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18 October 2021

ASX Market Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

FY21 Annual Report

Please find attached for immediate release in relation to Freedom Foods Group Limited (**ASX: FNP)** the Annual Report for the year ending 30 June 2021.

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This announcement was authorised for release by the Chair.

About Freedom Foods Group Ltd

Freedom Foods Group (**ASX: FNP**) is a leading Australian FMCG company with a mission to create quality, on-trend, responsibly produced dairy and plant-based beverages, nutritional products and ingredients used across the health and fitness industries. The Group operates state-of-the-art manufacturing facilities in Victoria and NSW and produces key brands include the MILKLAB range of shelf stable dairy and plant-based milks, Australia's Own, So Natural, Crankt, Vital Strength and PURELnFERRIN lactoferrin. https://ffgl.com.au/

Annual Report

2021

freedom FOODS GROUP LIMITED
Making food better

Bringing healthy and delicious food & beverages from Australia to the world.

Contents

Chair's Letter

Dear Stakeholders,

This has been a defining year for the Company – a year in which the Board, Executive and every member of the Freedom Foods Group team worked tirelessly and collaboratively to reset the business and position it for future success.

Together, we have been pursuing a three-phase strategy ‘**Reset, Transform, Grow**’. At the close of the financial year, we declared the financial, structural, operational, and cultural ‘Reset’ substantially complete, with the Company having the right platform and talent to transform the business.

The ‘Transform’ phase is now well under way, with the early results showing in our improved financial performance. Those improvements provide the springboard to ‘Grow’ the business in coming years by taking advantage of the long-term tailwinds driving demand for our products as people in Australia and overseas turn to healthier diets.

In early 2020, Freedom Foods Group experienced the greatest challenges in its history, with the impact of the COVID-19 pandemic on our business compounded by the discovery of the financial matters we addressed in last year’s Annual Report.

These challenges left the Board with no option but to urgently begin the process of reviewing and resetting nearly every element of the business, starting with our financial position. The $265 million recapitalisation completed in May this year with the strong support of existing shareholders, including our majority shareholder, and new investors provides us with a solid financial foundation to pursue our transformation.

In addition to the financial reset, we have undertaken an enormous amount of work to improve the operations, culture and governance of the Company. Among the most significant and far-reaching changes in the past year are:

- The sale of the Cereal and Snacks division and the simplification of the remaining business, which allows us to focus on our core strengths in Plant-based Beverages and Dairy and Nutritionals;
- The reset of our operations to align with our new focus and enhanced productivity, with a much-improved operating model and tighter controls that better respond to changes occurring in the local and international environments;
- A detailed review of our financial accounting, which was undertaken with expert advisers and led to a restatement of the Company’s financial statements and the introduction of streamlined and improved financial systems and processes;
- The reset of the entire leadership team, with the appointments of a new Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Marketing Officer, Chief Customer Officer, Chief People and Culture Officer, Group General Counsel and Company Secretary and General Manager, Internal Audit;

- The refresh of the Freedom Foods Group Board, which now comprises a majority of independent non-executive directors;
- The reset and reinforcement of the Company's values, supported by improved governance policies and procedures;
- A review and redesign of the Remuneration framework, aligned with market practice and shareholder outcomes;
- The reset and development of risk frameworks and policies. Together with a structured and systematic risk management approach;
- The development of our ESG framework, with key alignment to a number of the UN Goals and a commitment to protecting the planet and nurturing life; and
- A renewed focus and engagement with suppliers and customers, whose continued support has been critical to our transformation and will underpin our future success.

Today, the Company's twin growth pillars of Plant-based Beverages and Dairy and Nutritionals are ideally positioned to benefit from growing consumer demand for healthier lifestyle options, in Australia and overseas. Notwithstanding the ongoing uncertainty created by COVID-19, we are experiencing strong growth in sales of our flagship brands including MILKLAB, Australia's Own, Vital Strength, Crankt and PUREnFERRIN.

We are immensely proud of our status as an Australian food and beverage manufacturer, one that employs more than 560 people across our facilities in Shepparton in Victoria and Ingleburn, Marrickville and our head office at Taren Point in Sydney as well as offices in Singapore and China. We are proud to support Australian farmers, particularly our invaluable milk suppliers, and their communities.

COVID-19 has reinforced the importance of Australian food manufacturing as an essential service for all Australians. We take our role in this vital ecosystem incredibly seriously.

The Board and Management continues to manage a number of legacy litigation issues in the interests of ensuring the best outcome for all stakeholders. The Company is also working cooperatively with the Australian Securities and Investments Commission in relation to its ongoing investigation into past matters.

At the Annual General Meeting, shareholders will be asked to vote on a new corporate name – **noumi** – a change required following the sale of the Freedom Foods brand with the Cereal and Snacks division. This name reflects our status as an Australian-based creator of quality, on-trend, responsibly produced dairy and plant-based beverages, nutritional products and ingredients. Just as importantly, it also marks a clean break with the past and the emergence of a reset and transformed organisation.

A crucial and rewarding feature throughout the rebuilding during FY21 has been teamwork. Without the enormous collaboration, commitment and goodwill displayed by the entire team – encompassing employees, shareholders, investors, customers, suppliers and all stakeholders – the Company would not be in the improved position it finds itself in today.

On behalf of the Board, I would like to extend our thanks to the people who have supported us in the past year. In particular, the Board wishes to thank all those employees who, through their focus and efforts, have helped the Company reposition itself for future growth as a progressive Australian and international branded food and beverage business.

Finally, I would like to thank our capital providers – our shareholders, convertible note investors and senior lenders – for their commitment to Freedom Foods Group. Sustainable and lasting improvements to the business will take time to implement and get right. But we are confident their patience will be rewarded as we pursue our clear strategy of investing in our brands to take advantage of strong industry tailwinds and return the Company to profitable long-term growth.

Genevieve Gregor | Chair

CEO's Letter

Dear Stakeholders,

The transformation of Freedom Foods Group under our three-phase 'Reset, Transform, Grow' strategy is well under way. With the 'Reset' phase substantially completed in FY21, we are now firmly in the 'Transform' phase – and, while there is some way to go, the early results are starting to come through in our financial performance.

Our FY21 financial results demonstrate what can be achieved with teamwork, focus and discipline across every area of our operations to ensure we are operating efficiently, reducing wastage and pursuing profitable growth.

Revenue[1] for the 12-month period rose **8%** to $559.1 million and, more importantly, we delivered a $76.4 million, or **141%**, turnaround in Adjusted Operating EBITDA from a restated loss of $54 million in FY20 to positive earnings of **$22.4 million**.

Other financial and operational highlights from FY21 include:

- Plant-based Beverages revenue up 16% to $152.9 million, with sales of our flagship MILKLAB brand up 49%
- Dairy and Nutritionals revenue up 7% to $394.3 million, with sales of our PUREnFERRIN lactoferrin brand up 215%
- Successful new product launches, including MILKLAB Oat and Australia's Own Barista Oat
- Completion of the $265 million recapitalisation, enabling us to repay senior debt and set a restructured capital base to execute our transformation strategy
- Cash at bank of $31.7 million plus $47.9 million of undrawn facilities, providing sufficient liquidity for day-to-day business operations
- A 72% improvement in statutory net loss to $38.8 million

[1] *All financials reflect continuing operations, excluding Cereal and Snacks operations divested in March 2021*

Our Operations

These achievements are built on significant operational improvements that have already been delivered in areas such as operating efficiencies, unprofitable product rationalisation, reduced wastage, improved plant utilisation and better targeted trade and marketing spend.

Across both of our growth pillars – Plant-based Beverages and Dairy and Nutritionals – consumers' ongoing search for healthier lifestyle choices continues to increase demand for our products in Australia and overseas. Through disciplined capital investment, new product development, targeted marketing support and a focus on key sales channels – including new export markets and e-commerce – we are confident we can continue to capitalise on these trends to deliver sustainable growth.

In Plant-based Beverages, our objective is to build on the significant market share and customer brand awareness of MILKLAB to launch new products that meet consumers' evolving palate. In June, we successfully launched MILKLAB Oat milk, which complemented the launch of Australia's Own Barista Oat milk and immediately captured a meaningful share of the fastest growing plant-based milk category.

In Dairy and Nutritionals, we continue to drive overall operating efficiencies at our key sites. In particular, we have seen genuine improvements at our Shepparton plant, where the focus on reducing milk wastage, increasing line efficiencies and reducing complexity has resulted in progress on key productivity metrics.

We have been delighted with the growth of our PUREnFERRIN lactoferrin products, with sales rising threefold as production ramped up, while overall sales of Consumer Nutritionals remain healthy, supported by new product launches through the year and strong demand for protein sports nutrition products.

Our procurement strategy is built around ensuring that we have the best locally produced raw materials – and our dairy farmers and other suppliers are key to this. Their support over the past 12 months has been fundamental, underpinning our ability to turn around the business. We are pleased to be able to repay their support and loyalty with long-term contracts that enable them to invest in their own operations.

We continue to review the future of the Speciality Seafood business, with divestment remaining an option.

As a Group, our mission is to create quality, on-trend, responsibly produced dairy and plant-based beverages, nutritional products and ingredients. We believe this mission is encapsulated in our new corporate name – **noumi** – which we will ask shareholders to vote on at the Annual General Meeting in November.

This name represents a new start for your company.

Our People

Just as important as the financial reset of the Company has been the cultural reset.

With two recent executive appointments, we have completed the renewal of the entire senior leadership, bringing together a team of skilled, enthusiastic and motivated executives with significant experience in FMCG. I am excited about working with this team and can already see the positive changes occurring throughout the business from our new leadership team.

We employ more than 560 people across Freedom Foods Group and they are the key to our success. Through the Company-wide "Our Voice" survey, we are communicating our new values – Respect, Excellence, Integrity, Creativity, Collaboration and Accountability – which are all focused on driving performance. Even at the early stages of this program, we are seeing improvement in employee engagement and retention.

On behalf of the leadership group, I would like to thank the entire team for their dedication and hard work during what has been a challenging year. We wouldn't be here, with the significant opportunities ahead of us, without your efforts.

Looking Ahead

As mentioned at the outset, with the ‘Reset’ substantially complete, we are now focused on the ‘Transform’ and ‘Grow’ phases of the strategy. Internally, we will continue to drive the transformation program and focus on our operational turnaround initiatives, that are critical to improving processes at our sites.

Externally, while there may be temporary headwinds from COVID-19, there is no doubt that, long term, we are riding strong sector tailwinds driven by demand for healthier lifestyle choices. Throughout our region and beyond, we see significant export opportunities as the demand for Australian-produced foods continues to grow.

The COVID-19 pandemic has definitely brought challenges to our business and our community over the past year. Our number one priority at all times has been the health and safety of our team, our customers and suppliers.

While it is too early to tell exactly what impact extended lockdowns will have on our business, our experiences at the start of the pandemic provide us with some insight. During the lockdowns in 2020, sales reductions in our higher-margin out-of-home and export channels were partly offset by increases in other lower-margin channels, such as pantry-stocking via the grocery channel. Supply chain logistics were impacted, with longer lead times and increased freight costs.

We know however that as COVID-19 conditions ease and the world returns to a sense of normality, we will be exceptionally well placed to take advantage of the long-term trends in our industry. The reset undertaken through FY21 provides the solid foundations needed to transform the business, deliver positive operating cashflow and EBITDA and return us to sustainable and profitable long-term growth in the years ahead.

Thank you again for your continued support.

Michael Perich | CEO


MILKLAB
OAT
PLANT-BASED BEVERAGE FOR COFFEE
AN AUSTRALIAN COLLABORATION DESIGNED TO TEXTURE AND STRETCH WITH COFFEE
1 LITRE

Review of Operations


AUSTRALIA'S OWN
ORGANIC ALMOND
UNSWEETENED
ACO Certified Organic
CERT. NO. 224
ALMOND MILK 1L

Financial Highlights

Total revenue from continuing operations of $559.1m,

UP 8%

on FY20

Statutory net loss after tax of $38.8m,

72% IMPROVEMENT

on restated FY20 loss of $136.4m

$76.4m earnings turnaround, with Adjusted Operating EBITDA from continuing operations of $22.4m,

UP 141%

on restated FY20 loss of $54.0m

Cash at bank $31.7m plus $47.9m of undrawn facilities provide sufficient liquidity for day-to-day business operations

Plant-based Beverages revenue

UP 16%

to $152.9m,

with MILKLAB sales

UP 49%

Dairy and Nutritionals revenue

UP 7%

to $394.3m,

with lactoferrin sales

UP 215%

Strategic Highlights

FY21 marked the start of our 'Reset, Transform, Grow' transformation into a progressive Australian and international branded business, with a much-improved operating model and tighter controls that better respond to changes occurring in the local and international environments. As we enter the new financial year, we can declare the financial, structural, operational and cultural reset of the Company substantially complete, with the Company now having the right platform and talent to return it to long-term, sustainable and profitable growth.

Actions to transform the Company are well under way, with the Company benefitting from the hard work and commitment of our employees.

The continued focus by the team on the customer, quality and innovation has continued to deliver very pleasing results. The significant $76.4 million turnaround in our Adjusted Operating EBITDA performance year-on-year – as well as the sales growth we are seeing in our key brands and markets here and overseas – point to the potential of these actions to continue delivering better returns for the Company and its investors.

While there is more work to do, and we do not expect to see the full benefits of the improvements we are making flow through until FY23, the transformation strategy provides the springboard to continue to grow the business by capitalising on the ever-increasing consumer demand for healthier lifestyle options. Notwithstanding the uncertain impact of the latest COVID-19 lockdowns and related supply chain disruptions, we are confident of continuing the positive momentum delivered in the past year into FY22 as we pursue our transformation strategy.

Strategic Highlight in FY21 include:

- Phase one of the 'Reset, Transform, Grow' transformation strategy substantially complete
- Cereal and Snacks operations divested in March 2021
- $265 million Convertible Note and $27 million Options issuance plus amended bank facilities provide a restructured capital base to execute the transformation strategy
- Successful new product launches, including MILKLAB Oat and Australia's Own Barista Oat
- Dual-track review under way for Specialty Seafood – 'retain and improve' or divest
- Strengthening of governance, including a significant strengthening of risk management and internal controls
- Investment in improved financial reporting and IT systems

Sustainability

Freedom Foods Group is in the process of developing its new Sustainability Strategy, aligned to the UN's Sustainable Development Goals.

The strategy outlines our commitment to protecting the planet and nurturing life. Science-Based Targets (SBTs) will include:

- Our ambition to enrich the lives of our customers through nutritious products, and to ensure that our supply chain supports ethical sourcing
- Our ambition to source energy from renewable resources, reduce carbon and pollution, minimise water use, and promote sustainable farming practices
- Our ambition to use sustainable resources in our packaging material and eliminate waste to landfill
- Our ambition to continue to build an inclusive workplace where individual strengths are valued, leading to increased diversity and innovation.

We have invested in renewable energy sources, with a 3.8MW solar system at Shepparton generating more than 5,500MWhs of energy per year, supplying over 25% of the total energy needs of the site.

Chemical Reduction

Freedom Foods Group installed a recovery process for UHT Chemicals used to clean the plant. A membrane separates the chemical from the waste after the wash cycle. The chemical is stored in the ChemClean plant and topped up from bulk storage tanks of fresh chemicals when needed. The environmental benefits include less chemical wastage, fewer bulk chemical deliveries to site – which in turn reduces carbon footprint – and less environmental impact on our suppliers in manufacturing the bulk chemical.

Reduction in Liquid Waste from Site

Dissolved Air Flotation (DAF) Waste processing at the Shepparton site involved storing solid waste as sludge (10%-20% solid, 80%-90% liquid) historically, it went through a landfill process where it was injected into the ground as nutrients. Freedom Foods Group commissioned a screw press to remove the solids from the liquid and reduce the volume of liquid waste being transported off site. By pressing the sludge, the end product is drier, lighter and less bulky to dispose of, and has the greater environmental benefit of being National Association of Testing Authorities (NATA) lab tested as suitable for animal grade food or as an environmentally friendly composting component.

Water Saving Initiatives Delivered

Water from the cooling cycle of the UHT units is now being captured and then re-cooled in the UHT Cooling Towers to be recycled for re-use as cooling water, saving about 300,000L of water per annum.

At Ingleburn we will continue our focus on reducing waste with plans to implement an industrial crusher to divert product waste to animal feed, delivering lower chemical consumption and lower suspended solids discharge through trade waste.

The Company continues to develop a comprehensive ESG strategy to further refine and guide its responsible and sustainable business practices in support of its brands and vision.

Farmers

Freedom Foods Group sources all of its milk from Goulburn and Murray Valleys, one of Australia's most renowned dairy regions. The Goulburn and Murray Valleys are naturally suited to producing fodder for dairy cows due to the temperate climate, fertile soils and abundant access to water through rainfall and efficient irrigation systems.

The Company has carefully selected over 50 dairy farms from this region to supply milk to our Shepparton factory. We have chosen these farming businesses on the basis that they share our vision.

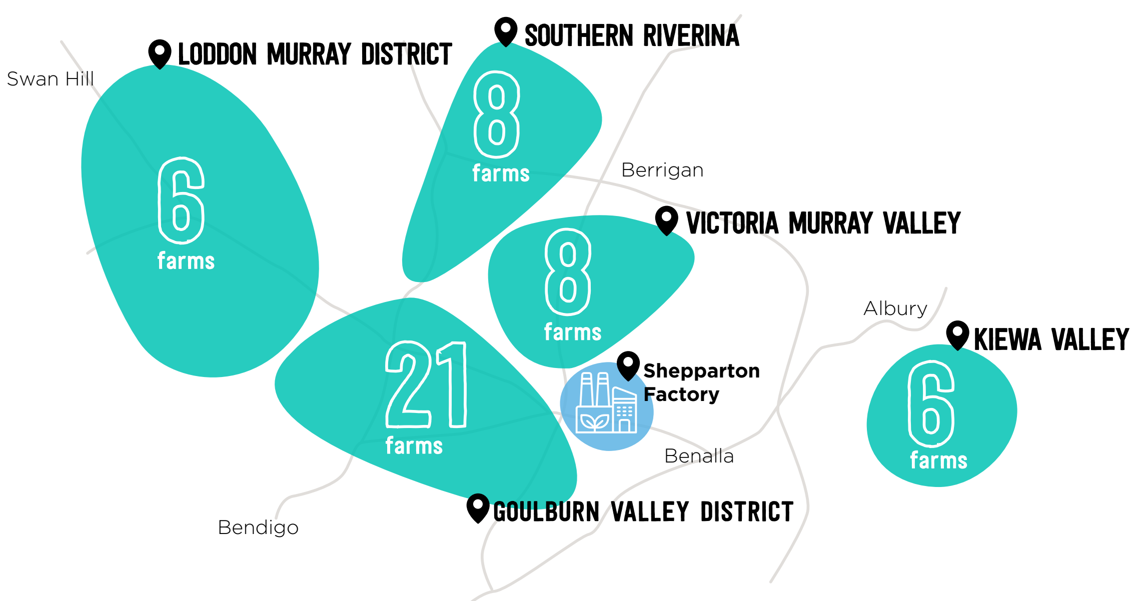
Our farmers are passionate about supplying milk of the highest quality. They understand that only the happiest and healthiest cows will do.

Our farmers use a range of farming and feeding systems. Herd sizes range from 200 cows to 5,000 cows a farm. Overall, our 50 farms send approximately 270 million litres of milk a year to our Shepparton factory. Six of these farm businesses are dedicated A2 protein farms contributing 47 million litres.

In the past 12 months, the Freedom Foods Milk Supply team has developed a new Food Safety Plan (FSP) for our farmers. The FSP provides a template to ensure that our farmers are managing their livestock and producing milk in a safe, humane, and environmentally conscious manner. The FSP also provides the perfect vehicle to achieve alignment between the Company's sustainable sourcing objectives and the management practices of our farms.

We continue to provide our farms with business certainty through flexible multi-year contracts with simplified, guaranteed and transparent pricing. Our long-term partnerships with our farmers enable us to secure quality Australian ingredients, for quality Australian dairy products.

Our Local Milk Supply



Financial Summary

Revenue from continuing operations, which excludes the divested Cereal and Snacks business,

rose 8% to $559.1 million,

with solid sales growth across both the Plant-based Beverages and Dairy and Nutritionals divisions.

The Company has experienced growth in key channels, with sales through

e-commerce channels up 38% and export sales up 31%.

Overseas sales now represent 24% of group revenue, up from 20% in FY20, with a particularly strong performance in Asia.

Adjusted Operating EBITDA from continuing operations of $22.4 million represents a significant $76.4 million, or 141%, turnaround from an EBITDA loss of $54.0 million in FY20. This reflects improved operational efficiencies across the business and ongoing discipline around product development, marketing and distribution. Adjusted Operating EBITDA excludes one-off restructuring costs of $27.9 million.

The Company reported a statutory net loss (continuing operations) after tax for FY21 of $38.8 million, a substantial improvement on a loss of $136.4 million in FY20. The FY21 accounts include a number of one-off, non-recurring items related to financing, the recapitalisation and other costs relating to the reset of the Company.

Including Cereal and Snacks for the nine months to 31 March 2021, consolidated revenue was $594.4 million, up 2%, with adjusted EBITDA pre-AASB 16 of $8.2 million, compared with a loss of $88.8 million in FY20 and loss after income tax of $53.2 million compared with $175.7 million in FY20.

Dairy & Nutritionals

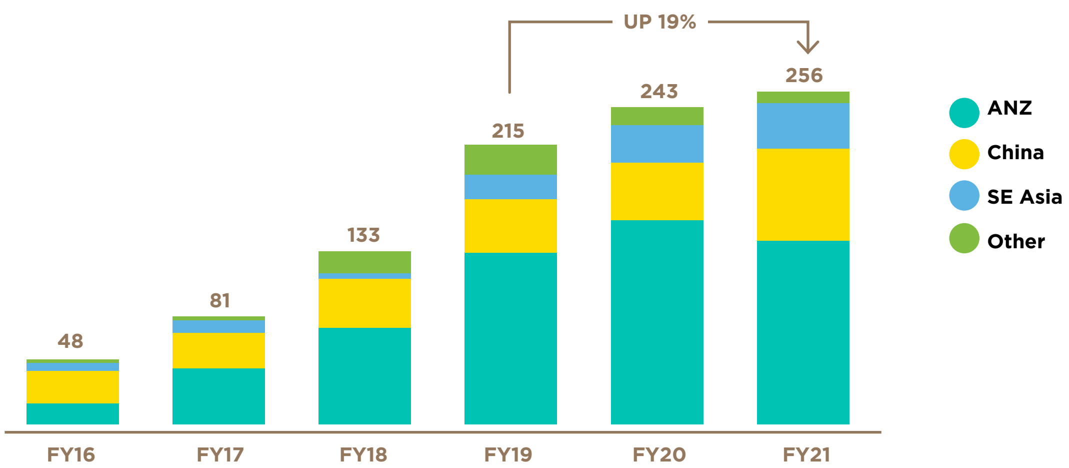
Business Group


MILKLAB
LACTOSE FREE MILK
MILK FOR COFFEE
AN AUSTRALIAN COLLABORATION DESIGNED TO TEXTURE AND STRETCH WITH COFFEE
1 LITRE

Financial Performance

($m)	FY21	FY20[2]	Change ($)	Change (%)
Net Revenue	394.3	369.3	25.1	6.8
Adjusted Operating EBITDA[3, 4]	(4.1)	(56.7)	52.6	92.8
Adjusted Operating Margin (%)[3, 4]	(1.0)	(15.3)		14.3bps

Freedom UHT Dairy Sales
(millions of litres)



2 All FY20 figures restated for IFRC accounting changes and reclassification of certain expenses
3 Adjusted for non-trading and non-recurring items (including restructuring costs, product recall claim and unrealised foreign exchange loss), pre AASB 16
4 Segment Results are post allocation of group shared services overhead except for realised FX and Board / ASX related costs

Revenue for the 12 months to 30 June 2021 rose 6.8% to $394.3 million as the business reset.

Improved profitability with Adjusted Operating EBITDA[3] pre-AASB16 loss of $4.1 million compared with a loss of $56.7 million in the PCP.

- The operation of the Shepparton plant in Victoria is now much improved with sales of the Company's PUREnFERRIN lactoferrin product rising 215% in the year
- Sales of consumer nutritionals, including Vital Strength, UPROTEIN and Crankt Protein, rose 5% in the year despite a fall in demand caused by the temporary closure of gyms and specialty stores during COVID-19
- The business launched a transformation and operational turnaround strategy focused on several areas, including reducing wastage, production efficiencies, and removing or reducing unprofitable products.


FULL CREAM
A2 PROTEIN MILK

A leading producer of shelf stable UHT dairy milk, nutritional products, and performance powders

Dairy and Nutritionals revenue for the 12 months to 30 June 2021 rose 6.8% to $394.3 million, driven by growth of international contract customers dairy sales and lactoferrin. Profitability also improved with Adjusted Operating EBITDA[3] pre-AASB16 loss of $4.1 million compared with a loss of $56.7 million in FY20.

In Australia, dairy sales declined 4% driven by a small reduction in contracted and private label dairy milk. However this was offset by a growth in international markets. Following a thorough review of product lines, rationalisation has occurred across the business to ensure the positive impact of each product.

MILKLAB Lactose Free continues to grow rapidly in the Australian market due to the continuing trend towards lactose-free products combined with increased distribution, including ranging in select McCafé outlets.

In Asian markets, UHT dairy sales overall grew 35.8% on the prior year, from $83.0 million to $112.7 million. Growth in Asian markets was driven by collaborating with private label customers in Singapore, Philippines, Malaysia and China.

Proprietary brands grew from the year prior, with MILKLAB Dairy sales up 22.3%, So Natural up 37.1% and Greendale up 38.2%.

3 Adjusted for non-trading and non-recurring items (including restructuring costs, product recall claim and unrealised foreign exchange loss), pre AASB 16

Nutritional Ingredients

The Company's investment in state-of-the-art manufacturing with capabilities to develop specialty high-grade nutritional products continues to shape the future and provides a runway for the growing specialised nutrition and functional food categories.

PUREnFERRIN lactoferrin was a star performer within the Company, with sales of the lactoferrin up 215% to $32.4 million compared with the previous financial year. This was a result of the first full year of production being realised together with expansion of the customer base into European and North American markets, as well as further penetration across the South East Asian region.

The Company's Research and Development team continues a partnership with Newcastle University, with lab and clinical studies exploring the applications of PUREnFERRIN lactoferrin. Lactoferrin is an iron-carrying, broad-spectrum glycoprotein found in cows' milk that has certain antiviral properties.

Commercialised premium protein components now include PUREnFERRIN lactoferrin, PUREnWPI Native Whey Isolate, PUREnWPC Native Whey Protein Concentrate and 2021 was the first year in which the Company started drying and commercialising our PUREnMCC Native Micellar Caisen. Our Nutritionals site continues to increase operational efficiencies.

We continue to innovate and add value to our dairy roots by vertical integration of our specialised nutritional ingredients into high-margin functional foods. We are proud to have launched our new and improved Crankt Protein & Energy bars, which include the Company's PUREnWPI Native Whey Protein Isolate and PUREnMCC Native Micellar Caisen.

Adding value to our Dairy and Nutritionals business continues to be a priority, with product innovation workstreams exploring further applications of our specialised ingredient streams into our branded portfolio within Sports Performance, Active Nutrition and Weight Wellness consumer segments. This represents a significant future opportunity for the Company with increased domestic and global adoption of specialised nutrition across categories and demographics as the macro environment continues to drive preventative health trends.


PROTEIN ENERGY
crankt
20G PROTEIN
CHOCOLATE MUD CAKE FLAVOUR
PROTEIN ENERGY
crankt
20G PROTEIN
SALTED CARAMEL FLAVOUR
PROTEIN ENERGY
crankt
20G PROTEIN
RASPBERRY COCONUT FLAVOUR

Consumer Nutritionals

With the Company's divestment of the Cereals and Snacks division, a simplified brand portfolio for greater focus and consolidated investment has been realised. Resources have been allocated to nurture growth across the Consumer Nutritionals brand portfolio.

This segment, which sits within the Dairy and Nutritional business group is benefiting from strong demand for sports nutrition products driven by the prevalence of active lifestyles among the Australian population and the increasing popularity of high-protein diets together with mainstream adoption of sports and active nutrition both domestically and abroad.

Consolidated and increased investment into brand-building initiatives, distribution growth and entering new consumer segments is planned, taking advantage of the long-term tailwinds driving demand for our products as people turn to healthier diets in Australia and overseas.

Sales of all Consumer Nutritionals brands increased compared with the previous financial year despite a challenging retail environment caused by the temporary closure of gyms and specialty stores together with decreased foot traffic within the pharmacy channel as a result of COVID-19 lockdowns.

Crankt increased by
20% to 9.3 million

Vital Strength increased by
13% to 21.4 million

Uprotein increased
8% to 1.9 million

Strategic product innovation and vertical integration of the Company's Nutritional Ingredients continues to be a focus, expanding markets and consumer offerings while improving margins. In early FY22, three new consumer propositions will be launched in the domestic pharmacy channel. These launches target untapped market opportunities for our Vital Strength brand and are positioned in high-growth Sports Performance segments, including amino acid supplements and energy, weight loss and plant protein.


VITAL STRENGTH
100%
WPI+
WHEY PROTEIN ISOLATE
PERFORMANCE PROTEIN
37g

Plant-based Beverages

Business Group

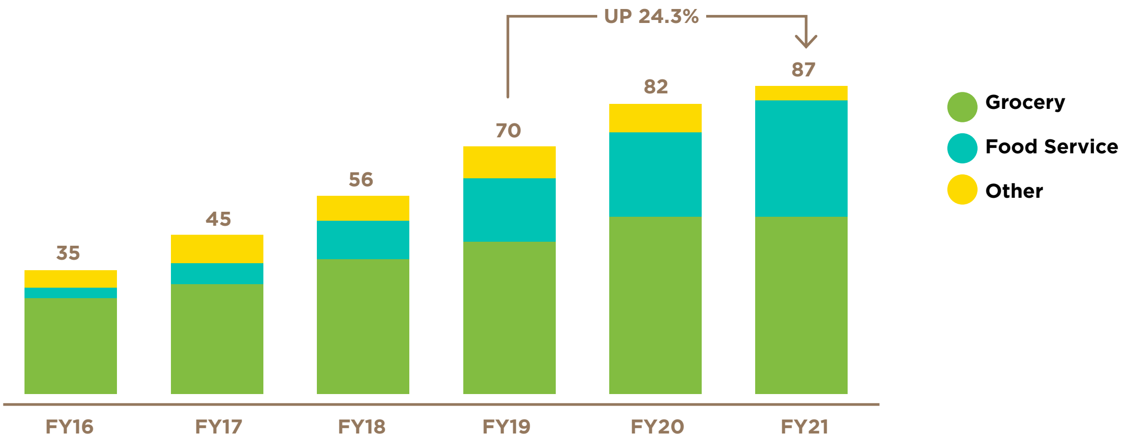

AUSTRALIA'S OWN
BARISTA ALMOND
DEVELOPED FOR COFFEE
STEAMS · FROTHS · AERATES
MADE WITH ORGANIC ALMONDS
ALMOND MILK 1L

Financial Performance

($m)	FY21	FY20[5]	Change ($)	Change (%)
Net Revenue	152.9	132.3	20.6	15.6
Adjusted Operating EBITDA[6, 7]	25.7	8.7	16.9	193.5
Adjusted Operating Margin (%)[6, 7]	16.8	6.6		10.2bps

Freedom Australian Plant-Based Sales

(millions of litres)



5 All FY20 figures restated for IFRC accounting changes and reclassification of certain expenses
6 Adjusted for non-trading and non-recurring items (including restructuring costs, product recall claim and unrealised foreign exchange loss), pre AASB 16
7 Segment Results are post allocation of group shared services overhead except for realised FX and Board / ASX related costs

Revenue increased 15.6% to $152.9 million as the Plant-based Beverages segment overcame the impact of COVID-19 on the out-of-home market to deliver robust growth across all channels and all brands.

- MILKLAB domestic sales increased 50% in the year and export sales increased 46%, with the MILKLAB brand now sold in more than 20 countries
- Adjusted Operating EBITDA[6] pre-AASB16 rose 194% to $25.7 million, with profitability continuing to improve as economies of scale increase
- MILKLAB continued to win market share and build customer loyalty as health-conscious consumers increasingly opt for plant-based milks.


MILKLAB
OAT
PLANT-BASED BEVERAGE FOR COFFEE
AN AUSTRALIAN COLLABORATION DESIGNED TO
TEXTURE AND STRETCH WITH COFFEE

A leading producer of shelf stable UHT products including almond, oat, soy, rice and liquid stocks.

The Plant-based Beverages segment enjoyed positive growth as the consumer shift towards the category continues in Australia and overseas, driven by the macro trends of health, wellbeing and sustainability.

Revenue increased 15.6% to $152.9 million as the Plant-based Beverages segment overcame the impact of COVID-19 on the out-of-home market to deliver robust growth across all channels and all brands. Adjusted Operating EBITDA[6] pre-AASB16 rose 194% to $25.7 million, with profitability continuing to improve as economies of scale increase. As part of the Company's strategy to improve profitability, a decision was made to rationalise products including Australia's Own Liquid Stocks, and Australia's Own 2L and Australia's Own Added Protein range.

A highlight within the branded portfolio was the successful launch of Oat products across MILKLAB and Australia's Own, in response to the rapidly growing oat segment. The launches will be supported throughout FY22 with investment to grow distribution, consumer awareness and consumer trial.

MILKLAB domestic sales increased 50% in the year and international sales increased 46%, with the MILKLAB brand now sold in more than 20 countries. The focus for MILKLAB in the domestic and international markets continues to be supporting the café trade with point-of-sale merchandise, collaborating with key accounts, growing the e-commerce channel, and connecting with consumers via social media and advertising.

6 Adjusted for non-trading and non-recurring items (including restructuring costs, product recall claim and unrealised foreign exchange loss), pre AASB 16

In March, the Australia and New Zealand Foodservice field team increased to 22 people to continue the strong growth trajectory of MILKLAB in the foodservice channel. In international markets the expansion of sales teams continues in the key markets of China, Malaysia, Singapore, Indonesia, Vietnam and Middle East.

