,392	6,439
Foreign exchange differences	423	485
Fair value gain on conversion of options in PDG	-	(22,353)
Gain on sale of a2MC disposal	-	(24,529)
Share based payments	448	448
Share of loss/(profit) of associates	(480)	(372)
Movements in working capital:		
Increase in trade and other receivables	(20,336)	(20,925)
Increase in inventories	(17,554)	(21,738)
Decrease in deferred tax assets	1,885	-
Decrease in other operating assets	1,053	647
Increase in trade and other payables	20,841	32,209
Increase in provision for income tax	74	3,252
Increase for provision in employee entitlements	995	1,703
Increase/(decrease) in other operating liabilities	(899)	745
Net cash from operating activities	5,381	6,642

Details of credit standby arrangements available and unused loan facilities are shown in Note 23 to the financial statements.

NON-CASH FINANCING AND INVESTING ACTIVITIES

In accordance with the Company's DRP, $5,487,552 was reinvested in the year to 30 June 2017 (2016: $4,262,530).

NOTE 22. CURRENT LIABILITIES - BORROWINGS

	CONSOLIDATED	
	2017 $'000	2016 $'000
Loan payable	87,959	18,082
Finance facilities	18,005	-
Bank bill facilities	48,300	9,100
Equipment financing liabilities	7,499	5,255
	161,763	32,437

Refer to Note 23 for further information on assets pledged as security and financing arrangements.

Refer to Note 24 for further information on financial instruments.

NOTE 22. CURRENT LIABILITIES - BORROWINGS (CONTINUED)

The loan due dates and facility renewal dates as at 30 June 2017 are summarised as follows:

	DUE DATE	FACILITY RENEWAL DATE	TOTAL $'000
Loan payable			
Equipment finance[1]	31 March 2018	n/a	41,808
Trade Finance	[2]	n/a	46,151
Total loans payable			87,959
Debtor finance	n/a	31 March 2018	18,005
Bank bill facilities	30 November 2017	n/a	18,000
Bank bill facilities	31 March 2018	n/a	10,000
Bank bill facilities[3]	30 June 2017	n/a	20,300
Total bank bill facilities			48,300
Equipment financing liabilities			7,499
			161,763

1. *The bank has agreed to roll this loan over to a 5 year term as part of the facilities restructure (refer Note 2).*
2. *Revolving trade finance loans with due dates ranging from 90 to 365 day terms.*
3. *These bills are proposed to be rolled into a long term loan as part of the facility restructure and have not been called upon by the banks subsequent to 30 June 2017 (refer Note 2).*

NOTE 23. NON-CURRENT LIABILITIES – BORROWINGS

	CONSOLIDATED	
	2017 $'000	2016 $'000
Loan payable	-	3,023
Bank bill facilities	-	37,529
Equipment financing liabilities	23,395	30,841
	23,395	71,393

Refer to Note 24 for further information on financial instruments.

TOTAL SECURED LIABILITIES

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

	CONSOLIDATED	
	2017 $'000	2016 $'000
Loan payable	87,959	21,105
Finance facilities	18,005	-
Bank bill facilities	48,300	46,629
Equipment financing liabilities	30,894	36,096
	185,158	103,830

ASSETS PLEDGED AS SECURITY

The Company's primary bank facilities are arranged with HSBC Bank Australia Limited with general terms and conditions. The facilities include debtor finance, trade finance and other term facilities. The bank facilities with HSBC 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 equipment finance arrangements for assets held at Leeton, Dandenong and Taren Point facilities), and a first registered mortgage over the Group's Leeton and Ingleburn properties.

The equipment finance facilities relate to:

1. Specific equipment operating at the Company's Leeton, Dandenong and Taren Point facilities, arranged with both 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 the entire Group's property. The leases are over a period of 2 to 6 years and the final residual on the current leases will be due in 2020; and
2. Specific equipment operating at the Pactum Dairy Group Shepparton facility, arranged with National Australia Bank. These facilities are secured over the assets financed under the facility, which have been specifically discharged from the first registered mortgage held over the entire Group's property. The leases are over a period of 5 years and the final residual on the current leases will be due in 2019;

Pactum Dairy Group has term facilities from National Australia Bank relating to trade finance and working capital requirements. These facilities are secured by a first equitable mortgage over the whole of Pactum Dairy Groups assets and undertakings (including uncalled capital).

FINANCING ARRANGEMENTS

	CONSOLIDATED	
	2017 $'000	2016 $'000
Total facilities		
Loan payable	90,500	35,500
Finance facilities	24,000	19,000
Bank bill facilities	50,400	47,400
Equipment financing liabilities	38,132	41,003
	203,032	142,903
Used at the reporting date		
Loan payable	87,959	21,105
Finance facilities	18,005	-
Bank bill facilities	48,300	46,629
Equipment financing liabilities	30,894	36,096
	185,158	103,830
Unused at the reporting date		
Loan payable	2,541	14,395
Finance facilities	5,995	19,000
Bank bill facilities	2,100	771
Equipment financing liabilities	7,238	4,907
	17,874	39,073

UNUSED FINANCING FACILITIES

Fixed financing relating to specific assets such as land and buildings has been maintained. The Company has unused bank facilities relating to bank bills, trade finance, working capital and equipment finance requirements totalling $17.9 million.

