

Appendix 4E

Preliminary final report

1. Company details

Name of entity:	Freedom Foods Group Limited
ABN:	41 002 814 235
Reporting period:	For the year ended 30 June 2016
Previous period:	For the year ended 30 June 2015

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	53.7% to	170,444
Profit from ordinary activities after tax attributable to the owners of Freedom Foods Group Limited	down	10.8% to	50,492
Profit for the year attributable to the owners of Freedom Foods Group Limited	down	10.8% to	50,492

* Profit for the year ended 30 June 2015 includes a gain on reclassification of the investment in The a2 Milk Company Limited (a2MC) of \$53 million. This compares to the year ended 30 June 2016, when the a2MC investment was disposed of. With a reported gain on disposal of \$24 million in excess of the revaluation amount.

** On 1 January 2016, the Group elected to convert its convertible notes held in Pactum Dairy Group (PDG) into ordinary shares which resulted in the Group's interest in PDG increasing to 50%. The Group concluded that control was deemed to be gained on 1 January 2016, as detailed further in Note 36. The 50% investment was fair valued resulting in a gain of \$22 million as recognised in the Statement of profit or loss and other comprehensive income.

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2016 for ordinary shares payable on 30 November 2016	2.25	2.25
Final dividend for the year ended 30 June 2016 for convertible redeemable preference shares payable on 30 November 2016	1.35	1.35
Interim dividend for the half year ended 31 December 2015 for ordinary shares paid on 30 April 2016	1.75	1.75
Interim dividend for the half year ended 31 December 2015 for convertible redeemable preference shares paid on 30 April 2016	1.35	1.35

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$50,492,000 (30 June 2015: \$56,631,000).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	119.75	106.35

4. Dividend reinvestment plan

The following dividend or distribution plans are in operation:

The Dividend Reinvestment Plan (DRP) is current and remains unchanged from recent prior years. All Shareholders when initially registered, receive a copy of the DRP Plan and details concerning participation in the DRP Plan. 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.


5. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

6. Signed

Signed



Rory J.F. Macleod
Managing Director
Sydney

Date: 31 August 2016

Freedom Foods Group Limited

ABN 41 002 814 235

Financial Report - 30 June 2016

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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 2016.

Directors

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

Perry R. Gunner - Chairman (Non-Executive)
 Rory J.F. Macleod - Managing Director and Chief Executive Officer (Executive)
 Anthony M. Perich - Deputy Chairman and Director (Non-Executive)
 Ronald Perich - Director (Non-Executive)
 Melvyn Miles - Director (Non-Executive) (resigned on 14 August 2015)
 Trevor J. Allen - Director (Non-Executive)
 Michael R. Perich - Alternate Director for Anthony M. Perich and Ronald Perich (Non-Executive)

Principal activities

The principal activities of the Consolidated Entity during the financial year were:

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

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

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

Dividends

Dividends paid during the financial year were as follows:

	Consolidated 2016 \$'000	2015 \$'000
Final fully franked dividend for the year ended 30 June 2015 of 1.50 cents (2014: 1.50 cents) per ordinary share	515	556
Dividends reinvested: fully franked at 30% tax rate	1,807	1,718
Interim fully franked dividend for the year ended 30 June 2016 of 1.75 cents (2015: 1.50 cents) per ordinary share	688	595
Dividends reinvested: fully franked at 30% tax rate	2,455	1,705
Final fully franked dividend for the year ended 30 June 2015 of 1.35 cents (2014: 1.35 cents) per convertible redeemable preference share	1	2
Interim fully franked dividend for the year ended 30 June 2016 of 1.35 cents (2015: 1.35 cents) per convertible redeemable preference share	2	2
	<hr/> 5,468	<hr/> 4,578

On 31 August 2016, the Directors declared a fully franked final dividend of 2.25 cents per share to the holders of fully paid ordinary shares in respect of the financial year ending 30 June 2016, which is to be paid to shareholders on 30 November 2016. The record date for determining the entitlement to the final dividend is 2 November 2016. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$4,084,000.

On 31 August 2016, the Directors declared a fully franked final dividend of 1.35 cents per share to the holders of the convertible redeemable preference shares in respect of the financial year ending 30 June 2016, which is to be paid to shareholders on 30 November 2016. The record date for determining the entitlement to the final dividend is 2 November 2016. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$1,372.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to \$50,492,000 (30 June 2015: \$56,631,000).

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

The Consolidated Entity's operations are subject to environmental regulation under the law of the Commonwealth, State and local council regulations.

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

Information on Directors

Name:	Mr Perry R. Gunner.
Title:	Chairman and Non-Executive Director (Independent).
Qualifications:	B.Ag.Sc.
Experience and expertise:	Perry is former Chairman and CEO of Orlando Wyndham Wine Group and was appointed Chairman in July 2006.
Other current Directorships:	Non-Executive Director of Australian Vintage Ltd.
Former Directorships (last 3 years):	None.
Special responsibilities:	Chairman of the Remuneration and Nomination Committee and member of the Audit, Risk and Compliance Committee.
Interests in shares:	781,569.

Name:	Mr Rory J.F. Macleod.
Title:	Managing Director and Chief Executive Officer.
Qualifications:	B.Econ (Hons).
Experience and expertise:	Rory has been with the group for the past 13 years with direct responsibility for and involvement in the Company's strategic, operational and financial development during this time. He is a former Senior Director, corporate finance for SBC Warburg (now UBS) in Australasia and Europe where he gained extensive experience in strategy and commercial development, mergers and acquisitions and corporate analysis. Prior to his corporate finance background, Rory was an Equities Research Analyst with SBC Warburg (now UBS). Rory was appointed as an Executive Director in 2008 and appointed Managing Director and CEO in August 2012.
Other current Directorships:	Non-Executive Chairman, Australian Fresh Milk Holdings Pty Limited (AFMH) and its subsidiaries. A Director of operating subsidiaries of Freedom Foods Group Limited.
Former Directorships (last 3 years):	None.
Special responsibilities:	None.
Interests in shares:	1,654,487.
Interests in options:	Employee Share Options 2,500,000 @ \$2.92.
Name:	Mr Anthony M. Perich AM.
Title:	Non-Executive Director.
Experience and expertise:	Anthony is a Member of the Order of Australia. He is joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Company, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. He is also a property developer, farmer and business entrepreneur. Outside of the Perich Group, Anthony holds a number of other Directorships which include Greenfields Narellan Holdings, East Coast Woodshavings Pty Limited, Breeders Choice Woodshavings Pty Limited, Austral Malaysian Mining Limited and Inghams Health Research Institute. Memberships include Narellan Chamber of Commerce, Narellan Rotary Club, Urban Development Institute of Australia, Urban Taskforce, Property Council of Australia, past President of Narellan Rotary Club and Past President of Dairy Research at Sydney University. He was appointed as a Director in July 2006.
Other current Directorships:	None.
Former Directorships (last 3 years):	Austral Malaysian Mining Limited, Pulia Mining Sdn Bhd (Malaysia).
Special responsibilities:	Deputy Chairman.
Interests in shares:	99,107,422.
Name:	Mr Ronald Perich.
Title:	Non-Executive Director.
Experience and expertise:	Ronald is joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Company, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. He is also a property developer, farmer and business entrepreneur. Former Director of United Dairies Limited. He was appointed as a Director in April 2005.
Other current Directorships:	None.
Former Directorships (last 3 years):	None.
Special responsibilities:	Member of the Audit, Risk & Compliance Committee and member of the Remuneration & Nomination Committee.
Interests in shares:	99,107,422.

Name: Mr Melvyn Miles (resigned on 14 August 2015).
Title: Non-Executive Director (Independent).
Qualifications: B.Sc (Hons), F.I.B.D.
Experience and expertise: Melyvn has extensive Fast Moving Consumer Goods (FMCG) experience throughout Australasia, North America and the UK over a period of 26 years. Former Vice President of Carlton and United Breweries and Foster's Group, former Director of Carlton and United Breweries and its subsidiaries and former Chairman of South Pacific Distilleries, Fiji. He was appointed as a Director in November 2006 and resigned in August 2015.

Other current Directorships: None.
Former Directorships (last 3 years): None.
Special responsibilities: Former member of the Audit, Risk and Compliance Committee.
Interests in shares: None.

Name: Mr Trevor J. Allen.
Title: Non-Executive Director (Independent).
Qualifications: B Comm (Hons), CA, FF, MAICD.
Experience and expertise: Trevor has 38 years experience in the corporate and commercial sectors, primarily as a corporate and financial adviser to Australian and international public and privately owned companies. Trevor is an independent Non-Executive Director of Peet Limited, where he chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee. He is an independent Non-Executive Director of Eclix Group Limited, where he also chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee, Yowie Group Limited and has recently been appointed Chair of Brighte Capital Pty Limited, a start-up company financing residential solar and batteries. He will be retiring from the board of Aon Superannuation Pty Ltd, the trustee of the Aon Master Trust, on 31 August 2016. He was also a member of FINSIA's Corporate Finance Advisory Group Committee for ten years until December 2013. Trevor is a consultant to PPB Advisory. Prior to Trevor's Non-Executive roles, he had senior executive positions in the investment banking and corporate advisory sector, including Executive Director – Corporate Finance at SBC Warburg (now UBS) for over 8 years, Director at Baring Brothers Australia for one year and as a Corporate Finance Partner at KPMG for nearly 12 years. At the time of his retirement from KPMG in December 2011, he was the lead partner in its National Mergers and Acquisitions group. From 1997 – 2000 he was Director - Business Development for Cellarmaster Wines, having responsibility for the integration and performance of a number of acquisitions made outside Australia in that period. He was appointed as a Director in July 2013.

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

Former Directorships (last 3 years): Australian Childcare Projects Limited, Juvenile Diabetes Research Association.
Special responsibilities: Chairman of the Audit Risk & Compliance Committee and a member of the Remuneration Committee.
Interests in shares: 68,593.

Name:	Mr Michael R. Perich.
Title:	Alternate Non-Executive Director.
Qualifications:	B AppSci (SysAg).
Experience and expertise:	Director of Arrovest Pty Limited, Leppington Pastoral Company, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. Former Director of Contract Beverages Packers of Australia Pty Limited, a joint venture controlled equally by the Company and Arrovest, Director of Australian Dairy Conference and Graduate Member of the Australian Institute of Company Directors post nominals. He was appointed as an alternate Director in March 2009.
Other current Directorships:	Non-Executive Director of Australian Fresh Milk Holdings Pty Limited, Milk Holdings Pty Limited, Fresh Dairy One Pty Limited, Australian Fresh Milk Pty Limited.
Former Directorships (last 3 years):	None.
Special responsibilities:	None.
Interests in shares:	99,107,422.

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

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

Company secretaries

Managing Director, Mr Rory J.F. Macleod held the position of Company Secretary during and at the end of the financial year. Mrs Sharon Maguire is the Assistant Company Secretary.

The position of Company Secretary will be assumed by the Chief Financial Officer from 1 September 2016.

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 2016, and the number of meetings attended by each Director were:

	Full Board		Audit, Risk & Compliance		Remuneration & Nomination	
	Attended	Held	Attended	Held	Attended	Held
Perry R. Gunner	10	10	4	6	1	1
Rory J.F. Macleod (i)	10	10	6	6	1	1
Anthony M. Perich	9	10	-	-	-	-
Ronald Perich	10	10	3	6	1	1
Melvyn Miles (ii)	-	1	-	-	-	-
Trevor J. Allen	10	10	6	6	1	1
Michael R. Perich	8	10	-	-	-	-

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

- (i) R.J.F. Macleod attended the Audit, Risk and Compliance Committee meetings at the invitation of the Audit, Risk and Compliance Committee.
- (ii) Melvyn Miles resigned as Non-Executive Director on 14 August 2015.