We have expanded the distribution of MILKLAB domestically and internationally. New key account relationships have been pivotal to the successful expansion and ongoing growth.

MILKLAB e-commerce sales grew significantly as the brand entered the channel in the domestic market for the first time. The consumer shift towards e-commerce will continue to grow as COVID-19 continues to disrupt the foodservice channel.

Australia's Own also experienced growth driven by the Australia's Own Barista range in the domestic market, as consumers look to experience barista-quality coffee at home due to COVID-19 restrictions. Growth in the South East Asian markets was driven by distribution gains of the Australia's Own Organic range across Vietnam, Singapore and Indonesia.

Freedom Foods Group is also a significant supplier of plant-based beverages and liquid stock products to private label customers, taking a balanced category approach to leverage our manufacturing capabilities to drive long-term growth.

The company continues to manufacture and distribute Almond Breeze to the retail and foodservice channels, with Almond Breeze continuing to be popular among health-conscious consumers.


AUSTRALIA'S OWN
BARISTA
OAT
DEVELOPED FOR COFFEE
STEAMS · FROTHS · AERATES
MADE WITH
USTRALIAN OATS
1L

Corporate & Group Management


MILKLAB

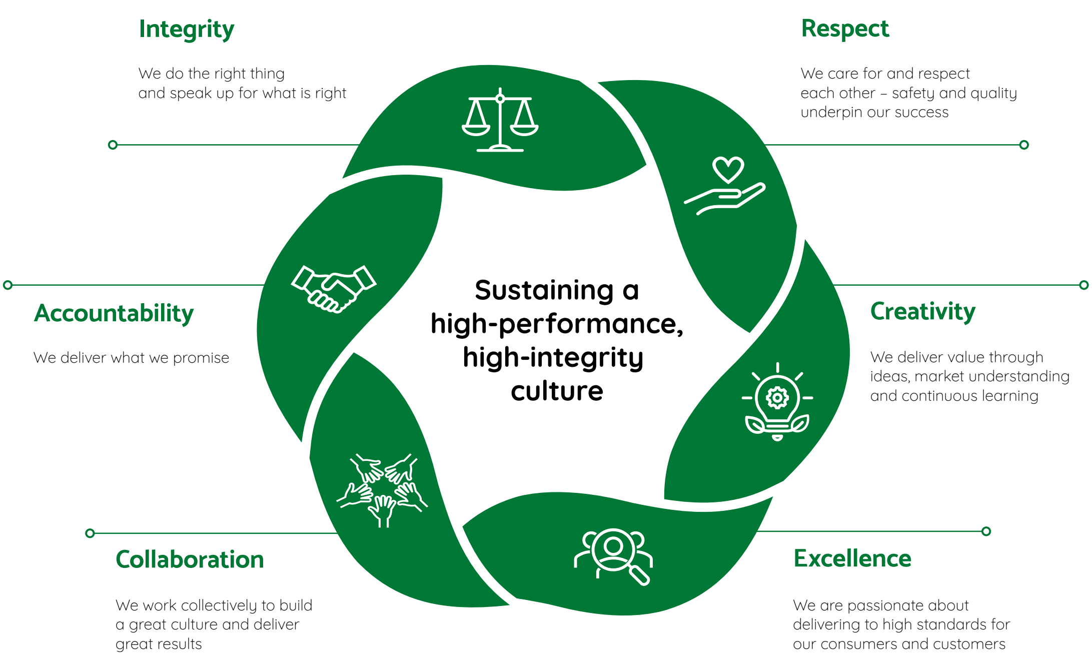
Leadership and Culture

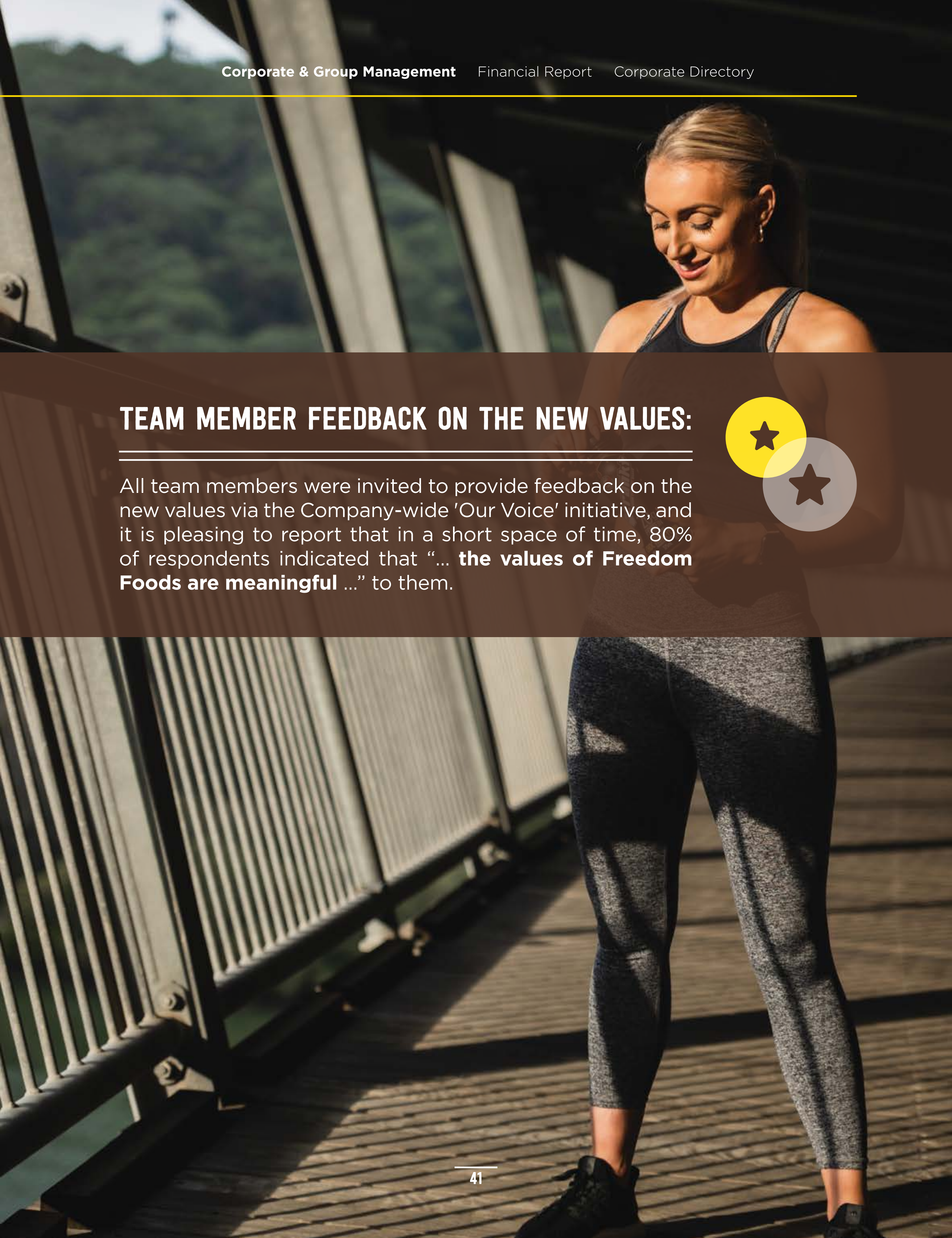
Throughout FY21, leaders and teams continued to embed the Company's cultural transformation strategy. As part of this process, new values were launched, feedback sought to engage team members (via 'Our Voice' initiative) and new business performance metrics were developed to inform Company, team and individual goal-setting in FY22.

Our values describe the behaviours required of all team members under the cultural change vision of *sustaining a high-performance, high-integrity culture*.

New business performance metrics have been developed for FY22 which inform how key performance indicators (KPIs) and targets are established on a team and individual basis, and how they will be rolled out across the business via the new performance, goal-setting and development framework: *Achieve and Grow*.

A new leadership development framework has been designed and is due for launch in FY22. With the launch of the new values, KPI's have been developed for the executive leadership team, linking directly values and cultural change initiatives.





TEAM MEMBER FEEDBACK ON THE NEW VALUES:

All team members were invited to provide feedback on the new values via the Company-wide 'Our Voice' initiative, and it is pleasing to report that in a short space of time, 80% of respondents indicated that "... **the values of Freedom Foods are meaningful** ..." to them.

Diversity and Inclusion

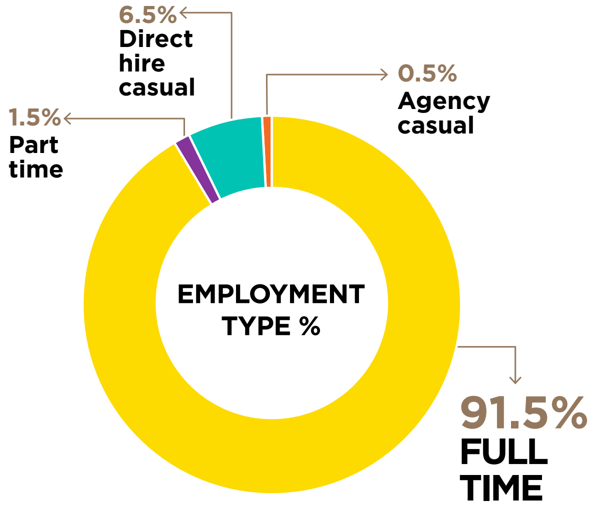
Our ambition is to continue to build an **inclusive workplace** where individual strengths are valued, leading to increased **diversity** and innovation.

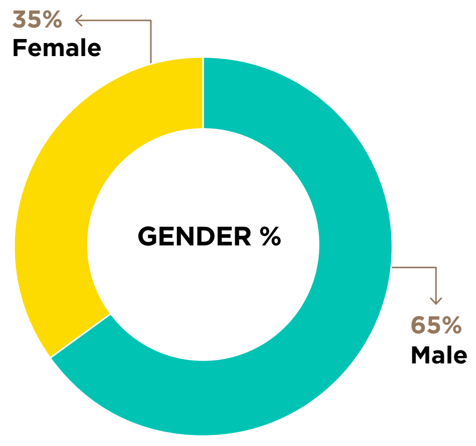
Through our Company values and the new performance and development framework, the leadership team continues to focus on fostering a culture in which team members are encouraged and supported to speak up for what is right, and where diverse views and strengths are respected.

Workforce Composition at end of June 2021

At the end of June 2021, 91.5% of our team members were employed in full-time roles across the Company. Our Shepparton production facility employed 315 people directly in the Greater Shepparton area, with this facility contributing many more jobs in the area when our suppliers, external contractors and casuals are considered.

At the end of June 2021, women were employed in 35% of roles across the workforce, and women comprised 35% of our senior leadership roles across the Company.





Health, Safety, Food Safety and Quality

Health and safety are the highest priorities for the Company – encompassing the health and safety of all our stakeholders: consumers, customers, team members, contractors and business partners.

In addition to existing incident and hazard identification, reporting and management policies and procedures in each of our facilities, during FY21 a new framework was introduced to assist in the identification and management of risks across the business. Senior leadership team members have invested in ensuring business risks – including health, safety, quality and food safety risks – have been identified and assessed according to this framework, with mitigating actions in place.

Our new Operational Excellence programme is also launching across the business in FY22, which will bring additional focus on health, safety and food safety and quality, along with increased focus on plant efficiency and effectiveness across all sites.

As the COVID-19 pandemic continues to disrupt the Australian economy and the economic outlook across the world, the Board, leadership team and all Freedom Foods Group's team members remain vigilant in their imperative of supporting the safety, health and well-being of its workforce, its business partners and the community, under the vision of protecting people and production.

The leadership team and all team members worked together to uphold the high standards set across the Company under its COVID-19 health and safety protocols to keep people safe and to ensure manufacturing facilities across the business remained operational.

The business continues to monitor the impacts and potential impacts of COVID-19 and, in addition to existing COVID-safe practices and policies, the business is equipped to scale up Rapid Antigen Testing as required and continues to support team members with paid leave to take their COVID-19 vaccination on request.

Financial Report 2021

Directors' Report

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Group') consisting of Freedom Foods Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

The financial statements are presented in Australian Dollars.

1. PRINCIPAL ACTIVITIES

Freedom Foods Group Limited is a leading consumer branded beverage and nutritional group with over 560 employees operating in four locations across Australia and two locations in Asia (Singapore and China).

The principal activities of the Group (on a continuing basis), during the financial year were:

- developing, sourcing, manufacturing, selling, marketing and distribution of plant-based and dairy beverages, dairy and nutritional products to wholesale and consumer markets;
- selling, marketing and distribution of canned specialty seafood to consumer markets; and
- an investment in dairy farming operations.

The Group operates marketing, sales and distribution activities in Australia, China and South-East Asia and sells products to retailers and distributors in New Zealand, South Africa and the Middle East.

There were no significant changes in the nature of the principal activities during the financial year, with the exception that the Group has withdrawn from operating activities in North America, exited its specialty Cereal and Snacks business and is exploring strategic options related to its specialty seafoods business.

2. GOING CONCERN

The Group has prepared the financial statements for the year ended 30 June 2021 on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Financial Position

The Group made a loss after tax for the year ended 30 June 2021 of $53.2m (FY20 restated loss of $175.7m). Net cash outflows used in operations was $5.5m (FY20: $74.8m) and net cash outflows used in operating activities for the year ended 30 June 2021 was $52.8m (FY20: $98.7m). The losses incurred in the year ended 30 June 2021 were anticipated by management as the business has restructured and includes $27.9m of restructuring/litigation costs (of which $11.3m are grouped under net finance costs).

As at 30 June 2021, the Group had net current assets of $40.1m (FY20: net current liabilities of $276.5m), net assets of $1.5m (FY20: net assets of $54.1m). The net assets at 30 June 2021 included liabilities of $251m in respect of convertible notes which were marked to market as per the accounting standard requirements. The convertible notes will cease to be a liability at such time when the noteholders convert the notes into equity or are repaid.

Recapitalisation

In response to the financial issues affecting the Group, the Directors and management have implemented and are continuing to implement decisive actions to stabilise and transform the business.

The successful completion of the capital raising in May 2021 marked an important step towards the Group's financial turnaround, as the new funding arrangements provide a more flexible capital structure to support the Group's transformation. From the proceeds raised from the Convertible Note issue of $265m, the Group applied $231m towards repayment in full of senior term, senior revolving and subordinated debt. The balance of the proceeds provided working capital of $34m for general corporate purposes and to pay fees and expenses associated with the recapitalisation. Following completion of the capital raising, while the aggregate level of debt will not reduce as the convertible notes are classified as debt for financial reporting purposes, the Group expects its senior leverage and finance costs to reduce over time as the business performance improves and the convertible notes are either converted to equity or repaid.

Directors' Report

As part of the recapitalisation, the Group entered into a new two year, $36m senior secured revolving credit facility with its Senior Financiers whereas the Group's existing equipment financing facilities and debtor financing facilities remained in place on substantially similar terms. The cash at bank combined with the available headroom in the new $36m revolving credit facility and the debtor financing facilities of $12m are considered by the Board and management to provide the Group with sufficient liquidity to cater for the day-to-day operations of the business. In addition, the Group's financial performance is expected to continue to improve in FY22 and result in positive operating cash flows as management executes its strategy of driving operational improvements and focusing on profitable growth.

Whilst the recapitalisation addressed the uncertainty regarding the Group's immediate ability to continue as a going concern due to a lack of available funding, the Group is still subject to legal proceedings that have the potential to materially and adversely impact the Group's financial and operating performance (refer to Note 34). These include:

- Legal proceedings brought against Freedom Foods Pty Ltd (a subsidiary of the Company) by Blue Diamond Growers in respect of alleged breaches of the Licence Agreement between Blue Diamond Growers and Freedom Foods Pty Ltd;
- Two Class Actions brought against the Company in respect of alleged breaches of the *Corporations Act 2001* (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law.

The Group is defending the litigation referred to above and has engaged appropriate legal counsel to assist in defending the Group against such claims.

The legal proceedings brought against Freedom Foods Pty Ltd (a subsidiary of the Company) by Blue Diamond Growers and the two Class Actions commenced against the Company ("claims") are at a preliminary stage. Any likely outcomes and potential financial impact are not able to be assessed with any certainty at the time of signing of the financial statements.

Should the Group be unsuccessful in its defence against these claims, the Group may become liable for material compensation amounts and the impacts may include potential restrictions on the Group's operations. There is a risk that the Group will have insufficient funds to be able to pay these compensation amounts and that restrictions on the Group's operations may also have a material impact on its ability to continue operating as a going concern.

As noted above, any potential financial impact and likely outcomes cannot be assessed with any certainty at the time of signing of the financial statements (and, in addition, the Directors are proactively taking steps to manage and mitigate the risks associated with the claims) and accordingly, the financial report has been prepared on a going concern basis.

Due to the uncertainty surrounding the above matters, a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it may be able to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

3. OPERATING AND FINANCIAL REVIEW

The Group's continuing operations recorded a loss after income tax for the year ended 30 June 2021 attributable to the owners of Freedom Foods Group Limited of $38.8m (FY20 loss of $136.4m).

The Group's continuing operations recorded an EBITDA of $15.8m (FY20 loss of $62.1m). These results include restructuring/litigation costs of $16.6m (FY20: $2.2m).

3.1 Overview of material matters during the year and material matters subsequent to 30 June 2021

This section describes:

- the significant events that have occurred in the FY21; and
- the material matters, events, and decisions taken by the Group subsequent to 30 June 2021 and up to the publication of this report.

Directors' Report

Board Changes

At the conclusion of the Annual General Meeting (AGM) held on 29 January 2021, the following Board changes took place:

- Perry R. Gunner, Non-Executive Chair of the Board retired after serving 17 years on the Board.
- Trevor J. Allen, an Independent Non-Executive Director of the Board retired after serving 7 years on the Board.
- Ronald Perich, a Non-Executive Director of the Board retired after serving 15 years on the Board.
- Genevieve Gregor was elected as an Independent Non-Executive Director of the Board and was subsequently appointed as Chair of the Board.
- Jane McKellar was elected as an Independent Non-Executive Director of the Board. Jane is Chair of the People and Culture sub-committee.
- Anthony (Tony) Perich (AM) was re-elected as a Non-Executive Director of the Board. Tony is Deputy Chair of the Board.
- Timothy Bryan, previously an alternate Director for Anthony Perich and Ronald Perich, was elected as a Non-Executive Director. Timothy was appointed as Interim Chair of the Audit and Finance sub-committee while the Board finalised its search for an Independent Director to Chair the Audit and Finance sub-committee. Tim is Chair of the Risk and Compliance sub-committee.
- Stuart Black (AM) was appointed as an Independent non-Executive Director of the Board and was appointed as Chair of the Finance and Audit sub-committee, effective 22 March 2021.

From 22 March 2021, the Board comprised a majority of Independent Non-Executive Directors.

Key Executive changes

On 6 August 2020, the Board appointed Michael Perich as Interim CEO, Perry Gunner ceased as Executive Chair and reverted to Non-Executive Chair and Brendan Radford returned to his previous role as CEO Commercial Operations. Brendan Radford ceased to be CEO Commercial Operations on 25 September 2020. Michael Perich was confirmed as the permanent CEO on 19 March 2021.

The Company announced the appointment of Josée Lemoine as Group CFO on 1 October 2020 and she assumed this role on 19 February 2021. The Interim CFO, Stephanie Graham, left the Company on 19 February 2021.

The Company appointed a General Manager of Internal Audit, Tim Phoon on 23 November 2020 and appointed Justin Coss as Group General Counsel and Company Secretary on 23 November 2020. An interim Company Secretary, Scott Standen was appointed on 13 July 2020 and ceased the role as joint Company Secretary on 30 June 2021.

Stuart Muir was appointed as Chief Operating Officer in April 2021, Denis Phelps was appointed as Chief Customer Officer in August 2021 and Gerard Smith was appointed Chief Marketing Officer in August 2021. The rebuild of the senior leadership team is now complete.

Voluntary suspension from ASX listing and Restatement

The Group applied for voluntary suspension from quotation of its securities on ASX listing on 25 June 2020 to restructure its operations and refinance for the benefit of stakeholders. The Group's bankers were supportive and provided a standstill to enable the recapitalisation which was accomplished by a successful Convertible Notes issue and a refreshing of existing facilities and a new revolving credit facility. The recommencement of trading of the Group's securities on the ASX occurred on 22 March 2021.

Operations

Having completed a comprehensive review of the Group's operating performance during the restructure and the refinancing, the business has now been substantially reset. Management is now executing a company-wide transformation that will continue to be implemented over the FY22 fiscal year and beyond.

The transformation strategy is designed to deliver best-in-class operating performance across the Company's facilities, driving improved productivity, lower costs and higher margins, earnings and sales – all within a culture of financial discipline.

Directors' Report

While there is more work to do, significant improvements have already been delivered in key areas:

- **Site Operations:** Operating efficiencies and cost reductions. For example, focusing on ensuring equipment meets required maintenance standards and underpinning this investment with the right maintenance support to drive efficiency and utilisation across the plant. Thereby, reducing wastage and improving quality issues across all sites.
- **Product Portfolio:** Building profitable product portfolios by rationalising unprofitable product lines and better focusing on customer needs.
- **Costs:** Understanding the true costs per unit of production. Improving reporting and analytics to ensure better monitoring and tracking of costs.
- **Milk supply:** Implementing improved planning processes to ensure that supply better matches with demand.
- **Trade Spend:** Trade spending policies have been reviewed, with funding re-focused and more disciplined.
- **Marketing Spend:** Better targeted marketing spend. For example, MILKLAB Almond was supported with advertising in Q4 FY21, delivering strong consumer results, with improvements in 'awareness'.
- **Supply Chain:** Work continues on assessing and redefining our inbound and outbound supply chains, locally and internationally, where improvements can be achieved.
- **Capital Expenditure / New Product Development:** Capital and new product development project governance structure strengthened – with set project gateways – for approvals, review and execution of capital projects, R&D and new product development.
- **Inventory:** Strong controls and governance structure now established.

Impacts of COVID-19

The COVID-19 pandemic and associated government responses have affected and are likely to continue to affect the Group's businesses. The Board and management are actively assessing the challenges and opportunities affecting the business on a regular basis.

- **Operations and Employee safety:** The Group implemented and enhanced employee health and safety measures, including shift protocols, well-being programs and flexible and remote work practices appropriate for food manufacturing environments. These measures have kept employees safe and ensured minimal COVID-19 related interruptions to operations. All operating sites have implemented QR code sign in for staff and deliveries, with temperature checking to maintain a safe workplace. The Group is strongly encouraging all employees to be vaccinated, as supply of appropriate vaccines relative to their personal situation become available.
- **Consumer response:** COVID-19 and government-imposed lockdowns have influenced consumer behaviours, which we anticipate will continue to be impacted with each new development and lockdown. We expect pandemic events will become part of the new "normal" and are adapting our business model accordingly. Grocery shelf stable beverage sales increase through the lockdown periods, together with increased sales of our shelf-stable seafood range. Demand in the domestic out-of-home sector is regionally impacted as areas go in and out of lockdown. The Group is developing new digital channels to provide easier access to our products in this new environment.
- **Supply chain:** COVID-19 has disrupted supply chains worldwide with significant impacts on logistics effecting raw material and packaging supplies, freight availability and cost.
- **Financial impact:** COVID-19 has adversely affected revenue and profitability. Margins in the grocery channel are materially lower than out-of-home, with lower than expected out-of-home sales affecting profitability in FY21, impacting the sales mix. Export volume to China and SE Asia have partly rebounded but each lockdown sees an impact on sales depending on the severity of the lockdown implemented in these regions. The Group has not accessed JobKeeper wage subsidies or other government support programs to date.

Prior periods' restatement

During the FY21 year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy and the restated historical financial information to account for the impact of the change are disclosed in Note 3 of the financial statements.

The FY20 results have been restated for the divestment of Cereal and Snacks, so the prior period can be compared on a continuing business basis. Certain costs associated with marketing were reclassified to better align with future treatment of similar costs.

Directors' Report

Recapitalisation and Capital Structure

As previously disclosed on 11 September 2020, with the support of the majority shareholder, the Group entered into a standstill agreement with its primary lenders, National Australia Bank Limited and HSBC Bank Australia Limited (Banks), to provide the Group sufficient time to recapitalise. The standstill agreement was extended several times and was subsequently removed following the successful completion of the recapitalisation on 27 May 2021.

The Group issued a prospectus on 19 March 2021 and two supplementary prospectus which provide details of the recapitalisation. Full details can be found on the Company's website.

The first part of the recapitalisation was completed on 27 May 2021 with the issuance of the Convertible Notes and refinancing of certain debt facilities and the second part of the recapitalisation was completed on 30 July 2021 with the issuance of the Company options.

The recapitalisation has resulted in the Group having the following capital structure:

- $36.0m 2-year senior secured revolving credit facility;
- $85.8m of varying maturity senior secured equipment finance facilities;
- $65.0m non-recourse (off balance sheet) debtor financing facilities;
- $25.0m recourse senior secured debtor finance facilities;
- $265m unlisted, subordinated, secured convertible notes with a six-year maturity; and
- 27,698,189 options exercisable and fundable after FY23 results are published. If all options are exercised, the Company will raise $27,144,225 which will be used for working capital purposes.

As at 30 June 2021, the Company had $349.9m of borrowings and $41.9m drawn in off-balance sheet facilities.

For further details of the Group's recapitalisation, please refer to the various ASX announcements on the group's website at Reports, Results & Presentations - Freedom Foods Group Limited (ffgl.com.au).

Refer to Notes 22 and 23 in the financial statements for further information on assets pledged as security and financing arrangements.

Recall

The Group conducted a product recall in September 2020 of certain batches of plant-based beverages. The recall applied only to the specific batches. The operational issues that resulted in this recall have been resolved. The Company had insurance to cover the costs of the recall, subject to an excess of $500,000. The insurance claim was finalised in June 2021 and the net amount payable to the Company after deduction of the policy excess has been received in full and is reflected in Other Income in the financial statements.

Board and ASIC Investigations

As previously disclosed, the Board initiated two investigations in 2020 which concluded in FY21, with the assistance of external advisers including PwC, Moelis Australia, Arnold Bloch Leibler and Ashurst. The results of matters identified have been outlined in the prior periods' restatements detailed in the FY20 Annual Report and the H1 FY21 Report.

ASIC has commenced an investigation under section 13 of the ASIC Act, in relation to suspected breaches of or offences committed under the Corporations Act (including continuous disclosure and financial reporting obligations) by the Group and the officers and directors of the Group between 1 July 2014 and 30 June 2020 (ASIC Investigation).

The Group continues to cooperate with ASIC in relation to the Investigation and produce materials and information as requested. The investigation has not been concluded as at the date of issuance of these financial statements and hence no provision is recognised.

Blue Diamond Proceedings

Various disclosures have been made regarding Blue Diamond proceedings including in the Prospectus dated 19 March 2021 (and supplementary Prospectuses) and the ASX releases dated 30 September 2020, 8 March 2021 and 28 May 2021. For further details, refer to note 34 *Capital commitments and contingent Liabilities*.

Directors' Report

Class Actions

Various disclosures have been made regarding the Class Actions including in the Prospectus dated 19 March 2021 (and supplementary Prospectuses) and the ASX releases dated 30 September 2020, 8 March 2021 and 28 May 2021. For further details, refer to note 34 *Capital commitments and contingent Liabilities*.

Cereal and Snacks divestment

On 17 December 2020, the Group announced the sale of its Cereal and Snacks operations to the Arnott's Group as part of the ongoing program to simplify the Company's business. The sale completed on 31 March 2021.

Other

The Company has identified a liability with respect to Blue Diamond royalty withholding taxes and has provisioned accordingly in the financial statements.

COVID-19 pandemic

The COVID-19 pandemic has commenced a new national Delta wave subsequent to 30 June 2021. The impact on the Victorian Local Government area of Shepparton where one of the Group's manufacturing sites is located has been significant, with a lockdown of over 1/3rd of the population, impacting the available labour force. The lock down measures taken by the Victorian government to contain the virus have affected economic activity. The Group has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for the Group's workforce and securing the supply of materials that are essential to our production process. At this stage, the impact on our business and results has not been significant with no positive cases in our staff or the family of our staff. We will continue to monitor this situation, follow the various government policies and advice and do our utmost to continue our operations in the best and safest way possible.

Except as disclosed above, no matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

3.2 Business Strategy

Freedom Foods is undergoing a three-stage transformation journey: Reset, Transform and Grow.

The financial, structural, operational and cultural reset of the Group was substantially completed in FY21, providing the Group with the platform and talent to transform the business.

Actions to Transform the Group are now well underway, with operational improvements across the business already driving improved productivity, sales and earnings performance.

Those improvements provide the springboard to Grow the business through three streams: products, channels and geographies.

At the upcoming AGM, Freedom Foods shareholders will be asked to approve a new corporate name, which will be revealed before the AGM. The sale of Cereal and Snacks – which included the Freedom Foods brand name itself – necessitates a corporate rebranding. The new name represents a clean break with the past and the emergence of a reset and refreshed organisation with significant opportunities ahead of it as a leading Australian beverage and Nutritionals company.

The Group continues to review all options for its Specialty Seafood business. The Group recently launched a dual-track process for Seafood – 'retain and improve' or "divestment".

Directors' Report

3.3 Operating and financial review – continuing operations (all comparatives refer to restated FY20)

Set out below is a summary statement of profit and loss for the year ended 30 June 2021 together with a restated summary statement of profit and loss for the year ended 30 June 2020. The restated summary statement of profit and loss for the year ended 30 June 2020 reflects the accounting changes required to incorporate the effect of the SaaS IFRIC mandatory changes (refer to note 3 of the financial statement) on the profit and loss of the group for that period.

	CONTINUING OPERATIONS	
	30 JUNE 2021 $'000	30 JUNE 2020 $'000
Net sales	559,068	516,651
EBITDA	15,786	(62,146)
Share of associates profit/(loss)	607	586
Depreciation and amortisation	(27,700)	(27,583)
Fair value changes of convertible notes	13,994	-
Impairment of right of use assets	-	(3,794)
Impairment of non-financial assets	(1,910)	(21,930)
Net finance costs	(39,535)	(21,595)
Net loss before tax	(38,758)	(136,462)
Income tax expense	(17)	101
Net loss after tax	(38,775)	(136,361)

Adjusted Operating EBITDA*

The following table adjusts EBITDA for various non-trading and non-recurring items:

	CONTINUING OPERATIONS	
	30 JUNE 2021 $'000	30 JUNE 2020 $'000
EBITDA	15,786	(62,146)
Additional inventory provision	-	14,758
Product recall costs	(998)	-
Restructuring expenses	9,216	1,310
Litigation	7,377	-
Additional debtor provisioning	-	3,013
Acquisition costs	-	861
Discount charge - limited recourse facility	1,319	1,471
Unrealised foreign exchange loss	770	(8)
Employee incentives (FY20: share-based payments)	753	(417)
Other non-trading expenses	126	5
Adjusted Operating EBITDA (post AASB 16)	34,350	(41,153)
Adjusted Operating EBITDA (pre AASB 16)	22,357	(53,988)

* *Adjusted Operating EBITDA (Earnings before interest, tax, depreciation and amortisation) is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Adjusted Operating EBITDA is used by management and the directors as one of the key measures of assessing the financial performance of the Group and individual segments. Adjusted Operating EBITDA excludes items including the additional inventory provisions above a normalised level (FY20) and other expenses including acquisition costs, restructuring costs and other non-trading expenses.*

Directors' Report

Consolidated FFGL - Continuing operations

12 MONTHS TO 30 JUNE ('000)	JUNE 2021	JUNE 2020	CHANGE $	CHANGE %
Revenue	**559,068**	**516,651**	**42,417**	**8.2%**
Adjusted Operating EBITDA Pre AASB16	**22,357**	**(53,988)**	**76,345**	**141.4%**
Adjusted Operating EBITDA Pre AASB16 Margin %	4.0%	(10.4%)		
Adjusted Operating EBITDA Post AASB16	34,350	(41,153)	75,503	183.5%
Adjusted Operating EBITDA Post AASB16 Margin %	6.1%	(8.0%)		
EBITDA	**15,786**	**(62,146)**	**77,932**	**125.4%**
EBITDA Margin %	2.8%	(12.0%)		

Net sales increased by 8.2% to $559.1m reflecting strong growth across our key continuing businesses. In Australia net sales increased 2.6% to $426.5m and in export markets net sales rose 31.3% to $132.6m. Dairy and Nutritionals net sales rose 6.8% to $394.3m mainly in export markets where net sales increased 34.7% to $120.8m. Plant-based net sales of $152.9m rose 15.6% driven by strong growth in MILKLAB net sales up 49.1%.

Net losses after tax decreased by 71.6% from $136.4m to $38.8m demonstrating improved performance.

Adjusted Operating EBITDA (pre AASB 16) of $22.4m showed a significant improvement from losses in FY20 of $54.0. Adjustments include restructuring costs, including costs related to lender management, legal matters, accounting restatement and divestment activities.

Impairment of non-financial assets charges decreased to $1.9m on the prior year

Depreciation and amortisation charges of $27.7m are broadly in line with the prior year. The increase in depreciation in plant & equipment was slightly offset by the renegotiation of a lease (AASB 16 impact). The split in depreciation charges between traditional plant and equipment depreciation and AASB 16-related depreciation is as follows:

- Depreciation – buildings, plant and equipment: $19.9m (FY20: $17.7m)
- Depreciation – AASB 16 related: $7.8m (FY20: $9.9m)
- Amortisation – software: nil

Net finance costs increased by 83.1% from $21.6m to $39.5m as a result of the increased margins and fees charged by the lenders during the standstill, the transactions costs incurred on convertible notes issuance and the break costs paid on early termination of interest rate swaps. The split of finance costs between interest paid, the AASB 16 related finance charge and transaction costs was as follows:

- Interest – based on debt facilities: $18.7m (FY20: $9.9m)
- Interest – AASB 16 related: $11.2m (FY20: $11.7m)
- Transaction financing costs – Convertible notes: $9.6m

Fair value changes of convertible notes amounting to $14m resulted in a 5.3% decline in the value of convertible notes from $265m to $251m. This change in fair value is recorded in profit or loss in accordance with the accounting standards but does not impact the redemption and conversion rights available to the investors under the terms of the convertible notes.

Impairments of brands, goodwill and right of use assets decreased by 100% from $25.7m to nil.