Interest rates are variable and subject to adjustment.

NOTE 24. FINANCIAL INSTRUMENTS

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 capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in their respective notes. The Company is currently in the process of restructuring and increasing its borrowings (term facilities, initiatives, equipment finance leases and working capital facilities) with HSBC and NAB to fund further capital expenditure initiates and the working capital needs of the business from continued revenue growth. The term of the new secured bilateral and syndicated loans is expected to be 3 years.

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.

MARKET RISK

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

Significant accounting polices

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 2 to the financial statements.

Forward foreign exchange contracts

The Group enters into forward foreign 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 and sales 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, equipment from Europe and for sales receipts denominated in United States dollars from export customers. The contracts related to highly probable forecasted transactions for the purchase of inventory for the Specialty Seafood business (Salmon - USD and Sardines - CAD) and the Freedom Foods business (Spreads - USD and Almond paste - USD) with the purchase consideration being settled in the above currencies and on sales orders from export customers. The Group's objective in entering into forward 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 5,970,928 (Buy), USD 922,350 (Sell), CAD 208,161 (Buy), EUR 8,655,730 (Buy) and EUR 58,073 (Sell) outstanding foreign exchange contracts as at 30 June 2017.

The Group does not adopt hedge accounting.

The following table details the forward foreign exchange contracts outstanding as at reporting date in Australian dollars:

	SELL AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATES	
	2017 $'000	2016 $'000	2017	2016
Buy US dollars				
Maturity:				
0 - 3 months	6,088	5,513	0.7500	0.7422
3 - 6 months	1,892	485	0.7481	0.7294
Buy Canadian Dollars				
Maturity:				
0 - 3 months	209	390	0.9963	0.9678
Buy Euros				
Maturity:				
0 - 3 months	9,518	4,487	0.6774	0.6389
3 - 6 months	3,063	1,838	0.6869	0.6313
6 - 12 months	-	158	-	0.6276

	Sell US dollars		Average exchange rates	
	2017 $'000	2016 $'000	2017	2016
Buy Australian dollars				
Maturity:				
0 - 3 months	1,212	3,422	0.7565	0.7380
3 - 6 months	-	197	-	0.7347

	Sell Euro		Average exchange rates	
	2017 $'000	2016 $'000	2017	2016
Buy Australian dollars				
Maturity:				
0 - 3 months	84	-	0.6925	-

The following table details the forward foreign exchange contracts at fair value as at reporting date in Australian dollars:

	Consolidated	
	2017 $'000	2016 $'000
Buy US dollars - less than 3 months	(153)	(65)
Buy CAD dollars - less than 3 months	-	1
Buy Euros - less than 3 months	248	(123)
Buy US dollars - 3-6 months	(47)	(20)
Buy Euros - 3-6 months	90	(90)
Buy Euros - 6-12 months	-	(9)
Sell US dollars - less than 3 months	11	17
Sell Euros - less than 3 months	(3)	-
Net fair value	146	(289)

FOREIGN CURRENCY RISK MANAGEMENT

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows (in the respective foreign currency):

Consolidated	Assets		Liabilities	
	2017 '000	2016 '000	2017 '000	2016 '000
US dollar	9,756	5,136	3,163	2,319
Canadian dollar	284	58	208	283
Euro	-	-	2,351	998
New Zealand dollar	-	-	288	94
Chinese Yuan	13	9	355	-
Singapore dollars	-	-	10	-

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.

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 4% (USD), 5% (CAD), 5% (NZD), 3% (EUR), 4% (CNY) and 5% (SGD) 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 Australia Dollar strengthens against the respective currency. For a weakening of the Australia Dollar against the respective currency there would be an equal and opposite impact on the profit and the balances below would be negative.

NOTE 24. FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED - 2017	% CHANGE	AUD STRENGTHENED EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	AUD WEAKENED EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
US dollar	4%	(299)	299	4%	322	(322)
Canadian dollar	5%	(4)	4	5%	4	(4)
New Zealand dollar	5%	13	(13)	5%	(14)	14
Euro	3%	99	(99)	3%	(105)	105
Chinese Yuan	4%	2	(2)	4%	(2)	2
		(189)	189		205	(205)

CONSOLIDATED - 2016	% CHANGE	AUD STRENGTHENED EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	AUD WEAKENED EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
US dollar	5%	(169)	169	5%	185	(185)
Canadian dollar	5%	10	(10)	5%	(11)	11
New Zealand dollar	4%	4	(4)	4%	(4)	4
Euro	3%	52	(52)	3%	(55)	55
		(103)	103		115	(115)

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

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:

CONSOLIDATED	2017		2016	
	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	BALANCE $'000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	BALANCE $'000
Cash and cash equivalents	-	4,184	-	63,908
Loan payable and bank bill facility	4.54%	(136,259)	4.10%	(67,734)
Finance facilities	4.48%	(18,005)	-	-
Equipment financing facilities	5.49%	(30,894)	5.45%	(36,096)
		(180,974)		(39,922)

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 risks.

INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analysis below has been determined based on the impact of 100 basis point increase in interest rates on exposure to interest rates as detailed in the above table.

The impact of a 100 basis point (2016:150) interest rate movement during the year with all other variables being held constant would be:

• an increase/(decrease) on the consolidated entity's net profit/(loss) of ($621,220) (2016: $642,015).

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

A 100 basis point movement represents management's assessment of the possible change in interest rates.

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 creditworthy 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 values of transactions concluded are spread amongst approved counterparties.

Credit risk from balances with banks and financial institutions is managed 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.

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.

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.

Unused borrowing facilities at the reporting date:

	CONSOLIDATED	
	2017 $'000	2016 $'000
Loan payable	2,541	14,395
Finance facilities	5,995	19,000
Bank bill facilities	2,100	771
Equipment financing liabilities	7,238	4,907
	17,874	39,073

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.

CONSOLIDATED - 2017	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	LESS THAN 1 YEAR $'000	BETWEEN 1 AND 5 YEARS $'000	REMAINING CONTRACTUAL MATURITIES $'000
Non-derivatives				
Non-interest bearing				
Trade payables	-	43,404	-	43,404
Other payables	-	39	52	91
Interest-bearing - variable				
Loan payable	4.95%	92,317	-	92,317
Finance facilities	4.48%	18,812	-	18,812
Interest-bearing - fixed rate				
Bank bill facilities	3.79%	50,132	-	50,132
Equipment financing liabilities	5.48%	9,055	24,841	33,896
Total non-derivatives		213,759	24,893	238,652

NOTE 24. FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED - 2016	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	LESS THAN 1 YEAR $'000	BETWEEN 1 AND 5 YEARS $'000	REMAINING CONTRACTUAL MATURITIES $'000
Non-derivatives				
Non-interest bearing				
Trade payables	-	41,030	-	41,030
Other payables	-	13,261	52	13,313
Interest-bearing - variable				
Loan payable	4.80%	18,950	3,023	21,973
Interest-bearing - fixed rate				
Bank bill facilities	3.83%	9,449	37,529	46,978
Equipment financing liabilities	5.45%	6,970	34,055	41,025
Total non-derivatives		89,660	74,659	164,319

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 derivatives 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 applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts. 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.

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.

GEARING RATIO

CONSOLIDATED	2017 $'000	2016 $'000
Debt(i)	185,158	103,830
Cash and cash equivalents	(4,184)	(63,908)
Net debt	180,974	39,922
Equity(ii)	321,436	287,125
Net debt to equity ratio	56%	14%

(i) Debt is defined as long and short-term borrowings, as detailed in the notes to the financial statements.
(ii) Equity includes all capital and reserves.

NOTE 25. CAPITAL AND LEASING COMMITMENTS

	CONSOLIDATED	
	2017 $'000	2016 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	4,139	803
One to five years	14,978	2,108
Greater than five years	2,505	-
	21,622	2,911
Lease commitments - finance		
Minimum future lease payments:		
Within one year	9,055	6,970
One to five years	24,841	34,055
Total commitment	33,896	41,025
Less: Future finance charges	(3,002)	(4,929)
Net commitment recognised as liabilities	30,894	36,096
Representing:		
Equipment financing liabilities - current (Note 22)	7,499	5,255
Equipment financing liabilities - non-current (Note 23)	23,395	30,841
	30,894	36,096

NOTE 26. INTERESTS IN SUBSIDIARIES

The Consolidated Statement of profit or loss and other comprehensive income and Statement of financial position of the entities party to the deed of cross guarantee is the Consolidated Statement of profit or loss and other comprehensive income and Statement of financial position included in the 2017 financial statements.

