26 February 2021

The Manager
Market Announcements Office
Australian Securities Exchange Limited
Level 6, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Appendix 4D and Half Year Financial Report

Freedom Foods Group Limited **(ASX: FNP)** attaches for release to the market:

- Appendix 4D
- Half Year Financial Report

The Company will conduct an investor presentation and webcast at the same time as it announces full details of the recapitalisation plan expected to take place in mid-March 2021.

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This announcement was authorised for release by the Board of Directors.

Freedom Foods Group Limited

ABN 41 002 814 235

Half Yearly Report Appendix 4D - 31 December 2020

Freedom Foods Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Freedom Foods Group Limited
ABN:	41 002 814 235
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	10.2%	to	317,345
Revenues from ordinary activities (continuing operations)	up	15.1%	to	291,378
Revenues from ordinary activities (discontinued operations)	down	25.1%	to	25,967
Operating EBITDA*	up	182.0%	to	21,630
Loss from ordinary activities after tax attributable to the owners of Freedom Foods Group Limited	down	62.4%	to	(23,863)
Loss for the half-year attributable to the owners of Freedom Foods Group Limited	down	62.4%	to	(23,863)

**This is non-IFRS financial information and is reconciled to statutory profit in the Financial Report (Refer to Directors' report in the Half Year Financial Report attached).*

Dividends
There were no dividends paid, recommended or declared during the current half year period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $23,863,000 (31 December 2019 restated: $63,478,000 loss).

The Group has classified Cereal and Snacks business as discontinued operation during the half year and the consolidated loss after income tax contain $8,661,000 loss (31 December 2019 restated: $13,262,000 loss) related to the discontinued operation.

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.94	8.75

**Includes assets and liabilities associated with AASB 16.*

4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period $'000	Previous period $'000
Australian Fresh Milk Holdings Pty Limited (AFMH)	10.00%	10.00%	279	176
Shenzhen JiaLiLe Co. Limited (JLL)*	-	10.00%	-	248
Goulburn Valley Nutritionals Pty Limited (GVN)	49.00%	49.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			279	424
Income tax on operating activities			-	-

**Although the Group still holds 10% equity interest in JLL, it has classified the investment as financial asset at fair value through other comprehensive income during the current half year period, refer notes 8 and 9 to the consolidated financial statements of the half year.*

5. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Yearly Report Appendix 4D. The review report refers to a material uncertainty relating to going concern.

Freedom Foods Group Limited

ABN 41 002 814 235

Half Yearly Financial Report - 31 December 2020

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Group') consisting of Freedom Foods Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

The financial statements are presented in Australian Dollars.

1. Principal activities

Freedom Foods Group Limited is a leading consumer branded food and beverage group with over 650 staff operating in six locations across Australia and two locations in Asia (Singapore and Shanghai).

The principal activities of the Group during the financial year were:

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

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

There were no significant changes in the nature of the principal activities during the financial year, with the exception that the Group has commenced the withdrawal from operating activities in North America and commenced preparations to exit its specialty Cereal and Snacks business.

2. Going concern

The Group has prepared the financial statements for the half year ended 31 December 2020 on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group made a loss after tax for H1 FY21 of $23.9m (H1 FY20 a restated loss of $63.5m), net cash generated from operations of $4.4m (H1 FY20 - net cash used in operations of $26.1m) and net cash outflows from operating activities of $21.5m (H1 FY20 $36.7m). At 31 December 2020, the total borrowings of the Group were $326.9m which have been classified within current liabilities. As a result, the Group had net current liabilities of $277.8m at 31 December 2020 (FY20: net current liabilities of $280.4m).

In response to the financial issues affecting the Group, the Directors and management have taken a number of significant measures to stabilise the business and improve its future performance, including entering into a binding agreement to sell the Cereal and Snacks division to Arnott's.

The Group obtained a waiver from its financiers with respect to non-compliance with lending covenants at 30 June 2020 and subsequently entered into a standstill agreement in September 2020 which has been extended and remains in effect to 30 April 2021 (subject to a milestone that a binding commitment to participate up to $200m (subject to scale back) in the recapitalisation is received from its majority shareholder by 31 March 2021, and a milestone that a binding commitment from its senior lenders in relation to future credit facilities is received and accepted by the Company by 31 March 2021) to enable the execution of the recapitalisation of the Group.

The standstill agreement has given the Group the opportunity to investigate and remedy a number of operating and financial matters. The Directors and management have identified opportunities to improve the operating and financial performance of the business. A critical element of this is the recapitalisation of the Group to provide the necessary funding for the business to meet its financial requirements.

The Group needs to refinance its existing debt with more flexible capital that provides the Company the necessary runway to turn the business around and return it to profitability and future growth. The purpose of the fund raising is to allow the Group to reduce its existing senior finance facilities and to provide additional working capital. The Group explored a number of alternative recapitalisation options.

The Group reached an in-principle agreement with its majority shareholder, Arrovest Pty Ltd ("Arrovest"), for a recapitalisation of the business involving an issue of Secured Convertibles Notes. Under the terms of the in-principle agreement, Arrovest has agreed to invest up to $200m, with the Group having the capacity to raise further capital, although it will not be a condition for it to do so for the fundraising to complete. The in-principle agreement with Arrovest also has the non-binding, indicative, in-principle support of the Group's financiers.

As part of the Group entering into a standstill agreement in September 2020, a related party of the majority shareholder has guaranteed additional general-purpose funding in the form of a $45m Subordinated Secured Facility, subject to various obligations including compliance with the terms of the standstill agreement. The subordinated facility was increased to $50.0m on 4 February 2021 and further increased to $57.0m on 25 February 2021. Its current maturity date is 30 April 2021, but may become repayable earlier if the milestones referred to above are not met by 31 March 2021.

Whilst the proposed fund raising is well progressed, there remains a risk that it may not complete. Key risks to the proposed fund raising include conditions precedent typical for a transaction of this nature and satisfaction of the milestone referred to above (being receipt of acceptable commitments to participate in the fund raising by Arrovest, and receipt of acceptable commitments for the provision of ongoing financing facilities from NAB and HSBC as senior lenders). The on-going support of the Group's major shareholder and lenders both in the period prior to, and subsequent to, the proposed fund raising is critical to the ability of the Group to continue as a going concern. The business requires improvement in its operating and financial performance, which is also critical to ensuring support for the transaction and continuing to operate subsequent to any fund raising.

In the absence of the fund raising being completed, the Directors in consultation with their advisers will reassess the options available at that point in time, including requesting a further extension of the standstill agreement, and/or commencing a process to sell noncore businesses and/or assets.

The Directors are confident that should a temporary deficiency in working capital arise prior to the completion of the fundraising, it can be bridged in a number of ways including improved working capital management, outperformance of forecasts, and/or additional support from the Group's lenders or its majority shareholder.

The Directors believe they will be successful in the above plan and/or options and accordingly, the financial report has been prepared on a going concern basis.

Should any of the above matters not occur, a material uncertainty would exist which would cast significant doubt on the Group's ability to continue as a going concern and therefore whether it would be able to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

3. Operating and financial review

The Group recorded a loss after income tax benefit for the half year ended 31 December 2020 attributable to the owners of Freedom Foods Group Limited of $23.9m (H1 FY20 restated: loss of $63.5m).

The Group recorded an EBITDA of $5.4m (H1 FY20 restated: loss of $36.4m).

3.1 Overview of material matters during the half year and material matters subsequent to 31 December 2020

This section describes:

- the significant events that have occurred in the H1 FY21; and
- the material matters, events, and decisions taken by the Group following the initial voluntary suspension announced in June 2020 until the publication of this report.

Board Changes

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

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

Key Executive changes

On 6 August 2020, the Board appointed Michael Perich as Interim CEO, Perry Gunner ceased as Executive Chair and reverted to Non-Executive Chair and Brendan Radford returned to his previous role as CEO Commercial Operations. Brendan Radford ceased to be CEO Commercial Operations on 25 September 2020. The Company announced the appointment of Josée Lemoine as Group CFO on 1 October 2020 and she assumed this role on 19 February 2021. The Interim CFO, Stephanie Graham, left the Company on 19 February 2021. The Company appointed a General Manager of Internal Audit, Tim Phoon on 23 November 2020. The Company appointed Justin Coss as Group General Counsel and Company Secretary on 23 November 2020. Interim Company Secretary Scott Standen was appointed on 13 July 2020 and continues in the role as joint Company Secretary.

Voluntary suspension

On 24 June 2020, the Group requested a trading halt and then on 25 June 2020 a voluntary suspension. The Group has been voluntarily suspended since 25 June 2020, to enable it sufficient time to resolve discussions with its lenders and prepare for a recapitalisation. As of the 26 February 2021, the Group remains in voluntary suspension.

Operations

The Group's operating and statutory financial performance in H1 FY21 has been affected by the following matters:

- **Site operations:** The Group is addressing past delays in the commissioning of new capacity at its Shepparton plant, which resulted in higher wastage and lower-than-anticipated yields of lactoferrin. The Group is now achieving more consistent operational performance at Shepparton, with the lactoferrin plant producing materially higher volumes in line with design expectations. Cereal and Snacks operating facilities at Leeton, Dandenong and Darlington Point have been under-utilised, which was one of the factors contributing to the decision to divest this division (H2 FY21 transaction date).
- **Costs:** The Group is addressing operational costing budgets, which in the past resulted in prices being set too low for some products, which led to unprofitable sales. The Group has completed a full review of all product lines. Operational costing budgets are being reset and continue to be reviewed. The Group is working through price reviews with its main customers.
- **Milk supply:** The Group has implemented improved planning processes to ensure that supply is better matched with demand.
- **Trade spend:** Trade spending policies have been reviewed, with funding reduced and re-focused.
- **New product development:** In line with its full review of all product lines, the Group has adopted a more focused approach to new product development decisions.
- **CWIP / Inventory:** New policies, controls and related procedures have been implemented and will be continuously improved.

Impacts of COVID-19

The COVID-19 pandemic and associated government responses have affected the Group's businesses in a number of ways:

- **Operations**: The Group implemented and enhanced employee health and safety measures, shift protocols, well-being programs and flexible and remote work practices appropriate for manufacturing environments. These measures kept employees safe and ensured no COVID-related interruptions to operations, including at the Group's operations in Victoria throughout the lengthy lockdown period. The Group did not access JobKeeper wage subsidies or other government support programs.
- **Consumer response:** COVID-19 and government-imposed lockdowns have influenced consumer behaviours, which continue to be impacted with each new announcement and lockdown. Grocery UHT milk initially experienced pantry-stocking behaviours. However, as each lockdown has occurred the uplift from pantry stocking has dissipated. Demand in the domestic out-of-home sector has shifted from CBD to suburban outlets, with numerous distributors still experiencing a downturn in sales due to ongoing restrictions. Demand for cream remains lower than pre-COVID levels. Consumer nutritionals sales were impacted by restrictions on gyms and specialty stores. The re-opening of these facilities has seen improved demand, although growth in the sector remains lower than expected.
- **Financial impact:** COVID-19 adversely affected revenue and profitability. Margins in the grocery channel are materially lower than out-of-home, with lower than expected out-of-home sales affecting EBITDA in H1 FY21. Cream pricing was affected during the COVID-19 period, which caused an oversupply in the market and pricing remains below long-term trends. Export volume to China and South East Asia are slowly recovering to pre-COVID-19 levels.