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

Remuneration arrangements for key management personnel of the Company and Group ('the Directors and Executives') are set competitively to attract and retain appropriately qualified and experienced Directors and Executives. As part of its agreed mandate, the Remuneration and Nomination Committee obtains independent advice when required on the appropriateness of remuneration packages given trends in comparable companies and the objectives of the Consolidated Entity's remuneration strategy.

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

The remuneration structures explained below are designed to attract suitably qualified candidates. The remuneration structures take into account:

- The capability and experience of the Directors and Executives;
- The Directors and Executives' ability to control the relevant operational performance; and
- The amount of incentives within each Director and Executive's remuneration.

Managing Director and Executives

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

The Managing Director and Executives remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers the overall performance of the Group.

Performance based remuneration

Performance based remuneration is at the discretion of the Remuneration and Nomination Committee. These can take the form of share options or cash bonuses although the Company's preference is to link performance and service to a long term incentive arrangement through the Company's Employee Share Option Plan (ESOP).

The ESOP allows the Company to grant options over shares to all Directors (excluding Mr Ronald and Anthony M. Perich) and permanent full time or part time employees, or their respective nominees, of a company in the Group ('Group Companies'), which includes related bodies corporate of the Company and a body corporate in which the Company has voting power of 20% or more, whom the Board determines to be eligible to participate. The Board believes that options granted are appropriate to aligning key executive performance with long term performance and growth of the Company. The options on issue at 30 June 2016 that are unvested will vest over a period of 5 years and relate to an employee's service period only with the exception to the performance based options detailed below. Each employee share option converts into one ordinary share of the Parent on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. There are no vesting conditions attached to the options issued at 30 June 2016 other than continuing employment within the Group and the vesting details for options issued to Mr Rory J.F. Macleod and Mr Amine Haddad, refer to Share-based compensation on page 10.

Non-Executive Directors

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at an Annual or Extraordinary General Meeting. Total fees for all Non-Executive Directors, last voted upon by shareholders in June 2013, was not to exceed \$500,000 in total. Total fees paid to Non-Executive Directors for 2016 was \$368,720 (2015: \$443,475). To align Director interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

For the year ended 30 June 2016, the Chairman receives approximately 1.2 times the base fee of Non-Executive Directors. The Deputy Chairman receives approximately 1.1 times the base fee of Non-Executive Directors. Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board activities including Committee Fees. There are no termination or retirement benefits for Non-Executive Directors.

During the year, the Remuneration and Nomination Committee obtained independent advice from Crichton + Associates Pty Limited in relation to current and future remuneration policies and structures for the Company and the Group. As a result, the fees for Directors in FY 2017 will be adjusted to reflect market practice for comparable listed companies. The fees will also include separate fees for the Chairman of the Audit, Risk and Compliance Committee.

Details of remuneration

Amounts of remuneration

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

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

- Perry R. Gunner - Chairman and Non-Executive Director
- Rory J.F. Macleod - Managing Director and Chief Executive Officer
- Anthony M. Perich - Deputy Chairman and Non-Executive Director
- Ronald Perich - Non-Executive Director
- Melvyn Miles - Non-Executive Director (resigned on 14 August 2015)
- Trevor J. Allen - Non-Executive Director
- Michael Perich - Alternate Non-Executive Director for Anthony M. Perich and Ronald Perich

Executive Officers

- Amine Haddad - CEO, Commercial Operations Australasia
- Tim Moses - Group General Manager, Group Operations

In making an assessment of the key management personnel, a review of the roles performed by various senior management was undertaken. This review took into consideration senior management members' ability to plan, direct and control the principle activities of the Group. The result of this review is that Tim Moses, Group General Manager, Group Operations, has been added to the key management personnel while Michael Bracka, CEO, Freedom Foods North America, is no longer considered key management personnel.

The benefits of each Director who held office and other key management personnel for the year ended 30 June 2016 are as follows:

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

(1) The Director fees for Melvyn Miles were paid up until his resignation date, 14 August 2015.

	Short-term benefits Salary	Directors fees	Post-employment benefits Superannuation	Long-term benefits Long service leave	Share-based payments Options	Total
2015	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Perry R. Gunner	-	95,000	9,025	-	-	104,025
Anthony M. Perich	-	85,000	8,075	-	-	93,075
Ronald Perich	-	75,000	7,125	-	-	82,125
Melvyn Miles	-	75,000	7,125	-	-	82,125
Trevor J. Allen	-	75,000	7,125	-	-	82,125
<i>Executive Directors:</i>						
Rory J.F. Macleod	389,550	-	18,783	-	60,443	468,776
<i>Other Key Management Personnel:</i>						
Amine Haddad	331,203	-	18,783	-	43,062	393,048
Michael Bracka (1)	402,261	-	-	-	48,856	451,117
	<u>1,123,014</u>	<u>405,000</u>	<u>76,041</u>	<u>-</u>	<u>152,361</u>	<u>1,756,416</u>

(1) Michael Bracka was a resident in North America and his salary in USD was \$335,000, the above is the converted AUD amount. Superannuation contributions were not due or payable.

No bonus payments are payable to Executive Directors or other key management personnel with respect to the financial year ended 30 June 2016. The remuneration is fixed in the above tables.

Service agreements

Neither the Managing Director nor any other Executive has a fixed term contract. All senior executive management are employed under contract. The agreements outline the components of the remuneration paid to executives, including annual review. The agreements do not obligate the business to increase fixed remuneration, pay a short term incentive, make termination benefits or offer a long term incentive in any given year. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. The agreements may be terminated by written notice from either party or by the employing entity within the Group making a payment in lieu of notice. The notice periods are 9 months for the Managing Director, 6 months for CEO, Commercial Operations Australasia and 3 months for Group General Manager, Group Operations. Other notice periods for other executives are between 1 and 2 months.

Share-based compensation

Employee Share Options

Grant date	Number of shares under option	Expiry date	Exercise price	Fair value per option at grant date
30 August 2012	350,000	30 August 2017	\$0.60	\$0.066
1 July 2013	1,380,667	1 July 2018	\$1.65	\$0.181
1 July 2015	4,000,000	30 June 2020	\$2.92	\$1.195
			Number during the year 2016	Fair value (\$) during the year 2016
Recipients				
Rory J.F. Macleod - Issued 1 July 2015			2,500,000	2,987,500
Amine Haddad - Issued 1 July 2015			1,500,000	1,792,500

There is no performance criteria that need to be met in relation to 30 August 2012 and 1 July 2013 series options granted above. The options detailed above vest over a period of 3 years and relate to an employee's service period only.

The holders of these options do not have the right by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

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

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

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

750,000 on achievement of audited Group EBDITA of A\$42 million;
750,000 on achievement of audited Group EBDITA of A\$49 million; and
1,000,000 on achievement of audited Group EBDITA of A\$61 million.

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

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

Group performance, shareholder wealth and Directors and key management personnel remuneration

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

The earnings of the Group for the five years to 30 June 2016 are summarised below:

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Gross sales revenue*	213,833	129,502	122,722	115,514	72,556
Operating EBITDA**	21,526	16,420	15,289	11,600	5,447
Operating net profit**	10,818	4,970	12,518	6,351	3,305
Profit after income tax	50,631	56,631	12,132	13,722	3,012
EPS (Fully Diluted for CRPS) on operating net profit	6.06	3.14	8.15	5.40	3.32

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

** Operating EBITDA/Operating net profit excludes the non-operating charges and gains with an add back of the non-cash employee share option expense of \$448,000, elimination of the gain on disposal of a2MC investment \$25 million and fair value gain on conversion of convertible notes to shares of \$22 million.

	2016	2015	2014	2013	2012
Share price at financial year end (\$)	4.06	2.96	2.76	1.65	0.60
Total dividends declared (cents per share)	3.25	3.00	2.50	2.00	0.50
Basic earnings per share (cents per share)	29.52	37.11	8.65	14.73	3.88
Diluted earnings per share (cents per share)	28.54	35.99	8.14	11.96	3.03

With regard to a rapidly expanding and growing Company, the Remuneration and Nomination Committee has undertaken a review of the Company's remuneration strategy and framework that provides for alignment with the Company's business and growth strategy. The review included obtaining independent advice will include a focus on the mix of fixed versus variable remuneration and measures and targets for both short term and long term incentive plans. The new framework will be introduced from FY 2017.

Additional disclosures relating to key management personnel

Key management personnel equity holdings

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

	Balance at the start of the year	Received on exercise of options	Dividend reinvestment plan	Other changes during the year	Balance at the end of the year
<i>Ordinary shares</i>					
Perry R. Gunner***	853,157	-	-	(71,588)	781,569
Rory J.F. Macleod***	1,824,482	966,667	975	(1,137,637)	1,654,487
Anthony M. Perich *	86,938,153	-	930,451	11,238,818	99,107,422
Ronald Perich *	86,938,153	-	930,451	11,238,818	99,107,422
Melvyn Miles **	335,410	-	-	(335,410)	-
Trevor J. Allen	61,178	-	-	7,415	68,593
Michael Perich *	86,938,153	-	930,451	11,238,818	99,107,422
Amine Haddad	669,999	716,666	877	(194,580)	1,192,962
Tim Moses	-	100,000	-	-	100,000
	<u>264,558,685</u>	<u>1,783,333</u>	<u>2,793,205</u>	<u>31,984,654</u>	<u>301,119,877</u>

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

** Melvyn Miles ceased to be a key management personnel on 14 August 2016 due to his resignation as Director.

*** Perry R. Gunner disposed of 200,000 shares to satisfy trustee requirements to re-weight his superannuation portfolio. Rory J.F. Macleod disposed of 1,175,000 shares to fund income tax payments, portfolio management, employee share option exercise and repayment of loans relating to shareholdings. The disposals are included in other changes during the year.

Directors and key management personnel shareholdings increased during the year as a result of the Company issuing new shares under the Placement and Entitlement Offer during October 2015.

Employee share options in the Group

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed	Balance at the end of the year
<i>Options over ordinary shares</i>					
Rory J.F. Macleod	966,667	2,500,000	(966,667)	-	2,500,000
Amine Haddad	716,666	1,500,000	(716,666)	-	1,500,000
Tim Moses	175,000	-	(100,000)	-	75,000
	<u>1,858,333</u>	<u>4,000,000</u>	<u>(1,783,333)</u>	<u>-</u>	<u>4,075,000</u>

	Vested and exercisable	Unvested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Rory J.F. Macleod	-	2,500,000	2,500,000
Amine Haddad	-	1,500,000	1,500,000
Tim Moses	75,000	-	75,000
	<u>75,000</u>	<u>4,000,000</u>	<u>4,075,000</u>

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

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

Indemnity and insurance of officers

The group has not, during or since the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings; with the exception of the following matter.

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 35 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in Note 35 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Rounding of amounts

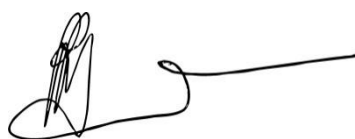
The Company is of a kind referred to in Australian Securities and Investments Commission (ASIC) Corporations Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' report are rounded off to the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

Auditor's independence declaration

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

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

On behalf of the Directors



Perry R. Gunner
Chairman



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

31 August 2016
Sydney

Corporate Governance

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

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

31 August 2016

Dear Board Members

Freedom Foods Group Limited

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

As lead audit partner for the audit of the financial statements of Freedom Foods Group Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU.

