

Freedom Foods Group Limited

ABN 41 002 814 235

Half Yearly Report Appendix 4D - 31 December 2017

1. Company details

Name of entity:	Freedom Foods Group Limited
ABN:	41 002 814 235
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	28.8% to	159,563
Profit from ordinary activities after tax attributable to the owners of Freedom Foods Group Limited	down	34.1% to	2,951
Profit for the half-year attributable to the owners of Freedom Foods Group Limited	down	34.1% to	2,951

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the half year ended 31 December 2017 for ordinary shares payable on 30 April 2018	2.25	2.25
Interim dividend for the half year ended 31 December 2017 for convertible redeemable preference shares payable on 30 April 2018	1.35	1.35
Final dividend for the year ended 30 June 2017 for ordinary shares paid on 30 November 2017	2.25	2.25
Final dividend for the year ended 30 June 2017 for convertible redeemable preference shares paid on 30 November 2017	1.35	1.35

Comments

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,951,000 (31 December 2016: \$4,475,000).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	108.55	143.12

4. Control gained over entities

Not applicable.

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Dividend Reinvestment Plan 'DRP' is current and remains unchanged from prior years. All Shareholders when initially registered, receive a copy of the DRP and details concerning participation in the DRP. The DRP provides shareholders with the opportunity to receive ordinary shares, in lieu of cash dividends, at a discount (set by the directors) from the market price at the time of issue. The last date for lodgement of election notices to the share registry for the interim dividend to be paid on 30 April 2018 is Thursday 5 April 2018.

6. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Australian Fresh Milk Holdings Pty Limited (AFMH)	10.00%	10.00%	240	240
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			240	240
Income tax on operating activities			-	-

7. Audit qualification or review

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

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

8. Signed

Signed 

Date: 27 February 2018

Rory J F Macleod
Managing Director and Chief Executive Officer
Sydney

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 half-year ended 31 December 2017.

Directors

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

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

Rounding of amounts

The Group 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 on page 20.

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

On behalf of the directors



Rory J F Macleod
Managing Director and Chief Executive Officer

27 February 2018
Sydney

Freedom Foods Group Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017



		Consolidated	
	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue			
Revenue from sale of goods	3	159,563	123,852
Cost of sales		(122,318)	(93,013)
Gross profit		37,245	30,839
Gain on disposal of Ingleburn land and buildings	2	3,363	-
Other losses		(780)	(194)
Expenses			
Marketing expenses		(1,178)	(876)
Selling and distribution expenses		(16,833)	(13,328)
Administrative expenses		(4,320)	(4,189)
Depreciation and amortisation		(6,246)	(4,610)
Restructuring expenses	2	(4,841)	-
Acquisition costs		-	(31)
Net finance costs		(2,178)	(1,107)
Share of profits of associates accounted for using the equity method		240	240
Profit before income tax expense		4,472	6,744
Income tax expense		(1,521)	(2,269)
Profit after income tax expense for the half-year		2,951	4,475
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		200	354
Other comprehensive income for the half-year, net of tax		200	354
Total comprehensive income for the half-year		3,151	4,829
Profit for the half-year is attributable to:			
Non-controlling interest		-	25
Owners of Freedom Foods Group Limited		2,951	4,450
		2,951	4,475
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		-	25
Owners of Freedom Foods Group Limited		3,151	4,804
		3,151	4,829
		Cents	Cents
Basic earnings per share		1.47	2.43
Diluted earnings per share		1.61	2.51

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

Freedom Foods Group Limited
Condensed consolidated statement of financial position
As at 31 December 2017



		Consolidated	
	Note	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		3,573	4,184
Trade and other receivables		49,071	65,920
Inventories		68,143	63,388
Prepayments		6,794	1,757
Derivative financial instruments		756	382
Total current assets		<u>128,337</u>	<u>135,631</u>
Non-current assets			
Investments accounted for using the equity method	4	8,734	7,594
Property, plant and equipment	2	307,794	340,356
Intangibles		104,726	102,611
Deferred tax		3,635	1,835
Loans due from associated entities		-	900
Total non-current assets		<u>424,889</u>	<u>453,296</u>
Total assets		<u>553,226</u>	<u>588,927</u>
Liabilities			
Current liabilities			
Trade and other payables		71,346	65,629
Borrowings	5	22,166	161,763
Income tax		11,770	11,642
Provisions		4,759	4,086
Other liabilities		-	39
Derivative financial instruments		469	236
Total current liabilities		<u>110,510</u>	<u>243,395</u>
Non-current liabilities			
Payables		-	52
Borrowings	6	119,068	23,395
Provisions		20	649
Total non-current liabilities		<u>119,088</u>	<u>24,096</u>
Total liabilities		<u>229,598</u>	<u>267,491</u>
Net assets		<u>323,628</u>	<u>321,436</u>
Equity			
Issued capital	7	253,161	249,954
Reserves		(55,841)	(56,397)
Retained profits		126,308	127,879
Total equity		<u>323,628</u>	<u>321,436</u>

