Freedom Foods Group Limited

ABN 41 002 814 235

Half Yearly Report Appendix 4D - 31 December 2018

Freedom Foods Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Freedom Foods Group Limited
ABN:	41 002 814 235
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	31.0%	to	209,041
Profit from ordinary activities after tax attributable to the owners of Freedom Foods Group Limited	up	26.4%	to	3,729
Profit for the half-year attributable to the owners of Freedom Foods Group Limited	up	26.4%	to	3,729

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the half year ended 31 December 2018 for ordinary shares payable on 1 May 2019	2.25	1.13
Interim dividend for the half year ended 31 December 2018 for convertible redeemable preference shares payable on 1 May 2019	1.35	0.68
Final dividend for the year ended 30 June 2018 for ordinary shares paid on 30 November 2018	2.75	1.38
Final dividend for the year ended 30 June 2018 for convertible redeemable preference shares paid on 30 November 2018	1.35	0.68

Comments
The profit for the consolidated entity after providing for income tax amounted to $3,729,000 (31 December 2017: $2,951,000).

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	165.52	108.55

4. Control gained over entities

Name of entities (or group of entities)	Crankt Protein International Pty Limited
Date control gained	31 July 2018

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 1 May 2019 is Wednesday 3 April 2019.

6. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	31 Dec 2018 %	30 Jun 2018 %	31 Dec 2018 $'000	31 Dec 2017 $'000
Australian Fresh Milk Holdings Pty Limited (AFMH)	10.00%	10.00%	240	240
Shenzhen JiaLiLe Co. Limited (JLL)	10.00%	10.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
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: 28 February 2019

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 2018.

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 23.

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

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Rory J F Macleod
Managing Director and Chief Executive Officer

28 February 2019
Sydney

Freedom Foods Group Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue			
Revenue from sale of goods	3	209,041	159,563
Cost of sales		(157,330)	(122,318)
Gross profit		51,711	37,245
Gain on disposal of Ingleburn land and buildings		-	3,363
Gain on purchase	4	2,062	-
Other losses		(186)	(780)
Expenses			
Marketing expenses		(2,915)	(1,178)
Selling and distribution expenses		(24,651)	(16,833)
Administrative expenses		(7,409)	(4,320)
Depreciation and amortisation		(8,391)	(6,246)
Restructuring expenses		(113)	(4,841)
Acquisition costs		(87)	-
Other expenses		(1,342)	-
Net finance costs		(3,735)	(2,178)
Share of profits of associates accounted for using the equity method		240	240
Profit before income tax expense		5,184	4,472
Income tax expense		(1,455)	(1,521)
Profit after income tax expense for the half-year attributable to the owners of Freedom Foods Group Limited		3,729	2,951
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		203	200
Other comprehensive income for the half-year, net of tax		203	200
Total comprehensive income for the half-year attributable to the owners of Freedom Foods Group Limited		3,932	3,151
Earnings per share		Cents	Cents
Basic earnings per share		1.52	1.47
Diluted earnings per share		1.86	1.61

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 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		9,681	98,106
Trade and other receivables		68,662	62,849
Inventories		104,244	81,101
Derivative financial instruments		131	293
Prepayments		9,117	2,825
Total current assets		191,835	245,174
Non-current assets			
Investments accounted for using the equity method	5	18,937	17,428
Property, plant and equipment	6	470,300	388,883
Intangibles		126,971	111,130
Deferred tax		598	2,053
Loans due from other parties		-	1,182
Total non-current assets		616,806	520,676
Total assets		808,641	765,850
Liabilities			
Current liabilities			
Trade and other payables		94,340	88,069
Borrowings	7	66,527	9,730
Derivative financial instruments		421	548
Income tax		-	4,893
Provisions		7,643	6,543
Other liabilities		1	1,293
Total current liabilities		168,932	111,076
Non-current liabilities			
Borrowings	8	107,222	124,461
Provisions		207	413
Total non-current liabilities		107,429	124,874
Total liabilities		276,361	235,950
Net assets		532,280	529,900
Equity			
Issued capital	9	457,646	453,388
Reserves		(53,916)	(55,019)
Retained profits		128,550	131,531
Total equity		532,280	529,900