NAME	OWNERSHIP INTEREST		
	PRINCIPAL PLACE OF BUSINESS/COUNTRY OF INCORPORATION	2017 %	2016 %
Paramount Seafoods Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Group Operations Pty Ltd (formerly Nutrition Ventures Pty Limited)*	Australia	100.00%	100.00%
Freedom Foods Group Financing Pty Ltd (formerly Nutrition Ventures Financing Pty Limited)*	Australia	100.00%	100.00%
Freedom Foods Pty Limited*	Australia	100.00%	100.00%
Pactum Australia Pty Limited*	Australia	100.00%	100.00%
Pactum Dairy Group Pty Limited**	Australia	100.00%	50.00%
Freedom Foods Group IP Pty Ltd (formerly Australian Natural Foods Holdings Pty Limited)*	Australia	100.00%	100.00%
Thorpedo Foods Group Pty Limited	Australia	100.00%	100.00%
Thorpedo Foods Pty Limited	Australia	75.00%	75.00%
Thorpedo Seafoods Pty Limited	Australia	75.00%	75.00%
Freedom Foods North America Inc	North America	80.00%	80.00%
Popina (Vic) Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Group Ingleburn Pty Ltd (formerly Pactum Foods Pty Ltd)*	Australia	100.00%	100.00%
Freedom Foods Group Nutritionals Pty Ltd***	Australia	100.00%	-
Freedom Foods Group Trading Pty Ltd***	Australia	100.00%	-

* *These companies are members of the tax consolidated group.*

** *The investment in Pactum Dairy Group Pty Limited by Pactum Australia Pty Limited changed from 50% to 100% on 31 January 2017. Refer to Note 35.*

****Freedom Foods Group Nutritionals Pty Ltd was established during the year to hold assets from the acquisition of Power Foods International. Freedom Foods Group Trading Pty Ltd was established during the year as the trading arm for the Groups manufacturing facilities. Both entities are members of the tax consolidated group.*

NOTE 27. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

NAME	OWNERSHIP INTEREST		
	PRINCIPAL PLACE OF BUSINESS/COUNTRY OF INCORPORATION	2017 %	2016 %
Australian Fresh Milk Holdings Pty Limited (AFMH)	Australia	10.00%	10.00%

The consortium comprises Leppington Pastoral Company Pty Limited (LPC), New Hope Dairy Holdings Co Ltd (New Hope Dairy) and Freedom Foods Group Limited. The Group acquired its 10% of the consortium for $5.7 million. The Group made an additional investment of $896,000 (before transaction costs) during the year and advanced a of loan of $900,000.

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

SUMMARISED FINANCIAL INFORMATION

	AFMH		PDG	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Summarised statement of financial position				
Current assets	43,502	29,494	-	16,426
Non-current assets	112,837	85,675	-	34,496
Total assets	156,339	115,169	-	50,922
Current liabilities	19,441	8,395	-	10,348
Non-current liabilities	79,073	49,824	-	61,403
Total liabilities	98,514	58,219	-	71,751
Net assets/(liabilities)	57,825	56,950	-	(20,829)
Summarised statement of profit or loss and other comprehensive income				
Revenue	43,619	37,521	-	27,763
Expenses	(40,579)	(33,066)	-	(30,203)
Profit/(loss) before income tax	3,040	4,455	-	(2,440)
Income tax expense	(1,142)	(128)	-	-
Profit/(loss) after income tax	1,898	4,327	-	(2,440)
Other comprehensive income	-	-	-	-
Total comprehensive income	1,898	4,327	-	(2,440)
Reconciliation of the Group's carrying amount				
Opening carrying amount	6,163	-	-	4,432
Share of profit/(loss) after income tax	480	433	-	(61)
Equity investment	951	5,730	-	-
De-recognition of investment and reclassification as subsidiary	-	-	-	(4,371)
Closing carrying amount	7,594	6,163	-	-

Equity accounted gain for the year to 30 June 2017 was $480,000 (2016: $372,000).

RELATED PARTY TRANSACTIONS

Current receivables and loans due from associates - refer to Note 31 to the financial statements.

	CONSOLIDATED	
	2017 $'000	2016 $'000
AFMH loan receivable	900	-

The loan to AFMH attracted interest at 4.5% pa.

As at 1 January 2016, PDG was no longer deemed to be an associate to the Group, forming part of the consolidated Group.

The Group's interest in joint ventures represents 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.

NOTE 28. NON-CURRENT ASSETS - INVESTMENT IN A2MC

	CONSOLIDATED	
	2017 $'000	2016 $'000
Reconciliation		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	-	72,618
Revaluation increments	-	17,611
Net proceeds on sale	-	(90,229)
Closing fair value	-	-

The Group sold its remaining shareholding in a2MC in October and November 2015. The shares were sold at a price of $AU0.68 and $AU0.85 respectively, realising a gain after transaction costs of $24,529 thousand.

NOTE 29. 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 audited financial statements and a directors' report.

Freedom Foods Group Limited

Paramount Seafoods Pty Limited

Freedom Foods Group Operations Pty Ltd (formerly Nutrition Ventures Pty Limited)

Freedom Foods Group Financing Pty Ltd (formerly Nutrition Ventures Financing Pty Limited)

Freedom Foods Pty Limited

Pactum Australia Pty Limited

Freedom Foods Group IP Pty Ltd (formerly Australian Natural Foods Holdings Pty Limited)

Thorpedo Foods Group Pty Limited

Popina (Vic) Pty Limited

Pactum Dairy Group Pty Limited

Freedom Foods Group Nutritionals Pty Limited

Freedom Foods Group Trading 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 statements of the closed Group would not be materially different from the report of the Group as a whole. The main difference is the Freedom Foods North America result.