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

Freedom Foods Group Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2017



	Issued capital \$'000	Reserves \$'000	Non- controlling interest \$'000	Retained Profits \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2016	169,106	(2,274)	(8,234)	128,527	287,125
Profit after income tax expense for the half-year	-	-	25	4,450	4,475
Other comprehensive income for the half-year, net of tax	-	354	-	-	354
Total comprehensive income for the half-year	-	354	25	4,450	4,829
Non-controlling interest share of profit after tax	-	-	-	-	-
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	225	-	-	225
Issue of ordinary shares under employee share option plan	699	-	-	-	699
Issue of ordinary shares from entitlement offer	61,970	-	-	-	61,970
Issue of ordinary shares in accordance with the dividend reinvestment plan	3,047	-	-	-	3,047
Share issue costs	(1,536)	-	-	-	(1,536)
Related income tax	461	-	-	-	461
Dividends paid (Note 8)	-	-	-	(4,096)	(4,096)
Balance at 31 December 2016	233,747	(1,695)	(8,209)	128,881	352,724
	Issued capital \$'000	Reserves \$'000	Non- controlling interest \$'000	Retained profits \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2017	249,954	(56,397)	-	127,879	321,436
Profit after income tax expense for the half-year	-	-	-	2,951	2,951
Other comprehensive income for the half-year, net of tax	-	200	-	-	200
Total comprehensive income for the half-year	-	200	-	2,951	3,151
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	356	-	-	356
Issue of ordinary shares under employee share option plan	135	-	-	-	135
Issue of ordinary shares in accordance with the dividend reinvestment plan	3,095	-	-	-	3,095
Share issue costs	(23)	-	-	-	(23)
Dividends paid (Note 8)	-	-	-	(4,522)	(4,522)
Balance at 31 December 2017	253,161	(55,841)	-	126,308	323,628

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

Freedom Foods Group Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2017



		Consolidated	
	Note	31 Dec 2017	31 Dec 2016
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	6	162,115	119,243
Payments to suppliers and employees (inclusive of GST)		(135,091)	(110,144)
Cash generated from operations		27,024	9,099
Payments for restructuring		(1,182)	-
Interest received	1	1	288
Interest and other finance costs paid		(2,277)	(2,827)
Income taxes paid		(3,613)	-
Net cash from operating activities		19,953	6,560
Cash flows from investing activities			
Payments for property, plant and equipment		(50,900)	(58,190)
Proceeds from disposal of assets		74,966	-
Net cash from/(used in) investing activities		24,066	(58,190)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		135	62,667
Payment of share issue costs		(22)	(1,536)
Dividends paid		(1,409)	(1,038)
(Repayments)/proceeds of borrowings		(43,975)	1,319
Proceeds/(repayments) of related party balances		641	(966)
Net cash (used in)/from financing activities		(44,630)	60,446
Net (decrease)/increase in cash and cash equivalents		(611)	8,816
Cash and cash equivalents at the beginning of the financial half-year		4,184	63,908
Cash and cash equivalents at the end of the financial half-year		3,573	72,724

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

Note 1. Significant accounting policies

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

The financial report for the half year ended 31 December 2017 (Half Year Financial Report) has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The Half Year Financial Report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amended Accounting Standards and Interpretations adopted

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

The AASB has issued AASB 15 Revenue from Contracts with Customers 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 AASB has issued AASB 9 Financial Instruments introduces new classification and measurement models for financial assets. This will replace IAS 39 Financial Instruments: Recognition and Measurement. New simpler hedge accounting treatments are intended to be 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.