Non-recurring Inventory provisions were nil in FY21 (FY20: $14.8m).

Directors' Report

3.4 Segment performance of continuing operations

The Group measures its financial and operating performance by reference to the following segments:

Dairy and Nutritionals

A range of shelf stable dairy milk beverage, nutritional products and performance and adult nutritional powders including the Crankt brand. These products are manufactured in Australia and sold in Australia and overseas.

Plant-Based Beverages

A range of shelf stable beverage products including liquid stocks, soy, rice, oat and almond beverages. These products are manufactured in Australia and sold in Australia and overseas.

Specialty Seafood

A range of canned seafood covering sardines and salmon. These products are imported and sold in Australia and New Zealand.

Set out below is the segment performance for the **continuing operations** of the Group for the year ended 30 June 2021, together with a restated segment performance table for the year ended 30 June 2020.

CONTINUING OPERATIONS 30 JUNE 2021	DAIRY AND NUTRITIONAL INGREDIENTS[1] $'000	PLANT-BASED BEVERAGE $'000	SPECIALTY SEAFOOD $'000	UNALLOCATED SHARED SERVICES $'000	TOTAL $'000
Revenue	394,344	152,950	11,775	-	559,068
EBITDA	342	27,680	(141)	(12,095)	15,786
Product recall costs	-	(980)	-	(19)	(998)
Restructuring	-	-	-	9,216	9,216
Litigation	-	6,048	-	1,330	7,377
Discounting charge - limited recourse facility	-	-	-	1,319	1,319
Unrealised foreign exchange loss	-	-	-	770	770
Employee incentives	-	-	-	753	753
Other non-trading expenses	140	300	-	(314)	126
Adjusted Operating EBITDA (post AASB 16)	482	33,048	(141)	961	34,350
Adjustment for rental expense	(4,555)	(7,395)	(43)	-	(11,993)
Adjusted Operating EBITDA (pre AASB 16)	(4,073)	25,653	(184)	961	22,357

[1] *Dairy & Nutritionals include retained product results from divested Cereals & Snacks business.*

Directors' Report

CONTINUING OPERATIONS 30 JUNE 2020	DAIRY AND NUTRITIONAL INGREDIENTS[1] $'000	PLANT-BASED BEVERAGE $'000	SPECIALTY SEAFOOD $'000	UNALLOCATED SHARED SERVICES[2] $'000	TOTAL CONTINUING OPERATIONS $'000
Revenue	369,287	132,319	15,045	-	516,651
EBITDA	(62,539)	9,390	(309)	(8,688)	(62,146)
Additional inventory provisioning	10,902	3,856	-	-	14,758
Additional debtor provisioning	-	3,013	-	-	3,013
Restructuring	403	129	19	759	1,310
Litigation	-	-	-	-	-
Acquisition costs	-	-	-	861	861
Discounting charge - limited recourse facility	-	-	-	1,471	1,471
Unrealised foreign exchange gain	-	-	-	(8)	(8)
Employee incentives	-	-	-	(417)	(417)
Other non-trading expenses	(572)	306	-	271	5
Adjusted Operating EBITDA (post AASB 16)	(51,806)	16,694	(290)	(5,751)	(41,153)
Adjustment for rental expense	(4,877)	(7,953)	(5)	-	(12,835)
Adjusted Operating EBITDA (pre AASB 16)	(56,683)	8,741	(295)	(5,751)	(53,988)

[1] *Dairy & Nutritionals include retained product results from divested Cereals & Snacks business.*

[2] *FY20 Unallocated Shared Services of $22.3m have been allocated to segments on the same basis as FY21 to enable year on year comparability.*

3.4 Segment performance (FY21 Adjusted Operating EBITDA is pre AASB 16 and all comparatives refer to FY20)[3]

Dairy and Nutritionals

12 MONTHS TO 30 JUNE ('000)	JUNE 2021	JUNE 2020	CHANGE $	CHANGE %
Revenue	**394,344**	**369,287**	**25,057**	**6.8%**
Adjusted Operating EBITDA Pre AASB16	**(4,073)**	**(56,683)**	**52,610**	**92.8%**
Adjusted Operating EBITDA Pre AASB16 Margin %	(1.0%)	(15.3%)		
Adjusted Operating EBITDA Post AASB16	482	(51,806)	52,288	100.9%
Adjusted Operating EBITDA Post AASB16 Margin %	0.1%	(14.0%)		
EBITDA	**342**	**(62,539)**	**62,881**	**100.5%**
EBITDA Margin %	0.1%	(16.9%)		

Revenue for the twelve months to 30 June 2021 rose 6.8% to $394.3m as the business reset improved profitability with Adjusted Operating EBITDA pre AASB16 loss of $4.1m compared to a loss of $56.7m previously. The business launched a transformation and operational turnaround strategy focused on a number of areas, including reducing wastage, increasing production efficiencies, removing or reducing unprofitable products, optimising milk supply and curtailing losses from the sale of surplus milk as experienced in previous periods. The Shepparton plant in Victoria is now operating on a much-improved basis, with sales of the Company's PUREnFERRIN lactoferrin product rising 215% in the year. Sales of consumer nutritionals, including Vital Strength, UPROTEIN and Crankt Protein, rose 5% in the year despite fall in demand caused by the temporary closure of gyms and specialty stores during COVID-19.

[3] *Segment Results are post allocation of group shared services overhead except for realised FX and Board / ASX related costs.*

Directors' Report

Plant-Based Beverages

12 MONTHS TO 30 JUNE ('000)	JUNE 2021	JUNE 2020	CHANGE $	CHANGE %
Revenue	**152,950**	**132,319**	**20,631**	**15.6%**
Adjusted Operating EBITDA Pre AASB16	**25,653**	**8,741**	**16,912**	**193.5%**
Adjusted Operating EBITDA Pre AASB16 Margin %	16.8%	6.6%		
Adjusted Operating EBITDA Post AASB16	33,048	16,694	16,354	98.0%
Adjusted Operating EBITDA Post AASB16 Margin %	21.6%	12.6%		
EBITDA	**27,680**	**9,390**	**18,290**	**194.8%**
EBITDA Margin %	18.1%	7.1%		

Revenue increased 15.6% to $152.9m in the plant-based beverages segment, the out-of-home market continues to deliver robust growth across all channels and all brands, particularly MILKLAB where domestic sales increased 49.5% in the year and export sales increased 46.4%. Adjusted Operating EBITDA pre AASB16 rose 193.5% to $25.7m, with profitability continuing to improve as economies of scale increase. MILKLAB sales increased 49.1% in the year with the MILKLAB brand now sold in over 20 countries. The Group is committed to undertaking disciplined capital investment to increase production capacity to meet growing demand.

Specialty Seafood

12 MONTHS TO 30 JUNE ('000)	JUNE 2021	JUNE 2020	CHANGE $	CHANGE %
Revenue	**11,774**	**15,045**	**(3,271)**	**(21.7%)**
Adjusted Operating EBITDA (Pre AASB16)	**(184)**	**(295)**	**111**	**(37.6%)**
Adjusted Operating EBITDA (Pre AASB16) Margin %	(1.6%)	(2.0%)		
Adjusted Operating EBITDA (Post AASB16)	(141)	(290)	149	(51.4%)
Adjusted Operating EBITDA Margin %	(1.2%)	(1.9%)		
EBITDA	**(141)**	**(309)**	**168**	**(54.4%)**
EBITDA Margin %	(1.2%)	(2.1%)		

Revenue for the twelve-month period fell 21.7% to $11.8m as COVID-19 disrupted global supply chains, causing stock shortages. Adjusted Operating EBITDA pre AASB 16 recovered $0.1m edging closer to breakeven, with demand for shelf-stable products during COVID-19 enabling the Group to be able to pass on higher seafood prices while reducing promotional activity and prioritising trade marketing spend. The Company continues to review all options for its Specialty Seafood business and recently launched a dual-track process for Seafood – 'retain and improve' or divestment.

Directors' Report

3.5 Cereal and Snacks (discontinued operation) performance

On 17 December 2020, the Group announced the sale of its Cereal and Snacks operations to the Arnott's Group as part of the ongoing program to simplify the Company's business. The sale completed on 31 March 2021. Accordingly, the Group has classified the Cereal and Snacks business as a discontinued operation and disclosed its performance below separately from the continuing operations of the Group:

	DISCONTINUED OPERATION	
	31 MARCH 2021 $'000	30 JUNE 2020 $'000
Revenue	35,321	63,540
EBITDA	(13,512)	(36,775)
Additional inventory provisioning	-	3,269
Additional debtor provisioning	-	559
Restructuring expenses	-	133
Loss on sales of assets/investments	894	-
Other non-trading expenses	-	(40)
Adjusted Operating EBITDA (post AASB 16)	(12,618)	(32,854)
Adjustment for rental expense	(1,575)	(1,941)
Adjusted Operating EBITDA (pre AASB 16)	(14,193)	(34,795)

Cereal and Snacks recorded an adjusted pre AASB 16 EBITDA loss of $14.2m in the year (9 months to 31 March 2021), compared to $34.8m loss previously as key product lines failed to recover the cost of production. As anticipated, a planned rationalisation of loss-making product lines and a reduction in trade marketing resulted in a fall in sales, with revenue for the year down 44% to $35.3m.

3.6 Statement of financial position

Set out below is a summary balance sheet as at 30 June 2021 together with summary balance sheet as at 30 June 2020.

	CONSOLIDATED	
	30 JUNE 2021 $'000	30 JUNE 2020 RESTATED $'000
Current assets	133,791	138,250
Assets held for sale	6,464	-
Non-current assets	398,414	524,579
Total assets	**538,669**	**662,829**
Current liabilities	(100,198)	(414,770)
Non-current liabilities	(436,978)	(193,982)
Total liabilities	**(537,176)**	**(608,752)**
Net assets	**1,493**	**54,077**
Share capital	598,712	598,712
Reserves	(60,378)	(55,851)
Accumulated losses	(536,841)	(488,784)
Total equity	**1,493**	**54,077**

Directors' Report

Commentary on specific items in the statement of financial position

Cash and cash equivalents increased by $14.5m to $31.7m following the Group's recapitalisation.

Trade and other receivables decreased by 3.8% from $52.1m to $50.1m, reflecting increased usage of the debtor sale facility and the sale of Cereals and Snacks. Debtor days decreased from 60 days to 55 days due to the improved collections.

Inventories decreased by 24.0% from $63.7m to $48.4m, reflecting improved inventory management and the sale of Cereals & Snacks.

Trade and other payables decreased by 39.4% from $111.3m to $67.4m, reflecting the significant effort that has gone into reducing the level of aged creditors in the first half and improving controls.

Property, plant and equipment decreased by 13.7% from $293.7m to $253.6m, reflecting the sale of Cereal and Snacks and depreciation. There is no significant capital expenditure currently under consideration by the Group, with the focus on maximising efficiencies from the existing asset base.

The shift between **current liabilities and non-current liabilities** is a result of the successful completion of the recapitalisation which ended the standstill agreement with the Group's primary banks. The convertible notes are a hybrid instrument. Due to their conversion feature, they are classified as long-term liability and in time, upon conversion, could turn into equity.

Deferred tax liabilities remain at $nil. The full extent of the potential tax benefit has not been recognised due to the number of years that it will take for tax losses to be utilised. This position will be reassessed on an annual basis.

Borrowings increased by 19.6% from $292.3m to $349.9m following the successful completion of the Group's recapitalisation in May 2021. Further detail on cashflow and funding is discussed below.

Net assets of $1.5m includes convertible note liability of $251m. The convertible notes will cease to be a liability at such time when the noteholders convert the notes into equity or are repaid.

Shareholders' equity decreased from $54.1m to $1.5m, reflecting primarily the loss incurred by the Group in FY21, which includes the impact of all operating and litigation/restructuring expenses discussed above in section 3.3.

3.7 Cash flow and funding

	CONSOLIDATED	
	30 JUNE 2021 $'000	30 JUNE 2020 RESTATED $'000
Cash flow from operations	**(5,523)**	**(74,788)**
Cash flow from operations including adjustments and financing costs	(47,274)	(23,889)
Cash flow from operating activities	(52,797)	(98,677)
Cash flow from investing activities	13,500	(23,671)
Cash flow from financing activities	53,798	84,130
Net increase / (decrease) in cash and cash equivalents	14,501	(38,218)
Cash and cash equivalents at the beginning of the financial year	17,167	55,385
Cash and cash equivalents at the end of the financial year	**31,668**	**17,167**

Directors' Report

	Continuing Operations	
	30 June 2021 $'000	30 June 2020 Restated $'000
Cash flow from operations	11,517	(38,911)
Cash flow from operations including adjustments and financing costs	(47,006)	(23,342)
Cash flow from operating activities	(35,489)	(62,253)
Cash flow from investing activities	(2,658)	(22,338)
Cash flow from financing activities	61,817	86,526
Net increase in cash and cash equivalents	**23,670**	**1,934**

	Discontinued Operations	
	31 Mar 2021 $'000	30 June 2020 $'000
Cash flow from operating activities	(17,308)	(36,424)
Cash flow from investing activities	16,158	(1,333)
Cash flow from financing activities	(8,019)	(2,396)
Net decrease in cash and cash equivalents	**(9,169)**	**(40,152)**

Cash flow from continuing operations before financing and non-recurring adjustments were $50.4m higher than prior period. This was due to the improved operational performance and working capital management.

Cash flow from investing activities were $19.7m lower in the continuing operations primarily attributable to a significant reduction in capital expenditure following the completion of the capital projects in earlier years. Cash flow from investing activities of $16.2m in the discontinued operations reflect the cash inflows from the sales of the Cereals & Snacks business partially offset by the pay out of related equipment finance leases of $6.5m in the cash outflows from financing activities.

Cash flow from financing costs are in line with the Group's recapitalisation.

4. DIVIDENDS

There were no dividends declared for FY21.

Dividends paid during the prior financial year were as follows:

	Consolidated	
	2021 $'000	2020 $'000
Final unfranked dividend of 3.25 cents per ordinary share for the year ended 30 June 2019 paid in cash during the year ended 30 June 2020 (2019: 2.75 cents 50% franked)	-	2,658
Dividends reinvested: unfranked at 30% tax rate (2019: 50% franked)	-	6,211
Final unfranked dividend of 1.35 cents per convertible redeemable preference share paid in cash during the year ended 30 June 2020 (2019: 1.35 cents 50% franked)	-	1
	-	8,870

Directors' Report

5. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is developing a comprehensive Environmental, Social & Governance (ESG) strategy to improve its ESG performance, reporting and profile. As part of the transformation underway, a focus on the refresh of Freedom's ESG aspirations was identified: what must we do; what should we do; what could we do. These strategic aspirations will drive our ESG strategy and reporting going forward and enable the measurement and management of ESG factors such as carbon emissions, workforce diversity, and supply chain sustainability. This ESG refresh is under way and our policy on ESG will be released in FY22

5.1 Environmental regulation

The Group's operations are subject to environmental regulation under the laws and regulations of the Commonwealth of Australia, and various Australian State and local regulatory bodies. The Group has conformed to environmental laws, regulations, standards and other requirements such as site permits to operate or waste management

5.2 Environment and Sustainability Statement

The Group is committed to making a distinctive and positive contribution to its communities and its operating environments. Sustainability is a business method that ensures safety, efficiency and responsibility in a manner that protects the Group's employees, communities, shareholders, and the environment, now and in the future. Our daily operations align business performance with a commitment to environmental, social and community stewardship.

Set out below are examples of work undertaken by the Group:

- Installation of 3rd Dissolved Air Floatation (DAF) (wastewater treatment plant) at Shepparton, improving quality and volumes of discharged wastewater from the site.
- Installation of Reverse Osmosis (RO) plant at Shepparton to use water from processes into cooling towers reducing town water consumption.
- A new screw compressor was installed on the trade waste plant at Shepparton to reduce liquid waste to landfill.

5.3 Quality and food safety

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

The Group has a range of certification and regulatory bodies independently auditing our sites based on standards including:

- State-based Food Authority audits and Export Registered Facilities audit via the Department of Agriculture, Water, and the Environment;
- Global Food Safety Initiative (GFSI) Standards such as Safe Quality Food (SQF) and British Retail Consortium (BRC);
- HACCP Certification;
- Retailer and customer standards; and
- Product-specific standards, such as Australian Certified Organics and Gluten-Free Certification program.

We continue to review our certification requirements specifically for export markets requirements. Freedom Foods has a continuous improvement focus on all our quality processes and practices and continues to be in compliance with all food safety standards. The group has continued to improve in consumer complaints and first-time quality across the 12months of the reporting period.

Directors' Report

5.4 Safety

Statement of commitment

The Group is committed to providing a workplace that enables all work activities to be carried out safely.

The Group will take all reasonably practicable measures to eliminate or minimise risks to the health, safety and welfare of workers, contractors, visitors and anyone else who may be affected by our operations.

The Group is committed to ensuring it complies with the Work Health and Safety Act 2011 (the Act) and any other relevant legislation and required codes and standards that are applicable to the Group.

The WHS Management Plan and WHS Policies and Procedures set out the safety arrangements and principles which are to be observed by the Group and its workers to ensure compliance with the WHS Act and to provide appropriate mechanisms for continuing consultation and management of WHS matters.

All elements of the WHS Management Plan, Policies and Procedures are designed to enhance our safety culture and provide our team members with guidance on how their roles contribute to high quality safety outcomes. The group continues to drive a continuous improvement approach to safety in the workplace which is focussed on reducing injuries through creating a positive safety culture, reducing risk and driving compliance.

6. RISKS

The Group considers risk management integral to the successful achievement of its mission, vision, and values. It is committed to protecting itself, its people, its customers, its suppliers, and the public while conducting its business activities. It recognises that effective risk management is critical for anticipating and managing situations or events that could prevent it from achieving its objectives.

Key to this is to ensure that the processes of risk identification, assessment and management are embedded in every aspect of the Group's businesses. The Risk and Compliance Committee has, during FY 2021, undertaken a comprehensive review of the Group's risk appetite, its risk management framework and its key risks and how they are being managed.

Key initiatives arising from the review that have been completed include:

- Approval of a revised risk management framework
- Approval of a new compliance policies management framework
- Establishment of a dedicated risk management function
- Implementation of a new technology-based approach to the management of risk across the Group
- A comprehensive re-assessment of the Group's risk profile
- Appointment of a GM Internal Audit
- Draft of new Risk Appetite Statement for FY21/22 and
- Key Risk Indicators have been developed for reporting against in FY22.

The Group's Risk Management Framework (RMF) aims to ensure that risk management is undertaken throughout the business and managed in a structured and systematic manner. The RMF describes the key elements that govern the Group's approach for managing risk and the strategy for managing its material risks. The RMF, together with the approved risk appetite, supporting policies and culture provide a consistent approach to managing risk to reasonably practicable levels which enables the achievement of the Group's strategy and business plans.

There are a number of material business risks that have the potential to impact the Group's ability to achieve its objectives. These risks are summarised below and are each accompanied by the details of how the Group responds to and manages the risk in each category.

Directors' Report

RISK TYPE	DESCRIPTION OF THE RISKS	HOW WE MANAGE THE RISKS
Access to financial resources	The Group's business activities require access to equity and debt markets to finance its day-to-day working capital and invest in long-term income-producing assets. Access to these markets can change from time to time based on economic and financial markets conditions, geopolitical issues in the markets in which the Group operates in, the risk appetite of banks and other credit providers, the investment appetite of equity investors, and the view of the Group as a suitable party to extend credit to or invest in.	This financial year, the Group's board and management have devoted significant time and resources to improving the financial management of the Group to allow it to obtain ongoing access to equity and debt markets to assist financing the Group's activities and to meet future needs. The Board has sought additional input from external advisors. The Finance & Audit Committee is focused on continuing to improve the overall financial management of the Group in future periods.
Changing consumer preferences in competitive markets	Consumer tastes and buying preferences in relation to the Group's products are constantly changing. These preference changes can be in response to a range of factors, including new products entering the market, environmental factors, health and nutritional advices, regulation, sales and marketing initiatives by the Group's competitors, and product price changes by the Group and its competitors. The capacity of the Group's competitors to introduce competing products with those of the Group is high. The Group can be at risk of its products being replaced in key channels by products produced by its competitors. Any reduction in the Group's product sales and market shares in each segment may impact its financial performance in the short, medium and long term.	The Group focuses on being a leading innovator in its chosen product and channel segments. This focus has, in recent years, seen the launch of numerous products in existing and new segments. The Group seeks to maintain market share by having consistently high-quality and consumer-relevant products. The Group strives to be at the forefront of changes in market trends at the consumer level and understanding the response from competitors to these changes. It uses consumer insights, research and data in its development of new products and improving the existing portfolio. A rigorous new product development process has been implemented.

Directors' Report

RISK TYPE	DESCRIPTION OF THE RISKS	HOW WE MANAGE THE RISKS
Impact of climate change and environmental risks	The Group is exposed to the short, medium, and long-term climate change and environment related risks. These risks include: • physical climate-related event risks, extreme weather events, increased volatility and change in weather patterns including drought, floods and bushfires; • restricted availability, use and pricing of water in manufacturing activities • the impact of climate change events on the supply and cost of milk and other agricultural products, • treatment and disposal of waste from manufacturing processes; and • increased energy costs, increased taxation and other environmental and climate related transactions costs as operating economics change and adapt to environmental and climate change impacts; These risks could adversely affect the Group's operations, business practices, financial performance and reputation if not adequately managed.	The Group has been proactive in its operational activities to reduce the impact on the environment through capital investment in chemical treatment and removal programs, factory site rooftop solar energy generation to replace electricity, and increasing efficiencies in production and reducing the amount of waste needing to be processed off site. Further projects are planned to increase the sustainability of the production sites. The Group will develop a more comprehensive approach to sustainability and climate change strategy in 2022. It also intends to include in its corporate disclosures climate and environment related risks and related financial impacts, in line with market practices. The climate change and environment strategy will address a range of issues including emission reduction targets, benchmarks for business partnership agreements, and other initiatives.
Cultural	Among other things, poor corporate culture can lead to unethical practices, lack of trust, poor decision-making, increased employee turnover and reduced motivation.	The Group's Board and management are laying the groundwork for a positive and inclusive culture. A refresh of key senior executive appointments and board renewal have been undertaken. A new remuneration structure has been established to align with business strategy and desired behaviours. The People and Culture Committee has refreshed its policy documentation, including the Committee Charter.
Pandemic Risks	The COVID-19 pandemic that emerged in March 2020 in Australia has impacted most businesses. The Group has been impacted by the COVID-19 pandemic including the loss of revenue, mainly in the sale of cream and out-of-home products. The length and duration of the current pandemic and the economic impact remain uncertain. The pandemic will continue to have an ongoing and unknown impact on the Group. Any further virus outbreaks in Australia or overseas may adversely affect the Group's business operations and financial performance.	The Group put in place measures in early 2020 to protect its key sites and employees. The Group has detailed protocols in place for any virus outbreaks in the states and regions in which it operates. As a result of the measures put in place, production at all the Group's manufacturing sites has not been impacted in any material way by COVID-19. The Group closely monitors the markets and geographic regions in which it distributes its products to assess the impact of COVID-19. The Group continues to seek better ways to serve its consumers and has enhanced distribution and sales via digital channels.

Directors' Report

RISK TYPE	DESCRIPTION OF THE RISKS	HOW WE MANAGE THE RISKS
Doing Business in Export Markets	The Group is exposed to a range of risks doing business in international markets, particularly in China and South East Asian markets. Business practices and local laws and regulations differ greatly from country to country. There are also personal risks to the Group's employees operating in or travelling to these countries that can include arbitrary detention, criminal or civil charges, or fines for alleged illegal business practices.	The Group seeks to manage these risks in a number or ways: • Employing experienced local personnel and working with long-established business partners and customers to assist, understand and navigate the local business environment in each market; • Ongoing monitoring for any adverse geopolitical, business and regulatory developments in each market; • Ensuring business decisions, business partnerships and other contractual arrangements do not place employees or the Group at risk; • Ensuring there is no over reliance on one single customer or country by imposing customer and country limits; and • Contracting with offshore buyers to take delivery of products within Australia as opposed to at the Country of destination.
Quality and Food Safety	The Group supplies a range of food products for human consumption. As a result, the Group is inherently exposed to risks in the entire production chain from receipt of ingredients through to dispatch to the end consumer. Risks can include food safety, product or packaging quality and/or food integrity issues (including interference by third parties) that may result in injury or harm to consumers. In addition, any food quality or safety incidents may cause disruption to business activities, result in increased costs, lead to potential litigation and damage the Group's reputation.	The Group has measures in place to manage and minimise food quality, packaging and safety risks using the latest technologies, including: • rigorous food safety and quality management systems, using the latest technologies, which are the subject of continuous review; • staff training and communication; • reputable third-party suppliers and partners; • compliance with food safety and standard laws and accreditation processes; and • established food safety incident and product recall policies and procedures (including trial runs).
Legal action	Legal action arises from time to time in the normal business activities of the Group. Litigation can arise from commercial disputes between the Group and its business partners, suppliers, employees and other third parties, and government bodies for alleged or actual failures to adhere to government regulations. Litigation is costly and time consuming and consumes board and management time and resources. It can create reputational risk, brand damage and potential liabilities for the Group, its Directors and Officers, and employees.	The Group is conscious of the reputational and financial impacts that can arise from litigation and takes all practical measures to manage potential or actual legal disputes. This includes endeavouring to prevent disputes from escalating, ensuring advice is taken on matters to address a dispute, seeking to avoid the use of court processes and, where appropriate, having insurance in place to limit the financial impact.

Directors' Report

RISK TYPE	DESCRIPTION OF THE RISKS	HOW WE MANAGE THE RISKS
Manufacturing disruption	Production and sale of the Group's products relies on the continued operation of the Group's manufacturing facilities and consistent delivery of product volumes to meet the Group's contractual requirements and demand growth. Any material disruption to key parts of the manufacturing process may result in a failure to meet contractual sales volumes, loss of sales and revenue, termination of contracts and business partnership agreements, litigation and reputation damage.	The Group seeks to manage these risks in a number or ways: • Employing experienced personnel; • Well-designed manufacturing plant and equipment; • Well-designed operating systems; and • Industry best practice in relation to maintenance and business continuity planning. Property and business interruption insurance is in place for our operations.
Regulatory investigations and other action	The Group may be the subject of regulatory investigations that may result in an adverse impact on the Company and stakeholders. The outcomes of any such investigations can be litigation, civil or criminal prosecution and/or lead to fines, compensation, remediation expense and/or restrictions on the Group's ability to operate its businesses.	The Group seeks to manage all its risks in order to avoid adverse events that may lead to regulatory investigations and other actions. The Group's organisation structure includes specific operational teams focused on financial, quality, workplace health and safety and people and culture matters. The overall management of risk is governed by the Group's Risk Management Framework. The Risk and Compliance Committee has oversight of operation of the Risk Management Framework and the management of risk across the Group.
Technology and Security	This concerns the risk of a material cyber intrusion which could severely disrupt operations or otherwise compromise critical information	The Group uses reputable providers of security services and regularly performs penetration testing. The group is increasing its cyber education and compliance testing to meet the changing cyber environment.

Directors' Report

7. INFORMATION ON DIRECTORS

Name:	**Ms Genevieve Gregor**
Title:	Chair of the Board (from 29 January 2021) and Independent, Non-Executive Director (from 2 March 2020)
Qualifications:	B. Economics (UQ), Graduate Diploma Applied Finance & Investment (SIA), Honorary Doctorate of Letters (WSU), GAICD
Experience and expertise:	Genevieve was a Founding Partner of Colinton Capital Partners, a mid-market private equity firm investing in Australian growth companies. Prior to this, Genevieve was the co-head and Managing Director of the Asia Special Situations Group in Australia for Goldman Sachs for eight years. Genevieve has had over 25 years' experience working in banking and finance. She has completed numerous major financing transactions for the Australian corporate market over her career and been involved in a number of high-profile mergers and acquisitions. Prior to joining Goldman Sachs, Genevieve was head of the Australian loan capital markets business at Citigroup. Prior to Citigroup, she worked at MIM Holdings, now Xstrata Australia Limited. Genevieve was until recently the Deputy Chancellor of Western Sydney University, Chair of the Finance and Investment Committee and Trustee at WSU for over 10 years.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former Chair of the Risk and Compliance Committee (until 19 March 2021), Member of the Finance and Audit Committee and Member of the Remuneration and Nomination Committee (now People and Culture Committee) (from 29 January 2021).
Interests in shares:	Indirect interest in 23,500 ordinary shares, 150,000 convertible notes and 7,298 listed options.

Name:	**Mr Anthony M. Perich AM**
Title:	Deputy Chair and Non-Executive Director
Experience and expertise:	Anthony is a Member of the Order of Australia. He is joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Co Pty Ltd, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. He is also a property developer, farmer and business entrepreneur. Outside of the Perich Group, Anthony holds a number of other directorships which include Greenfields Narellan Holdings, Breeders Choice Woodshavings Pty Limited, and Ingham Institute for Applied Medical Research. Memberships include Greater Narellan Chamber of Commerce, Narellan Rotary Club, Urban Development Institute of Australia, Urban Taskforce, Property Council of Australia, past President of Narellan Rotary Club and past President of Dairy Research at Sydney University. He was appointed as a Director in July 2006.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Finance and Audit Committee (until 29 January 2021) and Member of the Risk and Compliance Committee (from 29 January 2021).
Interests in shares:	Indirect interest in 145,556,000 ordinary shares and 126,142,300 convertible notes.

Directors' Report

Name:	**Mr Timothy Bryan**
Title:	Non-Executive Director (from 29 January 2021)
Qualifications:	BCom; CA, GAICD
Experience and expertise:	Tim is the Chief Executive Officer of the Perich Group. He was formerly managing partner of the chartered accounting firm Kelly & Partners South West Sydney. Outside of the Perich Group, Timothy holds a number of other directorships, which include Kids of Macarthur Health Foundation and Ingham Institute for Applied Medical Research, where he also chairs the finance and audit committee.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former Chair of the Finance and Audit Committee (from 29 January 2021 to 22 March 2021) and thereafter a Member, Chair of the Risk and Compliance Committee from 19 March 2021 and Member of the People and Culture Committee from 19 March 2021.
Interests in shares:	Indirect interest in 54,126 ordinary shares and 25,000 convertible notes.

Name:	**Ms Jane McKellar**
Title:	Independent, Non-Executive Director (from 8 May 2020)
Qualifications:	MA (Hons) University of Aberdeen, GAICD
Experience and expertise:	Jane is an experienced non-executive director in both public and private companies in Australia and the US, bringing deep international consumer, digital, brand and marketing experiences to bear. Jane's executive experience as both a CEO and Chief Marketing Officer spans the consumer-focused FMCG, luxury and retail industries and she is one of the original 'digital natives' in Australia. She has held senior roles in Unilever, Microsoft, Elizabeth Arden and Stila Corporation. Jane has extensive global experience, particularly in Asia, Europe and North America and she has built a strong reputation over the years for leading teams and transforming businesses in difficulty back to profitability and growth. Her key contributions are in customer and consumer-focused business transformation, harnessing digital, technology, brand and marketing to enhance business performance.
Other current directorships:	GWA Group Limited and McPhersons Limited
Former directorships (last 3 years):	Automotive Holdings Group
Special responsibilities:	Chair of the People and Culture Committee (formerly Remuneration Committee) and member of the Finance and Audit Committee (from 29 January 2021) and the Risk & Compliance Committee (from 29 January 2021).
Interests in shares:	Direct interest in 1,605 ordinary shares and 74,910 convertible notes.

Directors' Report

Name:	**Mr Stuart Black AM**
Title:	Independent, Non-Executive Director (from 22 March 2021)
Qualifications:	FCA, FAICD, BA (Accounting)
Experience and expertise:	Stuart is a Chartered Accountant with extensive experience in business. He retired in 2013 as managing partner of a practice specialising in agribusiness to concentrate his time on non-executive director roles. Stuart has over twenty years' experience as an ASX non-executive director. Stuart is a Past President of the Institute of Chartered Accountants of Australia. He was the inaugural Chair and a past board member of the Accounting Professional and Ethical Standards Board and served as the Australian representative on the International Federation of Accountants SMP Committee. Stuart is former Chair of the Chartered Accountants Benevolent Fund Limited and a former director of the Country Education Foundation of Australia Limited. In 2012, Stuart was appointed a Member of the Order of Australia for services to the profession of accounting, to ethical standards, as a contributor to professional organisations and to the community.
Other current directorships:	Australian Agricultural Company Limited and Palla Pharma Limited
Former directorships (last 3 years):	NetComm Wireless Limited (appointed in 2013 and resigned in 2019).
Special responsibilities:	Chair of the Finance and Audit Committee (from 22 March 2021) and a member of the Risk and Compliance Committee (from 22 March 2021).
Interests in shares:	Indirect interest in 25,000 convertible notes.

Information on Directors who retired in FY21

Name:	**Mr Perry R. Gunner**
Title:	Chair of the Board and Non-Executive Director (until 29 January 2021)
Qualifications:	B.Ag.Sc, Grad Business Administration
Experience and expertise:	Perry is former Chair and CEO of Orlando Wyndham Wine Group and was appointed Chair in July 2006.
Other current directorships:	None
Former directorships (last 3 years):	Australian Vintage Ltd
Special responsibilities:	Member (and former Chair) of the Remuneration and Nomination Committee (now People and Culture Committee), Finance and Audit Committee and Risk and Compliance Committee (until 29 January 2021).
Interests in shares:	Direct interest in 164,139 ordinary shares and indirect interest in 1,123,960 ordinary shares.

Directors' Report

Name:	**Mr Ronald Perich**
Title:	Non-Executive Director (until 29 January 2021)
Experience and expertise:	Ronald is joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Co Pty Ltd, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. He is also a business entrepreneur and former Director of United Dairies Limited. He was appointed as a Director in April 2005.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Risk and Compliance Committee (until 29 January 2021).
Interests in shares:	Indirect interest in 145,556,000 ordinary shares.

