Freedom Foods Group Limited

ABN 41 002 814 235

Half Yearly Report Appendix 4D - 31 December 2019

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 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	43.4%	to	299,690
Profit from ordinary activities after tax attributable to the owners of Freedom Foods Group Limited	up	19.4%	to	4,452
Profit for the half-year attributable to the owners of Freedom Foods Group Limited	up	19.4%	to	4,452

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the half year ended 31 December 2019 for ordinary shares payables on 22 May 2020	2.25	-
Interim dividend for the half year ended 31 December 2019 for convertible redeemable preference shares payable on 22 May 2020	1.35	-
Final dividend for the year ended 30 June 2019 for ordinary shares paid on 2 December 2019	3.25	-
Final dividend for the year ended 30 June 2019 for convertible redeemable preference shares paid on 2 December 2019	1.35	-

Comments
The profit for the consolidated entity after providing for income tax amounted to $4,452,000 (31 December 2018: $3,729,000).

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

3. Net tangible assets

	31 Dec 2019 Cents	31 Dec 2018 Cents
Net tangible assets per ordinary security	192.33	165.52

4. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Dividend Reinvestment Plan (DRP) is no longer open.

5. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding 31 Dec 2019 %	Reporting entity's percentage holding 30 June 2019 %	Contribution to profit/(loss) 31 Dec 2019 $'000	Contribution to profit/(loss) 31 Dec 2018 $'000
Australian Fresh Milk Holdings Pty Limited (AFMH)	10.00%	10.00%	240	240
Shenzhen JiaLiLe Co. Limited (JLL)	10.00%	10.00%	504	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities after income tax			744	240

6. 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.

7. Signed

Signed ____________________________ Date: 27 February 2020

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 2019.

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)
Anthony M. Perich - Deputy Chairman and Director (Non-Executive)
Rory J.F. Macleod - Managing Director and Chief Executive Officer (Executive)
Ronald Perich - Director (Non-Executive)
Trevor J. Allen - Director (Independent Non-Executive)
Michael R. Perich - Alternate Director for Ronald Perich (Non-Executive)
Timothy Bryan - Alternate Director for Anthony M. Perich (Non-Executive) appointed 4 December 2019

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 29.

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

27 February 2020
Sydney

	Note	Consolidated 31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue			
Revenue from sale of goods	2	299,690	209,041
Cost of sales		(218,520)	(157,330)
Gross profit		81,170	51,711
Gain on purchase		-	2,062
Other gains/(losses)		165	(186)
Expenses			
Marketing expenses		(6,852)	(2,915)
Selling and distribution expenses		(29,450)	(24,651)
Administrative expenses		(11,561)	(7,409)
Depreciation and amortisation		(19,791)	(8,391)
Restructuring expenses		(85)	(113)
Acquisition costs		(854)	(87)
Other expenses		(443)	(1,342)
Net finance costs		(6,146)	(3,735)
Share of profits of associates accounted for using the equity method		744	240
Profit before income tax expense		6,897	5,184
Income tax expense	10	(2,445)	(1,455)
Profit after income tax expense for the half-year attributable to the owners of Freedom Foods Group Limited		4,452	3,729
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		228	203
Other comprehensive income for the half-year, net of tax		228	203
Total comprehensive income for the half-year attributable to the owners of Freedom Foods Group Limited		4,680	3,932
Earnings per share		Cents	Cents
Basic earnings per share		1.63	1.52
Diluted earnings per share		1.81	1.86

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

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 30 June 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		7,189	55,385
Trade and other receivables		98,689	87,745
Inventories		122,309	120,211
Derivative financial instruments		1,074	287
Prepayments		4,658	3,179
Total current assets		233,919	266,807
Non-current assets			
Investments accounted for using the equity method	3	28,616	23,777
Property, plant and equipment	4	602,804	548,400
Intangibles	5	146,032	145,910
Right-of-use assets	1	126,612	-
Total non-current assets		904,064	718,087
Total assets		1,137,983	984,894
Liabilities			
Current liabilities			
Trade and other payables		111,728	111,881
Borrowings	6	47,463	49,022
Derivative financial instruments		793	1,111
Lease liabilities	1	960	-
Provisions		9,756	9,248
Other liabilities		257	275
Total current liabilities		170,957	171,537
Non-current liabilities			
Borrowings	7	148,237	128,395
Deferred tax		16,266	13,821
Provisions		166	284
Lease liabilities	1	128,060	-
Total non-current liabilities		292,729	142,500
Total liabilities		463,686	314,037
Net assets		674,297	670,857
Equity			
Issued capital	8	596,100	589,123
Reserves		(48,271)	(49,152)
Retained profits		126,468	130,886
Total equity		674,297	670,857