NOTE 30. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	PARENT	
	2017 $'000	2016 $'000
Profit after income tax	847	17,996
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	847	17,996

STATEMENT OF FINANCIAL POSITION

	PARENT	
	2017 $'000	2016 $'000
Total current assets	100	1,355
Total non-current assets	288,819	247,714
Total assets	288,919	249,069
Total current liabilities	8,703	9,934
Total non-current liabilities	(21,578)	(1,860)
Total liabilities	(12,875)	8,074
Net assets	301,794	240,995
Equity		
Issued capital	236,149	169,108
Reserves	3,241	3,186
Retained profits	62,404	68,701
Total equity	301,794	240,995

The Company is able to use the Group's cash to settle its debts when they fall due and therefore continue to operate as a going concern.

NOTE 31. RELATED PARTY TRANSACTIONS

SUBSIDIARIES

Interests in subsidiaries are set out in Note 26.

ASSOCIATES

Interests in associates are set out in Note 27.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 32 and the remuneration report included in the directors' report.

TRANSACTIONS WITH 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; and
- other related parties.

The following transactions occurred with related parties:

	CONSOLIDATED	
	2017 $	2016 $
Sale of goods and services:		
Sale of goods to subsidiaries	21,924,811	23,158,133
Payment for goods and services:		
Purchase of goods from Australian Consolidated Milk Pty Limited*	39,127,295	39,541,637
Purchase of goods and services from Leppington Pastoral Company	3,976,198	1,352,000
Payment for other expenses:		
Payment for rent and outgoings under a lease commitment with Perich Property Holdings	2,733,120	2,270,000
Loans receivable:		
AFMH loan receivable	900,000	-

* *Australian Consolidated Milk Pty Limited ceased to be a related party on 31 January 2017 when the Group acquired the remaining 50% of PDG.*

These services are provided under normal terms and conditions.

NOTE 32. KEY MANAGEMENT PERSONNEL DISCLOSURES

COMPENSATION

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

	CONSOLIDATED	
	2017 $	2016 $
Short-term employee benefits	1,773,719	1,321,307
Post-employment benefits	116,169	89,913
Share-based payments	446,990	448,216
	2,336,878	1,859,436

NOTE 33. SHARE-BASED PAYMENTS

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 with the exception to the performance based options detailed in the directors' report.

The options granted below expire within five years of their issue, or one year after the resignation of the senior employee, whichever is the earlier. In relation to options issued during the financial year ended 30 June 2014, the options vest in three equal tranches over a period of 3 years.

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

2017

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ LAPSED	BALANCE AT THE END OF THE YEAR
30/08/2012	30/08/2017	$0.60	350,000	-	(350,000)	-	-
01/07/2013	01/07/2018	$1.65	1,312,333	-	(668,667)	-	643,666
01/07/2015	30/06/2020	$2.92	4,000,000	-	-	-	4,000,000
			5,662,333	-	(1,018,667)	-	4,643,666
Weighted average exercise price			$2.48	$0.00	$1.29	$0.00	$2.74

2016

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ LAPSED	BALANCE AT THE END OF THE YEAR
01/02/2012	01/02/2017	$0.40	1,416,667	-	(1,416,667)	-	-
30/08/2012	30/08/2017	$0.60	1,375,002	-	(1,025,002)	-	350,000
01/07/2013	01/07/2018	$1.65	1,525,000	-	(144,333)	(68,334)	1,312,333
01/07/2015	30/06/2020	$2.92	-	4,000,000	-	-	4,000,000
			4,316,669	4,000,000	(2,586,002)	(68,334)	5,662,333
Weighted average exercise price			$0.91	$2.92	$0.55	$1.65	$2.48

The weighted average exercise price during the financial year was $1.29 (2016: $0.55).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.7 years (2016: 3.4 years).

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

GRANT DATE	EXPIRY DATE	SHARE PRICE AT GRANT DATE	EXERCISE PRICE	EXPECTED VOLATILITY	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE AT GRANT DATE
02/02/2012	02/02/2017	$0.46	$0.40	20.00%	2.50%	5.00%	$0.122
30/08/2012	30/08/2017	$0.65	$0.60	5.00%	2.50%	5.00%	$0.066
01/07/2013	01/07/2018	$1.80	$1.65	5.00%	2.50%	5.00%	$0.181
01/07/2015	30/06/2020	$2.94	$2.92	50.00%	0.49%	2.25%	$1.195

Equity-settled share-based 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.

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.