Board investigations

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

The Company has received a notice from ASIC requiring the production of books in relation to an investigation. ASIC's enquiries are continuing but, to the best of the Company's knowledge, have not at the date of these accounts, been concluded. If, following completion of ASIC's inquiries, ASIC determines breaches under the Corporations Act may have occurred, it may commence enforcement action or issue an infringement notice. Any action that ASIC may take could have a material adverse impact on the Company's financial performance, including, for example, fines and/or penalties (which may be significant), compliance orders, enforceable undertakings, litigation or public statements.

The Company is continuing to co-operate with ASIC in relation to these investigations.

Prior periods' restatement

As referred to in Note 3 of the Financial Statements, the Group has made certain prior period adjustments which impact the opening position in its financial statements as at 1 July 2019 and the performance and position reported at 31 December 2019. Of the $144.6m adjustments disclosed in the Annual Report for full year to 30 June 2020, the following adjustments impact the half year ended 31 December 2019.

	Ref.	Consolidated 31 Dec 19 $'000
Property, plant and equipment (increase) / decrease	(1)	47,301
Inventories (increase) / decrease	(2) and (5)	5,896
Capitalised new product development (increase) / decrease	(3)	(98)
Trade and other payables increase / (decrease)	(4)	(862)
Trade and other receivables (increase) / decrease	(5) and (6)	11,537
Net impact on right of use asset and lease liability (increase) / decrease	(7)	5,385
Share based payments increase / (decrease)	(8)	753
Equity accounted investments increase / (decrease)	(9)	415
Deferred tax increase / (decrease)	(10)	(2,397)
		67,930

(1) a reduction in the value of property, plant and equipment in respect of costs previously capitalised during the commissioning phase of the Group's capital investment program which is now drawing to completion. The Group has determined that a proportion of these costs are more appropriately treated as expenses or have not been sufficiently able to be identified as directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Revenues generated from products produced during the commissioning phase have been deducted from the cost of property, plant and equipment. Changes have been made to the expected useful lives of property, plant and equipment at the time of their transfer from capitalised work in progress to depreciable plant and equipment. Previously unrecognised land and building revaluations have been recognised in the relevant periods. Associated adjustments to capitalised interest and depreciation have also been recognised and a reversal of depreciation arising from impairment of property, plant and equipment in the prior period;
(2) inventory write-downs and write-offs occurred, relating to out of date, obsolete, unsaleable, unable to be located and overvalued stock relative to net realisable value, much of which was produced during the commissioning phase of new equipment;
(3) a reduction in the value of capitalised new product development costs as a result of a review of the nature of the costs capitalised and associated changes to amortisation;
(4) a reduction in prior period accruals for trade marketing and trade promotional expenditure, recording of interest on related party loans and recognition of lease payments under operating leases as expense on a straight-line basis of the lease term as required by AASB 117 (previous accounting standard on Leases) and recording of lease make-good provision including interest on such provision;
(5) a reduction in revenues and receivables for items which were not deemed to have met the revenue recognition criteria in prior periods, arising from a review of year end cut off deadlines;
(6) writing off various aged receivable or other assets balances which were not recoverable;
(7) decrease in right of use asset and lease liability at AASB16 effective date of 1 July 2019 due to change in incremental borrowing rate;
(8) an increase in prior periods' share based payments expense arising from written invitations made to employees in September 2014, accepted by those employees but which were not authorised by the Board. AASB 2 requires the Group to account for the obligation and expectations created by the correspondence as if the issue had been authorised by the Board. This requires calculation of share based payments expense in respect of the September 2014 invitations for the period from September 2014 until the expiry of the invitation in September 2019;
(9) restatement of the carrying value of equity accounted investments to reflect the proportion of earnings derived in each year;
(10) restatement of the prior periods' tax balances to reflect the impact of the above.

Bank facility amendments

On 11 September 2020, the Group entered into a standstill agreement with its primary lenders, National Australia Bank Limited and HSBC Bank Australia Limited (Banks), pursuant to which the Banks agreed until 29 January 2021, not to take any action against the Group in respect of any amounts owing to the Banks under the Group's financing agreements with the Banks, unless the Group commits a breach of the standstill agreement.

On 29 January 2021, the standstill agreement was further extended to 28 February 2021 and on 25 February 2021 was extended to 30 April 2021 subject to certain milestones being met. Accordingly, it is considered appropriate to classify all borrowings as current.

Refer to Note 12 in the half year financial statements for further information on assets pledged as security and financing arrangements.

Recall

The Group conducted a recall in September 2020 of certain batches of plant-based beverages. The recall applied only to the specific batches. The operational issues that resulted in this recall have been resolved. The Company has insurance to cover the costs of the recall, subject to an excess of $500,000. Pending finalisation of the insurance process, costs remain as an adjustment to EBITDA.

Blue Diamond Proceedings

Legal proceedings have commenced in both Australia and the United States between Blue Diamond Growers (Blue Diamond) and certain Group subsidiaries including Freedom Foods Pty Ltd. Further details can be found in the ASX release dated 30 September 2020. The Blue Diamond Claim seeks:

- compensatory and general damages for breach of the Licence Agreement, which Blue Diamond asserts to be at least US$16 million;
- compensatory and general damages for breach of an alleged oral agreement; and
- specific performance of the Licence Agreement.

The Group disputes Blue Diamond's claims and is defending its position. No contingent liabilities or contingent assets are recognised in the financial statements in respect of these proceedings.

Recapitalisation
Further detail regarding the proposed recapitalisation plan can be found in the ASX announcement dated 29 January 2021.

Class Actions
Two separate class action proceedings were commenced against the Group and its auditor, Deloitte Touche Tohmatsu, alleging breaches of the Corporations Act 2001 (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law. The Group has appointed Arnold Bloch Leibler to defend the actions. The class actions are at a very early stage and apart from the associated legal costs incurred as at 31 December 2020, no provision is recognised in the financial statements.

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

Other
The company has identified a potential liability with respect to withholding taxes that is being investigated by the Company but is at a preliminary stage and cannot be quantified at this point.

Except as disclosed, no matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

3.2 Business Strategy
Freedom Foods Group's mission is to "Make Food Better".

The Group's core strategy is to execute on a transformation program that will position the business for profitable and sustainable growth. Over the past 6 months we have completed a strategic and operational review. Operational efficiency programs are now being undertaken at all sites.

This transformation program will result in an increased focus on costs, individual product profitability, rationalised product portfolio and plant efficiency.

We are continuing to focus on our high margin, high growth brands, such as MILKLAB, Australia's Own, Vital Strength and PURENFERRIN. Additionally, we will continue to grow exports into South East Asia and China, together with our domestic sales. The Group will continue to maintain a focus on safety and quality across all sites.

The Group may consider divesting Specialty Seafood in the future.

3.3. Group operating and financial review (all comparatives refer to restated H1 FY20)

Set out below is a summary statement of profit and loss for the half year ended 31 December 2020 together with a restated summary statement of profit and loss for the half year ended 31 December 2019. The restated summary statement of profit and loss for the half year ended 31 December 2019 reflects the accounting changes required to incorporate the effect of the matters discussed above on the profit and loss of the group for that period.

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 restated $'000
Net sales	317,345	287,842
EBITDA	5,417	(36,447)
Share of associates profit	279	424
Depreciation and amortisation	(13,862)	(12,659)
Impairment		(4,582)
Net finance costs	(15,697)	(10,166)
Net loss before tax	(23,863)	(63,430)
Income tax expense		(48)
Net loss after tax	(23,863)	(63,478)

Adjusted EBITDA*

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

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 restated $'000
EBITDA	5,417	(36,447)
Additional inventory provision	-	4,140
Product recall costs	2,181	-
Restructuring expenses	11,468	85
Additional debtor provisioning	-	10
Acquisition costs	-	854
Discount charge - limited recourse facility	714	701
Unrealised foreign exchange loss	1,449	(549)
Share based payments	-	1,504
Adjusted EBITDA (post AASB 16)	21,226	(29,787)
Adjusted EBITDA (pre AASB 16)	13,882	(36,951)

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

3.3.1 Commentary on specific items in the profit and loss account

Net sales increased by 10.2% to $317.3m, split between net sales increases of 5.1% to $251.9m for domestic sales and 36.2% to $65.5m for export sales. Sales from continuing operations, excluding Cereal and Snacks, rose 15.1 per cent to $291.4 million.

Net losses after tax decreased by 62.4% from $63.5m to $23.9m demonstrating improved performance.

Adjusted EBITDA (pre AASB 16) of $13.9m showed a significant improvement from losses in H1 FY20 of $36.9m. Adjustments include the non-recurring costs related to the MILKLAB product recall in September 2020 and restructuring costs, including costs related to lender management, legal matters, accounting restatement and divestment activities.

Depreciation and amortisation charges increased by 9.4% from $12.3m in H1 FY20 to $13.9m in H1 FY21. The increase in depreciation reflected the impact of capital projects completed in H2 FY20. The split in depreciation charges between traditional plant and equipment depreciation and AASB 16-related depreciation is as follows:

Depreciation – buildings, plant and equipment: $10.8m
Depreciation – AASB 16 related: $3.1m
Amortisation – software: $0.5m

Net finance costs increased by 53.9% from $10.2m to $15.7m as a result of the increased margins and fees charged by the lenders. The split of finance costs between interest paid and the AASB 16 related finance charge was as follows:

Interest – based on debt facilities: $9.7m
Interest – AASB 16 related: $6.0m

Impairments of brands, goodwill and right of use assets were nil in H1 FY21 (H1 FY20: $4.2m).

Inventory provisions of $2.9m (FY20: $18.5m) were recognised during the half year and included in costs of sales in line with our new policy.

Income tax expense is nil given the Company's loss-making position.

3.3.2 Segment performance of continuing operations

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

Dairy and Nutritionals	A range of UHT (long life) dairy milk beverage, nutritional products and performance and adult nutritional powders including the Crankt brand. These products are manufactured in Australia and sold in Australia and overseas.
Plant Based Beverages	A range of UHT (long life) food and beverage products including liquid stocks, soy, rice and almond beverages. These products are manufactured in Australia and sold in Australia and overseas.
Specialty Seafood	A range of canned seafood covering sardines, salmon and specialty seafood. These products are imported and sold in Australia and New Zealand.

Set out below is the segment performance for the **continuing operations** of the Group for the half year ended 31 December 2020, together with a restated segment performance table for the half year ended 31 December 2019.