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

Note 2. Significant events and transactions

Following shareholder approval of the sale and leaseback of the Company's Ingleburn land and buildings at the 30 November 2017 AGM, the transaction completed in December 2017 for consideration of \$75 million as foreshadowed to shareholders. The carrying value of the assets disposed amounted to \$71.6 million producing a gain on disposal of \$3.4 million. The gain on disposal of Ingleburn land and buildings is disclosed on the Condensed consolidated statement of profit or loss and other comprehensive income.

In November 2017, the Company ceased production of plant based beverages at its Taren Point site having completed construction of its new UHT facility at Ingleburn in August 2017. Consequently, the Company booked a restructuring provision of \$3.6 million during the period for the closure costs, including write down of inventory on product formats to be discontinued. Management is in the process of assessing any further asset write-down. A restructuring expense of \$1.2 million was also incurred primarily for staff not transferring to the new Ingleburn site.

Note 3. Operating segments

The Group is organised into five core business segments which is the basis on which the Group reports. 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.

The 31 December 2016 revenue and results has been restated in line with the FY 2017 operating segments in the table below.

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 their capacity as the chief operating decision makers 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.

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 Based 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.
- Specialty Seafood remains unchanged.
- Nutritionals is a new segment report, comprising the "Vital Strength" branded business and nutritionals products to be manufactured in future years.

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:

Consolidated - 31 Dec 2017	Cereal & Snacks \$'000	Plant Based Beverages \$'000	Dairy Beverages \$'000	Specialty Seafood \$'000	Nutritionals \$'000	Unallocated shared services \$'000	Total \$'000
Revenue							
Sales to external customers	52,494	36,323	57,370	7,706	5,670	-	159,563
Total revenue	52,494	36,323	57,370	7,706	5,670	-	159,563
EBITDA	7,277	8,250	4,635	924	1,276	-	22,362
Convertible loan note and interest income	-	-	-	-	-	26	26
Share of associates profits	-	-	-	-	-	240	240
Other income	-	-	-	-	-	3,363	3,363
Shared services including ESOP	-	-	-	-	-	(6,949)	(6,949)
Depreciation and amortisation	(3,423)	(1,056)	(1,036)	-	(20)	(711)	(6,246)
Net finance costs	-	-	-	-	-	(2,204)	(2,204)
Other expenditure	-	-	-	-	-	(6,120)	(6,120)
Profit/(loss) before income tax expense	3,854	7,194	3,599	924	1,256	(12,355)	4,472
Income tax expense							(1,521)
Profit after income tax expense							2,951
Assets	140,215	144,777	162,798	16,083	22,543	-	486,416
<i>Unallocated assets:</i>							
Shared services						58,076	58,076
Investment in associates						8,734	8,734
Total assets	140,215	144,777	162,798	16,083	22,543	66,810	553,226
Acquisition of businesses	-	-	-	-	-	-	-
Segment assets	140,215	144,777	162,798	16,083	22,543	66,810	553,226
Liabilities	15,652	35,482	44,978	555	1,165	-	97,832
<i>Unallocated liabilities:</i>							
Shared services						131,766	131,766
Total liabilities	15,652	35,482	44,978	555	1,165	131,766	229,598
Acquisition of businesses	-	-	-	-	-	-	-
Segment liabilities	15,652	35,482	44,978	555	1,165	131,766	229,598

Note 3. Operating segments (continued)

	Cereal & Snacks \$'000	Plant Based Beverages \$'000	Dairy Beverages \$'000	Specialty Seafood \$'000	Nutritionals \$'000	Unallocated shared services \$'000	Total \$'000
Consolidated - 31 Dec 2016							
Revenue							
Sales to external customers	44,024	29,528	43,821	6,480	-	-	123,853
Total revenue	44,024	29,528	43,821	6,480	-	-	123,853
EBITDA	5,834	6,521	3,359	822	-	-	16,536
Share of associates profits	-	-	-	-	-	240	240
Shared services including ESOP	-	-	-	-	-	(4,090)	(4,090)
Depreciation and amortisation	(2,416)	(878)	(944)	-	-	(372)	(4,610)
Net finance costs	-	-	-	-	-	(1,107)	(1,107)
Other expenditure	-	-	-	-	-	(194)	(194)
Acquisition costs	-	-	-	-	-	(31)	(31)
Profit/(loss) before income tax expense	3,418	5,643	2,415	822	-	(5,554)	6,744
Income tax expense							(2,269)
Profit after income tax expense							4,475
Consolidated - 30 Jun 2017							
Assets	145,111	198,058	151,283	18,644	21,826	-	534,922
<i>Unallocated assets:</i>							
Shared services						46,371	46,371
Investment in associates						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
<i>Unallocated liabilities:</i>							
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