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants

Freedom Foods Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 \$'000	2015 \$'000
Revenue			
Revenue from sale of goods	5	170,444	91,460
Cost of sales		(119,763)	(58,385)
Gross profit		50,681	33,075
Other income		307	896
Gain from reclassification of a2MC investment	29	-	53,148
Other gains and losses	6	658	-
Gain from disposal of a2MC investment	29	24,529	-
Fair value gain on conversion of options in PDG	36	22,353	-
Expenses			
Marketing expenses		(3,964)	(4,264)
Selling and distribution expenses		(17,352)	(12,221)
Administrative expenses		(9,421)	(5,040)
Depreciation		(6,439)	(3,354)
Acquisition costs		(1,227)	-
Other expenses		(2,232)	-
Net finance costs		(1,151)	(218)
Share of profits/(losses) of associates accounted for using the equity method	28	372	(42)
Profit before income tax expense		57,114	61,980
Income tax expense	13	(6,483)	(5,349)
Profit after income tax expense for the year		50,631	56,631
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land and buildings, net of tax	20	-	1,026
<i>Items that may be reclassified subsequently to profit or loss</i>			
Revaluation of investment in a2MC, net of tax	29	-	5,841
Foreign currency translation	20	(279)	(193)
Fair value movement in a2MC investment, net of tax	20	16,281	-
Reclassification to profit or loss on disposal of a2MC investment	20	(22,122)	-
Other comprehensive income for the year, net of tax		(6,120)	6,674
Total comprehensive income for the year		44,511	63,305
Profit for the year is attributable to:			
Non-controlling interest		139	-
Owners of Freedom Foods Group Limited		50,492	56,631
		50,631	56,631

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

Freedom Foods Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016



	Note	Consolidated	
		2016 \$'000	2015 \$'000
Total comprehensive income for the year is attributable to:			
Non-controlling interest		139	-
Owners of Freedom Foods Group Limited		44,372	63,305
		<u>44,511</u>	<u>63,305</u>
		Cents	Cents
Basic earnings per share	7	29.52	37.11
Diluted earnings per share	7	28.54	35.99

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

Freedom Foods Group Limited
Statement of financial position
As at 30 June 2016

	Note	Consolidated	
		2016 \$'000	2015 \$'000
Assets			
Current assets			
Cash and cash equivalents	21	63,908	2,329
Trade and other receivables	8	45,661	25,303
Inventories	10	46,213	24,475
Derivative financial instruments	9	92	-
Other assets		1,053	1,700
Prepayments		3,281	2,094
Total current assets		160,208	55,901
Non-current assets			
Investments accounted for using the equity method	28	6,163	4,432
Investment in a2MC	29	-	72,618
Property, plant and equipment	11	224,351	103,430
Intangibles	12	70,435	21,488
Deferred tax	14	2,920	-
Loans due from associated entities		61	13,136
Total non-current assets		303,930	215,104
Total assets		464,138	271,005
Liabilities			
Current liabilities			
Trade and other payables	16	49,577	18,779
Borrowings	23	32,437	22,025
Derivative financial instruments	17	381	-
Income tax	15	11,568	8,316
Provisions		3,148	1,776
Other liabilities		938	193
Total current liabilities		98,049	51,089
Non-current liabilities			
Payables		52	52
Borrowings	24	71,393	30,890
Deferred tax	14	-	2,785
Provisions		591	260
Other liabilities		6,235	-
Total non-current liabilities		78,271	33,987
Total liabilities		176,320	85,076
Net assets		287,818	185,929

The above Statement of financial position should be read in conjunction with the accompanying notes

Freedom Foods Group Limited
Statement of financial position
As at 30 June 2016

		Consolidated	
	Note	2016	2015
		\$'000	\$'000
Equity			
Issued capital	18	169,106	99,028
Non-controlling interest		(7,541)	-
Reserves	20	(2,274)	3,398
Retained profits		<u>128,527</u>	<u>83,503</u>
Total equity		<u><u>287,818</u></u>	<u><u>185,929</u></u>

The above Statement of financial position should be read in conjunction with the accompanying notes

	Note	Consolidated 2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		166,813	87,104
Payments to suppliers and employees (inclusive of GST)		(153,458)	(78,797)
Cash generated from operations		13,355	8,307
Interest received		1,216	10
Interest and other finance costs paid		(6,203)	(1,691)
Receipts of government grants		-	371
Income taxes paid		(2,675)	(960)
Net cash from operating activities	22	5,693	6,037
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	36	(39,423)	-
Payments for property, plant and equipment	11	(63,103)	(49,625)
Purchase of shares in associated entity		-	(529)
Advances to associates		(71)	(2,758)
Repayment of loan by associate		100	1,200
Proceeds from disposal of associate shares		90,229	107
Investment in equity interest	28	(5,760)	-
Net cash used in investing activities		(18,028)	(51,605)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the company	18	66,800	1,264
Payment of share issue costs		(1,685)	(77)
Dividends paid	19	(1,256)	(1,155)
Proceeds/(repayments) of borrowings		10,362	43,088
Payment of related party balances		(307)	(96)
Net cash from financing activities		73,914	43,024
Net increase/(decrease) in cash and cash equivalents		61,579	(2,544)
Cash and cash equivalents at the beginning of the financial year		2,329	4,873
Cash and cash equivalents at the end of the financial year	21	63,908	2,329

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

Freedom Foods Group Limited
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	Issued capital \$'000	Reserves \$'000	Non- controlling interest \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2014	94,419	(3,636)	-	31,450	122,233
Profit after income tax expense for the year	-	-	-	56,631	56,631
Other comprehensive income for the year, net of tax	-	6,674	-	-	6,674
Total comprehensive income for the year	-	6,674	-	56,631	63,305
<i>Transactions with owners in their capacity as owners:</i>					
Issue of ordinary shares under employee share option plan (Note 18)	1,264	-	-	-	1,264
Issue of ordinary shares in accordance with the dividend reinvestment plan (Note 18)	3,422	-	-	-	3,422
Share issue costs (Note 18)	(110)	-	-	-	(110)
Related income tax (Note 18)	33	-	-	-	33
Share-based payments (Note 20)	-	360	-	-	360
Dividends paid (Note 19)	-	-	-	(4,578)	(4,578)
Balance at 30 June 2015	<u>99,028</u>	<u>3,398</u>	<u>-</u>	<u>83,503</u>	<u>185,929</u>

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

Consolidated	Issued capital \$'000	Reserves \$'000	Non- controlling interest \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2015	99,028	3,398	-	83,503	185,929
Profit after income tax expense for the year	-	-	139	50,492	50,631
Other comprehensive income for the year, net of tax	-	(6,120)	-	-	(6,120)
Total comprehensive income for the year	-	(6,120)	139	50,492	44,511
<i>Transactions with owners in their capacity as owners:</i>					
Issue of ordinary shares under employee share option plan (Note 18)	1,420	-	-	-	1,420
Issue of ordinary shares in accordance with the dividend reinvestment plan (Note 18)	4,262	-	-	-	4,262
Issue of ordinary shares from an entitlement offer (Note 18)	65,466	-	-	-	65,466
Share issue costs (Note 18)	(1,185)	-	-	-	(1,185)
Related income tax (Note 18)	115	-	-	-	115
Additional non-controlling interests arising on the acquisition of Pactum Dairy Group	-	-	(7,680)	-	(7,680)
Share based payments (Note 20)	-	448	-	-	448
Dividends paid (Note 19)	-	-	-	(5,468)	(5,468)
Balance at 30 June 2016	169,106	(2,274)	(7,541)	128,527	287,818

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

Note 1. General information

The financial statements of Freedom Foods Group Limited ('Group' or 'Company') for the year ended 30 June 2016 was authorised for issue in accordance with resolution of Directors on 31 August 2016.

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31 August 2016. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New and amended standards adopted by the Group

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

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

(a) Statement of compliance

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

(b) Basis of preparation

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

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

The financial statements are presented in Australian dollars.

(c) Basis of consolidation

The Consolidated financial statements incorporate the financial statements of Freedom Foods Group Limited and its subsidiaries as at 30 June each year ('the Group'). Control is achieved where the Company:

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

Note 2. Significant accounting policies (continued)

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of profit or loss and comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

(e) Financial instruments

Recognition of investments

Investments are initially measured at fair value, net of transaction costs, except for those financial assets carried at fair value through profit and loss, which are initially measured at fair value when the related contractual rights or obligations exist. Subsequent to initial recognition these investments are measured as set out below.

Loans and receivables

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

Available for sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial instruments held for trading

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

Note 2. Significant accounting policies (continued)

(f) Key estimates and judgement areas

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

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

The actual results may differ from these estimates.

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

- Note 11: Estimates of useful life's of assets
- Note 12 : Determining the recoverable amounts of assets
- Note 36 : Business combinations and the application of the requirements of control

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

Issued Standards and Interpretations not early adopted

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

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

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

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

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

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

This Standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Standard provides a single Standard for revenue recognition. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group will adopt this Standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

AASB 16 'Leases'

This Standard is applicable to annual reporting periods beginning on or after 1 January 2019. AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed.

Note 3. Operating segments

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

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

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

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

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

In the year ending 30 June 2017 and consistent with upgrades to the Company's Information Technology platform, the Company will change its segmented reporting to reflect its core business categories:

- Cereal and Snacks (including branded and non branded);
- Plant Based Beverages (including branded and non branded);
- Dairy Beverages;
- Specialty Seafood; and
- Other.

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

Note 3. Operating segments (continued)

Consolidated - 2016	Freedom Foods \$'000	Pactum \$'000	PDG \$'000	Specialty Seafood \$'000	Freedom Foods North America \$'000	Unallocated Shared Services \$'000	Total \$'000
Revenue							
Sales to external customers	84,250	35,402	36,500	12,404	1,888	-	170,444
Intercompany sales elimination	2,494	20,594	70	-	-	(23,158)	0
Total sales revenue	86,744	55,996	36,570	12,404	1,888	(23,158)	170,444
Total revenue	86,744	55,996	36,570	12,404	1,888	(23,158)	170,444
EBDITA	10,632	11,296	2,002	2,025	(857)	-	25,098
Convertible loan note & interest income	-	-	-	-	-	157	157
Share of associates profit	-	-	-	-	-	372	372
Shared services including ESOP	-	-	-	-	-	(4,339)	(4,339)
Other income	-	-	-	-	-	150	150
Depreciation and amortisation	(2,859)	(1,700)	(911)	-	-	(969)	(6,439)
Net finance costs	-	-	-	-	-	(1,308)	(1,308)
Gain on a2MC investment (net costs)	-	-	-	-	-	24,529	24,529
Acquisition costs re Popina Foods	-	-	-	-	-	(835)	(835)
Acquisition costs re DP Mill	-	-	-	-	-	(392)	(392)
Other expenditure	-	-	-	-	-	(2,232)	(2,232)
Fair value uplift in conversion options	-	22,353	-	-	-	0	22,353
Profit/(loss) before income tax expense	7,773	31,949	1,091	2,025	(857)	15,133	57,114
Income tax expense							(6,483)
Profit after income tax expense							50,631

Note 3. Operating segments (continued)