Consolidated 31 Dec 2020	Dairy and Nutritional Ingredients $'000	Plant Based Beverages $'000	Specialty Seafood $'000	Unallocated Shared Services $'000	Total $'000
Revenue	209,764	75,224	6,390	-	291,378
EBITDA	10,489	16,621	(52)	(13,415)	13,643
Product recall costs	-	2,181	-	-	2,181
Restructuring	-	-	-	10,099	10,099
Discounting charge - limited recourse facility	-	-	-	714	714
Unrealised foreign exchange loss	-	-	-	1,449	1,449
Adjusted EBITDA (post AASB 16)	10,489	18,802	(52)	(1,153)	28,086
Adjustment for rental expense	(2,017)	(3,612)	-	(804)	(6,433)
Adjusted EBITDA (pre AASB 16)	8,472	15,190	(52)	(1,957)	21,653

Consolidated 31 Dec 2019 restated	Dairy and Nutritional Ingredients $'000	Plant Based Beverages $'000	Specialty Seafood $'000	Unallocated Shared Services $'000	Total $'000
Revenue	182,022	64,444	6,717	-	253,183
EBITDA	(17,877)	13,468	(678)	(19,529)	(24,616)
Additional inventory provisioning	(877)	2,579	-	191	1,893
Additional debtor provisioning	-	10	-	-	10
Restructuring	-	-	-	85	85
Acquisition costs	-	-	-	854	854
Discounting charge - limited recourse facility	-	-	-	701	701
Unrealised foreign exchange gain	-	-	-	(549)	(549)
Share based compensation	-	-	-	1,504	1,504
Adjusted EBITDA (post AASB 16)	(18,754)	16,057	(678)	(16,743)	(20,118)
Adjustment for rental expense	(2,141)	(3,499)	-	(737)	(6,377)
Adjusted EBITDA (pre AASB 16)	(20,895)	12,558	(678)	(17,480)	(26,495)

The 'Unallocated Shared Services' group consists of the Group's shared service functions that are not separately reportable and provide support services to other reportable operating segments.

Consolidated FFGL - Continuing operations

6 Months to ('000)	Dec-20	Dec-19	Change $	Change %
Revenue	**291,378**	**253,183**	**38,196**	15.1%
Adjusted EBITDA Pre AASB16	21,653	(26,495)	48,149	181.7%
Adjusted Operating EBITDA Pre AASB16 Margin %	7.4%	(10.5%)		-
Adjusted EBITDA Post AASB16	**28,086**	**(20,118)**	**48,094**	**239.1%**
Adjusted EBITDA Post AASB16 Margin %	7.5%	-7.9%		-
Operating EBITDA	**13,643**	**(24,616)**	**38,259**	**155.4%**
Operating EBITDA Margin %	2.6%	(9.7%)		-

3.4 Segment performance (H1 FY21 adjusted EBITDA is pre AASB 16 and all comparatives refer to restated H1 FY20)

Dairy and Nutritionals

6 Months to ('000)	Dec-20	Dec-19	Change $	Change %
Revenue	**209,764**	**182,022**	**27,742**	**15.2%**
Adjusted EBITDA Pre AASB16	8,472	(20,895)	29,368	140.5%
Adjusted Operating EBITDA Pre AASB16 Margin %	4.0%	(11.5%)		-
Adjusted EBITDA Post AASB16	**10,489**	**(18,754)**	**29,244**	**155.9%**
Adjusted EBITDA Post AASB16 Margin %	5.0%	-10.3%		-
Operating EBITDA	**10,489**	**(17,877)**	**28,367**	**158.7%**
Operating EBITDA Margin %	5.0%	(9.8%)		-

Revenue for the six months to 31 December 2020 rose 15.2% to $209.8 million as the business returned to profitability with adjusted EBITDA of $8.5 million compared to a loss of $20.9 million previously. The business has launched a transformation and operational turnaround strategy focused on a number of areas, including reducing wastage, production efficiencies, removing or reducing unprofitable products, optimising milk supply and curtailing losses from the sale of surplus milk as experienced in previous periods. The state-of-the-art Shepparton plant in Victoria is now operating on a much-improved basis, with sales of the Company's PUREnFERRIN lactoferrin product rising 67 per cent in the half year. Sales of consumer nutritionals, including Vital Strength, UPROTEIN and Crankt Protein, continue to improve following a fall in demand caused by the temporary closure of gyms and specialty stores during COVID-19.

Plant Based Beverages

6 Months to ('000)	Dec-20	Dec-19	Change $	Change %
Revenue	**75,224**	**64,444**	**10,780**	**16.7%**
Adjusted EBITDA Pre AASB16	15,190	12,558	2,631	21.0%
Adjusted Operating EBITDA Pre AASB16 Margin %	20.2%	19.5%		-
Adjusted EBITDA Post AASB16	**18,802**	**16,057**	**2,774**	**17.1%**
Adjusted EBITDA Post AASB16 Margin %	25.0%	24.9%		-
Operating EBITDA	**16,621**	**13,468**	**3,152**	**23.4%**
Operating EBITDA Margin %	22.1%	20.9%		-

Revenue increased 16.7% to $75.2 million as the plant-based beverages segment overcame the impact of COVID-19 on the out-of-home market to deliver robust growth across all channels and all brands, particularly MILKLAB. Adjusted EBITDA pre AASB16 rose 21.0% to $15.2 million, with profitability continuing to improve as economies of scale increase. MILKLAB sales increased 50 per cent in the half year, with the brand continuing to win market share and build customer loyalty as health-conscious consumers increasingly opt for plant-based milks. The Group is committed to undertaking disciplined capital investment to increase production capacity to meet growing demand.

Specialty Seafood

6 Months to ('000)	Dec-20	Dec-19	Change $	Change %
Revenue	**6,391**	**6,717**	**(328)**	**(4.9%)**
Adjusted EBITDA Pre AASB16	(73)	(678)	606	89.3%
Adjusted Operating EBITDA Pre AASB16 Margin %	(1.1%)	(10.1%)		
Adjusted EBITDA Post AASB16	**(52)**	**(678)**	**606**	**89.3%**
Adjusted EBITDA Margin %	(0.8%)	(10.1%)		
Operating EBITDA	**(52)**	**(678)**	**606**	**89.3%**
Operating EBITDA Margin %	(0.8%)	(10.1%)		

While Brunswick Sardines maintained its brand leadership position in Australia and New Zealand and Paramount Salmon performed well, revenue for the six-month period fell 4.9 per cent to $6.4 million as COVID-19 disrupted global supply chains, causing stock shortages. Adjusted EBITDA pre AASB 16 improved to return to close to breakeven, with demand for shelf-stable products during COVID-19 enabling the Group to be able to pass on higher seafood prices while reducing promotional activity and prioritising trade marketing spend. The Group will continue to review all strategic options for the Specialty Seafood business, including divestment.

3.5 Cereal and Snacks (discontinued operation) performance

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

	Consolidated	
	31 Dec 20 $'000	31 Dec 19 $'000
Revenue	25,967	34,659
EBITDA	(8,226)	(11,830)
Additional inventory provisioning	-	2,247
Restructuring	1,369	-
Adjusted EBITDA (post AASB 16)	(6,857)	(9,583)
Adjustment for rental expense	(890)	(873)
Adjusted EBITDA (pre AASB 16)	(7,747)	(10,456)

Cereal and Snacks recorded an adjusted pre AASB 16 EBITDA loss of $7.7 million in the December half year, compared to $10.5 million loss (restated) previously as key product lines failed to recover the cost of production. As anticipated, a planned rationalisation of loss-making product lines and a reduction in trade marketing resulted in a fall in sales, with revenue for the half-year down 30 per cent to $26.0 million. Following a strategic review of Cereal and Snacks, Freedom Foods Group announced on 17 December 2020 it had entered into an agreement to sell certain assets and liabilities of the business to The Arnott's Group. The sale is on target to be completed in March and the net proceeds will be reduced by deducting costs associated with the transaction and associated equipment leases.

3.6 Statement of financial position

Set out below is a summary balance sheet as at 31 December 2020 together with summary balance sheet as at 30 June 2020.

	Consolidated	
	31 Dec 2020	30 Jun 2020
	$'000	$'000
Current assets	114,890	146,536
Assets held for sale	25,759	-
Non-current assets	506,843	535,366
Total assets	647,492	681,902
Current liabilities	(413,372)	(426,921)
Liabilities held for sale	(5,101)	-
Non-current liabilities	(190,893)	(193,982)
Total liabilities	(609,366)	(620,903)
Net assets	38,126	60,999
Share capital	598,712	598,712
Reserves	(56.463)	(55,851)
Accumulated losses	(504,123)	(481,862)
Total equity	38,126	60,999

3.6.1 Commentary on specific items in the statement of financial position

Trade and other receivables decreased by 28% from $64.2m to $46.3m, reflecting increased usage of the debtor sale facility and improved focus on collections. Debtors days increased from 60 days to 64 days due to some customers being on payment plans due to COVID-19. This is being managed and an additional provision for credit loss has been taken.

Inventories decreased by 33% from $59.8m to $39.9m, reflecting improved inventory management.

Trade and other payables decreased by 37% from $123.4m to $77.3m, reflecting the significant effort that has gone into reducing the level of aged creditors and improving controls around purchasing.

Property, plant and equipment decreased by 8% from $298.4m to $275.3m, reflecting the sale of Cereal and Snacks and depreciation. There is no significant capital expenditure currently under consideration by the Group, with the focus on maximising efficiencies from the existing asset base.

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

Net borrowings increased by 12% from $292.3m to $326.9m due to restructuring costs and an increase in finance costs. Further detail on cashflow and funding is discussed below.

Shareholders equity decreased by 37.5% from $61.0m to $38.1m, reflecting primarily the loss incurred by the Group in H1 FY21, which includes the impact of all operating and accounting matters discussed above.

3.6.2 Commentary on cashflow and funding

	Consolidated	
	31 Dec 20 $'000	31 Dec 19 $'000
Cash flow from operations	**4,445**	**(26,092)**
Cash flow from operations including adjustments and financing costs	(25,945)	(10,595)
Cash flow from operating activities	(21,500)	(36,687)
Cash flow from investing activities	(4,563)	(26,810)
Cash flow from financing activities	33,184	15,301
Net decrease in cash and cash equivalents	7,121	(48,196)
Cash and cash equivalents at the beginning of the financial year	17,167	55,385
Cash and cash equivalents at the end of the financial year	**24,288**	**7,189**

Cash flow from operations before financing costs and non-recurring adjustments was $30.5m higher than the prior period. This was due primarily to an increase in receipts from customers. Offsetting this was a marginal increase in payments to suppliers and employees, higher finance costs due to increased borrowings and an increase in restructuring costs associated with the planned recapitalisation.

Cash flows from investing activities were $22.2m lower primarily attributable to a significant reduction in capital expenditure following the completion of the significant capital projects in earlier years.

