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FFI HOLDINGS LIMITED

ABN 32 009 155 328

**ASX PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020
(APPENDIX 4E)**

F.F.I. HOLDINGS LIMITED

(ABN 32 009 155 328)

APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Movement from the previous corresponding period (12 months ended 30 June 2019) for:

Revenue from ordinary activities - continuing operations	up	9.3%	to	\$35,389,434
Profit/(loss) from ordinary activities after tax attributable to members	up	8.4%	to	\$3,575,285
Net profit/(loss) attributable to members	up	8.4%	to	\$3,575,285

DIVIDENDS

	Amount per security	Franked amount per security
Final dividend this period	13.0 cents	13.0 cents
Final dividend previous corresponding period	12.0 cents	12.0 cents
Interim dividend – paid 27 March 2020	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		15 September 2020
Payment date for the dividend		25 September 2020

The Company's Dividend Reinvestment Plan (DRP) has been suspended and will not be in operation for the final dividend payable on 25 September 2020. There is no foreign sourced dividend.

NET TANGIBLE ASSETS

	Current period 30/6/2020	Previous corresponding period 30/6/2019
Net tangible assets per security	\$3.44	\$3.30

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CHAIRMAN'S REVIEW

Financial results

During the year under review the Company achieved a net profit after tax attributable to members of \$3.58 million, up 8.4 % on the net profit after tax of \$3.30 million in the previous year. The improvement is particularly pleasing given it follows the 42% increase in profit that was reported last financial year.

The results were achieved on total revenue (including revenue from both continuing and discontinued operations) of \$37.1 million, down from \$39.4 million in the previous year.

As previously reported the Company sold the business assets of Tradition Smallgoods on the 20th 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 discontinued Tradition Smallgoods operations, revenue from the Company's continuing operations increased by 9.3% to \$35.4 million from \$32.4 million previously. Profit before income tax calculated on the same basis and excluding other income (comprising gains on revaluation and sales of investment properties in the current year and loss on disposal of non-current assets in the previous year) increased by 13.7% to \$4.30 million from \$3.78 million previously.

The Company continues to be in a very strong financial position with net assets of \$37.6 million (net tangible asset backing per share of \$3.44), no debt and cash reserves of \$2.18 million.

Food operations

The divestment of the Tradition Smallgood business in the first half of the financial 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, sales during the year from the Company's continuing food operations increased by 8.2% to \$33.9 million from \$31.3 million previously and the continued growth of the food operations was a significant driver of the overall lift in the Company's reported profit.

The strong performance of the food operations reflects sound sales growth as well as operational improvements achieved by the Company during the year. 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.

As a leading Australian food company, certified to a range of high quality food manufacturing standards, COVID-19 has had a minimal impact on the Company apart from the implementation of some additional operating safeguards.

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 solid results. Rental income from property totalled \$1.13 million for the year, an increase of 10.1% on the previous corresponding period. A full 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 division to occupy an industrial factory previously held for investment purposes and leased to a third party, due to the compulsory land resumption.

The final result also benefitted from an increase in the valuation of the Company's investment property of \$0.33 million during the year. The increase in value mainly relates to the further subdivision of the vacant land held for investment purposes to facilitate the expansion and development of the Company's income producing investment property that was completed in the previous financial year.

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The carrying value of the Company's property investment as at 30th June 2020 was \$20.5 million, down from \$23.0 million for the previous financial year. The net decline reflects the change in land holding that resulted from the compulsory land taking by Main Roads of Western Australia.

Compulsory 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 during the year 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 year.

The impact of the land taking on the Company's operations remains under review. The financial loss to the Company and the entitlement to compensation is currently being negotiated with Main Roads of Western Australia. During the year the Company received \$5.4 million from Main Roads Western Australia, being an advanced payment for the land taking, to be offset against the final entitlement to compensation. The payment was used to retire all of the Company's debt. At this time, it is not known when this matter will be resolved.

Dividend

The Directors have declared a fully franked final dividend of 13.0 cents per share, up 8.3% on the previous year final dividend. Together with the interim dividend of 11.0 cents per share, this brings total ordinary dividends for the year to 24.0 cents per share fully franked, up 9.1% from the previous year.

