

**Preliminary Final Report Appendix 4E
FY 2014**

**Freedom Foods Group Limited Full Year Results Announcement
FY 2014**

(Previous corresponding reporting period 30 June 2013)

A.B.N 41 002 814 235

Listing Rule 4.3A – item 2

Results for Announcement to the Market

CONSOLIDATED ENTITY	30 June 2014	Percentage change over previous corresponding period
<i>In thousands of AUD</i>	\$'000	
Revenues	89,163	0.3% increase
Net Profit	12,132	11.6% decrease
Dividends (distributions)	Amount per security	
Final Dividend Paid, Ordinary Shares Fully Franked at 30% tax rate	\$0.01	
Interim Dividends Paid, Ordinary Shares Fully Franked at 30% tax rate	\$0.015	
Final Dividend Payable, Ordinary Shares (1) Fully Franked at 30% tax rate Payable 3rd November 2014	\$0.015	
Record date for determining entitlements to the Final Dividend	3 rd October 2014	
Final Dividend Payable, Converting Redeemable Preference Shares Fully Franked at 30% tax rate	\$0.014	
Interim Dividend Payable, Converting Redeemable Preference Shares Fully Franked at 30% tax rate	\$0.0135	
Final Dividend Payable, Converting Redeemable Preference Shares Fully Franked at 30% tax rate Payable 15th October 2014	\$0.0135	
Record date for determining entitlements to the CRPS dividend	3 rd October 2014	

Net tangible assets per security

	30 June 2014	30 June 2013
Net tangible assets (in thousands of AUD)	100,745	60,907
Net assets (in thousands of AUD)	122,233	82,395
Total number of ordinary shares (in thousands)	150,645	113,754
Total number of converting redeemable preference shares (in thousands)	152	17,219
Total number of shares (ordinary + CRPS)	150,797	130,973
Net assets per security (in dollars of AUD)	0.81	0.63
Net tangible assets per security (in dollars of AUD)	0.67	0.47

The accounts are in the process of being audited or subject to review.

Rory Macleod
Managing Director
Company Secretary
29th August 2014

Directors' Report

Your directors submit the financial report of the consolidated entity for the full year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year:

P.R. Gunner – Chairman (Non Executive)
R.J.F. Macleod – Managing Director (Executive)
A.M. Perich – Director (Non Executive)
R. Perich – Director (Non Executive)
M. Miles - Director (Non Executive)
T. Allen – Director (Non Executive)
M.R. Perich – Alternate Director (Non Executive)

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The report is signed in accordance with a resolution of the Board of Directors made pursuant to s 306 (3) of the Corporations Act 2001.

Signed on behalf of the Directors



Rory J F Macleod
Managing Director

Dated on this 29th day of August 2014
Sydney

FREEDOM FOODS GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Notes	Consolidated	
		\$000	
		2014	2013
Revenue from sale of goods	2	89,163	88,922
Cost of sales		(53,960)	(60,522)
Gross profit		35,203	28,400
Other income	2	665	108
Marketing expenses		(3,070)	(2,433)
Selling and distribution expenses		(12,075)	(10,157)
Administrative expenses		(4,472)	(5,072)
Profit before depreciation, income tax, finance costs and equity accounted investments	2	16,251	10,846
Depreciation		(2,743)	(2,628)
Profit before income tax, finance costs and equity accounted investments		13,508	8,218
Finance costs	3	(809)	(2,356)
Profit on sale of A2C shares		-	11,843
Share of profit of joint ventures accounted for using the equity method		-	-
Share of profit of associates accounted for using the equity method		(26)	819
Profit before income tax		12,673	18,524
Income tax		(541)	(4,802)
Profit for the year		12,132	13,722
Other comprehensive income		-	-
Total comprehensive income for the year		12,132	13,722
Profit attributable to:			
Owners of the parent		12,132	13,722
Non-controlling interests		-	-
		12,132	13,722
Total comprehensive income attributable to:			
Owners of the parent		12,132	13,722
Non-controlling interests		-	-
		12,132	13,722
Earnings per share			
From continuing operations:			
Basic earnings per share (cents per share)	4	8.65	14.73
Diluted earnings per share (cents per share)	4	8.21	11.96
Ordinary Dividends per share paid - Final 2013 (cents per share)		1.00	1.00
CRPS Dividends per share paid - Final 2013 (cents per share)		1.40	1.40
Ordinary Dividends per share paid - Interim 2014 (cents per share)		1.50	1.00
CRPS Dividends per share paid - Interim 2014 (cents per share)		1.35	1.35

Notes to the financial statements are included.

FREEDOM FOODS GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	Consolidated \$000	
		2014	2013
Assets			
Current assets			
Cash and cash equivalents	8(a)	4,873	14,106
Trade and other receivables		20,655	19,076
Other financial assets		689	148
Inventories		18,967	14,886
Prepayments		1,211	918
Total Current Assets		46,395	49,134
Non-current assets			
Investments in associates	9	15,061	9,909
Deferred tax assets		385	1,146
Property, plant and equipment		54,597	45,162
Loans due from associated entities	6	13,303	-
Goodwill		5,214	5,214
Other intangible assets		16,274	16,274
Total non-current assets		104,834	77,705
Total assets		151,229	126,839
Liabilities			
Current liabilities			
Trade and other payables		13,068	15,847
Borrowings	5	3,899	14,282
Current tax liabilities		4,155	4,375
Other liabilities		287	472
Provisions		1,438	1,217
Total current liabilities		22,847	36,193
Non-current liabilities			
Trade and other payables		53	63
Borrowings	5	5,927	8,066
Provisions		169	122
Total non-current liabilities		6,149	8,251
Total liabilities		28,996	44,444
Net assets		122,233	82,395
Equity			
Capital and Reserves			
Equity attributable to owners of the company			
Issued capital		94,419	62,978
Reserves		(3,636)	(3,549)
Retained earnings		31,450	22,966
Total equity		122,233	82,395

Notes to the financial statements are included.

FREEDOM FOODS GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Notes	Consolidated \$000	
		2014	2013
Cash flows from operating activities			
Receipts from customers		87,783	87,480
Payments to suppliers and employees		(80,595)	(81,605)
Cash generated from operations		<u>7,188</u>	<u>5,875</u>
Interest and other costs of finance paid		(1,010)	(1,979)
Income tax (paid)		-	(353)
Other income received		578	-
Receipt of government grants		143	115
Net cash provided by operating activities	8(b)	<u>6,899</u>	<u>3,658</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	-
Payment for property, plant and equipment		(19,937)	(10,193)
Purchase of shares in associated entity		(678)	(20)
Proceeds from sale of equity shares		-	15,277
Advance to associates		(14,146)	-
Proceeds from associates		17,500	-
Payment of capital expenditure for associates		-	-
Investment in equity interest		(4,500)	-
Net cash used in investing activities		<u>(21,761)</u>	<u>5,064</u>
Cash flows from financing activities			
Proceeds from issue of shares		32,198	24,109
Payment of share issue costs		(1,227)	(722)
Dividends paid		(3,186)	(2,327)
Proceeds from borrowings		-	4,201
Repayment of borrowings		(12,539)	(12,257)
Repayment of related party loan		(9,617)	(8,387)
Net cash provided by financing activities		<u>5,629</u>	<u>4,617</u>
Cash and cash equivalents at beginning of financial year		(9,233)	13,339
Net increase in cash and cash equivalents		14,106	767
Cash and cash equivalents at end of financial year	8(a)	<u>4,873</u>	<u>14,106</u>

Notes to the financial statements are included.

FREEDOM FOODS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of the parent							Non controlling interest \$'000	Total Equity \$'000
	Fully paid ordinary shares \$'000	CRPS Shares \$'000	Retained earnings \$'000	Equity - settled employee benefits reserve \$'000	Other Reserve \$'000	Asset revaluation reserve \$'000	Total \$'000		
CONSOLIDATED									
Balance as at 30 June 2012	33,875	5,633	11,663	639	(5,013)	473	47,270	-	47,270
Equity issues	24,851	(659)	-	-	-	-	24,192	-	24,192
Share issue costs	(1,026)	(4)	-	-	-	-	(1,030)	-	(1,030)
Related income tax	308	-	-	-	-	-	308	-	308
Profit for the year	-	-	13,722	-	-	-	13,722	-	13,722
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	13,722	-	-	-	13,722	-	13,722
Recognition of share-based payments	-	-	-	352	-	-	352	-	352
Dividends paid	-	-	(2,419)	-	-	-	(2,419)	-	(2,419)
Balance as at 30 June 2013	58,008	4,970	22,966	991	(5,013)	473	82,395	-	82,395
Equity issues	37,811	(5,120)	-	-	-	-	32,691	-	32,691
Share issue costs	(2,059)	191	-	-	-	-	(1,868)	-	(1,868)
Related income tax	618	-	-	-	-	-	618	-	618
Acquisition of subsidiary under common control	-	-	-	-	(451)	-	(451)	-	(451)
Profit for the year	-	-	12,132	-	-	-	12,132	-	12,132
Other comprehensive income for the year	-	-	-	-	4	-	4	-	4
Total comprehensive income for the year	-	-	12,132	-	(447)	-	11,685	-	12,136
Recognition of share-based payments	-	-	-	360	-	-	360	-	360
Dividend paid	-	-	(3,648)	-	-	-	(3,648)	-	(3,648)
Balance as at 30 June 2014	94,378	41	31,450	1,351	(5,460)	473	122,233	-	122,233

Notes to the statement of changes in equity are included.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

1 Operating Segments

	External sales		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<u>Segment revenue</u>				
<i>Continuing operations</i>				
Freedom Foods	43,415	40,070	43,415	40,070
Freedom Foods North America	696	-	696	-
Seafood	13,239	15,787	13,239	15,787
Pactum	30,506	32,943	30,506	32,943
Thorpedo Foods	-	31	-	31
Other	-	-	1,972	199
Total revenue of the consolidated group	87,856	88,831	89,828	89,030
<u>Segment result</u>				
<i>Continuing operations</i>				
Freedom Foods			7,131	6,124
Freedom Foods North America			(684)	-
Seafood			2,431	2,717
Pactum			9,748	6,427
Thorpedo Foods			-	(12)
			18,626	15,256
FNPL share of equity accounted associates			(26)	819
Shared services			(2,375)	(3,917)
Finance costs			(809)	(2,356)
Depreciation			(2,743)	(2,628)
Profit on sale of A2C shares			-	11,843
Write off of non recurring legal expense and unrecoverable amounts			-	(493)
Income tax expense			(541)	(4,802)
Profit for the year from continuing operations			12,132	13,722
<u>Segment assets</u>				
Freedom Foods			61,679	48,858
Freedom Foods North America			1,219	-
Seafood			20,184	19,905
Pactum			33,908	33,236
Thorpedo Foods			19	885
			117,009	102,884
Unallocated (Shared Services)			34,220	23,955
Total assets of the Group			151,229	126,839
<u>Segment liabilities</u>				
Freedom Foods			7,637	13,462
Freedom Foods North America			1,095	-
Seafood			1,956	4,463
Pactum			13,258	24,780
Thorpedo Foods			7	4
			23,953	42,709
Unallocated (Shared Services)			5,043	1,735
Total liabilities of the Group			28,996	44,444

1 Operating Segments (continued)

Other segment information

	Depreciation and Amortisation		Additions to non-current assets	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Freedom Foods	1,639	1,730	8,655	1,522
Pactum	1,045	829	3,394	10,538
	2,684	2,559	12,049	12,060
Unallocated (Shared Services)	59	69	129	105
	2,743	2,628	12,178	12,165

2 Revenue

	Consolidated	
	\$'000	
	2014	2013
Continuing operations		
- Sale of goods	87,856	88,831
- Interest received		
- Cash and Cash equivalents	42	91
- Loans and receivables	1,265	-
	89,163	88,922
Other revenue		
- Government/State grants - refer below	143	33
- Gain/(loss) on disposal of fixed assets	-	-
- Payroll Tax Refund	72	75
- Commitment fee income	450	-
- Management fee received	-	-
	665	108

The above grants are the Export Market Development Grant received or receivable for 2014 and 2013 (2014: \$131,645, 2013: \$23,000), State Training Grant (2014: \$3,150, 2013: \$5,000) and Department of Education, Employment and Workplace Relations Grant (2014: \$8,000, 2013: \$5,000).

3 Profit for the year before tax

	Consolidated	
	\$'000	
	2014	2013
Profit for the year was arrived at after charging the following expenses:		
<u>Finance costs</u>		
Interest on bank overdrafts and loans	340	1,485
Interest on related party loan	-	360
Interest capitalised as addition to the cost of qualifying assets	(244)	
Interest on obligations under finance leases	713	511
Total borrowing costs	809	2,356
Depreciation on property, motor vehicles, plant and equipment	2,743	2,628
Rental expense on operating leases (equipment)	392	329
Rental expense on operating leases (property)	816	623
Research and development costs expensed	500	375
Impairment of trade receivables	(30)	(29)
<u>Employee benefit expense</u>		
Post employment benefits - defined contribution plans	974	1,029
Share-based payments - equity settled share based payments	360	352
Other employee benefits	7,226	8,162
Total employee benefit costs	8,560	9,543

4 Earnings per share

	Consolidated	
	2014	2013
	Cents per share	
Basic earnings per share	8.65	14.73
Diluted earnings per share	8.21	11.96
	\$000	
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
(a) Earnings used in the calculation of basic EPS	12,132	13,722
(b) Earnings used in the calculation of diluted EPS	12,492	14,074
	Number '000	
(c) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	140,246	93,155
Shares deemed to be issued for no consideration in respect of:		
- CRPS	4,721	18,741
- ESOP	7,281	4,345
- unlisted options	-	1,433
(d) Weighted average number of ordinary shares used in the calculation of diluted EPS calculation of diluted EPS including CRPS	152,248	117,674

At 30 June 2014 there were 150,645,371 Ordinary shares (2013: 113,754,106) in issue and 152,127 Convertible Redeemable Preference shares (2013: 17,219,015).

At 30 June 2014 there were no unlisted ordinary share options (2013: 2,492,384) and 5,558,335 (2012: 8,450,000) employee share options were outstanding (3,766,667 exercisable at 40 cents per share and 1,791,668 exercisable at 60 cents per share).

5 Borrowings

	Consolidated	
	\$000	
	2014	2013
Secured - at amortised cost		
Current		
Bank overdrafts (i)	-	-
Loan payable (i)	228	1,741
Finance leases (ii) (iii)	3,001	4,079
Finance Facility (i)	670	8,462
Non-current		
Loan payable (i)	-	-
Finance leases (ii) (iii)	5,927	8,066
	9,826	22,348
Disclosed in the financial statements as:		
Current borrowings	3,899	14,282
Non-current borrowings	5,927	8,066
	9,826	22,348

(i) Secured by assets.

(ii) Secured by leased assets.

(iii) Included as part of the finance leases is the Equipment Financing utilised to purchase equipment for Leeton and Taren Point 3rd Line.

6 Loans due from associated entities

	Consolidated	
	\$000	
	2014	2013
Loan to Pactum Dairy Group	12,823	-
Loan to Freedom Foods North America	480	-
	13,303	-

The Pactum Dairy Group loan attracts interest at 8%

No interest is charged on Freedom Foods North America

7 Dividends

	2014		2013	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend: fully franked at 30% tax rate	1.00	1,101	1.00	898
Dividends reinvested: fully franked at 30% tax rate	245.64	49	72.00	43
Interim dividend: fully franked at 30% tax rate	1.50	1,842	1.00	931
Dividends reinvested: fully franked at 30% tax rate	276.35	413	142.00	39
<u>Convertible Redeemable Preference Shares</u>				
Final dividend: fully franked at 30% tax rate	1.40	241	1.40	272
Interim dividend: fully franked at 30% tax rate	1.35	2	1.35	236
		<u>3,648</u>		<u>2,419</u>

On 28 August 2014, the directors declared a fully franked final dividend of 1.50 cents per share to the holders of fully paid ordinary shares in respect of the financial year ending 30 June 2014 to be paid to shareholders (registered as at 3rd October 2014) on 3rd November 2014 and dividends for the converting preference shareholders (registered on 3rd October 2014) on 15th October 2014. The total estimated dividend to be paid is \$2,260k for ordinary dividend and \$2k for the CRPS dividend.

	Parent	
	\$000	
	2014	2013
Adjusted franking account balance	-	373
Impact on franking account balance of dividends not recognised	(969)	(592)

8 Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of Cash Flows, cash and cash equivalents includes cash on hand and funds held in cash management

	Consolidated	
	\$000	
	2014	2013
Cash	4,873	14,106
	<u>4,873</u>	<u>14,106</u>

(b) Reconciliation of profit for the period to net cash flows from operating activities

Profit for the year	12,132	13,722
Depreciation of non current assets	2,743	2,628
Movement in provision for employee entitlements	(305)	(273)
Profit on Sale of A2C shares	-	(11,843)
Interest recognised regarding Leeton facility using amortised cost method	-	288
Share based payments	360	352
Interest received	(42)	(91)
Interest on associates loan	(1,265)	-
Interest capitalised	(243)	-
Share of profit of associates accounted for using equity method	26	(819)
Movements in Working Capital		
Increase in trade and other receivables	(2,120)	(1,474)
Increase in inventory	(4,081)	(3,429)
(Increase)/Decrease in other assets	(290)	1,412
Decrease/(Increase) in deferred tax assets	445	5,525
(Decrease) in trade and other payables	(557)	(1,352)
(Decrease)/Increase in provision for income tax	96	(988)
Net cash from operating activities	<u>6,899</u>	<u>3,658</u>

8 Notes to the statement of cash flows (continued)

(c) Non-cash financing and investing activities

Dividends Reinvested	462	82
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In accordance with our Dividend Reinvestment Plan \$462,000 was reinvested in the year to 30 June 14 (2013: \$82,000)

9 Investment in associates

	A2C	
	(\$000)	
	2014	2013
Balance at 1 July	9,909	12,357
Share of profits for the year	-	819
	<u>9,909</u>	<u>13,176</u>
Dividends	-	-
Costs of shares sold	-	(3,303)
Purchase of shares	678	20
Costs associated with investment	-	16
Balance at 30 June	<u>10,587</u>	<u>9,909</u>

The group holds 116,936,129 ordinary shares in A2C at 30th June 2014. There are two common directors on the A2C board, Mr Melvyn Miles and Mr Perry Gunner.

	PDG	
	(\$000)	
	2014	2013
Balance at 1 July	0	-
Share of profits/(loss) for the year (i)	(26)	-
	<u>(26)</u>	<u>0</u>
Dividends	-	-
Costs of shares sold	-	-
Equity investment	4,500	-
Costs associated with investment	-	-
Balance at 30 June	<u>4,474</u>	<u>0</u>

The Group entered into a Joint Venture agreement between Pactum Australia Pty Limited and Australian Consolidated Milk Pty Limited to form a company, Pactum Dairy Group Pty Limited, for the purpose of supplying high speed low cost liquid products to the Domestic and International market, from a new site in Shepparton, Victoria.

The investment of \$4,500,000 includes 100 Ordinary Shares at \$1; 999,900 Convertible Notes at \$1; and 3,500,000 Loan Notes at \$1. Equity accounted loss for the year to June 14 was \$26,000 (1%).

10 Contingent liabilities

	Consolidated	
	(\$000)	
	2014	2013
Bank guarantee arising from rental of office premises.	-	14