	Freedom			Specialty	Freedom Foods	Unallocated Shared	
Consolidated - 2016	Foods \$'000	Pactum \$'000	PDG \$'000	Seafood \$'000	North America \$'000	Services \$'000	Total \$'000
Assets	184,852	141,084	93,140	17,461	1,448	19,990	457,975
<i>Unallocated assets:</i>							
Investment in associate	-	-	-	-	-	6,163	6,163
Total assets							464,138
Acquisition of businesses	(56,112)	-	(92,695)	-	-		(148,807)
Segment assets	128,740	141,084	445	17,461	1,448	26,153	315,331
Liabilities							
Total liabilities	35,649	25,965	62,998	274	316	51,118	176,320
<i>Unallocated liabilities:</i>							
Acquisition of businesses	(12,046)	-	(69,437)	-	-	-	(81,483)
Segment liabilities	23,603	25,965	(6,439)	274	316	51,118	94,837

Note 3. Operating segments (continued)

Consolidated - 2015	Freedom Foods \$'000	Pactum \$'000	Specialty Seafood \$'000	Freedom Foods North America \$'000	Unallocated Shared Services \$'000	Total \$'000
Revenue						
Sales to external customers	46,934	30,164	12,802	1,560	-	91,460
Intercompany sales elimination	1,229	18,436	-		(19,665)	-
Total sales revenue	48,163	48,600	12,802	1,560	(19,665)	91,460
Total revenue	48,163	48,600	12,802	1,560	(19,665)	91,460
EBDITA	3,350	10,457	2,535	(903)	-	15,439
Depreciation and amortisation	(1,920)	(1,316)	-	-	(118)	(3,354)
Shared services	-	-	-	-	(3,889)	(3,889)
Net finance costs	-	-	-	-	(218)	(218)
Gain on a2MC investment	-	-	-	-	53,148	53,148
Convertible loan Note interest	-	-	-	-	525	525
Other income	-	-	-	-	371	371
Share of equity accounted associates	-	-	-	-	(42)	(42)
Profit/(loss) before income tax expense	1,430	9,141	2,535	(903)	49,777	61,980
Income tax expense						(5,349)
Profit after income tax expense						56,631
Assets						
Segment assets	86,622	67,272	19,141	1,707	-	174,742
<i>Unallocated assets:</i>						
Shared services						19,213
Investment in associate						4,432
Investment in a2MC						72,618
Total assets						271,005
<i>Total assets includes:</i>						
Investments in associates	-	-	-	-	72,618	72,618
Acquisition of non-current assets	15,160	29,933	-	-	4,530	49,623
Liabilities						
Segment liabilities *	24,398	38,232	5,494	2,491	-	70,615
<i>Unallocated liabilities:</i>						
Shared services						14,461
Total liabilities						85,076

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

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

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

Note 3. Operating segments (continued)

As a consequence of gaining control over PDG on 1 January 2016, the results of PDG have been shown as a separate segment of the Group, refer to Note 36 for further detail.

86% of total external sales of the Consolidated Group are generated in Australia (2015: 94%) and 40% of total external sales (2015: 56%) are through major Australian retailers.

Total profit/(loss) from equity accounted associates for the period totalled \$(1,384,141) (2015: \$(4,200,000)). The Group's share of these profits/(losses) was \$372,000 (2015: \$(42,000)).

Information about major customers

Included in revenues arising from external sales of \$170.4 million (2015: \$91.5 million) (see segment revenue above) are revenues of approximately \$114.9 million (2015: \$51.5 million) which arose from sales to the Group's two largest customers. No other single customers contributed 10% or more to the Group's revenue for both 2016 and 2015.

Note 4. Expenses

Consolidated	
2016	2015
\$'000	\$'000

Profit before income tax includes the following specific expenses:

Research and development costs expensed	1,073	500
Superannuation expenses	1,914	1,254
Share-based payments expense	448	360
Employee benefits expense excluding superannuation and share-based payment expense	14,231	6,860

Note 5. Revenue

Consolidated	
2016	2015
\$'000	\$'000

Revenue

Revenue from sale of goods	170,444	91,460
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Significant accounting policies

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

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

Note 6. Other gains and losses

	Consolidated	
	2016 \$'000	2015 \$'000
Net foreign exchange gains	660	-
Net gains on financial assets held at fair value through profit or loss	76	-
Net losses on financial liabilities held at fair value through profit or loss	(63)	-
Other losses	(15)	-
	<u>658</u>	<u>-</u>

Other gains and losses in 2015 were reported in revenue from sale of goods in the amount of \$95,477.

Note 7. Earnings per share

	Consolidated	
	2016 \$'000	2015 \$'000
Profit after income tax	50,631	56,631
Non-controlling interest	(139)	-
Profit after income tax attributable to the owners of Freedom Foods Group Limited	50,492	56,631
Share-based payments expense	448	360
Profit after income tax attributable to the owners of Freedom Foods Group Limited used in calculating diluted earnings per share	<u>50,940</u>	<u>56,991</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	171,052,844	152,587,346
Adjustments for calculation of diluted earnings per share:		
CRPS	114,217	141,205
ESOP	7,333,740	5,637,970
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>178,500,801</u>	<u>158,366,521</u>
	Cents	Cents
Basic earnings per share	29.52	37.11
Diluted earnings per share	28.54	35.99

At 30 June 2016, there were 181,527,335 ordinary shares (2015: 154,624,900) on issue and 101,627 convertible redeemable preference shares (2015: 137,027).

At 30 June 2016, there were nil unlisted ordinary share options (2015: nil). There were 5,662,333 employee share options outstanding (2015: 4,316,669), nil exercisable at \$0.40 per share (2015: 1,416,667), 350,000 exercisable at \$0.60 per share (2015: 1,375,002), 1,312,333 exercisable at \$1.65 per share (2015: 1,525,000) and 4,000,000 exercisable at \$2.92 per share (2015: nil).

Note 7. Earnings per share (continued)

Basic earnings per share

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

Diluted earnings per share

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

Note 8. Current assets - trade and other receivables

	Consolidated	
	2016	2015
	\$'000	\$'000
Trade receivables	39,978	21,935
Less: provision for impairment of receivables	(69)	-
	<u>39,909</u>	<u>21,935</u>
Other receivables	5,752	3,368
	<u>45,661</u>	<u>25,303</u>

The average credit period on sales of goods is 39 days (2015: 45 days). No interest is charged on trade receivables. No allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods, determined by reference to past default experience. During the current financial year, the allowance for doubtful debts increased by \$69,000 (2015: decreased by \$59,000) in the Group. The allowance for doubtful debts/impaired trade receivables as at 30 June 2016 is \$69,000 (2015: nil). The Group does not hold any collateral over these balances.

Customers with balances past due but without provision for impairment of receivables amount to \$10,359,000 (2015: \$2,228,000).

The current receivables for the Group have a weighted average of 35 days (2015: 33 days). Management considers that there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The past due but not impaired receivables for the Group have a weighted average of 77 days (2015: 33 days). These relate to a number of customers for whom there is no recent history of default and other indicators of impairment.

The Group does not have significant risk exposure to any one debtor; however 52% (2015: 56%) of sales and 46% (2015: 68%) of year end receivables are concentrated in major supermarkets throughout Australia.

Note 9. Current assets - derivative financial instruments

	Consolidated	
	2016	2015
	\$'000	\$'000
Forward foreign exchange contracts	<u>92</u>	<u>-</u>

Refer to Note 25 for further information on financial instruments.

Note 10. Current assets - inventories

	Consolidated	
	2016	2015
	\$'000	\$'000
Raw materials - at cost	26,921	10,436
Finished goods - at cost	19,242	14,039
Less: provision for impairment	50	-
	<u>46,213</u>	<u>24,475</u>

All inventories of the Group are expected to be recovered within a 12 month period.

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$119,763,486 (2015: \$58,384,951).

Significant accounting policies

Inventories are measured at the lower of cost and net realisable value.

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

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

Note 11. Non-current assets - property, plant and equipment

	Consolidated	
	2016	2015
	\$'000	\$'000
Freehold land - at independent valuation	5,379	254
Buildings - at independent valuation	10,840	5,446
Less: accumulated depreciation	(891)	-
	<u>9,949</u>	<u>5,446</u>
Plant and equipment - at cost	126,392	64,150
Less: accumulated depreciation	(31,746)	(16,643)
Add: capital work in progress - at cost	114,212	50,154
	<u>208,858</u>	<u>97,661</u>
Motor vehicles - under lease	416	109
Less: accumulated depreciation	(251)	(40)
	<u>165</u>	<u>69</u>
	<u>224,351</u>	<u>103,430</u>

Note 11. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Freehold Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 1 July 2014	254	4,102	50,712	9	55,077
Additions*	-	-	12,658	88	12,746
Revaluation adjustment	-	596	-	-	596
Depreciation write back on revaluation	-	869	-	-	869
Additions through capital work in progress	-	-	37,496	-	37,496
Depreciation expense	-	(121)	(3,205)	(28)	(3,354)
Balance at 30 June 2015	254	5,446	97,661	69	103,430
Additions *	4,336	5	2,700	143	7,184
Additions through business combinations (Note 36)	789	4,829	50,517	-	56,135
Additions through capital work in progress	-	-	64,058	-	64,058
Disposals	-	-	(17)	-	(17)
Depreciation expense	-	(331)	(6,061)	(47)	(6,439)
Balance at 30 June 2016	5,379	9,949	208,858	165	224,351

* Included in additions is \$949,000 (2015: \$617,192) of capitalised interest.

Significant accounting policies

The Leeton site is carried at fair value as at 30 June 2016, less any subsequent accumulated depreciation. Fair value is determined on the basis of an independent valuation which is carried out regularly by an external valuation expert, based on discounted cash flows or capitalisation of net income, as appropriate.

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

Capital work in progress is stated at cost.

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Accounting estimates

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

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

Note 12. Non-current assets - intangibles

	Consolidated	
	2016 \$'000	2015 \$'000
Goodwill*	54,161	5,214
Brand names	16,274	16,274
	<u>70,435</u>	<u>21,488</u>

*Goodwill increased by \$48,947,000 due to acquisitions during the year. Refer to Note 36 for further details.

Significant accounting policies

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

- Specialty Seafood
- Freedom Foods
- Popina Foods
- PDG

The Consolidated Entity carries an amount of \$16,274,000 of brand names with indefinite useful lives allocated between the Specialty Seafood and Freedom Foods cash generating units. The brand names relate to established major brands purchased as part of business combinations and are considered to be market leaders within their market segment. The brand names operate in a stable industry with a strong positioning in the consumer functional foods market. There was no goodwill associated to the Group's acquisition of Pactum Australia Pty Limited. Refer to Note 36 Business combinations, for the goodwill recognised on consolidation of PDG, Popina Foods and Darlington Point Mill after deducting deemed consideration from fair value of PDG's identifiable net liabilities.

The carrying amount of goodwill has been allocated to the identified cash-generating units as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Specialty Seafood	1,982	1,982
Freedom Foods	3,232	3,232
Popina Foods	16,832	-
Darlington Point Mill	1,178	-
PDG	<u>30,937</u>	<u>-</u>
	<u>54,161</u>	<u>5,214</u>

Note 12. Non-current assets - intangibles (continued)

Accounting estimates

The recoverable amounts of the cash generating units are determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period, a terminal value and a discount rate range between 8.80% - 15.00% pa post tax and between 12.57% - 21.43% pa pre-tax (2015: 8.55% - 9.02% pa post tax and 12.21% - 12.85% pre-tax).

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

- Budgeted market share - average market share in the period immediately before the budget period plus a growth percentage of market share per year. Management believes that the planned market share growth per year for the next four years is reasonable.
- Budgeted gross margin - average gross margins achieved in the period immediately before the budget period is consistent with that used by management.