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

Consolidated	Issued capital $'000	Reserves $'000	Non-controlling interest $'000	Retained Profits $'000	Total equity $'000
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
Transactions with owners in their capacity as owners:					
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 10)	-	-	-	(4,522)	(4,522)
Balance at 31 December 2017	253,161	(55,841)	-	126,308	323,628

Consolidated	Issued capital $'000	Reserves $'000	Non-controlling interest $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2018	453,388	(55,019)	-	131,531	529,900
Profit after income tax expense for the half-year	-	-	-	3,729	3,729
Other comprehensive income for the half-year, net of tax	-	203	-	-	203
Total comprehensive income for the half-year	-	203	-	3,729	3,932
Transactions with owners in their capacity as owners:					
Share-based payments	-	900	-	-	900
Issue of ordinary shares in accordance with the dividend reinvestment plan	4,265	-	-	-	4,265
Share issue costs	(7)	-	-	-	(7)
Dividends paid (Note 10)	-	-	-	(6,710)	(6,710)
Balance at 31 December 2018	457,646	(53,916)	-	128,550	532,280

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	8	202,358	162,115
Payments to suppliers and employees (inclusive of GST)		(217,501)	(135,091)
Cash generated from operations		(15,143)	27,024
Payments for business acquisition costs		(87)	-
Payments for restructuring		(113)	(1,182)
Interest received		167	1
Interest and other finance costs paid		(3,854)	(2,277)
Income taxes paid		(4,850)	(3,613)
Net cash (used in)/from operating activities		(23,880)	19,953
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(1,779)	-
Payments for property, plant and equipment	6	(84,051)	(47,368)
Payments for intangibles		(13,269)	(3,532)
Investment in equity interest		(1,269)	-
Proceeds from disposal of assets		-	74,966
Net cash (used in)/ from investing activities		(100,368)	24,066
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		-	135
Payment of share issue costs		(7)	(22)
Dividends paid		(2,435)	(1,409)
Proceeds/(repayments) of borrowings		39,557	(43,975)
(Repayments)/proceeds of related party balances		(1,292)	641
Net cash from/(used in) financing activities		35,823	(44,630)
Net decrease in cash and cash equivalents		(88,425)	(611)
Cash and cash equivalents at the beginning of the financial half-year		98,106	4,184
Cash and cash equivalents at the end of the financial half-year		9,681	3,573

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 2018 (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 2018 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.

AASB 9 *Financial Instruments*

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 completed 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 adopted this standard from 1 July 2018 and given the nature of the Group's trade receivables, the expected credit loss model did not result in a material impact. The adoption of AASB 9 did not have a significant impact of classification or the Group's accounting policies for financial assets and liabilities.

AASB 15 *Revenue from Contracts with Customers*

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. 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 principles 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 and services. The Group adopted this Standard from 1 July 2018 and has identified no material retrospective or prospective impact on the financial statements of the Group for the half year ended 31 December 2018. The Group adopted the Standard from 1 July 2018 using the modified retrospective approach.

Note 1. Significant accounting policies (continued)

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 1 January 2019. AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the 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 measure at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement 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 AASB 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

As a result of AASB 16, deferred tax balances will be adjusted, current lease accounting will be reversed and the opening retained earnings will be restated. There will be no cash flow impact on the Group by the introduction of this standard however, key accounting metrics will be affected including, EBDITA and ROFE (return of funds employed).

AASB 117 does not require the recognition of any right-of-use asset or liability for further payments for these leases; instead, certain information is disclosed as operating lease commitments. A preliminary assessment indicates that the Group's operating lease commitments 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 practical to provide a reasonable estimate of the financial effect until the directors complete the review.

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

In August 2018, the Group completed an agreement to acquire Crankt Protein brand (Crankt). The acquisition consideration was a gross value of $3.6 million. After deductions for working capital loans and other offsets, the net cash consideration payable was $2.4 million. $1.8 million was paid in August 2018, with the remaining balance of $0.6 million payable in July 2019. The acquisition of Crankt is considered to be a bargain purchase under AASB3, which the value of the identifiable assets acquired exceeds the consideration payable, resulting in a gain in profit or loss on the acquisition date. The gain on the acquisition of Crankt is disclosed on the Condensed consolidated statement of profit or loss and other comprehensive income. As a consequence of the Crankt acquisition, trademark intangible assets have been valued at $5.9 million and is disclosed on the Condensed consolidated statement of financial position.