4. Directors

The following persons were Directors of Freedom Foods Group Limited during the whole of the financial half-year ended 31 December 2020:

Perry R. Gunner - Chair and Non-Executive Director
Michael R. Perich - Interim Chief Executive Officer (Alternate Non-Executive Director for Ronald Perich until 5 August 2020)
Anthony M. Perich - Deputy Chair and Non-Executive Director
Ronald Perich - Non-Executive Director
Trevor J. Allen - Non-Executive Director
Genevieve Gregor - Non-Executive Director
Jane McKellar - Non-Executive Director
Timothy Bryan - Alternate Non-Executive Director for Anthony M. Perich and Ronald Perich (from 6 August 2020)

5. Rounding of amounts

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

6. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

____
Genevieve Gregor
Chair

26 February 2021
Sydney

Deloitte Touche Tohmatsu
ABN: 74 490 121 060

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

26 February 2021

Dear Board Members

Auditor's Independence Declaration to Freedom Foods Group Limited

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

As lead audit partner for the review of the half-year financial report of Freedom Foods Group Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

DR White

David White
Partner
Chartered Accountants

	Note	Consolidated 31 Dec 2020 $'000	31 Dec 2019 restated $'000
Revenue			
Revenue from sale of goods	4	291,378	253,182
Cost of sales		(240,121)	(235,145)
Gross profit		51,257	18,037
Other (expense)/income		(1,863)	417
Other gains/(losses)		1,956	1,041
Expenses			
Marketing expenses		(5,026)	(13,029)
Selling and distribution expenses		(27,437)	(27,131)
Expected credit losses		(336)	(10)
Administrative expenses		(18,420)	(15,645)
Impairment of right of use assets		-	(3,793)
Impairment of non-financial assets		-	(431)
Net finance costs		(15,612)	(10,048)
Share of profits of associates accounted for using the equity method		279	424
Loss before income tax benefit/(expense) from continuing operations		(15,202)	(50,168)
Income tax benefit/(expense)		-	(48)
Loss after income tax benefit/(expense) from continuing operations		(15,202)	(50,216)
Loss after income tax expense from discontinued operations	18	(8,661)	(13,262)
Loss after income tax benefit/(expense) for the half-year attributable to the owners of Freedom Foods Group Limited		(23,863)	(63,478)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		990	(254)
Other comprehensive income for the half-year, net of tax		990	(254)
Total comprehensive income for the half-year attributable to the owners of Freedom Foods Group Limited		(22,873)	(63,732)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(14,212)	(50,470)
Discontinued operations		(8,661)	(13,262)
		(22,873)	(63,732)

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

	31 Dec 2020 Cents	31 Dec 2019 restated Cents
Earnings per share from continuing operations attributable to the owners of Freedom Foods Group Limited		
Basic earnings per share	(5.48)	(18.44)
Diluted earnings per share	(5.48)	(18.44)
Earnings per share from discontinued operations attributable to the owners of Freedom Foods Group Limited		
Basic earnings per share	(3.13)	(4.85)
Diluted earnings per share	(3.13)	(4.85)
Earnings per share for loss attributable to the owners of Freedom Foods Group Limited		
Basic earnings per share	(8.61)	(23.23)
Diluted earnings per share	(8.61)	(23.23)

Refer to note 3 for detailed information on Restatement of comparatives.

		Consolidated		
	Note	31 Dec 2020 $'000	30 Jun 2020 $'000	31 Dec 2019 restated $'000
Assets				
Current assets				
Cash and cash equivalents		24,288	17,167	7,189
Trade and other receivables	6	46,272	64,253	68,094
Inventories	7	39,946	59,808	75,674
Derivative financial instruments		3,823	2,504	1,074
Prepayments		561	2,804	4,658
		114,890	146,536	156,689
Assets of disposal group classified as held for sale	18	25,759	-	-
Total current assets		140,649	146,536	156,689
Non-current assets				
Financial assets at fair value through other comprehensive income	8	5,857	-	-
Investments accounted for using the equity method	9	22,356	27,934	27,895
Property, Plant and Equipment	10	275,287	298,375	278,539
Right-of-use assets		167,811	172,304	175,081
Intangibles	11	35,532	36,753	53,278
Total non-current assets		506,843	535,366	534,793
Total assets		647,492	681,902	691,482
Liabilities				
Current liabilities				
Trade and other payables		77,314	123,407	122,172
Borrowings	12	326,907	292,324	47,463
Lease liabilities		800	2,304	2,493
Derivative financial instruments		2,074	2,329	793
Provisions	13	6,277	6,557	7,053
		413,372	426,921	179,974
Liabilities directly associated with assets classified as held for sale	18	5,101	-	-
Total current liabilities		418,473	426,921	179,974
Non-current liabilities				
Borrowings		-	-	148,237
Lease liabilities		190,431	192,341	191,527
Provisions	14	462	1,641	1,258
Total non-current liabilities		190,893	193,982	341,022
Total liabilities		609,366	620,903	520,996
Net assets		38,126	60,999	170,486
Equity				
Issued Capital	15	598,712	598,712	596,148
Reserves	16	(56,463)	(55,851)	(43,598)
Accumulated losses		(504,123)	(481,862)	(382,064)
Total equity		38,126	60,999	170,486

Refer to note 3 for detailed information on Restatement of comparatives.

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

Consolidated	Issued capital $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2019	589,123	(49,152)	130,886	670,857
Prior year restatement (Note 3)	-	4,402	(440,602)	(436,200)
Balance at 1 July 2019 - restated	589,123	(44,750)	(309,716)	234,657
Loss after income tax expense for the half-year	-	-	(63,478)	(63,478)
Other comprehensive income for the half-year, net of tax	-	(254)	-	(254)
Total comprehensive income for the half-year	-	(254)	(63,478)	(63,732)
Transactions with owners in their capacity as owners:				
Share-based payments	-	1,406	-	1,406
Issue of ordinary shares under employee share option plan	927	-	-	927
Issue of ordinary shares in accordance with the dividend reinvestment plan	6,211	-	-	6,211
Share issue costs	(161)	-	-	(161)
Related income tax	48	-	-	48
Dividends paid	-	-	(8,870)	(8,870)
Balance at 31 December 2019	596,148	(43,598)	(382,064)	170,486

Consolidated	Issued capital $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2020	598,712	(55,851)	(481,862)	60,999
Loss after income tax benefit for the half-year	-	-	(23,863)	(23,863)
Other comprehensive income for the half-year, net of tax	-	990	-	990
Total comprehensive income for the half-year	-	990	(23,863)	(22,873)
Transactions with owners in their capacity as owners:				
Share-based payments	-	(1,602)	1,602	-
Balance at 31 December 2020	598,712	(56,463)	(504,123)	38,126

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

	Note	Consolidated 31 Dec 2020 $'000	31 Dec 2019 restated $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		319,076	287,723
Payments to suppliers and employees (inclusive of GST)		(314,631)	(313,815)
Cash flow from operations		4,445	(26,092)
Product recall related expenses paid		(2,181)	-
Payments for restructuring expenses		(8,843)	(505)
Interest received		-	178
Interest on lease liabilities paid		(5,227)	(5,973)
Other interest and finance costs paid		(9,694)	(4,295)
Net cash used in operating activities		(21,500)	(36,687)
Cash flows from investing activities			
Payments for property, plant and equipment		(4,477)	(22,150)
Payments for intangibles	11	(86)	(659)
Investment in equity interest		-	(4,001)
Net cash used in investing activities		(4,563)	(26,810)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		-	845
Payment of share issue costs		-	(161)
Proceeds/(repayments) of borrowings		34,582	18,554
Lease principal payments		(1,398)	(1,279)
Dividends paid	17	-	(2,658)
Net cash from financing activities		33,184	15,301
Net increase/(decrease) in cash and cash equivalents		7,121	(48,196)
Cash and cash equivalents at the beginning of the financial half-year		17,167	55,385
Cash and cash equivalents at the end of the financial half-year		24,288	7,189

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

Note 1. General information

The financial statements of Freedom Foods Group Limited ("Group" or "Company") for the six months ended 31 December 2020 were authorised for issue in accordance with the resolution of Directors on 26 February 2021. The Directors have the power to amend, restate and reissue the financial statements.

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

Note 2. Significant accounting policies

(a) Statement of compliance

The financial report for the half year ended 31 December 2020 (Half Year Financial Report) has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

(b) Basis of preparation

The Half Year Financial Report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(c) Going concern

The Group has prepared the financial statements for the half year ended 31 December 2020 on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group made a loss after tax for H1 FY21 of $23.9m (H1 FY20 a restated loss of $63.5m), net cash generated from operations of $4.4m (H1 FY20- net cash used in operations of $26.1m) and net cash outflows from operating activities of $21.5m (H1 FY20 $36.7m). At 31 December 2020, the total borrowings of the Group were $326.9m which have been classified within current liabilities. As a result, the Group had net current liabilities of $277.8m at 31 December 2020 (FY20: net current liabilities of $280.4m).

In response to the financial issues affecting the Group, the Directors and management have taken a number of significant measures to stabilise the business and improve its future performance, including entering into a binding agreement to sell the Cereal and Snacks division to Arnott's.

The Group obtained a waiver from its financiers with respect to non-compliance with lending covenants at 30 June 2020 and subsequently entered into a standstill agreement in September 2020 which has been extended and remains in effect to 30 April 2021 (subject to a milestone that a binding commitment to participate up to $200m (subject to scale back) in the recapitalisation is received from its majority shareholder by 31 March 2021, and a milestone that a binding commitment from its senior lenders in relation to future credit facilities is received and accepted by the Company by 31 March 2021) to enable the execution of the recapitalisation of the Group.

The standstill agreement has given the Group the opportunity to investigate and remedy a number of operating and financial matters. The Directors and management have identified opportunities to improve the operating and financial performance of the business. A critical element of this is the recapitalisation of the Group to provide the necessary funding for the business to meet its financial requirements.

The Group needs to refinance its existing debt with more flexible capital that provides the Company the necessary runway to turn the business around and return it to profitability and future growth. The purpose of the fund raising is to allow the Group to reduce its existing senior finance facilities and to provide additional working capital. The Group explored a number of alternative recapitalisation options.

The Group reached an in-principle agreement with its majority shareholder, Arrovest Pty Ltd ("Arrovest"), for a recapitalisation of the business involving an issue of Secured Convertibles Notes. Under the terms of the in-principle agreement, Arrovest has agreed to invest up to $200 million, with the Group having the capacity to raise further capital, although it will not be a condition for it to do so for the transaction to complete. The in-principle agreement with Arrovest also has the non-binding, indicative, in-principle support of the Group's financiers.

As part of the Group entering into a standstill agreement in September 2020, a related party of the majority shareholder has guaranteed additional general-purpose funding in the form of a $45m Subordinated Secured Facility, subject to various obligations including compliance with the terms of the standstill agreement. The subordinated facility was increased to $50m on 4 February 2021 and further increased to $57m on 25 February 2021. Its current maturity date is 30 April 2021, but may become repayable earlier if the milestones referred to above are not met by 31 March 2021.

Whilst the proposed fund raising is well progressed, there remains a risk that it may not complete. Key risks to the proposed fund raising include conditions precedent typical for a transaction of this nature and satisfaction of the milestone referred to above (being receipt of acceptable commitments to participate in the fund raising by Arrovest, and receipt of acceptable commitments for the provision of ongoing financing facilities from NAB and HSBC as senior lenders). The on-going support of the Group's major shareholder and lenders both in the period prior to, and subsequent to, the proposed fund raising is critical to the ability of the Group to continue as a going concern. The business requires improvement in its operating and financial performance, which is also critical to ensuring support for the transaction and continuing to operate subsequent to any fund raising.