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 profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

NOTE 34. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	CONSOLIDATED	
	2017 $	2016 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	404,100	406,550
Other services - Deloitte Touche Tohmatsu		
Other assurance services	-	60,000
Stamp duty advice	-	23,500
Research and development advice	54,092	47,363
Tax compliance services	15,000	81,268
Tax consulting services	-	197,204
	69,092	409,335
	473,192	815,885

NOTE 35. BUSINESS COMBINATIONS

Over the course of the year, the Group acquired the remaining 50% of the ordinary shares in Pactum Dairy Group Pty Limited (PDG) from its joint venture partner, Australian Consolidated Milk (ACM), and 100% of the business and assets of Power Foods International Pty Limited (Power Foods). Details of the business assets acquired as at the date of each acquisition were as follows:

On 31 January 2017, the Company acquired the remaining 50% of the ordinary shares in PDG from its joint venture partner, ACM, to increase its equity holding to 100% for cash consideration of $47.2 million. In addition, outstanding loans and convertible notes of $4.7 million were repaid to ACM. In accordance with AASB 10 Consolidated Financial Statements, as the Company has a controlling interest in PDG, the transaction has been treated as a transaction between shareholders. As a result, the difference between the consideration paid of $47 million and the non-controlling interest ($8,146,000) was recorded in the common control reserve $55 million (Note 19). The Company will continue to recognise 100% of the net profit after tax of PDG.

NOTE 35. BUSINESS COMBINATIONS (CONTINUED)

On 1 January 2016, the Group elected to convert its convertible notes held in PDG into ordinary shares which resulted in the Group's interest in PDG increasing to 50%. The increase in equity holding along with additional factors, which occurred in January 2016, led to the reassessment of the accounting treatment for the Group's investment in PDG. After taking into consideration the guidance contained in AASB 10 Consolidated Financial Statements (AASB 10), the Group concluded that control was deemed to be gained on 1 January 2016. In reaching this conclusion, the Group considered its power to direct relevant activities under its Management Services Agreement with PDG along with the Group's provision of specialised knowledge in sales capability and infrastructure management, the Group's acquisition of additional processing equipment in January 2016 for PDG to meet demand, the provision of significant funding and acting as guarantor for PDG to secure additional financing in January 2016. Under AASB 10, from the date that control is obtained, the transaction is seen as a stepped acquisition achieved without the transfer of consideration. The fair values of the PDG assets and liabilities as at 31 December 2015 were provisionally determined in the 30 June 2016 financial statements. During the current year, the Group recognised the following increases/(decreases) to the provisional PDG asset and liability fair values disclosed in the 30 June 2016 financial statements as part of the finalisation of this business combination during the measurement period.

Details of the acquisition at control date are as follows:

	PROVISIONAL FAIR VALUE $'000	ADJUSTMENTS TO PROVISIONAL FAIR VALUE $'000	RESTATED FAIR VALUE $'000
Cash and cash equivalents	670	-	670
Trade and other receivables	9,307	(113)	9,194
Inventories	5,983	(379)	5,604
Property, plant and equipment	34,554	(34)	34,520
Other assets	3,564	(447)	3,117
Other liabilities	(69,437)	(413)	(69,850)
Net liabilities acquired	(15,359)	(1,386)	(16,745)
Non-controlling interests share of net liabilities	7,679	693	8,372
Previously held equity	(456)	-	(456)
Goodwill	30,937	693	31,630
Consideration fair value	22,801	-	22,801

As a result of the adjustments to the provisional fair values recognised during the current period, the 30 June 2016 comparative balance sheet amounts have been restated as follows:

	PROVISIONAL FAIR VALUE $'000	ADJUSTMENTS TO PROVISIONAL FAIR VALUE $'000	RESTATED FAIR VALUE $'000
Assets			
Trade and other receivables	12,338	(560)	11,778
Inventories	11,557	(379)	11,178
Property, plant and equipment	40,371	(34)	40,337
Liabilities			
Trade and other payables	(15,737)	(413)	(16,150)

On 1 May 2017, the Group acquired 100% of the business and assets from Power Foods for a total consideration of $21 million. Power Foods is a major Australian manufacturer and brand owner in the performance and adult nutrition category. Power Foods brands include "Vital Strength" and UProtein". The Vital Strength brand is recognised as a leader in high quality nutrition products, sold through retail grocery, pharmacy and fitness retailers in Australia.