Note 4. Non-current assets - investments accounted for using the equity method

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Investment in AFMH	8,734	7,594

Note 4. Non-current assets - investments accounted for using the equity method (continued)

Australian Fresh Milk Holdings Pty Limited (AFMH)

The consortium comprises Leppington Pastoral Company Pty Limited (LPC), New Hope Dairy Holdings Co Ltd (New Hope Dairy), Freedom Foods Group Limited and the Moxey family. 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 FY 2017. The loan of \$900,000 at 30 June 2017 was converted to equity on 14 September 2017.

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

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Equity investment	7,594	7,354
Conversion of loan to equity	900	-
Share of profit after income tax	240	240
Closing balance	<u>8,734</u>	<u>7,594</u>

Note 5. Current liabilities - borrowings

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Trade financing facilities	-	87,959
Bank bill facilities	-	48,300
Debtor finance facilities	7,850	18,005
Revolver facilities	6,000	-
Term loan facilities	3,150	-
Equipment financing facilities	5,166	7,499
	<u>22,166</u>	<u>161,763</u>

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

The loan due dates and facility renewal dates as at 31 December 2017 are summarised as follows:

	Due Date	Facility renewal date	Total \$'000
Debtor finance facilities	n/a	n/a	7,850
Revolver facilities	(1)	1 December 2020	6,000
Term loan facilities (2)	1 December 2018	n/a	3,150
Equipment financing facilities	various	n/a	5,166
			<u>22,166</u>

1. Revolver facilities are a flexible working capital facility to manage short term cash flow cycle associated with the Company.
2. Term loan facilities with due dates between 1 – 3 years.

Note 6. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Term loan facilities	95,850	-
Equipment financing facilities	23,218	23,395
	<u>119,068</u>	<u>23,395</u>

Total secured liabilities

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

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Trade financing facilities	-	87,959
Bank bill facilities	-	48,300
Equipment financing facilities	28,384	30,894
Debtor finance facilities	7,850	18,005
Revolver facilities	6,000	-
Term loan facilities	99,000	-
	<u>141,234</u>	<u>185,158</u>

Assets pledged as security

The Company's primary bank facilities are arranged with HSBC and NAB are organised under a Common Terms arrangement and secured by a General Security Deed over all the property of the Group (subject to exceptions for certain asset-backed facilities and low-value subsidiaries). The security comprises first-ranking security over all personal property and mortgages over real property owned by the Group and key property leases. The individual facilities included debtor finance, equipment finance, bilateral agreements (term loan and revolver) and other general transactional banking facilities as required for the operations of the Company's business.

The equipment finance facilities relate to specific equipment operating at the Company's Leeton, Shepparton, Dandenong and Ingleburn facilities. The primary banking facilities are with NAB as noted above but there is also a separate equipment facility with Westpac. The equipment finance facilities are secured over the assets financed under the relevant facility, and are therefore subject to their own security and excluded from the application of the General Security Deed. The leases are over a period of 2 to 6 years and the final residuals on the current leases will be due in 2019 and 2020.

Banking facilities restructure

The Company has also entered into a new syndicated banking facility with its long term banking partners HSBC Bank Australia Limited (HSBC) and National Australia Bank (NAB). The facility provides a more flexible group finance and liquidity structure that will provide working capital and capital expenditure funding for the Company as it continues to grow its revenue. The term of the \$236 million new secured bilateral and syndicated facility is for 3 years.

The bank agreed to roll the existing equipment financing facilities over to form part of the facilities restructure. The existing bank bill facilities were also rolled into a long term loan as part of the facility restructure and have not been called upon by the bank.

As part of the banking facility restructure, HSBC has provided the Company with a new limited recourse debtor finance facility which is being utilised as a source of working capital. Under this facility, the Company sells receivables of its major grocery retail customers to the bank in exchange for cash. These receivables are de-recognised as an asset as the significant risks associated with the receivables are transferred to the bank at the point of sale. Further, the amount funded under this facility is also not recognised as a liability. The funded value of this limited recourse debtor finance facility was \$24.1 million as at 31 December 2017 (2016: nil).