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

Consolidated	Issued capital $'000	Reserves $'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 9)	-	-	(6,710)	(6,710)
Balance at 31 December 2018	457,646	(53,916)	128,550	532,280

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	589,123	(49,152)	130,886	670,857
Profit after income tax expense for the half-year	-	-	4,452	4,452
Other comprehensive income for the half-year, net of tax	-	228	-	228
Total comprehensive income for the half-year	-	228	4,452	4,680
Transactions with owners in their capacity as owners:				
Share-based payments	-	653	-	653
Issue of ordinary shares to employees	927	-	-	927
Issue of ordinary shares in accordance with the dividend reinvestment plan	6,211	-	-	6,211
Share issue costs	(161)	-	-	(161)
Dividends paid (Note 9)	-	-	(8,870)	(8,870)
Balance at 31 December 2019	596,100	(48,271)	126,468	674,297

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

	Note	Consolidated 31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	7	287,723	202,358
Payments to suppliers and employees (inclusive of GST)		(263,397)	(217,501)
Cash generated from operations		24,326	(15,143)
Payments for business acquisition costs		(854)	(87)
Payments for restructuring		(505)	(113)
Interest received		178	167
Interest and other finance costs paid		(7,761)	(3,854)
Income taxes paid		-	(4,850)
Net cash from/(used in) operating activities		15,384	(23,880)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(1,779)
Payments for property, plant and equipment	4	(66,691)	(84,051)
Payments for intangibles	5	(7,626)	(13,269)
Investment in equity interest		(4,096)	(1,269)
Advances to associates and other parties		(206)	-
Net cash used in investing activities		(78,619)	(100,368)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		845	-
Payment of share issue costs		(161)	(7)
Net proceeds from borrowings		18,554	39,557
Repayments of related party balances		(17)	(1,292)
Lease payments		(1,524)	-
Dividends paid	9	(2,658)	(2,435)
Net cash from financing activities		15,039	35,823
Net decrease in cash and cash equivalents		(48,196)	(88,425)
Cash and cash equivalents at the beginning of the financial half-year		55,385	98,106
Cash and cash equivalents at the end of the financial half-year		7,189	9,681

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 2019 (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 2019 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

During the period, the Group adopted AASB 16 Leases.

General impact of application of AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 has superseded AASB 117 Leases and the related interpretations effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group is 1 July 2019.

The Group has chosen to apply AASB 16 in accordance with the transitional approach "Option 2B". Consequently, the Group will not restate the comparative information. In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee.

Control is considered to exist if the lessee has:
a) The right to obtain substantially all of the economic benefits from the use of an identified asset; and
b) The right to direct the use of that asset.

The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The payments associated with these leases are recognised as administrative expenses on a straight-line basis over the lease term.

Note 1. Significant accounting policies (continued)

Impact of the adoption of AASB 16 Leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. In accordance with the transition approach Option 2B, on initial application of AASB 16, for all leases (except as noted below), will result in the:

a) Recognition of a right-of-use asset, lease liabilities and related deferred tax balance in the consolidated statement of financial position, initially measured at the present value of the future lease payments on a prospective basis at the date of initial application on 1 July 2019;

b) Recognition of depreciation of right-of-use assets and interest on lease liabilities in the condensed consolidated statement of profit or loss and comprehensive income, and condensed consolidated statement of financial position; and

c) Separation of the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented partially within operating activities and partially within investing activities) in the consolidated cash flow statement.

Lease incentive (e.g. rent-free period) will be recognised as the part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentives, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will also replace the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and lease of low-value assets (such as printers), the Group will elect to recognise a lease expense on a straight-line basis as permitted by AASB 16.

The reconciliation of non-cancellable operating lease commitments to the lease liability recognised on adoption is as follows:

	Consolidated 1 July 2019 $'000
Operating lease commitments at 30 June 2019	206,263
Short-term leases and low-value assets	(1,007)
Discounted using the incremental borrowing rate at 1 July 2019	(74,712)
Lease obligations recognised at 1 July 2019	130,544

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $206.3 million.