The recoverable amount for PDG, given its development nature, is determined using a fair value less costs to sell calculation which uses cash flow projections based on financial budgets approved by management covering a five year period and a terminal value. Cash flow projections during the budget period for the cash generating units are also based on the same expected gross margins during the budget period. The Group has used a discount rate of 12% pa post tax and 17.14% pa pre-tax. The discount rate is based on the weighted average cost of capital determined by prevailing or benchmarked market inputs and includes a risk premium considered appropriate to a newly established business in a development phase.

Impairment of goodwill and other intangible assets

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

The value of the goodwill as at the end of the financial year was \$54,161,000 (2015: \$5,214,000), with no impairment loss charged against goodwill.

The value of other intangible assets as at the end of the financial year was \$16,274,000 (2015: \$16,274,000), with no impairment loss charged against the other intangible assets.

Note 13. Income tax expense

	Consolidated	
	2016 \$'000	2015 \$'000
<i>Income tax expense</i>		
Current tax	10,170	4,357
Adjustments recognised in the current year in relation to the current tax of prior years	-	1,066
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(3,687)	(74)
	<hr/>	<hr/>
Aggregate income tax expense	6,483	5,349
	<hr/>	<hr/>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	57,114	61,980
	<hr/>	<hr/>
Tax at the statutory tax rate of 30%	17,134	18,594
	<hr/>	<hr/>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of revenue/expenses that are not deductible in determining taxable profit	(334)	209
Effect of tax concessions (research and development)	(50)	(50)
Tax impact on investment in a2MC	(4,264)	(14,470)
Fair value gain on conversion of options in PDG	(6,706)	-
	<hr/>	<hr/>
	5,780	4,283
Franking deficit tax	703	1,255
Prior year research and development claim	-	(189)
	<hr/>	<hr/>
Income tax expense	6,483	5,349
	<hr/>	<hr/>

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

	Consolidated	
	2016 \$'000	2015 \$'000
<i>Deferred tax balances</i>		
Deferred tax assets/(liabilities) comprises temporary differences attributable to:		
Property, plant and equipment	(2,164)	(633)
Provisions	1,158	605
Other	793	(78)
Deferred tax assets related to recognised tax losses	5,545	-
Withholding tax paid	-	38
Investments	-	(2,717)
Finance facilities in PDG	(2,412)	-
	<hr/>	<hr/>
Total deferred tax assets/(liabilities)	2,920	(2,785)
	<hr/>	<hr/>

Note 13. Income tax expense (continued)

Significant accounting policies

The Company and its wholly-owned Australian subsidiaries have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Freedom Foods Group Limited. Income tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Freedom Foods Group Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Current tax

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

Deferred tax

Deferred tax is accounted for on the basis of temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in branches and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it's probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Note 13. Income tax expense (continued)

Current and deferred tax for the period

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

Note 14. Non-current assets/(liabilities) - deferred tax

	Consolidated	
	2016	2015
	\$'000	\$'000
Deferred tax asset/(liability)	2,920	(2,785)
<i>Movements:</i>		
Opening balance	(2,785)	385
Provisions	553	82
Doubtful debts	-	(18)
Property, plant and equipment	(1,531)	384
Other	833	95
Investments	2,717	(2,717)
Tax losses recognised in PDG since 1 January 2016	75	(996)
Deferred tax liabilities acquired	(2,412)	-
Deferred tax assets related to losses acquired	5,470	-
Closing balance	2,920	(2,785)

Note 15. Current liabilities - income tax

	Consolidated	
	2016	2015
	\$'000	\$'000
Income tax payable attributable to: entities in the tax consolidated group	11,568	8,316

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2016	2015
	\$'000	\$'000
Trade payables	36,316	14,724
Other payables and accruals	13,261	4,055
	49,577	18,779

Refer to Note 25 for further information on financial instruments.

Note 16. Current liabilities - trade and other payables (continued)

Amounts not expected to be settled within the next 12 months

	Consolidated	
	2016	2015
	\$'000	\$'000
Payables to related parties - refer Note 32 Related party transactions	938	193

Trade payables are paid on average within 60 days of invoice date (2015: 60 days). No interest is charged on trade payables.

Note 17. Current liabilities - derivative financial instruments

	Consolidated	
	2016	2015
	\$'000	\$'000
Forward foreign exchange contracts	381	-

Refer to Note 25 for further information on financial instruments.

Note 18. Equity - issued capital

	Consolidated			
	2016	2015	2016	2015
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	181,527,335	154,624,900	169,090	98,995
Convertible redeemable preference shares - fully paid	101,627	137,027	16	33
	<u>181,628,962</u>	<u>154,761,927</u>	<u>169,106</u>	<u>99,028</u>

Note 18. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2014	150,645,371		94,378
Employee share options exercised		2,350,000	\$0.40	940
Employee share options exercised		333,332	\$0.60	200
Employee share options exercised		75,000	\$1.65	124
Convertible redeemable preference shares (CRPS) conversions		15,100	\$0.30	5
Dividend reinvestment plan (DRP) shares		604,193	\$2.85	1,717
Dividend reinvestment plan (DRP) shares		601,904	\$2.83	1,705
Transaction costs		-	\$0.00	(74)
Balance	30 June 2015	154,624,900		98,995
Employee share options exercised		1,416,667	\$0.40	567
Employee share options exercised		1,025,002	\$0.60	615
Employee share options exercised		144,333	\$1.65	238
Convertible redeemable preference shares (CRPS) conversions		35,400	\$0.30	11
Dividend reinvestment plan (DRP) shares		645,194	\$2.80	1,807
Dividend reinvestment plan (DRP) shares		665,298	\$3.69	2,455
Shares issued under the entitlement offer		22,970,541	\$2.85	65,466
Transaction costs		-	\$0.00	(1,064)
Balance	30 June 2016	<u>181,527,335</u>		<u>169,090</u>

Movements in convertible redeemable preference shares

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2014	152,127		41
Conversion to ordinary shares		(15,100)	\$0.30	(5)
Transaction costs		-	\$0.00	(3)
Balance	30 June 2015	137,027		33
Conversion to ordinary shares		(35,400)	\$0.30	(11)
Transaction costs		-	\$0.00	(6)
Balance	30 June 2016	<u>101,627</u>		<u>16</u>

Ordinary shares

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

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

Note 18. Equity - issued capital (continued)

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.

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

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

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

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

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

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

Share options granted under the employee share option plan (ESOP)

For information relating to the Freedom Foods Group Limited ESOP, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 34.

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

Note 19. Equity - dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Final fully franked dividend for the year ended 30 June 2015 of 1.50 cents (2014: 1.50 cents) per ordinary share	515	556
Dividends reinvested: fully franked at 30% tax rate	1,807	1,718
Interim fully franked dividend for the year ended 30 June 2016 of 1.75 cents (2015: 1.50 cents) per ordinary share	688	595
Dividends reinvested: fully franked at 30% tax rate	2,455	1,705
Final fully franked dividend for the year ended 30 June 2015 of 1.35 cents (2014: 1.35 cents) per convertible redeemable preference share	1	2
Interim fully franked dividend for the year ended 30 June 2016 of 1.35 cents (2015: 1.35 cents) per convertible redeemable preference share	2	2
	<u>5,468</u>	<u>4,578</u>

On 31 August 2016, the Directors declared a fully franked final dividend of 2.25 cents per share to the holders of fully paid ordinary shares in respect of the financial year ending 30 June 2016, which is to be paid to shareholders on 30 November 2016. The record date for determining the entitlement to the final dividend is 2 November 2016. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$4,084,000.

On 31 August 2016, the Directors declared a fully franked final dividend of 1.35 cents per share to the holders of the convertible redeemable preference shares in respect of the financial year ending 30 June 2016, which is to be paid to shareholders on 30 November 2016. The record date for determining the entitlement to the final dividend is 2 November 2016. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$1,372.

Franking credits

	Consolidated	
	2016 \$'000	2015 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	-	-
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	(1,225)	(696)
Net franking credits available based on a tax rate of 30%	<u>(1,225)</u>	<u>(696)</u>

Note 20. Equity - reserves

	Consolidated	
	2016	2015
	\$'000	\$'000
Land and buildings revaluation reserve	1,499	1,499
Investment revaluation reserve	-	5,841
Foreign currency translation reserve	(468)	(189)
Equity-settled employee benefits reserve	2,159	1,711
Common control reserve	(5,464)	(5,464)
	<u>(2,274)</u>	<u>3,398</u>

Land and buildings revaluation reserve

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

Investment revaluation reserve

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

Foreign currency translation reserve

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

Equity-settled employee benefits reserve

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the Employee Share Option Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments to employees is made in Note 34 to the financial statements.

Common control reserve

The common control reserve is used to account for acquisition of Pactum Australia by the Group. As a consequence, the difference between the fair value of the consideration paid and the existing book values of assets & liabilities of Pactum Australia has been debited to a common control reserve (\$5,464,000). Upon disposal of all interests in Pactum Australia by the Group this reserve would be transferred to retained earnings.

Note 20. Equity - reserves (continued)

Movements in reserves

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

Consolidated	Land and buildings revaluation reserve \$'000	Investment revaluation reserve \$'000	Foreign currency translation reserve \$'000	Equity-settled employee benefits reserve \$'000	Common control reserve \$'000	Total \$'000
Balance at 1 July 2014	473	-	4	1,351	(5,464)	(3,636)
Land and building revaluation	1,026	-	-	-	-	1,026
Revaluation of a2MC investment	-	5,841	-	-	-	5,841
Foreign currency translation	-	-	(193)	-	-	(193)
Share-based payments	-	-	-	360	-	360
Balance at 30 June 2015	1,499	5,841	(189)	1,711	(5,464)	3,398
Foreign currency translation	-	-	(279)	-	-	(279)
Fair value movement in a2MC investment, net of tax	-	16,281	-	-	-	16,281
Reclassification of profit or loss on disposal of a2MC investment	-	(22,122)	-	-	-	(22,122)
Share-based payments	-	-	-	448	-	448
Balance at 30 June 2016	1,499	-	(468)	2,159	(5,464)	(2,274)

Note 21. Current assets - cash and cash equivalents

	Consolidated	
	2016 \$'000	2015 \$'000
Cash	63,908	2,329

Note 22. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2016	2015
	\$'000	\$'000
Profit after income tax expense for the year	50,631	56,631
Adjustments for:		
Depreciation and amortisation	6,439	3,354
Foreign exchange differences	13	-
Fair value gain on conversion of options in PDG	(22,353)	-
Gain on sale of a2MC disposal	(24,529)	-
Business combination acquisition costs	1,227	-
Share based payments	448	360
Interest received	-	(10)
Interest on associates loan	(567)	(1,086)
Interest capitalised	(949)	(617)
Share of loss/(profit) of associates	(372)	42
Fair value gain on a2MC	-	(53,148)
Movement for provision in employee entitlements	1,703	(429)
Movements in working capital:		
Increase in trade and other receivables	(20,358)	(5,727)
Increase in inventories	(21,738)	(5,508)
Decrease in deferred tax assets	-	3,170
Decrease in other operating assets	647	95
Increase in trade and other payables	31,454	4,749
Increase in provision for income tax	3,252	4,161
Increase in other operating liabilities	745	-
Net cash from operating activities	<u>5,693</u>	<u>6,037</u>

Details of credit standby arrangements available and unused loan facilities are shown in Note 24 to the financial statements.

Non-cash financing and investing activities

In accordance with the Company's DRP, \$4,262,530 was reinvested in the year to 30 June 2016 (2015: \$3,422,483).

Note 23. Current liabilities - borrowings

	Consolidated	
	2016	2015
	\$'000	\$'000
Loan payable	18,082	5,698
Finance facilities	-	12,143
Bank bill facilities	9,100	1,650
Equipment financing liabilities	5,255	2,534
	<u>32,437</u>	<u>22,025</u>

Refer to Note 24 for further information on assets pledged as security and financing arrangements.