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

Note 3. Operating segments

The Group is organised into five core business 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 (i.e. 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 '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, however are included in the segment analysis as this is how the Group conducts its business operations.

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:

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2018	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	43,110	46,364	102,723	7,775	9,069	-	209,041
Total revenue	43,110	46,364	102,723	7,775	9,069	-	209,041
EBITDA	5,108	12,267	9,420	466	2,410	-	29,671
Share of associates profits	-	-	-	-	-	240	240
Other income	-	-	-	-	-	2,441	2,441
Shared services including ESOP	-	-	-	-	-	(11,295)	(11,295)
Depreciation and amortisation	(3,260)	(1,026)	(1,680)	-	(22)	(2,403)	(8,391)
Net finance costs	-	-	-	-	-	(3,735)	(3,735)
Acquisition costs	-	-	-	-	-	(87)	(87)
Other expenditure	-	-	-	-	-	(3,660)	(3,660)
Profit/(loss) before income tax expense	1,848	11,241	7,740	466	2,388	(18,499)	5,184
Income tax expense							(1,455)
Profit after income tax expense							3,729
Assets	147,362	190,025	309,660	19,169	30,255	-	696,471
Unallocated assets:							
Shared services						93,233	93,233
Investment in associates						18,937	18,937
Total assets	147,362	190,025	309,660	19,169	30,255	112,170	808,641
Acquisition of businesses	-	-	-	-	-	-	-
Segment assets	147,362	190,025	309,660	19,169	30,255	112,170	808,641
Liabilities	21,496	26,057	49,551	3,358	1,072	-	101,534
Unallocated liabilities:							
Shared services	-	-	-	-	-	174,827	174,827
Total liabilities	21,496	26,057	49,551	3,358	1,072	174,827	276,361
Acquisition of businesses							
Segment liabilities	21,496	26,057	49,551	3,358	1,072	174,827	276,361

Note 3. Operating segments (continued)

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
Share of associates profits	-	-	-	-	-	240	240
Other income	-	-	-	-	-	3,363	3,363
Convertible loan note and interest income	-	-	-	-	-	26	26
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

Consolidated - 30 Jun 2018	Cereal & Snacks $'000	Plant Based Beverages $'000	Dairy Beverages $'000	Specialty Seafood $'000	Nutritionals $'000	Unallocated shared services $'000	Total $'000
Assets	133,346	166,604	235,515	18,530	24,008	-	578,003
Unallocated assets:							
Shared services						170,419	170,419
Investment in associates						17,428	17,428
Total assets	133,346	166,604	235,515	18,530	24,008	187,847	765,850
Acquisition of businesses	-	-	-	-	-	-	-
Segment assets	133,346	166,604	235,515	18,530	24,008	187,847	765,850
Liabilities	23,164	22,917	49,240	3,346	1,268	-	99,935
Unallocated liabilities:							
Shared services						136,015	136,015
Total liabilities	23,164	22,917	49,240	3,346	1,268	136,015	235,950
Acquisition of businesses	-	-	-	-	-	-	-
Segment liabilities	23,164	22,917	49,240	3,346	1,268	136,015	235,950

Note 4. Business combinations

In August 2018, the Group completed an agreement to acquire Crankt Protein brand (Crankt). The acquisition consideration was a gross value of $3.6 million. After deductions for working capital loans and other offsets, the net cash consideration payable was $2.4 million. $1.8 million was paid in August 2018, with the remaining balance of $0.6 million payable in July 2019. The acquisition of Crankt is considered to be a bargain purchase under AASB 3, which the value of the identifiable assets acquired exceeds the consideration payable, resulting in a gain in profit or loss on the acquisition date. The gain on the acquisition of Crankt is disclosed in the Condensed consolidated statement of profit or loss and other comprehensive income. As a consequence of the Crankt acquisition, trademark intangible assets have been valued at $5.9 million and is disclosed on the Condensed consolidated statement of financial position.

Details of the acquisition at control date are as follows:

	Provisional fair value $'000
Trademark intangible	5,883
Provisions	(271)
Net assets acquired	5,612
Gain on purchase	(2,062)
Acquisition date fair value of the total consideration	3,550
Total consideration is as follows:	
Net cash consideration paid	1,765
Net cash consideration payable	587
Working capital loans and other offsets	1,198
Acquisition date fair value of the total consideration	3,550

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

Note 5. Non-current assets - investments accounted for using the equity method

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Investment in AFMH	13,867	12,427
Investment in JLL	5,070	5,001
	18,937	17,428

Australian Fresh Milk Holdings Pty Limited (AFMH)

The consortium comprises Leppington Pastoral Investments Pty Limited (LPI), NewAustralia Holdings Pty Limited, Paul Moxey Family Trust, Quentin Moxey Family Trust and Freedom Foods Group Operations Limited. The Group acquired its 10% of the consortium for $5.7 million. During the period, the Group made an additional investment of $1.2 million (before transaction costs). The Group ownership remains at 10%.

Note 5. Non-current assets - investments accounted for using the equity method (continued)

	Consolidated	
	31 Dec 2018	30 Jun 2018
Opening balance	12,427	7,594
Additional investment	1,200	4,353
Share of profit after income tax	240	480
Closing balance	13,867	12,427

Shenzhen JiaLiLe Co. Limited (JLL)

In May 2018, the Group entered into a Subscription and Shareholders Deed with JLL to subscribe for an initial investment of 10% for a cash consideration of RMB 22 million (AUD $4.7 million), before associated costs, amounting to a total initial investment of AUD $5 million. The company has an option to subscribe for up to 30% of JLL's registered capital within 3 years from the date of the initial subscription. The other shareholder in JLL is Guangzhou Langfeng Investment Co. Limited.

JLL will continue to grow Australia's Own branded Kid's Milk products in China, as well as launch other dairy products, including ambient drinking yoghurt, adult milk and infant formula powder.

Although the Group holds less than 20% of the equity shares of JLL, the Group exercises significant influence by virtue of the currently exercisable call option to increase its potential voting rights to 30%. The Group ownership remains at 10%.

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Opening balance	5,001	-
Additional investment	69	5,001
Closing balance	5,070	5,001

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Freehold Land - at independent valuation	5,296	5,296
Buildings - at independent valuation	11,955	11,955
Less: Accumulated depreciation	(2,360)	(2,099)
	9,595	9,856
Plant and Equipment - at cost	181,186	175,172
Less: Accumulated depreciation	(49,590)	(44,784)
Add: Capital Work in Progress - at cost	323,777	243,274
	455,373	373,662
Motor Vehicles - under lease	449	473
Less: Accumulated depreciation	(413)	(404)
	36	69
	470,300	388,883

Note 6. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Freehold Land $'000	Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Balance at 1 July 2018	5,296	9,856	373,662	69	388,883
Additions to plant and equipment *	-	-	6,014	-	6,014
Additions through capital work in progress (net of transfers to plant and equipment) *	-	-	80,503	-	80,503
Disposals	-	-	-	(24)	(24)
Depreciation expense	-	(261)	(4,806)	(9)	(5,076)
Balance at 31 December 2018	5,296	9,595	455,373	36	470,300

* Included in additions is $844,958 of capitalised interest (2018: July to December 2017: $3,771,000, January to June 2018: $3,826,000)

Note 7. Current liabilities - borrowings

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Debtor financing facilities	15,777	-
Revolver facilities	28,642	-
Term loan facilities	4,900	4,200
Equipment financing facilities	17,208	5,530
	66,527	9,730

Note 8. Non-current liabilities - borrowings

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Term loan facilities	89,900	92,700
Equipment financing facilities	17,322	31,761
	107,222	124,461

Note 8. Non-current liabilities - borrowings (continued)

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

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Equipment financing facilities	34,530	37,291
Debtor financing facilities	15,777	-
Revolver facilities	28,642	-
Term loan facilities	94,800	96,900
	173,749	134,191

Assets pledged as security

The Group's primary bank facilities are arranged with HSBC Bank Australia Limited (HSBC) and National Australia Bank (NAB), 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 Group's business.

The equipment finance facilities relate to specific equipment operating at the Group's Leeton, Shepparton, Dandenong and Ingleburn facilities. 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 7 years and the final residuals on the current leases will be due in 2019 and 2025.