The final assessment indicated that $205.3 million of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group has initially recognised a right-of-use asset of $130.5 million and a corresponding lease liability of $130.5 million in respect of all these leases. Lease liability incentives with a carrying value of $nil previously recognised in respect of the operating leases will be included in the right-of-use assets.

On 1 July 2019, $1.0 million of the lease arrangements relate to short-term leases and low-value assets and the Group has applied the practical expedient available from AASB 16 and not recognised a right of use asset or lease liability for these leases.

The Group has used discount rates of between 7.52% and 9.94%.

Note 1. Significant accounting policies (continued)

The tables below show the movement for each financial statement line item affected by the application of AASB 16 for the current period.

Impact on assets and liabilities

	Consolidated					
	Initial Application (1 July 2019) $'000	Additions $'000	Lease payments * $'000	Depreciation $'000	Interest $'000	31 December 2019 $'000
Right of use assets	130,544	-	-	(3,932)	-	126,612
Lease liabilities	(130,544)	-	6,772	-	(5,248)	(129,020)
Net impact on assets and liabilities	-	-	6,772	(3,932)	(5,248)	(2,408)

* In the statement of cash flows, $3,467,000 of the payment of interest component is included within "cash flows from operating activities", $1,781,000 of the payment of interest component is included within "cash flows from investing activities" and the repayment of lease liabilities (excluding interest) of $1,524,000 is included within "cash flows from financing activities". The adoption of AASB 16 did not have an impact on net cash flows.

The lease terms used under AASB 16 (including renewal assumptions) vary from 1 to 30 years.

The following table summarise the impact of adopting AASB 16 on the Group's condensed consolidated statement of financial position as at 31 December 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the half year ended 31 December 2019.

Impact of lease liabilities

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Current lease liabilities	960	
Non-current lease liabilities	128,060	-
	129,020	-

The following table presents the contractual undiscounted cash flows for lease obligations as at 31 December 2019:

Within one year	13,540	-
One to five years	48,881	-
More than five years	349,088	-
	411,509	-
Less interest	(282,490)	
Lease liabilities	129,020	

Total cash payments relating to lease liabilities during the period were $6.8 million.

Note 1. Significant accounting policies (continued)

Impact of condensed consolidated statement of financial position

	Consolidated		
	As reported $'000	AASB 16 impact $'000	Without AASB 16 $'000
Right-of-use-assets	126,612	(126,612)	-
Property, plant and equipment	602,804	(892)	601,912
Deferred tax liabilities	(16,266)	(722)	(16,988)
Current lease liabilities	(960)	960	-
Non-current lease liabilities	(128,060)	128,060	-
Net assets	674,297	794	675,091

Impact on profit/(loss)

	Consolidated 31 December 2019 $'000
Increase in depreciation	3,932
Increase in net finance costs	5,248
Decrease in lease expenses	(4,482)
Capitalised depreciation and net finance costs	(3,186)
Impact for the period ending 31 December 2019	1,512

Finance Leases

The main difference between AASB 16 and AASB 117 with respect of assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires the Group recognise as part of its leases liability only the amount expected to be payable under the residual guarantee, rather than the maximum amount guaranteed as required by AASB 117.

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 Group has not applied any of the following new and revised standards that have been issued but are not yet effective.

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 17 Insurance Contracts	1 January 2021

AASB 17 measures insurance contracts either under the general model or a simplified version of this called the ‘premium allocation approach’. The general model is defined such that at initial recognition an entity measures a group of contracts at the total of (a) the amount of fulfilment cash flows, which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and (b) the contractual service margin.

Note 1. Significant accounting policies (continued)

Standard/amendment	Effective for annual reporting periods beginning on or after
On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date. The liability for incurred claims is measured as the fulfilment cash flows related to past services allocated to the group at that date. An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or the coverage period of each contract in the group is one year or less.	1 January 2021
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections Addresses a conflict between the requirements of AASB 128 Investments in Associates and Joint Ventures and AASB 10 Consolidated Financial Statements and clarifies that in a transaction involving an associate or joint venture, the extent of gain or loss recognised depends on whether the assets sold or contributed constitute a business.	1 January 2022 (Editorial corrections in AASB 2017-5 apply from 1 January 2018)
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business, AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020

Note 2. Operating segments

The Group is organised into four core business segments which is the basis on which the Group reports. During the period, Dairy and Nutritionals were combined as a single segment, where they were previously reported as individual segments. Similarly, the comparative amounts in the segments have been restated to reflect this change. The Dairy and Nutritionals segment indicate the interdependence of these assets and reflects the transition to internalise consumer nutritional ingredients. The principal products and services of each of these operating segments are as follows:

Dairy and Nutritionals	A range of UHT (long life) dairy milk beverage, nutritional ingredient products and performance and adult nutritional products covering powders, bars and drinks. These products are manufactured and sold in Australia and overseas.
Plant Based	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.
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.
Specialty Seafood	A range of canned seafood covering sardines, salmon and specialty seafood. These products are manufactured and sold in Australia and overseas.