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

In the statement of cash flows, the funds received from the bank under this facility are included in cash flows from operations as receipts from customers. Prior to the banking facility restructure, funding received from the previous full recourse facility was included in the Condensed consolidated statement of cash flows under financing activities as proceeds from borrowings. As a consequence of this change, the net cash from operating activities for the six months ending 31 December 2017 includes an initial once off increase in receipts of \$24.1 million due to the change in facility.

Amounts used represented by

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Current	22,166	161,763
Non-current	119,068	23,395
	<u>141,234</u>	<u>185,158</u>

Financing arrangements

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

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Total facilities		
Trade financing facilities	-	90,500
Bank bill facilities	-	50,400
Equipment financing facilities	42,000	38,132
Debtor finance facilities	65,000	24,000
Revolver facilities	30,000	-
Term loan facilities	99,000	-
	<u>236,000</u>	<u>203,032</u>
Used at the reporting date		
Trade financing facilities	-	87,959
Bank bill facilities	-	48,300
Equipment financing facilities	28,384	30,894
Debtor finance facilities	7,850	18,005
Revolver facilities	6,000	-
Term loan facilities	99,000	-
	<u>141,234</u>	<u>185,158</u>
Unused at the reporting date		
Trade financing facilities	-	2,541
Bank bill facilities	-	2,100
Equipment financing facilities	13,616	7,238
Debtor finance facilities	57,150	5,995
Revolver facilities	24,000	-
Term loan facilities	-	-
	<u>94,766</u>	<u>17,874</u>

Note 7. Equity - issued capital

	31 Dec 2017 Shares	Consolidated 30 Jun 2017 Shares	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Ordinary shares - fully paid	201,656,304	200,853,531	253,147	249,940
Convertible redeemable preference shares - fully paid	101,627	101,627	14	14
	<u>201,757,931</u>	<u>200,955,158</u>	<u>253,161</u>	<u>249,954</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 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	<u>200,853,531</u>		<u>249,940</u>

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2017	200,853,531		249,940
Employee share options exercised		82,000	\$1.65	135
Dividend reinvestment plan (DRP) shares		720,773	\$4.29	3,095
Transaction costs		-	\$0.00	(23)
Balance	31 December 2017	<u>201,656,304</u>		<u>253,147</u>

Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Note 8. Equity - dividends

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

	Consolidated 31 Dec 2017 \$'000	31 Dec 2016 \$'000
Final fully franked dividend for the year ended 30 June 2017 of 2.25 cents (2016: 2.25 cents) per ordinary share	1,426	1,048
Dividends reinvested: fully franked at 30% tax rate	3,095	3,047
Final fully franked dividend for the year ended 30 June 2017 of 1.35 cents (2016: 1.35 cents) per convertible redeemable preference share	1	1
	<u>4,522</u>	<u>4,096</u>

Note 8. Equity - dividends (continued)

On 27 February 2018, the directors declared a fully franked interim dividend of 2.25 cents per share to the holders of ordinary shares in respect of the 6 months period July 2017 to December 2017, which is to be paid to shareholders on 30 April 2018. The record date for determining the entitlements to the final dividend is 5 April 2018. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$4,537,000.

On 27 February 2018, the directors declared a fully franked interim dividend of 1.35 cents per share to the holders of converting redeemable preference shares in respect of the 6 months period July 2017 to December 2018, which is to be paid to shareholders on 30 April 2018. The record date for determining the entitlements to the final dividend is 5 April 2018. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$1,400.

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

Note 9. Events after the reporting period

In February 2018, regulatory approval was received from the Chinese authorities to establish a new company called Australia's Own Dairy Company China as the joint venture entity between Jialile Food Co. Limited (JLL) and the Company. This transaction is expected to be completed by 30 April 2018.

Apart from the dividend declared as disclosed in Note 8 and the establishment of Australia's Own Dairy Company China, no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

The directors declare that:

- in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the directors



Rory J F Macleod
Managing Director and Chief Executive Officer

27 February 2018
Sydney

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Freedom Foods Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 17.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2017 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Freedom Foods Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Freedom Foods Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2017 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants
Sydney, 27 February 2018

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

27 February 2018

Dear Board Members,

Auditor's Independence Declaration to Freedom Foods Group Limited

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

As lead audit partner for the review of the financial statements of Freedom Foods Group Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants