freedom FOODS GROUP LIMITED

ANNUAL REPORT 2015

growth fuelled by innovation

Making food better

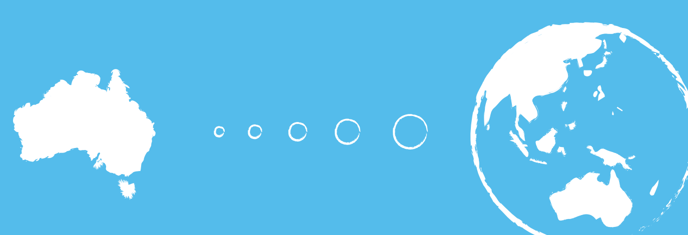
+ FROM AUSTRALIA TO THE WORLD

We desire to be recognised as creators — creating on-trend, great-tasting, responsibly Australian produced food and beverages. Food and beverages that people enjoy and feel good about.

We aim to continually innovate and reimagine what is possible, to change the way the world eats for the better.

Through our brands and customers, we will leverage new categories and emerging consumer trends while also understanding our consumers' needs, backed up by strong research and product development, marketing and commercial capabilities uniquely based on Australian source advantage.

Strategic investments in our manufacturing footprint and supply chain will allow us to continue scaling and controlling our business into the future in both Australia and key Asia Pacific global markets.



ANNUAL GENERAL MEETING

date

29 October 2015

time

12.00 pm

location

DLA Piper Australia Level 22,
1 Martin Place Sydney NSW 2000

Contents

"We believe that people's needs have moved towards safer, nutrient rich, longer life convenient foods".

Chairman's Letter

Dear All

I am pleased to report a successful year, investing in the Company's capability and capacities for profitable growth consistent with our 3 year plan.

During the year, a number of significant initiatives were completed across our business activities, with the highlights being:

- Commissioning of a state of the art Nutritional Snacks line 3 months ahead of plan, and at the same time launching 5 innovative nutritional snacks into the mainstream aisle, from February 2015
- Launch in February 2015 of the Australia's Own brand in China, in partnership with Shenzhen JLL, with the brand being used to support Shenzhen JLL's Kids Milk brand
- A highly successful launch of Pactum Dairy Group (PDG) joint venture, achieving sales of close to $50 million in its first full year, tracking ahead of its 3 year business plan, with demand from customers in China, South East Asia and Australia

Each of the above initiatives is consistent with building product and channel diversification, as well as a strong export sales platforms into the Asian (China and South East Asia) and Pacific regions.

The rapid and changing face of the Company in recent years is illustrated by close to 20% of sales in the financial year 2015 originating from markets outside of Australia/New Zealand. Additionally, and of equal importance, only 43% of total group sales are now derived from major Australian retail customers, as compared to 75% five years ago.

To further build on our paddock to plate capability across our Beverage and Cereals and Snacks platform, the Company undertook or announced a series of investments including:

- the Company becoming a 10% equity participant, and a member of the Board, in Australian Fresh Milk Holdings consortium (AFMH), which acquired Moxey Farms, Australia's largest single-site dairy operation, as part of the development of a long term strategic dairy milk supply chain; and
- acquisitions of the Darlington Point Mill and a proposed Oats based cereals and snacks manufacturing business to accelerate the business and provide further value adding scale benefits to the expanding sales, manufacturing and supply chain footprint of the Cereals and Snacks business.

Alongside the significant expansion of our Company's manufacturing capabilities, we also invested in people, quality and systems: in particular an expansion of our R&D and product development capabilities to drive innovation in product and channels for future sales development.

The Company achieved an underlying Operating EBDITA of $15.2 million, broadly in line with the previous corresponding period. Our financial results reflected the impact of the ramp-up phase of the capital equipment investment process, particularly in our Cereals and Snacks platform. The results included one off investment costs relating to snack bars commissioning and launch costs, which impacted gross margin and operating expense in the Group by $2.8 million. The Operating EBDITA and statutory result was also impacted by the expensing of $1.2 million of increased Almond input costs (reflecting adverse exchange rate and market price movements). Overall, the Board believes the operating earnings result to be a good achievement considering the significant development within the Company during the financial year.

The Reported Net Profit of $56.6 million included non-operating employee share option expense of $252k (after tax) and a reclassification investment gain of $51.96 million (after tax), arising from the gain on reclassification of The a2 Milk Company (a2MC) investment to a 'available for sale investment', reflecting a change in accounting treatment following the retirement of myself from a2MC board.

In relation to our strategic investment in a2MC, we continue to review all our options with regard to the a2MC investment, including evaluating the benefits of maintaining a strategic stake in a2MC.

The Board has recommended payment of a final fully franked dividend of 1.5 cents per ordinary share in November 2015, taking total dividends for the 2015 financial year to 3.0 cents per share fully franked.

On behalf of all shareholders, I want to thank Mr Mel Miles who resigned from the Board in August this year for his significant contribution to the business over many years. Mel joined the Board in 2006 after the Perich family became major shareholders in the company. Along with working with the board and management on building the Company, in particular he has made a strong contribution to its manufacturing and operational disciplines.

On behalf of the Board, I would like to thank my fellow directors and all our employees for their dedication and hard work throughout the year.

There is much to be done and a great deal of confidence about Freedom Foods Group long-term prospects.

Perry Gunner
Chairman

Managing Director's Review of Operations

Operating Highlights

- A successful year investing in the Company's capability and capacities for profitable growth consistent with its 3 year plan
- Commissioning of a state of the art Nutritional Snacks line 3 months ahead of plan, with launch of 5 innovative nutritional snacks into the mainstream aisle from February 2015
- Sales growth in new value added Cereals and Bars in Australia, with growth in cereals in North America from increased distribution, albeit incurring significant start-up sales and marketing costs in both markets
- Sales growth in non-dairy beverage, led by growth in branded and non-branded sales in the fast growing Almond Milk category, with margins impacted by increased cost of almond inputs (exchange rate and market price)
- Launch in February 2015 of the Australia's Own brand in China, in partnership with Shenzhen JLL
- Highly successful launch of Pactum Dairy Group (PDG) achieving sales of close to $50 million in its first full year, tracking ahead of its 3 year business plan with demand from customers in China, South East Asia and Australia
- Launch of new and differentiated packaging for the Brunswick Specialty Seafood brand to consolidate its leadership position
- Significant investment in manufacturing capabilities, people, quality and systems
- Significant investment in new employees in research and development (R&D) and product development to drive innovation in product and channel development
- Investment process impacted revenue and margins in the short term relating to commissioning process, deletion of our biscuit range and run-out of old lines
- As part of our development of a long term strategic dairy milk supply chain, the Company became a 10% equity participant in Australian Fresh Milk Holdings consortium (AFMH), with the acquisition of Moxey Farms, Australia's largest single-site dairy operation
- Announced acquisitions of the Darlington Point Mill and a proposed Oats based cereals and snacks manufacturing business to accelerate the business plan and provide further value adding scale benefits to the expanding sales, manufacturing and supply chain footprint of the Cereals and Snacks business

freedom FOODS GROUP LIMITED

safer
+
nutritious
+
full life
+
convenience


GIVE WAY
TO
PEDESTRIANS
KENWORTH

Managing Director's Review of Operations

Financial Summary

The Company reported a net profit of $56.6 million, a material increase from the prior corresponding period.

The net profit included an unrealised post-tax fair value gain of $51.96 million, arising from the gain on reclassification of The a2 Milk Company (a2MC) investment to a 'available for sale investment', reflecting a change in accounting treatment following the retirement of Mr Perry Gunner from the a2MC board. The resignation of Mr Gunner from the board of a2MC resulted in the Company no longer being able to clearly demonstrate that it could exercise significant influence over the operation of the a2MC business.

The Company achieved an underlying Operating EBDITA of $15.2 million, broadly in line with the previous corresponding period. The statutory reported EBDITA of $12.1 million reflected one off investment costs relating to snack bar commissioning and launch costs, which impacted gross margin and operating expense in the Group by $2.8 million. The Operating EBDITA and statutory result was also impacted by the expensing of $1.2 million of increased Almond input costs (reflecting adverse exchange rate and market price movements).

Each of the business units (with the exception of Seafood) achieved increased sales, notably including incremental growth in revenue in our joint venture Pactum Dairy Group of $49 million in its first full year of operation. The Freedom Foods branded product range increased revenue, although profitability was impacted by commissioning of the new nutritional snack equipment reducing manufacturing recoveries and gross margin during the half. Non-dairy UHT operations performed ahead of the prior year. Although Specialty Seafood's revenue declined its contribution to Operating EBDITA increased.

The Company considers the Operating EBDITA result satisfactory having regard to:

- the significant investment and commissioning of the plant being undertaken and adjustments required to the operating structure of the business in this phase; and
- the impact of material market development expenditure, adverse exchange rate changes and Almond input costs.

Set out below is a reconciliation of statutory EBDITA to underlying Operating EBDITA before significant items.

YEAR ENDED 30TH JUNE (A$'000)	2015	2014
Underlying Operating EBDITA before significant items	16,420	15,289
Significant Items expensed to profit:		
Exchange and Market Demand Impact on Purchases of Almond inputs	(1,183)	-
Underlying Operating EBDITA	15,237	15,289
Other costs not representing underlying performance		
One off Marketing and Promotional Costs for Mainstream Bar Launch	(1,351)	-
One off Marketing Costs for Cereal Launch	(550)	-
Bar Line Commissioning Impact on Gross Margin	(890)	-
Total Other Costs	(2,791)	-
Operating EBDITA	12,446	15,289
Employee Share Option Expense (non cash)	360	360
Statutory EBDITA	12,086	14,929

Note:
Operating EBDITA is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Operating EBDITA is used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments.

Summary Financials

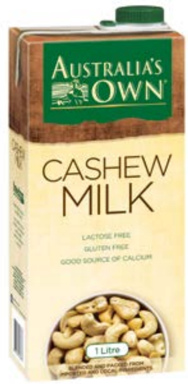
12 MONTHS TO 30 JUNE	2015	2014	Change
	$'000	$'000	%
Gross Sales Revenues (1)	129,502	122,772	5.5%
Net Sales Revenues (1)	111,125	104,616	6.2%
Net Sales Revenue (Statutory)	91,460	87,856	4.1%
EBDITA (Underlying Operating pre significant)	16,420	15,289	7.4%
EBDITA (Statutory Operating) (2)	12,086	14,929	-19.0%
EBITA (Operating) (2)	9,092	12,201	-25.5%
Equity Associates Share of Profit (3)	(42)	(26)	-61.5%
Pre Tax Profit (Operating) (4)	9,240	13,059	-29.2%
Pre Tax Profit (Reported)	61,980	12,673	389.1%
Income Tax	5,349	541	888.7%
Net Profit (Operating) (4)	4,970	12,518	-60.3%
Net Profit (Reported)	56,631	12,132	366.8%
Interim Ordinary Dividend (cps)	1.50	1.50	0.0%
Interim CRPS Dividend (cps)	1.35	1.35	0.0%
EPS (cents per share) (Fully Diluted for CRPS)	35.99	8.14	342.1%
EPS Operating (cents per share) (Fully Diluted)	3.14	8.15	-62.7%
Net Debt/Equity	27%	4%	575.0%
Net Assets per Share	120	81	48.1%
Net Tangible Assets per Share	106.35	66.88	59.0%

Notes:

1. *Gross Sales Revenues do not include revenues from group associate entity, Pactum Dairy Group Pty Limited. Net Sales Revenues in the table above differs from the Appendix 4E, as the Net Sales Revenue above includes intercompany sales eliminated from the statutory reported Net Sales Revenue figure. This treatment reflects the Group's arm's length trading policy between Group activities.*
2. *Operating EBDITA and EBITA excludes pre-tax abnormal or non-operating charges and gains with an add back of non cash employee share option expense of $360k, elimination of the fair value gain of $53.1 million due to the reclassification of the a2MC investment and the share of losses from associate.*
3. *Share of losses from associate.*
4. *Operating Pre Tax Profit and Net Profit does not include the fair value gain of $53.1 million due to the reclassification of the a2MC investment and the share of losses from associate.*

Managing Director's Review of Operations

We desire to be recognised as creaters - creating on-trend, great tasting, responsibly Australian produced food and beverages.



Non Dairy Activities

Non-dairy production volumes increased during the period to support the growth of the Australia's Own and Blue Diamond brands, as well as an expansion of private label requirements for UHT Almond.

Non-dairy beverage sales continued the upward trend from the 2014 financial year with volume growth compared to the previous corresponding period, reflecting increased market share of Australia's Own Organic in the UHT Almond segment. Our Australia's Own brand and our licensed Blue Diamond Almond Breeze brands remain market leaders with a 43.7% (MAT August 15) share of the Almond UHT segment.

As at August 2015, the UHT Almond Milk category accounted for 33% of the retail non-dairy category, compared to 26% at August 2014. UHT Soy declined further with total share at 43.7%, compared to +50% in prior years. It is expected that UHT Almond and related blends will exceed UHT Soy market share within the next 18 months, reflecting a similar trend in North America.

Other UHT alternative categories including Almond Coconut and Coconut also increased share. The business had a minimal product exposure to these growing segments during the period. We are introducing products in the categories as well as introducing new UHT product categories such as Cashew, the combined effect of which will be to significantly improve our exposure to these categories in FY 2016.

Financial returns in the Almond portfolio were impacted during the period by increased Almond inputs (reflecting exchange rate and market pricing).

Australia's Own UHT liquid stocks increased sales and distribution during the period. The business is also a significant supplier of liquid stocks to retailer and other brands.

The business continued to see the benefit of increasing its mix of other value added UHT products, to a range of private label and proprietary customers.

Sales of UHT portion pack products were reduced from prior year reflecting the withdrawal of a major brand from the breakfast drink category. We continued to grow our private label business in the UHT portion pack category and have also reallocated surplus capacity to support growth in JLL Australia's Own Kids Milk UHT portion pack requirements.

The business continues to develop plans for the launch of UHT Almond Milk into Asian markets using the Company's Australian production base. This leverages both the free trade agreements between Australia and Asia as well as the Company's relationship and distribution base within these markets. The Company sees further opportunity to develop non-dairy UHT products from an Australian manufacturing base into China and SE Asia.

During the period, the business invested significantly in its UHT R&D and product development capabilities to ensure it is a leading participant in developing innovative UHT solutions in non-dairy and dairy applications for its customers in Australia, China and South East Asia. The benefits of this investment is expected to lead to increased sales and distribution in and beyond FY 2016.

New Facility at Ingleburn, South West Sydney

Existing UHT non-dairy capabilities are constrained in both production and distribution at our Taren Point operation, restricting growth and financial returns.

With increasing demand from its private label and proprietary customer base for additional capacity and product format capability across non-dairy and value added dairy categories, the Company is investing for future growth through a planned expansion at a new site in Ingleburn in South West Sydney.