Note 2. Operating segments (continued)

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 and analyses 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:

Consolidated - 31 Dec 2019	Dairy and Nutritionals $'000	Plant Based $'000	Cereal and Snacks $'000	Specialty Seafood $'000	Unallocated Shared Services $'000	Total $'000
Revenue						
Sales to external customers	184,694	64,574	43,353	7,069	-	299,690
Total revenue	184,694	64,574	43,353	7,069	-	299,690
EBITDA	24,870	23,397	3,200	121	-	51,588
Share of associates profits	-	-	-	-	744	744
Shared services including ESOP	-	-	-	-	(15,911)	(15,911)
Depreciation and amortisation	(6,510)	(4,727)	(7,099)	(273)	(1,182)	(19,791)
Net finance costs	-	-	-	-	(6,146)	(6,146)
Acquisition costs	-	-	-	-	(854)	(854)
Other expenditure	-	-	-	-	(2,733)	(2,733)
Profit/(loss) before income tax expense	18,360	18,670	(3,899)	(152)	(26,082)	6,897
Income tax expense	-	-	-	-	-	(2,445)
Profit after income tax expense	18,360	18,670	(3,899)	(152)	(26,082)	4,452
Assets	537,232	300,492	177,063	26,098	-	1,040,885
Unallocated assets:						
Shared services					68,482	68,482
Investment in associates					28,616	28,616
Total assets	537,232	300,492	177,063	26,098	97,098	1,137,983
Acquisition of businesses	-	-	-	-	-	-
Segment assets	537,232	300,492	177,063	26,098	97,098	1,137,983
Liabilities	90,565	124,075	21,141	2,816	-	238,597
Unallocated liabilities:						
Shared services					225,089	225,089
Total liabilities	90,565	124,075	21,141	2,816	225,089	463,686
Acquisition of businesses	-	-	-	-	-	-
Segment liabilities	90,565	124,075	21,141	2,816	225,089	463,686

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2018	Dairy and Nutritionals $'000	Plant Based $'000	Cereal and Snacks $'000	Specialty Seafood $'000	Unallocated Shared Services $'000	Total $'000
Revenue						
Sales to external customers	111,792	46,364	43,110	7,775	-	209,041
Total revenue	111,792	46,364	43,110	7,775	-	209,041
EBITDA	11,830	12,267	5,108	466	-	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	(1,702)	(1,026)	(3,260)	-	(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	10,128	11,241	1,848	466	(18,499)	5,184
Income tax expense	-	-	-	-	-	(1,455)
Profit after income tax expense	10,128	11,241	1,848	466	(18,499)	3,729

Consolidated - 30 June 2019

	Dairy and Nutritionals $'000	Plant Based $'000	Cereal and Snacks $'000	Specialty Seafood $'000	Unallocated Shared Services $'000	Total $'000
Assets	419,629	212,795	152,956	25,484	-	810,864
Unallocated assets:						
Shared services					150,253	150,253
Investment in associates					23,777	23,777
Total Assets	419,629	212,795	152,956	25,484	174,030	984,894
Acquisition of businesses	-	-	-	-	-	-
Segment assets	419,629	212,795	152,956	25,484	174,030	984,894
Liabilities	51,274	38,821	24,191	3,399	-	117,685
Unallocated liabilities:						
Shared services					196,352	196,352
Total liabilities	51,274	38,821	24,191	3,399	196,352	314,037
Acquisition of businesses	-	-	-	-	-	-
Segment liabilities	51,274	38,821	24,191	3,399	196,352	314,037

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

	Consolidated 31 Dec 2019 $'000	Consolidated 30 June 2019 $'000
Investment in AFMH	22,947	18,707
Investment in JLL	5,669	5,070
	28,616	23,777

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

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. The Group ownership remains at 10%.

Following the completion of the acquisition of Coomboona Dairy in FY19, AFMH acquired the Torrumbarry Aggregation in Northern Victoria in November 2019. The Group's investment in this acquisition was $4.0 million. The purchase of the Torrumbarry Aggregation supports the accelerated growth plans at Moxey Farms and Coomboona Farms, providing the opportunity to support development of a scaled young stock operation to support increased capacity in milking cows. With the acquisition of Torrumbarry Aggregation, AFMH is the largest dairy producer in Australia. The Company intends to utilise a growing proportion of the dairy milk output from AFMH for its milk supply needs, supporting a range of UHT and value added product opportunities.

Although the Company holds less than 20% of the equity shares of AFMH, the Group exercises significant influence by virtue of having a Board seat.

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Reconciliation of the Group's carrying amount in AFMH		
Opening balance	18,707	12,427
Equity investment	4,000	5,800
Share of profit after income tax	240	480
Closing carrying amount	22,947	18,707

Shenzhen JiaLiLe Co. Limited (JLL)

In FY18, 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. 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, expiring May 2021. 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 2019 $'000	30 June 2019 $'000
Reconciliation of the Group's carrying amount in JLL		
Opening balance	5,070	5,001
Equity investment	95	69
Share of profit after income tax	504	-
Closing carrying amount	5,669	5,070

Note 4. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2019 $'000	Consolidated 30 June 2019 $'000
Freehold Land - at independent valuation	5,222	5,222
Buildings - at independent valuation	11,959	11,959
Less: Accumulated depreciation	(2,882)	(2,621)
	9,077	9,338
Plant and Equipment - at cost	388,079	250,065
Less: Accumulated depreciation	(65,833)	(56,208)
Add: Capital Work in Progress - at cost	266,259	339,983
	588,505	533,840
	602,804	548,400

Consolidated	Freehold Land $'000	Buildings $'000	Plant and Equipment $000	Capital Work in Progress* $000	Total $'000
Balance at 1 July 2018	5,296	9,856	130,457	243,274	388,883
Additions	-	4	647	170,502	171,153
Transfers	-	-	73,793	(73,793)	-
Disposals	(74)	-	(20)	-	(94)
Depreciation expense	-	(522)	(11,020)	-	(11,542)
Balance at 30 June 2019	5,222	9,338	193,857	339,983	548,400

Consolidated	Freehold Land $'000	Buildings $'000	Plant and Equipment $'000	Capital Work in Progress* $000	Total $'000
Balance at 1 July 2019	5,222	9,338	193,857	339,983	548,400
Additions	-	-	1,123	63,167	64,290
Transfers	-	-	136,891	(136,891)	-
Depreciation expense	-	(261)	(9,625)	-	(9,886)
Balance at 31 December 2019	5,222	9,077	322,246	266 259	602,804

* Included in additions and transfers is $3,185,939 of capitalised depreciation and interest related to AASB 16 and $1,965,289 of capitalised interest from borrowings related to AASB 123. These amounts relate to lease hold assets currently forming part of capital work in progress (CWIP). (FY19: $nil of capitalised depreciation and interest related to AASB 16 and $6,465,906 of capitalised interest from borrowings related to AASB 123 for the full year).

Note 4. Non-current assets - property, plant and equipment (continued)

Significant accounting policies

All owned freehold land and buildings are carried at fair value as at 31 December 2019, less any subsequent accumulated depreciation and impairment. Fair value is determined on the basis of an independent valuation which is carried out regularly by an external valuer, based on comparable sales approach 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 less impairment (if any). CWIP includes all expenditure directly attributable to bringing the asset to its working condition for its intended use, are incremental and unavoidable as a result of the construction of the asset.

CWIP cost also includes installation costs, delivery costs, consultant's costs incurred to install the asset, fit out costs, interest on associated borrowings, labour costs of dedicated project staff associated with these projects and costs of testing whether the asset is functioning properly. 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. Included in this expenditure are the estimated cost of dismantling and removing the asset and restoring the site (where applicable).

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 to Plant and Equipment. This assessment is done on a quarterly basis 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 from the date of reclassification 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%

Freehold land is not depreciated.