Name:	**Mr Trevor J. Allen**
Title:	Independent Non-Executive Director (until 29 January 2021)
Qualifications:	B Comm (Hons), CA, FAICD
Experience and expertise:	Trevor has over 40 years' experience in the corporate and commercial sectors, primarily as a corporate and financial adviser to Australian and international public and privately owned companies. Trevor is an independent Non-Executive Director of Peet Limited and an independent Non-Executive Director of Eclipx Group Limited. Trevor is also a Non-Executive Director of the holding company of Real Pet Food Company. Prior to Trevor's Non-Executive roles, he had senior executive positions in the investment banking and corporate advisory sector, at SBC Warburg (now UBS), Baring Brothers Australia and KPMG. He was appointed as a Director in July 2013.
Other current directorships:	Peet Limited and Eclipx Group Limited
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Finance and Audit Committee and a member of the Risk and Compliance Committee and Remuneration and Nomination Committee (now People and Culture Committee) (until 29 January 2021).
Interests in shares:	Indirect interest in 139,925 ordinary shares.

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

Directors' Report

8. COMPANY SECRETARY

Mr Trevor Allen accepted the role of Company Secretary in an acting capacity from 23 June 2020 to 13 July 2020.
Mr Scott Standen was appointed Company Secretary from 13 July 2020 and concluded his interim role on 30 June 2021.
Mr Justin Coss was appointed Group General Counsel and Joint Company Secretary on 23 November 2020 and from 1 July 2021 is the sole Company Secretary for the Group.

9. MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021 and the number of meetings attended by each Director were:

	FULL BOARD		FINANCE AND AUDIT COMMITTEE		RISK AND COMPLIANCE COMMITTEE		PEOPLE & CULTURE COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
Perry Gunner	19	19	19	19	1	2	1	1
Michael Perich[1]	22	22	14	21	3	3	1	1
Anthony Perich[2]	22	26	10	19	1	1	-	-
Ronald Perich	17	19	-	-	1	2	-	-
Trevor Allen	19	19	19	19	0	2	1	1
Genevieve Gregor	26	26	22	23	4	4	1	1
Jane McKellar[3]	26	26	4	4	1	1	2	2
Timothy Bryan	7	7	4	4	2	2	1	1
Stuart Black	4	4	1	1	1	1	-	-
Michael Perich (Alternate)	4	4	-	-	1	1	-	-
Timothy Bryan (Alternate)	19	19	19	19	-	-	-	-

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

Notes:

[1] *Michael Perich attended the Finance and Audit and Risk and Compliance Committee meetings in his capacity as CEO from 6 August 2020.*

[2] *Anthony Perich also attended 3 Finance and Audit Committee meetings as an observer after he ceased being a member of the Committee.*

[3] *Jane McKellar also attended 18 Finance and Audit and 3 Risk and Compliance Committee meetings as an observer prior to joining these Committees.*

In addition to the above-mentioned meetings, the Board met more frequently on an informal basis as required.

Directors' Report

FY21 REMUNERATION REPORT – LETTER FROM THE CHAIR OF THE PEOPLE AND CULTURE COMMITTEE

Dear Stakeholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the financial year ending 30 June 2021.

During FY21, the Company launched a significant transformation agenda with the strategic objectives of resetting and transforming the Company and its culture to support business sustainability, growth and stakeholder interests following the challenges experienced by the business in FY20.

The FY21 Remuneration Report provides an overview of key areas of cultural transformation that the Company has embarked upon and the changes to the executive leadership team and Non-executive Director remuneration framework.

Key Highlights for FY21

New people and culture governance structure

The Group Remuneration Committee was renamed the People and Culture Committee. This change recognised the new and expanded remit and importance of this Board Committee as outlined in its charter, which can be found on the Company's website at www.ffgl.com.au/investors-and-media/corporate-governance/

Leading the business through the impacts of the COVID-19 pandemic

As the COVID-19 pandemic continues to disrupt the Australian economy and the economic outlook across the world, the Board, leadership team and all of the Company's team members remain vigilant in supporting the safety, health and well-being of our workforce, business partners and the community, under the guiding principle of *protecting people and production.*

The leadership team and all team members worked together to uphold the high standards set across the Company under its COVID-19 health and safety protocols to keep people safe and to ensure manufacturing facilities across the business remained operational. This has meant that the business partners, the broader community and all stakeholders of the Company have benefited from continuous production throughout the pandemic. The Board is grateful for the way team members have responded to protect the Company's people, its operations and, in turn, the interests of all its stakeholders.

Board and executive refresh

FY21 brought significant challenges for the business beyond the COVID-19 pandemic, as the Board, leadership and teams across the Company embarked upon an extensive operational and financial reset, and transformation across the entire business, including its strategy and culture.

The Company's cultural transformation included a significant refresh of the Board, with the election of Mr Timothy Bryan as a Non-Executive Director in January 2021 and the appointment of Mr Stuart Black AM as an Independent Non-Executive Director in March 2021.

Lead by Ms Genevieve Gregor, who was elected an Independent Non-Executive Director and appointed Chair of the Board in January 2021, the Company now has a majority of Independent Directors.

As part of the Board refresh, the Board Committees were re-structured and new Committee Chairs appointed as follows:

- Ms Jane McKellar - People and Culture Committee
- Mr Stuart Black AM - Audit and Finance Committee
- Mr Timothy Bryan - Risk and Compliance Committee.

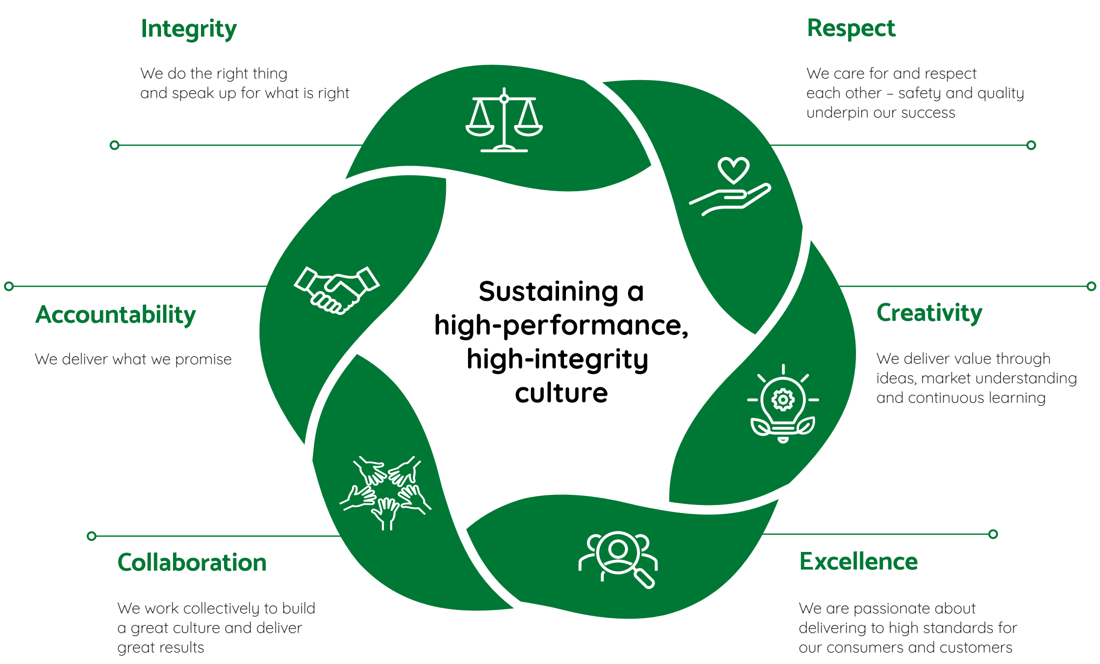
Directors' Report

The Executive Leadership Team was entirely replaced over a period of 12 months, with the following appointments being made in the period:

- Chief Executive Officer – Mr Michael Perich as interim CEO in August 2020 and permanent CEO in March 2021
- Chief Financial Officer – Ms Josée Lemoine in February 2021, following her consulting role from November 2020
- Chief Operations Officer – Mr Stuart Muir in April 2021
- Group General Counsel and Company Secretary – Mr Justin Coss in November 2020. From 1 July 2021 Mr Justin Coss is sole Company Secretary, following Mr Scott Standen's interim role as Company Secretary concluding on 30 June 2021
- Chief Customer Officer – Mr Denis Phelps in August 2021
- Chief Marketing Officer – Mr Gerard Smith in August 2021
- Chief People and Culture Officer – Ms Fiona McGregor, promoted in September 2020
- General Manager Internal Audit – Mr Tim Phoon in November 2020

Culture transformation

The Board and leadership team are focused on implementing significant cultural transformation supported by the Company values, comprehensive ongoing employee feedback and the evolution of the organisation structure with contemporary organisation design principles.



Directors' Report

As a key part of the Company's cultural transformation, the executive leadership team in consultation with employees and other stakeholders, formulated a new and revitalised set of Company values. The Company values articulate the behaviours required of all team members and how executives lead their teams to achieve successful outcomes, under the vision of *sustaining a high-performance, high-integrity culture*.

The Company continues the process of incorporating the values into all work practices, recruitment and policies, with highlights being the inclusion of the values into the new performance and development framework (*Achieve and Grow*), the new leadership development program, and the new (soon to be released) Values Book, which is designed to assist in attracting and retaining talented people.

Transformation of the executive KMP remuneration framework

Work was commenced on the redesign of the executive incentive framework during FY21. However, as the Remuneration Report put to shareholders at the last Annual General Meeting held on 29 January 2021 received a first strike with just over 34% of votes cast against the resolution, the Board continued with its review and refinement of the Company's remuneration framework.

Ernst & Young was appointed as the independent remuneration advisor to the People and Culture Committee, and, with its assistance, the Board has continued to review and refine the Company's incentive framework for FY22 to support the transformation of the organisation. On 26 August 2021, the Board resolved to adopt the new Business Performance Metrics and Executive KMP Incentive Framework to better align management incentives with the Company's business plans and objectives.

The new Business Performance Metrics and Executive Incentive Framework include Key Performance Indicators (KPIs) for FY22 and has been designed in the context of the Convertible Notes that the Company issued as part of its successful recapitalisation. Further details relating to the new framework are outlined in the Remuneration Report.

Future focus

Significant progress has been made and there is more to follow as the Board and leadership continue to focus on building a sustainable and positive future for the organisation and its stakeholders.

We see a bright prospect for the future of the business, underpinned by core sustainability principles embedded in our new values, and the ongoing positive transformation of the business, including notably the transformation taking place in both its culture and its operations.

I invite you to read the Remuneration Report and look forward to your feedback.

Jane McKellar
Independent Non-executive Director
Chair, People and Culture Committee

Directors' Report

10. REMUNERATION REPORT (AUDITED)

Overview

This remuneration report for the year ended 30 June 2021 details the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Given the change in the finance structure of the Group, in the interests of investors and stakeholders, this Remuneration Report sets out the design for the Company's Executive KMP remuneration framework and governance in alignment with the Convertible Note arrangement and stakeholder value creation.

10.1. KMP Remuneration Framework and Governance

Role of the People and Culture Committee in Remuneration Governance

The People and Culture Committee Charter states that:

The People and Culture Committee makes recommendations to the Board, in line with the Board Charter, to ensure that the Company:

- *has effective remuneration policies and practices in order to attract and retain high calibre Directors, the CEO and KMP for the Company;*
- *makes recommendations to the Board regarding the approval of rewards policies, practices and mechanisms for KMP and the broader group of employees of the Company for the purpose of building optimal remuneration quantum and mix to enable the Company to effectively attract and retain high calibre talent, and to ensure the Company's remuneration practices remain competitive relative to the market;*
- *provides appropriate guidance to ensure that remuneration and nomination policies, practices and frameworks comply with ASX Corporate Governance Principles and guidelines;*
- *ensures remuneration and nomination practices are fair and align with industry benchmarks and changes to market remuneration practices;*
- *ensures remuneration strategies reward Board members, KMP and senior executives in line with performance and in a manner that contributes to long-term shareholder value creation.*

Remuneration Principles

The Group remuneration strategy is designed to attract, engage and retain talented people by aligning market competitive remuneration with sustainable business performance.

The objectives are to have a remuneration framework that:

- Aligns with shareholder/stakeholder value creation
- Aligns with strategy and goal achievement
- Is clear and simple
- Attracts, retains, and motivates talented executives
- Is always subject to Board approval in the interests of strong governance.

Directors' Report

Engagement of Independent Remuneration Advisors to the Board

The FY22 STIP and LTIP performance measures are designed to drive the Company's financial, operational and cultural transformation in the short, medium and long term.

The Board of Freedom Foods Group Limited engaged independent advisors Ernst & Young (EY) to provide market guidance on the proposed new business performance metrics and Short-Term Incentive (STIP) and Long-Term Incentive (LTIP) plans for FY22, to be implemented as part of the Company's recapitalisation and relisting on the Australian Securities Exchange (ASX). EY were not paid any amount in FY21, given they are paid on completion of the work in FY22, and it is noted that supplementary guidance was obtained during FY21 from:

- Crichton + Associates, who were engaged to provide market guidance regarding Executive and Non-executive Director remuneration, as well as guidance on employee equity schemes (and who were paid $14,477.11 in FY21); and
- HaRe Group, who were engaged to provide supplementary market guidance regarding Non-executive Director remuneration (who were paid $660.00 including GST in FY21).

KMP Remuneration Framework and Executive Incentive Structure Supporting Stakeholder Outcomes

As mentioned previously, the executive incentive framework was re-designed for FY21 and was reviewed and refined for FY22 to support the stages of transformation of the organisation - these are described below:

FY21

The FY21 remuneration framework changes were outlined in the FY20 annual report. Crichton + Associates were engaged by the Board in FY20 to provide independent advice on the FY21 remuneration framework.

Until a detailed review was undertaken in the fourth quarter of FY20, the Group's executive KMP's were remunerated via fixed salary, including remuneration and superannuation, plus long-term incentives delivered by way of market-priced options, subject to service and EBITDA performance. No short-term incentives were provided. Approval was provided at the Annual General Meeting in November 2016 for the adoption and establishment of the Freedom Foods' Equity Incentive Plan (EIP) to replace the Group's then existing Employee Share Option Plan (ESOP) for any new issue of securities under the LTIP. The ESOP was terminated in the year ending 30 June 2021. No share scheme interests were issued under the EIP in FY21. Of note, all share scheme interests issued prior to FY21 have now vested or lapsed.

The executive KMP remuneration framework for FY21 was adopted by the Board with the aim of setting employee and executive remuneration that is competitive and appropriate for the markets in which the Group operates. This approach is in line with generally accepted market practice standards and consistent with ASX Corporate Governance Guidelines. The principles of the Group's revised remuneration strategy for FY21 included:

- Providing a market competitive fixed annual remuneration for all positions under a transparent framework and review procedures;
- Providing market competitive remuneration opportunities for intra-year performance if financial, customer and employee key performance indicators (KPI) are met;
- Linking executive rewards to shareholder value accretion by providing appropriate equity (or equivalent) incentives to selected senior executives and employees linked to long-term company performance and core values;
- Providing competitive total rewards to attract and retain appropriately skilled employees and executives;
- Having a meaningful portion of remuneration 'at risk', dependent upon meeting pre-determined benchmarks, both short (annual) and long term (3+ years);
- Establishing appropriate, demanding performance hurdles for any executive equity incentive remuneration;
- Driving the right senior leadership behaviours and outcomes to build a constructive culture through balanced scorecard measures; and
- Introducing malus forfeiture (claw back) guidelines to LTIP, addressing financial and non-financial matters. The strategy has been drafted in such a way as to enable the Group to navigate the complexity of managing remuneration across varying job roles and geographies.

It was also announced that salary reviews for Board approval will be undertaken each year. However, given the impacts of COVID-19 and prevailing market conditions, no company-wide salary review or general increase pool was awarded across the business for FY21.

Directors' Report

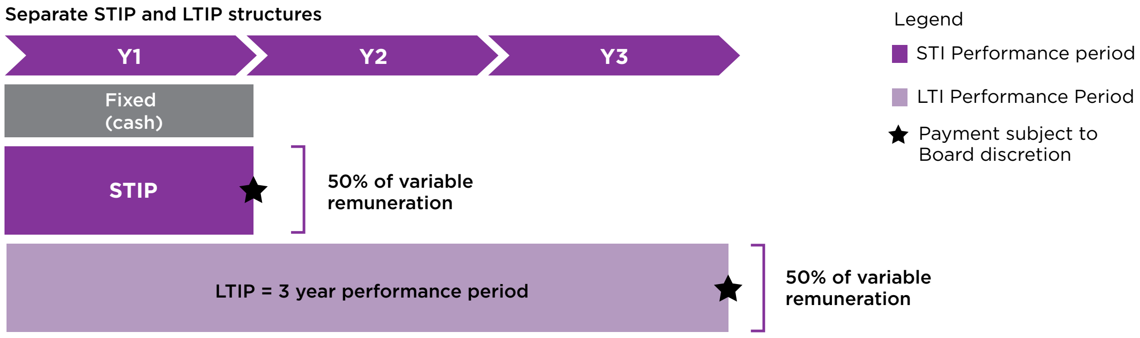
FY22

In support of the recapitalisation and transformation, and under independent guidance from EY, the Committee reviewed the remuneration framework again for FY22 and on 26 August 2021 the Board resolved to adopt new business performance metrics and a new executive incentive framework., This describes the link between executive KMP incentives with the Company's business plans and objectives.

The new executive incentive framework for FY22 provides discrete performance measures for the STIP and LTIP in line with market practice. This framework ensures short-term performance is assessed against operational and financial metrics and long-term performance is assessed against value creation.

Under the new LTIP arrangement for FY22, all awards are to be awarded, deferred and paid in cash subject to achievement of key performance criteria.

Key features of the new framework are depicted in the chart below and are described as follows:



The remuneration framework consists of fixed remuneration and an executive incentive structure. The executive incentive structure comprises STIP and LTIP.

- Performance hurdles for the STIP and LTIP will be set at the commencement of Year 1 of each performance period. The STIP and LTIP are subject to discrete sets of performance metrics. Any award which does not vest lapses immediately and is not retested.
- Performance is measured once over a one-year performance period for the STIP and once over a three-year performance period for the LTIP.
- Performance is weighted across safety, quality, financial, operational and cultural metrics to create a balanced scorecard approach to assess remuneration.

Governance

- Any STIP or LTIP payments are always to be approved by the Board and released after audited accounts are confirmed.
- The board retains discretion to award any subsequent incentives in cash or equity.
- Both STIP and LTIP may be subject to malus and/or clawback in cases of employee misconduct including but not limited to fraud; gross misconduct; and solicitation of employee and/or customer for 12 months following termination. In addition, the LTIP is only paid if the executive remains employed by the business and is not under notice, three years after the LTIP is initially granted.
- The Board of Directors maintains absolute discretion over all invitations and awards (pay-outs) under any incentive scheme.
- Performance gateways must be achieved for related incentives to be paid. Failure to achieve gateways will reduce related incentive/s to zero.

Directors' Report

KPIs and Balanced Scorecard

The design for the new Executive KMP STIP and LTIP ensures metrics are not replicated between short- and long-term incentives to avoid the potential for "double dipping" on performance outcomes. Each metric is assessed individually, with threshold, target, and stretch outcome paid on each line item in the scorecard, subject to the achievement of minimum gateways. The Company has adopted the balanced scorecard framework to set performance targets and measure performance, with KPIs adopted across the following metrics:

- Financial (50% of target): Includes cash conversion, EBIT, NPAT and return on assets.
- Non-Financial (50% of target): Includes safety and quality targets, customer service and employee engagement

10.2 Key Management Personnel in this Report

Key management personnel are defined by AASB 124 Related Party disclosures. Directors, the Chief Executive Officer and executives that have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly and are responsible for the entity's governance are classified as KMP.

The following persons acted as Directors and KMP of the Group during or since the end of FY21:

NAME	POSITION	PERIOD AS KMP
EXECUTIVE KMP		
Michael Perich[1]	Chief Executive Officer	From 19 March 2021 (interim 6 August 2020 to 18 March)
Josée Lemoine[2]	Chief Financial Officer	From 19 February 2021
Stuart Muir[3]	Chief Operations Officer	From 12 April 2021
Timothy Moses	Head of Operations	From 1 July 2020 to 26 March 2021
Stephanie Graham	Acting Chief Financial Officer	From 1 July 2020 to 18 February 2021
Brendan Radford	Acting Chief Executive Officer	From 1 July 2020 to 6 August 2020
Perry Gunner[4]	Executive Chairman	From 1 July 2020 to 6 August 2020
Trevor Allen[5]	Interim Company Secretary/Executive Director	From 1 July 2020 to 13 July 2020
NON-EXECUTIVE DIRECTORS		
Perry Gunner	Chair and Non-executive Director	1 July 2020 to 29 January 2021
Genevieve Gregor[6]	Chair and Independent Non-executive Director	NED Full Year / Chair from 29 Jan 2021
Anthony Perich AM	Deputy Chair and Non-executive Director	Full Year
Ronald Perich	Non-executive Director	1 July 2020 to 29 January 2021
Trevor Allen	Non-executive Director	1 July 2020 to 29 January 2021
Jane McKellar	Independent Non-executive Director	Full Year
Timothy Bryan[7]	Non-executive Director	Full Year
Stuart Black AM[3]	Independent Non-executive Director	From 22 March 2021
Michael Perich[8]	Alternate Non-executive Director to Ronald Perich	1 July 2020 to 5 August 2020

Notes:

[1] *Michael Perich was interim CEO between 6 August 2020 and 18 March 2021, and prior to 6 August 2020, was Alternate Non-executive Director to Ronald Perich. Michael Perich was also Chief Operating Officer on an interim basis between 30 July 2020 to 5 August 2020 and was not paid any additional remuneration during this period.*

[2] *Josée Lemoine commenced as CFO from 19 February 2021, and prior to this was Financial Consultant, 23 November 2020 to 18 February 2021*

[3] *Company commencement dates for Stuart Muir and Stuart Black AM.*

[4] *Perry Gunner was appointed Executive Chair for the period 23 June 2020 to 6 August 2020 (no additional remuneration was provided for this period).*

[5] *Trevor Allen was appointed Interim Company Secretary/Executive Director from 23 June 2020 until 13 July 2020 (no additional remuneration was provided for this period).*

[6] *Genevieve Gregor was appointed Independent Chair of the Board, effective 29 January 2021 and continues her role as Independent Non-executive Director.*

[7] *Timothy Bryan was Alternate Non-executive Director to Anthony Perich AM from 1 July 2020 to 29 January 2021.*

[8] *Michael Perich ceased to be Alternate Non-executive Director to Ronald Perich on 6 August 2020.*

Directors' Report

10.3 The Link Between Performance and Executive KMP Remuneration

The Board is satisfied that any recommendations on the remuneration framework as adopted by the People and Culture Committee and the Board in FY21 were made free from undue influence from any member of the KMP to whom the recommendations related.

For the period up to 30 June 2021, KMPs received fixed annual remuneration and performance-based remuneration in the form of cash linked to key milestones achieved by the business. These key milestones included variable remuneration awards to KMP who have contributed significant effort and expertise to finalising the recapitalisation of the business, completing the sale of the cereal and snacks business and the organisation turn around. The tables below provide the notations regarding any such Executive KMP awards.

The earnings of the Group for the five years to 30 June 2021 are summarised below:

	2021[1] $'000	2020 RESTATED[1] $'000	2019 RESTATED $'000	2018[3] $'000	2017[3] $'000
Net sales revenue	559,068	516,651	461,768	Not	Not
Adjusted Operating EBITDA[2]	22,357	(53,988)	(88,482)	restated	restated
(Loss)/profit after income tax	(38,775)	(136,361)	(145,827)		

Notes:

[1] *Earnings from continuing operations.*

[2] *Adjusted for non-trading and non-recurring items (including restructuring costs, product recall claim and unrealised foreign exchange loss), pre AASB 16. It is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Operating EBITDA is a term defined in the offer letters to employees which is used by management and directors as a key measure of assessing the financial performance of the Group and individual segments. The Operating EBITDA is equivalent to the Adjusted Operating EBITDA as set out in the directors' report excluding AASB16 adjustments i.e. Adjusted Operating EBITDA (pre AASB16).*

[3] *Restatement of the FY19 revenue and Adjusted Operating EBITDA has consequently resulted in the prior year announced results being non-comparable. These amounts have therefore not been restated.*

Adjusted Operating EBITDA

The following table adjusts EBITDA for various non-trading and non-recurring items:

	CONTINUING OPERATIONS	
	30 JUNE 2021 $'000	30 JUNE 2020 RESTATED $'000
EBITDA	15,786	(62,146)
Additional inventory provision	-	14,758
Product recall costs	(998)	-
Restructuring expenses	9,216	1,310
Litigation	7,377	-
Additional debtor provisioning	-	3,013
Acquisition costs	-	861
Discount charge - limited recourse facility	1,319	1,471
Unrealised foreign exchange loss	770	(8)
Employee incentives (FY20: share-based payments)	753	(417)
Other non-trading expenses	126	5
Adjusted Operating EBITDA (post AASB 16)	34,350	(41,153)
Adjusted Operating EBITDA (pre AASB 16)	22,357	(53,988)

Directors' Report

10.4 Executive KMP Remuneration Mix

Salary reviews for Board approval will be undertaken each year. KMP salary increases are at the discretion of the Board.

The following remuneration mix is recommended by level:

POSITION	FIXED REMUNERATION (FR)	SHORT TERM INCENTIVE PLAN (STIP)	LONG TERM INCENTIVE PLAN (LTIP)	TOTAL TARGETED REMUNERATION (TTR)
Chief Executive Officer[1]	Up to 50%	Up to 25%	Up to 25%	100%
Other KMP (CFO, COO)	Up to 60%	Up to 20%	Up to 20%	100%

Notes:

[1] *While CEO performance and accountability remains aligned with the business performance metrics of the Group, the Chief Executive Officer, Michael Perich, elected not to participate in the STIP and LTIP in FY21 and FY22.*

The Board has approved an executive remuneration malus and claw back provision in relation to performance-based remuneration.

The Committee will review the performance measures, remuneration framework and associated guiding principles once per annum, or more frequently if required for a specific purpose. The intention is to review the Executive KMP remuneration framework in future to incorporate a higher at-risk component (as a percentage of overall package), if appropriate.

10.5 Executive KMP Remuneration and STIP and LTIP outcomes

In making an assessment of the KMP, a review of the roles performed by KMP is undertaken each year. This review takes into consideration KMP ability to plan, direct and control the principle activities of the Group.

The statutory disclosures required by the *Corporations Act 2001* (Cth), as amended, and its regulations are set out below.

The tables below set out the total cash value of remuneration realised for the KMP and provide shareholders with details of the "take-home" pay received/receivable during the year. These earnings include cash salary, and where applicable, other benefits, directors' fees, bonus, superannuation and the value of shares issued to, or acquired on behalf of KMP following the vesting and exercise of options during the financial year. The tables do not include the accounting value of share-based payments consisting of options granted in the current and prior years required for statutory purposes. This is because those share-based payments are dependent on the achievement of performance hurdles and so may or may not be realised. It is noted that all past options plans have now vested or expired, and there are no remaining employee options plans.

Directors' Report

10.6 Executive KMP Remuneration Tables

Non-statutory disclosures are as follows:

EXECUTIVE KMP FY2021	SALARY[A] $	OTHER BENEFITS[B] $	BONUS[C] $	SUPERANNUATION $	VALUE OF EXERCISED OPTIONS[D] $	TOTAL $
Michael Perich[1]	657,342	-	-	21,694	-	679,036
Josée Lemoine[2]	204,000	-	360,000	5,789	-	569,789
Stuart Muir[2]	96,214	-	-	5,424	-	101,638
Timothy Moses	259,129	25,913	-	16,270	-	301,312
Stephanie Graham	178,764	20,873	-	14,576	-	214,213
Brendan Radford	133,563	-	-	5,975	-	139,538
Perry Gunner[3]	-	-	-	-	-	-
Trevor Allen[4]	-	-	-	-	-	-
	1,529,012	46,786	360,000	69,728	-	2,005,526

Notes:

[1] *Michael Perich was an Executive KMP effective 6 August 2020, therefore no prior year comparison is shown.*

[2] *Josée Lemoine and Stuart Muir commenced employment in FY21, therefore no prior year comparison is shown. Amounts reflect time in KMP role.*

[3] *Perry Gunner appointed Executive Chair from 23 June 2020 until 6 August 2020 (with no additional remuneration)*

[4] *Trevor Allen was appointed Interim Company Secretary/Executive Director from 23 June 2020 until 13 July 2020 (with no additional remuneration)*

[a] *Cash salary.*

[b] *Other benefits include employment entitlements paid – one-off cash payment in recognition of additional hours worked, noting also that Timothy Moses and Stephanie Graham were granted 6.5 days each of leave for time in lieu in the period.*

[c] *Bonus amounts for FY21 were awarded at Board discretion. The STIP and LTIP amounts awarded to Josée Lemoine are: $180,000 STIP and $180,000 LTIP, representing a 100% payout post confirmation of audited accounts on the STIP and where the LTIP remains subject to the 3-year retention period being met.*

[d] *No options were awarded or exercised in the period and all share scheme interests issued prior to FY21 have now lapsed.*

EXECUTIVE KMP FY2020	SALARY[A] $	OTHER BENEFITS[B] $	BONUS[C] $	SUPERANNUATION $	VALUE OF EXERCISED OPTIONS[D] $	TOTAL $
Executive Director:						
Rory J.F. Macleod (until 29 Jun 2020)	547,397	-	-	21,003	-	568,400
Other Key Management Personnel:						
Amine Haddad (until 9 Jun 2020)	519,811	-	-	19,252	945,000	1,484,063
Campbell Nicholas (until 23 Jun 2020)	359,622	-	-	21,003	-	380,625
Timothy Moses	344,397	-	-	21,003	1,216,800	1,582,200
Brendan Radford (from 24 Jun 2020)	8,057	-	-	404	-	8,461
Stephanie Graham (from 24 Jun 2020)	4,990	-	-	404	-	5,394
	1,784,274	-	-	83,069	2,161,800	4,029,143

[a] *Cash salary.*

[b] *Other benefits include employment entitlements paid.*

[c] *There were no cash bonuses earned or paid.*

[d] *value of exercised options.*

Directors' Report

The tables below are calculated in accordance with statutory obligations and Australian Accounting Standards. The amounts in the "Share-based payments" column relate to the component of the fair value of awards from the current year and prior year made under the various incentive plans attributable to the year measured in accordance with *AASB 2 Share-based payments*.

Statutory disclosures are as follows:

	SHORT TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS		LONG TERM INCENTIVES*	
EXECUTIVE KMP 2021	SALARY $	OTHER BENEFITS $	SHORT TERM INCENTIVES $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	TERMINATION BENEFITS $	CASH (PAID IN 3 YRS) $	TOTAL $
Key Management Personnel:								
Michael Perich[1]	657,342	-	-	21,694	-	-	-	679,036
Josée Lemoine[2]	204,000	-	180,000	5,789	-	-	180,000	569,789
Stuart Muir	96,214	-	-	5,424	-	-	-	101,638
Timothy Moses[3]	259,129	25,913	-	16,270	-	241,814[4]	-	543,126
Stephanie Graham[3]	178,764	20,873	-	14,576	-	22,676	-	236,889
Brendan Radford[3]	133,563	-	-	5,975	-	39,869	-	179,407
Perry Gunner[5]	-	-	-	-	-	-	-	-
Trevor Allen[6]	-	-	-	-	-	-	-	-
	1,529,012	46,786	180,000	69,728	-	304,359	180,000	2,309,885

Notes:

[1] *While CEO performance and accountability remains aligned with the business performance metrics of the Group, the Chief Executive Officer, Michael Perich, elected not to participate in the STIP and LTIP in FY21 and FY22.*

[2] *bonus amounts for FY21 were awarded at Board discretion. The STIP and LTIP amounts awarded to Josée Lemoine are: $180,000 STIP and $180,000 LTIP, representing a 100% payout post confirmation of audited accounts on the STIP and where the LTIP remains subject to the 3-year retention period being met.*

[3] *Eligible termination payments: Timothy Moses – redundancy payments; Stephanie Graham – termination release; Brendan Radford – payment in lieu of notice.*

[4] *Timothy Moses was also paid out $52,063 in Long Service Leave benefits at termination of his employment (the amounts were accrued in FY20).*

[5] *Perry Gunner was appointed Executive Chair for the period 23 June 2020 to 6 August 2020 (with no additional remuneration).*

[6] *Trevor Allen was appointed Interim Company Secretary/Executive Director from 23 June 2020 until 13 July 2020 (with no additional remuneration).*

No options were awarded or exercised in the period, all share scheme interests issued prior to FY21 have now lapsed.

Directors' Report

	SHORT TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE-BASED PAYMENTS /SERVICE RIGHTS	
EXECUTIVE KMP 2020	SALARY $	OTHER BENEFITS $	SHORT TERM INCENTIVES $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	OPTIONS $	TOTAL $
Executive Director:							
Rory J. F. Macleod	547,397	-	-	21,003	64,193	(905,597)[2]	(273,004)
Other Key Management Personnel:							
Amine Haddad	519,811	-	-	19,252	86,679	(543,358)[2]	82,384
Campbell Nicholas	359,622	-	-	21,003	-	(4,762)[2]	375,863
Timothy Moses	344,397	-	-	21,003	57,525[1]	188,555	611,480
Brendan Radford	8,057	-	-	404	-	-	8,461
Stephanie Graham	4,990	-	-	404	-	-	5,394
Michael Perich	-	-	-	-	-	-	-
Perry Gunner[3]	-	-	-	-	-	-	-
Trevor Allen[4]	-	-	-	-	-	-	-
	1,784,274	-	-	83,069	208,397	(1,265,162)	810,578

Notes:

[1] *This amount relates to accrual of Long Service Leave, allowing for up to 10 years of service.*

[2] *The share-based benefits noted for FY20 are negative due to the reversal of previously recognised share-based expense arising from forfeiture of share options granted to Rory Macleod, Campbell Nicholas and Amine Haddad.*

[3] *Perry Gunner was appointed Executive Chair for the period 23 June 2020 to 6 August 2020 (with no additional remuneration).*

[4] *Trevor Allen was appointed Interim Company Secretary/Executive Director from 23 June 2020 until 13 July 2020 (with no additional remuneration).*

Directors' Report

Executive KMP shareholdings

Of note, no share scheme interests were issued under the Executive Incentive Plan in FY21 and all share scheme interests issued prior to FY21 have now lapsed.