Refer to Note 25 for further information on financial instruments.

Note 24. Non-current liabilities - borrowings

	Consolidated	
	2016	2015
	\$'000	\$'000
Loan payable	3,023	-
Bank bill facilities	37,529	16,500
Equipment financing liabilities	30,841	14,390
	<u>71,393</u>	<u>30,890</u>

Refer to Note 25 for further information on financial instruments.

Total secured liabilities

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

	Consolidated	
	2016	2015
	\$'000	\$'000
Loan payable	21,105	5,698
Finance facilities	-	12,143
Bank bill facilities	46,629	18,150
Equipment financing liabilities	36,096	16,924
	<u>103,830</u>	<u>52,915</u>

Note 24. Non-current liabilities - borrowings (continued)

Assets pledged as security

The Company's primary bank facilities are arranged with HSBC Bank Australia Limited with general terms and conditions. The facilities include debtor finance, trade finance and other term facilities. The bank facilities with HSBC are secured by a first equitable mortgage over the whole of the Group's assets and undertakings (including uncalled capital), (except items specifically discharged under equipment finance arrangements for assets held at Leeton, Dandenong and Taren Point facilities), and a first registered mortgage over the Group's Leeton and Ingleburn properties.

The equipment finance facilities relate to:

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

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

Financing arrangements

	Consolidated	
	2016	2015
	\$'000	\$'000
Total facilities		
Loan payable	35,500	9,700
Finance facilities	19,000	14,000
Bank bill facilities	47,400	18,150
Equipment financing liabilities	41,003	21,050
	<u>142,903</u>	<u>62,900</u>
Used at the reporting date		
Loan payable	21,105	5,698
Finance facilities	-	12,143
Bank bill facilities	46,629	18,150
Equipment financing liabilities	36,096	16,924
	<u>103,830</u>	<u>52,915</u>
Unused at the reporting date		
Loan payable	14,395	4,002
Finance facilities	19,000	1,857
Bank bill facilities	771	-
Equipment financing liabilities	4,907	4,126
	<u>39,073</u>	<u>9,985</u>

Unused financing facilities

The Company given its significant cash position has reduced its drawdown of short term debtor finance and trade finance financing. Fixed financing relating to specific assets such as land and buildings has been maintained. The Company has unused bank facilities relating to bank bills, trade finance, working capital and equipment finance requirements totalling \$39 million.

Note 24. Non-current liabilities - borrowings (continued)

Interest rates are variable and subject to adjustment.

Note 25. 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 Group's overall strategy remains unchanged from 2015. The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in their respective notes.

Operating cash flows are used to maintain and expand the Group's manufacturing and distribution assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow centrally; using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

Market risk

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

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to buy specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward exchange contracts is to protect the Group against unfavourable exchange rate movements for the contracted purchases and sales undertaken in foreign currencies.

The Group had entered into contracts (for terms not exceeding 12 months) to purchase finished goods from suppliers in the United States and Canada equipment from Europe and for sales receipts denominated in United States dollars from export customers. The contracts related to highly probable forecasted transactions for the purchase of inventory for the Specialty Seafood business (Salmon - USD and Sardines - CAD) and the Freedom Foods business (Spreads - USD and Almond paste - USD) with the purchase consideration being settled in the above currencies and on sales orders from export customers. The Group's objective in entering into forward foreign exchange contracts is to provide certainty to the income and cash flow implications for the designated foreign currency purchase, relating to purchase of inventory or other capital assets. The Group had USD 4,456,994 (Buy), USD 3,619,219 (Sell), CAD 377,640 (Buy) and EUR 4,130,144 (Buy) outstanding foreign exchange contracts as at 30 June 2016.

The Group does not adopt hedge accounting.

Note 25. Financial instruments (continued)

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

	Sell Australian dollars		Average exchange rates	
	2016	2015	2016	2015
	\$'000	\$'000		
Buy US dollars				
Maturity:				
0 - 3 months	5,513	1,252	0.7422	0.7777
3 - 6 months	485	-	0.7294	-
Buy Canadian Dollars				
Maturity:				
0 - 3 months	390	337	0.9678	0.9457
Buy Euros				
Maturity:				
0 - 3 months	4,487	520	0.6389	0.6212
3 - 6 months	1,838	-	0.6313	-
6 - 12 months	158	-	0.6276	-
	Sell US dollars		Average exchange rates	
	2016	2015	2016	2015
	\$'000	\$'000		
Buy Australian dollars				
Maturity:				
0 - 3 months	3,422	1,715	0.7380	0.8640
3 - 6 months	197	906	0.7347	0.8401

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

	Consolidated	
	2016	2015
	\$'000	\$'000
Buy US dollars - less than 3 months	(65)	17
Buy CAD dollars - less than 3 months	1	(1)
Buy Euros - less than 3 months	(123)	(49)
Buy US dollars - 3-6 months	(20)	-
Buy Euros - 3-6 months	(90)	-
Buy Euros - 6-12 months	(9)	-
Sell US dollars - less than 3 months	17	(152)
Sell US dollars - 3-6 months	-	(162)
Net fair value	(289)	(347)

Note 25. Financial instruments (continued)

Foreign currency risk management

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

Consolidated	Assets		Liabilities	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
US dollar	5,136	3,358	2,319	3,063
Canadian dollar	58	450	283	260
Euro	-	-	998	120
New Zealand dollar	-	-	94	10
Chinese Yuan	9	122	-	-
	<u>5,203</u>	<u>3,930</u>	<u>3,694</u>	<u>3,453</u>

There have been no changes to the Group's exposure to foreign currency risks or the manner in which it manages and measures the risks from the previous period.

Foreign currency sensitivity analysis

The following table details the sensitivity to an increase/decrease in the Australian dollar against the relevant currencies in relation to foreign exchange exposures. Sensitivity rates of 5% (USD), 5% (CAD), 4% (NZD), 3% (EUR) and 5% (CNY) have been used as these represent management's assessment of a likely maximum change in foreign exchange rates.

A positive number indicates an increase in profit where the Australia Dollar strengthens against the respective currency. For a weakening of the Australia Dollar against the respective currency there would be an equal and opposite impact on the profit and the balances below would be negative.

Consolidated - 2016	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
US dollar	5%	(169)	169	5%	185	(185)
Canadian dollar	5%	10	(10)	5%	(11)	11
New Zealand dollar	4%	4	(4)	4%	(4)	4
Euro	3%	52	(52)	3%	(55)	55
Chinese Yuan	5%	-	-	5%	-	-
		<u>(103)</u>	<u>103</u>		<u>115</u>	<u>(115)</u>

Consolidated - 2015	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
US dollar	10%	(57)	57	10%	69	(69)
Canadian dollar	3%	2	(2)	3%	(2)	2
New Zealand dollar	11%	1	(1)	11%	(1)	1
Euro	5%	5	(5)	5%	(5)	5
Chinese Yuan	6%	(1)	1	6%	2	(2)
		<u>(50)</u>	<u>50</u>		<u>63</u>	<u>(63)</u>

Note 25. Financial instruments (continued)

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

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The Group manages this risk by maintaining an appropriate mix between fixed and floating rate borrowings.

Exposures to interest rate risk, which is the risk that a financial instrument's value, its borrowing costs and interest income will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial instruments are set out below:

	2016		2015	
	Weighted average effective interest rate %	Balance \$'000	Weighted average effective interest rate %	Balance \$'000
Consolidated				
Cash and cash equivalents	-	63,908	-	2,329
Loans due from related parties*	-	-	8.00%	14,836
Loan payable	4.10%	(67,734)	4.77%	(23,848)
Finance facilities	-	-	4.80%	(12,143)
Equipment financing facilities	5.45%	(36,096)	5.76%	(16,924)
		<u>(39,922)</u>		<u>(35,750)</u>

* Loans due from related parties are now owed by a subsidiary, refer to Note 36.

During the financial year there has been no change to the Group's interest rate risk exposure or the manner in which it manages and measures risks.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the impact of 150 basis point increase in interest rates on exposure to interest rates as detailed in the above table.

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

- an increase on the Consolidated Entity's net profit of \$642,045 (2015: decrease of \$116,340).

This is attributable to the Consolidated Entity's exposure to interest rates on its variable borrowings.

A 150 basis point movement represents management's assessment of the possible change in interest rates.

Note 25. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties.

Credit risk from balances with banks and financial institutions is managed in accordance with a Board approved policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board on an annual basis and may be updated throughout the year subject to approval of the Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at statement of financial position date, to recognised financial assets of the Group which have been recognised on the statement of financial position is the carrying amount, net of any allowance for doubtful debts.

Liquidity risk management

Liquidity risk arises from the possibility that the Group may be unable to settle a transaction on the due date. The ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in Note 24 is a listing of additional undrawn facilities that the Company and the Consolidated Entity has at their disposal to further reduce liquidity risk.

Unused borrowing facilities at the reporting date:

	Consolidated	
	2016 \$'000	2015 \$'000
Loan payable	14,395	4,002
Finance facilities	19,000	1,857
Bank bill facilities	771	-
Equipment financing liabilities	4,907	4,126
	<u>39,073</u>	<u>9,985</u>

Note 25. Financial instruments (continued)

The following table details the Consolidated Entity's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Consolidated Entity can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 year \$'000	Between 1 and 5 years \$'000	Remaining contractual maturities \$'000
Consolidated - 2016				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	-	41,030	-	41,030
Other payables	-	13,261	52	13,313
<i>Interest-bearing - variable</i>				
Loan payable	4.80%	18,082	3,023	21,105
<i>Interest-bearing - fixed rate</i>				
Bank bill facilities	3.83%	9,100	37,529	46,629
Equipment financing liabilities	5.45%	6,970	34,055	41,025
Total non-derivatives		88,443	74,659	163,102
Consolidated - 2015				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	-	14,724	-	14,724
Other payables	-	4,055	52	4,107
<i>Interest-bearing - variable</i>				
Loan payable	5.29%	5,698	-	5,698
Finance facilities	4.80%	12,143	-	12,143
<i>Interest-bearing - fixed rate</i>				
Bank bill facilities	4.61%	1,650	16,500	18,150
Equipment financing liabilities	5.76%	3,557	15,680	19,237
Total non-derivatives		41,827	32,232	74,059

Note 25. Financial instruments (continued)

Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group has not adopted hedge accounting during the financial year or previous corresponding period.

Financial risk management objectives

The Group's financial management team provides services to each of the group businesses, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, credit risk and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Gearing ratio

Consolidated	2016	
	\$'000	\$'000
Debt (i)	103,830	52,915
Cash and cash equivalents	(63,908)	(2,329)
Net debt	39,922	50,586
Equity (ii)	287,818	185,929
Net debt to equity ratio	14%	27%

(i) Debt is defined as long and short-term borrowings, as detailed in the notes to the financial statements.

(ii) Equity includes all capital and reserves.

Note 26. Capital and leasing commitments

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	803	746
One to five years	2,108	1,841
More than five years	-	834
	2,911	3,421
<i>Lease commitments - finance</i>		
Minimum future lease payments:		
Within one year	6,970	3,557
One to five years	34,055	15,680
Total commitment	41,025	19,237
Less: Future finance charges	(4,929)	(2,313)
Net commitment recognised as liabilities	36,096	16,924
Representing:		
Equipment financing liabilities - current (Note 23)	5,255	2,534
Equipment financing liabilities - non-current (Note 24)	30,841	14,390
	36,096	16,924

Note 27. 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 2016 financial statements.