Note 5. Non-current assets - intangibles

	Consolidated 31 Dec 2019 $'000	Consolidated 30 June 2019 $'000
Goodwill	68,755	68,755
Capitalised development	62,438	54,940
Less: Accumulated amortisation	(23,462)	(16,084)
	38,976	38,856
Brand names and trademarks	37,720	37,720
Software - at cost	581	579
	146,032	145,910

Consolidated	Goodwill $'000	Capitalised development $'000	Brand names and trademarks $'000	Software $'000	Total $'000
Balance at 1 July 2018	59,204	19,570	31,837	519	111,130
Additions	-	27,553	-	60	27,613
Additions through business combinations	9,551	-	5,883	-	15,434
Amortisation expense	-	(8,267)	-	-	(8,267)
Balance at 30 June 2019	68,755	38,856	37,720	579	145,910

Consolidated	Goodwill $'000	Capitalised development $'000	Brand names and trademarks $'000	Software $'000	Total $'000
Balance at 1 July 2019	68,755	38,856	37,720	579	145,910
Additions	-	7,498	-	2	7,500
Amortisation expense	-	(7,378)	-	-	(7,378)
Balance at 31 December 2019	68,755	38,976	37,720	581	146,032

Significant accounting policies

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

- Cereal and snacks
- Dairy and nutritionals
- Specialty seafood

Goodwill

The carrying amount of goodwill is as follows:

Note 5. Non-current assets - intangibles (continued)

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Cereal and snacks	22,960	22,960
Dairy and nutritionals	40,649	40,649
Speciality seafood	5,146	5,146
	68,755	68,755

Capitalised Development

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 if, any only if, all of the following have been demonstrated:
• 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. 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.

Capitalised development expenditure includes trials costs, artwork and packaging and labour costs of dedicated project staff associated with these projects. Expenditure on research activities is recognised as an expense 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. New product capitalised development is deferred and amortised on a straight-line basis over the period of their expected benefit, being an estimated finite life of 3 years.

Brand names and Trademarks

The Group carries an amount of $37,719,546 (2019: $37,719,546) referable to brand names with indefinite useful lives allocated between the Cereal and snacks, Dairy and nutritionals and Specialty seafood 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.

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 asset's estimated useful life. 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.

Software acquisition and development

The Group carries an amount of $581,185 (2019: $578,688) referable to software acquisition and development.

Note 5. Non-current assets - intangibles (continued)

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 an estimated 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.

Impairment of goodwill and other intangible assets

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

The value of goodwill as at the end of the period was $68,755,000 (FY19: $68,755,000), with no impairment loss charged against goodwill in either period.

The value of other intangible assets as at the end of the period was $77,277,000 (FY19: $77,155,000), with nil impairment loss charged against the other intangible assets in either period.

Note 6. Current liabilities - borrowings

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Term loan facilities	-	5,250
Debtor financing facilities	6,661	20,926
Revolver facilities	29,457	-
Equipment financing liabilities	11,345	22,846
	47,463	49,022

Note 7. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Term loan facilities	91,174	87,100
Equipment financing liabilities	57,063	41,295
	148,237	128,395

Note 7. Non-current liabilities – borrowings (continued)

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

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Term loan facilities	91,174	92,350
Debtor financing facilities	6,661	20,926
Revolver facilities	29,457	-
Equipment financing facilities	68,408	64,141
	195,700	177,417

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, syndicated 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 Company'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 2020 and 2025.

Banking facilities restructure

The Group entered into a $407 million syndicated and bilateral banking facility with its long term banking partners HSBC and NAB in December 2019. 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. The facility matures in December 2022, with an option for the Group to extend the term by a further two years to December 2024. The change in the Group's banking facility structure is considered a debt modification under AASB 9.

As part of the banking facility restructure, HSBC has provided the Group with an increased limited recourse debtor finance facility of $127.5 million (30 June 2019: $60 million), which is being utilised as a source of working capital. Under this facility, the Group sells receivables of its major grocery retail, domestic and export 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 $53.3 million as at 31 December 2019 (30 June 2019: $46.8 million).

In the condensed consolidated statement of cash flows, the funds received from the bank under the limited recourse facility are included in cash flows from operations as receipts from customers. Funding received from the full recourse facility is included in the condensed consolidated statement of cash flows under financing activities as proceeds from borrowings. As a consequence of this difference and the increase in the utilisation of the limited recourse debtors facility, the net cash from operating activities for the six months ending 31 December 2019 includes a once off increase in receipts of $7.7 million.