The number of shares in the Company held during the financial year by each Executive KMP of the Group, including their related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	RECEIVED ON EXERCISE OF OPTIONS	DIVIDEND REINVESTMENT PLAN	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Number of ordinary shares					
Timothy Moses (ceased 26 March 2021)	321,032	0	0	(260,000)[2]	61,032
Michael Perich[1]	145,556,000	-	-	-	145,556,000
	145,877,032	-	-	(260,000)	145,617,032

Notes:

[1] *Anthony M. Perich, Ronald Perich and Michael Perich (as Interim Chief Executive Officer from 6 August 2020) are Directors of Arrovest Pty Limited, an entity holding direct interest in the Group.*

[2] *Sold on 25 March 2021.*

	BALANCE AT THE START OF THE YEAR	NOTES ACQUIRED	NOTES CONVERTED	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Number of convertible notes					
Michael Perich[1]	-	126,142,300	-	-	126,142,300
	-	126,142,300	-	-	126,142,300

Notes:

[1] *Anthony M. Perich, Ronald Perich and Michael Perich (as Interim Chief Executive Officer from 6 August 2020) are Directors of Arrovest Pty Limited, an entity holding direct interest in the Group.*

Directors' Report

10.7 Non-executive Director Remuneration

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at an Annual or Extraordinary General Meeting. Total fees for all Non-executive Directors, last voted upon by shareholders at the 2019 AGM was not to exceed $1,050,000 in total. Total fees paid to Non-executive Directors for FY21 was $703,660 (excluding any exertion payments (FY20: $702,172). To align director interests with shareholder/stakeholder interests, the Directors are encouraged to hold shares in the Company. The Executive Incentive Plan (EIP) allows the Company to grant a range of different salary sacrifice share scheme interests to all directors (excluding Ronald Perich and Anthony M. Perich AM and their Alternates), although no arrangements have been put in place to date.

Non-executive Directors do not receive performance-related remuneration. Directors' fees cover all main Board activities including Committee Fees. Other than contributions towards superannuation funds, there are no termination or retirement benefits available to Non-executive Directors. From time to time, the Board may deem it appropriate for Non-executive Directors to receive Company exertion payments or securities as consideration for work performed over-and-above the typical duties of a Director. From time to time, the Board may deem it be acceptable for past Directors to be engaged and paid as consultants to assist the Company.

The Directors volunteered to reduce their Board fees by 20% for FY21 (commencing 1 July 2020 to 30 June 2021).

	SHORT TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE-BASED PAYMENTS	
NON-EXECUTIVE DIRECTORS FY21	DIRECTOR'S FEES $	COMMITTEE CHAIR FEE[6] $	SHORT TERM INCENTIVES $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	OPTIONS $	TOTAL $
Perry Gunner[1]	68,189	-	-	6,478	-	-	74,667
Genevieve Gregor[2]	138,659	1,288	-	10,006	-	-	149,953
Anthony Perich AM	117,199	-	-	11,134	-	-	128,333
Ronald Perich[1]	59,665	-	-	5,668	-	-	65,333
Trevor Allen[1]	64,523	-	-	810	-	-	65,333
Jane McKellar	103,903	3,805	-	8,097	-	-	115,805
Timothy Bryan[3]	57,833	3,805	-	5,856	-	-	67,494
Stuart Black AM[4]	28,718	2,663	-	2,981	-	-	34,362
Michael Perich[5]	2,174	-	-	206	-	-	2,380
	640,863	11,561	-	51,236	-	-	703,660

Notes:

[1] *Perry Gunner, Ronald Perich and Trevor Allen retired from the Board on 29 January 2021.*

[2] *Genevieve Gregor was an Independent Non-executive Director for the full year and was appointed as Chair effective 29 January 2021, and her remuneration reflects time in the Chair role.*

[3] *Timothy Bryan was appointed as Non-executive Director effective 29 January 2021 and was an Alternate Director to Ronald Perich up to that date.*

[4] *Stuart Black AM was appointed as Independent Non-executive Director effective 22 March 2021 and his remuneration reflects time in the role.*

[5] *Michael Perich was appointed as Chief Executive Officer from 6 August 2020 and was not an Alternate Director from that date.*

[6] *Committee Chair fees were introduced in FY21 and were paid as pro-rata for the period February to June 2021.*

Board exertion payments

In recognition of significant additional contributions made during FY21 in their roles as part of the recapitalisation process, the Board determined to pay exertion payments of $300,000 to Board Chair Ms Genevieve Gregor and $150,000 to the Chair of the People & Culture Committee Ms Jane McKellar. Additional payments are in recognition of additional days worked by Ms Gregor and Ms McKellar during the recapitalisation process above those typically required of a Director. Ms Gregor and Ms McKellar agreed to reinvest the after tax amount of the additional payments to acquire Notes under the wholesale investor offer. Ms Gregor and Ms McKellar acquired Notes up to the after-tax amounts of the exertion payment (i.e. up to approximately 150,000 for Ms Gregor and up to approximately 75,000 for Ms McKellar).

Directors' Report

	SHORT TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE-BASED PAYMENTS	
NON-EXECUTIVE DIRECTORS FY20	DIRECTOR'S FEES $	OTHER BENEFITS $	SHORT TERM INCENTIVES $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	OPTIONS $	TOTAL $
Perry R. Gunner	143,836	-	-	13,664	-	-	157,500
Anthony Perich AM	134,703	-	-	12,797	-	-	147,500
Ronald Perich	125,571	-	-	11,929	-	-	137,500
Trevor J. Allen	125,571	-	-	11,929	-	-	137,500
Genevieve Gregor[1]	41,798	-	-	3,971	-	-	45,769
Jane McKellar[2]	18,522	-	-	1,760	-	-	20,282
Michael Perich (Alternate)[3]	32,443	-	-	3,082	-	-	35,525
Timothy Bryan (Alternate)	18,809	-	-	1,787	-	-	20,596
	641,253	-	-	60,919	-	-	702,172

Notes:

[1] *Genevieve Gregor was appointed as Independent Non-executive Director effective 2 March 2020 and her remuneration reflects time in the role.*

[2] *Jane McKellar was appointed as Independent Non-executive Director effective 8 May 2020 and her remuneration reflects time in the role.*

[3] *Michael Perich was an Executive KMP from 6 August 2020.*

Non-Executive Director shareholdings

The number of shares in the Company held during the financial year by each Non-executive Director of the Group, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	RECEIVED ON EXERCISE OF OPTIONS	DIVIDEND REINVESTMENT PLAN	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Number of ordinary shares					
Perry R. Gunner	1,288,099	-	-	-	1,288,099
Anthony M. Perich AM[4]	145,556,000	-	-	-	145,556,000
Ronald Perich[4]	145,556,000	-	-	-	145,556,000
Trevor Allen	139,925	-	-	-	139,925
Genevieve Gregor	23,500	-	-	-	23,500
Jane McKellar	1,605	-	-	-	1,605
Timothy Bryan	54,126	-	-	-	54,126
	147,063,255	-	-	-	147,063,255

Notes:

[4] *Anthony M. Perich, Ronald Perich and Michael Perich (as Interim Chief Executive Officer from 6 August 2020) are Directors of Arrovest Pty Limited, an entity holding direct interest in the Group. For the purposes of this table, this interest is only included once in the total.*

Directors' Report

	BALANCE AT THE START OF THE YEAR	NOTES ACQUIRED	NOTES CONVERTED	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Number of convertible notes					
Anthony M. Perich AM[1]	-	126,142,300	-	-	126,142,300
Ronald Perich[1]	-	126,142,300	-	-	126,142,300
Genevieve Gregor	-	150,000	-	-	150,000
Jane McKellar	-	74,910	-	-	74,910
Timothy Bryan	-	25,000	-	-	25,000
Stuart Black	-	25,000	-	-	25,000
	-	126,417,210	-	-	126,417,210

Notes:
[1] *Anthony M. Perich, Ronald Perich and Michael Perich (as Interim Chief Executive Officer from 6 August 2020) are Directors of Arrovest Pty Limited, an entity holding direct interest in the Group. For the purposes of this table, this interest is only included once in the total.*

	BALANCE AT THE START OF THE YEAR	OPTIONS ACQUIRED	OPTIONS EXERCISED	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Number of listed options					
Genevieve Gregor	-	7,298	-	-	7,298
	-	7,298	-	-	7,298

This completes the audited remuneration report

Directors' Report

11. INDEMNITY AND INSURANCE OF OFFICERS

Under the Company's Constitution, to the maximum extent permitted by law, the Company indemnifies the officers and former officers of the Company against all losses, liabilities, costs, charges and expenses incurred by the officer in the execution of the officer's duties as an officer of the Company.

The Company has entered a Deed of Access and Indemnity with each of its Directors and officers (each an Officer). This Deed:

- indemnifies the Officer to the maximum extent permitted by law against liabilities incurred by the Officer arising from the person's position as an Officer of the Company;
- requires the Company to maintain, and pay the premium for, a D&O insurance policy in respect of the Officer; and
- provides the Officer access to books of the Company for a purpose permitted by the Deed.

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

The Company has not, during the financial year, in respect of any person who is or has been an officer of the Company, indemnified or agreed to indemnify that person in respect of any liability described in section 199A(2) or (3) of the *Corporations Act 2001* (Cth).

12. INDEMNITY AND INSURANCE OF AUDITOR

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

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

13. PROCEEDINGS ON BEHALF OF THE COMPANY

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

14. NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 43 to the consolidated financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 43 to the consolidated financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

Directors' Report

15. 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.

16. 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 91.

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

Genevieve Gregor
Chair

30 August 2021
Sydney

Auditor's Independence Declaration

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

30 August 2021

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 audit of the financial statements of Freedom Foods Group Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants

Consolidated Statement of Profit & Loss and Other Comprehensive Income FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	CONSOLIDATED	
		2021 $'000	2020 RESTATED[1] $'000
Revenue			
Revenue from sale of goods	5	559,068	516,651
Cost of sales		(461,763)	(503,357)
Gross margin		97,305	13,294
Selling and marketing expenses		(22,474)	(28,989)
Distribution expenses		(43,281)	(39,430)
Gross profit		31,550	(55,125)
Other income/(expense)	6	19,332	(191)
Expenses			
Product development expenses		(1,831)	-
Expected credit losses	10	347	(3,080)
Administrative expenses	7	(47,318)	(31,334)
Impairment of right of use assets	16	-	(3,793)
Impairment of non-financial assets	7	(1,910)	(21,930)
Net finance costs	7	(39,535)	(21,595)
Share of profits/(losses) of associates accounted for using the equity method	14	607	586
Loss before income tax (expense)/benefit from continuing operations		(38,758)	(136,462)
Income tax (expense)/benefit	25	(17)	101
Loss after income tax (expense)/benefit from continuing operations		(38,775)	(136,361)
Loss after income tax expense from discontinued operations	32	(14,402)	(39,297)
Loss after income tax (expense)/benefit for the year attributable to the owners of Freedom Foods Group Limited		(53,177)	(175,658)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
(Loss)/gain on revaluation of land and buildings, net of tax	31	(30)	411
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	31	623	137
Other comprehensive income for the year, net of tax		593	548
Total comprehensive income for the year attributable to the owners of Freedom Foods Group Limited		(52,584)	(175,110)
Total comprehensive income for the year is attributable to:			
Continuing operations		(38,182)	(136,195)
Discontinued operations		(14,402)	(38,915)
		(52,584)	(175,110)

[1] *Refer to Note 3 for detailed information on restatement of comparatives arising from change in accounting standards.*

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

		CENTS	CENTS
Earnings per share for loss from continuing operations attributable to the owners of Freedom Foods Group Limited			
Basic earnings per share	8	(13.99)	(49.69)
Diluted earnings per share	8	(13.99)	(49.69)
Earnings per share for loss from discontinued operations attributable to the owners of Freedom Foods Group Limited			
Basic earnings per share	8	(5.20)	(14.32)
Diluted earnings per share	8	(5.20)	(14.32)
Earnings per share for loss attributable to the owners of Freedom Foods Group Limited			
Basic earnings per share	8	(19.19)	(64.01)
Diluted earnings per share	8	(19.19)	(64.01)

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

Consolidated Statement of Financial Position
AS AT 30 JUNE 2021

	NOTES	CONSOLIDATED 2021 $'000	2020 RESTATED[1] $'000
Assets			
Current assets			
Cash and cash equivalents	9	31,668	17,167
Trade and other receivables	10	50,141	52,101
Inventories	11	48,358	63,674
Derivative financial instruments	12	-	2,504
Prepayments		3,624	2,804
		133,791	138,250
Non-current assets classified as held for sale	32	6,464	-
Total current assets		140,255	138,250
Non-current assets			
Financial assets at fair value through other comprehensive income	13	5,857	-
Investments accounted for using the equity method	14	22,684	27,934
Property, Plant and Equipment	15	253,575	293,742
Right of use assets	16	86,534	172,304
Intangibles	17	29,764	30,599
Total non-current assets		398,414	524,579
Total assets		538,669	662,829
Liabilities			
Current liabilities			
Trade and other payables	18	67,464	111,011
Payable to related parties	18	1,103	245
Bank borrowings	20	24,316	292,324
Lease liabilities	19	1,427	2,304
Derivative financial instruments	21	-	2,329
Provisions	27	5,888	6,557
Total current liabilities		100,198	414,770
Non-current liabilities			
Bank borrowings	22	74,597	-
Convertible notes	23	251,006	-
Lease liabilities	24	111,047	192,341
Provisions	28	328	1,641
Total non-current liabilities		436,978	193,982
Total liabilities		537,176	608,752
Net assets		1,493	54,077
Equity			
Issued Capital	29	598,712	598,712
Reserves	31	(60,378)	(55,851)
Accumulated losses		(536,841)	(488,784)
Total equity		1,493	54,077

[1] *Refer to Note 3 for detailed information on restatement of comparatives arising from change in accounting standards.*

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

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 RESTATED[1] $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		596,693	574,782
Payments to suppliers and employees (inclusive of GST)		(602,216)	(649,570)
		(5,523)	(74,788)
Payments for restructuring expenses		(15,095)	-
Interest received		-	672
Interest on lease liabilities paid		(11,262)	(11,932)
Other interest and finance costs paid		(20,917)	(12,629)
Net cash used in operating activities	41	(52,797)	(98,677)
Cash flows from investing activities			
Payments for property, plant and equipment	42	(2,658)	(19,258)
Proceeds from disposal of business	32	16,158	-
Investment in associates and joint ventures	14	-	(4,413)
Net cash from/(used in) investing activities	42	13,500	(23,671)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the company	29	-	3,555
Payment of share issue costs		-	(252)
Dividends paid	30	-	(2,659)
Proceeds from issue of convertible notes	23	265,000	-
(Repayments)/proceeds from bank borrowings		(196,785)	86,330
Payments for transaction costs related to issue of convertible notes		(8,963)	-
Payments for other finance related transaction costs		(1,214)	-
Repayment of leases		(4,240)	(2,844)
Net cash from financing activities	42	53,798	84,130
Net increase/(decrease) in cash and cash equivalents		14,501	(38,218)
Cash and cash equivalents at the beginning of the financial year		17,167	55,385
Cash and cash equivalents at the end of the financial year	9	31,668	17,167

Refer to Note 41 for non-cash investing and financing activities.

[1] *Refer to Note 3 for detailed information on restatement of comparatives arising from change in accounting standards.*

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

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2021

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	ACCUMULATED LOSSES $'000	TOTAL EQUITY $'000
Balance at 1 July 2019	589,123	(44,750)	(309,716)	234,657
Prior year restatement (note 3)	-	-	(5,772)	(5,772)
Balance at 1 July 2019 - restated	589,123	(44,750)	(315,488)	228,885
Loss after income tax benefit for the year	-	-	(175,658)	(175,658)
Other comprehensive income for the year, net of tax	-	548	-	548
Total comprehensive income for the year	-	548	(175,658)	(175,110)
Issue of ordinary shares in accordance with the dividend reinvestment plan (note 29)	3,555	-	-	3,555
Issue of ordinary shares from an entitlement offer (note 29)	6,211	-	-	6,211
Share issue costs (note 29)	(252)	-	-	(252)
Related income tax	75	-	-	75
Share based payments (note 40)	-	(11,649)	11,232	(417)
Dividends paid (note 30)	-	-	(8,870)	(8,870)
Balance at 30 June 2020	598,712	(55,851)	(488,784)	54,077

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	ACCUMULATED LOSSES $'000	TOTAL EQUITY $'000
Balance at 1 July 2020	598,712	(55,851)	(488,784)	54,077
Loss after income tax expense for the year	-	-	(53,177)	(53,177)
Other comprehensive income for the year, net of tax	-	593	-	593
Total comprehensive income for the year	-	593	(53,177)	(52,584)
Land and buildings revaluation (note 31)	-	(3,518)	3,518	-
Share based payments (note 40)	-	(1,602)	1,602	-
Balance at 30 June 2021	598,712	(60,378)	(536,841)	1,493

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

Notes to the Financial Statements 30 JUNE 2021

NOTE 1. GENERAL INFORMATION

The financial statements of Freedom Foods Group Limited ("Group" or "Company") for the year ended 30 June 2021 were authorised for issue in accordance with resolution of Directors on 30 August 2021. The Directors have the power to amend, restate and reissue the financial statements.

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

Effective 2 August 2021, the Company's share options are also trading on ASX under the symbol 'FNPO'.

The nature of the operations and principal activities of the Group are described in note 4. Discontinued operations' results are shown on one line in the Statement of profit and loss for both FY21 and FY20 with the results of the continuing operations reflected above that line. Both the Statement of financial position and cash flows reflect the consolidated results.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Statement of compliance

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

(b) Basis of preparation

The financial statements of the Group have been prepared as a going concern on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The Company is of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The financial statements are presented in Australian dollars.

Going concern

The Group has prepared the financial statements for the year ended 30 June 2021 on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group made a FY21 loss after tax of $53.2m (FY20 restated loss of $175.7m). Net cash outflows from operating activities in FY21 were $52.8m (FY20 $98.7m). The losses incurred in the year ended 30 June 2021 were anticipated by management as the business is restructured and includes $27.9m of recapitalisation, financial restatement, litigation and redundancy expenses.

At 30 June 2021, the Group had net current assets of $40.1m (FY20: net current liabilities of $276.5m), net assets of $1.5m (FY20: $54.1m). The net assets at 30 June 2021 included $251m in respect of convertible notes which were marked to market as per the accounting standard requirements. The convertible notes will cease to be a liability at such time when the noteholders convert the notes into equity or are repaid (refer to note 23).

In response to the financial issues affecting the Group, the Directors and management have implemented and are continuing to implement decisive actions to stabilise and transform the business.

Notes to the Financial Statements 30 JUNE 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The successful completion of the capital raising marked an important step towards the Group's financial turnaround, as the new funding arrangements provide a more flexible capital structure to support the Group's transformation. From the proceeds raised from the convertible notes issue of $265m, the Group applied $231m towards repayment of senior term, senior revolving and subordinated debt. The balance of the proceeds provided working capital of $34m for general corporate purposes and to pay fees and expenses associated with the recapitalisation. Following completion of the capital raising, while the aggregate level of debt will not reduce as the convertible notes are classified as debt for financial reporting purposes, the Group expects its senior leverage and finance costs to reduce over time as the business performance improves and the convertible notes are either converted to equity or repaid.

As part of the recapitalisation, the Group entered into a new two year, $36m senior secured revolving facility with its Senior Financiers whereas the Group's existing equipment financing facilities and debtor financing facilities remained in place on substantially similar terms. The cash at bank combined with the available headroom in the new $36m revolving credit facility and the debtor financing facilities of $12m are considered by the Board and management to provide the Group with sufficient liquidity to cater for the day to day operations of the business. In addition, the Group's financial performance is expected to continue to improve in FY22 and result in positive operating cash flows as management executes its strategy of driving operational improvements and focusing on profitable growth.

Whilst the recapitalisation addressed the uncertainty regarding the Group's immediate ability to continue as a going concern due to a lack of available funding, the Group is still subject to legal proceedings that have the potential to materially and adversely impact the Group's financial and operating performance (refer to note 34). These include:

- Legal proceedings brought against Freedom Foods Pty Ltd (a subsidiary of the Company) by Blue Diamond Growers in respect of alleged breaches of the Licence Agreement between Blue Diamond Growers and Freedom Foods Pty Ltd; and
- Two Class Actions brought against the Company in respect of alleged breaches of the *Corporations Act 2001* (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law.

The Group is defending the litigation referred to above and has engaged appropriate legal counsel to assist in defending the Group against such claims.

The legal proceedings brought against Freedom Foods Pty Ltd (a subsidiary of the Company) by Blue Diamond Growers and the two Class Actions commenced against the Company ("claims") are at a preliminary stage and any likely outcomes and potential financial impact are not able to be assessed with any certainty at the time of signing of the financial statements.

Should the Group be unsuccessful in its defence against these claims the Group may become liable for material compensation amounts and the impacts may include potential restrictions on the Group's operations. There is a risk that the Group will have insufficient funds to be able to pay these compensation amounts and that restrictions on the Group's operations may also have a material impact on its ability to continue operating as a going concern.

As noted above, any potential financial impact and likely outcomes cannot be assessed with any certainty at the time of signing of the financial statements (and, in addition, the Directors are proactively taking steps to manage and mitigate the risks associated with the claims and accordingly, the financial report has been prepared on a going concern basis.

Due to the uncertainty surrounding the above matters, a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it may be able to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

New and amended standards adopted by the Group

During the year, the Group has applied a number of new and revised accounting standards issued by the Australian Accounting Standards Board (AASB) that are effective for an accounting period that begins on or after 1 July 2020, as follows:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 related Rent Concessions

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

In addition to the amendments listed above, IFRIC issued an agenda decision in April 2021 in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements clarifying its interpretation of how current accounting standards apply to these types of arrangements. This resulted in a change in accounting policy and the Group restated historical financial information to account for the impact of the change which is disclosed in note 3.

(c) Basis of consolidation

The Consolidated financial statements incorporate the financial statements of Freedom Foods Group Limited and entities controlled by the Group and its subsidiaries ('the Group'). The Group controls an entity when:

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

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of profit or loss and comprehensive income from the date on which the Company obtains control and until such time at the Company ceases to control such entity.

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

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

The amounts attributable to the non-controlling interests are not separately disclosed as the financial statements are rounded to the nearest thousand dollars under Australian Securities and Investments Commission Corporations Instrument 2016/191.

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the Company and usually exists where the Group holds between 20% and 50% of the voting rights or representation on the Board of Directors. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

Notes to the Financial Statements 30 JUNE 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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

(e) Foreign currency

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of the transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation are recognised in the statement of profit or loss and other comprehensive income, except for qualifying cash flow hedges which are deferred to equity.

On consolidation the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date

Foreign exchange differences resulting from translation are initially recognised in the foreign currency translation reserve and subsequently transferred to the profit or loss on disposal of the foreign operation.

(f) Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income "OCI" or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

The measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group measures all investments in equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the instrument. Dividends from such instruments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value.

Notes to the Financial Statements 30 JUNE 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 10 for further details.

(g) Impairment of non-financial assets including investments accounted for using the equity method

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets, including investments accounted for using the equity method, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Critical accounting estimates and judgements

In applying the Group's accounting policies, the Directors are required to make estimates, judgements and assumptions that affect the amounts reported in the financial report.

The estimates, judgements and assumptions are based on historical experience, adjusted for current conditions and other factors that are believed to be reasonable under the circumstances and reviewed on a regular basis.

The actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

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

- Note 10: Estimation of expected credit losses
  The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

- Note 11: Estimation of net realisable value of inventories
  The Group reviews net realisable value (NRV) of inventories regularly to determine that it is stated at the lower of cost and NRV. Factors that could affect NRV and hence future realisation of inventories include competitor actions and market trends. Changes in the NRV of inventory could affect profit in the future period.

- Note 13: Financial assets at fair value through other comprehensive income
  The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value of the Group's investment in Shenzhen JiaLiLe Co. Limited (JLL) is determined by the market approach using prices and other relevant information generated by market transactions involving identical or comparable businesses and interest shown by shareholders.

- Note 14: Judgement in determining significant influence and whether to apply equity accounting to certain investments
  The Group has a 10% ownership interest in Australian Fresh Milk Holdings Pty Limited (AFMH). Although the Group holds less than 20% of the equity shares of AFMH but the Group exercises significant influence by virtue of having a related party holding 37% of the equity shares.

- Note 15: Estimates of useful lives of assets
  The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

- Note 15: Estimates of cost of assets included in capital work in progress and the timing of transfer of capital work in progress to property, plant and equipment
  The Group applies AASB 116 in the determination of costs that may be capitalised as part of capital work in progress, as reflected in its fixed assets accounting policy. Judgement is required in determining the extent to which the costs are eligible for capitalisation including employee and borrowing costs, the period over which they should be capitalised and when those assets are ready for their intended use. Depreciation commences from the point when such assets are ready and available for their intended use.

- Note 15: Identification of cash generated units ("CGUs")
  If there is any indication that an asset may be impaired, the Group estimates the recoverable amount for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs. It is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's CGU involves judgement. In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or groups of assets), the Group considers various factors including product lines, businesses, individual locations, regional areas or how the decisions are made about continuing or disposing of the Group's assets and operations.

- Note 16: Determining the lease term
  The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. These factors are difficult to assess and require judgement. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

- Note 17: Determining the recoverable amounts of tangible and intangible assets
  The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 17. The Group also assesses whether there are any indicators of impairment for individual assets and performs impairment testing when required. The recoverable amounts of these assets are assessed with reference to forecast demand for existing and new products, forecast production efficiencies of manufacturing equipment, future use in other parts of the production facilities, costs of repurposing and/or commissioning assets and. estimating market prices for assets which aren't supported by their value in use. The recoverable amounts of cash-generating units ('CGUs') have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated revenue growth, gross margin growth, manufacturing efficiency gains and other operational cost reductions, forward foreign currency exchange rates, royalty rates and discount rates based on the current cost of capital.

- Note 24: Determining the incremental borrowing rate (IBR) to measure lease liabilities
  When measuring its lease liability, the Group discounts its remaining lease payments using IBR if the interest rate implicit in the lease cannot be readily determined. Determination of an appropriate IBR requires consideration of various factors including lease asset type, currency, term, funding amount and the economic environment in which the lease asset is obtained.

Notes to the Financial Statements 30 JUNE 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- Note 25: Recognition of deferred tax asset
  The Group estimates future taxable profits based on approved budgets and forecasts. Future taxable profits are influenced by a variety of general economic and business conditions, which are outside the control of the Group. A change in any of these assumptions could have an impact on the future profitability of the Group and may affect the recognition and/or recovery of deferred tax assets. The potential business impacts of COVID-19 have been reflected in the current forecasts. The recognition of deferred tax assets including those arising from tax losses has been determined with reference to these forecasts.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Key impacts are summarised below:

- Grocery shelf stable beverage sales increased through the lockdown periods, together with increased sales of Group's shelf-stable seafood range. Demand in the domestic out-of-home sector is regionally impacted as areas go in and out of lockdown. Margins in the grocery channel are materially lower than out-of-home.
- Export volume to China and South East Asia have partly rebounded but each lockdown sees an impact on sales depending on the severity of the lockdown implemented in these regions.
- Supply chains are disrupted worldwide with significant impacts on logistics effecting raw material supplies, freight availability and cost.

New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this Financial Report.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to AASB 101)
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)
- Annual Improvements 2018–2020 and Other Amendments (Amendments to AASB 1, AASB 3, AASB 9, AASB 116 and AASB 137)

NOTE 3. RESTATEMENT OF COMPARATIVES

(a) Change in accounting policy

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy and the restated historical financial information to account for the impact of the change are disclosed in this note.

Accounting policy

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received unless such costs are incurred for the development of software code that is under the Groups control.

The costs incurred for the development of software code that enhances or modifies or creates additional capability to existing on-premise systems and is under the Group's control meet the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Critical judgement

Part of the customisation and configuration activities undertaken in implementing SaaS arrangements may entail the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications (referred to as bridging modules or APIs). Judgements were applied in determining whether the additional code meets the definition of and recognition criteria for an intangible asset in AASB 138 Intangible Assets.

Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, the Group applied judgement to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term.

Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement was applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant.

Impact on financial information

In FY21, the change in accounting policy resulted in a net decrease in loss after tax expense from continuing operations by $0.8m due to the reversal of software amortisation charge partially offset by software asset write off. The intangible assets and net assets in the statement of financial position also reduced by $6.1m.

Historical financial information has also been restated to account for the impact of the change in accounting policy and detailed below.

Statement of profit or loss for the year ended 30 June 2020 (both continuing and discontinued operations):

	CONSOLIDATED		
	2020 REPORTED $'000	ADJUSTMENT $'000	2020 RESTATED $'000
Revenue from sale of goods	516,651	-	516,651
Cost of sales	(503,357)	-	(503,357)
	13,294	-	13,294
Administrative expenses	(30,184)	(1,150)	(31,334)
Other operating expenses	(119,008)	-	(119,008)
Share of profits of associates accounted for using the equity method	586	-	586
Loss before income tax benefit from continuing operations	(135,312)	(1,150)	(136,462)
Income tax benefit	101	-	101
Loss after income tax benefit from continuing operations	(135,211)	(1,150)	(136,361)
Loss after income tax benefit from discontinued operations	(39,297)	-	(39,297)
	(174,508)	(1,150)	(175,658)

	CENTS REPORTED	CENTS RESTATED
Basic earnings per share	(63.59)	(64.01)
Diluted earnings per share	(63.59)	(64.01)

Notes to the Financial Statements 30 JUNE 2021

NOTE 3. RESTATEMENT OF COMPARATIVES (CONT.)

Statement of financial position for the year ended 30 June 2020:

	CONSOLIDATED		
	2020 REPORTED $'000	ADJUSTMENT $'000	2020 RESTATED $'000
Current assets	146,536	-	146,536
Non-current assets	-	-	-
Intangible assets	36,753	(6,154)	30,599
Other non-current assets	498,613	(768)	497,845
	681,902	(6,922)	674,980
Current liabilities	(426,921)	-	(426,921)
Non-current liabilities	(193,982)	-	(193,982)
	(620,903)	-	(620,903)
	60,999	(6,922)	54,077
Issued Capital	598,712	-	598,712
Reserves	(55,851)	-	(55,851)
Accumulated losses	(481,862)	(6,922)	(488,784)
	60,999	(6,922)	54,077

Statement of financial position for the year ended 30 June 2019:

	CONSOLIDATED		
	2019 REPORTED $'000	ADJUSTMENT $'000	2019 RESTATED $'000
Current assets	208,227	-	208,227
Non-current assets	-	-	-
Intangible assets	53,020	(5,772)	47,248
Other non-current assets	294,260	-	294,260
	555,507	(5,772)	549,735
Current liabilities	(187,344)	-	(187,344)
Non-current liabilities	(133,506)	-	(133,506)
	234,657	(5,772)	228,885
Issued Capital	589,123	-	589,123
Reserves	(44,750)	-	(44,750)
Accumulated losses	(309,716)	(5,772)	(315,488)
	234,657	(5,772)	228,885

(b) Reclassifications

(i) Selling expenses:

The Group reclassified its selling expenses from distribution expenses (previously called selling and distribution expenses) to selling and marketing expenses (previously called marketing expenses). Accordingly, the statement of profit or loss and other comprehensive income for FY20 is restated to conform with the current year presentation. Selling expenses for FY20 were $18.5m.

(ii) Inventory spares:

The Group reclassified its inventory spares from property, plant and equipment to inventory as they are consumables in nature and do not meet the definition of property, plant and equipment. Accordingly, statement of financial position for FY20 is restated to conform with the current year presentation. Inventory spares for FY20 were $3.9m (refer to note 11).

(iii) Trade spend accruals:

The Group reclassified its trade spend accruals from trade and other payables to trade and other receivables as these expenses are net settled by the customers. Accordingly, statement of financial position for FY20 is restated to conform with the current year presentation. Trade spend accruals for FY20 were $12.2m.

NOTE 4. OPERATING SEGMENTS

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

Dairy and Nutritionals*	A range of UHT (shelf stable) dairy milk beverage, nutritional products and performance and adult nutritional powders. These products are manufactured in Australia and sold in Australia and overseas.
Plant-Based Beverages	A range of UHT (shelf stable) beverage products including liquid stocks, soy, rice, oat and almond beverages. These products are manufactured in Australia and sold in Australia and overseas.
Cereal and Snacks*	A range of products for consumers including allergen free, nutritional oat based, low sugar or salt, highly fortified or functional. The product range covers breakfast cereals, snack bars and other complementary products. These products are manufactured and sold in Australia and overseas.
Specialty Seafoods	A range of canned seafood covering sardines, salmon and specialty seafood. These products are imported and sold in Australia and New Zealand.

** The Cereal and Snacks business was disposed of in March 2021 and hence classified as a discontinued operation during the financial year. The related results, assets and liabilities are shown separately in note 32. The Crankt protein brand, a component of the Cereal and Snacks business, has been retained by the Group. The financial performance of Crankt is now merged with the Dairy and Nutritionals segment.*

The 'Unallocated Shared Services' group consists of the Group's shared service functions that are not separately reportable and provide support services to other reportable operating segments. The Group's borrowings such as term loan facilities, recourse debtor financing facilities, revolver financing facilities, subordinated financing facilities and equipment financing facilities (together with associated finance costs) are not considered to be segment liabilities but are managed by the central treasury function. Although the equipment financing facilities are not considered to be segment liabilities, the underlying equipment has been appropriately allocated to the related segment.

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

Notes to the Financial Statements 30 JUNE 2021

NOTE 4. OPERATING SEGMENTS (CONT.)