Outlook

The extensive remedial site works, factory alterations and office relocation required because of the compulsory land taking are currently being undertaken by the Company. The ongoing disruptions to the Company's operations from these works are expected to continue during the 2021 financial year and into the 2022 financial year. Notwithstanding the negative impact from these works, the strong performance of the continuing food manufacturing operations is expected to continue as a result of the significant levels of capital that have been invested in the operations in recent years.

I am pleased to report that the outlook remains very positive. The Company is in a sound financial position with no 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

17th August 2020

F.F.I. HOLDINGS LIMITED

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APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 (i) \$
Revenue from continuing operations	2	35,389,434	32,378,857
Other income	2	358,997	(1,009)
Changes in inventories of finished goods and work in progress		599,525	196,615
Raw materials and consumables used		(17,325,095)	(15,979,815)
Employee benefits expense		(7,773,244)	(6,957,358)
Depreciation and amortisation expense	3	(727,471)	(676,956)
Repairs and maintenance expense		(1,058,523)	(740,549)
Freight expense		(1,381,666)	(1,519,565)
Finance costs	3	(106,679)	(163,636)
Other expenses		(3,318,154)	(2,754,875)
Profit before income tax from continuing operations		4,657,124	3,781,709
Income tax expense			
Current year income tax	4	(1,218,946)	(984,089)
Income tax benefit on restatement of deferred tax liabilities due to change in the Company's tax rate from 30% to 27.5% on 1 July 2018	4	-	335,856
Profit after tax from continuing operations		3,438,178	3,133,476
Discontinued operations			
Profit/(loss) from discontinued operations after tax	5	137,107	164,796
Profit for the period		3,575,285	3,298,272
Other comprehensive income for the period		-	-
Other comprehensive income for the period		-	-
Items that will not be reclassified to profit or loss:			
Net gain on revaluation of land and buildings		479,031	-
Movement in reserve due to changes in the Company's tax rate		-	118,092
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of tax		479,031	118,092
Total comprehensive income for the period		4,054,316	3,416,364
Net profit attributable to:			
Members of the parent entity		3,575,285	3,298,272
		3,575,285	3,298,272
Total comprehensive income attributable to:			
Members of the parent entity		4,054,316	3,416,364
		4,054,316	3,416,364
Basic earnings per share (cents per share)	6	33.2	30.8
Basic earnings per share from continuing operations (cents per share)	6	31.9	29.3
Basic earnings per share from discontinued operations (cents per share)	6	1.3	1.5

(i) The comparative Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019 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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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	25	2,182,169	2,100,534
Trade and other receivables	8	5,492,284	5,599,367
Inventories	9	6,737,651	4,601,932
Other current assets	10	299,778	261,810
TOTAL CURRENT ASSETS		<u>14,711,882</u>	<u>12,563,643</u>
NON-CURRENT ASSETS			
Trade and other receivables	8	249,495	274,604
Financial assets	13	71,536	71,536
Property, plant and equipment	11	13,363,073	13,697,146
Investment property	12	20,478,906	22,955,817
Intangible assets	14	552,762	552,762
Deferred tax assets	15	340,509	370,859
TOTAL NON-CURRENT ASSETS		<u>35,056,281</u>	<u>37,922,724</u>
TOTAL ASSETS		<u>49,768,163</u>	<u>50,486,367</u>
CURRENT LIABILITIES			
Trade and other payables	16	4,182,610	3,051,484
Advance received	17	1,467,029	-
Short-term borrowings	18	-	4,500,000
Current tax liabilities	19	290,008	286,413
Short-term provisions	20	779,369	1,146,078
TOTAL CURRENT LIABILITIES		<u>6,719,016</u>	<u>8,983,975</u>
NON-CURRENT LIABILITIES			
Trade and other payables	16	41,564	114,291
Deferred tax liabilities	19	5,403,152	5,363,101
TOTAL NON-CURRENT LIABILITIES		<u>5,444,716</u>	<u>5,477,392</u>
TOTAL LIABILITIES		<u>12,163,732</u>	<u>14,461,367</u>
NET ASSETS		<u>37,604,431</u>	<u>36,025,000</u>
EQUITY			
Contributed equity	21	19,829,268	19,829,268
Reserves	22	4,252,623	3,773,592
Retained earnings	23	13,522,540	12,422,140
Parent interest		37,604,431	36,025,000
TOTAL EQUITY		<u>37,604,431</u>	<u>36,025,000</u>

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

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	-	3,575,285	-	3,575,285
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	3,575,285	-	3,575,285
Transactions with owners, in their capacity as owners, and other transfers	-	-	-	-
Revaluation of land	-	-	479,031	479,031
Shares issued during the period	-	-	-	-
Dividends recognised for the period	-	(2,474,885)	-	(2,474,885)
Total transactions with owners and other transfers	-	(2,474,885)	479,031	(1,995,854)
Balance at 30.6.2020	19,829,268	13,522,540	4,252,623	37,604,431
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	-	3,298,272	-	3,298,272
Other comprehensive income:				
Income tax benefit on restatement of deferred tax liabilities due to change in the Company's tax rate from 30% to 27.5% on 1 July 2018	-	-	118,092	118,092
Total comprehensive income for the period	-	3,298,272	118,092	3,416,364
Transactions with owners, in their capacity as owners, and other transfers	-	-	-	-
Shares issued during the period	206,000	-	-	206,000
Dividends recognised for the period	-	(2,141,923)	-	(2,141,923)
Total transactions with owners and other transfers	206,000	(2,141,923)	-	(1,935,923)
Balance at 30.6.2019	19,829,268	12,422,140	3,773,592	36,025,000

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APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		36,872,788	38,514,084
Payments to suppliers and employees		(33,522,156)	(34,777,031)
Dividends received		1,422	-
Interest received		276,561	38,504
Finance costs		(106,679)	(163,636)
Income tax refunded/(paid)		(1,218,329)	(919,613)
Net cash provided by (used in) operating activities	24	<u>2,303,607</u>	<u>2,692,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,266,951	3,523
Proceeds from MRWA for investment land taken		170,000	-
Proceeds from MRWA for costs recovered		15,000	-
Proceeds from MRWA for advance payment	17	5,441,000	-
Purchase of property, plant and equipment		(1,925,624)	(1,244,637)
Own use property development costs		(231,429)	-
Investment property development costs		(8,094)	(600,226)
Net cash provided by (used in) investing activities		<u>4,727,804</u>	<u>(1,841,339)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of employee share loans		25,108	30,629
Repayment of borrowings		(4,500,000)	-
Dividends paid by parent entity		(2,474,884)	(2,141,923)
Net cash provided by (used in) financing activities		<u>(6,949,776)</u>	<u>(2,111,294)</u>
Net increase (decrease) in cash held		81,635	(1,260,325)
Cash at 1 July 2019		2,100,534	3,360,859
Cash at 30 June 2020	25	<u>2,182,169</u>	<u>2,100,534</u>

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: BASIS OF PREPARATION OF THE PRELIMINARY FINAL REPORT

The financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. The accounting policies have been consistently applied, unless otherwise stated.

The financial report covers the economic entity of F.F.I. Holdings Limited and controlled entities.

F.F.I. Holdings Limited is a listed public company, incorporated and domiciled in Australia.

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APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**

	2020	2019
	\$	\$
NOTE 2: REVENUE AND OTHER INCOME		
Revenue		
— Sale of goods	33,901,001	31,319,649
— Dividends received	353	-
— Interest received	273,169	33,326
— Rent received	1,129,778	1,025,882
— Other revenue	85,133	-
Total revenue	<u>35,389,434</u>	<u>32,378,857</u>
(a) Dividend revenue from:		
— Other corporations	353	-
Total dividend revenue	<u>353</u>	<u>-</u>
(b) Interest revenue from:		
— Other corporations	273,169	33,326
Total interest revenue	<u>273,169</u>	<u>33,326</u>
(c) Rental revenue from:		
— Other corporations	1,129,778	1,025,882
Total rental revenue	<u>1,129,778</u>	<u>1,025,882</u>
Other income		
— Gain/(Loss) on revaluation of investment property	328,611	-
— Gain/(Loss) on sale of investment property – MRWA	30,386	-
— Gain/(Loss) on disposal of non-current assets	-	(1,009)
Total other income	<u>358,997</u>	<u>(1,009)</u>

NOTE 3: PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) from ordinary activities before income tax has been determined after:

Expenses

— Cost of sales	25,767,003	23,865,211
— Finance costs - external	106,679	163,636
— Depreciation of buildings	44,097	44,097
— Depreciation of plant and equipment	683,374	632,859
— Bad and doubtful debts – trade receivables	10,882	(77)
— Rental expense on operating leases	60,861	54,344
— Employee benefits - superannuation	450,260	394,779

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	2020	2019
	\$	\$
NOTE 4: INCOME TAX EXPENSE		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Operating (loss)/profit before income tax	4,657,124	3,781,709
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 27.5%)	1,280,709	1,039,970
Add:		
Tax effect of:		
Non-deductible depreciation and amortisation	12,127	11,706
Other non-allowable items	2,253	1,819
Under provision for income tax in prior year	-	2,120
	1,295,089	1,055,615
Less:		
Tax effect of:		
Rebateable fully franked dividends	134	-
Other allowable items	18,508	-
Other tax benefits	57,501	71,526
Over provision for income tax in prior year	-	-
Income tax benefit on restatement of deferred tax liabilities due to change in the Company's tax rate from 30% to 27.5% on 1 July 2018	-	335,856
	1,218,946	648,233
Net tax for discontinued operations	51,942	69,603
	1,270,888	717,836

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: DISCONTINUED OPERATIONS

	Consolidated Group	
	2020	2019
	\$	\$
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 shown below and included in the consolidated statement of profit or loss and other comprehensive income as profit/(loss) from discontinued operations after tax.		
Revenue	1,739,731	7,054,138
Gain/(loss) on sale of non-current assets	268,930	1,818
Expenses	(1,819,613)	(6,821,557)
Profit before income tax	189,048	234,399
Profit attributable to owners of the Parent Entity	189,048	234,399
Profit on discontinued operations before income tax	189,048	234,399
Income tax expense	(51,941)	(69,603)
Profit/(loss) on discontinued operations after income tax	137,107	164,796
Total profit/(loss) after tax attributable to the discontinued operation	137,107	164,796
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	27,059
Net cash inflow from investing activities	1,266,952	(1,630)
Net cash (outflow)/inflow from financing activities	33,734	167,047
Net increase in cash generated by the discontinued business	1,560,312	192,476
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	164,796

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	2020	2019
	\$	\$
NOTE 6: EARNINGS PER SHARE		
Basic earnings per share (cents per share)	33.2	30.8
Basic earnings per share from continuing operations (cents per share)	31.9	29.3
Basic earnings per share from discontinued operations (cents per share)	1.3	1.5
(a) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	10,760,367	10,711,448
(b) Classification of securities		
Diluted earnings per share is calculated after classifying all options on issue (if any) at balance date as potential ordinary shares.		
There were no options outstanding as at 30 June 2020		
NOTE 7: DIVIDENDS		
Final fully franked ordinary dividend of 12.0 cents per share franked at the rate of 27.5% (2019: 27.5%) paid on 27 September 2019	1,291,244	1,070,886
Interim fully franked ordinary dividend of 11.0 cents per share franked at the rate of 27.5% (2019: 27.5%) paid on 27 March 2020	1,183,641	1,071,037
	<u>2,474,885</u>	<u>2,141,923</u>
Proposed final fully franked ordinary dividend of 13.0 cents per share franked at 27.5% (2019: 27.5%) payable on 25 September 2020	1,398,848	1,291,244
NOTE 8: RECEIVABLES		
CURRENT		
Trade receivables	5,492,284	5,599,367
Provision for impairment of receivables	-	-
	<u>5,492,284</u>	<u>5,599,367</u>
NON-CURRENT		
F.F.I. Holdings Ltd – Employee Share Plan	249,495	274,604
	<u>249,495</u>	<u>274,604</u>
NOTE 9: INVENTORIES		
CURRENT		
Raw materials and stores	4,936,669	3,291,687
Finished goods	1,800,982	1,310,245
	<u>6,737,651</u>	<u>4,601,932</u>

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 10: OTHER ASSETS		
CURRENT		
Prepayments	299,778	261,810
	299,778	261,810
NOTE 11: PROPERTY, PLANT AND EQUIPMENT		
LAND AND BUILDINGS		
Freehold land at fair value	5,212,500	5,152,500
TOTAL LAND	5,212,500	5,152,500
BUILDINGS		
Fair value	1,998,385	1,766,955
Accumulated depreciation	(882,511)	(838,414)
TOTAL BUILDINGS	1,115,874	928,541
TOTAL LAND AND BUILDINGS	6,328,374	6,081,041
PLANT AND EQUIPMENT		
At cost	14,731,696	16,151,090
Accumulated depreciation	(7,696,997)	(8,534,985)
TOTAL PLANT AND EQUIPMENT	7,034,699	7,616,105
TOTAL PROPERTY PLANT AND EQUIPMENT	13,363,073	13,697,146

The value of the Group's freehold land was reviewed at 30 June 2020 by the Directors. The value adopted as at 30 June 2020 is based on an assessment by Directors of the property's current active open market value.

Movements in Carrying Amounts

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

	Freehold Land	Buildings	Plant and Equipment	Total
	\$	\$	\$	\$
Balance at the beginning of the year	5,152,500	928,541	7,616,105	13,697,146
Additions	-	231,430	1,925,624	2,157,054
Revaluation	500,468	-	-	500,468
Disposals	-	-	(998,021)	(998,021)
MRWA Advance on Compensation	(440,468)	-	(799,906)	(1,240,374)
Depreciation expense	-	(44,097)	(709,103)	(753,200)
Carrying amount at the end of year	5,212,500	1,115,874	7,034,699	13,363,073

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	2020	2019
	\$	\$
Balance at beginning of year	22,955,817	22,355,592
Land sold – MRWA land taking	(139,613)	-
MRWA advance	(2,674,003)	-
Property acquired	-	-
Fair value adjustments	328,611	-
Property development costs	8,094	600,225
Provision for depreciation	-	-
Balance at end of year	<u>20,478,906</u>	<u>22,955,817</u>

The value of the Group's investment property was reviewed at 30 June 2020 by the Directors. The value adopted as at 30 June 2020 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.

NOTE 13: FINANCIAL ASSETS

Available-for-sale financial assets comprise:

Shares in unlisted corporations at cost	<u>71,536</u>	<u>71,536</u>
	<u>71,536</u>	<u>71,536</u>

NOTE 14: INTANGIBLE ASSETS

Trademarks and goodwill	<u>552,762</u>	<u>552,762</u>
	<u>552,762</u>	<u>552,762</u>

NOTE 15: DEFERRED TAX ASSETS

The future income tax benefit is made up of the following estimated tax benefits:

Timing differences	<u>340,509</u>	<u>370,859</u>
	<u>340,509</u>	<u>370,859</u>

NOTE 16: TRADE AND OTHER PAYABLES**CURRENT**

Unsecured liabilities	<u>4,182,610</u>	<u>3,051,484</u>
	<u>4,182,610</u>	<u>3,051,484</u>

NON CURRENT

Security bond – lease property	<u>41,564</u>	<u>114,291</u>
	<u>41,564</u>	<u>114,291</u>

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F.F.I. HOLDINGS LIMITED

(ABN 32 009 155 328)

APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**

	2020	2019
	\$	\$
NOTE 17: ADVANCE RECEIVED		
Advanced monies received from MRWA for compensation	1,467,029	-
During the year the Company received \$5,441,000 from Main Roads Western Australia (MRWA), this being an advanced payment for the land taking, to be offset against the final entitlement to compensation.		
Balance is comprised of:		
Total advance received from MRWA	5,441,000	-
Less transfers to assets subject to advance:		
- Investment property	2,674,003	-
- Own use property	440,468	-
- Plant and equipment	799,906	-
- Recoverable Costs	59,594	-
	<u>3,973,971</u>	-
	<u>1,467,029</u>	-
NOTE 18: INTEREST BEARING LIABILITIES		
CURRENT		
Unsecured liabilities:		
Bank overdraft	-	-
Bank loans	-	4,500,000
The bank loan was fully repaid during the year ended 30 June 2020.		
NOTE 19: TAX LIABILITIES		
CURRENT		
Income tax	290,008	286,413
NON-CURRENT		
Deferred tax liabilities	5,403,152	5,363,101
NOTE 20: SHORT TERM PROVISIONS		
CURRENT		
Employee benefits	779,369	1,146,078
NOTE 21: CONTRIBUTED EQUITY		
10,760,367 (2019: 10,760,367) fully paid ordinary shares	19,829,268	19,829,268
NOTE 22: RESERVES		
Asset Revaluation Reserve		
Opening balance	3,773,592	3,655,500
Movements during the year	479,031	118,092
Closing balance	<u>4,252,623</u>	<u>3,773,592</u>

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APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 23: RETAINED EARNINGS	2020	2019
	\$	\$
Retained earnings at the beginning of the financial year	12,422,140	11,265,791
Net profit attributable to members of the parent entity	3,575,285	3,298,272
Dividends provided for or paid	(2,474,885)	(2,141,923)
Retained earnings at the end of the financial year	<u>13,522,540</u>	<u>12,422,140</u>

NOTE 24: CASH FLOW INFORMATION

Reconciliation of cash flow from operations with operating profit from ordinary activities after income tax

Profit from ordinary activities after income tax	3,575,285	3,298,272
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Non-cash flows in profit from ordinary activities

Depreciation	753,199	791,844
(Profit)/Loss on sale of property, plant and equipment	(268,930)	(809)
Increase to asset revaluation reserve due to income tax change in the Company's tax rate from 30% to 27.5% on 1 July 2018	-	118,092
(Profit)/Loss on sale of investment land	(30,386)	-
Revaluation of investment land	(328,611)	-
Decrease/(Increase) in trade and other receivables	32,490	(880,407)
Decrease/(Increase) in prepayments	(37,968)	(50,993)
Decrease/(Increase) in inventories	(2,135,719)	(783,932)
Increase/(Decrease) in creditors and accruals	1,058,400	449,886
Decrease/(Increase) in deferred tax asset	30,350	(45,095)
Increases in provisions	(366,709)	70,224
Increase/(Decrease) in income tax payable	3,595	194,515
Increase/(Decrease) in deferred tax payable	18,611	(469,289)

Cash flow from operations	<u>2,303,607</u>	<u>2,692,308</u>
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NOTE 25: CASH AND CASH EQUIVALENTS

Cash at bank and in hand	<u>2,182,169</u>	<u>2,100,534</u>
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NOTE 26: AUDIT STATUS

This report is based on accounts which are in the process of being audited.

At the date of this report, the Directors are not aware of any matter that will result in a qualification of the audit report.

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APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE 27: FINANCIAL REPORTING BY SEGMENTS

(i) Continuing operations:	Bakery Segment	Investment Property	Total
	\$	\$	\$
2020			
Revenue			
Sales revenue	33,901,001	-	33,901,001
Rental revenue	-	1,129,778	1,129,778
Unallocated revenue			358,655
Total segment revenue			<u>35,389,434</u>
Other Income	-	358,997	358,997
Result			
Segment net profit before tax	4,138,135	1,382,096	5,520,231
Unallocated items			(863,107)
Net profit before tax from continuing operations			<u>4,657,124</u>
Assets			
Segment assets	20,309,435	20,478,906	40,788,341
Unallocated assets			8,979,822
Total group assets for continuing operations			<u>49,768,163</u>
Liabilities			
Segment liabilities	19,133,548	4,032,438	23,165,986
Inter-segment eliminations			(11,002,253)
Total group liabilities			<u>12,163,733</u>
(ii) Discontinued operations:		Smallgoods Segment	Total
		\$	\$
2020			
Revenue			
Sales revenue		1,685,626	1,685,626
Unallocated revenue			54,105
Total segment revenue			<u>1,739,731</u>
Other Income		268,930	268,930
Result			
Segment net profit before tax		189,048	189,048
Net profit before tax from discontinued operations			<u>189,048</u>

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APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020****NOTE 27: FINANCIAL REPORTING BY SEGMENTS (continued)**

(iii) Continuing operations:

	Bakery Segment	Investment Property	Total
	\$	\$	\$
2019			
Revenue			
Sales revenue	31,319,649	-	31,319,649
Rental revenue	-	1,025,882	1,025,882
Unallocated revenue			33,326
Total segment revenue			<u>32,378,857</u>
Other Income	(1,009)	-	<u>(1,009)</u>
Result			
Segment net profit before tax	3,776,132	862,246	4,638,378
Unallocated items			(856,669)
Net profit before tax from continuing operations			<u>3,781,709</u>
Assets			
Segment assets	17,250,454	22,955,818	40,206,272
Unallocated assets			7,533,241
Total group assets for continuing operations			<u>47,739,513</u>
Liabilities			
Segment liabilities	16,199,713	8,522,715	24,722,428
Inter-segment eliminations			(12,888,071)
Total group liabilities for continuing operations			<u>11,834,357</u>

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE 27: FINANCIAL REPORTING BY SEGMENTS (continued)

(iv)	Discontinued operations:	Smallgoods Segment	Total
		\$	\$
2019			
Revenue			
	Sales revenue	7,054,138	7,054,138
	Total segment revenue		<u>7,054,138</u>
	Other Income	1,818	<u>1,818</u>
Result			
	Segment net profit before tax	234,399	234,399
	Net profit before tax from discontinued operations	234,399	<u>234,399</u>
Assets			
	Segment assets	2,746,854	2,746,854
	Segment assets for discontinued operations		<u>2,746,854</u>
Liabilities			
	Segment liabilities	2,627,010	2,627,010
	Segment liabilities for discontinued operations		<u>2,627,010</u>

NOTE 28: INTEREST IN SUBSIDIARIES

The Group's subsidiaries at 30 June 2020 are set out below. The subsidiaries 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	
		2020	2019
		%	%
Fresh Food Industries Pty Ltd	Perth, Western Australia	100	100
Chocolate Products of Australia Pty Ltd	Perth, Western Australia	100	100
Prepect Australia Pty Ltd	Perth, Western Australia	100	100
Danburn Holdings 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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APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE 29: 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 30 June 2020 using:		
Description	Note	Quoted	Significant	Significant
		Prices in Active Markets for Identical Assets \$ (Level 1)	Observable Inputs Other than Level 1 Inputs \$ (Level 2)	Unobservable Inputs \$ (Level 3)
Recurring fair value measurements				
Investments in shares of unlisted corporations		-	71,536	-
Investments in shares of listed corporations		-	-	-
Investment property	(b)(i)	-	20,478,906	-
Property, plant and equipment (at revalued amounts):				
Freehold land	(b)(ii)	-	5,212,500	-
Buildings		-	1,115,874	-
Non-recurring fair value measurements		-	-	-
		Fair Value Measurements at 30 June 2019 using:		
Description	Note	Quoted	Significant	Significant
		Prices in Active Markets for Identical Assets \$ (Level 1)	Observable Inputs Other than Level 1 Inputs \$ (Level 2)	Unobservable Inputs \$ (Level 3)
Recurring fair value measurements				
Investments in shares of unlisted corporations		-	71,536	-
Investments in shares of listed corporations		-	-	-
Investment property	(b)(i)	-	22,955,817	-
Property, plant and equipment (at revalued amounts):				
Freehold land	(b)(ii)	-	5,152,500	-
Buildings		-	928,541	-
Non-recurring fair value measurements		-	-	-

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APPENDIX 4E AND PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

(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 2020 by the Directors. The value adopted as at 30 June 2020 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.
- (ii) The value of the Group's freehold land was reviewed at 30 June 2020 by the Directors. The value adopted as at 30 June 2020 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.

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