Note 7. Non-current liabilities – borrowings (continued)

Amounts used represented by:

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Current	47,463	49,022
Non-current	148,237	128,395
	195,700	177,417

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

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Total facilities		
Term loan facilities	91,174	92,350
Debtor financing facilities	32,000	32,000
Equipment financing liabilities	106,000	69,753
Revolver facilities	50,000	30,000
	279,174	224,103
Drawn at the reporting date		
Term loan facilities	91,174	92,350
Debtor financing facilities	6,661	20,926
Equipment financing liabilities	68,408	64,141
Revolver facilities	29,457	-
	195,700	177,417
Undrawn at the reporting date		
Term loan facilities	-	-
Debtor financing facilities	25,339	11,074
Equipment financing liabilities	37,592	5,612
Revolver facilities	20,543	30,000
	84,474	46,686

Note 8. Equity - issued capital

	Consolidated			
	31 Dec 2019 Shares	30 June 2019 Shares	31 Dec 2019 $'000	30 June 2019 $'000
Ordinary shares - fully paid	274,664,319	272,903,282	596,086	589,109
Convertible redeemable preference shares - fully paid	101,130	101,627	14	14
	274,765,449	273,004,909	596,100	589,123

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

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
Dividend reinvestment plan (DRP) shares		836,368	$4.31	3,604
Shares issued under the entitlement offer		27,193,464	$4.80	130,532
Transaction costs				(2,666)
Balance	30 June 2019	272,903,282		589,109

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	272,903,282		589,109
Shares issued to employees		561,666	$1.65	927
Convertible redeemable preference share conversion ('CRPS')		497	$0.30	-
Dividend reinvestment plan ('DRP') shares		1,198,874	$5.18	6,211
Transaction costs				(161)
Balance	31 December 2019	274,664,319		596,086

Movements in convertible redeemable preference shares

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	101,627		14
Convertible redeemable preference share conversion ('CRPS')		-	$0.30	-
Balance	30 June 2019	101,627		14

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	101,627		14
Convertible redeemable preference share conversion ('CRPS')		(497)	$0.30	-
Balance	31 December 2019	101,130		14

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.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 9. Equity - dividends

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

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Final unfranked dividend for the year ended 30 June 2019 of 3.25 cents (2018: 2.75 cents 50% franked) per ordinary share	2,658	2,444
Dividends reinvested: fully franked at 30% tax rate	6,211	4,265
Final unfranked dividend for the year ended 30 June 2019 of 1.35 cents (2018: 1.35 cents 50% franked) per convertible redeemable preference share	1	1
	8,870	6,710

On 27 February 2020, the directors declared an unfranked interim dividend of 2.25 cents per share with no dividend reinvestment plan (DRP) to the holders of ordinary shares in respect of the 6 months period July 2019 to December 2019, which is to be paid to shareholders on 22 May 2020. The record date for determining the entitlements to the interim dividend is 27 March 2020. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $6,179,947.

On 27 February 2020, the directors declared an unfranked interim dividend of 1.35 cents per share with no DRP to the holders of converting redeemable preference shares in respect of the 6 months period July 2019 to December 2019, which is to be paid to shareholders on 22 May 2020. The record date for determining the entitlements to the interim dividend is 27 March 2020. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,365.

Note 10. Income tax expense

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	2,445	1,455
Aggregate income tax expense	2,445	1,455
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	6,897	5,184
Tax at the statutory tax rate 30%	2,069	1,555
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of revenue/expenses that are not deductible in determining taxable profit*	229	(194)
	2,298	1,361
Effect of overseas tax rates	147	94
Income tax expense	2,445	1,455

*Non-deductible expenses/income include adjustments for items not recognised for income tax, including employee share option expense, losses not likely to be utilised and equity accounting income.

Note 11. Events after the reporting period

On 6 January 2020, the Company paid Blue Diamond Growers, its supplier of almond paste, $USD 7.8 million in relation to past shipments. Subsequent to 31 December 2019, Blue Diamond has paid Freedom Foods $AUD 2.4 million. On 14 February 2020, the parties entered into a settlement and mutual release agreement whereby it was agreed to resolve a commercial dispute in relation to the past shipments.

No other matter or circumstance has arisen since 31 December 2019 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 2019 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 2020
Sydney

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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 2019, 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.

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 2019 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 consolidated entity's financial position as at 31 December 2019 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

D R White

David White
Partner
Chartered Accountants
Sydney, 27 February 2020

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

27 February 2020

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 2019, 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

DR White

David White
Partner
Chartered Accountants