The planned new facility will provide for significant expansion in capacity and efficiency improvements compared to current operations, including providing a materially more efficient and lower cost warehousing and logistics solution compared to current arrangements.

The acquisition of aproximately 66,000 sq. metres of land in Ingleburn for a cost of approximately $16.6 million, which will provide the site for our new facility, was completed in June 2015. All requisite development approvals have been obtained for construction of the new facility. Construction of a warehousing and distribution facility has commenced in the first half of FY 2016, with UHT production commencing during the calendar year 2017. The first stage installed capacity is expected to be approximately 80 million litres, from current capacity at the Taren Point facility of approximately 50 million litres.

The new facility will provide for existing and new UHT packaging capabilities including carton and plastic over different stages. This will allow customisation of beverage and food products and packaging for local and export markets with efficiency and speed, to meet the growing demand for high quality safe foods from Australia. It is intended that production will be marketed under the Company's brands and leading brands of key customers in Australia and Asia.

The facility will also be capable of processing dairy products, to allow a two-way redundancy with the Shepparton facility, while providing opportunity to expand the Company's base in dairy from multiple processing sites as required.

Pactum Dairy Group (PDG)

PDG commenced operations in April 2014 to provide innovative UHT dairy milk capability for customers in domestic and export markets.

PDG is a joint venture between Pactum and Australian Consolidated Milk (ACM), a major Australian dairy milk supply group.

Commencing volumes are tracking ahead of its 3 year business plan, with good demand from customers in Australia, China and South East Asia.

In its first full year of operation, the Company delivered sales of close to $50 million (+$44 million or +635%) and a close to break-even EBDITA result. Slower demand in the 2nd half particularly for 1 litre formats reflected subdued market conditions in China and delays in import certifications. These short term market fluctuations delayed the expected move to profitability, which is now expected in the first half of FY 2016.

The business secured additional customers and volume from Australia, China and South East Asia, with supply commencing in FY 2016. These include a major Australian retailer, Lion Dairies and IDP (Vietnam). In Australia, PDG is now the largest dairy UHT supplier to one of the three major Australian retailers under a long term supply arrangement, complementing our existing position as the largest non-dairy UHT supplier to that retailer. This position reflects that customer's recognition of our leading UHT capabilities.

Notwithstanding the short term subdued market conditions in China the Company has established key relationships with major dairy manufacturers and brand owners there including New Hope Dairy (Chengdu), Shenzhen JLL (Guangzhou) and Bright Dairy (Shanghai), online retailer Yihaodian and a number of regional dairy manufacturers and distributors. Each of these relationships is complementary, as both Freedom and our customers in China recognise the level of regionalisation and hence diversification in local market distribution, product range and capability within that market. The recent addition of a major Chinese based dairy customer reflects the increasing recognition of PDG as a supplier of choice in UHT dairy ex Australia, based on our unique customer partnership model.

The Company has also developed other customer relationships outside of China into South East Asia in markets such as Hong Kong, Philippines and Vietnam.

It is anticipated that our customer requirements are expected to grow beyond their initial volumes as demand for milk increases in their respective home markets, with Australian milk products providing the highest quality and safety at a comparative cost advantage compared to locally sourced milk. The $AUD exchange rate depreciation and expected free trade agreement with China provide further competitive advantage to the business in the medium to long term.

During the year, PDG installed additional portion pack capacity in 250ml Prisma and 200-330ml formats. Total installed capacity based on these additions is approximately 120 million litres or 290 million packs per annum.

Managing Director's Review of Operations

To meet expected expansion in milk demand in UHT format and customer format requirements over the medium term, the Company is evaluating additional processing and filling capabilities, as well as an expansion of warehousing and logistics capabilities. Opportunities to vertically integrate into other value added dairy product streams are also being reviewed, such streams being aligned to our customer's long term requirements.

Consistent with this opportunity, the Company has acquired approximately 77,400 sq. metres of land adjacent to the PDG site at Shepparton in Victoria. The acquisition price was $4 million and settlement occurred on 24 September 2015. The acquisition of the land provides the capacity and flexibility to develop longer term warehousing and distribution requirements for the Pactum Dairy operation. Additional customised manufacturing and warehouse capacity will provide space for future expansion of processing and packaging operations at the site and potential expansion of other dairy processing capabilities in the future.

With the increasing scale of the PDG and Freedom Foods Group operations, the Company augmented the management capability within the PDG business with the appointment of senior commercial and operational resources with long established experience in both UHT dairy processing and UHT commercial sales.

With the commencement of operations and significant resourcing to meet the expected ramp up in volumes, the business recorded a net after tax loss in FY 2015. FNP equity accounted 1% of the loss in line with the current ownership structure. The Company has the capacity to obtain a 50% interest in PDG by converting convertible notes issued to it as part of its original investment. It is expected that this will occur in FY 2016, after which the Company's share of profits will increase to 50% in line with the increase in shareholding.

It is expected that FY 2016 will show PDG making a positive operating result, hence contributing to Freedom's operating EBDITA, reflecting the business's increasing revenues and customer base.

Australia's Own Brand Partnership

The Company commenced production of our "Australia's Own" branded "Kids Milk" to support its launch in China in February 2015.

Australia's Own Kids Milk is being marketed and distributed in China through a long term 50 year partnership with Guangzhou based Shenzhen JiaLiLe Food Co. Ltd (JLL), which is owned and led by parties associated with the establishment of the largest selling ready to drink beverage in China. The arrangements reflect the strategic approach of our business model to engage established partners in foreign markets who understand local business requirements. The initial product is a single serve 200ml pack, which is the first Australian milk product marketed specifically to the post-infant-formula toddler market in China.

The product has been initially targeted in Tier 2 and Tier 3 cities, with considerable marketing investment by JLL, including point of sale promotion and sampling, external promotion and more recently TV commercials. Volume continues to build monthly.

Production commenced in late 2014 sourced from the Company's Taren Point UHT facility, due to the 200ml format capability in Sydney. Longer term supply decisions will be determined based on spare capability at either the Shepparton or Ingleburn facilities.

Australian Fresh Milk Holdings Consortium Investment

In July 2015, the Australian Fresh Milk Holdings consortium (AFMH), comprising Leppington Pastoral Company Pty Limited (LPC), New Hope Dairy Holdings Co Ltd and Freedom Foods Group Limited executed binding agreements to acquire Moxey Farms, Australia's largest single-site dairy operation. Collectively the combined Moxey and Leppington Pastoral dairy milk production makes it the largest dairy milking operation in Australia.

Moxey Farms operates a fully integrated dairy farming operation located in the Lachlan Valley, New South Wales, 340 km west of Sydney. Moxey Farms land portfolio covers an area of 2,700 hectares has and includes 3,700 milking cows that produce approximately 50 million litres of milk per year, with a large proportion of this milk from a2 cows.

The Moxey family will operate Moxey Farms in joint venture with the Perich family under a new Farm Management Agreement with AFMH, ensuring continuity of existing operations for key customers and staff.

The Moxey family have retained a strategic stake in AFMH, which will have assets and operations across every aspect of the dairy value chain. FNP has a 10% equity shareholding and Board representation in AFMH, with the balance held by the other consortium members.

The acquisition will provide FNP with the opportunity to secure access to a consistent and long-term supply of high quality milk as AFMH explores expansion opportunities to further build on the acquisition of the Moxey operations. The consortium arrangement will also enable AFMH to leverage FNP's processing capabilities and New Hope Dairy's Asian footprint to readily access export markets such as China and South East Asia.

The Company intends to equity account 10% of the net profit of AFMH.

China Representative Office

The Group has had a representative in China since 2013. Consistent with the growth in our business in China, the Group has established a China representative office to provide for growth in its sales, marketing and supply chain requirements. While this team in China will initially be substantially engaged in supporting the dairy activities, the increased resource will provide a base for increased distribution of a broad range of the Company's products. In September 2015, the Company will launch its online trading platforms in China specifically for Freedom Foods branded product. It is anticipated that the office will also provide representation for alliance brands desiring to access China using the Company's Australian sourced production.

Managing Director's Review of Operations

Cereal & Cereal Snacks

The Freedom Foods branded business continued to build momentum in its Cereal and Cereal based Snacks portfolio, with material investments in production capacity and capabilities for future growth.

Significant capital expenditure occurred at Leeton, together with further investment in R&D, product development and an increase in marketing to support new product launches.

The business delivered sales growth in its Cereals, Snacks and related Ingredients segments compared to the previous corresponding period. With a focus on its core product portfolio for future growth, the business is progressively reducing its presence in non-core categories including biscuits. The reduction in non-core products impacted sales in the period, with some resulting impact on margins and manufacturing recoveries.

Alongside investment in sales, marketing and specific product launch investment, the business is investing heavily in R&D and product development capability to drive growth in retail and other channels such as food service in the medium term.

The business experienced growth in new format combination products such as Active Balance, Oats and Muesli products.

Traditional format products (i.e. Corn Flakes, Rice Puffs) experienced declines against the prior corresponding period. The business maintained category leadership in Health Cereals (retail) of circa 45% (MAT August 15).

Functional and combination format products, as well as portable and convenience options, will be key drivers of growth in Cereals and Snack business. These areas are also a key focus for our innovation investment, while ensuring our products achieve a 3.5 – 5.0 star rating within the Government health star rating system.

As part of ensuring best quality and growth in supply of key grains to our Freedom production facilities, the business developed its Freedom Farmer platform, with a number of key farmer groups engaged to build the Company's specialised grains supply platform over the coming years. This will guarantee our strategy of being an integrated paddock to plate provider. Australian sourcing of all ingredients will be a key source of competitive advantage for the Company.

Capacity Investment

During the year, the business invested approximately $11 million in capital expenditure at Leeton, including completing the upgrade of Cereal extrusion and packaging capabilities to improve efficiencies and provide increased capacity in range and format for both Cereals and Cereal Snacks.

The investments had a material impact on earnings during FY 2015, through commissioning impacts on Cereal, Snacks and other operational outputs. The impact of these is not expected to be recurring in FY 2016.

A significant part of the capital expenditure was incurred on the installation of a new state of the art automated nutritional snacks line, the most advanced capability installed currently in Australia. The line was installed in record time with new formats delivered within 2 months of installation commencement.

Both these investments will significantly increase Freedom Foods production capability, with no material increase in cash overheads and a lower cost per case. Expansion of extrusion capabilities will provide additional internal capacity for Cereal and Bars, as well as capacity for third party ingredient sales.

Nut Free Snacks Launch into Mainstream

A key objective for the business from the installation of the new nutritional snack line was the introduction of a high star rated nut free nutritional snack bar range into mainstream supermarkets.

This was achieved, notwithstanding significant pressure on operational resources of the business, with a successful launch of 5 new products in Coles and Independents from January 2015. The range is the only “nut free” snack bar range on sale in Australia.

The launch delivered a material impact on sales growth in the second half (+68% volume, +97% gross sales), although the requirement to bring forward the commissioning timeline of the new line at Leeton had an impact on manufacturing recoveries and gross margin during the year. Additional significant marketing and promotional costs associated with the launch were incurred and expensed during the second half of FY 2015.

Since launch, the products have performed well, with certain SKU’s delivering incremental growth above category average. Additional SKU’s, increased facings and retail distribution are expected to be achieved during FY 2016.

Cereal & Cereal Snacks

North America

In North America, our 80% owned subsidiary invested in building sales and distribution capabilities, increasing sales and store distribution within the Specialty and Natural Product Retailer markets. Considerable investment has been made in developing relationships with retailers including Sprouts, Whole Foods, Wegmens, Kroger and HEB.

A total of 3,500 distribution points were established as at 30 June 2015. Freedom Foods is now ranked in the Top 10 Cereal brands in Specialty and Natural channels in the USA. Sales increased from A$696k in FY 2014 to A$1.56 million in FY 2015, with the net loss increasing from A$684k to A$903k (including exchange rate impact) as the business continues to invest to build a sustainable market share within the retail and wholesale price point parameters available in the North American market. The North American business contributes to + 15% of Leeton Cereal production output.

The North America business will continue to build distribution and consumer awareness within existing and new retail stores, reflecting our unique proposition in Allergen Free and Non GMO Cereals and Cereal Snacks.

With current portfolio sales skewed to a small number of sweeter tasting products, product development efforts have been focussed on new products that are better aligned to the North American consumer taste requirement. New product launches in Cereal are planned for launch in 2016, along with the introduction of Allergen Free nutritional snack bars to provide increased sales and distribution growth.

With the North American business having established a strong consumer profile within the Allergen Free and Non GMO categories, the business will look to significantly expand distribution over the medium term through the application of additional localised sales and marketing resource.

The Company is also actively considering options for increased scale in the North American market. The business remains focused on delivering a profitable sales base within the medium term through sales of branded Cereals and Cereal snacks that account for a material proportion of groups cereal and snack production capability.

Darlington Point Mill

The Company has completed in August 2015, the acquisition of the business and assets of the Darlington Point Mill based in the Riverina district of New South Wales, approximately 32kms from Freedom Foods allergen free cereal and cereal snacks facility at Stanbridge near Leeton.

The Mill operates an established grain processing facility for the supply of milled flours and popping corn. It is a significant processor of popping corn, with a +40% share in Australia, while also processing gluten free and non GMO grains. The business has existing customers in food service and processing markets in Australia as well as export markets.

Our plans are to expand the milling operations for internal use and external third party customers to grow sales and access cost efficiencies. We will also expand into processing of other key grains. Existing milling operations will be relocated from our Leeton facility to the Darlington Point Mill, providing for increased finished goods warehousing capabilities at our operations at Leeton. The acquisition is well timed to benefit from the changes to labelling requirements which give more prominence to Australian grown products.

Managing Director's Review of Operations

The acquisition comprises assets located at the site including 7.5 hectares of land, several modern large and medium sized grain silos, flour processing plants, other machinery and equipment and buildings including an export container facility. We will also acquire raw materials including popping corn and maize. The acquisition price for the assets (excluding raw materials) is approximately $5.85 million. The business will contribute to earnings in FY 2016.

Oats based Cereals & Snacks Business Acquisition

The Company has entered into an exclusive term sheet to acquire a major Australian based manufacturer of Oats based Cereals and Snacks.

Oats is an expanding consumer preference in Australia and Asia.

The acquisition will enable Freedom to expand its brand and category segment offering in oat based products in Australia and into Asia, and for the first time allow Freedom to access manufacturing capability in both Allergen free (Leeton) and nut based capabilities (the new business) on a cost competitive basis. There will also be integration opportunities in milling and ingredients supplies into the new business from our in-house facilities.

The acquisition is expected to be accretive to earnings in its first full year of operation and is expected to provide operational efficiencies in the medium term. The acquisition is subject to confirmatory due diligence and other customary documentation and closing requirements.

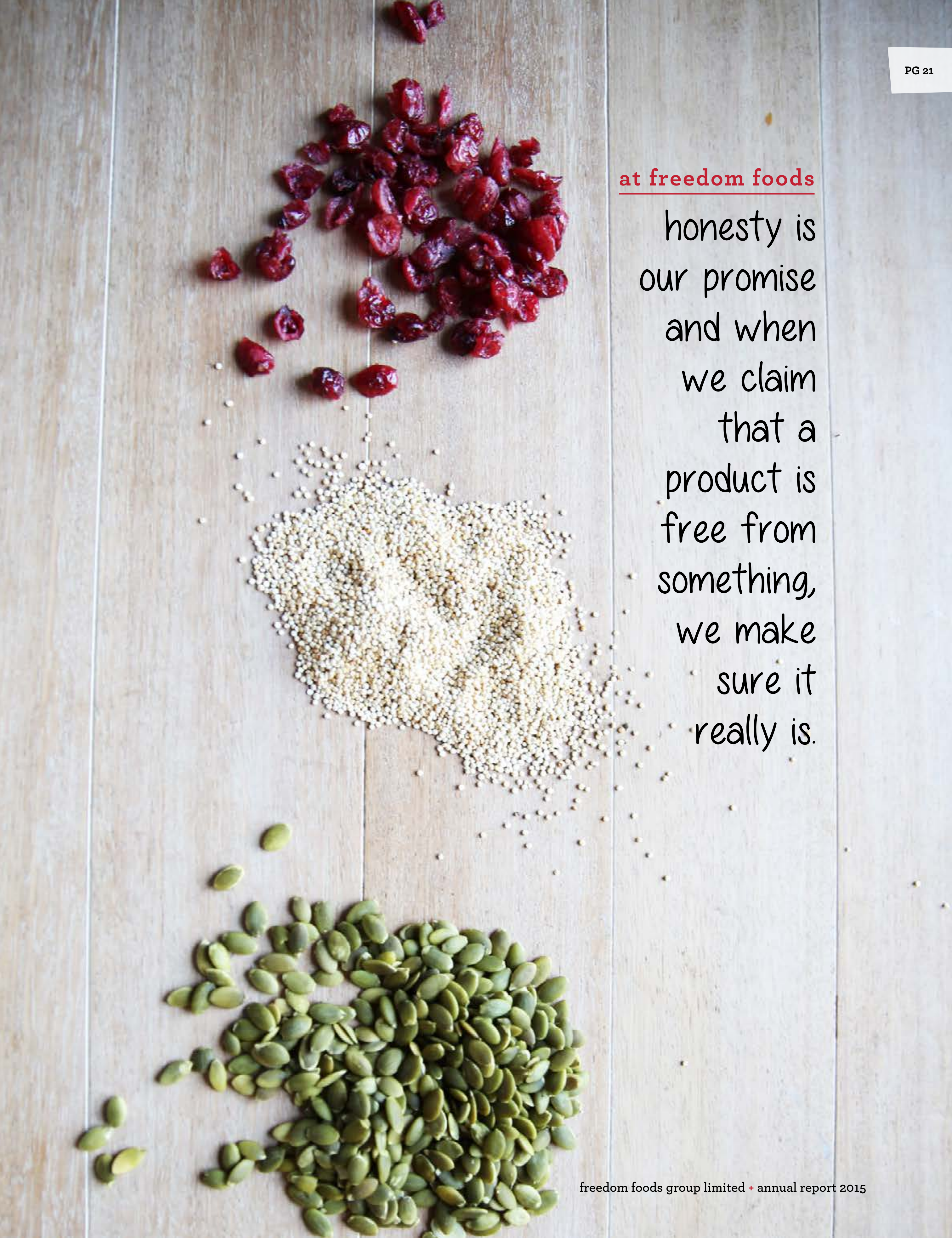
Outlook

The focus for the business into 2016 and beyond is on increasing sales in Australia through building on its category leadership in the health channel and further growth in distribution channels, while establishing key products, channels and distribution for expansion of product into export markets in Asia and North America.

The acquisitions of the Darlington Point Mill and the proposed Oats based business will accelerate the business plan and provide further value adding scale benefits to the expanding sales, manufacturing and supply chain footprint of the Cereal and Snacks business.

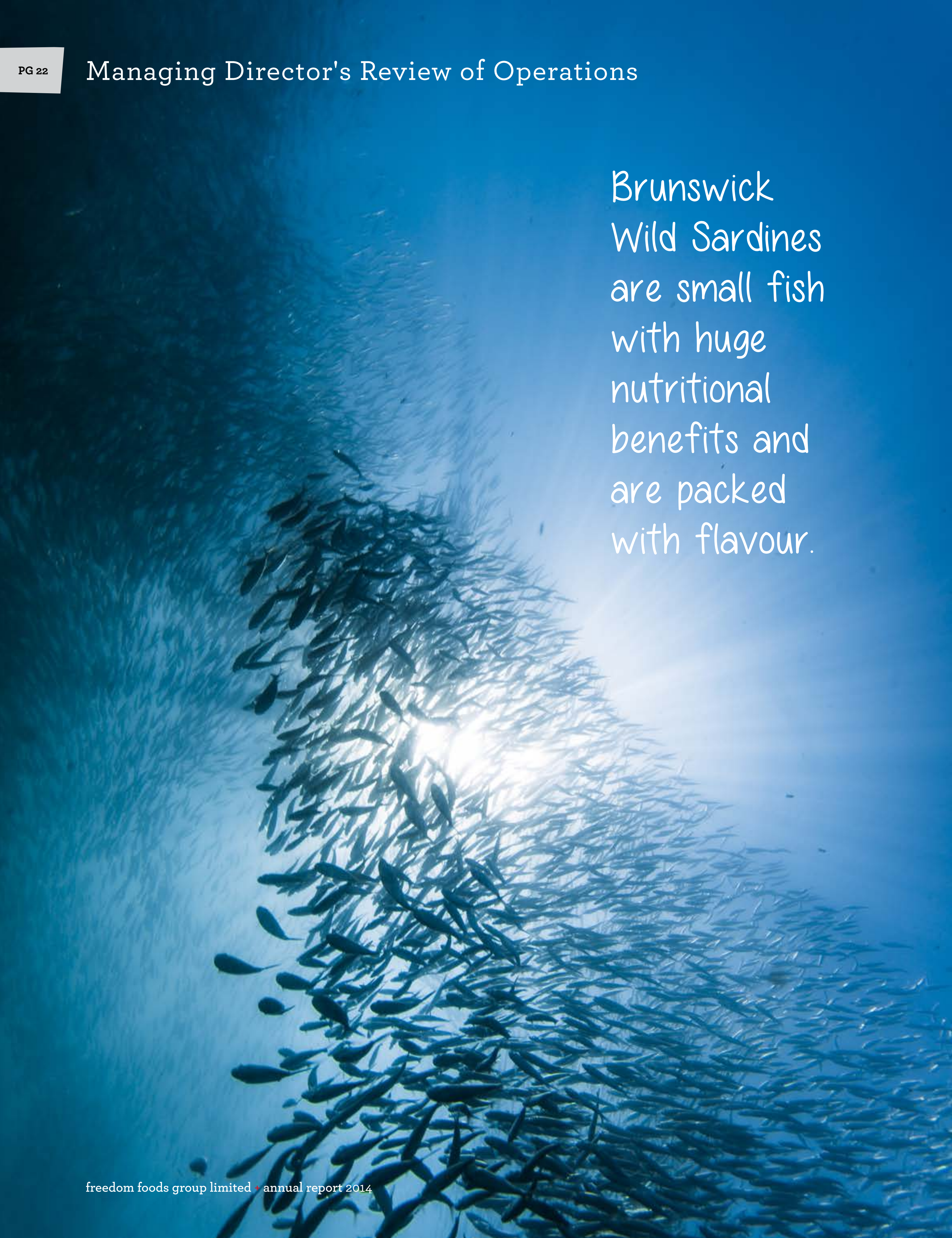
The Group's significant investment in R&D and product development capabilities will deliver an exciting innovation pipeline of new products in Cereals, Nutritional Snacks and new formats for convenience and food services channels.

The significant capital expenditure in Cereals and Snacks capability is now largely complete. The impact on earnings in the most recent financial year is now behind the business. An expanded and more relevant product suite, a lower cost base and significant capacity, will enable the business to build sales on a cost effective basis. The opportunity to build our state of the art facilities into significant value adding assets through processing high value added niche products will assist in building a leading Cereals and Snacks business across all segments of the market.



at freedom foods

honesty is our promise and when we claim that a product is free from something, we make sure it really is.



Brunswick Wild Sardines are small fish with huge nutritional benefits and are packed with flavour.

Specialty Foods

Brunswick Sardines maintained its No 1 brand leadership position in Australia and New Zealand.

The Paramount Salmon brand performed well during the period. Commencing Salmon inventory reduced exposure to AUD/USD exchange rate decline during the year. Tight management of sales promotions, while leading to lower gross sales during the year, reduced promotional spend and improved gross margin. Operating performance improved reflecting Company's increased management resourcing and focus on the business.

The business remains focused on positioning for growth into FY 2016 through category leadership of the Specialty Seafood channel, including new product opportunities aligned to consumer demand for convenience and superior health benefits. As part of this approach, the business introduced revitalized packaging and website content for the Brunswick brand. The Company sees further category and product expansion opportunities within the Specialty Seafood category in response to the brand and packaging repositioning.

Exchange rate impacts in FY 2016 may be potentially offset by improved Salmon pricing from a strong 2015 Salmon catch. The business continued to utilise the procurement power of Bumble Bee Foods of North America, with Bumble Bee securing 2015 inventory requirements through priority access to salmon and sardine catch volumes.

The Company continues to review opportunities for other food format. Tetra Recart technology has some significant and compelling consumer and retailer benefits. The Company is trailing product development formats with potential customers as part of the feasibility study.

BRUNSWICK® TM

Paramount™

The a2 Milk Company Limited (a2MC), 17.8% Equity Interest

The Company is the largest single shareholder in The a2 Milk Company Limited (a2MC). a2MC owns and commercialises unique and comprehensive intellectual property rights relating to a2™ brand milk and related dairy products in a range of international markets including Australia.

a2™ branded milk is the fastest growing milk brand in the Australian market and the major driver of category growth nationally, accounting for approximately 9.3% of grocery channel market share by value.

a2MC also markets a2™ Platinum™ infant formula to consumers in Australia and China, with infant formula being ranged nationally in Coles, Woolworths, Independents and Pharmacy.

a2MC entered the North American fresh milk market with a launch of a2 branded fresh milk to selected retailers from April 2015.

During the period, the Company was required to reclassify how it accounts for the investment in a2MC. This resulted from the resignation of Mr P R Gunner from the a2MC Board in November 2014 and the determination by the Group that it no longer was able to clearly demonstrate that it exercised significant influence over a2MC. Significant influence was deemed to be lost at the conclusion of the a2MC AGM and therefore on this date the group has reclassified the investment to an Available for Sale investment (AFS) under the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

At the date of reclassification, a fair value gain of $53.1 million ($51.96 million net of tax) was recorded in the statement of profit or loss. The investment in a2MC continues to be recorded at fair value, with any gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. An additional $5.84 million net of tax has been added to the carrying value of the a2MC investment as at 30 June 2015, reflecting the increase in market price of a2MC shares in the second half of FY 2015.

The Company did not recognise any equity accounted profit from a2MC during the period.

a2MC listed on the Australian Stock Exchange in April 2015.

On 21 June 2015, the Company, along with consortium partner Dean Foods, submitted an Expression of Interest (EOI) to a2MC which set out a preliminary, indicative non-binding proposal to explore an acquisition of a2MC. The Company is disappointed that the Board of a2MC did not engage with the consortium. The Company has had no communication with a2MC since then and the Company and Dean Foods have ceased detailed discussions in relation to a2MC.

As previously advised, the Company continues to review all its options with regard to its a2MC investment including evaluating the benefits of maintaining a strategic stake in a2MC.

Capital Management

The Company held cash of $2.3 million at 30 June 2015, with total borrowings of $52.9 million, comprising term facilities, equipment finance leases and working capital facilities. Net debt at 30 June 2015 was $50.6 million. Net debt excludes financial assets and loans to Associate entities.

At 30 June 2015, the Company had lent $14.3 million ($12.8 million at 30 June 2014) to Pactum Dairy Group to support further capital investment and working capital requirements. The loan attracts interest at a rate of 8.0% per annum.

Net cash flow from operations was $8.3 million, an increase of $1.1 million from FY 2014, reflecting increases in working capital requirements associated with inventory build for changing mix of business in beverages and new product launches.

During the period, the Company invested $49.6 million in capital expenditure and drew down financing facilities of $43.1 million. The capital expenditure comprised commitments to expansion at Freedom's Leeton facility, expansion of packaging capabilities at Shepparton, acquisition of land and payments for building works at Ingleburn and a deposit paid for land at Shepparton.

Dividends

Consistent with the positive outlook for group performance, the Company will pay a final fully franked dividend of 1.5 cents per ordinary share in November 2015. The record date for determining entitlements is 2 November 2015 and the payment date is 30 November 2015.

The Company's dividend reinvestment plan (DRP) remains open.

The Company will pay a fully franked converting preference share dividend in accordance with the terms of the converting preference shares. The record date for determining entitlements is 2 November 2015 and the payment date is 30 November 2015. There are 137,027 converting preference shares remaining on issue at 30 June 2015. 15,100 converting preference shares were converted to ordinary shares during FY 2015.

Capital Investment & Acquisition Programme

The Group is well advanced on a 3 pillar capital investment and acquisition programme which will transform its operations over the next 3 years and provide the opportunity to become a leading Australian based Food Company with a strong export platform.

The 3 pillars of the programme involve the following:

» Cereal and Snack Production (Allergen Free and oats/nuts). The Group has installed world class equipment to increase production capacity significantly for growth in sales and profitability at our allergen free site at Leeton over the next 3 years. Upgraded Cereals and new Snacks production lines have been commissioned and are ramping up to full efficiency. The design of the upgrade provides for modular expansion at relatively low capital cost thereafter. We are now looking to finalise the acquisition of an integrated Oats and nuts production business which will allow Freedom to operate across the full spectrum cereals and cereal based snacks. These core businesses will be supported by our newly acquired Darlington Point milling capabilities.

» Creation of Pactum Dairy Group and the development of a high speed low cost dairy focussed UHT facility at Shepparton. Operations commenced in April 2014 and the business is now moving into profitability on relatively low volumes compared to the rated capacity. Significant expansion of throughput has occurred during the year with the third and fourth lines becoming operational.

» The development of a low cost high speed UHT processing and distribution facility at Ingleburn for non-dairy and dairy products with the potential for other food related products over time.

As in any major expansion or reshaping of a business, not all matters proceed to plan. Commissioning issues, shutdown of existing production etc. can occur. This was reflected in our lower operating profit from our Cereals and Snacks operations for the year compared to the prior corresponding period. At the same time, the effort from our business to achieve the outcomes detailed in this release has been outstanding.

The Company is well placed to capitalise on the capital investment programme from the efforts of the team to bring these plans to fruition.

Funding for these major growth programmes will be provided from existing capital, prudent expansion of debt financing and the medium term realisation of other assets. Where equity capital is required, it will be sourced predominantly through entitlements offers to all shareholders.

Outlook

The Company through its UHT business and Cereals and Snacks platforms continues to build on its capability and capacities for growth, investing in our brands, our manufacturing facilities, R&D and product development as well as establishing key customer relationships in Asia and North America.

The expansion of UHT capabilities in Sydney will result in an increase in sales and profitability, with further growth opportunities through meeting the increasing demands of its private label and proprietary customer base, including under the Company's key brands "Australia's Own" and "Freedom Foods" and leading brands of key customers in Australia and internationally.

The UHT dairy platform in Pactum Dairy Group provides a material opportunity to increase exposure to the growing demand for high quality and safe dairy products from South East Asia, including China, aligned with our key strategic customers. With strong sales growth and delivery of profitability in FY 2016, the Company plans to convert its PDG convertible note into a 50% shareholding, allowing it to equity account PDG's sales and profit result, consistent with the business's increasing profitability and returns.

The Cereals and Cereal Snacks business is expected to deliver improved results from revenue growth through innovation in new products, expansion of distribution channels in Australia and international markets, together with increasing manufacturing efficiencies from volume and cost efficiencies arising from the capital investment program at the Leeton facility. This, aligned with investment in building awareness of the brand across a broader consumer market open to healthier products, is expected to provide a strong base for growth into future years.

The acquisitions of the Darlington Point Mill and the proposed Oats based business will accelerate the business plan and provide further value adding scale benefits to the expanding sales, manufacturing and supply chain footprint of the Cereals and Snacks business.

The strategic investment in a2MC provides the Company and its shareholders a potentially significant value creation opportunity. We will continue to review all our options with regard to the a2MC investment, including evaluating the benefits of maintaining a strategic stake in a2MC.

Overall the Company anticipates that the benefits of the multi stage capital investment programme will commence to increase group profits and returns from FY 2016.

2015 Financial Report

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Freedom Foods Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2015.

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 (Executive)

Anthony M. Perich - 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 (Non-Executive)

Company secretaries

Managing Director, 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.

Principal activities

The principal activities of the consolidated entity during the financial year were:

- manufacture, distribution and marketing of allergen free cereals, nutritional snacks and ingredients;
- manufacture and distribution of long life beverages;
- distribution and marketing of canned seafood; and
- investment in branded dairy milk manufacture, marketing and distribution activities.

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

Review of operations

The profit for the Group after providing for income tax amounted to $56,631,000 (30 June 2014: $12,132,000).

Refer to the commentary in the Managing Directors Review of Operations.

Dividends

	consolidated	
	2015 $'000	2014 $'000
Final fully franked dividend for the year ended 30 June 2014 (2014: 30 June 2013) of 1.5 cents (2014: 1.0 cents) per ordinary share	556	1,101
Dividends reinvested: fully franked at 30% tax rate	1,718	49
Interim fully franked dividend for the year ended 30 June 2015 (2014: 30 June 2014) of 1.5 cents (2014: 1.5 cents) per ordinary share	595	1,842
Dividends reinvested: fully franked at 30% tax rate	1,705	413
Final fully franked dividend for the year ended 30 June 2014 (2014: 30 June 2013) of 1.35 cents (2014: 1.4 cents) per convertible redeemable preference share	2	241
Interim fully franked dividend for the year ended 30 June 2015 (2014: 30 June 2014) of 1.35 cents (2014: 1.35 cents) per convertible redeemable preference share	2	2
	4,578	3,648

On 31 August 2015, 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 2015, which is to be paid to shareholders on 30 November 2015. The record date for determining the entitlements to the final dividend is 2 November 2015. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $2,319,000.

On 31 August 2015, the directors declared a fully franked final dividend of 1.35 cents per share to the holders of the converting redeemable preference shares in respect of the financial year ending 30 June 2015, which is to be paid to shareholders on 30 November 2015. The record date for determining the entitlements to the final dividend is 2 November 2015. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $2,000.

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

Asset Purchase Agreement Ringwood Mill (to be known as Darlington Point Mill)

The Group entered into an Asset Purchase Agreement with the Ringwood Group of Companies to acquire the business and assets of the Ringwood Mill (to be known as Darlington Point Mill) based at Darlington Point in the Riverina district of New South Wales on 13 July 2015 (Acquisition).

Darlington Point 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. Darlington Point Mill currently supplies customers in food service and processing markets in Australia as well as in export markets.

The Acquisition will enable Freedom Foods to expand its milling operations for internal use and external third party customers through increased capabilities and capacity, access to cost efficiencies and the ability to consider expansion into processing of other key grains. Freedom Foods existing milling operations will be relocated to the Darlington Point Mill, providing for increased finished goods warehousing capabilities at its current operations.

Under the terms of the Acquisition, Freedom Foods will acquire assets located at the site including 7.5 hectares of land, several modern large and medium sized grain silos, flour processing plants, other machinery and equipment and buildings including an export container facility. Freedom Foods will also acquire raw materials including popping corn and maize. The acquisition price for the assets (excluding raw materials) is approximately $5.9 million (exclusive of stamp duty) and working capital for raw material of popping corn.

Settlement occurred on 31 August 2015.

Directors' report

The Group acquired 10% of the consortium Australian Fresh Milk Holdings Pty Limited

The Group, as part of the consortium Australian Fresh Milk Holdings Pty Limited (AFMH), completed the acquisition of 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 10% of the consortium for $6 million.

Moxey Farms operates a fully integrated dairy farming operation located in the Lachlan Valley, New South Wales, 340 km west of Sydney. Moxey Farms' land portfolio covers an area of 2,700 hectares and includes 3,700 milking cows that produce approximately 50 million litres of milk per year. The Moxey family retained a significant interest in Moxey Farms.

Under the terms of the Acquisition, the Moxey family will continue to operate Moxey Farms in a joint venture with the Perich family under a Farm Management Agreement with AFMH, ensuring continuity of existing operations for key customers and staff.

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.

The Group has entered into an exclusive term sheet to acquire a major Australian based manufacturer of Oat based Cereal and Snacks

Oats is an expanding consumer preference in Australia and Asia.

The acquisition will enable Freedom Foods to expand its brand and category segment offering in oat based products in Australia and into Asia, and for the first time allow access to manufacturing capability in both Allergen free (Leeton) and nut based capabilities (the new business) on a cost competitive basis. There will also be integration opportunities in milling and ingredient supplies into the new business from our in-house facilities.

The acquisition is expected to be accretive to earnings in its first full year of operation and is expected to provide operational efficiencies in the medium term. The acquisition is subject to confirmatory due diligence and other customary documentation and closing requirements.

Completion of acquisition of land at Shepparton for Pactum Dairy expansion

The Group has completed the acquisition of land (approximately 77,400 sq. metres) adjacent to the Pactum Dairy site in Shepparton Victoria on 24 September 2015. The acquisition price was $4 million (exclusive of stamp duty) and was funded from existing finance facilities. The land will provide capacity and flexibility for longer term warehousing and distribution requirements for the Pactum Dairy operation. Existing warehousing capability on site and adjacent to the site is insufficient for long term requirements, including operating a low cost automated logistics function, with facilities for export containerisation. Additional warehouse capacity will provide space for future expansion of processing and packaging operations at the site and potential expansion of other dairy processing capabilities in the future.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2015 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 leveraging its expanding capabilities in supply chain and manufacturing, product development, sales, marketing and distribution. 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 (AQIS) and the State (Workcover, EPA, Sydney Water, Safe Food NSW) and local council regulations.

- The consolidated entity operates under a Dangerous Goods Licence issued by Workcover.
- There were no breaches of environmental laws, regulations or permits during the year.
- The consolidated entity is currently operating in accordance with local council consent in regard to hours of operation.

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.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 2015, and the number of meetings attended by each director were:

	full board		audit, risk & compliance		remuneration & nomination	
	attended	held	attended	held	attended	held
P.R. Gunner	11	11	-	-	1	1
R.J.F. Macleod (i)	11	11	2	-	-	-
A.M. Perich	11	11	-	-	-	-
R. Perich	11	11	2	2	1	1
M. Miles (ii)	8	11	2	2	-	-
T.J. Allen	11	11	2	2	1	1
M.R. Perich	10	11	-	-	-	-

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 Committee.*

(ii) *M. Miles was asked to take a leave of absence from 25 June 2015 until his resignation on 14 August 2015 as a result of his role on the a2MC board which caused him not to be present for 1 meeting of the full board.*

Directors' report

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:	853,157

Name:	Mr Rory J.F. Macleod
Title:	Managing Director
Qualifications:	B.Econ (Hons)
Experience and expertise:	Mr Macleod has been with the group for the past 12 years and is responsible for strategic and corporate development and finance and administration. He is a former Senior Director, corporate finance for UBS in Australasia and Europe where he gained extensive experience in strategy and commercial development, mergers and acquisitions and corporate analysis.
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.
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,824,482
Interests in options:	Employee Share Options 833,334 @ $0.40 and 133,333 @ $0.60

Name:	Mr Anthony M. Perich
Title:	Non-Executive Director
Experience and expertise:	Anthony is a Member of the Order of Australia. He 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 Mr. A.M. Perich 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, Pulai Mining Sdn Bhd (Malaysia) 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 a director in July 2006.
Other current directorships:	Austral Malaysian Mining Limited
Former directorships (last 3 years):	None
Special responsibilities:	Deputy Chairman
Interests in shares:	86,938,153

Directors' report

Name:	Mr Ronald Perich
Title:	Non-Executive Director
Other current directorships:	Austral Malaysian Mining Limited
Former directorships (last 3 years):	None
Special responsibilities:	Deputy Chairman
Interests in shares:	86,938,153
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:	86,938,153

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 & United Breweries & its subsidiaries. Current Director of The a2 Milk Company and Brewtique Pty Limited and former Chairman of South Pacific Distilleries, Fiji. He was appointed as a director in November 2006.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit, Risk & Compliance Committee
Interests in shares:	335,410

Directors' report

Name:	Mr Trevor J. Allen
Title:	Non-Executive Director (Independent)
Qualifications:	B Comm (Hons), CA, FF, MAICD
Experience and expertise:	Mr Allen has thirty seven years' experience in the corporate and commercial sectors, primarily as a Corporate and Financial Adviser to Australian and international public and privately owned companies. Mr Allen 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 Eclipx Limited, where he also chairs its audit and risk management committee and is a member of its remuneration committee, Aon Superannuation Pty Ltd, the trustee of the Aon Master Trust, where he also chairs the audit committee, and Yowie Group Limited. Mr Allen is a consultant to PPB Advisory. Mr Allen has recently stepped down after seven years as Non-Executive Director and honorary treasurer of the Juvenile Diabetes Research Foundation. He was also a member of FINSIA's Corporate Finance Advisory Group Committee for ten years until December 2013. Prior to Mr Allen'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 part of 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
Former directorships (last 3 years):	Australian Childcare Projects Limited
Special responsibilities:	Chairman of the Audit Risk & Compliance Committee and a member of the Remuneration Committee
Interests in shares:	61,178

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 Dairy NSW, Vice President of Dairy Research Foundation 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
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	86,938,153

'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.

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 senior management 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.

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 Ron and Anthony 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 2015 vest over a period of 3 years and relate to an employee's service period only. 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 2015 other than continuing employment within the Group.

Directors' report

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 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

Audited Group Earnings before depreciation, interest, tax and amortisation (EBDITA) includes 100% of Equity Associate Pactum Dairy Group's EBDITA. Audited Group EBDITA will be adjusted for any material divestment and/or acquisition of a material asset or business. The exercise price is equal to the volume weighted average price of the Company's shares traded on the ASX on the trading days in the month of June 2015.

Options are valued using the binomial method.

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 2015 was $443,475 (2014: $344,129). To align director interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The Chairman receives approximately 1.3 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.

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 and 12 months for CEO, Freedom Foods North America. Other notice periods for other executives are between 1 and 2 months.

Group performance, shareholder wealth and directors and senior management 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 2015 are summarised below:

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Gross Sales Revenue*	129,502	122,722	115,514	72,556	57,664
Operating EBITDA**	16,420	15,289	11,600	5,447	4,041
Operating Net Profit**	4,970	12,518	6,351	3,305	3,735
Profit after income tax	56,631	12,132	13,722	3,012	4,387

* *Gross Sales Revenues do not include revenues from group associate entity, Pactum Dairy Group Pty Limited (PDG). 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 Net Sales Revenue 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 $360k, elimination of the fair value gain of $53.1 million on reclassification of the a2MC investments and share of losses of $42k from the associate PDG.*

Directors' report

	2015	2014	2013	2012	2011
Share price at financial year end ($)	2.96	2.76	1.65	0.60	0.34
Total dividends declared (cents per share)	3.00	2.50	2.00	0.50	0.50
Basic earnings per share (cents per share)	37.11	8.65	14.73	3.88	5.67
Diluted earnings per share (cents per share)	35.99	8.14	11.96	3.03	4.99
EPS (Fully Diluted for CRPS) on Operating Net Profit	3.14	8.15	5.40	3.32	2.91

The Remuneration and Nomination Committee considers that the Company's remuneration structure is appropriate to building shareholder value in the medium term.

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:

- P.R. Gunner - Chairman and Non-Executive Director
- R.J.F. Macleod - Managing Director
- A.M. Perich - Non-Executive Director
- R. Perich - Non-Executive Director
- M. Miles - Non-Executive Director (resigned on 14 August 2015)
- T.J. Allen - Non-Executive Director

Executive Officers

- A. Haddad - CEO, Commercial Operations
- M. Bracka - CEO, Freedom Foods North America

The benefits of each Director who held office and other key management personnel for the year ended 30 June 2015 are as follows:

	short-term benefits		post-employment benefits	long-term benefits	share-based payments	
2015	salary $	directors fees $	superannuation $	long service leave $	options $	total $
Non-Executive Directors:						
P.R. Gunner	-	95,000	9,025	-	-	104,025
A.M. Perich	-	85,000	8,075	-	-	93,075
R. Perich	-	75,000	7,125	-	-	82,125
M. Miles	-	75,000	7,125	-	-	82,125
T.J. Allen	-	75,000	7,125	-	-	82,125
Executive Directors:						
R.J.F. Macleod	389,550	-	18,783	-	60,443	468,776
Other Key Management Personnel:						
A. Haddad	331,203	-	18,783	-	43,062	393,048
M. Bracka (1)	402,261	-	-	-	48,856	451,117
	1,123,014	405,000	76,041	-	152,361	1,756,416

(1) *M. Bracka was 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.*

Directors' report

2014	short-term benefits salary $	directors fees $	post-employment benefits superannuation $	long-term benefits long service leave $	share-based payments options $	total $
Non-Executive Directors:						
P.R. Gunner	-	85,000	7,853	-	-	92,853
A.M. Perich	-	65,000	6,012	-	-	71,012
R. Perich	-	55,000	5,088	-	-	60,088
M. Miles	-	55,000	5,088	-	-	60,088
T.J. Allen (1)	-	55,000	5,088	-	-	60,088
Executive Directors:						
R.J.F. Macleod	332,225	-	17,775	-	106,067	456,067
Other Key Management Personnel:						
A. Haddad	312,225	-	17,775	-	75,567	405,567
M. Bracka (2)	365,506	-	-	-	85,733	451,239
	1,009,956	315,000	64,679	-	267,367	1,657,002

(1) *T.J. Allen became a director in July 13.*

(2) *M. Bracka was 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 2015. The remuneration is fixed in the above tables.

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	on market trades	dividend reinvestment plan	balance at the end of the year
Ordinary shares					
P.R. Gunner	853,157	-	-	-	853,157
R.J.F. Macleod	1,426,790	433,333	(36,790)	1,149	1,824,482
A.M. Perich*	86,000,000	-	26,962	911,191	86,938,153
R. Perich*	86,000,000	-	26,962	911,191	86,938,153
M. Miles	331,893	-	-	3,517	335,410
T.J. Allen	41,178	-	20,000	-	61,178
M. Perich*	86,000,000	-	26,962	911,191	86,938,153
M. Bracka	917,271	1,400,000	(417,700)	19,595	1,919,166
A. Haddad	538,088	650,001	(519,000)	910	669,999
	262,108,377	2,483,334	(872,604)	2,758,744	266,477,851

* *Mr A.M. Perich, Mr R. Perich and Mr M. Perich (as their alternate) are Joint Managing Directors of Arrovest Pty Limited, the entity holding direct interest in the Group.*

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
Options over ordinary shares					
R.J.F. Macleod	1,400,000	-	(433,333)	-	966,667
M. Bracka	1,466,667	-	(1,400,000)	-	66,667
A. Haddad	1,366,667	-	(650,001)	-	716,666
	4,233,334	-	(2,483,334)	-	1,750,000

	vested and exercisable	vested and unexercisable	balance at the end of the year
Options over ordinary shares			
R.J.F. Macleod	900,000	-	900,000
A. Haddad	649,999	-	649,999
	1,549,999	-	1,549,999

All share options issued to key management personnel were made in accordance with the provisions of the Employee Share Option Plan.

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.

Share-based compensation

Employee Share Options

grant date	number of shares under option	expiry date	exercise price	fair value per option at grant date
2 February 2012	1,416,667	2 February 2017	$0.40	$0.122
30 August 2012	1,375,002	30 August 2017	$0.60	$0.066
1 July 2013	1,525,000	1 July 2018	$1.65	$0.181

recipients	number during the year 2015	fair value ($) during the year 2015
R.F.J. Macleod - Issued 2 February 2012	833,334	101,667
A. Haddad - Issued 2 February 2012	583,333	71,167
R.F.J. Macleod - Issued 30 August 2012	133,333	8,800
M. Bracka - Issued 30 August 2012	66,667	4,400
A. Haddad - Issued 30 August 2012	133,333	8,800

There are no performance criteria that need to be met in relation to options granted above. The options detailed above vest over a period of 3 years and relate to an employee's service period only.

Directors' report

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 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

Audited Group Earnings before depreciation, interest, tax and amortisation (EBDITA) includes 100% of Equity Associate Pactum Dairy Group's EBDITA. Audited Group EBDITA will be adjusted for any material divestment and/or acquisition of a material asset or business. The exercise price is equal to the volume weighted average price of the Company's shares traded on the ASX on the trading days in the month of June 2015.

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 32 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 32 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

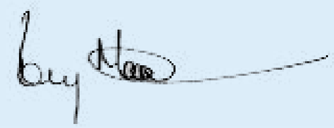
Proceedings on behalf of the Company

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.

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 Gunner
Chairman



Rory J F Macleod
Managing Director

30 September 2015
Sydney

Corporate Governance Statement

Freedom Foods Group Limited (**the Company**) is committed to implementing the highest possible standards of corporate governance and ensures, wherever possible, that its practices are consistent with the Third Edition of the Australian Securities Exchange (**ASX**) Corporate Governance Council's Principles and Recommendations (**ASX Principles**).

For full details refer to the Company's Corporate Governance statement and its Appendix 4G which are available from the corporate governance section of the Company's website at: www.ffgl.com.au together with other governance related information.

Key developments

Since that start of the 2015 financial year, the following key developments have been undertaken by the Company in relation to its corporate governance practices.

A board skills matrix was introduced

The Board developed a matrix setting out the relevant skills and experience which the Board currently has and is looking to achieve in its membership.

The matrix covers the criteria of:

- **Leadership:** Strategy and development; Financial acumen; Governance, risk and compliance; ex-CEO experience; listed Company board experience
- **People, behaviours and culture:** People Management; Retention and Succession Planning
- **Customer:** Food Quality and Safety
- **Operations:** Workplace Health and Safety
- **Digital technology and Analytics:** Information Technology and System Scalability
- **Industry specific skills:** Agricultural science, including food safety; retailing which also includes sales, branding and marketing; small medium enterprise (SME) business experience; regional, customer and community focus

The Board believes it currently has an appropriate mix of these skills and experience amongst its membership to enable the Board to operate effectively. Further details are set out in the Corporate Governance Statement. Biographical details for the Directors can be found on pages 32 to 34 of the Directors' report.

The Risk Management Framework was enhanced

The Board engaged a leading firm of chartered accountants, Ernst & Young to assist with the development of a 'risk-aware culture', where identifying, responding to and managing risk underpins day to day decision making, in support of organisational growth and strategic objectives.

A series of Board and senior management workshops were held with the purpose of:

- Identifying the risks/challenges with the potential to impact on achievement of Freedom's strategic objectives
- Identifying those controls currently in place and initiatives currently underway to manage the identified risks/challenges
- Identifying and prioritising additional initiatives required to effectively manage the identified risks/challenges.

From this exercise, the Company's risk management framework is focused on the following aspects as approved by the Board's assessment of the risks and opportunities facing the Company in light of its strategic objectives.

- **People, behaviours and culture:** People Management, Retention and Succession Planning
- **Customer:** Food Quality and Safety
- **Operations:** Workplace Health and Safety
- **Digital technology and Analytics:** Information Technology and System Scalability

The Company will continue to refine this framework during FY16 on an ongoing basis and make any changes in focus and in risk management activity as required. This work will be overseen by the Audit, Risk and Compliance Committee on behalf of the Board.

Auditor's independence declaration

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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

30 September 2015

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 2015, 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

Statement of profit or loss and other comprehensive income For the year ended 30 June 2015

		consolidated	
	note	2015 $'000	2014 $'000
Revenue			
Revenue from sale of goods	5	91,460	87,856
Cost of sales		(58,385)	(53,960)
Gross profit		33,075	33,896
Other income		896	665
Gain from reclassification of a2MC investment	26	53,148	-
Expenses			
Marketing expenses		(4,264)	(3,070)
Selling and distribution expenses		(12,221)	(12,075)
Administrative expenses		(5,040)	(4,472)
Depreciation		(3,354)	(2,743)
Net finance (costs)/income		(218)	498
Share of losses of associates accounted for using the equity method	25	(42)	(26)
Profit before income tax expense		61,980	12,673
Income tax expense	11	(5,349)	(541)
Profit after income tax expense for the year attributable to the owners of Freedom Foods Group Limited		56,631	12,132
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax	17	1,026	-
Items that may be reclassified subsequently to profit or loss			
Revaluation of investment in a2MC, net of tax	26	5,841	-
Foreign currency translation	17	(193)	4
Other comprehensive income for the year, net of tax		6,674	4
Total comprehensive income for the year attributable to the owners of Freedom Foods Group Limited		63,305	12,136

		cents	cents
Basic earnings per share	6	37.11	8.65
Diluted earnings per share	6	35.99	8.14

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

Statement of financial position For the year ended 30 June 2015

		consolidated	
	note	2015 $'000	2014 $'000
Assets			
Current assets			
Cash and cash equivalents	18	2,329	4,873
Trade and other receivables	7	25,303	20,655
Inventories	8	24,475	18,967
Other financial assets	25	1,700	689
Prepayments		2,094	1,211
Total current assets		55,901	46,395
Non-current assets			
Investments accounted for using the equity method	25	4,432	15,061
Investment in a2MC	26	72,618	-
Property, plant and equipment	9	103,430	55,077
Intangibles	10	21,488	21,488
Deferred tax	12	-	385
Loans due from associated entities	25	13,136	12,823
Total non-current assets		215,104	104,834
Total assets		271,005	151,229
Liabilities			
Current liabilities			
Trade and other payables	14	18,779	13,068
Borrowings	20	22,025	3,899
Income tax	13	8,316	4,155
Provisions		1,776	1,438
Other financial liabilities		193	287
Total current liabilities		51,089	22,847
Non-current liabilities			
Payables		52	53
Borrowings	21	30,890	5,927
Deferred tax	12	2,785	-
Provisions		260	169
Total non-current liabilities		33,987	6,149
Total liabilities		85,076	28,996
Net assets		185,929	122,233
Equity			
Issued capital	15	99,028	94,419
Reserves	17	3,398	(3,636)
Retained profits		83,503	31,450
Total equity		185,929	122,233

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

Statement of cash flows For the year ended 30 June 2015

	note	consolidated 2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		87,104	87,783
Payments to suppliers and employees (inclusive of GST)		(78,797)	(80,595)
		8,307	7,188
Interest received		10	-
Interest and other finance costs paid		(1,691)	(1,010)
Other income received		-	578
Receipts of government grants		371	143
Income taxes paid		(960)	-
Net cash from operating activities	19	6,037	6,899
Cash flows from investing activities			
Payments for property, plant and equipment	9	(49,625)	(19,937)
Purchase of shares in associated entity		(529)	(678)
Advances to associates		(2,758)	(14,146)
Repayment of loan by associate		1,200	17,500
Proceeds from disposal of associate shares		107	-
Investment in equity interest	25	-	(4,500)
Net cash used in investing activities		(51,605)	(21,761)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the company	15	1,264	32,198
Payment of share issue costs		(77)	(1,227)
Dividends paid	16	(1,155)	(3,186)
Proceeds/(repayments) of borrowings		43,088	(12,539)
Payment of related party transactions		(96)	(9,617)
Net cash from financing activities		43,024	5,629
Net decrease in cash and cash equivalents		(2,544)	(9,233)
Cash and cash equivalents at the beginning of the financial year		4,873	14,106
Cash and cash equivalents at the end of the financial year	18	2,329	4,873

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

Statement of changes in equity For the year ended 30 June 2015

consolidated	issued capital $'000	reserves $'000	retained profits $'000	total equity $'000
Balance at 1 July 2013	62,978	(3,549)	22,966	82,395
Profit after income tax expense for the year	-	-	12,132	12,132
Other comprehensive income for the year, net of tax (note 17)	-	4	-	4
Total comprehensive income for the year	-	4	12,132	12,136
Transactions with owners in their capacity as owners:				
Issue of ordinary shares under employee share option plan (note 15)	1,239	-	-	1,239
Issue of ordinary shares from unlisted options exercised (note 15)	992	-	-	992
Issue of ordinary shares in accordance with the dividend replacement plan (note 15)	462	-	-	462
Issue of ordinary shares from a capital raising allotment (including an entitlement offer) (note 15)	29,998	-	-	29,998
Share issue costs (note 15)	(1,868)	-	-	(1,868)
Related income tax (note 15)	618	-	-	618
Share-based payments (note 17)	-	360	-	360
Acquisition of subsidiary under common control (note 17)	-	(451)	-	(451)
Dividends paid (note 16)	-	-	(3,648)	(3,648)
Balance at 30 June 2014	94,419	(3,636)	31,450	122,233

consolidated	issued capital $'000	reserves $'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 (note 17)	-	6,674	-	6,674
Total comprehensive income for the year	-	6,674	56,631	63,305
Transactions with owners in their capacity as owners:				
Issue of ordinary shares under employee share option plan (note 15)	1,264	-	-	1,264
Issue of ordinary shares in accordance with the dividend replacement plan (note 15)	3,422	-	-	3,422
Share issue costs (note 15)	(110)	-	-	(110)
Related income tax (note 15)	33	-	-	33
Share-based payments (note 17)	-	360	-	360
Dividends paid (note 16)	-	-	(4,578)	(4,578)
Balance at 30 June 2015	99,028	3,398	83,503	185,929

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

Note 1. General information

The financial report of Freedom Foods Group Limited ("Group" or "Company") for the year ended 30 June 2015 was authorised for issue in accordance with resolution of Directors on 30 September 2015.

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 30 September 2015. 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 2014. 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.

During the current year, the Group also elected to early adopt the following standard:

AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.'

The Group has early adopted AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' ahead of the mandatory, effective date of 1 January 2016. AASB 2015-2 amends AASB 101 'Presentation of Financial Statements' to provide clarification regarding the disclosure requirements in AASB 101. The Group has applied these amendments in determining relevant disclosures in the preparation of these financial statements.

Significant accounting policies

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

(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 report has 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 financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Parent under ASIC Class Order 98/0100, dated 26 June 2014. The Parent is an entity to which the class order applies.

(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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Note 2. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

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 investment Freedom Foods North America Inc. 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 this financial report is rounded to the nearest thousand dollars ($'000) under ASIC Class Order 98/0100.

(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 stated at amortised cost using the effective interest rate method less 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.

Issued standards and interpretations not early adopted

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Effective date - Annual reporting period beginning on or after 1 July 2015.

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'

Effective date - Annual reporting period 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'

Effective date - Annual reporting period beginning on or after 1 January 2017.

The International Accounting Standards Board (IASB) is currently undertaking a consultation process to discuss stakeholder challenges arising from the implementation of the new revenue standard. In finalising its assessment of the impact of the new standards, the Group will continue to monitor developments in this area. The Group does not intend to adopt this new standard or amendments before their mandatory effective dates.

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

Effective date - Annual reporting period beginning on or after 1 January 2018.

Note 3. Operating segments

The Group is organised into four 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 - Cereals and Snacks	A range of products for consumers requiring a solution to specific dietary or medical conditions including allergen free (ie gluten free, wheat free, nut free) low sugar or salt or highly fortified. 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.
Freedom Foods North America - Cereal and Snacks	A range of products for consumers requiring a solution to specific dietary or medical conditions including allergen free (ie gluten free, wheat free, nut free) low sugar or salt or highly fortified. The product range covers breakfast cereals and other complimentary products. These products are manufactured in Australia and sold in North America.
Seafood	A range of canned seafood covering sardines, salmon and specialty seafood. These products are manufactured overseas and sold in Australia and overseas.
Pactum Australia - 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.

The 'unallocated group' consists of the Group's other operating segments that are not separately reportable, including the investment in a2MC and Pactum Dairy Group Pty Limited, as well as various shared service functions.

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

Information regarding these segments is presented below.

Notes to the financial statements For the year ended 30 June 2015

Note 3. Operating segments (continued)

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

consolidated 2015	freedom foods $'000	freedom foods north america $'000	seafood $'000	pactum $'000	unallocated $'000	total $'000
Revenue						
Sales to external customers	46,934	1,560	12,802	30,164	-	91,460
Intercompany sales elimination	1,229	-	-	18,436	(19,665)	-
Total sales revenue	48,163	1,560	12,802	48,600	(19,665)	91,460
Total revenue	48,163	1,560	12,802	48,600	(19,665)	91,460
EBITDA	3,350	(903)	2,535	10,457	-	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	(903)	2,535	9,141	49,777	61,980
Income tax expense						(5,349)
Profit after income tax expense						56,631
Assets						
Segment assets	86,622	1,707	19,141	67,272	-	174,742
Unallocated assets:						
Shared services						19,213
Investment in associate						4,432
Investment in a2MC						72,618
Total assets						271,005
Total assets includes:						
Investment in a2MC	-	-	-	-	72,618	72,618
Acquisition of non-current assets	15,160	-	-	29,933	4,530	49,623
Liabilities						
Segment liabilities*	24,398	2,491	5,494	38,232	-	70,615
Unallocated liabilities:						
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.*

consolidated 2014	freedom foods $'000	freedom foods north america $'000	seafood $'000	pactum $'000	unallocated $'000	total $'000
Revenue						
Sales to external customers	43,415	696	13,239	30,506	-	87,856
Intercompany sales elimination	828	-	-	15,932	(16,760)	-
Total sales revenue	44,243	696	13,239	46,438	(16,760)	87,856
Total revenue	44,243	696	13,239	46,438	(16,760)	87,856
EBITDA	7,131	(684)	2,431	9,748	-	18,626
Depreciation and amortisation	(1,639)	-	-	(1,045)	(59)	(2,743)
Shared services	-	-	-	-	(3,682)	(3,682)
Net finance costs	-	-	-	-	498	498
Share of equity accounted associates	-	-	-	-	(26)	(26)
Profit/(loss) before income tax expense	5,492	(684)	2,431	8,703	(3,269)	12,673
Income tax expense						(541)
Profit after income tax expense						12,132
Assets						
Segment assets	61,679	1,219	20,184	33,908	19	117,009
Unallocated assets:						
Shared services						19,159
Investment in associate						4,474
Investment in a2MC						10,587
Total assets						151,229
Total assets includes:						
Investments in associates	-	-	-	-	15,061	15,061
Acquisition of non-current assets	9,135	3,394	-	-	129	12,658
Liabilities						
Segment liabilities*	7,637	1,095	1,956	13,258	7	23,953
Unallocated liabilities:						
Shared services						5,043
Total liabilities						28,996

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

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.

94% of total external sales of the consolidated group (2014: 96%) and 56% of total external sales (2014: 61%) are through major Australian retailers.

Total (loss) from equity accounted associates for the period totalled $(4,200,000) (2014: $2,600,000). The consolidated entities share of these (losses) was $(42,000) (2014: $(26,000)).

Information about major customers

Included in revenues arising from external sales of $91.5 million (2014: $87.9 million) (see segment revenue above) are revenues of approximately $51.5 million (2014: $53.2 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 2015 and 2014.

Notes to the financial statements For the year ended 30 June 2015

Note 4. Expenses

	consolidated	
	2015 $'000	2014 $'000
Profit before income tax includes the following specific expenses:		
Research and development costs expensed	500	500
Defined contribution superannuation expense	1,254	974
Share-based payments expense	360	360
Employee benefits expense excluding superannuation and share-based payment expense	6,860	7,226

Note 5. Revenue

	consolidated	
	2015 $'000	2014 $'000
Revenue		
Revenue from sale of goods	91,460	87,856

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. Earnings per share

	consolidated	
	2015 $'000	2014 $'000
Profit after income tax attributable to the owners of Freedom Foods Group Limited	56,631	12,132
Share-based payments expense	360	360
Profit after income tax attributable to the owners of Freedom Foods Group Limited used in calculating diluted earnings per share	56,991	12,492

	number	number
Weighted average number of ordinary shares used in calculating basic earnings per share	152,587,346	140,246,504
Adjustments for calculation of diluted earnings per share:		
CRPS	141,205	4,720,898
ESOP	5,637,970	8,554,589
Weighted average number of ordinary shares used in calculating diluted earnings per share	158,366,521	153,521,991

	cents	cents
Basic earnings per share	37.11	8.65
Diluted earnings per share	35.99	8.14

At 30 June 2015 there were 154,624,900 Ordinary shares (2014: 150,645,371) on issue and 137,027 Convertible Redeemable Preference shares (2014: 152,127).

At 30 June 2015 there were no unlisted ordinary share options (2014: Nil). There were 4,316,669 (2014: 7,075,001) employee share options were outstanding (1,416,667 (2014: 3,766,667) exercisable at $0.40 per share, 1,375,002 (2014: 1,708,334) exercisable at $0.60 per share and 1,525,000 (2014: 1,600,000) exercisable at $1.65 per share.

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 and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 7. Current assets - trade and other receivables

	consolidated	
	2015 $'000	2014 $'000
Trade receivables	21,935	17,497
Less: Provision for impairment of receivables	-	(59)
	21,935	17,438
Other receivables	3,368	3,217
	25,303	20,655

The average credit period on sales of goods is 45 days (2014: 36 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 decreased by $59,000 (2014: increased by $30,000) in the Group. The allowance for doubtful debts/impaired trade receivables as at 30 June 2015 is nil (2014: $59,000). The Group does not hold any collateral over these balances.

Customers with balances past due but without provision for impairment of receivables amount to $2,228,000 as at 30 June 2015 ($892,000 as at 30 June 2014).

The current receivables for the Group have a weighted average of 33 days (2014: 31 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 33 days (2014: 56 days). These relate to a number of customers for whom there is no recent history of default and other indicators of impairment. Management considers that no provision is required on these balances.

The Group does not have significant risk exposure to any one debtor; however 56% (2014: 61%) of sales and 68% (2014: 64%) of year end receivables are concentrated in major supermarkets throughout Australia.

Note 8. Current assets - inventories

	consolidated	
	2015 $'000	2014 $'000
Raw materials - at cost	10,436	6,095
Finished goods - at cost	14,039	12,988
Less: Provision for impairment	-	(116)
	24,475	18,967

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 $58,384,951 (2014: $53,959,849)

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 9. Non-current assets - property, plant and equipment

	consolidated	
	2015 $'000	2014 $'000
Freehold Land - at independent valuation	254	254
Buildings - at independent valuation	5,446	4,850
Less: Accumulated depreciation	-	(748)
	5,446	4,102
Plant and Equipment - at cost	64,150	51,492
Less: Accumulated depreciation	(16,643)	(13,438)
Add: Capital Work in Progress - at cost	50,154	12,658
	97,661	50,712
Motor Vehicles - under lease	109	21
Less: Accumulated depreciation	(40)	(12)
	69	9
	103,430	55,077

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 2013	254	4,850	51,492	21	56,617
Depreciation at 1 July 2013	-	(626)	(10,817)	(12)	(11,455)
Additions*	-	-	12,658	-	12,658
Depreciation expense	-	(122)	(2,621)	-	(2,743)
Balance at 30 June 2014	254	4,102	50,712	9	55,077
Additions*	-	-	50,154	88	50,242
Revaluation adjustment	-	596	-	-	596
Depreciation write back on revaluation	-	869	-	-	869
Depreciation expense	-	(121)	(3,205)	(28)	(3,354)
Balance at 30 June 2015	254	5,446	97,661	69	103,430

* *Included in additions is $617,192 (2014: $243,884) of capitalised interest*

Significant accounting policies

The Leeton site is carried at fair value, as at 30 June 2015, 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.

Construction 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	4-20%
Leased plant and equipment	4-20%
Motor vehicles	15-33%
Leased motor vehichles	15-33%

Note 10. Non-current assets - intangibles

	consolidated	
	2015 $'000	2014 $'000
Goodwill	5,214	5,214
Brand names	16,274	16,274
	21,488	21,488

Significant accounting policies

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

- Seafood
- Freedom Foods

The consolidated entity carries an amount of $16,274,000 of brand names with indefinite useful lives allocated between the 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.

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

	consolidated	
	2015 $'000	2014 $'000
Seafood	1,982	1,982
Freedom Foods	3,232	3,232
	5,214	5,214

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 and a terminal value, and a discount rate range between 8.55% and 9.02% pa post tax and between 12.21% and 12.85% pa pre-tax (2014: 9.1% pa post tax and 13.0% pa pre-tax). 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.

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 of up to 1% 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.

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 $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, with no impairment loss charged against the other intangible assets.

Note 11. Income tax expense

	consolidated	
	2015 $'000	2014 $'000
Income tax expense		
Current tax	4,357	3,996
Adjustments recognised in the current year in relation to the current tax of prior years	1,066	(3,455)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(74)	-
Aggregate income tax expense	5,349	541
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	61,980	12,673
Tax at the statutory tax rate of 30%	18,594	3,802
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of revenue/expenses that are not deductible in determining taxable profit	209	245
Effect of tax concessions (research and development)	(50)	(50)
Tax impact on investment in a2MC	(14,470)	(3,100)
	4,283	897
Prior year loss	-	(9)
Franking deficit tax	1,255	-
Prior year research and development claim	(189)	(347)
Income tax expense	5,349	541

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.

Income tax recognised in other comprehensive income

A deferred tax amount recognised in other comprehensive income of $2,942,903 is attributable to the gain on the revaluation of the investment in a2MC ($2,503,262) and the gain on the revaluation of land and buildings ($439,641).

	consolidated	
	2015 $'000	2014 $'000
Deferred tax balances		
Deferred tax assets/(liabilities) comprises temporary differences attributable to:		
Impairment of receivables	-	18
Plant and equipment	(633)	(1,017)
Provisions	605	523
Other	(78)	(173)
Tax losses	-	996
Withholding tax paid	38	38
Investments	(2,717)	-
Total deferred tax assets/(liabilities)	(2,785)	385

Note 11. 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 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 it's 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.

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 12. Non-current liabilities - deferred tax

	consolidated	
	2015 $'000	2014 $'000
Deferred tax liability	2,785	(385)
Movements:		
Opening balance	(385)	(1,146)
Temporary difference - Provisions	(82)	(80)
Temporary difference - Doubtful debts	18	(9)
Temporary difference - Property, plant & equipment	(384)	619
Temporary difference - Other	(95)	231
Investments	2,717	-
Tax losses	996	-
Closing balance	2,785	(385)

Note 13. Current liabilities - income tax

	consolidated	
	2015 $'000	2014 $'000
Income tax payable attributable to: Entities in the tax consolidated group	8,316	4,155

Note 14. Current liabilities - trade and other payables

	consolidated	
	2015 $'000	2014 $'000
Trade payables	14,724	10,442
Other payables and accruals	4,055	2,626
	18,779	13,068

Refer to note 22 for further information on financial instruments.

Amounts not expected to be settled within the next 12 months

	consolidated	
	2015 $'000	2014 $'000
Payables to related parties - refer note 25 Related party transactions	193	287

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

Notes to the financial statements For the year ended 30 June 2015

Note 15. Equity - issued capital

	consolidated			
	2015 shares	2014 shares	2015 $'000	2014 $'000
Ordinary shares - fully paid	154,624,900	150,645,371	98,995	94,378
Convertible redeemable preference shares - fully paid	137,027	152,127	33	41
	154,761,927	150,797,498	99,028	94,419

Movements in ordinary share capital

details	date	shares	issue price	$'000
Balance	1 July 2013	113,754,106		58,008
Employee share options exercised		408,332	$0.60	245
Employee share options exercised		2,483,333	$0.40	994
Unlisted options exercised		2,478,533	$0.40	992
Convertible redeemable preference shares ('CRPS') conversions		17,066,888	$0.30	5,120
Dividend Replacement Plan ('DRP') shares		20,126	$2.46	50
Dividend Replacement Plan ('DRP') shares		149,234	$2.76	412
Buy back of unmarketable parcels		14,284,819	$0.95	29,998
Transaction costs		-	$0.00	(1,441)
Balance	30 June 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 Replacement Plan ('DRP') shares		604,193	$2.85	1,717
Dividend Replacement Plan ('DRP') shares		601,904	$2.83	1,705
Transaction costs		-	$0.00	(74)
Balance	30 June 2015	154,624,900		98,995

Movements in convertible redeemable preference shares

details	date	shares	issue price	$'000
Balance	1 July 2013	17,219,015		4,970
Conversion to ordinary shares		(17,066,888)	$0.30	(5,120)
Costs incurred and reallocated to fully paid ordinary shares		-	$0.00	191
Balance	30 June 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

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

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 31.

Note 16. Equity - dividends

Dividends

Dividends paid during the financial year were as follows:

	consolidated	
	2015 $'000	2014 $'000
Final fully franked dividend for the year ended 30 June 2014 (2014: 30 June 2013) of 1.5 cents (2014: 1.0 cents) per ordinary share	556	1,101
Dividends reinvested: fully franked at 30% tax rate	1,718	49
Interim fully franked dividend for the year ended 30 June 2015 (2014: 30 June 2014) of 1.5 cents (2014: 1.5 cents) per ordinary share	595	1,842
Dividends reinvested: fully franked at 30% tax rate	1,705	413
Final fully franked dividend for the year ended 30 June 2014 (2014: 30 June 2013) of 1.35 cents (2014: 1.4 cents) per convertible redeemable preference share	2	241
Interim fully franked dividend for the year ended 30 June 2015 (2014: 30 June 2014) of 1.35 cents (2014: 1.35 cents) per convertible redeemable preference share	2	2
	4,578	3,648

On 31 August 2015, 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 2015, which is to be paid to shareholders on 30 November 2015. The record date for determining the entitlements to the final dividend is 2 November 2015. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $2,319,000.

On 31 August 2015, the directors declared a fully franked final dividend of 1.35 cents per share to the holders of the converting redeemable preference shares in respect of the financial year ending 30 June 2015, which is to be paid to shareholders on 30 November 2015. The record date for determining the entitlements to the final dividend is 2 November 2015. The dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $2,000.

Franking credit

	consolidated	
	2015 $'000	2014 $'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%	(696)	(969)
Net franking credits available based on a tax rate of 30%	(696)	(969)

Note 17. Equity - reserves

	consolidated	
	2015 $'000	2014 $'000
Land and buildings revaluation reserve	1,499	473
Investment revaluation reserve	5,841	-
Foreign currency translation reserve	(189)	4
Equity-settled employee benefits reserve	1,711	1,351
Common control reserve	(5,464)	(5,464)
	3,398	(3,636)

Land and buildings revaluation reserve

The asset 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 reserve is used to recognise increments and decrements in the fair value of the Group's investments in a2 Milk Company Limited ('a2MC').

Foreign currency translation reserve

The 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 31 to the financial statements.

Common control reserve

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

Movements in reserves

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

consolidated	land & 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 2013	473	-	-	991	(5,013)	(3,549)
Share-based payments	-	-	-	360	-	360
Acquisition of subsidiary under common control	-	-	-	-	(451)	(451)
Foreign exchange translation	-	-	4	-	-	4
Balance at 30 June 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

Notes to the financial statements For the year ended 30 June 2015

Note 18. Current assets - cash and cash equivalents

	consolidated	
	2015 $'000	2014 $'000
Cash	2,329	4,873

Note 19. Reconciliation of profit after income tax to net cash from operating activities

	consolidated	
	2015 $'000	2014 $'000
Profit after income tax expense for the year	56,631	12,132
Adjustments for:		
Depreciation and amortisation	3,354	2,743
Share based payments	360	360
Interest received	(10)	(42)
Interest on associates loan	(1,086)	(1,265)
Interest capitalised	(617)	(244)
Share of loss/(profit) of associates	42	26
Fair value gain on a2MC	(53,148)	-
Movement for provision in employee entitlements	(429)	(305)
Movements in working capital:		
Increase in trade and other receivables	(5,727)	(2,120)
Increase in inventories	(5,508)	(4,081)
Decrease in deferred tax assets	3,170	761
Decrease/(increase) in other operating assets	95	(290)
Increase/(decrease) in trade and other payables	4,749	(556)
Increase/(decrease) in provision for income tax	4,161	(220)
Net cash from operating activities	6,037	6,899

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 Dividend Reinvestment Plan, $3,422,483 was reinvested in the year to 30 June 2015 (2014: $462,154)

Note 20. Current liabilities - borrowings

	consolidated	
	2015 $'000	2014 $'000
Loan payable	5,698	228
Finance facility	12,143	670
Bank bill facility	1,650	-
Lease liability	2,534	3,001
	22,025	3,899

Refer to note 21 for further information on assets pledged as security and financing arrangements.

Refer to note 22 for further information on financial instruments.

Note 21. Non-current liabilities - borrowings

	consolidated	
	2015 $'000	2014 $'000
Bank bill facility	16,500	-
Lease liability	14,390	5,927
	30,890	5,927

Refer to note 22 for further information on financial instruments.

Total secured liabilities

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

	consolidated	
	2015 $'000	2014 $'000
Loan payable	5,698	228
Finance facility	12,143	670
Lease liability	16,924	8,928
Bank bill facility	18,150	-
	52,915	9,826

Assets pledged as security

In accordance with the security arrangements of liabilities, all assets of the Group, have been pledged as security. The holder of the security does not have the right to sell or repledge the assets. The Group does not hold title to the equipment under finance lease pledged as security.

Freedom Foods Pty Limited has equipment leases in place with National Australia Bank to assist in financing equipment requirements for the Freedom manufacturing site at Leeton. The maximum facility limit is for financing amounts of up to $13 million with lease terms of up to 5 years and residuals in the range of 20% to 55%. The facility is secured by the financed equipment and Freedom Foods obligations under the leases are guaranteed by Freedom Foods Group Limited. In June 2013, Pactum Australia Pty Limited entered into an equipment lease with National Australia Bank to assist in financing equipment requirements for its 3rd line at the Taren Point site. The lease term is 5 years with a 35% residual. The facility is secured by the financed equipment and Pactum Australia's obligations under the lease are guaranteed by Freedom Foods Group Limited.

The Group also holds equipment leases with Westpac relating to its acquisition of Pactum Australia Pty Limited. These leases have a maximum lease term of 5 years with residual payments of between 20% and 50%. The facility is secured by the financed equipment at our Taren Point site.

Note 21. Non-current liabilities - borrowings (continued)

Financing arrangements

	consolidated	
	2015 $'000	2014 $'000
Total facilities		
Loan facilities	9,700	9,700
Finance facilities	35,050	33,155
Bank bill facility	18,150	-
	62,900	42,855
Used at the reporting date		
Loan facilities	5,698	228
Finance facilities	29,067	9,598
Bank bill facility	18,150	-
	52,915	9,826
Unused at the reporting date		
Loan facilities	4,002	9,472
Finance facilities	5,983	23,557
Bank bill facility	-	-
	9,985	33,029

Unused financing facilities

The bank facilities are arranged with HSBC Bank Australia Limited with general terms and conditions and debtor finance facility components are subject to annual review. The bank facilities of the Group 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 the Freedom Foods and Pactum Australia equipment finance arrangements), and a first registered mortgage over the Group's Leeton property.

The equipment finance facilities relate to specific equipment operating at the Freedom Foods Leeton facility and Pactum Taren Point facility, arranged with 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 all the Group's property. The leases are over a period of 3 to 7 years and the final residual on the current leases will be due in 2020.

Interest rates are variable and subject to adjustment.

Note 22. 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 2014. 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 risks of changes in foreign currency exchange rates and interest rates. The Group enters into foreign exchange forward contracts to manage exposure to foreign currency risk for its imports and export supply. 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 polices

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

Forward Exchange Contracts

The Group enters into forward 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 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 and 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 and Sardines) and the Freedom Foods business (Spreads and Almond paste) with the purchase consideration being settled in the above currencies and on sales orders from export customers. The Group's objective in entering into 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 973,805 (Buy), USD 2,242,620 (Sell), CAD 318,470 (Buy) and EUR 323,181 (Buy) outstanding foreign exchange contracts as at 30 June 2015.

The Group does not adopt hedge accounting.

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

	sell australian dollars		average exchange rates	
	2015 $'000	2014 $'000	2015	2014
Buy US dollars				
Maturity:				
0 - 3 months	1,252	3,524	0.7777	0.9320
Buy Canadian Dollars				
Maturity:				
0 - 3 months	337	617	0.9457	1.0120
Buy Euros				
Maturity:				
0 - 3 months	520	4,273	0.6212	0.6430

	sell US dollars		average exchange rates	
	2015 $'000	2014 $'000	2015	2014
Buy Australian dollars				
Maturity:				
0 - 3 months	1,715	-	0.8640	-
3 - 6 months	906	-	0.8401	-

Note 22. Financial instruments (continued)

	fair value $'000	
	2015	2014
Australian dollars		
Buy US dollars - Less than 3 months	17	(24)
Buy CAD dollars - Less than 3 months	(1)	5
Buy Euros - Less than 3 months	(49)	(261)
Sell US dollars - Less than 3 months	(152)	-
Sell US dollars - 3 to 6 months	(162)	-

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):

	assets		liabilities	
consolidated	2015 $'000	2014 $'000	2015 $'000	2014 $'000
US dollar	3,358	1,649	3,063	2,540
Canadian dollar	450	526	260	708
Euro	-	-	120	105
New Zealand dollar	-	-	10	101
Chinese yuan	122	2,498	-	-
	3,930	4,673	3,453	3,454

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 10% (USD), 3% (CAD), 11% (NZD), 5% (EUR) and 6% (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 2015	% change	aud strengthened effect on profit before tax	effect on equity	% change	aud weakened 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)
		(50)	50		63	(63)

consolidated 2014	% change	aud strengthened effect on profit before tax	effect on equity	% change	aud weakened effect on profit before tax	effect on equity
US dollar	10%	87	(87)	10%	(105)	105
Canadian dollar	5%	9	(9)	5%	(10)	10
New Zealand dollar	7%	6	(6)	7%	(7)	7
Euro	6%	29	(29)	6%	(33)	33
Chinese yuan	4%	(18)	18	4%	20	(20)
		113	(113)		(135)	135

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:

	2015		2014	
consolidated	weighted average effective interest rate %	balance $'000	weighted average effective interest rate %	balance $'000
Cash and cash equivalents	-%	2,329	-%	4,873
Loans due from related parties	8.00%	14,836	8.00%	12,823
Finance leases	5.76%	(16,924)	6.51%	(8,928)
Finance facilities	4.80%	(12,143)	5.30%	(670)
Loan payable	4.77%	(23,848)	5.70%	(228)
		(35,750)		7,870

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:

- a decrease on the consolidated entity's net profit of $116,340 (2014: increase of $29,813)

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.

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 credit worthy 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.

Notes to the financial statements For the year ended 30 June 2015

Note 22. Financial instruments (continued)

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.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 17 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	
	2015 $'000	2014 $'000
Loan facilities	4,002	9,472
Finance facilities	5,983	23,557
	9,985	33,029

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.

consolidated 2015	weighted average effective interest rate %	less than 1 year $'000	between 1 and 5 years $'000	remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade payables	-%	14,724	-	14,724
Other payables	-%	4,055	52	4,107
Interest-bearing - variable				
Finance facilities	4.80%	12,143	-	12,143
Loan payable	5.29%	5,698	-	5,698
Interest-bearing - fixed rate				
Bank bill loan	4.61%	1,650	16,500	18,150
Finance lease liabilities	5.76%	3,557	15,680	19,237
Total non-derivatives		41,827	32,232	74,059

consolidated 2014	weighted average effective interest rate %	less than 1 year $'000	between 1 and 5 years $'000	remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade payables	-%	10,442	-	10,442
Other payables	-%	2,626	53	2,679
Interest-bearing - variable				
Finance facilities	5.30%	670	-	670
Loan payable	5.70%	228	-	228
Interest-bearing - fixed rate				
Finance lease liabilities	6.51%	3,445	6,482	9,927
Total non-derivatives		17,411	6,535	23,946

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 foreign exchange forward 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.

Note 22. Financial instruments (continued)

Gearing ratio

consolidated 2015	2015 $'000	2014 $'000
Debt [i]	52,915	9,826
Cash and cash equivalents	(2,329)	(4,873)
Net debt	50,586	4,953
Equity [ii]	185,929	122,233
Net debt to equity ratio	27%	4%

[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 23. Capital and leasing commitments

	consolidated	
	2015 $'000	2014 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	746	511
One to five years	1,841	1,872
More than five years	834	1,286
	3,421	3,669
Lease commitments - finance		
Minimum future lease payments:		
Within one year	3,557	3,445
One to five years	15,680	6,482
Total commitment	19,237	9,927
Less: Future finance charges	(2,313)	(999)
Net commitment recognised as liabilities	16,924	8,928
Representing:		
Lease liability - current (note 20)	2,534	3,001
Lease liability - non-current (note 21)	14,390	5,927
	16,924	8,928

Note 24. Interests in subsidiaries

The consolidated statement of comprehensive income and statement of financial position of the entities party to the deed of cross guarantee is the consolidated statement of comprehensive income and statement of financial position included in the 2015 financial report.

name	principal place of business/ country of incorporation	ownership interest 2015 %	ownership interest 2014 %
Paramount Seafoods Pty Limited*	Australia	100.00%	100.00%
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	1.00%	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%

* *These companies are members of the tax consolidated group.*

** *Pactum Dairy Group Pty Limited was registered on 4 May 2012 as a 100% subsidiary of Pactum Australia Pty Limited. In October 2013 the share structure changed to 1% equity interest. Refer to shares in associates.*

*** *Freedom Foods North America Inc was incorporated on 17 July 2013.*

Note 25. Interests in associates

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 2015 %	ownership interest 2014 %
The a2 Milk Company Limited (a2MC)*	New Zealand	-%	17.70%
Pactum Dairy Group Pty Limited (PDG)	Australia	1.00%	1.00%

* *From 19 November 2014 The a2 Milk Company Limited was reclassified as an available for sale financial asset. Refer to the details below.*

The a2 Milk Company Limited (a2MC) The group holds 117,699,229 (17.8%) of the ordinary shares of a2MC, a company listed on the main board of the New Zealand Exchange (NZX:ATM).

Mr P R Gunner resigned from the board of a2MC at the conclusion of the a2MC Annual General Meeting on 18 November 2014, leaving Mr M Miles as the only common director on the a2MC board, until his resignation from the Board of Freedom Foods Group Limited on 14 August 2015.

As a result of the resignation of Mr P R Gunner, the directors of the Group re-assessed whether the group continues to exercise significant influence over this investment as contemplated in AASB 128 Investments in Associates and Joint Ventures (AASB 128). The directors considered the following factors in assessing their significant influence; the total number of directors on a2MC, the Group's intent and ability to appoint directors to a2MC, the Group's extent of ownership relative to other a2MC shareholders, the lack of any material transactions with a2MC and the ability of the Group to participate in the policy-making processes, including participation in decisions about dividends or other distributions of a2MC. In the directors' judgment, these considerations in conjunction with the view that the directors retain the option to realise capital from the investment to support further growth opportunities, result in the Group no longer being able to clearly demonstrate that they exercise significant influence over a2MC.

Note 25. Interests in associates (continued)

Significant influence was deemed to be lost at the conclusion of the a2MC AGM and therefore on this date the group has reclassified the investment to an available for sales financial asset ('AFS') under the requirements of AASB 139 Financial Instruments: Recognition and Measurement on this date.

Pactum 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. With the commencement of operations and significant resourcing to meet the expected ramp up in volumes, the business recorded a loss in FY 2015. FNP equity accounted 1% of the loss in line with the current ownership structure. The Group has the capacity to obtain a 50% interest in PDG by converting convertible notes issued to it as part of its original investment.

Summarised financial information

	a2MC 2015 $'000	a2MC 2014 $'000	PDG 2015 $'000	PDG 2014 $'000
Summarised statement of financial position				
Current assets	-	8,504	4,184	5,933
Non-current assets	-	4,321	34,373	35,261
Total assets	-	12,825	38,557	41,194
Current liabilities	-	2,973	4,742	4,482
Non-current liabilities	-	100	41,045	39,283
Total liabilities	-	3,073	45,787	43,765
Net assets/(liabilities)	-	9,752	(7,230)	(2,571)
Summarised statement of profit or loss and other comprehensive income				
Revenue	-	18,396	48,779	4,073
Expenses	-	(18,394)	(52,983)	(6,654)
Profit/(loss) before income tax	-	2	(4,204)	(2,581)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	2	(4,204)	(2,581)
Reconciliation of the Group's carrying amount				
Opening carrying amount	10,587	9,909	4,474	-
Share of loss after income tax	-	-	(42)	(26)
Equity investment	538	678	-	4,500
Transfer to available-for-sale financial asset	(11,125)	-	-	-
Closing carrying amount	-	10,587	4,432	4,474

The investment of $4,500,000 in PDG 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 30 June 2015 was $42,000 (2014: $(26,000)).