Name	Principal place of business / Country of incorporation	Ownership interest	
		2016	2015
		%	%
Paramount Seafoods Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Group Operations Pty Ltd (Formerly Nutrition Ventures Pty Limited)*	Australia	100.00%	100.00%
Nutrition Ventures Financing Pty Limited*	Australia	100.00%	100.00%
Freedom Foods Pty Limited*	Australia	100.00%	100.00%
Pactum Australia Pty Limited*	Australia	100.00%	100.00%
Pactum Dairy Group Pty Limited**	Australia	50.00%	1.00%
Australian Natural Foods Holdings Pty Limited*	Australia	100.00%	100.00%
Thorpedo Foods Group Pty Limited	Australia	100.00%	100.00%
Thorpedo Foods Pty Limited	Australia	75.00%	75.00%
Thorpedo Seafoods Pty Limited	Australia	75.00%	75.00%
Freedom Foods North America Inc	North America	80.00%	80.00%
Popina (Vic) Pty Limited*	Australia	100.00%	-

Note 27. Interests in subsidiaries (continued)

- * These companies are members of the tax consolidated group.
- ** The investment in Pactum Dairy Group Pty Limited by Pactum Australia Pty Limited changed from 1% to 50% on 1 January 2016. Refer to Note 36.

Note 28. Investments accounted for using the equity method

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2016 %	2015 %
Pactum Dairy Group Pty Limited (PDG)	Australia	50.00%	1.00%
Australian Fresh Milk Holdings Pty Limited (AFMH)	Australia	10.00%	-

Pactum Dairy Group Pty Limited (PDG)

PDG was established in 2013 for the purpose of supplying high speed low cost liquid products to the domestic and international market. PDG is a joint venture between Pactum Australia Pty Limited, a wholly owned subsidiary of the Group and Australian Consolidated Milk Pty Limited (ACM), a major Australian dairy milk supply group. The facility was established in the northern Victorian city of Shepparton, for a total investment of approximately \$45 million, with initial capacity for 100 million litres of dairy milk production, with capability to be increased up to 300 million litres in the longer term. The facility was completed over a construction period of approximately 9 months, with the project largely on budget. As at 31 December 2015, FNP equity accounted 1% of the loss in line with the ownership structure at that time. The Group converted its investment of convertible notes in January 2016 obtaining a 50% interest in PDG.

Under the guidance of AASB 10 Consolidated Financial Statements a conclusion was reached that control was deemed to be gained on 1 January 2016 by the Group over PDG. Subsequently, PDG will form part of the consolidated Group. Details on the business combination is outlined in Note 36.

Australian Fresh Milk Holdings Pty Limited (AFMH)

The Group acquired 10% of the consortium Australian Fresh Milk Holdings Pty Limited (AFMH) on 17 June 2015, with 25% voting rights along with the two other shareholders, resulting in significant influence over AFMH. The consortium acquired Moxey Farms on 3 August 2015. Moxey Farms is one of Australia's largest single-site dairy operations. The consortium comprises Leppington Pastoral Company Pty Limited (LPC), New Hope Dairy Holdings Co Ltd (New Hope Dairy) and Freedom Foods Group Limited. The Group acquired its 10% of the consortium for \$5.7 million.

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

Note 28. Investments accounted for using the equity method (continued)

Summarised financial information

	AFMH 2016 \$'000	AFMH 2015 \$'000	PDG 2016 \$'000	2015 \$'000	a2MC 2016 \$'000	2015 \$'000
<i>Summarised statement of financial position</i>						
Current assets	29,494	-	16,426	4,184	-	-
Non-current assets	85,675	-	34,496	34,373	-	-
Total assets	115,169	-	50,922	38,557	-	-
Current liabilities	8,395	-	10,348	4,742	-	-
Non-current liabilities	49,824	-	61,403	41,045	-	-
Total liabilities	58,219	-	71,751	45,787	-	-
Net assets/(liabilities)	56,950	-	(20,829)	(7,230)	-	-
<i>Summarised statement of profit or loss and other comprehensive income</i>						
Revenue	37,521	-	27,763	48,779	-	-
Expenses	(33,066)	-	(30,203)	(52,983)	-	-
Profit/(loss) before income tax	4,455	-	(2,440)	(4,204)	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	4,455	-	(2,440)	(4,204)	-	-
<i>Reconciliation of the Group's carrying amount</i>						
Opening carrying amount	-	-	4,432	4,474	-	10,587
Share of profit/(loss) after income tax	433	-	(61)	(42)	-	-
Equity investment	5,730	-	-	-	-	538
Transfer to available-for-sale financial asset	-	-	-	-	-	(11,125)
De-recognition of investment and reclassification as subsidiary	-	-	(4,371)	-	-	-
Closing carrying amount	6,163	-	-	4,432	-	-

Equity accounted gain for the year to 30 June 2016 was \$372,000 (2015: \$(42,000)).

Related party transactions

Current receivables and loans due from associates - refer to Note 32 to the financial statements.

Note 28. Investments accounted for using the equity method (continued)

	Consolidated	
	2016	2015
	\$'000	\$'000
PDG receivable	-	1,700
PDG loan	-	13,136
	-	14,836

The loan to PDG attracts interest at 8% pa.

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

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

Note 29. Non-current assets - investment in a2MC

	Consolidated	
	2016	2015
	\$'000	\$'000
Investment in The a2 Milk Company Limited	-	72,618
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	72,618	-
Reclassification of investment	-	11,125
Gain on reclassification	-	53,148
Revaluation increments	17,611	8,345
Net proceeds on sale	(90,229)	-
Closing fair value	-	72,618

The Group holds zero ordinary shares (2015: 117,699,229 17.8 %) in The a2 Milk Company Limited (a2MC). The Group sold its remaining shareholding in a2MC in October and November 2015. The shares were sold at a price of \$AU0.68 and \$AU0.85 respectively, realising a gain after transaction costs of \$24,529,000.

The Group reclassified the investment to an available for sale on 18 November 2014 following the resignation of Mr Perry R. Gunner from the board of a2MC at the conclusion of their AGM. Significant influence was deemed to be lost at the conclusion of the a2MC AGM and therefore on this date the Group reclassified the investment to an available for sale investment under the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

Note 30. Deed of cross guarantee

The following have entered into a deed of cross guarantee as a condition to obtaining relief under ASIC Class Order 98/1418 from the Corporations Act 2001 requirements to prepare and lodge audited financial statements and a Directors' report.

Freedom Foods Group Limited
Paramount Seafoods Pty Limited
Freedom Foods Group Operations Pty Ltd (Formerly Nutrition Ventures Pty Limited)
Nutrition Ventures Financing Pty Limited
Freedom Foods Pty Limited
Pactum Australia Pty Limited
Australian Natural Foods Holdings Pty Limited
Thorpedo Foods Group Pty Limited
Popina (Vic) Pty Limited

Each party to the deed of cross guarantee, guarantees to each creditor in the Group payment in full of any debt upon winding up under the provisions of the Corporations Act 2001 or, in any other case, if six months after a resolution or order for winding up, any debt of a creditor that has not been paid in full. The consolidated financial statements of the closed Group would not be materially different from the report of the Group as a whole. The main difference is the Freedom Foods North America result which is disclosed in Note 3 above.

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016 \$'000	2015 \$'000
Profit after income tax	17,996	48,406
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	17,996	48,406

Note 31. Parent entity information (continued)

Statement of financial position

	Parent	
	2016 \$'000	2015 \$'000
Total current assets	1,355	626
Total non-current assets	247,714	174,310
Total assets	249,069	174,936
Total non-current liabilities	(1,860)	3,240
Total liabilities	(1,860)	3,240
Net assets	250,929	178,176
Equity		
Issued capital	169,108	98,855
Reserves	3,186	8,578
Retained Profits	78,635	70,743
Total equity	250,929	178,176

Note 32. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in Note 27.

Associates

Interests in associates are set out in Note 28 and Note 29.

Key management personnel

Disclosures relating to key management personnel are set out in Note 33 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.

Note 32. Related party transactions (continued)

The following transactions occurred with related parties:

	Consolidated 2016 \$	2015 \$
Sale of goods and services:		
Sale of goods to subsidiaries	23,158,133	19,665,000
Sale of services to Pactum Dairy Group Pty Limited *	-	500,000
Payment for goods and services:		
Purchase of goods from Australian Consolidated Milk Pty Limited	39,541,637	2,045,000
Purchase of goods and services from Leppington Pastoral Company	1,352,000	410,000
Payment for other expenses:		
Payment for rent and outgoings under a lease commitment with Perich Property Holdings	2,270,000	1,011,000

* Pactum Dairy Group Pty Limited has been consolidated into the Group in 2016, refer to Note 36.

These services are provided under normal terms and conditions.

Note 33. 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 2016 \$	2015 \$
Short-term employee benefits	1,321,307	1,528,014
Post-employment benefits	89,913	76,041
Share-based payments	448,216	152,361
	<u>1,859,436</u>	<u>1,756,416</u>

Note 34. Share-based payments

Senior employees are eligible to participate in the share scheme under which executives are issued options to acquire shares in the Parent. Each employee share option converts into one ordinary share of the Parent on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. There are no vesting conditions attached to these options other than continuing employment within the Group with the exception to the performance based options detailed in the Directors' report.

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

Note 34. Share-based payments (continued)

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

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed	Balance at the end of the year
01/02/2012	01/02/2017	\$0.40	1,416,667	-	(1,416,667)	-	-
30/08/2012	30/08/2017	\$0.60	1,375,002	-	(1,025,002)	-	350,000
01/07/2013	01/07/2018	\$1.65	1,525,000	-	(144,333)	(68,334)	1,312,333
01/07/2015	30/06/2020	\$2.92	-	4,000,000	-	-	4,000,000
			<u>4,316,669</u>	<u>4,000,000</u>	<u>(2,586,002)</u>	<u>(68,334)</u>	<u>5,662,333</u>
Weighted average exercise price			\$0.91	\$2.92	\$0.55	\$1.65	\$2.48

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed	Balance at the end of the year
01/02/2012	01/02/2017	\$0.40	3,766,667	-	(2,350,000)	-	1,416,667
30/08/2012	30/08/2017	\$0.60	1,708,334	-	(333,332)	-	1,375,002
01/07/2013	01/07/2018	\$1.65	1,600,000	-	(75,000)	-	1,525,000
			<u>7,075,001</u>	<u>-</u>	<u>(2,758,332)</u>	<u>-</u>	<u>4,316,669</u>
Weighted average exercise price			\$0.73	\$0.00	\$0.46	\$0.00	\$0.91

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2016 Number	2015 Number
01/02/2012	01/02/2017	-	1,416,667
30/08/2012	30/08/2017	350,000	641,669
01/07/2013	01/07/2018	779,000	458,333
		<u>1,129,000</u>	<u>2,516,669</u>

The weighted average exercise price during the financial year was \$0.55 (2015: \$0.46).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.4 years (2015: 2.3 years).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
02/02/2012	02/02/2017	\$0.46	\$0.40	20.00%	2.50%	5.00%	\$0.122
30/08/2012	30/08/2017	\$0.65	\$0.60	5.00%	2.50%	5.00%	\$0.066
01/07/2013	01/07/2018	\$1.80	\$1.65	5.00%	2.50%	5.00%	\$0.181
01/07/2015	30/06/2020	\$2.94	\$2.92	50.00%	0.49%	2.25%	\$1.195

Note 34. Share-based payments (continued)

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Note 35. 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 2016 \$	2015 \$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	406,550	260,000
<i>Other services - Deloitte Touche Tohmatsu</i>		
Other assurance services	60,000	24,790
Stamp duty advice	23,500	-
Research and development advice	47,363	44,009
Tax compliance services	81,268	63,579
Tax consulting services	197,204	-
	409,335	132,378
	815,885	392,378

Note 36. Business combinations

Over the course of the year, the Group acquired two businesses. Each acquisition was for 100% of the respective enterprises. Details of the businesses acquired as at the date of each acquisition were as follows:

On 1 December 2015, the Group acquired 100% of the ordinary shares of Popina (Vic) Pty Limited (Popina Foods) for the total consideration transferred of \$35.6 million. Popina Foods is a major Australian manufacturer of oat based cereals and snacks. It is a recognised leader in cluster format cereal and snacks in Australasia, with manufacturing operations based in Dandenong, Victoria.