In the absence of the fund raising being completed, the Directors in consultation with their advisers will reassess the options available at that point in time, including requesting a further extension of the standstill agreement, and/or commencing a process to sell non-core businesses and/or assets.

The Directors are confident that should a temporary deficiency in working capital arise prior to the completion of the fundraising, it can be bridged in a number of ways including improved working capital management, outperformance of forecasts, and/or additional support from the Group's lenders or its majority shareholder.

The Directors believe they will be successful in the above plans and/or options and accordingly, the financial report has been prepared on a going concern basis.

Should any of the above matters not occur, a material uncertainty would exist which would cast significant doubt on the Group's ability to continue as a going concern and therefore whether it would be able to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

(d) New, revised or amended Accounting Standards and Interpretations adopted by the Group

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

- AASB 2018-6 Amendments to AASB 3 – Definition of a Business
- AASB 2018-7 Amendments to AASB 101 – Definition of Material
- Revised Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to AASB 7 and AASB 9 - Interest Rate Benchmark Reform

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Note 2. Significant accounting policies (continued)

(e) Critical accounting estimates and judgements

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

The estimates, judgements and assumptions are based on historical experience, adjusted for current conditions and other factors that are believed to be reasonable under the circumstances and reviewed on a regular basis. The actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The estimate and judgements which involve a higher degree of complexity or that have a higher likelihood of causing adjustment to the carrying amounts of assets and liabilities are included in Note 2(h) of the consolidated financial statements for the year ended 30 June 2020. During the half year ended 31 Dec 20, the Group applied its accounting policies in relation to financial assets at fair value through other comprehensive income (FVOCI) and exercised the following judgement in determining the fair value:

- Note 8: Financial assets at fair value through other comprehensive income
  The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value of the Group's investment in Shenzhen JiaLiLe Co. Limited (JLL) is determined by the market approach using prices and other relevant information generated by market transactions involving identical or comparable businesses. This involves determination of appropriate market multiples derived from a set of comparables. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors specific to the measurement. The Group uses third party valuation, applies judgement and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Note 3. Restatement of comparatives

Prior period restatement

The Group has made the following adjustments which impact both the opening position in its financial statements as at 1 July 2019 and the performance and position reported at 31 December 2019:

Note 3. Restatement of comparatives (continued)

Nature of restatement	Ref.	Financial impact 31 December 2019: Asset (decrease) /increase $'000	Financial impact 31 December 2019: Liability (increase) /decrease $'000	Financial impact 31 December 2019: Other equity (increase) /decrease $'000	Financial impact 31 December 2019: Profit decrease /(increase) $'000	Financial impact 30 June 2019 and prior years: Asset (decrease) /increase $'000	Financial impact 30 June 2019 and prior years: Liability (increase) /decrease $'000	Financial impact 30 June 2019 and prior years: Other equity (increase) /decrease $'000	Financial impact 30 June 2019 and prior years: Accumulated losses increase/ (decrease) $'000
Capitalisation of commissioning costs	1	(48,491)	-	-	48,491	(230,801)	-	-	230,801
Capitalised New Product Development	2	98	-	-	(98)	(38,856)	-	-	38,856
Impairment of intangibles		-	-	-	-	(59,481)	-	-	59,481
Impairment of Property Plant and Equipment	3	1,190	-	-	(1,190)	(40,857)	-	-	40,857
Inventory Provisions	4	(4,140)	-	-	4,140	(45,714)	-	-	45,714
Revenue Recognition	5	(183)	-	-	183	(1,994)	-	-	1,994
Receivables expected credit loss/write off	6	(13,110)	-	-	13,110	(11,652)	-	-	11,652
Trade accruals	7	-	816	-	(816)	-	(11,900)	-	11,900
Equity accounted investments	8	(897)	-	482	415	(996)	-	(293)	1,289
Share-based payments	9	-	-	(753)	753	-	-	(3,836)	3,836
Lease accounting adjustment (pre AASB 16)	10	-	(25)	-	25	-	(12,213)	-	12,213
Lease accounting adjustment (post AASB 16)	11	59,614	(64,999)	-	5,385	-	-	-	-
Revaluation of land and buildings		-	-	-	-	911	(309)	(721)	119
Foreign currency translation reserve on loan		-	-	-	-	-	-	448	(448)
Derecognition of accruals		-	-	-	-	(725)	4,329	-	(3,604)
Reclassification of related party loans	12	-	71	-	(71)	778	(849)	-	71
Restatement of tax balances	13	-	2,445	(48)	(2,397)	-	14,129	-	(14,129)
		(5,919)	(61,692)	(319)	67,930	(429,387)	(6,813)	(4,402)	440,602

Note 3. Restatement of comparatives (continued)

(1) a reduction in the value of property, plant and equipment in respect of costs previously capitalised during the commissioning phase of the Group's capital investment program which is now drawing to completion. The Group has determined that a proportion of these costs are more appropriately treated as expenses or have not been sufficiently able to be identified as directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Revenues generated from products produced during the commissioning phase have been deducted from the cost of property, plant and equipment. Changes have been made to the expected useful lives of property, plant and equipment at the time of their transfer from capitalised work in progress to depreciable plant and equipment. Previously unrecognised land and building revaluations have been recognised in the relevant periods. Associated adjustments to capitalised interest and depreciation have also been recognised;

(2) a reduction in the value of capitalised new product development costs as a result of a review of the nature of the costs capitalised and associated changes to amortisation;

(3) a reversal of depreciation arising from impairment of property, plant and equipment in the prior period;

(4) inventory write-downs and write-offs occurred, relating to out of date, obsolete, unsaleable, unable to be located and overvalued stock relative to net realisable value, much of which was produced during the commissioning phase of new equipment;

(5) a reduction in revenues and receivables for items which were not deemed to have met the revenue recognition criteria in prior periods, arising from a review of year end cut off deadlines;

(6) writing off various aged receivable or other assets balances;

(7) changes in prior period accruals for trade marketing and trade promotional expenditure;

(8) restatement of the carrying value of equity accounted investments to reflect the proportion of earnings derived in each year;

(9) an increase in prior periods' share based payments expense arising from written invitations made to employees in September 2014 accepted by those employees which were not authorised by the Board. AASB 2 requires the Group to account for the obligation and expectations created by the correspondence as if the issue had been authorised by the Board. This requires calculation of share based payments expense in respect of the September 2014 invitations for the period from September 2014 until the expiry of the invitation in September 2019;

(10) recognition of lease payments under operating leases as expense on a straight-line basis over the lease term as required by AASB 117 (previous accounting standard on Leases) and recording of lease make good provision including interest on such provision;

(11) increase in right of use asset and lease liability at AASB16 effective date of 1 July 2019 due to change in the incremental borrowing rate;

(12) recording of interest on related party loans;

(13) restatement of the prior periods' tax balances to reflect the impact of the above.

Note 3. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income for 31 December 2019

	Consolidated		
	31 Dec 2019 $'000 Reported	$'000 Adjustment	31 Dec 2019 $'000 Restated
Revenue			
Revenue from sale of goods	299,690	(46,508)	253,182
Cost of sales	(218,520)	(16,625)	(235,145)
Other (expense)/income	-	417	417
Other gains/(losses)	165	876	1,041
Expenses			
Marketing expenses	(6,852)	(6,177)	(13,029)
Selling and distribution expenses	(29,450)	2,319	(27,131)
Expected credit losses	-	(10)	(10)
Administrative expenses	(11,561)	(4,084)	(15,645)
Depreciation and amortisation*	(19,791)	19,791	-
Impairment of right of use assets	-	(3,793)	(3,793)
Impairment of non-financial assets	-	(431)	(431)
Restructuring expenses*	(85)	85	-
Acquisition costs*	(854)	854	-
Other expenses*	(443)	443	-
Net finance costs	(6,146)	(3,902)	(10,048)
Share of profits of associates accounted for using the equity method	744	(320)	424
Profit/(loss) before income tax expense from continuing operations	6,897	(57,065)	(50,168)
Income tax expense	(2,445)	2,397	(48)
Profit/(loss) after income tax expense from continuing operations	4,452	(54,668)	(50,216)
Loss after income tax expense from discontinued operations*	-	(13,262)	(13,262)
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Freedom Foods Group Limited	4,452	(67,930)	(63,478)
Other comprehensive income			
Foreign currency translation	228	(482)	(254)
Other comprehensive income for the half-year, net of tax	228	(482)	(254)
Total comprehensive income for the half-year attributable to the owners of Freedom Foods Group Limited	4,680	(68,412)	(63,732)
Total comprehensive income for the half-year is attributable to:			
Continuing operations	4,680	(55,150)	(50,470)
Discontinued operations**	-	(13,262)	(13,262)
	4,680	(68,412)	(63,732)

Note 3. Restatement of comparatives (continued)

	31 Dec 2019 Cents Reported	Cents Adjustment	31 Dec 2019 Cents Restated
Earnings per share from continuing operations attributable to the owners of Freedom Foods Group Limited			
Basic earnings per share	1.63	(20.07)	(18.44)
Diluted earnings per share	1.81	(20.25)	(18.44)
Earnings per share from discontinued operations attributable to the owners of Freedom Foods Group Limited			
Basic earnings per share	-	(4.85)	(4.85)
Diluted earnings per share	-	(4.85)	(4.85)
Earnings per share for loss attributable to the owners of Freedom Foods Group Limited			
Basic earnings per share	-	(23.23)	(23.23)
Diluted earnings per share	-	(23.23)	(23.23)

**As part of FY20 financial statements, certain expenses were reclassified. In order to maintain consistency of presentation, these reclassifications were replicated in H1 FY20 in the statement of profit or loss and other comprehensive income. All of these expenses are allocated to cost of sales and administrative expenses based on their functional nature.*
***The Cereals and Snacks segment is reported in the consolidated financial statements for the half-year ended 31 December 2020 as a discontinued operation (refer Note 18). As such the comparative information has been reclassified to conform with the current year presentation.*

Note 3. Restatement of comparatives (continued)

Statement of financial position at 31 December 2019

	Consolidated		
	31 Dec 2019 $'000 Reported	$'000 Adjustment*	31 Dec 2019 $'000 Restated
Assets			
Current assets			
Cash and cash equivalents	7,189	-	7,189
Trade and other receivables	98,689	(30,595)	68,094
Inventories	122,309	(46,635)	75,674
Derivative financial instruments	1,074	-	1,074
Prepayments	4,658	-	4,658
Total current assets	233,919	(77,230)	156,689
Non-current assets			
Investments accounted for using the equity method	28,616	(721)	27,895
Property, Plant and Equipment	602,804	(324,265)	278,539
Right-of-use assets	126,612	48,469	175,081
Intangibles	146,032	(92,754)	53,278
Total non-current assets	904,064	(369,271)	534,793
Total assets	1,137,983	(446,501)	691,482
Liabilities			
Current liabilities			
Trade and other payables	111,985	10,187	122,172
Borrowings	47,463	-	47,463
Lease liabilities	960	1,533	2,493
Derivative financial instruments	793	-	793
Provisions	9,756	(2,703)	7,053
Total current liabilities	170,957	9,017	179,974
Non-current liabilities			
Borrowings	148,237	-	148,237
Lease liabilities	128,060	63,467	191,527
Deferred tax	16,266	(16,266)	-
Provisions	166	1,092	1,258
Total non-current liabilities	292,729	48,293	341,022
Total liabilities	463,686	57,310	520,996
Net assets	674,297	(503,811)	170,486
Equity			
Issued Capital	596,100	48	596,148
Reserves	(48,271)	4,673	(43,598)
Retained profits/(accumulated losses)	126,468	(508,532)	(382,064)
Total equity	674,297	(503,811)	170,486

*The restatement adjustment of $503.8m represents the cumulative impact of restatements relating to H1 FY20 and prior years.

Note 4. Operating segments

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

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

*The Cereal and Snacks business has been classified as a discontinued operation during the period and the related results, assets and liabilities are shown separately in Note 18. The Crankt protein brand, a component of the Cereal and Snacks business is to be retained by the Group. The financial performance of Crankt is now merged with the Dairy and Nutritionals segment consistent with internal reporting after classification of the Cereal and Snacks business as a discontinued operation.

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

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

Set out below is an analysis of the Group's revenue and results by reportable operating segment for the periods under review, together with prior period comparatives. The comparative segment results, assets and liabilities set out below are also restated to take into effect the impact of restatement as detailed in Note 3.

Note 4. Operating segments (continued)

Consolidated - 31 Dec 2020	Dairy and Nutritionals $'000	Plant Based Beverages $'000	Specialty Seafood $'000	Unallocated Shared Services $'000	Total $'000
Revenue					
Sales to external customers	209,764	75,224	6,390	-	291,378
Total revenue	209,764	75,224	6,390	-	291,378
EBITDA	10,489	16,621	(52)	(13,415)	13,643
Share of associates profits	-	-	-	279	279
Depreciation	(6,559)	(5,205)	-	(1,329)	(13,093)
Amortisation	-	-	-	(419)	(419)
Net finance costs	(1,053)	(4,390)	-	(10,169)	(15,612)
Profit/(loss) before income tax benefit	2,877	7,026	(52)	(25,053)	(15,202)
Income tax benefit					-
Loss after income tax benefit					(15,202)
Assets					
Segment assets	301,679	243,040	1,485	47,315	593,519
Financial assets at FVOCI					5,857
Investment in associates					22,356
Total assets					621,732
Liabilities					
Segment liabilities	85,805	163,567	1,729	353,166	604,267
Total liabilities					604,267

Note 4. Operating segments (continued)

Consolidated - 31 Dec 2019 restated	Dairy & Nutritionals $'000	Plant Based Beverages $'000	Specialty Seafood $'000	Cereal & Snacks $'000	Unallocated Shared Services $'000	Total $'000
Revenue						
Sales to external customers	182,022	64,444	6,717	-	-	253,183
Total revenue	182,022	64,444	6,717	-	-	253,183
EBITDA	(17,877)	13,468	(678)	-	(19,529)	(24,616)
Share of associates profits	-	-	-	-	424	424
Depreciation	(5,626)	(4,458)	-	-	(1,254)	(11,338)
Amortisation	-	-	-	-	(365)	(365)
Impairment of right of use assets	-	-	-	-	(3,793)	(3,793)
Impairment of non financial assets	(431)	-	-	-	-	(431)
Net finance costs	(1,068)	(4,337)	-	-	(4,643)	(10,048)
Profit/(loss) before income tax expense	(25,002)	4,673	(678)	-	(29,160)	(50,167)
Income tax expense						(48)
Loss after income tax expense						(50,215)
Consolidated - 30 Jun 2020						
Assets						
Segment assets	311,450	253,631	5,678	41,389	41,820	653,968
Investment in associates						27,934
Total assets						681,902
Liabilities						
Segment liabilities	96,786	173,191	2,475	25,224	323,227	620,903
Total liabilities						620,903

Note 5. Expenses

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

Note 5. Expenses (continued)

	Consolidated 31 Dec 20 $'000	Consolidated 31 Dec 19 restated $'000
Other expenses		
Depreciation	13,443	12,294
Amortisation	419	365
Acquisition costs	-	854
Restructuring expenses	10,914	85
Total other expenses	24,776	13,598
Employee benefits		
Superannuation expenses	2,870	2,132
Share-based (benefit)/expense	-	1,504
Employee benefits expense excluding superannuation and share-based payment expense	35,886	35,658
Total employee benefits	38,756	39,294
Impairment		
Property, plant and equipment	-	431
Right of use assets	-	4,151
Total impairment	-	4,582
Net finance costs		
Interest (income)/expense	8,452	3,946
Interest on lease liabilities	5,959	5,973
Financing costs	1,286	247
Total net finance costs	15,697	10,166

Significant items affecting the result for the half year ended 31 December 2020 include the following impacts:

	Ref	Consolidated 31 Dec 2020 $'000	Consolidated 31 Dec 2019 restated $'000
Impairment of property, plant and equipment	1	-	431
Impairment of right of use assets	2	-	4,151
Milklab recall costs	3	2,181	-
Other non recurring expenses	4	10,914	85
		13,095	4,667

(1) Impairment of unused property, plant and equipment in HY20.
(2) A reduction in value of the right of use asset amounting to $4.1m was identified in the prior year during the impairment testing of non current assets.
(3) Costs incurred to recall certain batches of plant-based beverages in September 2020.
(4) Various non recurring expenses incurred by the Group to make changes to the operational and financial processes so as to turnaround the business performance.

Note 6. Current assets - Trade and other receivables

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Trade receivables	46,441	65,608
Less: Allowance for expected credit losses	(3,654)	(5,555)
	42,787	60,053
Other receivables	3,485	4,200
	46,272	64,253

The credit period on sales of goods ranges from 30 to 70 days for domestic sales and up to 120 days for international sales. No interest is charged on trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods, determined by expected credit losses. The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables as well as customers identified to have known issues which might affect recoverability. The Group does not hold any collateral over these balances.

Some of the Group's customers have experienced cash flow and financial difficulties due to mandatory COVID-19 closures and the general economic downturn caused by the COVID-19 pandemic. As a result, the provision of uncollectable debts is also impacted as at 31 December 2020 and an additional credit loss allowance has been made for customers experiencing financial difficulties who are on a payment plan. Total allowance for expected credit losses has reduced as receivables provided for in the prior year were written off during the current half year.

Note 7. Current assets - Inventories

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Raw materials - at cost	8,183	10,409
Finished goods - at net realisable value	31,763	49,399
	39,946	59,808

The cost of sales recognised as an expense during the half year in respect of continuing operations was $240.1m (HY20: $235.1m).

During the period, the provision for inventory obsolescence, in line with our updated policy, was increased by $2.9m (FY20: $18.5m). It was recognised as an expense and included in cost of sales in the statement of profit or loss.

Note 8. Non-current assets - Financial assets at fair value through other comprehensive income

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

Equity investments at FVOCI comprise the following individual investment:

Note 8. Non-current assets - Financial assets at fair value through other comprehensive income (continued)

	Consolidated	
	31 Dec 20 $'000	30 Jun 20 $'000
Investment - JLL	5,857	-

For the half year ended 31 December 2020, the Group has classified the investment in JLL as fair value through other comprehensive income (FVOCI). The Group always held a 10% ownership stake in JLL but classified the investment as equity accounted in the past as it held a Board seat and an option to subscribe for up to 30% of JLL's registered capital within 3 years from the date of the initial subscription. The Group was able to influence the key decisions of JLL as with the option to subscribe for additional capital, the Group also had the right to veto those decisions.

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

At 31 December 2020, the fair value of the investment in JLL approximates its carrying value. As described in Note 2, the determination of fair value requires judgement, and the Group uses third party valuations to estimate fair value at the reporting date.

Note 9. Non-current assets - Investments accounted for using the equity method

Information relating to investments that are material to the Group are set out below:

		Ownership interest	
Name	Principal place of business / Country of incorporation	31 Dec 20 %	30 Jun 20 %
Australian Fresh Milk Holdings Pty Limited (AFMH)	Australia	10.0%	10.0%
Goulburn Valley Nutritionals Pty Limited (GVN)	Australia	49.0%	49.0%

	Consolidated	
	31 Dec 20 $'000	30 Jun 20 $'000
Investment - AFMH	22,356	22,077
Investment - JLL (Note 8)	-	5,857
Investment - GVN	735	735
	23,091	28,669
Less: accumulated impairment*	(735)	(735)
	22,356	27,934

*GVN was impaired in FY20

The Group exercises significant influence over its investments which have been measured by applying the equity method of accounting. During the half year ended 31 December 20, the Group lost significant influence over JLL and classified it as FVOCI (refer Note 8).

A reconciliation of the Group's carrying amount in equity accounted investments is given below:

Note 9. Non-current assets - Investments accounted for using the equity method (continued)

	AFMH		JLL	
	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20
	$'000	$'000	$'000	$'000
Opening carrying amount	22,077	17,741	5,857	5,039
Share of profit/(loss) after income tax	279	335	-	251
Equity investment	-	4,001	-	412
Exchange difference	-	-	-	155
Reclassified to FVOCI (Note 8)	-	-	(5,857)	-
Closing carrying amount	22,356	22,077	-	5,857

Note 10. Non-current assets - Property, Plant and Equipment

	Consolidated	
	31 Dec 2020	30 Jun 2020
	$'000	$'000
Freehold Land - at independent valuation	4,551	4,871
Buildings - at independent valuation	4,897	14,020
Less: accumulated depreciation	(2,893)	(3,124)
	2,004	10,896
Plant and Equipment - at cost	318,447	387,270
Less: accumulated depreciation	(65,778)	(87,803)
Less: accumulated impairment	-	(42,145)
	252,669	257,322
Capital work in progress	20,863	30,086
Less: accumulated impairment	(4,800)	(4,800)
	16,063	25,286
	275,287	298,375

Movements in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current and prior half years:

Consolidated	Freehold Land $'000	Buildings $'000	Plant and equipment** $000	Capital work in progress $'000	Total $'000
Balance at 1 July 2019	5,222	9,338	193,857	339,983	548,400
Prior year restatement (Note 3)	(500)	1,389	26,831	(305,375)	(277,655)
Additions*	-	3	1,998	49,385	51,386
Transfers at completion of projects	-	-	53,907	(53,907)	-
Impairment of assets	-	-	-	(4,800)	(4,800)
Revaluation	149	546	-	-	695
Depreciation expense	-	(380)	(19,271)	-	(19,651)
Balance at 30 June 2020	4,871	10,896	257,322	25,286	298,375

Note 10. Non-current assets - Property, Plant and Equipment (continued)

Consolidated	Freehold Land $'000	Buildings $'000	Plant and equipment** $000	Capital work in progress $'000	Total $'000
Balance at 1 July 2020	4,871	10,896	257,322	25,286	298,375
Additions*	-	-	2,458	2,622	5,080
Transfers at completion of projects	-	-	11,645	(11,645)	-
Depreciation expense	-	(841)	(9,943)	-	(10,784)
Classified as held for sale (Note 19)	(320)	(8,051)	(8,813)	(200)	(17,384)
Balance at 31 December 2020	4,551	2,004	252,669	16,063	275,287

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

** Included in plant and equipment is an amount of $73.9m (FY20: $96.9m) related to equipment obtained under equipment finance facilities as disclosed in Note 12. This amount does not include assets classified as held for sale (refer Note 18).

Transfer of Cereal and Snacks assets

As detailed in note 19, the Group has classified its Cereal and Snacks CGU as a discontinued operation and presented the related assets and liabilities as held for sale. The Group measured those assets and liabilities at lower of carrying amount and fair value less cost to sell. Since the plant and equipment of Cereal and Snacks CGU was impaired in the past and given that a portion of the sale price (fair value less cost to sell) will be determined at the completion date, depending on the inventory balance, the Group has not recognised any further impairment during the half year ended 31 December 2020.

Note 11. Non-current assets - Intangibles

	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Goodwill	45,795	68,755
Less: accumulated impairment	(37,476)	(60,436)
	8,319	8,319
Capitalised development	86	-
Brand names and trademarks	31,994	37,720
Less: accumulated impairment	(10,549)	(15,440)
	21,445	22,280
Software - at cost	8,325	8,378
Less: accumulated amortisation	(2,643)	(2,224)
	5,682	6,154
	35,532	36,753

Note 11. Non-current assets - Intangibles (continued)

Consolidated	Goodwill $'000	Capitalised development $'000	Brand names and trademarks $'000	Software $'000	Total $'000
Balance at 1 July 2019	68,755	38,856	37,720	579	145,910
Prior year restatement (Note 3)	(54,590)	(38,856)	(4,891)	5,447	(92,890)
Additions	-	-	-	1,224	1,224
Impairment of assets	(5,846)	-	(10,549)	-	(16,395)
Amortisation expense	-	-	-	(1,096)	(1,096)
Balance at 30 June 2020	8,319	-	22,280	6,154	36,753
Balance at 1 July 2020	8,319	-	22,280	6,154	36,753
Additions	-	86	-	-	86
Amortisation expense	-	-	-	(419)	(419)
Classified as held for sale (Note 19)	-	-	(835)	(53)	(888)
Balance at 31 December 2020	8,319	86	21,445	5,682	35,532

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

	Goodwill 31 Dec 20 $'000	Brand names and trademarks 31 Dec 20 $'000	Goodwill 30 Jun 20 $'000	Brand names and trademarks 30 Jun 20 $'000
Cereal and Snacks	-	-	-	835
Consumer Nutritionals*	8,319	21,445	8,319	21,445
	8,319	21,445	8,319	22,280

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

Brand names and trademarks
The Group carries $21.4m (FY20 restated: $22.3m) of brand names with indefinite useful lives allocated between the Cereal and Snacks and Consumer Nutritionals cash generating units. The brand names relate to established major brands purchased as part of business combinations.

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

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

Note 11. Non-current assets - Intangibles (continued)

Assessment of the carrying value of cash generating units

During the half year ended 31 December 2020, the Group assessed if there are any indications of impairment. Considering the financial performance of certain CGUs and given that there was a small headroom between the recoverable amount and the carrying amount of those CGUs at 30 June 2020, the Group carried out an impairment assessment which is detailed below:

Dairy and Nutritionals

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

The recoverable amount of the Dairy and Nutritionals CGU has been determined using the following methodology:

- Discounted cash flow forecast to determine the value-in-use of the CGU as a whole utilising forecast cash flows for the period December 2020 to June 2025 and a terminal cashflow.

In calculating the value-in-use, the recoverable amount exceeded the carrying value by $10.7m and as a result no impairment was recognised.

Sensitivities

If the long term growth rate used in the value-in-use calculation for the Dairy and Nutritionals CGU had been 0.25% lower than management's estimates at 31 December 2020 (2.25% instead of 2.50%), the Group would have had to recognise an impairment of $8.2m against property, plant and equipment.

If the post tax discount rate applied to the cash flow projections of this CGU had been 0.25% higher than management's estimates (8.5% instead of 8.25%), the Group would have had to recognise an impairment of $10.6m against property, plant and equipment.

If the 4 year forecast CAGR of revenue from FY22-25 was 10% lower than managements estimates the Group would have had to recognise an impairment of $11.2m against property, plant and equipment.

If the USD exchange rate applied to the cash flow projections of this CGU had a 1 cent movement (positive / negative) against management's estimates (AUD/USD 0.77), the Group would change the headroom by $17.8m if the corresponding pricing did not follow.

Consumer Nutritionals

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

The recoverable amount of the Consumer Nutritionals CGU has been determined using the following methodologies:
- Brands have been valued using a relief from royalty method to determine the fair value;
- Discounted cash flow forecast to determine the value-in-use of the CGU, utilising forecast cash flows for the period January 2021 to June 2025 and a terminal cash flow.

In calculating the value-in-use, the recoverable amount exceeded the carrying value by $17.2m and as a result no impairment was recognised.

Sensitivities

If the long term growth rate used in the fair value calculation for the Consumer Nutritionals CGU had been 0.25% lower than management's estimates at 31 December 2020 (2.25% instead of 2.50%), the Group would have a reduction in headroom of $1.5m.

If the post tax discount rate applied to the cash flow projections of this CGU had been 0.25% higher than management's estimates (9.5% instead of 9.25%), the Group would have a reduction in headroom of $1.6m.

Note 11. Non-current assets - Intangibles (continued)

If the 4 year forecast CAGR of revenue from FY22-25 was 10% lower than managements estimates, the Group would have a reduction in headroom of $13.2m.

If the owned brand relief from royalty rate used in the fair value calculation for the Consumer Nutritionals CGU had been 0.50% lower than management's estimates at 31 December 2020, the brand's would have had a total reduction in headroom of $2.4m (Crankt $0.7m and Vital Strength $1.7m).

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

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

Key assumptions
In calculating the recoverable amount of each CGU a discounted cash flow model was utilised forecasting cash flows for the period January 2021 to June 2025. The following key assumptions were made:

Key assumptions used for goodwill and plant and equipment impairment	Dairy and Nutritionals %	Consumer Nutritionals %
Long term growth rate (terminal value)	2.50%	2.50%
Post tax discount rate	8.25%	9.25%
Revenue growth rate*	4.11%	13.03%
USD exchange rate	0.77 cents	n/a

*Compounded annual growth rate over 4 years from FY22-25.

The compounded annual revenue growth rate for Dairy and Nutritional CGU reduced in the current discounted cash flow model due to foreign currency and longer lead time required to manage the exposure due to various contractual requirements. However, the recoverable amount (value in use) of Dairy and Nutritional CGU remained the same as the EBITDA margin is expected to improve due to cost reductions arising from improved manufacturing performance and certain supplier negotiations.

Key assumptions used for brand impairment	Vital Strength %	Crankt %
Long term growth rate (terminal rate)	2.50%	2.50%
Post tax discount rate	9.25%	8.25%
Owned brand - relief from royalty rate	5.85%	5.85%
Revenue growth rate*	12.02%	5.00%

*Compounded annual growth rate over 4 years from FY22-25.

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

Note 12. Current liabilities - Borrowings

	Consolidated	
	31 Dec 2020	30 Jun 2020
	$'000	$'000
Term loan facilities	141,174	141,174
Recourse debtor financing facilities	11,783	15,466
Revolver financing facilities	34,937	36,176
Subordinated financing facilities	45,000	-
Equipment financing liabilities	94,013	99,508
	326,907	292,324

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

Assets pledged as security
The Group's primary bank facilities are arranged with HSBC Bank Australia Limited (HSBC) and National Australia Bank (NAB). They include syndicated facilities (from HSBC and NAB), equipment financing facilities (from NAB) and debtor financing facilities (from HSBC).

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

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

The equipment financing facilities relate to specific equipment operating at the Company's Leeton, Shepparton, Dandenong and Ingleburn operating sites. The equipment finance facilities are secured over the assets financed under the relevant facility. These facilities are over a period of 2 to 7 years and the final residuals on the current arrangements are due between 2020 and 2027.

Banking facilities

Syndicated Facilities
In December 2019, the Group entered into syndicated banking facilities for term loan and revolving facilities totaling $141.2m. The syndicated facilities were subsequently amended in April 2020 and increased to $241.2m, consisting of $141.2m in term loans and a revolving facility with a $100m limit. Under the original terms for the syndicated facilities, the facilities maturing in December 2022, with the exception of a term loan of $50m described as Facility C, which is maturing in April 2022.

As part of the Group entering into a standstill agreement in September 2020, undrawn revolver amounts of $65.1m were cancelled and replaced with a $45.0m subordinated facility guaranteed by Perich Property Pty Ltd (ATF Perich Property Unit Trust), an associate of Arrovest Pty Ltd, and the limited recourse debtor finance facility reduced from $113.5m to $65.0m. The subordinated facility was increased to $50.0m on 4 February 2021 and further increased to $57.0m on 25 February 2021. Its current maturity date is 30 April 2021, but may become repayable earlier if the milestones as per the standstill agreement are not met by 31 March 2021.

Debtor Finance Facilities
HSBC has provided the Group with a limited recourse debtor finance facility of $65.0m (FY20: $113.5m), which is being utilised as a source of working capital. Under this facility, the Group sells receivables of its major grocery retail customers to HSBC in exchange for cash. These receivables are de-recognised as an asset, as the significant risk associated with the collection of the receivables is transferred to HSBC at the time of sale. The amount funded under this facility is not recognised as a liability by the Group. The funded amount under this facility as at 31 December 2020 was $52.5m (FY20: $41.1m).

Note 12. Current liabilities - Borrowings (continued)

The Group also has a full recourse debtor finance facility with a total limit of $22.0m (FY20: $22.0m). Under this facility, the Group sells receivables from its out-of-home channel. The receivables are recognised as an asset since the risk has not fully transferred to HSBC at the time of sale. The Group is responsible for the collection of the receivables. HSBC has recourse to the Group if the debt is unrecoverable. As at the balance sheet date, the Group utilised an amount of $11.8m (FY20: $15.5m) from the full recourse debtor finance facility.

Standstill
In September 2020, the Group entered into a standstill agreement with its primary lenders, National Australia Bank Limited and HSBC Bank Australia Limited (Banks), pursuant to which (including subsequent extensions) the Banks have agreed, until 28 February 2021, not to take any action against the Group in respect of any amounts owing to the Banks under the Group's financing agreements with the Banks, unless the Company commits a breach of the standstill agreement. The subordinated facility was increased to $50.0m on 4 February 2021 and further increased to $57.0m on 25 February 2021. Its current maturity date is 30 April 2021, but may become repayable earlier if the milestones referred to above are not met by 31 March 2021.

The total banking facilities as at 31 December 2020 are shown below:

	Consolidated	
	31 Dec 20 $'000	30 Jun 20 $'000
Total facilities		
Term loan facilities	141,174	141,174
Recourse debtor financing facilities	22,000	22,000
Revolver financing facilities	34,937	100,000
Subordinated financing facilities	45,000	-
Equipment financing liabilities	94,013	115,000
	337,124	378,174
Used at the reporting date		
Term loan facilities	141,174	141,174
Recourse debtor financing facilities	11,783	15,466
Revolver financing facilities	34,937	36,176
Subordinated financing facilities	45,000	-
Equipment financing liabilities	94,013	99,508
	326,907	292,324
Unused at the reporting date		
Term loan facilities	-	-
Recourse debtor financing facilities	10,217	6,534
Revolver financing facilities	-	63,824
Subordinated financing facilities	-	-
Equipment financing liabilities	-	15,492
	10,217	85,850

Unused financing facilities
The Group had unused banking facilities relating to recourse debtor and equipment financing amounting to $10.2m (FY20: $85.9m) as at 31 December 2020. The Group also had limited-recourse debtor financing facilities of $65.0m (FY20: $113.5m), of which $12.5m (FY20: $72.4m) was unused at 31 December 2020.

Note 13. Current liabilities - Provisions

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Annual leave	5,670	5,843
Long service leave	370	714
Restructuring	237	-
	6,277	6,557

Restructuring provision represents cost of voluntary redundancies arising from sale of Cereal and Snacks business. Although expected total cost of restructuring is higher, additional amount is not provided as the Group started to implement the restructuring plan by communicating with all affected employees after 31 December 2020.

Note 14. Non-current liabilities - Provisions

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Long service leave	462	525
Lease make good	-	1,116
	462	1,641

Note 15. Equity - Issued Capital

	Consolidated			
	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 $'000	30 Jun 2020 $'000
Ordinary shares - fully paid	277,109,319	277,109,319	598,698	598,698
Convertible redeemable preference shares - fully paid	101,130	101,130	14	14
	277,210,449	277,210,449	598,712	598,712

Note 15. Equity - Issued Capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	272,903,282		589,109
Employee share options exercised		561,666	$1.65	927
Employee share options exercised		900,000	$2.92	2,628
Employee service rights exercised		1,545,000	$0.00	-
Convertible redeemable preference shares ('CRPS') conversions		497	$0.30	-
Dividend reinvestment plan (DRP) shares		1,198,874	$5.18	6,211
Transaction costs - net of tax		-	$0.00	(177)
Balance	1 July 2020	277,109,319		598,698
Balance	31 December 2020	277,109,319		598,698

Movements in convertible redeemable preference shares

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	101,627		14
Conversion to ordinary shares		(497)	$0.30	-
Balance	1 July 2020	101,130		14
Balance	31 December 2020	101,130		14

Note 16. Equity - Reserves

	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Land and buildings revaluation reserve	3,548	3,548
Foreign currency translation reserve	867	(123)
Equity-settled employee benefits reserve	-	1,602
Common control reserve	(60,878)	(60,878)
	(56,463)	(55,851)

Note 16. Equity - Reserves (continued)

Movements in reserves

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

Consolidated	Land and buildings revaluation reserve $'000	Foreign currency translation reserve $'000	Equity-settled employee benefits reserve $'000	Common control reserve $'000	Total $'000
Balance at 1 July 2019	2,416	(105)	9,415	(60,878)	(49,152)
Prior year restatement (Note 3)	721	(155)	3,836	-	4,402
Land and building revaluation - net of tax	411	-	-	-	411
Foreign currency translation	-	137	-	-	137
Share based payment	-	-	(418)	-	(418)
Transfer of share based payments to accumulated losses	-	-	(11,231)	-	(11,231)
Balance at 1 July 2020	3,548	(123)	1,602	(60,878)	(55,851)
Foreign currency translation	-	990	-	-	990
Transfer of share based payments to accumulated losses	-	-	(1,602)	-	(1,602)
Balance at 31 December 2020	3,548	867	-	(60,878)	(56,463)

Note 17. Equity - Dividends

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

	Consolidated 31 Dec 2020 $'000	31 Dec 2019 restated $'000
Final unfranked dividend for the year ended 30 June 2019 of 3.25 cents per ordinary share	-	2,658
Dividends reinvested: fully franked at 30% tax rate	-	6,211
Final unfranked dividend for the year ended 30 June 2019 of 1.35 cents per convertible redeemable preference share	-	1
	-	8,870

Note 18. Discontinued operations

Description

On 17 December 2020, the Group entered into a binding sale agreement for the sale of its Cereal and Snacks operations to the Arnott's Group. The sale includes the Cereal and Snacks manufacturing facilities in Leeton and Darlington point in NSW and in Dandenong in Victoria as well as brands associated with the business, including Freedom Foods, Messy Monkeys, Heritage Mill, Arnold's Farm and Barley+. The sale does not include the Crankt Protein brand which will remain a valuable part of the Freedom Foods Group product portfolio.

The Group has reached an agreement to sell the related assets and liabilities of the Cereal and Snacks business for $16.1 million in cash except inventory for which the consideration will be agreed between the parties based on the inventory balance at the completion date. Net cash proceeds will be reduced after deducting costs associated with the transaction and associated equipment leases. These costs will be settled by the Group.

Cereal and Snacks business is an operating segment of the Group and hence a major line of business. Accordingly, it is reported in the consolidated financial statements for the half-year ended 31 December 2020 as a discontinued operation. Financial information relating to the discontinued operation for the period is set out below.

Financial performance

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 restated $'000
Revenue from sale of goods	25,967	34,659
Cost of sales	(27,811)	(40,428)
Marketing expenses	(757)	(80)
Selling and Distribution expense	(3,730)	(4,460)
Administrative expenses	(2,245)	(2,477)
Impairment of right of use assets	-	(358)
Net finance costs	(85)	(118)
Total expenses	(34,628)	(47,921)
Loss before income tax expense	(8,661)	(13,262)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	(8,661)	(13,262)

Cash flow information

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 restated $'000
Net cash used in operating activities	(11,759)	(15,288)
Net cash used in investing activities	(200)	-
Net cash used in financing activities	(830)	(780)
Net decrease in cash and cash equivalents from discontinued operations	(12,789)	(16,068)

Note 18. Discontinued operations (continued)

Carrying amounts of assets and liabilities held for sale

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 restated $'000
Inventories	7,487	-
Property, plant and equipment	17,384	-
Intangibles	888	-
Total assets	25,759	-
Lease liability	2,239	-
Provisions	2,862	-
Total liabilities	5,101	-
Net assets	20,658	-

Note 19. Capital commitments and contingent liabilities

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	6,581	5,782

	Consolidated	
	31 Dec 20 $'000	30 Jun 20 $'000
Contingent liabilities		
Contingencies at the reporting date but not recognised as liabilities:		
Bank guarantees provided in the normal course of business for certain property leases	1,096	1,096

Blue Diamond Proceedings

Legal proceedings have commenced in both Australia and the United States between Blue Diamond Growers (Blue Diamond) and certain Group subsidiaries including Freedom Foods Pty Ltd (FFPL). Further details can be found in the ASX release dated 30 September 2020.

Blue Diamond claim seeks:

- compensatory and general damages for breach of the Licence Agreement, which Blue Diamond asserts to be at least US$16 million;
- compensatory and general damages for breach of an alleged oral agreement; and
- specific performance of the Licence Agreement.

The Group disputes Blue Diamond's claims and is defending its position. Apart from the associated legal costs incurred as at 31 December 2020, no provision is recognised in the financial statements in respect of these proceedings.

Note 19. Capital commitments and contingent liabilities (continued)

Class Action

Two separate class action proceedings were commenced against the Group and its auditor, Deloitte Touche Tohmatsu, alleging breaches of the Corporations Act 2001 (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law. The Group has appointed Arnold Bloch Leibler to defend the actions. The class actions are at a very early stage and apart from the associated legal costs incurred as at 31 December 2020, no provision is recognised in the financial statements.

ASIC Investigation

The Group has received a notice from ASIC requiring the production of books in relation to an investigation. ASIC's enquiries are continuing but, to the best of the Group's knowledge, have not at the date of these accounts, been concluded. If, following completion of ASIC's inquiries, ASIC determines breaches under the Corporations Act may have occurred, it may commence enforcement action or issue an infringement notice. Any action that ASIC may take could have a material adverse impact on the Group's financial performance, including, for example, fines and/or penalties (which may be significant), compliance orders, enforceable undertakings, litigation or public statements.

The Group is continuing to co-operate with ASIC in relation to these investigations. No provision is recognised in the financial statements.

Withholding taxes

The Group has identified a potential liability with respect to withholding taxes that is being investigated by the Group but is at a preliminary stage and cannot be quantified at this point. No provision is recognised in the financial statements.

Note 20. Events after the reporting period

Bank facility amendments

On 11 September 2020, the Group entered into a standstill agreement with its primary lenders, National Australia Bank Limited and HSBC Bank Australia Limited (Banks), pursuant to which the Banks have agreed until 29 January 2021, not to take any action against the Group in respect of any amounts owing to the Banks under the Group's financing agreements with the Banks, unless the Company commits a breach of the standstill agreement. Subsequent to the balance sheet date, the Standstill has been extended to 30 April 2021, but may become repayable earlier if the milestones referred to above are not met by 31 March 2021.

Refer to Note 12 for further information on assets pledged as security and financing arrangements.

Recapitalisation

The Group reached an in-principle agreement with its majority shareholder, Arrovest Pty Ltd, for a recapitalisation of the business involving an issue of Secured Convertibles Notes. Under the terms of the in-principle agreement, Arrovest has agreed to invest up to $200 million, with the Group having the capacity to raise further capital, although it will not be a condition for it to do so for the transaction to complete. The in-principle agreement with Arrovest also has the non-binding indicative, in-principle support of the Group's financiers. The Standstill has been extended to 30 April 2021, but may become repayable earlier if the milestones referred to above are not met by 31 March 2021.

The directors declare that:

- in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and

- in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

____
Genevieve Gregor
Chair

26 February 2021
Sydney

Deloitte.

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

Conclusion

We have reviewed the half-year financial report of Freedom Foods Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to note 2 of the half-year financial report, which indicates that the Group has incurred a consolidated loss after tax of $23.9M and had net cash outflows from operating activities of $21.5M during the half-year ended 31 December 2020.

The Group obtained a waiver from its financiers with respect to non-compliance with lending covenants at 30 June 2020 and subsequently entered a standstill agreement in September 2020. In January 2021, the Group reached an in-principle agreement with its majority shareholder, Arrovest Pty Ltd, for a recapitalisation of the business involving an issue of Secured Convertibles Notes.

In addition, the standstill agreement has been extended and remains in effect to 30 April 2021 to enable the execution of the recapitalisation of the Group, but is subject to a milestone that a binding commitment from its majority shareholder and its senior lenders, in relation to future credit facilities, is received and accepted by the Group by 31 March 2021. Whilst the proposed recapitalisation is well progressed, there remains a risk that this will not complete.

Deloitte.

As stated in the going concern section of note 2 to the half-year financial report, these events or conditions, along with other matters set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants

Sydney, 26 February 2021