Details of the Power Foods acquisition are as follows:

	PROVISIONAL FAIR VALUE $'000
Inventories	1,152
Property, plant and equipment	472
Brand names	15,563
Employee benefits	(105)
Net assets acquired	17,082
Goodwill	4,350
Acquisition-date fair value of the total consideration transferred	21,432

ACCOUNTING POLICY FOR BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

NOTE 36. NON-CURRENT ASSETS - DEFERRED TAX

	CONSOLIDATED	
	2017 $'000	2016 $'000
Deferred tax asset	1,835	3,720
Movements:		
Opening balance	3,720	(2,785)
Provisions	(2,723)	553
Property, plant and equipment	4,611	(1,531)
Other	(4,012)	1,633
Investments	-	2,717
Tax losses recognised in PDG since 1 January 2016	(327)	75
Deferred tax liabilities acquired	815	(2,412)
Deferred tax assets related to losses acquired	(249)	5,470
Closing balance	1,835	3,720

NOTE 37. EVENTS AFTER THE REPORTING PERIOD

On 4th July 2017 the Company entered into a joint venture with Shenzhen Jialile Food Co. Limited (JLL) to establish a new company called Australia's Own Dairy Company China. The Company will subscribe for an initial investment of 10% for consideration of RMB22 million (approximately AUD$4.4 million), with the option to subscribe up to 30% within 3 years. The transaction is subject to regulatory approvals in China and is expected to be formally completed by no later than 31 December 2017.

On 31 August 2017, the Group entered into an agreement with a subsidiary of the Perich Group for the sale and leaseback of its Ingleburn land and buildings for consideration of $75 million. The lease is for a term of 20 years with an option for a further 10 years. This transaction is expected to be completed on 30 November 2017 subject to shareholder approval at the Annual General Meeting.

Apart from the dividend declared as disclosed in Note 18, the establishment of Australia's Own Dairy Company China and the sale and leaseback agreement no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION 30 JUNE 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 29 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

Perry R. Gunner
Chairman

Rory J.F. Macleod
Managing Director and Chief Executive Officer

31 August 2017
Sydney

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Freedom Foods Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or 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.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Groups financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Capitalisation of construction costs Refer to note 11 Property, Plant and Equipment In 2017, the Group capitalised $128.5 million of construction costs as part of the Capital Work In Progress (CWIP). The assessment as to whether it is appropriate to capitalise costs and the point at which to transfer the asset from CWIP to Property, Plant and Equipment (PPE) requires judgement by management and impacts the carrying value of the assets.	Our procedures included amongst others: • Evaluating management's processes and controls in respect of capitalisation of construction costs • Testing on a sample basis costs capitalised, tracing these to source documents and assessing whether they meet the criteria to be capitalised under AASB 116 Property, Plant and Equipment • Evaluating on a sample basis, whether projects included in the CWIP register have been commissioned into production • Testing on a sample basis, the transfer of completed projects from CWIP to PPE and assessing whether this has taken place in the correct period • Assessing the appropriateness of the relevant disclosures in note 11 of the financial statements
Acquisition accounting Refer to note 35 Business Combinations. On 2 May 2017, the Group acquired 100% of the business and assets from Power Foods for a total consideration of $21 million which has been provisionally accounted for at 30 June 2017 Accounting for these transactions is complex, requiring management to exercise judgement to determine the fair value of acquired assets and liabilities along with the allocation of the purchase consideration to goodwill and separately identifiable intangible assets such as trademarks.	With the assistance of Deloitte valuation experts, our procedures on the Power Foods acquisition included amongst others: • A review of the business sale agreement to understand the terms and conditions of the acquisition • Obtaining an understanding of the process that management had undertaken to determine the fair value of the acquired assets and liabilities • Assessing the forecast cash flows for the Trademark valuation comparing key assumptions, including forecast growth rates and royalty rates used in the valuation to historical results, and comparable transactions • Evaluating discount rates used by assessing the cost of capital applied to the valuation by comparing it to market data and industry research • Assessing the appropriateness of the relevant disclosures in note 35 of the financial statements

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman's letter and Managing Director's Report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's letter and Managing Director's Report disclosures, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

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 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 61 to 65 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Freedom Foods Group Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

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Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A. Coleman

Andrew Coleman
Partner
Chartered Accountants
Sydney, 31 August 2017


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SHAREHOLDER INFORMATION 30 JUNE 2017

	NUMBER OF HOLDERS OF ORDINARY SHARES	NUMBER OF HOLDERS OF OPTIONS OVER ORDINARY SHARES
1 to 1,000	1,521	-
1,001 to 5,000	1,606	-
5,001 to 10,000	371	-
10,001 to 100,000	320	-
100,001 and over	58	-
	3,876	-
Holding less than a marketable parcel	262	-

20 LARGEST SHAREHOLDERS AS AT 31 JULY 2017

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

All Member Exchanges.