Related party transactions

Current receivables and loans due from associates - refer to note 29 to the financial statements

	consolidated	
	2015 $'000	2014 $'000
PDG receivable	1,700	660
a2MC receivable	-	29
PDG loan	13,136	12,823
	14,836	13,512

The loan to PDG attracts interest at 8%.

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 26. Non-current assets - investment in a2MC

	consolidated	
	2015 $'000	2014 $'000
Investment in The a2 Milk Company Limited	72,618	-
Reconciliation		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	-	-
Reclassification of investment	11,125	-
Gain on reclassification	53,148	-
Revaluation increments	8,345	-
Closing fair value	72,618	-

The Group holds 117,699,229 (17.8%) of the ordinary shares of The a2 Milk Company (a2MC), a company listed on the main board of the New Zealand Stock Exchange (NZX:ATM).

Mr P R Gunner resigned from the board of a2MC at the conclusion of the a2MC Annual General Meeting on 18 November 2014, leaving Mr M Miles as the only common director on the a2MC board, until his resignation from the Board of Freedom Foods Group Limited on 14 August 2015.

As a result of the resignation of Mr P R Gunner, the directors of the Group have re-assessed whether the group continues to exercise significant influence over this investment as contemplated in AASB 128 Investments in Associates and Joint Ventures (AASB 128). The directors have considered the following factors in assessing their significant influence; the total number of directors on a2MC, the group's intent and ability to appoint directors to a2MC, the Group's extent of ownership relative to other a2MC shareholders, the lack of any material transactions with a2MC and the ability of the Group to participate in the policy-making processes, including participation in decisions about dividends or other distributions of a2MC. In the directors' judgment, these considerations in conjunction with the view that the directors retain the option to realise capital from the investment to support further growth opportunities, result in the Group no longer being able to clearly demonstrate that they exercise significant influence over a2MC.

Significant influence was deemed to be lost at the conclusion of the a2MC AGM and therefore on this date the Group has reclassified the investment to an Available for Sale investment (AFS) under the requirements of AASB 139 Financial Instruments: Recognition and Measurement on this date.

Notes to the financial statements For the year ended 30 June 2015

Note 27. 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 an audited financial report and a directors' report.

Freedom Foods Group Limited
Freedom Foods Pty Limited
Paramount Seafoods Pty Limited
Nutrition Ventures Pty Limited
Nutrition Ventures Financing Pty Limited
Australian Natural Foods Holdings Pty Limited
Thorpedo Foods Group Pty Limited
Pactum Australia 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 report 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 28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	parent	
	2015 $'000	2014 $'000
Profit/(loss) after income tax	48,406	(992)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	48,406	(992)

Statement of financial position

	parent	
	2015 $'000	2014 $'000
Total current assets	626	239
Total non-current assets	174,310	113,204
Total assets	174,936	113,443
Total current liabilities	6,900	4,003
Total non-current liabilities	3,240	635
Total liabilities	10,140	4,638
Net assets	164,796	108,805
Equity		
Issued capital	98,855	94,419
Reserves	8,578	1,325
Retained profits	57,363	13,061
Total equity	164,796	108,805

	parent	
	2015 $'000	2014 $'000
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	-	3

Note 29. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 24.

Associates

Interests in associates are set out in note 25.

Key management personnel

Disclosures relating to key management personnel are set out in note 30 and the remuneration report 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
- other related parties

The following transactions occurred with related parties:

	consolidated	
	2015 $'000	2014 $'000
Sale of goods and services:		
Sale of goods to The a2 Milk Company (Australia) Limited	-	1,423,000
Sale of goods to subsidiaries	19,665,000	16,760,000
Sale of services to Pactum Dairy Group Pty Limited	500,000	660,000
Payment for goods and services:		
Purchase of goods from Australian Consolidated Milk Pty Limited	2,045,000	2,102,000
Purchase of goods and services from Leppington Pastoral Company	410,000	3,448,000
Payment for services from The a2 Milk Company (Australia) Pty Limited	-	19,000
Payment for other expenses:		
Payment for rent and outgoings under a lease commitment with Perich Property Holdings	1,011,000	2,463,000

These services are provided under normal terms and conditions.

Note 30. 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	
	2015 $'000	2014 $'000
Short-term employee benefits	1,528,014	1,324,956
Post-employment benefits	76,041	64,679
Share-based payments	152,361	267,367
	1,756,416	1,657,002

Note 31. 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.

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.

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

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
			7,075,001	-	(2,758,332)	-	4,316,669
Weighted average exercise price			$0.73	$0.00	$0.46	$0.00	$0.91

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	6,250,000	-	(2,483,333)	-	3,766,667
30/08/2012	30/08/2017	$0.60	2,200,000	-	(408,332)	(83,334)	1,708,334
01/07/2013	01/07/2018	$1.65	-	1,600,000	-	-	1,600,000
			8,450,000	1,600,000	(2,891,665)	(83,334)	7,075,001
Weighted average exercise price			$0.45	$1.65	$0.43	$0.60	$0.73

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

grant date	expiry date	2015 number	2014 number
01/02/2012	01/02/2017	1,416,667	1,683,334
30/08/2012	30/08/2017	641,669	241,667
01/07/2013	01/07/2018	458,333	-
		2,516,669	1,925,001

The weighted average exercise price during the financial year was $0.46 (2014: $0.43).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.3 years (2014: 3.2 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

Equity-settled 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 32. 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	
	2015 $'000	2014 $'000
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	260,000	246,500
Other services - Deloitte Touche Tohmatsu		
Tax compliance services	63,579	165,500
Research and development advice and preparation of the return	44,009	60,000
Assurance services	24,790	-
	132,378	225,500
	392,378	472,000

Note 33. Events after the reporting period

Asset Purchase Agreement Ringwood Mill (to be known as Darlington Point Mill) The Group entered into an Asset Purchase Agreement with the Ringwood Group of Companies to acquire the business and assets of the Ringwood Mill (to be known as Darlington Point Mill) based at Darlington Point in the Riverina district of New South Wales on 13 July 2015 (Acquisition).

Darlington Point 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. Darlington Point Mill currently supplies customers in food service and processing markets in Australia as well as in export markets.

The Acquisition will enable Freedom Foods to expand its milling operations for internal use and external third party customers through increased capabilities and capacity, access to cost efficiencies and the ability to consider expansion into processing of other key grains. Freedom Foods existing milling operations will be relocated to the Darlington Point Mill, providing for increased finished goods warehousing capabilities at its current operations.

Under the terms of the Acquisition, Freedom Foods will acquire assets located at the site including 7.5 hectares of land, several modern large and medium sized grain silos, flour processing plants, other machinery and equipment and buildings including an export container facility. Freedom Foods will also acquire raw materials including popping corn and maize. The acquisition price for the assets (excluding raw materials) is approximately $5.9 million (exclusive of stamp duty) and working capital for raw material of popping corn.

Settlement occurred on 31 August 2015.

The Group acquired 10% of the consortium Australian Fresh Milk Holdings Pty Limited

The Group, as part of the consortium Australian Fresh Milk Holdings Pty Limited (AFMH), completed the acquisition of 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 10% of the consortium for $6 million.

Moxey Farms operates a fully integrated dairy farming operation located in the Lachlan Valley, New South Wales, 340 km west of Sydney. Moxey Farms' land portfolio covers an area of 2,700 hectares and includes 3,700 milking cows that produce approximately 50 million litres of milk per year. The Moxey family retained a significant interest in Moxey Farms.

Under the terms of the Acquisition, the Moxey family will continue to operate Moxey Farms in a joint venture with the Perich family under a Farm Management Agreement with AFMH, ensuring continuity of existing operations for key customers and staff.

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.

The Group has entered into an exclusive term sheet to acquire a major Australian based manufacturer of Oat based Cereals and Snacks

Oats is an expanding consumer preference in Australia and Asia.

The acquisition will enable Freedom Foods to expand its brand and category segment offering in oat based products in Australia and into Asia, and for the first time allow access to manufacturing capability in both Allergen free (Leeton) and nut based capabilities (the new business) on a cost competitive basis. There will also be integration opportunities in milling and ingredient supplies into the new business from our in-house facilities.

The acquisition is expected to be accretive to earnings in its first full year of operation and is expected to provide operational efficiencies in the medium term. The acquisition is subject to confirmatory due diligence and other customary documentation and closing requirements.

Completion of acquisition of land at Shepparton for Pactum Dairy expansion

The Group has completed the acquisition of land (approximately 77,400 sq. metres) adjacent to the Pactum Dairy site in Shepparton Victoria on 24 September 2015. The acquisition price was $4 million (exclusive of stamp duty) and was funded from existing finance facilities. The land will provide capacity and flexibility for longer term warehousing and distribution requirements for the Pactum Dairy operation. Existing warehousing capability on site and adjacent to the site is insufficient for long term requirements, including operating a low cost automated logistics function, with facilities for export containerisation. Additional warehouse capacity will provide space for future expansion of processing and packaging operations at the site and potential expansion of other dairy processing capabilities in the future.

Apart from the dividend declared as disclosed in note 16, no other matter or circumstance has arisen since 30 June 2015 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.

Directors' declaration 30 June 2015

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 2015 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 27 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 Gunner
Chairman

Rory J F Macleod
Managing Director

30 September 2015
Sydney

Independent auditor's report to the members of Freedom Foods Group Limited

Deloitte.

Deloitte Touche Tohmatsu
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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 2015, the consolidated statement of profit or 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 43 to 81.

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.

Independent auditor's report to the members of Freedom Foods Group Limited

Deloitte.

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 2015 and of its performance for the financial 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 the basis of preparation.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 35 to 40 of the Directors' report for the financial year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A. Coleman.

Andrew J Coleman
Partner
Chartered Accountants
Sydney, 30 September 2015

Shareholder information

The shareholder information set out below was applicable as at 31 August 2015.

Distribution of ordinary shareholders

	number of holders of ordinary shares	number of holders of options over ordinary shares
1 to 1,000	683	-
1,001 to 5,000	836	-
5,001 to 10,000	240	-
10,001 to 100,000	252	-
100,001 and over	45	-
	2,056	-
Holding less than a marketable parcel	103	-

20 largest shareholders as at 31 August 2015

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	86,938,153	56.23
2. RBC Investor Services Australia Nominees Pty Limited	18,896,544	12.22
3. Citicorp Nominees Pty Limited	7,934,224	5.13
4. National Nominees Pty Limited	4,588,034	2.97
5. HSBC Custody Nominees (Australia) Limited	4,124,049	2.67
6. J P Morgan Nominees Australia Limited	3,235,487	2.09
7. UBS Wealth Management Australia Nominees Pty Limited	2,586,803	1.67
8. Mirrabooka Investments Limited	1,828,906	1.18
9. Mr Michael Andris Bracka	1,687,766	1.09
10. HSBC Custody Nominees (Australia) Limited	1,025,149	0.66
11. Australian Foundation Investment Company Limited	989,281	0.64
12. CS Fourth Nominees Pty Limited	869,716	0.56
13. Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	853,157	0.55
14. BNP Paribas Noms Pty Limited	679,607	0.44
15. Citicorp Nominees Pty Limited	564,887	0.37
16. Goldacre Investments Pty Limited	502,220	0.32
17. AMBK Trust Pty Limited	416,667	0.27
18. East Coast Rural Holdings Pty Limited	363,815	0.24
19. Mr Melvyn Miles & Mrs Joanna Miles	335,410	0.22
20. Mr Lawrence Lip & Mrs Sabina Lip	333,695	0.22
	138,753,570	89.74

Shareholder information

CRPS shareholders

	number held	% of total CRPS issued
1. Mr Mathew John	34,720	25.34
2. R & M Gugliotta Pty Limited	30,000	21.89
3. Lewis Little River Pty Limited	23,438	17.10
4. Mr Hugh Middendorp & Mr Peter Charles	16,664	12.16
5. Alan Ong Enterprises Pty Limited	8,000	5.84
6. Est John William Hartigan & Mrs Enid May Hartigan	5,000	3.65
7. Mr Craig Sargent	3,394	2.48
8. GWG Investments Pty Limited	3,125	2.28
9. Lokit Investments Pty Limited	2,214	1.62
10. Mr Robert William Russell	1,924	1.40
11. Mr Robert David Napier Nicholls	1,736	1.27
12. Palatine Holdings Pty Limited	1,697	1.24
13. Mr Gerald Millman	1,000	0.73
14. Mr Tjeerd Veenstra & Mrs Susan Lesley Veenstra	963	0.70
15. Mr Brendan Andrew Hislop	680	0.50
16. Mrs Michelle Louise Farrell	640	0.47
17. Mr Andrew Jonathon Achilles	500	0.36
18. Mr Stuart William McDonald	497	0.36
19. Mr Neville Thiele	273	0.20
20. Mrs Dianne Joan Thiele	219	0.16
	136,684	99.75

Distribution of CRPS shareholders

	number of holders of CRPS shares
1-1,000	11
1,001-5,000	7
5,001-10,000	1
10,001-100,000	4
	23

Substantial shareholders

The number of shares held by substantial shareholders as listed in the Parent's register as at 31 August 2015 are:

	ordinary shares	
	number held	% of total shares issued
Arrovest Pty Limited	86,938,153	56.23
RBC Investor Services Australia Nominees Pty Limited	18,896,544	12.22
Citicorp Nominees Pty Limited	7,934,224	5.13

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).

Corporate directory

Directors

Perry R. Gunner
Rory J.F. Macleod
Anthony M. Perich
Ronald Perich
Trevor J. Allen
Melvyn Miles (Resigned 14th August 2015)

Alternate Director

Michael R. Perich

Company secretaries

Rory J.F. Macleod
Assistant Company Secretary Sharon Maguire

Notice of annual general meeting

The details of the annual general meeting of Freedom Foods Group Limited are:
29 October 2015 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: (02) 9526 2555
Fax: (02) 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

ABN

41 002 814 235

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

Addisons
Level 12, 60 Carrington Street
Sydney NSW 2000
Tel: +61 2 8915 1000
Fax: +61 2 8916 2000

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

Insurance Brokers

GSA Insurance Brokers Pty Ltd
'The Old Presbytery' 137 Harrington St
Sydney NSW 2000
Tel: +61 2 8274 8100 Fax: + 61 2 9252 5882

Management

Rory J. F. Macleod - Managing Director
Amine Haddad - CEO Commercial Operations
Michael Bracka - CEO Freedom Foods North America
Noel Ayre - GM Commercial Pactum Dairy Group
Tim Moses - GM Group Operations
Abdul Badreddine - GM Group Quality
Luke Collis - GM Group Commercial Finance

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