Set out below 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 - 2021	DAIRY & NUTRITIONALS $'000	PLANT-BASED BEVERAGES $'000	SPECIALTY SEAFOOD $'000	UNALLOCATED SHARED SERVICES $'000	TOTAL $'000
Revenue					
Sales to external customers	394,344	152,950	11,774	-	559,068
Total revenue	394,344	152,950	11,774	-	559,068
EBITDA	342	27,680	(141)	(12,095)	15,786
Share of associates profits	-	-	-	607	607
Depreciation	(15,799)	(9,759)	-	(2,142)	(27,700)
Fair value changes of convertible notes	-	-	-	13,994	13,994
Impairment of non-financial assets	-	(1,910)	-	-	(1,910)
Net finance costs	(2,090)	(8,181)	-	(29,264)	(39,535)
Profit/(loss) before income tax expense from continuing operations	(17,547)	7,830	(141)	(28,900)	(38,758)
Income tax expense					(17)
Loss after income tax expense from continuing operations					(38,775)
Assets					
Segment assets	299,743	157,739	4,893	47,753	510,128
Financial assets at FVOCI					5,857
Investment in associate and joint venture					22,684
Total assets					538,669
Liabilities					
Segment liabilities	84,424	80,799	786	371,167	537,176
Total liabilities					537,176

CONSOLIDATED - 2020 RESTATED	DAIRY & NUTRITIONALS[1] $'000	PLANT-BASED BEVERAGES $'000	SPECIALTY SEAFOOD $'000	CEREAL & SNACKS $'000	UNALLOCATED SHARED SERVICES[2] $'000	TOTAL $'000
Revenue						
Sales to external customers	369,287	132,319	15,045	-	-	516,651
Total revenue	369,287	132,319	15,045	-	-	516,651
EBITDA	(62,539)	9,390	(309)	-	(8,688)	(62,146)
Share of associates losses	-	-	-	-	586	586
Depreciation	(14,500)	(11,000)	-	-	(2,083)	(27,583)
Impairment of right of use assets	-	-	-	-	(3,794)	(3,794)
Impairment of non-financial assets	(2,170)	(4,065)	(15,695)	-	-	(21,930)
Net finance costs	(2,122)	(8,701)	-	-	(10,772)	(21,595)
Loss before income tax benefit from continuing operations	(81,331)	(14,376)	(16,004)	-	(24,751)	(136,462)
Income tax benefit						101
Loss after income tax benefit from continuing operations						(136,361)
Assets						
Segment assets	309,006	247,148	4,937	35,811	37,993	634,895
Investment in associates and joint venture						27,934
Total assets						662,829
Liabilities						
Segment liabilities	94,369	166,709	1,734	19,698	326,242	608,752
Total liabilities						608,752

[1] *Dairy and Nutritionals include retained product results from divested Cereals and Snacks business.*

[2] *Unallocated shared services liabilities include convertible notes, equipment finance, debtor finance facilities and multi advance facilities which are not allocated to relevant operating segments. FY20 Unallocated Shared Services have been allocated to segments on the same basis as FY21 to enable year on year comparability.*

All operations are conducted in Australia, with the exception of Dairy and Nutritionals (Freedom Foods Shanghai and Freedom Foods Singapore). The operations of Freedom Foods North America were closed in FY21.

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

77% of total external sales of the Group are generated in Australia (FY20: 79%) with 14% generated from China (FY20: 11%) and 9% generated from other overseas countries (FY20: 10%).

Information about major customers

Included in total revenues (both continuing and discontinued operations) arising from external sales of $594.4m (FY20: $580.2m) are revenues of approximately $224.7m (FY20: $251.5m), generated from the top three retail customers representing 38% (FY20: 43%) of total revenue.

Notes to the Financial Statements 30 JUNE 2021

NOTE 5. REVENUE

	CONSOLIDATED	
	2021 $'000	2020 $'000
Revenue		
Continuing operations	559,068	516,651
Discontinued operations	35,321	63,540
Total revenue	594,389	580,191

Significant accounting policies

The Group applies AASB 15 Revenue from Contracts with Customers for revenue recognition. Revenue is recognised when control of the product has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the product. For domestic sales, the control is transferred when the product is delivered to the customer. Delivery occurs when the product has been shipped to the location specified by the customer and the customer accepts the product. For international sales, the transfer of control varies from order to order depending on the nature of the sales contract and the revenue is recognised when the goods are delivered and the customer takes ownership either when they are picked up from the Group's warehouse, delivered to the departure port or shipped to the destination port.

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

The Group recognises its revenue from contracts with customers for the transfer of goods at a point in time i.e., when the goods are delivered and the customer takes ownership.

For segment information, refer to note 4 and discontinued operations, refer to note 32.

NOTE 6. OTHER INCOME/(EXPENSE)

	CONSOLIDATED	
	2021 $'000	2020 $'000
Net foreign exchange gain/(losses)	5,117	(838)
Net gain on financial derivatives held at fair value through profit or loss	-	999
Net gain on financial liabilities held at fair value through profit or loss (note 23)	13,994	-
Other	221	(352)
Other income/(expense)	19,332	(191)

NOTE 7. EXPENSES

Loss before income tax (both from continuing and discontinued operations) includes the following specific expenses:

	CONSOLIDATED	
	2021 $'000	2020 $'000
Employee benefits		
Superannuation expenses	5,737	4,540
Share-based benefit*	-	(417)
STI and LTI expense	753	-
Employee benefits expense excluding superannuation and share-based payment expense	70,170	73,286
Total employee benefits	76,660	77,409
Employee benefits allocated to:		
Continuing	67,373	62,987
Discontinued	9,287	14,422
	76,660	77,409
Depreciation expense allocated to:		
Continuing	27,694	27,581
Discontinued	810	1,950
Total depreciation expense	28,504	29,531
Impairment of non-financial assets		
Goodwill (note 17)	-	5,846
Brand names and trademarks (note 17)	-	10,549
Property, plant and equipment (note 15)	-	4,800
Investments accounted for using the equity method (note 14)	-	735
Non-current assets classified as held for sale (note 32)	1,910	-
Total impairment of non-financial assets (all continuing operations)	1,910	21,930
Impairment of right of use assets allocated to:		
Continuing	-	3,793
Discontinued	-	358
Total impairment of right of use assets	-	4,151

** The share-based expense for FY20 is negative due to the inclusion of the reversal of previously recognised expense arising from forfeiture of share options granted to employees.*

Notes to the Financial Statements 30 JUNE 2021

NOTE 7. EXPENSES (CONT.)

	CONSOLIDATED	
	2021 $'000	2020 $'000
Administrative expenses		
Salaries and wages	16,830	15,988
Financial reporting restatement and recapitalisation expenses	8,680	1,443
Litigation expenses	7,377	-
IT related expenses	3,791	4,938
Insurance	3,334	742
Audit, legal and professional fees	2,471	1,944
Depreciation	2,054	2,884
Share-based benefit*	-	(418)
STI and LTI expenses	753	-
Acquisition costs	-	861
Other expenses	3,186	4,675
Total administrative expenses	48,476	33,057
Administrative expenses allocated to:		
Continuing	47,318	31,334
Discontinued	1,158	1,723
	48,476	33,057
Net finance costs		
Interest expense	16,860	9,343
Interest on lease liabilities	11,262	11,932
Financing costs	1,861	539
Recapitalisation transaction costs related to convertible notes issue**	9,638	-
Total net finance costs	39,621	21,814
Net finance costs allocated to:		
Continuing	39,535	21,595
Discontinued	86	219
	39,621	21,814

** The share-based expense for FY20 is negative due to the inclusion of the reversal of previously recognised expense arising from forfeiture of share options granted to employees.*

***Included in recapitalisation, financial reporting restatement, litigation and redundancy expenses under ref. (3) of significant items below.*

Significant items

Significant items affecting the result for the financial year ended 30 June 2021 include the following impacts:

		CONSOLIDATED	
	REF.	2021 $'000	2020 $'000
Impairment of non-current assets held for sale	(1)	1,910	4,800
Product recall insurance proceeds - net	(2)	(998)	-
Recapitalisation, financial reporting restatement, litigation and redundancy expenses	(3)	27,885	1,443

(1) During the year, the Group classified a plant and equipment (UHT bottling line) as held for sale and recorded an impairment charge of $1.9m as the carrying amount exceeded the fair value less cost of disposal (refer to note 32).

(2) The Group conducted a product recall in September 2020 of certain batches of plant-based beverages. The recall applied only to the specific batches. The operational issues that resulted in this recall have been resolved. The Company had insurance to cover the costs of the recall, subject to an excess of $500,000. The insurance claim was finalised in June 2021 and the net amount payable to the Company after deduction of the policy excess, has been received in full and is reflected in Other Income in the financial statements.

(3) Various expenses incurred by the Group on recapitalisation, prior year restatements and legal expenses in respect to litigation defence.

NOTE 8. EARNINGS PER SHARE

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Freedom Foods Group Limited	(38,775)	(136,361)

	CENTS	CENTS
Basic earnings per share	(13.99)	(49.69)
Diluted earnings per share	(13.99)	(49.69)

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of Freedom Foods Group Limited	(14,402)	(39,297)

	CENTS	CENTS
Basic earnings per share	(5.20)	(14.32)
Diluted earnings per share	(5.20)	(14.32)

Notes to the Financial Statements 30 JUNE 2021

NOTE 8. EARNINGS PER SHARE (CONT.)

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Earnings per share for loss		
Loss after income tax attributable to the owners of Freedom Foods Group Limited	(53,177)	(175,658)

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	277,109,319	274,406,504
Weighted average number of ordinary shares used in calculating diluted earnings per share	277,109,319	274,406,504

	CENTS	CENTS
Basic earnings per share	(19.19)	(64.01)
Diluted earnings per share	(19.19)	(64.01)

At 30 June 2021, there were 277,109,319 ordinary shares (FY20: 277,109,319) on issue and 101,130 convertible redeemable preference shares (FY20: 101,130).

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share:

	2021 NUMBER	2020 NUMBER
Convertible notes (note 23)	378,571,429	-

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares.

NOTE 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2021 $'000	2020 $'000
Cash	31,668	17,167

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2021 $'000	2020 $'000
Trade receivables	50,032	53,456
Less: loss allowance	(2,631)	(5,555)
	47,401	47,901
Other receivables	2,740	4,200
	50,141	52,101

The credit period on sales of goods ranges from 30 to 70 days for domestic sales and up to 120 days for international sales. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods, determined by expected credit losses. The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables as well as customers identified to have known issues which might affect recoverability. The Group does not hold any collateral over these balances. The loss allowance for trade receivables as at 30 June 2021 and 30 June 2020 was determined as follows:

	EXPECTED CREDIT LOSS RATE		CARRYING AMOUNT		ALLOWANCE FOR EXPECTED CREDIT LOSSES	
CONSOLIDATED	2021 %	2020 %	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Not overdue	0.02%	3.64%	35,714	38,497	8	1,403
0 to 3 months overdue	0.11%	0.80%	11,399	7,457	13	60
3 to 6 months overdue	52.52%	0.82%	556	1,128	292	9
Over 6 months overdue	98.10%	64.05%	2,363	6,374	2,318	4,083
			50,032	53,456	2,631	5,555

Some of the Group's customers have experienced cash flow and financial difficulties due to mandatory COVID-19 closures and the general economic downturn caused by the COVID-19 pandemic. As a result, the provision of uncollectable debts is also impacted as at 30 June 2021 and an additional credit loss allowance has been made for customers in areas where the economic downturn has been particularly severe.

50% of year end receivables are concentrated to the top five customers (FY20: 49%).

The Group holds letters of credit over export receivables of $1.2m (2020: $1.5m). The letters of credit held equals the carrying amount of the relevant receivables. Refer to note 33 for further details on the Group's exposure to, and management of, credit risk.

Movements in the allowance for expected credit losses are as follows:

	CONSOLIDATED	
	2021 $'000	2020 $'000
Opening balance	5,555	2,496
Additional provisions recognised	428	3,639
Receivables written off during the year as uncollectable	(2,577)	(580)
Unused amounts reversed	(775)	-
Closing balance	2,631	5,555

Notes to the Financial Statements 30 JUNE 2021

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONT.)

Significant accounting policies

Trade receivables are recognised initially at the amount of consideration that is unconditional.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This approach also considers the qualitative factors surrounding the debtors and the risks that they may have or will be facing as a result of the impact of unusual situations (such as COVID-19) on their business operations and financial position. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

NOTE 11. CURRENT ASSETS - INVENTORIES

	CONSOLIDATED	
	2021 $'000	2020 $'000
Raw materials and packaging - at cost	12,955	11,324
Finished goods - at lower of cost and net realisable value	28,241	48,483
Inventory spares	7,162	3,867
	48,358	63,674

Total cost of sales (for both continuing and discontinued operations) recognised as an expense during the year was $499.8m (FY20: $578.0m).

During the year, write-downs of inventories amounting to $1.5m (FY20: $18.5m), were recognised as an expense and included in cost of sales in the statement of profit or loss. This write-down mainly arose as a result of slow moving, obsolete and discontinued products.

The Group disposed its Cereals and Snacks business during the year (refer to note 32). FY20 inventory balances included $11.1m related to Cereals and Snacks business.

Significant accounting policies

Inventories are measured at the lower of cost and net realisable value ("NRV").

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

- Raw materials, packaging and inventory spares: purchase cost on a first in, first out basis.
- Manufactured finished goods: cost of direct materials, direct labour and an appropriate proportion of manufacturing variable and fixed overheads based on normal operating capacity but excluding borrowing costs.
- Purchased finished goods: purchase cost on a weighted average cost basis.
- Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTE 12. CURRENT ASSETS - DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2021 $'000	2020 $'000
Forward foreign exchange contracts	-	2,504

Significant accounting policies

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

Refer to note 33 for further information on financial instruments.

NOTE 13. NON-CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following individual investment:

	CONSOLIDATED	
	2021 $'000	2020 $'000
Investment - JLL	5,857	-

For the year ended 30 June 2021, the Group has classified the investment in JLL as fair value through other comprehensive income (FVOCI). The Group always held a 10% ownership stake in JLL but classified the investment as equity accounted in the past as it held a Board seat and an option to subscribe for up to 30% of JLL's registered capital within 3 years from the date of the initial subscription. The Group was able to influence the key decisions of JLL as with the option to subscribe for additional capital, the Group also had the right to veto those decisions.

The option period expired on 4 July 2020 and was extended to October 2020 (without a corresponding extension of veto rights) but the Group did not exercise its right to subscribe for the additional equity interest. Although, the Group still holds a Board seat, it no longer has the ability to influence the key decisions of JLL as with the expiry of the option to subscribe to additional capital, the Group does not have the right to veto those decisions.

The Group is in preliminary discussions with JLL and Guangzhou Langfeng Investment Co. Ltd (other shareholder in JLL) in relation to a potential sale of the Group's 10% interest in JLL. The terms of the sale are still being negotiated and the Group has not yet agreed to sell its shareholding in JLL.

As described in Note 2, the determination of the fair value of the investment in JLL requires judgement and the Group determines the fair value by applying the market approach and using prices and other relevant information generated by market transactions involving identical or comparable businesses. At 30 June 2021, the fair value is based on most recent negotiations to transact in this investment.

NOTE 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

		OWNERSHIP INTEREST	
NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	2021 %	2020 %
Australian Fresh Milk Holdings Pty Limited (AFMH)	Australia	10.00%	10.00%
Goulburn Valley Nutritionals Pty Limited (GVN)	Australia	49.00%	49.00%

	CONSOLIDATED	
	2021 $'000	2020 $'000
Investment in associate - AFMH	22,684	22,077
Investment in associate - JLL	-	5,857
Investment in joint venture - GVN	735	735
	23,419	28,669
Less: accumulated impairment	(735)	(735)
	22,684	27,934

The Group's interest in associates represent entities over which the Group exercises significant influence and have been measured by applying the equity method of accounting. Under the equity method of accounting the carrying amounts of interests in associates are increased or decreased to recognise the Group's share of the post-acquisition profits or losses and other changes in net assets of the associates.

Notes to the Financial Statements 30 JUNE 2021

NOTE 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

Australian Fresh Milk Holdings Pty Limited (AFMH)

The shareholders of AFMH comprises Leppington Pastoral Investments Pty Limited (LPI), NewAustralia Holdings Pty Limited (NA), Paul Moxey Family Trust, Quentin Moxey Family Trust and Freedom Foods Group Operations Limited. The Group acquired its 10% interest in AFMH in 2015 for $5.7 million. The Group has made additional investments over the years to maintain its 10% shareholding, including an investment of $5.8 million during FY19 and $4.0 million during FY20. The Group ownership remained at 10%.

Although the Group holds less than 20% of the equity shares of AFMH, the Group exercises significant influence by virtue of having a related party (LPI) holding a 37% shareholding in AFMH.

Goulburn Valley Nutritionals Pty Limited (GVN)

The shareholders of GVN comprises NewAustralia Holdings Pty Limited (NA) and Freedom Foods Group Nutritionals Pty Limited. The Group acquired its 49% interest in GVN in 2019 for $0.7 million.

Although the Group held 49% of the equity shares of GVN, the Group exercised joint control by virtue of a joint venture agreement that requires unanimous consent of both the venturers to all key decisions of GVN. The commercial operations of GVN did not commence and it remained dormant during FY19 and FY20. This investment is unlikely to have an ongoing business value and was fully impaired in FY20.

Summarised financial information

	AFMH	
	2021 $'000	2020 $'000
Summarised statement of financial position		
Current assets	110,433	50,693
Non-current assets	340,484	359,987
Total assets	450,917	410,680
Current liabilities	26,217	28,211
Non-current liabilities	206,750	169,999
Total liabilities	232,967	198,210
Net assets	217,950	212,470
Summarised statement of profit or loss and other comprehensive income		
Revenue	114,386	107,415
Expenses	(106,580)	(102,619)
Profit before income tax	7,806	4,796
Income tax expense	(2,342)	(1,439)
Profit after income tax	5,464	3,357
Other comprehensive income	-	-
Total comprehensive income	5,464	3,357
Reconciliation of the Group's carrying amount		
Opening carrying amount	22,077	17,741
Share of profit after income tax*	607	335
Equity investment	-	4,001
Closing carrying amount	22,684	22,077

** Total share of profit after income tax for FY20 was $0.6m this included both AFMH and JLL being equity accounted.*

No cash dividends were received in FY21 or FY20 from equity accounted investees.

The Group has also conducted an impairment assessment of the investments accounted for using the equity method and determined that the recoverable amount is greater than the carrying amount and hence no impairment loss should be recognised.

NOTE 15. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 RESTATED $'000
Freehold land - at independent valuation	4,200	4,871
Buildings - at independent valuation	5,480	14,020
Less: accumulated depreciation	(2,885)	(3,124)
	2,595	10,896
Make good asset - at cost	-	1,080
Less: accumulated depreciation	-	(772)
Less: Impairment	-	(308)
	-	-
Plant and equipment - at cost	322,426	382,637
Less: accumulated depreciation	(75,876)	(87,803)
Less: impairment	-	(42,145)
	246,550	252,689
Capital work in progress	1,700	30,086
Less: impairment	(1,470)	(4,800)
	230	25,286
	253,575	293,742

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

CONSOLIDATED	FREEHOLD LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT** $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Balance at 1 July 2019	4,722	10,727	220,688	34,608	270,745
Additions*	-	3	1,998	48,365	50,366
Transfers at completion of projects	-	-	52,887	(52,887)	-
Impairment of assets	-	-	-	(4,800)	(4,800)
Reclassification to inventory (notes 3 and 11)	-	-	(3,867)	-	(3,867)
Reclassification from intangible assets	-	-	254	-	254
Revaluation	149	546	-	-	695
Depreciation expense	-	(380)	(19,271)	-	(19,651)
Balance at 30 June 2020	4,871	10,896	252,689	25,286	293,742
Additions*	-	-	3,407	2,640	6,047
Transfers at completion of projects	-	80	19,090	(19,170)	-
Asset classified as held for sale (note 32)	-	-	-	(8,374)	(8,374)
Discontinued operation (note32)	(491)	(7,987)	(8,365)	(152)	(16,995)
Revaluation	(180)	-	-	-	(180)
Depreciation expense	-	(394)	(20,271)	-	(20,665)
Balance at 30 June 2021	4,200	2,595	246,550	230	253,575

* *Included in additions is nil amount (FY20: $0.5m) of capitalised interest from borrowings related to AASB 123.*

** *Included in plant and equipment is net book value of $71.6m (FY20: $96.9m) related to equipment obtained under equipment finance facilities as disclosed in Note 22.*

Notes to the Financial Statements 30 JUNE 2021

NOTE 15. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONT.)

Revaluation of land and building

At 30 June 2021, the Group recorded a decrease in land value of $0.2m. The Group obtains independent valuations for its freehold land and buildings related to certain manufacturing sites at least annually. At the end of each reporting period, the Group updates its assessment of the fair value of such property, taking into account the most recent independent valuations.

For FY21, the fair value of the land is determined by Knight Frank Valuation & Advisory Victoria. All resulting fair value estimates for properties are included in level 3 of the fair value hierarchy. Level 3 fair value is estimated using inputs that are not directly observable. As at 30 June 2021, the level 3 fair value for the Group has been derived using the sales comparison approach. The key inputs under this approach are the rental per square metre and capitalisation rate. The current year rentals of comparable properties in the area (location and size) form the basis for rental per square metre and the associated market yields of such properties are used to determine the capitalisation rate.

Significant accounting policies

Land and buildings are recognised at fair value, less any subsequent accumulated depreciation and impairment. A revaluation surplus is credited to reserves in shareholders' equity.

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

Capital work in progress ("CWIP") represents asset under construction and not yet commissioned and includes all expenditure directly attributable to bringing the asset to its working condition for its intended use which are incremental and unavoidable as a result of the construction of the asset. CWIP is assessed for impairment at each reporting period.

Costs include installation costs, delivery costs, consultancy costs incurred to install the asset, fit out costs, interest on associated borrowings, project labour costs and commissioning costs. 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 estimate cost of dismantling and removing the asset and restoring the site (where applicable).

The costs will be initially recognised as CWIP from the time that it satisfies the general recognition criteria for assets under the accounting standards.

The Group formally assesses whether project costs are to be reclassified from CWIP to Plant and Equipment. An asset is considered to be capable of operating in the manner intended by management when it is consistently capable of producing saleable product. This assessment is done periodically 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.

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	20-40 years
Plant and equipment	5-20 years
Leased plant and equipment	5-20 years

Freehold land is not depreciated.

NOTE 16. NON-CURRENT ASSETS - RIGHT OF USE ASSETS

	CONSOLIDATED	
	2021 $'000	2020 $'000
Right of use asset - Land and buildings	105,976	184,217
Less: Accumulated depreciation ROU	(16,394)	(9,096)
Less: Impairment	(3,793)	(3,793)
	85,789	171,328
Right of use asset - Other	2,430	2,116
Less: Accumulated depreciation ROU	(1,327)	(782)
Less: Impairment	(358)	(358)
	745	976
	86,534	172,304

Movement of the written down values at the beginning and end of the current and previous financial year are set out below:

CONSOLIDATED	LAND AND BUILDINGS $'000	OTHER $'000	TOTAL $'000
Balance at 1 July 2019	-	-	-
Adoption of AASB 16	182,138	1,940	184,078
Additions	2,079	176	2,255
Impairment of assets	(3,793)	(358)	(4,151)
Depreciation expense	(9,096)	(782)	(9,878)
Balance at 30 June 2020	171,328	976	172,304
Additions	201	316	517
Remeasurement of lease liabilities (note 24)	(78,441)	-	(78,441)
Depreciation expense	(7,299)	(547)	(7,846)
Balance at 30 June 2021	85,789	745	86,534

The Group leases land and buildings for its offices, warehouses and manufacturing plant under agreements of between 2 to 20 years with, in some cases, options to extend to 30 years. The leases have various rental escalation clauses. On renewal or option extension, the rent can be renegotiated. The Group also leases plant and equipment, motor vehicles and office equipment under other right of use agreements (previously described as operating leases) of between 2 to 5 years.

During the year, the Group also recognised as expense, rental of short term leases amounting to $0.2m.

Significant accounting policies

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives and any initial direct costs incurred by the lessee
- An estimate of the costs to dismantle and remove underlying asset or to restore the underlying asset

Subsequently the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

Notes to the Financial Statements 30 JUNE 2021

NOTE 16. NON-CURRENT ASSETS - RIGHT OF USE ASSETS (CONT.)

The right-of-use asset is depreciated over the shorter period of the lease term and the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group will exercise a purchase option, the asset will be depreciated from the commencement date to the end of the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

If the recoverable amount of a right-of-use asset is less than its carrying value, an impairment charge is recognised in the profit or loss account, and the carry value of asset written-down to its recoverable amount. Should the recoverable amount increase in future periods the carrying value may be adjusted to the lower of the recoverable value or the amortised cost of the asset had it not been impaired.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTE 17. NON-CURRENT ASSETS - INTANGIBLES

	CONSOLIDATED	
	2021 $'000	2020 $'000
Goodwill	45,795	68,755
Less: accumulated impairment	(37,476)	(60,436)
	8,319	8,319
Brand names and trademarks	31,994	37,720
Less: accumulated impairment	(10,549)	(15,440)
	21,445	22,280
	29,764	30,599

The reduction in goodwill, brand names and trademarks and accumulated impairment is arising from sale of Cereals and Snacks business (refer to note 32).

CONSOLIDATED	GOODWILL $'000	BRAND NAMES AND TRADEMARKS $'000	SOFTWARE $'000	TOTAL $'000
Balance at 1 July 2019	14,165	32,829	6,026	53,020
Prior year restatement (note 3)	-	-	(5,772)	(5,772)
Reclassification to plant and equipment	-	-	(254)	(254)
Impairment of assets	(5,846)	(10,549)	-	(16,395)
Balance at 30 June 2020	8,319	22,280	-	30,599
Discontinued operation (note 32)	-	(835)	-	(835)
Balance at 30 June 2021	8,319	21,445	-	29,764

The carrying amount of goodwill, brand names and trademark is allocated to cash generating units as follows:

CONSOLIDATED	GOODWILL 2021 $'000	BRAND NAMES AND TRADEMARKS 2021 $'000	GOODWILL 2020 $'000	BRAND NAMES AND TRADEMARKS 2020 $'000
Cereal and Snacks	-	-	-	835
Consumer Nutritionals*	8,319	21,445	8,319	21,445
	8,319	21,445	8,319	22,280

** Brand names and trademarks of Consumer Nutritionals CGU now include Crankt which previously formed part of Cereal and Snacks CGU.*

Brand names and trademarks

The Group carries $21.4m (FY20: $22.3m) of brand names with indefinite useful lives. The brand names relate to established major brands purchased as part of business combinations. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Impairment of goodwill and other intangible assets

Determining whether goodwill or other intangible assets are impaired requires an estimation of the recoverable amount of the cash generating units (CGU) to which the goodwill or other intangible assets have been allocated. The recoverable amount is determined using a value in use or fair value less cost to sell method. The cash generating units are subject to annual impairment testing as they hold indefinite life intangible assets amongst their assets.

Impairment testing requires a high degree of judgement in assessing whether the carrying value of assets is supported by their recoverable amount. The Group uses the relief from royalty method to determine the fair value of the brand names and trademarks and considers this to be a Level 3 treatment of the fair value hierarchy.

Dairy and Nutritionals

The Dairy and Nutritionals CGU, which forms part of Dairy and Nutritional segment along with Consumer Nutritional CGU, produces branded dairy UHT products under Group owned and third party owned brands. It also produces nutritional products such as lactoferrin for sale to domestic and international customers. The Dairy and Nutritionals CGU forms part of the Dairy & Nutritionals operating segment.

The recoverable amount of the Dairy and Nutritionals CGU has been determined using the discounted cash flow forecast to determine the value-in-use of the CGU as a whole utilising forecast cash flows for the period July 2021 to June 2026 and a terminal cashflow.

Management initiated a transformation program in April 2021 introducing various operational initiatives across the Group which are intended to generate significant cost benefits and ensure future profitability of the business. The carrying value of the assets of the Dairy and Nutritional CGU as at 30 June 2021 is dependent on the realisation of such operational efficiencies and related cost benefits within a specified timeframe. The cash flow forecast used for the purposes of impairment testing of the CGU includes these cost benefits.

In calculating the value-in-use, the recoverable amount exceeded the carrying value by $2.8m and as a result no impairment was recognised.

Sensitivities

If the long term growth rate used in the value-in-use calculation for the Dairy and Nutritionals CGU had been 0.25% lower than management's estimates at 30 June 2021 (2.25% instead of 2.50%), the Group would have to recognise an impairment loss of $4m against property, plant and equipment.

If the post tax discount rate applied to the cash flow projections of this CGU had been 0.25% higher than management's estimates (8.5% instead of 8.25%), the Group would have to recognise an impairment loss of $5.9m against property, plant and equipment.

If the 5 year forecast CAGR of revenue from FY22-26 was 10% lower than managements estimates the Group would have had to recognise an impairment of $17.9m against property, plant and equipment.

If the USD exchange rate applied to the cash flow projections of this CGU had a 1 cent movement (positive / negative) against management's estimates (AUD/USD 0.75), it would change the CGU headroom by $17.3m if the corresponding pricing is not passed to the customers.

Notes to the Financial Statements 30 JUNE 2021

NOTE 17. NON-CURRENT ASSETS - INTANGIBLES (CONT.)

Consumer Nutritionals

The Consumer Nutritionals CGU produces branded protein powders for sale mainly to domestic customers, predominantly through the pharmacy and grocery channels and includes Vital Strength and Crankt brands. This CGU forms part of the Dairy & Nutritionals operating segment.

The recoverable amount of the Consumer Nutritionals CGU has been determined using the following methodologies:

- Brands have been valued using a relief from royalty method to determine the fair value;
- Discounted cash flow forecast to determine the value-in-use of the CGU, utilising forecast cash flows for the period July 2021 to June 2026 and a terminal cash flow.

In calculating the value-in-use, the recoverable amount exceeded the carrying value by $3.3m and as a result no impairment was recognised.

Sensitivities

If the long-term growth rate used in the fair value calculation for the Consumer Nutritionals CGU had been 0.25% lower than management's estimates at 30 June 2021 (2.25% instead of 2.50%), the CGU would have a reduction in headroom of $1.1m. If the post-tax discount rate applied to the cash flow projections of this CGU had been 0.25% higher than management's estimates (9.5% instead of 9.25%), the CGU would have a reduction in headroom of $1.4m.

If the 5 year forecast CAGR of revenue from FY2022-2026 was 10% lower than managements estimates, the Group would have to recognise an impairment loss of $0.1m

If the owned brand relief from royalty rate used in the fair value calculation for the Consumer Nutritionals CGU had been 0.50% lower than management's estimates at 30 June 2021, the brand's would have had a total reduction in headroom of $2.3m (Crankt $0.6m and Vital Strength $1.7m) and would not result in impairment of either brand.

Specialty Seafood

The Specialty Seafood CGU produces branded seafood for sale to domestic and international customers and includes Paramount and Brunswick brands. During FY20, the Group impaired all non-current assets and the CGU now consists of current assets (trade receivables and inventories) which are assessed for impairment separately based on the relevant accounting standards (AASB 9 and AASB 102).

Plant-Based

There was low risk of impairment in the Plant-Based CGU as the recoverable amount exceeded the carrying amount by a significant amount.

Key assumptions

In calculating the recoverable amount of each CGU a discounted cash flow model was utilised forecasting cash flows for the period FY22 to FY26. The following key assumptions were made:

	2021			2020		
KEY ASSUMPTIONS USED FOR GOODWILL AND PLANT AND EQUIPMENT IMPAIRMENT	DAIRY AND NUTRITIONALS	CONSUMER NUTRITIONALS	SPECIALITY SEAFOOD	DAIRY AND NUTRITIONALS	CONSUMER NUTRITIONALS	SPECIALITY SEAFOOD
Long term growth rate (terminal value)	2.50%	2.50%	-	2.50%	2.50%	2.50%
Post tax discount rate	8.25%	9.25%	-	8.25%	9.25%	8.00%
Revenue growth rate*	5.57%	6.00%	-	8.20%	5.00%	2.10%
USD exchange rate**	0.75	-	-	-	-	-

** Compounded annual growth rate over 5 years from FY22-26.*

***Applicable to cash flow forecast from FY23-26.*

	2021		2020		
KEY ASSUMPTIONS USED FOR BRAND IMPAIRMENT	**CONSUMER NUTRITIONALS**	**SPECIALITY SEAFOOD**	**DAIRY AND NUTRITIONALS**	**CEREALS AND SNACKS**	**SPECIALITY SEAFOOD**
Long term growth rate (Terminal rate)	2.50%	-	2.50%	2.50%	2.50%
Post tax discount rate	9.25%	-	9.25%	8.25%	8.00%
Owned brand - relief from royalty rate	5.85%	-	5.85%	5.85%	1.00%
Revenue growth rate*	6.00%	-	5.00%	44.40%	2.30%

** Compounded annual growth rate over 5 years from FY22-26.*

The recoverability of the assets is dependent on the Group's ability to improve their margins.

Software

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.

For accounting policy on Software-as-a-Service (SaaS) arrangements, please refer to note 3.

NOTE 18. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2021 $'000	**2020 $'000**
Trade payables	48,703	82,442
Accrued expenses	14,748	15,855
Other payables	4,013	12,714
	67,464	111,011

	CONSOLIDATED	
	2021 $'000	**2020 $'000**
Payable to related parties (note 38)	1,103	245

Trade payables, including amounts payable for capital expenditure and are paid on average within 60 days of invoice date (FY20: 60 days).

Significant accounting policies

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

NOTE 19. CURRENT LIABILITIES - LEASE LIABILITIES

	CONSOLIDATED	
	2021 $'000	**2020 $'000**
AASB 16 lease liabilities	1,427	2,304

Notes to the Financial Statements 30 JUNE 2021

NOTE 20. CURRENT LIABILITIES - BANK BORROWINGS

	CONSOLIDATED	
	2021 $'000	2020 $'000
Term loan facilities	-	141,174
Recourse debtor financing facilities	13,084	15,466
Revolver financing facilities	-	36,176
Equipment financing facilities	11,232	99,508
	24,316	292,324

Refer to note 22 for further information on financing arrangements.

NOTE 21. CURRENT LIABILITIES - DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2021 $'000	2020 $'000
Forward foreign exchange contracts	-	127
Interest rate swap contracts	-	2,202
	-	2,329

Refer to note 33 for further information on financial instruments.

NOTE 22. NON-CURRENT LIABILITIES - BANK BORROWINGS

	CONSOLIDATED	
	2021 $'000	2020 $'000
Equipment financing facilities	74,597	-

Refer to note 33 for further information on financial instruments.

Total drawn secured bank borrowings

The total drawn secured bank borrowings (current and non-current) are as follows:

	CONSOLIDATED	
	2021 $'000	2020 $'000
Term loan facilities	-	141,174
Recourse debtor financing facilities	13,084	15,466
Revolving financing facilities	-	36,176
Equipment financing facilities	85,829	99,508
	98,913	292,324

Banking Facilities

The Group's primary bank facilities are arranged with HSBC Bank Australia Limited (HSBC) and National Australia Bank (NAB). They include a syndicated revolving credit facility (from HSBC and NAB), equipment financing facilities (from NAB) and debtor financing facilities (from HSBC).

