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F.F.I. HOLDINGS LIMITED
ABN 32 009 155 328
AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31st DECEMBER 2019

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

(ABN 32 009 155 328)

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Movement from the previous corresponding period (6 months ended 31 December 2018) for:

Revenue from ordinary activities	down	1.2%	to	\$20,347,279
Profit/(loss) from ordinary activities after tax attributable to members	up	15.0%	to	\$1,797,148
Net profit/(loss) attributable to members	up	15.0%	to	\$1,797,148

Note: The results above include revenue and profit from the Company's discontinued Tradition Smallgoods operation which was divested on 20 September 2019. Excluding the impact of Tradition Smallgoods, total revenue from continuing operations increased by 8.6% to \$18,338,618 and profit after tax from continuing operations increased by 18.9% to \$1,660,041.

DIVIDENDS

	Amount per security	Franked amount per security
Interim dividend	11.0 cents	11.0 cents
Interim dividend previous corresponding period	10.0 cents	10.0 cents
Record date for determining entitlements to the dividend		17 th March 2020
Payment date for the dividend		27 th March 2020

The Company's Dividend Reinvestment Plan (DRP) has been suspended and will not be in operation for the interim dividend payable on 27 March 2020. There is no foreign sourced dividend.

NET TANGIBLE ASSETS

	Current period 31/12/2019	Previous corresponding period 31/12/2018
Net tangible assets per security	\$3.34	\$3.22

This report has been reviewed by Moore Stephens.

It is recommended that this report be read in conjunction with the annual financial report of the Company for the year ended 30 June 2019.

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

CHAIRMAN'S REVIEW

On behalf of the Directors, I am pleased to report the financial results of the Company for the half year ended 31st December 2019.

Financial results

During the period under review the Company achieved a net profit after tax attributable to members of \$1.80 million, up 15.0% on the net profit of \$1.56 million in the previous corresponding half year. The result was in line with the Directors' previously issued profit guidance and the improvement in profit was particularly pleasing given it mainly related to the Company's important chocolate, cake decorations and bakers filling division.

The results were achieved on total revenue of \$20.3 million, marginally down from \$20.6 million in the previous corresponding half year.

As previously advised to ASX, the Company sold the business assets of Tradition Smallgoods on 20 September 2019 as a result of the compulsory resumption by Main Roads of Western Australia of part of the Company's land holdings (discussed below).

Excluding the divested Tradition Smallgoods operation, total revenue from all of the the Company's continuing operations increased by 8.6% to \$18.3 million, while profit after tax from continuing operations increased by 18.9% to \$1.66 million.

The Company continues to be in a very strong financial position with net assets of \$36.5 million (net tangible asset backing per share of \$3.34) and net debt of \$1.0 million. The debt gearing ratio of 2.8% remains at a very conservative level.

Food operations

The divestment of the Tradition Smallgood business during the half year resulted in significant disruption to the Company's food operations. Employee redundancy costs, provision for factory make good costs and an unrecovered element of overhead and shared services costs previously allocated to the divested business also negatively affected the financial results.

Notwithstanding these challenges during the half, sales from the Company's continuing food operations increased by 8.6% to \$17.8 million from \$16.4 million previously and the continued growth of the food operations was the main driver of the overall lift in the Company's reported profit.

The strong performance of the food operations reflects the sound sales growth as well as operational improvements achieved by the Company during the period. A number of successful sales initiatives, together with the significant capital expenditure that has been incurred in upgrading the Company's manufacturing facilities in recent years, continued to deliver the much improved results.

Property investment

The Company's long term strategy of maximising the capital value of its property investments and generating a cash flow from this valuable asset again delivered sound results. Rental income from property totalled \$0.58 million for the half year, an increase of 11.7% on the previous corresponding period. A half year contribution from the property that was developed in the last financial year was the main reason for the improvement.

Rental income was negatively affected by the need for the Company's food operations division to occupy an industrial factory previously held for investment purposes and leased to a third party, due to the compulsory land resumption.

Excluding some minor capital costs, the asset values for the Company's investment properties as at 31st December 2019 remain unchanged from the valuations used in the 30th June 2019 annual accounts.

Compusory land acquisition

The previously reported compulsory resumption by Main Roads of Western Australia of approximately 11,600 square metres of the Company's land holdings was effectively completed by the end of the period under review. The land taken contained infrastructure and access ways essential for the efficient and safe conduct of the Company's manufacturing operations.

After an extensive and careful review of the required reconfiguration of the site the Directors resolved to relocate the Tradition Smallgoods operations. This culminated with the divestment of the Tradition Smallgoods assets and the relocation of the business during the half year.

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The impact of the land taking on the Company's operations is under review. The financial loss to the Company and any entitlement to compensation is expected to be resolved in the current financial year.

Dividend

In view of the improved financial results the Directors have resolved to increase the interim dividend to 11.0 cents per share, up 10% from the previous corresponding period. The interim dividend is fully franked at the 27.5% company tax rate.

Outlook

The outlook remains very positive. The Company is in a sound financial position with low debts and strong cash flows from quality assets. The Board and management are focused on improving operating performance and are pursuing a number of initiatives to achieve further growth.



Rodney Moonen
Chairman of Directors
10 February, 2020

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group for the half year ended 31 December 2019.

DIRECTORS

The names of the Directors of the Company in office at any time during the financial period and up to the date of this report are:

Mr Rodney G Moonen
Mr Geoffrey W Nicholson
Mr Robert D Fraser

REVIEW OF OPERATIONS

A review of operations is contained in the accompanying Chairman's Review on page 4.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 7 for the half year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors.



Rodney G Moonen
Director

Dated this 10th day of February 2020

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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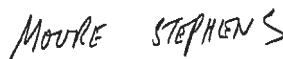
**AUDITOR'S INDEPENDENCE DECLARATION UNDER
S307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF F.F.I. HOLDINGS LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2019, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 10th day of February 2020

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Group	
		31.12.2019	31.12.2018 ¹
		\$	\$
Revenue from continuing operations		18,338,618	16,891,373
Changes in inventories of finished goods and work in progress		268,395	327,772
Raw materials and consumables used		(8,757,392)	(8,472,970)
Employee benefits expense		(4,149,739)	(3,633,352)
Depreciation and amortisation expense		(361,976)	(334,440)
Repairs and maintenance expense		(539,200)	(477,272)
Freight expense		(741,946)	(833,940)
Finance costs		(63,503)	(83,728)
Other expenses		(1,731,972)	(1,473,748)
Profit before income tax from continuing operations		2,261,285	1,909,695
Income tax expense		(601,244)	(513,142)
Profit after tax from continuing operations		1,660,041	1,396,553
Discontinued operations			
Profit/(loss) from discontinued operations after tax	6	137,107	166,006
Profit for the period		1,797,148	1,562,559
Other comprehensive income for the period		-	-
Items that will not be reclassified to profit or loss:			
Net gain on revaluation of land and buildings		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		1,797,148	1,562,559
Net profit attributable to:			
Members of the parent entity		1,797,148	1,562,559
		1,797,148	1,562,559
Total comprehensive income attributable to:			
Members of the parent entity		1,797,148	1,562,559
		1,797,148	1,562,559
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents per share)		16.7	14.6
From continuing operations:			
Basic earnings per share (cents per share)		15.4	13.0
From discontinued operations:			
Basic earnings per share (cents per share)		1.3	1.6

¹ The comparative Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 31 December 2018 has been restated to conform with AASB 5: Non-current Assets Held for Sale and Discontinued Operations.
The accompanying notes form part of these financial statements

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Consolidated Group	
		31.12.2019 \$	30.06.2019 \$
CURRENT ASSETS			
Cash and cash equivalents		3,493,502	2,100,534
Trade and other receivables		5,711,982	5,599,367
Inventories		5,175,291	4,601,932
Other current assets		391,473	261,810
TOTAL CURRENT ASSETS		14,772,248	12,563,643
NON-CURRENT ASSETS			
Trade and other receivables		261,504	274,604
Financial assets	9	71,536	71,536
Property, plant and equipment		12,654,429	13,697,146
Investment property	9	22,960,197	22,955,817
Intangible assets		552,762	552,762
Deferred tax assets		307,038	370,859
TOTAL NON-CURRENT ASSETS		36,807,466	37,922,724
TOTAL ASSETS		51,579,714	50,486,367
CURRENT LIABILITIES			
Trade and other payables		4,207,407	3,051,484
Short-term borrowings		4,500,000	4,500,000
Current tax liabilities		210,616	286,413
Short-term provisions		778,504	1,146,078
TOTAL CURRENT LIABILITIES		9,696,527	8,983,975
NON-CURRENT LIABILITIES			
Trade and other payables		41,564	114,291
Deferred tax liabilities		5,310,719	5,363,101
TOTAL NON-CURRENT LIABILITIES		5,352,283	5,477,392
TOTAL LIABILITIES		15,048,810	14,461,367
NET ASSETS		36,530,904	36,025,000
EQUITY			
Contributed equity	3	19,829,268	19,829,268
Reserves		3,773,592	3,773,592
Retained earnings		12,928,044	12,422,140
TOTAL EQUITY		36,530,904	36,025,000

The accompanying notes form part of these financial statements

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Ordinary Share Capital \$	Retained Earnings \$	Reserves \$	Total \$
Balance at 1.7.2019		19,829,268	12,422,140	3,773,592	36,025,000
Comprehensive income:					
Profit attributable to members of parent entity		-	1,797,148	-	1,797,148
Profit attributable to minority shareholders		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	1,797,148	-	1,797,148
Derecognition of non-controlling interest upon purchase of interest by parent entity		-	-	-	-
Transactions with owners, in their capacity as owners, and other transfers		-	-	-	-
Shares issued during the period		-	-	-	-
Dividends recognised for the period	2	-	(1,291,244)	-	(1,291,244)
Total transactions with owners and other transfers		-	(1,291,244)	-	(1,291,244)
Balance at 31.12.2019		19,829,268	12,928,044	3,773,592	36,530,904
Balance at 1.7.2018		19,623,268	11,265,791	3,655,500	34,544,559
Comprehensive income:					
Profit attributable to members of parent entity		-	1,562,559	-	1,562,559
Profit attributable to minority shareholders		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	1,562,559	-	1,562,559
Derecognition of non-controlling interest upon purchase of interest by parent entity		-	-	-	-
Transactions with owners, in their capacity as owners, and other transfers		-	-	-	-
Shares issued during the period		6,000	-	-	6,000
Dividends recognised for the period	2	-	(1,070,887)	-	(1,070,887)
Total transactions with owners and other transfers		6,000	(1,070,887)	-	(1,064,887)
Balance at 31.12.2018		19,629,268	11,757,463	3,655,500	35,042,231

The accompanying notes form part of these financial statements

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Consolidated Group	
	31.12.2019	31.12.2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	19,954,939	19,223,710
Payments to suppliers and employees	(17,433,135)	(17,914,862)
Dividends received	1,422	-
Interest received	9,373	21,019
Finance costs	(63,503)	(83,728)
Income tax refunded/(paid)	(717,545)	(499,924)
Net cash provided by (used in) operating activities	1,751,551	746,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	1,266,951	-
Purchase of property, plant and equipment	(343,010)	(631,712)
Purchase of investment property	-	-
Investment property development costs	(4,380)	(22,569)
Proceeds from sale of financial assets	-	-
Net cash provided by (used in) investing activities	919,561	(654,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Repayment of employee share loans	13,100	10,076
Dividends paid by parent entity	(1,291,244)	(1,070,887)
Net cash provided by (used in) financing activities	(1,278,144)	(1,060,811)
Net increase (decrease) in cash held	1,392,968	(968,877)
Cash at beginning of period	2,100,534	3,360,859
Cash at end of period	3,493,502	2,391,982

The accompanying notes form part of these financial statements

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for the half year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of F.F.I. Holdings Limited and its controlled entities (referred to as the “consolidated group” or “Group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half year.

These interim financial statements were authorised for issue on 10th February 2020 by the directors of the Company.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for those as described below.

New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group had to change its accounting policies as a result of adopting the following standard:

- AASB 16: *Leases*

The impact of the adoption of this standard and the respective accounting policies is disclosed in Note 10.

c. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent F.F.I. Holdings Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 8.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation.

Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interest’s proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income.

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d. Fair Value of Assets and Liabilities

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level into which an input that is significant to the measurement can be categorised as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

e. Critical Accounting Estimates and Significant Judgements Used in Applying Accounting Policies

The critical estimates and judgements are consistent with those applied and disclosed in the annual financial statements of the Group for the year ended 30 June 2019.

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	Consolidated Group	
	31.12.2019	31.12.2018
	\$	\$
NOTE 2: DIVIDENDS		
Declared interim fully franked dividend of 11.0 cents (2018: 10.0 cents) per share franked at the tax rate of 27.5% (2018: 27.5%)	1,183,640	1,071,037
Final fully franked dividend of 12.0 cents per share paid during the half year period (2018: 10.0 cents)	1,291,244	1,070,887

	31.12.2019	31.12.2018
	\$	\$
	NOTE 3: ISSUED CAPITAL	
Issued and Paid Up Capital		
10,760,367 (2018: 10,710,367) fully paid ordinary shares	19,829,268	19,629,268
(a) Ordinary shares	No.	No.
At the beginning of reporting period	10,760,367	10,708,867
Shares issued during half year:		
14 November 2018 – Shares issued for employee entitlements	-	1,500
Shares bought back during year	-	-
At reporting date	10,760,367	10,710,367

NOTE 4: CONTINGENT LIABILITIES

The Company is not aware of any significant commitments, contingent liabilities or contingent assets as at reporting date.

NOTE 5: EVENTS AFTER THE END OF THE INTERIM PERIOD

The directors are not aware of any significant events since the end of the interim period.

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NOTE 6: DISCONTINUED OPERATIONS

Consolidated Group	
31.12.2019	31.12.2018
\$	\$

On 2 September 2019, the Consolidated Group announced its decision to dispose of Tradition Smallgoods, thereby discontinuing its operations in the smallgoods business segment.

The business was sold on 20 September 2019.

Financial information relating to the discontinued operation is set out below.

The financial performance of the discontinued operation is included in profit/(loss) from discontinued operations per the consolidated statement of profit or loss and other comprehensive income and is as follows:

Revenue	2,008,661	3,705,023
Expenses	(1,819,613)	(3,489,773)
Profit before income tax	189,048	215,250
Profit attributable to owners of the Parent Entity	189,048	215,250
Profit on discontinued operations before income tax	189,048	215,250
Income tax expense	(51,941)	(49,244)
Profit/(loss) on discontinued operations after income tax	137,107	166,006
Total profit/(loss) after tax attributable to the discontinued operation	137,107	166,006

The net cash flows of the discontinued business which have been incorporated into the statement of cash flows are as follows:

Net cash inflow/(outflow) from operating activities	259,626	70,867
Net cash inflow from investing activities	1,266,952	(330)
Net cash (outflow)/inflow from financing activities	33,734	280,766
Net increase in cash generated by the discontinued business	1,560,312	351,303

Gain on disposal of the business included in gain from discontinued operations per the statement of profit or loss and other comprehensive income.

	137,107	166,006
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F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 7: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold;
- the manufacturing process; and
- the type or class of customer for the products.

Types of products and services by segment

(i) *Bakery Segment*

This segment manufactures a wide range of predominantly bakery and home cooking needs food products for distribution to a diverse customer base.

(ii) *Smallgoods Segment*

This segment manufactures a wide range of smallgoods products for distribution to a diverse customer base.

(iii) *Investment Property*

This segment manages the Company's industrial/commercial land which is held for investment purposes. This segment does not include land held for the Company's own use.

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 7: OPERATING SEGMENTS (continued)

(i) Segment performance

	Bakery Segment	Investment Property	Total
	\$	\$	\$
Six months ended 31/12/2019			
Revenue			
External sales	17,755,080	-	17,755,080
Rent	-	577,204	577,204
Inter-segment sales	-	-	-
Other revenue	-	-	-
Total segment revenue	17,755,080	577,204	18,332,284
<i>Reconciliation of segment revenue to Group revenue</i>			
Unallocated revenue			6,334
Total group revenue			18,338,618
Segment net profit before tax	2,397,560	513,700	2,911,260
<i>Reconciliation of segment result to Group net profit/(loss)</i>			
Amounts not included in segment result but reviewed by			
Unallocated items:			
• Other			(649,975)
Net profit before tax from continuing operations			2,261,285
Net profit before tax from discontinuing operations			189,048
Six months ended 31/12/2018			
Revenue			
External sales	16,356,951	-	16,356,951
Rent	-	516,743	516,743
Inter-segment sales	-	-	-
Other revenue	(1,857)	-	(1,857)
Total segment revenue	16,355,094	516,743	16,871,837
<i>Reconciliation of segment revenue to Group revenue</i>			
Unallocated revenue			19,536
Total group revenue			16,891,373
Segment net profit before tax	1,963,514	388,015	2,351,529
<i>Reconciliation of segment result to Group net profit/(loss)</i>			
Amounts not included in segment result but reviewed by			
Unallocated items:			
• Other			(441,834)
Net profit before tax from continuing operations			1,909,695
Net profit before tax from discontinuing operations			215,250

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 7: OPERATING SEGMENTS (continued)

(ii) Disaggregation of revenue from contracts with customers

In the following table, segmental revenue from contracts with customers is disaggregated by primary geographical market and timing of revenue recognition.

Continuing operations :

2019	Bakery Segment \$	Investment Property (\$)	Unallocated \$	Total \$
Primary geographical market				
Australia	17,755,080	577,204	6,334	18,338,618
Timing of revenue recognition				
At a point in time	17,755,080	-	-	17,755,080
Over time	-	577,204	6,334	583,538
	17,755,080	577,204	6,334	18,338,618
2018	Bakery Segment \$	Investment Property (\$)	Unallocated \$	Total \$
Primary geographical market				
Australia	16,355,094	516,743	19,536	16,891,373
Timing of revenue recognition				
At a point in time	16,355,094	-	-	16,355,094
Over time	-	516,743	19,536	536,279
	16,355,094	516,743	19,536	16,891,373

In the following table, segmental revenue from contracts with customers is disaggregated by primary geographical market and timing of revenue recognition.

Discontinued operations:

2019	Smallgoods Segment (\$)	Unallocated \$	Total \$
Primary geographical market			
Australia	2,004,200	4,461	2,008,661
Timing of revenue recognition			
At a point in time	2,004,200	-	2,004,200
Over time	-	4,461	4,461
	2,004,200	4,461	2,008,661
2018	Smallgoods Segment (\$)	Unallocated \$	Total \$
Primary geographical market			
Australia	3,703,540	1,483	3,705,023
Timing of revenue recognition			
At a point in time	3,703,540	-	3,703,540
Over time	-	1,483	1,483
	3,703,540	1,483	3,705,023

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 7: OPERATING SEGMENTS (continued)

(iii) Segment assets

	Bakery Segment	Smallgoods Segment	Investment Property	Unallocated	Total
	\$	\$	\$	\$	\$
Six months ended 31/12/2019					
Opening balance 1 July 2019	17,250,454	2,746,854	22,955,818	7,533,241	50,486,367
Segment asset increases for the period:					
• capital expenditure	343,009	-	4,380	-	347,389
• disposals	-	(998,021)	-	-	(998,021)
• other asset movements	1,252,536	413,492	-	77,941	1,743,979
Closing balance 31 December 2019	18,845,999	2,162,325	22,960,198	7,611,192	51,579,714

NOTE 8: INTEREST IN SUBSIDIARIES

Information about Principal Subsidiaries

Set out below are the Group's subsidiaries at 31 December 2019. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest held by the Group	
		At	At
		31 December 2019	30 June 2019
		%	%
Fresh Food Industries Pty Ltd	Perth, Western Australia	100	100
Chocolate Products of Australia Pty Ltd	Perth, Western Australia	100	100
Prepact Australia Pty Ltd	Perth, Western Australia	100	100
Danburn Holdings Pty Ltd (formerly Tradition Smallgoods Pty Ltd)	Perth, Western Australia	100	100

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same date as the Group's financial statements.

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NOTE 9: FAIR VALUE MEASUREMENT

a. Recurring and Non-recurring Fair Value Measurement

Amounts and the Level of the Fair Value Hierarchy within which the fair value measurements are categorised.

Fair Value Measurements at 31 December 2019 using:

Description	Note	Quoted	Significant	Significant
		Prices in	Observable	Unobservable
		Active	Inputs Other	Inputs
		Markets for	than Level 1	
		Identical	Inputs	
		Assets		
		\$	\$	\$
		(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements				
Investments in shares of unlisted corporations		-	71,536	-
Investments in shares of listed corporations		-	-	-
Investment property	(i)	-	22,960,197	-
Property, plant and equipment (at revalued amounts):				
Freehold land	(ii)	-	5,152,500	-
Buildings		-	906,493	-
Non-recurring fair value measurements				

Fair Value Measurements at 30 June 2019 using:

Description	Note	Quoted	Significant	Significant
		Prices in	Observable	Unobservable
		Active	Inputs Other	Inputs
		Markets for	than Level 1	
		Identical	Inputs	
		Assets		
		\$	\$	\$
		(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements				
Investments in shares of unlisted corporations		-	71,536	-
Investments in shares of listed corporations		-	-	-
Investment property	(i)	-	22,955,817	-
Property, plant and equipment (at revalued amounts):				
Freehold land	(ii)	-	5,152,500	-
Buildings		-	928,541	-
Non-recurring fair value measurements				

b. Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

- (i) The value of the Group's investment property was reviewed at 30 June 2019 by the Directors. The value adopted as at 30 June 2019 is based on a valuation performed as at 30 June 2018 by a licensed independent valuer as well as consideration of other current relevant factors.

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 9: FAIR VALUE MEASUREMENT (continued)

(ii) The value of the Group's freehold land was reviewed at 30 June 2019 by the Directors. The value adopted as at 30 June 2019 is based on an assessment by Directors of the property's current active open market value.

There were no changes during the reporting period in the valuation techniques used by the Group to determine Level 1, Level 2 and Level 3 fair values.

There were no transfers between Level 1, Level 2 and Level 3 during the reporting period.

NOTE 10: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 16: *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

As a result of the changes in the Group's accounting policies, prior year financial statements have not been restated.

a. Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains a lease or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Group as lessor

The Group leases industrial and commercial properties owned by the Group.

Upon entering into each contract as a lessor, the Group assesses if the lease is a finance or operating lease.

A contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (for example, legal cost and costs to set up

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

equipment) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

NOTE 10: CHANGES IN ACCOUNTING POLICIES (continued)

Rental income due under finance leases is recognised as receivables at the amount of the Group's net investment in the leases.

When a contract is determined to include lease and non-lease components, the Group applies AASB 15: *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

b. Initial Application of AASB 16: Leases

The Group has adopted AASB 16: *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the previous corresponding reporting period have not been restated.

Based on director's assessment, the adoption of AASB 16 did not result in material change to the recognition and measurement of leases and no adjustment to retained earnings was made from the adoption of the standard.

There has been no significant change from prior year treatment for leases where the Group is a lessor.

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 8 to 23 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors of F.F.I. Holdings Limited.



R G Moonen

Dated this 10th day of February 2020

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF F.F.I. HOLDINGS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of F.F.I. Holdings Limited (the company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows 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 company is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility 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 (including Australian Accounting Interpretations) 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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:

- a. giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

MOORE STEPHENS

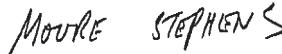
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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.

Independence

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



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 10th day of February 2020.

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