Banking facilities restructure

The Group entered into a $201 million syndicated banking facility with its long term banking partners HSBC and NAB in December 2017. The term of the facility is for 3 years. During the current period, equipment financing liabilities increased by $26 million to $68 million and term loan facilities reduced by $2 million. Total available facilities at the end of the period are $225 million. The facility provides a more flexible group finance and liquidity structure that provides working capital and capital expenditure funding for the Group as it continues to grow.

As part of the banking facility restructure, HSBC provided the Group with a new limited recourse debtor finance facility which is being utilised as a source of working capital. Under this facility, the Group sells receivables of its major grocery retail customers to HSBC in exchange for cash. These receivables are de-recognised as an asset, as the significant risk associated with the collection of the receivables are transferred to HSBC at the time of sale.

The amount funded under this facility is not recognised as a liability by the Group. The funded value of this facility was $42.1 million as at 31 December 2018 (30 June 2018: $34.7 million).

Amounts used represented by

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Current	66,527	9,730
Non-current	107,222	124,461
	173,749	134,191

Note 8. Non-current liabilities - borrowings (continued)

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

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Total facilities		
Term loan facilities	94,800	96,900
Debtor financing facilities	32,000	32,082
Equipment financing liabilities	68,033	42,107
Revolver facilities	30,000	30,000
	224,833	201,089
Used at the reporting date		
Term loan facilities	94,800	96,900
Debtor financing facilities	15,777	-
Equipment financing liabilities	34,530	37,291
Revolver facilities	28,642	-
	173,749	134,191
Unused at the reporting date		
Term loan facilities	-	-
Debtor financing facilities	16,223	32,082
Equipment financing liabilities	33,503	4,816
Revolver facilities	1,358	30,000
	51,084	66,898

Note 9. Equity - issued capital

			Consolidated	
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $'000	30 Jun 2018 $'000
Ordinary shares - fully paid	244,873,450	243,983,810	457,632	453,374
Convertible redeemable preference shares - fully paid	101,627	101,627	14	14
	244,975,077	244,085,437	457,646	453,388

Movements in ordinary share capital

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
Dividend reinvestment plan ('DRP') shares		629,518	$4.98	3,132
Shares issued under the entitlement offer		41,697,988	$4.80	200,150
Transaction costs		-	$0.00	(3,078)
Balance	30 June 2018	243,983,810		453,374

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	243,983,810		453,374
Dividend reinvestment plan ('DRP') shares		889,640	$4.79	4,265
Transaction costs		-	$0.00	(7)
Balance	31 December 2018	244,873,450		457,632

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 10. Equity - dividends

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Final 50% franked dividend for the year ended 30 June 2018 of 2.75 cents (2017: Fully franked 2.25 cents) per ordinary share	2,444	1,426
Dividends reinvested: fully franked at 30% tax rate	4,265	3,095
Final 50% franked dividend for the year ended 30 June 2018 of 1.35 cents (2017: Fully franked 1.35 cents) per convertible redeemable preference share	1	1
	6,710	4,522

Note 10. Equity - dividends (continued)

On 28 February 2019, the directors declared a 50% franked interim dividend of 2.25 cents per share to the holders of ordinary shares in respect of the 6 months period July 2018 to December 2018, which is to be paid to shareholders on 1 May 2019. The record date for determining the entitlements to the interim dividend is 3 April 2019. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $5,510,000.

On 28 February 2019, the directors declared a 50% 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 2018 to December 2018, which is to be paid to shareholders on 1 May 2019. The record date for determining the entitlements to the interim dividend is 3 April 2019. 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 11. Events after the reporting period

In December 2018, the Group's investment, Australian Fresh Milk Holdings Pty Limited (AFMH) issued an equity call to fund the acquisition of the Coomboona dairy farm in the Goulburn Valley. The Group's 10% equity contribution amounted to $4.6 million, which was paid in January 2019. 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.

No other matter or circumstance has arisen since 31 December 2018 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 2018 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

28 February 2019
Sydney

Deloitte.

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

We have reviewed the accompanying half-year financial report of Freedom Foods Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018, 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 20.

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 2018 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.

Member of Deloitte Touche Tohmatsu Limited
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Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

A. Coleman.

Andrew J Coleman
Partner
Chartered Accountants
Sydney, 28 February 2019

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

28 February 2019

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 half year financial report of Freedom Foods Group Limited for the half year ended 31 December 2018, 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 faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants

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