The Group has other bi-lateral facilities from a range of financiers including equipment finance and other general transactional banking facilities as required for the operations of the Group's business.

On 27 May 2021, the Group repaid principal amount of bank borrowings amounting to $231m from the proceeds of convertible notes (refer to note 23).

Syndicated Revolving Credit Facility

In May 2021, the Group entered a new $36m revolving credit facility with HSBC and NAB. The facility has a maturity date of two years and it was fully undrawn at 30 June 2021.

The syndicated facility is secured over all the assets and undertaking of the Group (other than low value subsidiaries), as well as mortgages over real property owned by the Group and key property leases.

Equipment Financing Facilities

The equipment financing facilities relate to specific equipment operating at the Company's Shepparton and Ingleburn operating sites. It also includes vehicle financing facilities. The equipment finance facilities are secured over the assets financed under the relevant facility. These facilities are over a period of 1 to 6 years and the final residuals on the current arrangements are due between 2022 and 2027.

Debtor Finance Facilities

HSBC has provided the Group with a limited recourse debtor finance facility of $65m (FY20: $113.5m), 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 is 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 amount under this facility as at 30 June 2021 was $41.9m (FY20: $41.1m).

The Group also has a full recourse debtor finance facility with total limit of $25m (FY20: $22m). Under this facility, the Group sells receivables from its out-of-home channel. The receivables are recognised as an asset since the risk has not fully transferred to HSBC at the time of sale. The Group is responsible for the collection of the receivables. HSBC has recourse to the Group if the debt is unrecoverable. As at the balance sheet date, the Group utilised an amount of $13.1m (FY20: $15.5m) from the full recourse debtor finance facility.

Notes to the Financial Statements 30 JUNE 2021

NOTE 22. NON-CURRENT LIABILITIES - BANK BORROWINGS (CONT.)

The total banking facilities as at 30 June 2021 are shown below:

	CONSOLIDATED	
	2021 $'000	2020 $'000
Total facilities		
Term loan facilities	-	141,174
Recourse debtor financing facilities	25,000	22,000
Revolving financing facilities	36,000	100,000
Equipment financing facilities	85,829	115,000
	146,829	378,174
Used at the reporting date		
Term loan facilities	-	141,174
Recourse debtor financing facilities	13,084	15,466
Revolving financing facilities	-	36,176
Equipment financing facilities	85,829	99,508
	98,913	292,324
Unused at the reporting date		
Term loan facilities	-	-
Recourse debtor financing facilities	11,916	6,534
Revolving financing facilities	36,000	63,824
Equipment financing facilities	-	15,492
	47,916	85,850

Unused financing facilities

The Group had unused banking facilities relating to recourse debtor and revolving financing facilities amounting to $47.9m (FY20: $85.9m) as at 30 June 2021.

In the statement of cash flows, the funds received from the bank under the limited recourse debtor facility are included in cash flows from operations as receipts from customers. Funding received from the full recourse debtor facility is included in the consolidated statement of cash flows under financing activities as proceeds from borrowings.

NOTE 23. NON-CURRENT LIABILITIES - CONVERTIBLE NOTES

	CONSOLIDATED	
	2021 $'000	2020 $'000
Convertible notes	251,006	-

The Group issued 265 million unlisted, subordinated, secured, redeemable convertible loan notes on 27 May 2021. A summary of the key terms of convertible notes is summarised below:

- fully paid – the issue price of $1.00 per note is paid to the Group before the notes are issued;
- maturity - the notes have a maturity date of 6 years from issuance;
- redeemable – the notes may be redeemed, which means the Group may be required to buy back the notes prior to the maturity date at the Makewhole Amount ranging between $464m (Year1) and $610m (Year 6) subject to certain conditions;
- subordinated secured – the notes are secured by security granted by the Group and the Guarantors over all of their assets and undertakings, to the Trustee under the terms of the Transaction Documents;
- ranked, for security purposes, after all Priority Permitted Debt – the notes have priority over the Group's ordinary shares, all Shortfall Debt and the claims of unsecured creditors, however the notes rank behind the Group's Priority Permitted Debt and the claims of other creditors with priority at law in a winding up;
- convertible into shares – the notes are converted into shares calculated by dividing the Equity Conversion Amount by a Conversion Price of $0.70;
- interest - for the first 30 months the Notes bear a cash interest of 7.0% p.a. or of 8.5% p.a. if the interest payment is capitalised. After the first 30 months, the Group can elect to pay 7.0% cash interest p.a. or to pay a total interest rate of 8.5% p.a. but broken down between a minimum 5.0% p.a. cash and 3.5% p.a capitalisation of interest.

The net cash received from the issue of the convertible loan notes was mainly used to repay bank borrowings and transaction costs incurred on the recapitalisation.

Movement of the fair values at the beginning and end of the current financial year is set out below:

	CONSOLIDATED	
	2021 $'000	2020 $'000
Opening balance	-	-
Proceeds from issue of convertible notes	265,000	-
Fair value changes through profit or loss	(13,994)	-
	251,006	-

The convertible notes are classified entirely as liabilities and as the embedded conversion features of the notes meet the definition of a derivative, the Group has designated the whole convertible note as at fair value through profit or loss.

The Group used Binomial Tree methodology to determine the convertible notes fair value at 30 June 2021. This methodology allows incorporation of the probability of exercising the conversion option and the investor's right to redeem in the valuation. One of the key inputs to this methodology is the current share price of the Group which directly impacts the embedded derivative component of the convertible note. Due to share price movement prior to financial year end, the overall value of the convertible notes reduced by $14m at 30 June 2021. This change in fair value is recorded in profit or loss in accordance with AASB 9 but does not impact the redemption and conversion rights available to the investors under the terms of the convertible notes. The fair value change did not arise from the Group's own credit risk and hence no amount is recognised in other comprehensive income ("OCI").

Significant accounting policies

The convertible notes are classified entirely as liabilities because they were issued with the conversion features that are not closely related to the debt host contract. As the instrument contains an embedded derivative, it has been designated as at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as at fair value through profit or loss are expensed as incurred.

The component of fair value changes relating to the Group's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

Notes to the Financial Statements 30 JUNE 2021

NOTE 24. NON-CURRENT LIABILITIES - LEASE LIABILITIES

	CONSOLIDATED	
	2021 $'000	2020 $'000
AASB 16 lease liabilities	111,047	192,341
Total AASB 16 lease liabilities:		
Current	1,427	2,304
Non-current	111,047	192,341
	112,474	194,645
Movement during the year in total lease liabilities (current and non-current) is as follows:		
Opening balance	194,645	-
Adoption of AASB 16	-	195,234
Additions	516	2,255
Repayment	(13,569)	(14,776)
Discontinued operation (note 32)	(1,939)	-
Remeasurement of lease liabilities*	(78,441)	-
Interest	11,262	11,932
Closing balance	112,474	194,645

The following table presents the contractual undiscounted cash flows for lease obligations as at 30 June 2021:

Within one year**	11,752	14,186
One to five years**	47,497	53,467
More than five years***	86,132	124,997
More than five years - extension options assumed to be exercised****	171,974	226,432
	317,355	419,082

* *During the financial year, the Group renegotiated its land and building lease with a related party at Ingleburn (NSW) site and remeasured the lease liability based on the revised terms with the corresponding adjustment in the right of use asset. The remeasurement arose from reduction in lease rentals and fixed escalation. This lease modification is not accounted for as a separate lease and hence the Group remeasured the lease based on the revised terms of the modified lease by discounting the revised lease payments using an increased discount rate of 12% at the effective date of the modification. In August 2021, the Group also renegotiated its land and building lease with a related party at its Taren Point (NSW) site. This lease variation has not been recognised in the FY21 financial statements as the agreement was executed subsequent to 30 June 2021.*

** *Non-cancellable lease payments.*

*** *Non-cancellable lease payments, subject to market review.*

**** *Cancellable lease but extension options are considered reasonably certain to be exercised, subject to market review.*

Refer to note 33 for further information on financial instruments.

Significant accounting policies

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Variable lease payments not included in the initial measurement of the lease liability are recognised directly in profit or loss.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index of rate or a change in the amount expected to be payable under a residual value guarantee; or
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTE 25. INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Income tax expense/(benefit)		
Adjustments recognised in the current year in relation to the current tax of prior years	-	(18)
Deferred tax (income)/expense relating to the origination and reversal of temporary differences	17	(83)
Aggregate income tax expense/(benefit)	17	(101)

Notes to the Financial Statements 30 JUNE 2021

NOTE 25. INCOME TAX EXPENSE/(BENEFIT) (CONT.)

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax (expense)/benefit from continuing operations	(38,758)	(136,462)
Loss before income tax expense from discontinued operations	(14,402)	(39,297)
	(53,160)	(175,759)
Tax at the statutory tax rate of 30%	(15,948)	(52,728)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of expenses that are not deductible in determining taxable profit	289	140
Over-provision in respect of prior years	-	(18)
Non-assessable income	(3,659)	(176)
	(19,318)	(52,782)
Current year tax losses not recognised	14,104	46,109
Current year temporary differences not recognised	5,515	6,274
Effect of overseas tax rates	(284)	298
Income tax expense/(benefit)	17	(101)
Amounts recognised in OCI and statement of changes in equity		
Revaluation surplus on land and building	(17)	176
Tax on share issue costs	-	(75)
	(17)	101

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

Significant accounting policies

Current tax

Current tax is calculated as the expected amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The amount of the benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Uncertain tax position

If the Group concludes that it is not probable the tax authorities will accept a tax position, it uses the "most likely amount" or "expected value" in determining its tax balances. Any subsequent variation between the "most likely amount/expected value" and the amount recorded in the consolidated financial statements are adjusted in the period in which such variation occurs.

NOTE 26. NON-CURRENT ASSETS - DEFERRED TAX

Deferred tax comprises temporary differences attributable to the following:

	CONSOLIDATED	
	2021 $'000	2020 $'000
Deferred tax asset		
Provisions	6,863	6,753
Lease liabilities	33,705	58,385
Finance facilities	25,527	29,852
Deferred tax asset	66,095	94,990
Deferred tax liability		
Property, plant and equipment	(18,972)	(19,994)
Right of use asset	(25,923)	(51,683)
Intangibles	(6,437)	(6,437)
Other	(14,763)	(16,876)
Deferred tax liability	(66,095)	(94,990)

Carry forward tax losses of $455m (FY20: $392m), have not been recognised in deferred tax.

Notes to the Financial Statements 30 JUNE 2021

NOTE 26. NON-CURRENT ASSETS - DEFERRED TAX (CONT.)

Deferred tax movements are as follows:

	CONSOLIDATED	
	2021 $'000	2020 $'000
Opening balance	-	-
Provisions	110	2,919
Property, plant and equipment	1,022	(546)
Intangibles	-	2,946
Lease liabilities	(24,680)	58,574
Right of use asset	25,760	(51,692)
Finance facilities	(4,325)	(2,378)
Other	7,803	(9,823)
Movement for the year	5,690	-
Deferred asset tax not recognised	(5,690)	-

NOTE 27. CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	2021 $'000	2020 $'000
Annual leave	5,475	5,843
Long service leave	413	714
	5,888	6,557

The reduction in annual and long service leave provision is arising from sale of Cereal and Snacks business (refer to note 32).

Significant accounting policies

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

NOTE 28. NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	2021 $'000	2020 $'000
Long service leave	328	525
Lease make good*	-	1,116
	328	1,641

** Lease make good provision was related to Cereals and Snacks business and transferred upon sale of business (note 32).*

Significant accounting policies

Lease make good provisions

Lease make good provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Long service leave

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 29. EQUITY - ISSUED CAPITAL

	CONSOLIDATED			
	2021 SHARES	2020 SHARES	2021 $'000	2020 $'000
Ordinary shares - fully paid	277,109,319	277,109,319	598,698	598,698
Convertible redeemable preference shares - fully paid	101,130	101,130	14	14
	277,210,449	277,210,449	598,712	598,712

Movements in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE	$'000
Balance	1 July 2019	272,903,282		589,109
Employee share options exercised		561,666	$1.65	927
Employee share options exercised		900,000	$2.92	2,628
Employee share options exercised		1,545,000	$0.00	-
Convertible redeemable preference shares ('CRPS') conversions		497	$0.30	-
Dividend reinvestment plan ('DRP') shares		1,198,874	$5.18	6,211
Transaction costs - net of tax		-	$0.00	(177)
Balance	30 June 2020	277,109,319		598,698
Balance	30 June 2021	277,109,319		598,698

Notes to the Financial Statements 30 JUNE 2021

NOTE 29. EQUITY - ISSUED CAPITAL (CONT.)

Movements in convertible redeemable preference shares

DETAILS	DATE	SHARES	ISSUE PRICE	$'000
Balance	1 July 2019	101,627		14
Conversion to ordinary shares		(497)	$0.30	-
Balance	30 June 2020	101,130		14
Balance	30 June 2021	101,130		14

Ordinary shares

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

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

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.

Convertible redeemable preference shares (CRPS)

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

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

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

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

The Company may redeem the CRPS, 3 years from the date of issue of the CRPS, being 16 December 2013, at its option for the payment per CRPS of the higher of:

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

The Company at this time has no plans to redeem the remaining CRPS still on issue.

NOTE 30. EQUITY - DIVIDENDS

There were no final dividends for FY20 or interim dividends for FY21. Dividends paid during prior year were as follows:

	CONSOLIDATED	
	2021 $'000	2020 $'000
Final unfranked dividend of 3.25 cents per ordinary share paid in cash during the year ended 30 June 2020	-	2,658
Dividends reinvested: unfranked at 30% tax rate	-	6,211
Final unfranked dividend of 1.35 cents per convertible redeemable preference share paid in cash during the year ended 30 June 2020	-	1
	-	8,870

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

Franking credits

	CONSOLIDATED	
	2021 $'000	2020 $'000
Franking credits available at the reporting date based on a tax rate of 30%	812	812
Net franking credits available	812	812

NOTE 31. EQUITY - RESERVES

	CONSOLIDATED	
	2021 $'000	2020 $'000
Land and buildings revaluation reserve	-	3,548
Common control reserve	(60,878)	(60,878)
Foreign currency translation reserve	500	(123)
Equity-settled employee benefits reserve	-	1,602
	(60,378)	(55,851)

Land and buildings revaluation reserve

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

Common control reserve

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

Notes to the Financial Statements 30 JUNE 2021

NOTE 31. EQUITY - RESERVES (CONT.)

Foreign currency translation reserve

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

Equity-settled employee benefits reserve

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the Employee Share Option Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments to employees is made in Note 40 to the financial statements.

CONSOLIDATED	LAND AND BUILDINGS REVALUATION RESERVE $'000	COMMON CONTROL RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE $'000	TOTAL $'000
Balance at 1 July 2019	3,137	(60,878)	(260)	13,251	(44,750)
Land and building revaluation - net of tax	411	-	-	-	411
Foreign currency translation	-	-	137	-	137
Share-based payments	-	-	-	(418)	(418)
Transfer of share based payments to accumulated losses	-	-	-	(11,231)	(11,231)
Balance at 30 June 2020	3,548	(60,878)	(123)	1,602	(55,851)
Land and building revaluation - net of tax	(30)	-	-	-	(30)
Foreign currency translation	-	-	623	-	623
Transfer to accumulated losses	(3,518)*	-	-	(1,602)**	(5,120)
Balance at 30 June 2021	-	(60,878)	500	-	(60,378)

* *Upon sale of Cereals and Snacks business (refer to note 32), the Group has transferred related land and building revaluation reserve amounting to $3.5m to accumulated losses.*

** *The Group has also transferred $1.6m equity-settled employee benefits reserve to accumulated losses upon forfeiture of certain employee share options scheme (refer to note 40).*

NOTE 32. DISCONTINUED OPERATIONS

Discontinued Operations - Cereal and Snacks

On 17 December 2020 the Group entered into a binding sale agreement for the sale of its Cereal and Snacks operations to the Arnott's Group which was completed in March 2021. The sale included the Cereal and Snacks manufacturing facilities in Leeton and Darlington point in NSW and in Dandenong in Victoria as well as brands associated with the business, including Freedom Foods, Messy Monkeys, Heritage Mill, Arnold's Farm and Barley+. The sale did not include the Crankt Protein brand which will remain a valuable part of the Freedom Foods Group nutritional product portfolio.

The Group reached an agreement to sell the related assets and liabilities of the Cereal and Snacks business for $19.4 million in cash. Net cash proceeds were reduced after deducting costs associated with the transaction ($3.2m) and associated equipment leases ($6.5m). These costs were settled by the Group.

Cereal and Snacks business was an operating segment of the Group and hence a major line of business. Accordingly, it is reported in the consolidated financial statements for the year ended 30 June 2021 as a discontinued operation. Financial information relating to the discontinued operation for the period is set out below.

Financial performance information

	DISCONTINUED OPERATIONS	
	MAR 2021 $'000	JUN 2020 $'000
Revenue from sale of goods	35,321	63,540
Cost of sales	(38,148)	(74,605)
Gross margin	(2,827)	(11,065)
Selling and marketing expenses	(4,249)	(14,749)
Distribution expenses	(5,188)	(10,624)
Gross profit	(12,264)	(36,438)
Expenses		
Expected credit losses	-	(559)
Administrative expenses	(1,158)	(1,723)
Impairment of right of use assets	-	(358)
Net finance costs	(86)	(219)
Loss before income tax expense	(13,508)	(39,297)
Income tax expense	-	-
Loss after income tax expense	(13,508)	(39,297)
Loss on disposal before income tax	(894)	-
Income tax expense	-	-
Loss on disposal after income tax expense	(894)	-
Loss after income tax expense from discontinued operations	(14,402)	(39,297)

FY21 financial performance for Cereal and Snacks business represent 9 month operations.

Cash flow information

	DISCONTINUED OPERATIONS	
	2021 $'000	2020 $'000
Net cash used in operating activities	(17,308)	(36,424)
Net cash from/(used in) investing activities	16,158	(1,333)
Net cash used in financing activities	(8,019)	(2,396)
Net decrease in cash and cash equivalents from discontinued operations	(9,169)	(40,153)

Notes to the Financial Statements 30 JUNE 2021

NOTE 32. DISCONTINUED OPERATIONS (CONT.)

Carrying amounts of assets and liabilities disposed

	DISCONTINUED OPERATIONS	
	MAR 2021 $'000	JUN 2020 $'000
Inventories	3,906	-
Property, plant and equipment	16,995	-
Intangibles	834	-
Total assets	21,735	-
Lease liability	1,934	-
Provisions	2,749	-
Total liabilities	4,683	-
Net assets	17,052	-

Details of the disposal

	DISCONTINUED OPERATIONS	
	MAR 2021 $'000	JUN 2020 $'000
Total sale consideration	19,346	-
Carrying amount of net assets disposed	(17,052)	-
Disposal costs	(3,188)	-
Loss on disposal	(894)	-

Non-current assets classified as held for sale - UHT Bottling Line

In May 2021, the Group decided to sell a complete aseptic bottling line for low acid products which was originally acquired for an expansion of the Plant-Based segment. The sale is expected to be completed within 12 months and hence classified as held for sale. The Group recorded an impairment charge of $1.9m as the expected fair value less cost of disposal was lower than the carrying amount by this amount. The carrying amount of the asset at 30 June 2021 is $6.5m and presented within total assets of the Plant-Based segment in note 4.

Significant accounting policies

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

NOTE 33. FINANCIAL INSTRUMENTS

Capital Risk Management

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

The capital structure of the Group consists of debt, which includes borrowings, convertible loan notes, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in their respective notes.

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

Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. The Group adopts a natural hedge approach and at times enters into forward exchange and option contracts to manage net foreign currency risk on its imports and exports.

Significant accounting polices

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Forward foreign exchange contracts

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

At 30 June 2021, the Group had no foreign exchange forward contracts in place.

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

	ASSETS		LIABILITIES	
CONSOLIDATED	2021 $'000	2020 $'000	2021 $'000	2020 $'000
US Dollar	23,876	20,983	12,319	7,449
Canadian Dollar	5	6	-	-
Euro	-	-	1,125	588
New Zealand Dollar	-	-	-	579
Chinese Yuan	2,350	17,888	596	1,098
Singapore Dollar	43	-	390	233

Notes to the Financial Statements 30 JUNE 2021

NOTE 33. FINANCIAL INSTRUMENTS (CONT.)

Foreign currency sensitivity analysis

The following table details the sensitivity to an increase/decrease in the Australian dollar against the relevant currencies in relation to foreign exchange exposures. Sensitivity rates of 5% (USD), 3% (EUR), 4% (CNY) and 3% (SGD) have been used as these represent management's assessment of a likely maximum change in foreign exchange rates.

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

The foreign currency sensitivity analysis sets out the sensitivity to variations in exchange rate on foreign currency receivables, payables and cash and cash equivalents at year end in the Group.

CONSOLIDATED - 2021	% CHANGE	AUD STRENGTHENED EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	AUD WEAKENED EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
US dollar	5%	(552)	(552)	5%	610	610
Euro	3%	33	33	3%	(35)	(35)
Chinese Yuan	4%	(68)	(68)	4%	73	73
Singapore dollars	3%	10	10	3%	(10)	(10)
		(577)	(577)		638	638

CONSOLIDATED - 2020 RESTATED	% CHANGE	AUD STRENGTHENED EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	AUD WEAKENED EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
US dollar	5%	(1,094)	(1,094)	5%	1,207	1,207
Euro	3%	29	29	3%	(31)	(31)
Chinese Yuan	4%	(129)	(129)	4%	140	140
Singapore dollars	3%	(8)	(8)	3%	8	8
		(1,202)	(1,202)		1,324	1,324

Interest rate risk management

At 30 June 2021, the Group's borrowings are largely at fixed rates (convertible loan notes and equipment finance facilities):

	2021		2020	
	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	BALANCE $'000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	BALANCE $'000
Cash and cash equivalents	-	31,668	-	17,167
Term loan facilities (variable interest rate)	-	-	5.10%	(141,174)
Recourse debtor financing facilities (variable interest rate)	3.49%	(13,084)	3.35%	(15,466)
Revolving financing facilities (variable interest rate)	-	-	4.95%	(36,176)
Equipment financing facilities (fixed interest rate)	4.71%	(85,829)	4.71%	(99,508)
Convertible notes (fixed interest rate)*	8.50%	(251,006)	-	-
		(318,251)		(275,157)

** The Group is capitalising interest payments on convertible notes and hence subject to a fixed interest rate of 8.5% p.a. Since the Group designated convertible notes at fair value through profit or loss and the interest is capitalised, no interest expense is recognised in the income statement at 30 June 2021.*

The Group has settled a large part of its bank borrowings with the proceeds received from issue of convertible notes. Hence the Group does not have any outstanding interest rate swap contracts at 30 June 2021.

Interest rate sensitivity analysis

Since the Group's borrowings are largely at fixed rates, it does not have a material exposure to interest rate changes and hence sensitivity analysis is not included in the financial statements.

Credit risk management

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

For trade receivables, the Group has applied the simplified approach in AASB 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Note 10 includes further details on the loss allowance for these assets.

The credit risk on liquid funds is limited because the Group only deposits monies with Australian banking counterparties with high credit ratings assigned by international credit rating agencies.

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

Liquidity risk management

Liquidity risk arises from the possibility that the Group may be unable to settle a transaction on the due date. The ultimate responsibility for liquidity risk management rests with the Board of Directors and executive management. The Group's Treasury manages risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in Note 22 is detail of the current status of funding facilities.

			CONTRACTUAL CASH FLOW			
CONSOLIDATED 2021	CARRYING AMOUNT	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	LESS THAN 1 YEAR $'000	BETWEEN 1 AND 5 YEARS $'000	MORE THAN 5 YEARS $'000	TOTAL $'000
Non-interest bearing						
Trade and other payables	67,464	-	67,464	-	-	67,464
Payable to related parties	1,103	-	1,103	-	-	1,103
Interest bearing - variable						
Recourse debtor financing facilities	13,084	3.49%	13,084	-	-	13,084
Interest bearing - fixed						
Equipment financing facilities	85,829	4.71%	15,094	70,587	14,316	99,997
Convertible notes*	251,006	8.50%	-	42,631	566,869	609,500
	418,486		96,745	113,218	581,185	791,148

** The convertible notes provide redemption and equity conversion options. Given the number of potential alternatives and the timing of the potential cash repayment, the amount shown in the above table is indicative and the actual cash flows may be different.*

Notes to the Financial Statements 30 JUNE 2021

NOTE 33. FINANCIAL INSTRUMENTS (CONT.)

CONSOLIDATED 2020	CARRYING AMOUNT	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	CONTRACTUAL CASH FLOW LESS THAN 1 YEAR $'000	BETWEEN 1 AND 5 YEARS $'000	TOTAL $'000
Non-interest bearing					
Trade and other payables	111,011	-	111,011	-	111,011
Payable to related parties	245	-	245	-	245
Interest bearing - variable					
Term loan facilities	141,174	5.10%	163,465	-	163,465
Recourse debtor financing facilities	15,466	3.35%	15,478	-	15,478
Revolving financing facilities	36,176	4.95%	41,905	-	41,905
Interest bearing - fixed					
Equipment financing facilities	99,508	4.71%	99,516	-	99,516
	403,580		431,620	-	431,620

Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

For financial instruments measured and carried at fair value, the Group uses the following to categorise the methods used:

- Level 1: fair value is calculated using quoted prices in active markets for identical assets or liabilities.
- Level 2: fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: fair value is estimated using inputs for the asset or liability that are not based on observable market data.

From time to time, the Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts and options. Derivative financial instruments are classified as Level 2, as the fair values are calculated based on observable market interest rates and foreign exchange rates. The fair values of interest rate derivatives are calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of the foreign currency forwards are calculated as the difference between the forward rate and the spot exchange rate at the balance sheet date.

The fair value of the Group's investment in JLL is determined by the market approach using prices and other relevant information generated by market transactions involving identical or comparable businesses and interest shown by shareholders. Investment in JLL is classified as Level 3, as the fair value at 30 June 2021 is based on the most recent negotiations to transact in this investment.

The fair value of convertible loan notes is independently determined using a Binomial Tree approach that takes into account the equity conversion options, redemption options, make whole payment scenario, expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the convertible loan notes and interest payment options. Since convertible loan notes are not traded in an active market and the valuation exercise involves a combination of observable market data and unobservable inputs, the convertible loan notes are classified as Level 2.

The Group has not adopted hedge accounting during the financial year or previous corresponding period.

During the year there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

Financial risk management objectives

The Group's Treasury provides services to each of the group businesses, and co-ordinates access to domestic and international financial markets, for the purpose of monitoring and managing the financial risks relating to the operations of the Group.

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

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Debt [i]	98,913	292,324
Convertible notes	251,006	-
Lease liabilities - AASB 16	112,474	194,645
Cash and cash equivalents	(31,668)	(17,167)
Net debt	430,725	469,802
Equity [ii]	1,493	54,077

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

If the convertible notes are converted to equity, the net debt will reduce to $179.7m and equity will increase by $252.5m.

NOTE 34. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	CONSOLIDATED	
	2021 $'000	2020 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities:		
Plant and equipment	922	5,782

	CONSOLIDATED	
	2021 $'000	2020 $'000
Contingent liabilities		
Contingencies at the reporting date but not recognised as liabilities:		
Bank guarantees provided in the normal course of business for certain property leases	-	1,036

Notes to the Financial Statements 30 JUNE 2021

NOTE 34. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (CONT.)

Blue Diamond Proceedings

During FY21, legal proceedings commenced in both Australia and the United States between Blue Diamond Growers (Blue Diamond) and a subsidiary of the Company including Freedom Foods Pty Ltd (FFPL).

Various disclosures have been made regarding Blue Diamond proceedings including in the Prospectus dated 19 March 2021 (and supplementary Prospectuses) and the ASX releases dated 30 September 2020, 8 March 2021 and 28 May 2021.

The Blue Diamond claim seeks:

- compensatory and general damages for breach of the Licence Agreement, which Blue Diamond asserts to be at least US$16 million;
- compensatory and general damages for breach of an alleged oral agreement; and
- specific performance of the Licence Agreement.

The Group disputes Blue Diamond's claims and is defending its position. Following hearings that took place in February 2021, the Federal Court of Australia ordered on 5 March 2021 that all matters in dispute between the parties that were subjects of the three sets of proceedings in the United States and Australia will now be determined in the Californian Arbitration.

The legal proceedings have the potential to materially adversely impact the Group's financial and operating performance, both in terms of the potentially significant costs associated with the proceedings and the potential outcomes if one or more of the remedies and orders sought by Blue Diamond in such proceedings are granted. There is a risk that, as an outcome of the arbitration, the arbitrator makes orders restraining FFPL (or compelling FFPL to restrain any entity acting on behalf of or in concert with FFPL) from manufacturing or selling nut-based beverage products in Australia or New Zealand that are not Blue Diamond products, organic or private label products (including a restraint on non-organic, nut-based beverage products), and any such restraints may have a significant impact on the Group's assets and operations. There is also a risk that Blue Diamond may seek to make additional claims, or amended claims during the course of the proceedings, or otherwise seek additional or amended remedies and orders.

In addition to the potential impact on the Group, under the convertible notes terms, and the terms with its senior financiers, the Group is subject to restrictions that prevent it from settling any dispute with Blue Diamond, or contributing to any damages or settlement payment to Blue Diamond in connection with such proceedings, in each case, without the consent of the majority convertible noteholders, and the consent of its senior financiers.

As the Californian Arbitration is progressing but is still at an early stage and any damages or settlement payment require the consent of the majority convertible noteholders and senior financiers, the Group has not recognised a provision in the financial statements in respect of these proceedings apart from the associated legal costs incurred as at 30 June 2021.

Class Action

Two separate class action proceedings were commenced against the Company and its auditor, Deloitte Touche Tohmatsu, alleging breaches of the *Corporations Act 2001* (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law. The Group has appointed Arnold Bloch Leibler to defend the actions. The class actions are at a very early stage and apart from the associated legal costs incurred as at 30 June 2021, no provision is recognised in the financial statements.

ASIC Investigation

ASIC has commenced an investigation under section 13 of the ASIC Act, in relation to suspected breaches of or offences committed under the Corporations Act (including continuous disclosure and financial reporting obligations) by the Company and the officers and directors of the Company between 1 July 2014 and 30 June 2020 (ASIC Investigation).

In the course of the investigation, ASIC has issued notices to the Group for the production of books and the provision of reasonable assistance.

The Group continues to cooperate with ASIC in relation to the ASIC Investigation and produce materials and information as requested. The investigation has not been concluded as at the date of issuance of these financial statements and hence no provision is recognised.

NOTE 35. INTERESTS IN SUBSIDIARIES

The Consolidated Statement of profit or loss and other comprehensive income and Statement of financial position of the entities party to the deed of cross guarantee is the Consolidated Statement of profit or loss and other comprehensive income and Statement of financial position included in the FY21 financial statements.

		OWNERSHIP INTEREST	
NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	2021 %	2020 %
Paramount Seafoods Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Group Operations Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Group Financing Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Pty Limited*	Australia	100.00%	100.00%
Pactum Australia Pty Limited*	Australia	100.00%	100.00%
Pactum Dairy Group Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Group IP Pty Limited*	Australia	100.00%	100.00%
Thorpedo Foods Group Pty Limited*	Australia	100.00%	100.00%
Thorpedo Foods Pty Limited	Australia	75.00%	75.00%
Thorpedo Seafoods Pty Limited	Australia	75.00%	75.00%
Freedom Foods North America Inc**	North America	-	80.00%
Freedom Foods Group Dandenong Pty Limited (formerly Popina (Vic) Pty Limited)*	Australia	100.00%	100.00%
Freedom Foods Group Ingleburn Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Group Nutritionals Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Group Trading Pty Limited*	Australia	100.00%	100.00%
Crankt Protein International Pty Limited	Australia	100.00%	100.00%
Freedom Foods Shanghai Co. Limited	China	100.00%	100.00%
Freedom Foods Singapore Pte Limited	Singapore	100.00%	100.00%

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

***The operations of Freedom Foods North America were closed in April 2021.*

Notes to the Financial Statements 30 JUNE 2021

NOTE 36. DEED OF CROSS GUARANTEE

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

Freedom Foods Group Limited
Paramount Seafoods Pty Limited
Freedom Foods Group Operations Pty Limited
Freedom Foods Group Financing Pty Limited
Freedom Foods Pty Limited
Pactum Australia Pty Limited
Thorpedo Foods Group Pty Limited
Freedom Foods Group Nutritionals Pty Ltd
Freedom Foods Group Dandenong Pty Limited (formerly Popina (Vic) Pty Limited)
Pactum Dairy Group Pty Limited
Freedom Foods Group Trading Pty Limited

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Freedom Foods Group Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2021 of the closed group

Consolidated statement of comprehensive income

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Revenue from sale of goods	571,802	567,190
Cost of sales	(462,383)	(536,646)
Gross margin	109,419	30,544
Selling and marketing expenses	(22,937)	(43,034)
Distribution expenses	(48,069)	(50,054)
Gross profit/(loss)	38,413	(62,544)
Other income	3,755	1,987
Expenses		
Product development expenses	(1,831)	-
Expected credit losses	347	(3,639)
Administrative expenses	(31,546)	(32,644)
Impairment of non-financial assets	(31,538)	(64,096)
Net finance costs	(31,367)	(15,409)
Share of profits of associates accounted for using the equity method	607	586
Loss before income tax (expense)/benefit	(53,160)	(175,759)
Income tax (expense)/benefit	(17)	101
Loss after income tax (expense)/benefit	(53,177)	(175,658)

Consolidated statement of financial position

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Assets		
Current assets		
Cash and cash equivalents	31,122	16,517
Trade and other receivables	56,854	61,830
Receivable from related parties	126,682	106,963
Loan due from a related party	13,116	14,464
Inventories	34,569	53,938
Derivative financial instruments	-	2,504
Prepayments	3,530	1,891
Total current assets	265,873	258,107
Non-current assets		
Investment in subsidiaries - at cost	-	904
Investments accounted for using the equity method	22,684	22,077
Property, Plant and Equipment	137,952	161,360
Right-of-use assets	39,396	42,664
Intangibles	-	5,248
Total non-current assets	200,032	232,253
Total assets	465,905	490,360

Notes to the Financial Statements 30 JUNE 2021

NOTE 36. DEED OF CROSS GUARANTEE (CONT.)