ORDINARY SHAREHOLDERS

	NUMBER HELD	% OF TOTAL ORDINARY SHARES ISSUED
1. Arrovest Pty Limited	111,552,094	55.54
2. HSBC Custody Nominees (Australia) Limited	26,456,655	13.17
3. J P Morgan Nominees Australia Limited	8,043,651	4.00
4. Citicorp Nominees Pty Limited	6,749,372	3.36
5. Netwealth Investments Limited	4,773,574	2.38
6. Australian Foundation Investment Company Limited	4,506,585	2.24
7. National Nominees Limited	4,039,529	2.01
8. Mirrabooka Investments Limited	1,795,000	0.89
9. BNP Paribas Nominees Pty Ltd	1,605,155	0.80
10. BPC Custody Pty Ltd	1,596,260	0.79
11. BNP Paribas Nominees Pty Ltd	1,200,333	0.60
12. Mr Michael Andris Bracka	760,802	0.38
13. Amcil Limited	756,840	0.38
14. Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	687,094	0.34
15. Goldacre Investments Pty Limited	620,055	0.31
16. Maynel Haddad	597,044	0.30
17. Netwealth Investments Pty Ltd	577,806	0.29
18. HSBC Custody Nominees (Australia) Limited - Account 2	442,055	0.22
19. Moorebank Property Management Pty Ltd	410,142	0.20
20. RBC Investor Services Australia Nominees Pty Limited	389,724	0.19
	177,559,770	88.39

CONVERTIBLE REDEEMABLE PREFERENCE SHARE (CRPS) SHAREHOLDERS

	NUMBER HELD	% OF TOTAL CRPS ISSUED
1. R & M Gugliotta Pty Limited	30,000	29.51%
2. Lewis Little River Pty Limited	23,438	23.07%
3. Mr Hugh Middendorp & Mr Peter Charles	16,664	16.40%
4. Alan Ong Enterprises Pty Limited	8,000	7.87%
5. Est John William Hartigan & Mrs Enid May Hartigan	5,000	4.92%
6. Mr Craig Sargent	3,394	3.34%
7. GWG Investments Pty Limited	3,125	3.08%
8. Lokit Investments Pty Limited	2,214	2.18%
9. Mr Robert William Russell	1,924	1.89%
10. Mr Robert David Napier Nicholls	1,736	1.71%
11. Palatine Holdings Pty Limited	1,697	1.67%
12. Mr Gerald Millman	1,000	0.98%
13. Mr Tjeerd Veenstra & Mrs Susan Lesley Veenstra	963	0.95%
14. Mrs Michelle Louise Farrell	640	0.63%
15. Mr Andrew Jonathon Achilles	500	0.49%
16. Mr Stuart William McDonald	497	0.49%
17. Mr Neville Thiele	273	0.27%
18. Mrs Dianne Joan Thiele	219	0.22%
19. Mr Andrew Macfarlane	200	0.20%
20. Mr Kim Wigram Jones	133	0.13%
	101,617	100%

DISTRIBUTION OF CRPS SHAREHOLDERS

	NUMBER OF HOLDERS OF CRPS SHARES
1 - 1,000	10
1,001 - 5,000	7
5,001 - 10,000	1
10,001 - 100,000	3
	21

SUBSTANTIAL SHAREHOLDERS

The number of shares held by substantial shareholders as listed in the Parent's register as at 31 July 2017 are:

	ORDINARY SHARES	
	NUMBER HELD	% OF TOTAL SHARES ISSUED
Arrovest Pty Limited	111,552,094	55.54
Perpetual Limited	19,378,930	9.65

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).

CORPORATE DIRECTORY

DIRECTORS

Perry R. Gunner -
Chairman and Non-Executive Director

Rory J.F. Macleod -
Managing Director and Chief Executive Officer

Anthony M. Perich -
Non-Executive Director, Deputy Chairman

Ronald Perich -
Non-Executive Director

Trevor J. Allen -
Non-Executive Director

ALTERNATE DIRECTOR

Michael R. Perich
(for Anthony M. Perich and Ronald Perich)

COMPANY SECRETARY

Campbell Nicholas

NOTICE OF ANNUAL GENERAL MEETING

The details of the Annual General Meeting of Freedom Foods Group Limited are:

30 November 2017 at 12:00 noon
Grace Hotel
77 York Street
Sydney NSW 2000

REGISTERED OFFICE

80 Box Road
Taren Point
NSW 2229
Tel: +61 2 9526 2555

PRINCIPAL PLACE OF BUSINESS

80 Box Road
Taren Point
NSW 2229
Tel: +61 2 9526 2555

SHARE REGISTER

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Tel: +61 2 8280 7111
Fax: +61 2 9287 0303

AUDITOR

Deloitte Touche Tohmatsu
Grosvenor Place, 225 George Street
Sydney NSW 2000
Tel: +61 2 9237 1171

SOLICITORS

PWC Legal
One International Towers
Barangaroo
Sydney NSW 2000

BANKERS

HSBC Australia Limited
Level 37, 100 Barangaroo Ave
Sydney NSW 2000

National Australia Bank Limited
Level 3, 255 George Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

Freedom Foods Group Limited shares are listed on the Australian Securities Exchange (ASX code: FNP)

WEBSITE

www.ffgl.com.au

ABN

41 002 814 235

INSURANCE BROKERS

GSA Insurance Brokers Pty Ltd
'The Old Presbytery' 137 Harrington St
Sydney NSW 2000
Tel: +61 2 8274 8100


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