On 31 August 2015, the Group acquired the business and assets of Darlington Point Mill (DP Mill) based at Darlington Point in the Riverina District of New South Wales for a total consideration of \$8.5 million. The DP Mill operates an established grain processing facility for the supply of milled flours and popping corn. It is a significant processor of popping corn in Australia and processes gluten free and non GMO grains. The DP Mill supplies customers in food service and processing markets in Australia as well as in export markets.

Note 36. Business combinations (continued)

Details of the Popina Foods acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	471
Trade receivables	7,591
Inventories	5,807
Property, plant and equipment	16,911
Other liabilities	(12,046)
	<hr/>
Net assets acquired	18,734
Goodwill	16,832
	<hr/>
Acquisition date fair value of the total consideration transferred	35,566
	<hr/> <hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition date fair value of the total consideration transferred	35,566
Non cash consideration - lease refinance	(5,262)
Less: cash and cash equivalents	(471)
	<hr/>
Net cash used	29,833
	<hr/> <hr/>

Details of the DP Mill acquisition are as follows:

	Fair value \$'000
Inventories	2,652
Property, plant and equipment	4,670
	<hr/>
Net assets acquired	7,322
Goodwill	1,178
	<hr/>
Acquisition date fair value of the total consideration transferred	8,500
	<hr/> <hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition date fair value of the total consideration transferred	8,500
	<hr/> <hr/>

Note 36. Business combinations (continued)

On 1 January 2016, the Group elected to convert its convertible notes held in PDG into ordinary shares which resulted in the Group's interest in PDG increasing to 50%. The increase in equity holding along with additional factors, which occurred in January 2016, led to the reassessment of the accounting treatment for the Group's investment in PDG. After taking into consideration the guidance contained in AASB 10 Consolidated Financial Statements (AASB 10), the Group concluded that control was deemed to be gained on 1 January 2016. In reaching this conclusion, the Group considered its power to direct relevant activities under its Management Services Agreement with PDG along with the Group's provision of specialised knowledge in sales capability and infrastructure management, the Group's acquisition of additional processing equipment in January 2016 for PDG to meet demand, the provision of significant funding and acting as guarantor for PDG to secure additional financing in January 2016. Under AASB 10, from the date that control is obtained, the transaction is seen as a stepped acquisition achieved without the transfer of consideration.

Details of the PDG step acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	670
Trade receivables	9,307
Inventories	5,983
Property, plant and equipment	34,554
Other assets	3,564
Other liabilities	(69,437)
Net liabilities acquired	(15,359)
Non-controlling interests share of net liabilities (1)	7,679
Previously held equity interest at fair value (2)	(456)
Goodwill	30,937
Acquisition-date fair value of the total consideration transferred	<u>22,801</u>

- (1) The non-controlling interest in PDG has been determined using the proportionate share in the recognised amounts of the acquiree's identifiable net liabilities at 1 January 2016.
- (2) The equity accounted investment in PDG was fair valued to \$456,027 at 1 January 2016. The resulting gain on revaluation has been recognised in the Statement of profit or loss and other comprehensive income.

In a business combination achieved without the transfer of consideration, goodwill is determined by using the acquisition date fair value of the acquirer's interest in the acquiree rather than the acquisition date fair value of the consideration transferred (Deemed Consideration). The key assumptions used in the discounted cash flow (DCF) include the achievement of cash flow projection during the budget based on financial budgets approved by management covering a five year period. In applying the DCF, the Group has used a discount rate of 12% pa post tax and a terminal growth rate of 2%. The discount rate is based on the weighted average cost of capital determined by prevailing or benchmarked market inputs and includes a risk premium considered appropriate to a newly established business in a development phase.

The consolidated revenue and profit before tax include \$36,569,000 revenue and \$398,000 profit before tax which was generated by PDG since control was achieved on 1 January 2016.

Accounting policy for business combinations

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

Note 36. Business combinations (continued)

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

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

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

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

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

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

Note 37. Events after the reporting period

Apart from the dividend declared as disclosed in Note 19, no other matter or circumstance has arisen since 30 June 2016 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.

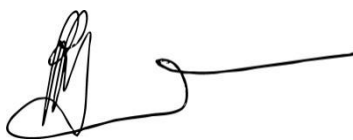
In the Directors' opinion:

- 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 2016 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 30 to the financial statements.

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

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

On behalf of the Directors



Perry R. Gunner
Chairman



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

31 August 2016
Sydney

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

Report on the Financial Report

We have audited the accompanying financial report of Freedom Foods Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 17 to 69.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In the basis of preparation, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Freedom Foods Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the Directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion the Remuneration Report of Freedom Foods Group Limited for the financial year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU.

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants
Sydney, 31 August 2016

The shareholder information set out below was applicable as at 31 July 2016.

Distribution of ordinary shareholders

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	1,518	-
1,001 to 5,000	1,519	-
5,001 to 10,000	357	-
10,001 to 100,000	354	-
100,001 and over	12	-
	3,760	-
Holding less than a marketable parcel	208	-

20 largest shareholders as at 31 July 2016

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

All Member Exchanges.

Ordinary shareholders

	Number held	% of total ordinary shares issued
1. Arrovest Pty Limited	99,107,422	54.60
2. RBC Investor Services Australia Nominees Pty Limited	21,719,845	11.97
3. Citicorp Nominees Pty Limited	5,621,336	3.10
4. J P Morgan Nominees Australia Limited	5,106,959	2.81
5. HSBC Custody Nominees (Australia) Limited	4,762,540	2.62
6. Australian Foundation Investment Company Limited	4,506,585	2.48
7. National Nominees Limited	3,829,228	2.11
8. Netwealth Investments Limited	2,816,194	1.55
9. Mirrabooka Investments Limited	1,946,612	1.07
10. BPC Custody Pty Ltd	1,551,315	0.85
11. HSBC Custody Nominees (Australia) Limited	1,400,678	0.77
12. BNP Paribas Nominees Pty Ltd	1,287,238	0.71
13. Amcil Limited	887,870	0.49
14. Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	800,395	0.44
15. Mr Michael Andris Bracka	753,303	0.41
16. BNP Paribas Noms Pty Ltd	574,626	0.32
17. UBS Nominees Pty Ltd	616,348	0.34
18. Maynel Haddad	583,333	0.32
19. Goldacre Investments Pty Limited	568,466	0.31
20. RBC Investor Services Australia Nominees Pty Limited	430,680	0.24
	158,870,973	87.51

Convertible Redeemable Preference Share (CRPS) shareholders

	Number held	% of total CRPS issued
1. R & M Gugliotta Pty Limited	30,000	29.52
2. Lewis Little River Pty Limited	23,438	23.06
3. Mr Hugh Middendorp & Mr Peter Charles	16,664	16.40
4. Alan Ong Enterprises Pty Limited	8,000	7.87
5. Est John William Hartigan & Mrs Enid May Hartigan	5,000	4.92
6. Mr Craig Sargent	3,394	3.34
7. GWG Investments Pty Limited	3,125	3.07
8. Lokit Investments Pty Limited	2,214	2.18
9. Mr Robert William Russell	1,924	1.89
10. Mr Robert David Napier Nicholls	1,736	1.71
11. Palatine Holdings Pty Limited	1,697	1.67
12. Mr Gerald Millman	1,000	0.98
13. Mr Tjeerd Veenstra & Mrs Susan Lesley Veenstra	963	0.95
14. Mrs Michelle Louise Farrell	640	0.63
15. Mr Andrew Jonathon Achilles	500	0.49
16. Mr Stuart William McDonald	497	0.49
17. Mr Neville Thiele	273	0.27
18. Mrs Dianne Joan Thiele	219	0.22
19. Mr Andrew Macfarlane	200	0.20
20. Mr Kim Wigram Jones	133	0.13
	101,617	99.99

Distribution of CRPS shareholders

	Number of holders of CRPS shares
1-1,000	10
1,001-5,000	7
5,001-10,000	1
10,001-100,000	3
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Substantial shareholders

The number of shares held by substantial shareholders as listed in the Parent's register as at 31 July 2016 are:

	Ordinary shares Number held	% of total shares issued
Arrovest Pty Limited	99,107,422	54.60
RBC Investor Services Australia Nominees Pty Limited	21,719,845	11.97
Citicorp Nominees Pty Limited	5,621,336	3.10

The Parent's listed ordinary shares are of one class with equal voting rights and all are quoted on a Member Exchange of the Australian Stock Exchange Limited (the home exchange being the Australian Stock Exchange (Sydney) Limited).

Directors	Perry R. Gunner - Chairman and Non-Executive Director Rory J.F. Macleod - Managing Director and Chief Executive Officer Anthony M. Perich - Non-Executive Director, Deputy Chairman Ronald Perich - Non-Executive Director Trevor J. Allen - Non-Executive Director Melvyn Miles - Non-Executive Director (Resigned 14th August 2015)	
Alternate Director	Michael R. Perich (for Anthony M. Perich and Ronald Perich)	
Company Secretaries	Rory J.F. Macleod Sharon Maguire - Assistant Company Secretary	
Notice of annual general meeting	The details of the Annual General Meeting of Freedom Foods Group Limited are: 24 November 2016 at 12:00 pm DLA Piper Australia Level 22, 1 Martin Place Sydney NSW 2000	
Registered office	80 Box Road Taren Point NSW 2229 Tel: +61 2 9526 2555 Fax: +61 2 9525 5406	
Principal place of business	80 Box Road Taren Point NSW 2229 Tel: +61 2 9526 2555 Fax: +61 2 9525 5406	
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Tel: +61 2 8280 7111 Fax: +61 2 9287 0303	
Auditor	Deloitte Touche Tohmatsu Grosvenor Place, 225 George Street Sydney NSW 2000 Tel: +61 2 9237 1171 Fax: +61 2 9237 1400	
Solicitors	DLA Piper Level 22, 1 Martin Place Sydney NSW 2000 Tel: +61 2 9286 8000 Fax: +61 2 9286 8007	Gilbert + Tobin 2 Park Street Sydney NSW 2000 Tel: +61 2 9263 4000 Fax: +61 2 9263 4111
Bankers	HSBC Australia Limited Level 32, 580 George Street Sydney NSW 2000 Tel: +61 1300 308 188 (toll free) Fax: +61 2 9255 2647	National Australia Bank Limited Level 3, 255 George Street Sydney NSW 2000 Tel: +61 2 9237 1171 Fax: +61 2 9237 1400

Stock exchange listing	Freedom Foods Group Limited shares are listed on the Australian Securities Exchange (ASX code: FNP)
Website	www.ffgl.com.au
ABN	41 002 814 235
Insurance Brokers	GSA Insurance Brokers Pty Ltd 'The Old Presbytery' 137 Harrington St Sydney NSW 2000 Tel: +61 2 8274 8100