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Liabilities		
Current liabilities		
Trade and other payables	59,197	83,111
Bank borrowings	24,316	292,324
Lease liabilities	1,958	524
Derivative financial instruments	-	2,507
Provisions	6,652	4,635
Total current liabilities	92,123	383,101
Non-current liabilities		
Bank borrowings	74,597	-
Convertible notes	251,006	-
Lease liabilities	46,633	51,642
Provisions	53	1,540
Total non-current liabilities	372,289	53,182
Total liabilities	464,412	436,283
Net assets	1,493	54,077
Equity		
Issued Capital	598,712	598,712
Reserves	(60,378)	(55,851)
Accumulated losses	(536,841)	(488,784)
Total equity	1,493	54,077

NOTE 37. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	PARENT	
	2021 $'000	2020 RESTATED $'000
Loss after income tax	(52,584)	(159,722)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(52,584)	(159,722)

Statement of financial position

	PARENT	
	2021 $'000	2020 RESTATED $'000
Total current assets		
Total non-current (liabilities)/assets	1,493	54,126
Total current liabilities	-	(49)
Net assets	1,493	54,077
Equity		
Issued capital	598,712	598,712
Reserves	-	1,602
Accumulated losses	(597,219)	(546,237)
	1,493	54,077

Certain items in the table set out above related to the 2020 comparative have been restated. For details on the restatement of comparatives, refer to note 3.

Freedom Foods Group Limited on 27 August 2021, provided a letter of support stating it will provide financial support to certain controlled entities, at their request, to ensure that those subsidiaries are at all times able to pay all debts and liabilities owed by them, as they become due and payable in the normal course of business.

NOTE 38. RELATED PARTY TRANSACTIONS

Subsidiaries

Interests in subsidiaries are set out in Note 35.

Associates

Interests in associates are set out in Note 14.

Joint ventures

Interests in joint ventures are set out in Note 14.

Key management personnel

Disclosures relating to key management personnel are set out in note 39 and the remuneration report included in the Directors' report.

Transactions with related parties

Other related parties include:

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

Notes to the Financial Statements 30 JUNE 2021

NOTE 38. RELATED PARTY TRANSACTIONS (CONT.)

The following transactions occurred with related parties:

	CONSOLIDATED	
	2021 $	2020 $
Sale of goods and services during the year:		
Sale of goods to JLL*	-	21,699,884
Sale of pallet racking to Perich Property Holdings	273,133	-
Proceeds from/(reimbursements) related to convertible loan notes:		
Amount received from Arrovest Pty Limited	126,142,210	-
Reimbursement of legal advice to Arrovest Pty Limited	(253,000)	-
Amount received from Directors	275,000	-
Reimbursement for capital costs deemed to be landlord costs during the year:		
Reimbursement of capital costs incurred by the Group that were deemed to be landlord costs of Perich Property Holdings at Shepparton (related entity through common Directors)	263,865	1,687,970
Purchase of goods and services during the year:		
Milk purchases from Fresh Dairy Four Pty Limited (wholly owned subsidiary of AFMH)	(8,142,206)	(12,308,452)
Recycling services from Direct Group Industries (50% owned by Arrovest Pty Limited)**	-	(11,048)
Payment for rent, outgoings and interest during the year:		
Payment of rent and outgoings under a lease commitment with Perich Property Holdings at Shepparton and Head Office (related entity through common Directors)	(5,199,589)	(4,874,354)
Payment of rent and outgoings under a lease commitment with Perich Property Unit Trust at Ingleburn (related entity through common Directors)	(9,619,434)	(8,574,354)
Payment of principal and interest to Arrovest Pty Limited against short term loan facility	-	(848,892)
Payment for Director and Officer insurance and reimbursement of other legal costs to Leppington Pastoral Company	(1,330,242)	-
Amount payable at the end of the year:		
AASB 16 Lease liability with Perich Property Holdings at Shepparton and Head Office (related entity through common Directors)	(48,080,697)	(49,368,532)
AASB 16 Lease liability with Perich Property Unit Trust at Ingleburn (related entity through common Directors)	(61,827,983)	(138,696,637)
Payable for rent and outgoings under a lease commitment with Perich Property Holdings at Shepparton and Head Office (related entity through common Directors)	(60,136)	-
Payable for milk purchases from Fresh Dairy Four Pty Limited (wholly owned subsidiary of AFMH)	(1,042,747)	(244,743)

* *Investment in JLL is classified as FVOCI during FY21 and hence not considered a related party.*

** *Direct Group Industries was sold during FY20.*

*** *On 30 July 2021, the Group has issued 7,291 listed share options to the Chair of the Board, which related to the Chair's underlying ordinary shareholding. The options are not funded upfront.*

NOTE 39. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

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

	CONSOLIDATED	
	2021 $	2020 $
Short-term employee benefits	2,408,222	2,425,527
Post-employment benefits (superannuation contribution)	120,964	143,988
Long-term benefits (long service leave expense)	-	208,397
Termination benefits	304,359	-
Long term incentives	180,000	-
Share-based benefits*	-	(1,265,162)
	3,013,545	1,512,750

* *The share based benefits for FY20 is negative due to the reversal of previously recognised share based expense arising from forfeiture of share options granted to key management personnel.*

NOTE 40. SHARE-BASED PAYMENTS

In the year ended 30 June 2021, the Group has not issued any new options or service rights under the employee share scheme. However the following outstanding options, which were issued in prior years, did not vest during FY21:

1 October 2017 Options

Based on reported results, 80% of the second series of 2,250,000 options (Series 8) vested in FY19. None of the vested options were exercised before the expiry date of 1 October 2020. The remaining 20% lapsed unvested.

18 April 2019 Options (Series 9)

This series, with an expiry date of 30 November 2020, have not vested given the performance of the two related financial years FY19 (as restated) and FY20.

2021								
GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ LAPSED	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE
01/10/2017	01/10/2020	$4.50	2,250,000	-	-	(2,250,000)	-	-
18/04/2019	30/11/2020	$5.75	2,850,000	-	-	(2,850,000)	-	-
			5,100,000	-	-	(5,100,000)	-	-
Weighted average exercise price			$5.20	$0.00	$0.00	$5.20	$0.00	$0.00

Notes to the Financial Statements 30 JUNE 2021

NOTE 40. SHARE-BASED PAYMENTS (CONT.)

2020

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ LAPSED	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE
01/01/2013	01/09/2019	$1.65	561,666	-	(561,666)	-	-	-
01/07/2015	30/06/2020	$2.92	4,000,000	-	(900,000)	(3,100,000)	-	-
01/10/2017	01/10/2019	$4.50	2,250,000	-	-	(2,250,000)	-	-
01/10/2017	01/10/2020	$4.50	2,250,000	-	-	-	2,250,000	1,800,000
18/04/2019	30/11/2020	$5.75	2,850,000	-	-	-	2,850,000	-
23/03/2020	31/03/2020	$0.00	-	1,385,000	(1,385,000)	-	-	-
01/04/2020	30/04/2020	$0.00	-	160,000	(160,000)	-	-	-
			11,911,666	1,545,000	(3,006,666)	(5,350,000)	5,100,000	1,800,000
Weighted average exercise price			$4.13	$0.00	$1.18	$3.58	$5.20	$0.00

Significant accounting policies

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value of options and service rights granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and service rights granted:

- including any market performance conditions (eg the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

NOTE 41. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	CONSOLIDATED	
	2021 $'000	2020 RESTATED $'000
Loss after income tax (expense)/benefit for the year	(53,177)	(175,658)
Adjustments for:		
Depreciation and amortisation	28,504	29,533
Impairment of non-current assets	1,910	26,081
(Gains)/losses on financial assets and liabilities	(13,994)	(999)
Loss on sale of assets	514	-
Impairment of financial assets	(347)	3,639
Share based payments	-	(418)
Deferred tax movement	17	(83)
Share of profit of associates	(607)	(586)
Transaction costs related to recapitalisation*	9,637	-
Revaluation loss on land	137	-
Unrealised exchange loss	770	1,298
Movements in working capital:		
Decrease in trade and other receivables	2,304	2,011
Decrease in inventories	15,317	17,133
Increase in prepayments	(280)	-
Increase in amount due to other parties	858	-
Decrease in other operating assets	175	374
Decrease in trade and other payables	(42,553)	(82)
(Decrease)/increase in provision	(1,982)	134
Increase/(decrease) in other operating liabilities	-	(1,054)
Net cash used in operating activities	(52,797)	(98,677)

** These costs are classified as cash flow from financing activities and hence not forming part of net cash used in operating activities.*

Notes to the Financial Statements 30 JUNE 2021

NOTE 42. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM INVESTING AND FINANCING ACTIVITIES

The table below details changes in the Group's assets and liabilities arising from investing and financing activities, including both cash and non-cash changes. Liabilities arising from investing and financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

			NON-CASH CHANGES			
CONSOLIDATED 2021	BALANCE 30 JUNE 2020 $'000	FINANCING CASH FLOWS $'000	LEASE REMEASUREMENT $'000	FAIR VALUE CHANGES $'000	OTHER NON-CASH $'000	BALANCE 30 JUNE 2021 $'000
AASB 16 lease liabilities (note 24)	(194,645)	4,240	78,441	-	(510)	(112,474)
Term loan facilities (note 22)	(141,174)	141,174	-	-	-	-
Recourse debtor financing facilities (note 20)	(15,466)	2,382	-	-	-	(13,084)
Revolving financing facilities (note 22)	(36,176)	36,176	-	-	-	-
Equipment financing facilities (note 22)	(99,508)	17,085	-	-	(3,406)	(85,829)
Convertible loan notes (note 23)	-	(265,000)	-	13,994	-	(251,006)
Transaction costs	-	10,145	-	-	-	10,145
Share capital (note 29)	(598,712)	-	-	-	-	(598,712)
	(1,085,681)	(53,798)	78,441	13,994	(3,916)	(1,050,960)

			NON-CASH CHANGES			
CONSOLIDATED 2020	BALANCE 30 JUNE 2019 $'000	FINANCING CASH FLOWS $'000	DPR $'000	RELATED INCOME TAX $'000	OTHER NON-CASH $'000	BALANCE 30 JUNE 2020 $'000
AASB 16 lease liabilities (note 24)	-	2,844	-	-	(197,489)	(194,645)
Term loan facilities (note 22)	(92,350)	(48,824)	-	-	-	(141,174)
Recourse debtor financing facilities (note 20)	(20,926)	5,460	-	-	-	(15,466)
Revolving financing facilities (note 22)	-	(36,176)	-	-	-	(36,176)
Equipment financing facilities (note 22)	(64,141)	(6,790)	-	-	(28,577)	(99,508)
Share capital (note 29)	(589,123)	(3,303)	(6,211)	(75)	-	(598,712)
Dividend paid (note 30)	-	2,659	6,211	-	-	8,870
	(766,540)	(84,130)	-	(75)	(226,066)	(1,076,811)

Movements in investing activities:

CONSOLIDATED 2021	BALANCE 30 JUNE 2020 (RESTATED) $'000	INVESTING CASH FLOWS $'000	DEPRECIATION, AMORTISATION AND IMPAIRMENT $'000	NON-CASH CHANGES LEASE REMEASUREMENT $'000	DISCONTINUED OPERATIONS $'000	OTHER NON-CASH CHANGES $'000	BALANCE 30 JUNE 2021 $'000
Property, plant and equipment (note 15)	293,742	2,658	(20,664)	-	(25,369)	3,208	253,575
Right of use asset (note 16)	172,304	-	(7,840)	(78,441)	-	511	86,534
Intangibles (note 17)	30,599	-	-	-	(835)	-	29,764
Financial assets at FVOCI (note 13)	-	-	-	-	-	5,857	5,857
Investment accounted for using the equity method (note 14)	27,934	-	-	-	-	(5,250)	22,684
Non-current assets classified as held for sale (note 32)	-	-	(1,910)	-	8,374	-	6,464
Sale of discontinued operation (note 32)	-	(16,158)	-	-	-	-	(16,158)
	524,579	(13,500)	(30,414)	(78,441)	(17,830)	4,326	388,720

CONSOLIDATED 2020 (RESTATED)	BALANCE 30 JUNE 2019 (RESTATED) $'000	INVESTING CASH FLOWS $'000	DEPRECIATION, AMORTISATION AND IMPAIRMENT $'000	NON-CASH CHANGES EQUIPMENT FINANCE $'000	SHARE OF PROFITS USING EQUITY METHOD $'000	OTHER NON-CASH CHANGES $'000	BALANCE 30 JUNE 2021 (RESTATED) $'000
Property, plant and equipment (note 15)	269,403	19,258	(24,451)	28,577	-	955	293,742
Right of use asset (note 16)	-	-	(14,030)	-	-	186,334	172,304
Intangibles (note 17)	47,248	-	(16,395)	-	-	(254)	30,599
Investment accounted for using the equity method (note 14)	23,515	4,413	(735)	-	586	155	27,934
	340,166	23,671	(55,611)	28,577	586	187,190	524,579

Notes to the Financial Statements 30 JUNE 2021

NOTE 43. REMUNERATION OF AUDITORS

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

	CONSOLIDATED	
	2021 $	2020 $
Audit or review of financial reports:		
- Group FY21	829,000	-
- Group FY20*	540,300	640,300
- Subsidiaries and joint operations	57,673	44,339
	1,426,973	684,639
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	19,525	10,000
Other services:		
Assistance with research and development claims	-	133,000
Tax compliance services	-	54,325
	-	187,325
	1,446,498	881,964

** Group FY20 audit fees incurred in 2021 relate to audit of financial statements restatement.*

NOTE 44. EVENTS AFTER THE REPORTING PERIOD

Share options

On 1 June 2021, the Company issued a prospectus offering 40,816,326 m share options to eligible shareholders in order to provide them with the opportunity to participate in the recapitalisation plan. The Group received applications for a total of 27,698,189 options which were issued on 30 July 2021. The options were quoted on the ASX from 2 August 2021.

The options are exercisable at $0.98 per option any time during the period commencing on the business day immediately following the release of FY23 annual report and 30 July 2027. If all 27,698,189 options are exercised before 30 July 2027, the Group will raise approximately $27,144,225 which will be used for working capital purposes.

Amongst the options issued include 7,291 listed share options issued to the Chair of the Board relating to the Chair's pre-existing shareholding.

COVID-19 pandemic

The COVID-19 pandemic has commenced a new national Delta wave subsequent to 30 June 2021. The impact on the Victorian Local Government area of Shepparton where one of the Group's manufacturing sites is located has been significant, with a lockdown of over 1/3rd of the population, impacting the available labor force. The lock down measures taken by the Victorian government to contain the virus have affected economic activity. The Group has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for the Group's workforce and securing the supply of materials that are essential to our production process. At this stage, the impact on our business and results has not been significant with no positive cases in our staff or the family of our staff. We will continue to monitor this situation, follow the various government policies and advice and do our utmost to continue our operations in the best and safest way possible.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 28 to the financial statements.

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

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

On behalf of the Directors

Genevieve Gregor
Chair

30 August 2021
Sydney

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Freedom Foods Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Freedom Foods Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the financial report, which indicates that the Group incurred a net loss after tax of $53.2m during the year ended 30 June 2021 and had net cash outflows from operating activities of $52.8m. At 30 June 2021, the Group had net assets of $1.5m. The Group and its subsidiaries are subject to legal proceedings brought against certain Group subsidiaries by Blue Diamond Growers in respect of alleged breaches of the Licence Agreement between Blue Diamond Growers; and two class actions brought against the Company in respect of alleged breaches of the Corporations Act 2001 (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law. The outcomes of each of these legal proceedings have the potential to materially and adversely impact the Group's financial and operating performance. Should the Group be unsuccessful in its defence against either of these claims, the Group may become exposed to material compensation amounts, financial penalties and potential restrictions on the Group's operations. There is a risk that the Group will have

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insufficient funds to be able to pay these amounts and/or that restrictions on the Group's operations may also have a material impact on its ability to continue operating as a going concern.

These events or conditions, as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Contingent liabilities As described in notes 2 and 34 of the financial statements, the Group has a number of contingent liabilities regarding significant legal matters. Judgement is required in assessing the likelihood of outflow, the potential quantum of any outflow, the impact on the Group's operations and the associated disclosure requirements. This key audit matter specifically relates to the following two legal matters: *Blue Diamond proceedings*: The Group entered into an exclusive manufacturing and distribution agreement in respect of the Australian and New Zealand market with Blue Diamond Growers ("Blue Diamond") in respect of its Almond Breeze products in 2011 which was amended in 2014 (the "License Agreement"). Blue Diamond has commenced legal proceedings against certain of the Group's subsidiaries in respect of alleged breaches of the Licence Agreement. Management has concluded that it is not currently possible to determine the outcome of these legal proceedings with any certainty, and therefore has treated the dispute as a contingent liability and has concluded that no provision is required at 30 June 2021. *Class action*: The Group is subject to separate class actions lodged by Slater & Gordon and Omni Bridgeway on 9 December 2020 and 22 February respectively (the "Class Actions"). The Class Actions allege breaches by the Group of the Corporations Act 2001 (Cth), Australian	Our audit procedures included but were not limited to the following: ▪ Obtaining an understanding of relevant controls in relation to the identification and assessment of legal claims relating to the Group and its subsidiaries ▪ Assessing the reasonableness of management's assessment of the likelihood and quantification of outflow assessment in respect of legal actions and claims against the Group and its subsidiaries ▪ Reading Board meeting minutes to identify matters relevant to the Group's accounting and disclosure considerations ▪ Independently obtaining legal confirmations from the Group's legal advisors in respect of open legal matters ▪ Inquiring of the Group's internal legal advisors to understand ongoing and potential legal matters and reviewing third party correspondence and reports ▪ Meeting with the Group's external legal advisors to challenge the status of the legal claims and actions and their expectations as to expected outcome and the quantum of any claims or financial penalties ▪ Challenging the appropriateness of management's conclusion that no provisions are required in respect of these items at 30 June 2021; and ▪ Assessing the adequacy of the disclosures in notes 2 and 34 of the financial statements.

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Securities and Investments Commission Act ("ASIC Act") and Australian Consumer Law. Management has concluded that the claims constitute contingent liabilities and that no provision is required at 30 June 2021.	

Recoverability of goodwill, intangible assets and tangible assets
 	
As described in notes 15, 16, 17 and 32 of the financial statements, the Group held \$369.9m of goodwill, tangible assets and intangible assets and \$6.4m of non-current assets held for sale as at 30 June 2021 (30 June 2020: \$nil).
 	
In accordance with AASB 136 Impairment of Assets ("AASB 136"), the Group is required to assess at 30 June 2021 whether there are any indicators that individual assets may be impaired. Where such indicators are identified, the Group assesses their carrying value by reference to the higher of their value in use or fair value less costs to sell. There are a number of key estimates and assumptions made in identifying and determining the carrying value of under-utilised and inactive assets which require significant judgement. These include:
 	
▪ Forecast demand for existing and new products
▪ Forecast production efficiencies of manufacturing equipment
▪ Future use in other parts of the production facilities
▪ Costs of repurposing and/or commissioning assets; and
▪ Estimating market prices for assets which aren't supported by their value in use.
 	
The Group is also required to test goodwill and indefinite life intangible assets for impairment at least annually by assessing the recoverable amount of each cash-generating unit ("CGU"), or group of cash-generating units, to which the goodwill and intangible assets relate. The Group's CGUs contain a number of indefinite life intangible assets related to brands which are separately tested for impairment. Where there are indicators of impairment,
	Our audit procedures included but were not limited to:
	
	▪ Understanding the Group's process and relevant controls related to its impairment assessment of goodwill, intangible assets and tangible assets
	▪ Obtaining an understanding of management's assumptions and judgements used in the impairment assessments
	▪ Attending the Group's manufacturing sites on a sample basis and inspecting plant and equipment and meeting with operational site personnel to independently identify under-utilised and inactive plant and equipment
	▪ Challenging management on its planned use of under-utilised and inactive plant and equipment including whether:
	    o The Group's forecasts and business plans include the use of these assets to meet future anticipated sales/production levels, and the existence of formalised processes and timelines for review and approval by the board
	    o Existing plant and equipment can meet current and forecast production levels without the need to modify or commission inactive equipment;
	    o The Group has sufficient funding available for plant and equipment which requires modification or further commissioning costs to operate in the manner intended by management and that such costs form part of the Group's business plan; and
	    o The assets held for sale are being actively marketed and the basis on which their estimated sales price less costs to sell has been determined as required by AASB 5.
	▪ Evaluating the methodology, principles and integrity of the models used to determine the relevant recoverable amounts
	▪ Challenging the 2022 fiscal year forecast by:
	    o assessing the reasonableness of forecast sales based on individual product performance and customer demand, including the ability to renegotiate existing contract prices and secure new contracts with customers; and
	    o evaluating the forecast cost of production to determine whether the inputs included appropriate consideration of the cost structure in the business including the cost of production
	▪ Assessing the reasonableness of the longer-term assumptions, including:

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tangible assets are also assessed for impairment. As detailed in note 4 (Operating segments), the Dairy & Nutritionals CGU made a loss before income tax of $17.5m (30 June 2020: loss before tax of $81.3m) and the Plant Based Beverages CGU made a profit before income tax of $7.8m (30 June 2020: loss before income tax of $14.4m). The Group made significant operating losses in prior periods, and the recoverability of its goodwill, intangible and tangible assets within the Dairy & Nutritionals and Plant Based Beverages CGUs as at 30 June 2021 is highly dependent on the Group's ability to successfully execute its transformation program. As disclosed in notes 2 and 17, there are a number of key estimates made which require significant judgement in determining the inputs into the discounted cash flow models which are then compared to their carrying value, which include: ▪ Revenue growth ▪ Gross margin growth ▪ Manufacturing efficiency gains and other operational cost reductions ▪ Forward foreign exchange rates ▪ Royalty rates (used in the relief from royalty brand valuation models); and ▪ Discount rates applied to the projected future cash flows. In addition, in accordance with AASB 5 *Non-current assets held for sale and discontinued operations* ("AASB 5"), judgement is also required in determining whether the recoverable amount of an asset will be recovered principally through a sale transaction rather than continuing use.	o sales and margin growth based on historical performance, the Group's five-year forecast, supply agreements, industry benchmarks and industry trading conditions; and o Assessing the feasibility of forecast manufacturing efficiencies and other strategic initiatives ▪ Evaluating, with the assistance of our valuation specialists, the reasonableness of other key inputs and assumptions in the models including: o the royalty rates used by comparison to the market data on similar brands' royalty rates o the discount rates used by assessing the Group's weighted average cost of capital; and o the appropriateness of terminal growth rates applied ▪ Performing sensitivity analysis on the key model inputs and assumptions ▪ Comparing the recoverable amount per the impairment model to the carrying value of the CGU's assets; and ▪ Assessing the adequacy of the disclosures in notes 2, 3, 15, 16, 17 and 32.
Inventory valuation As at 30 June 2021, the Group has inventories with a carrying value of $48.3m	Our audit procedures included but were not limited to: ▪ Understanding the Group's process and relevant controls related to the costing of inventory and the determination of inventory write-downs

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as disclosed in note 11 of the financial statements. In determining the cost of inventory, significant judgement is applied by management in allocating overheads and other indirect costs. Management determines a standard cost for each stock keeping unit ("SKU") as part of its annual budget setting process. Manufacturing and price variances to these standard costs are allocated to inventory on a regular basis to reflect the actual cost of each SKU. As described in note 2 of the financial statements, inventories are carried at the lower of cost and net realisable value. Inventories are recorded at net realisable value where the estimated selling price less costs to sell of the SKU is less than the cost. A write-down of inventory is determined after considering the anticipated sales and margins based on recent historical performance and the broader market conditions. This requires significant judgement in estimating of future sales and prices.	▪ Assessing the Group's methodology for determining standard costs and allocating manufacturing and price variances to SKUs ▪ Assessing the Group's application of its processes and methodology for identifying and calculating write-downs of inventory ▪ Holding discussions with management and operational personnel to understand the assumptions applied in estimating inventory write-downs ▪ Testing on a sample basis the setting of the standard costs per SKU and the determination of actual costs including the allocation of manufacturing and price variances to SKUs ▪ For inventory on hand at 30 June 2021: o assessing whether it was recorded at the lower of cost and net realisable value by testing a sample of inventory items to the most recent sales price and/or sales contracts; and o for inventories close to expiration date challenging the basis of the assessment of the net realisable value of those inventories; and ▪ Assessing the adequacy of the disclosures in notes 2 and 11.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 76 to 88 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Freedom Foods Group Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants

Sydney, 30 August 2021

Shareholder Information

The Shareholder information set out below was applicable as at 20 August 2021

Number of holders / Classes of equity securities

There were:

- 8,572 shareholders, holding 277,109,319 fully paid ordinary shares;
- 20 holders of 101,130 convertible redeemable preference shares; and
- 2,797 holders of 27,698,189 listed options (ASX:FNPO)

Distribution schedule

Ordinary fully paid shares

RANGE	SECURITIES	%	NUMBER OF HOLDERS	%
100,001 and over	224,295,647	80.94%	160	1.87%
10,001 to 100,000	35,946,621	12.97%	1,265	14.76%
5,001 to 10,000	7,539,995	2.72%	990	11.55%
1,001 to 5,000	8,057,734	2.91%	3,199	37.32%
1 to 1,000	1,269,322	0.46%	2,958	34.51%
	277,109,319		8,572	

There are 3,534 shareholders holding an unmarketable parcel of the Company's ordinary shares.

Convertible redeemable preference shares

RANGE	SECURITIES	%	NUMBER OF HOLDERS	%
100,001 and over	-	-	-	-
10,001 to 100,000	70,102	69.32%	3	15.00%
5,001 to 10,000	8,000	7.91%	1	5.00%
1,001 to 5,000	19,090	18.88%	7	35.00%
1 to 1,000	3,938	3.89%	9	45.00%
	101,130		20	

Listed options (ASX: FNPO)

RANGE	SECURITIES	%	NUMBER OF HOLDERS	%
100,001 and over	15,573,740	56.23%	37	1.32%
10,001 to 100,000	7,701,565	27.81%	246	8.79%
5,001 to 10,000	1,596,250	5.76%	228	8.15%
1,001 to 5,000	2,276,986	8.22%	1,002	35.82%
1 to 1,000	549,648	1.99%	1,284	45.90%
	27,698,189		2,797	

There are 2,427 option holders holding an unmarketable parcel of the Company's ordinary shares.

Unquoted securities

The Company has the following unquoted securities:

CLASS OF UNQUOTED SECURITIES	NUMBER
Convertible redeemable preference shares	101,130

Shareholder Information

20 largest holders of quoted equity securities

The 20 largest holders of ordinary fully paid shares was as follows:

NAME	NUMBER HELD	% ISSUED CAPITAL
1. Arrovest Pty Ltd	145,556,000	52.53
2. HSBC Custody Nominees (Australia) Limited - A/C 2	14,450,339	5.21
3. Medich Capital Pty Ltd	5,102,803	1.84
4. HSBC Custody Nominees (Australia) Limited	4,509,071	1.63
5. 3rd Wave Investors Pty Ltd	4,000,000	1.44
6. Citicorp Nominees Pty Limited	3,248,380	1.17
7. J P Morgan Nominees Australia Pty Limited	2,442,031	0.88
8. BPC Custody Pty Ltd	1,566,374	0.57
9. Mutual Trust Pty Ltd	1,414,315	0.51
10. Best Safety Glass International (Australia) Pty Ltd	1,400,000	0.51
11. Chessell Family Investments Pty Ltd	1,100,000	0.40
12. CS Fourth Nominees Pty Limited	969,604	0.35
13. Netwealth Investments Limited	870,038	0.31
14. BNP Paribas Noms Pty Ltd	865,881	0.31
15. Moorebank Property Management Pty Ltd	850,000	0.31
16. Mr Mark McInnes	839,000	0.30
17. Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	800,493	0.29
18. Mrs Susan Michelle Hooton	750,000	0.27
19. Miss Rivka Jetske Louwen	745,402	0.27
20. BNP Paribas Nominees Pty Ltd Six Sis Ltd	736,812	0.27
	192,216,543	69.36

The 20 largest holders of the convertible redeemable preference shares was as follows:

NAME	NUMBER HELD	% ISSUED CAPITAL
1. R & M Gugliotta Pty Limited	30,000	29.66
2. Lewis Little River Pty Limited	23,438	23.18
3. Mr Hugh Middendorp & Mr Peter Charles Nicholas Middendorp	16,664	16.48
4. Alan Ong Enterprises Pty Limited	8,000	7.91
5. Mrs Enid May Hartigan	5,000	4.94
6. Mr Craig Sargent	3,394	3.36
7. GWG Investments Pty Limited	3,125	3.09
8. Lokit Investments Pty Limited	2,214	2.19
9. Mr Robert William Russell	1,924	1.90
10. Mr Robert David Napier Nicholls	1,736	1.72
11. Palatine Holdings Pty Limited	1,697	1.68
12. Mr Gerald Millman	1,000	0.99
13. Mr Tjeerd Veenstra & Mrs Susan Lesley Veenstra	963	0.95
14. Mrs Michelle Louise Farrell	640	0.63
15. Mr Andrew Jonathon Achilles	500	0.49
16. Mr Neville Thiele	273	0.27
17. Mrs Dianne Joan Thiele	219	0.22
18. Mr Andrew Macfarlane	200	0.20
19. Mr Kim Wigram Jones	133	0.13
20. Mrs Bronwyn Itchins	10	0.01
	101,130	100.00

Shareholder Information

The 20 largest holders of listed options was as follows:

NAME	NUMBER HELD	% ISSUED CAPITAL
1. HSBC Custody Nominees (Australia) Limited - A/C 2	4,305,202	15.54
2. Medich Capital Pty Ltd	2,115,055	7.64
3. HSBC Custody Nominees (Australia) Limited	1,153,733	4.17
4. 3rd Wave Investors Pty Ltd	1,102,484	3.98
5. J P Morgan Nominees Australia Pty Limited	580,418	2.1
6. Gazump Resources Pty Ltd	534,735	1.93
7. BPC Custody Pty Ltd	486,452	1.76
8. Netwealth Investments Limited	352,426	1.27
9. Little Cove Capital Pty Ltd	345,000	1.25
10. Aya International Pty Ltd	344,766	1.24
11. Mr Perry Richard Gunner and Mrs Felicity Jane Gunner	248,600	0.9
12. Best Safety Glass International (Australia) Pty Ltd	248,447	0.9
13. Citicorp Nominees Pty Limited	219,800	0.79
14. Goldacre Investments Pty Limited	218,189	0.79
15. Dover Downs Pty Ltd	201,242	0.73
16. Domran Investments Pty Ltd	200,000	0.72
17. Mrs Elizabeth Anne Fogarty and Miss Caitlyn Elizabeth Fogarty	195,186	0.7
18. Econotick Superannuation Pty Limited	170,807	0.62
19. Official Intelligence Pty Ltd	164,596	0.59
20. Custodial Services limited	156,983	0.57
	13,344,121	48.18

Substantial Holders

As at 20 August 2021, there were two substantial holders of the Company's ordinary fully paid shares that the company is aware of as follows:

NAME	NUMBER HELD	% ISSUED CAPITAL
Arrovest Pty Limited	145,556,000	52.53%
HSBC Custody Nominees (Australia) Limited	14,450,339	5.21%

Voting Rights

The voting rights relating to each class of equity securities is as follows:

Ordinary Shares

On a show of hands at a general meeting of the Company, every member present in person or by proxy shall have one vote and upon poll each person present in person or by proxy shall have one vote for each ordinary share held.

Convertible Redeemable Preference Shares

On a show of hands at a general meeting of the Company, every member present in person or by proxy shall have one vote and upon poll each person present in person or by proxy shall have one vote for each ordinary share held.

Options

Options do not have any voting rights.

Market Buy-Back

There is currently no on-market buy back.

Corporate Directory

Name of Entity:
Freedom Foods Group Limited

Directors
Genevieve Gregor – Chair
(Independent, Non-Executive) (from 29 January 2021)

Perry Gunner - Chair
(Non-Executive) (ceased 29 January 2021)

Anthony Perich AM - Deputy Chair
(Non-Executive)

Ronald Perich – Director
(Non-Executive) (ceased 29 January 2021)

Trevor Allen – Director
(Non-Executive) (ceased 29 January 2021)

Jane McKellar – Director
(Independent, Non-Executive)

Timothy Bryan – Director
(Non-Executive) (from 29 January 2021)

Stuart Black AM – Director
(Independent, Non-Executive) (from 22 March 2021)

Alternate Directors
Michael Perich
(Alternate Director for Ronald Perich until 6 August 2020)

Timothy Bryan
(Alternate for Anthony Perich - appointed 4 December 2019 and Ronald Perich appointed 6 August 2020 until 29 January 2021)

Chief Executive Officer
Michael Perich (appointed 6 August 2020)

Chief Financial officer
Josée Lemoine (appointed 19 February 2021)

Interim Company secretary
Scott Standen (13 July 2020 – 30 June 2021)

Group General Counsel and Company Secretary
Justin Coss (appointed 23 November 2020)

Notice of annual general meeting
The details of the Annual General Meeting of Freedom Foods Group Limited are:
18 November 2021

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

Principal place of business
80 Box Road
Taren Point, NSW 2229
Tel: +61 2 9526 2555

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

Auditors
Deloitte Touche Tohmatsu
Grosvenor Place, 225 George Street
Sydney NSW 2000
Tel: +61 2 9322 7000

Solicitors
Ashurst
Level 11, 5 Martin Pl
Sydney NSW 2000

Arnold Bloch Leibler
Chifley Tower, Level 24,
2 Chifley Square
Sydney NSW 2000

Bankers
HSBC Australia Limited
Level 27, 100 Barangaroo Ave
Sydney NSW 2000

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

Stock exchange listing
Freedom Foods Group Limited ordinary fully paid shares and options are listed on the Australian Securities Exchange (ASX code: FNP and FNPO)

Website
www.ffgl.com.au

ABN
41 002 814 235


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Annual Report 2021

freedom FOODS GROUP LIMITED
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