

# F.F.I. HOLDINGS LIMITED

(A.B.N. 32 009 155 328)

## AND CONTROLLED ENTITIES

### INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31<sup>st</sup> DECEMBER 2010

<b><u>Contents:</u></b>	<b><u>Page</u></b>
Cover Page	1
Chairman's Review	2 - 3
ASX Appendix 4D Disclosure	4
Directors' Report	5
Auditor's Independence Declaration	6
Consolidated Statement of Comprehensive Income	7
Consolidated Balance Sheet	8
Consolidated Statement of Changes in Equity	9
Consolidated Cash Flow Statement	10
Notes to the Financial Statements	11 - 13
Directors' Declaration	14
Independent Auditor's Review Report	15 - 16

## **CHAIRMAN'S REVIEW**

### **DECEMBER 2010**

On behalf of the Directors of FFI Holdings Limited (the "Company"), I am pleased to report the financial results of the Company for the six months ended 31<sup>st</sup> December 2010.

The half year under review has been an important and successful period for the Company. We have been able to consolidate the significant profit growth we have achieved over recent years while continuing to improve the profitability of the Company's core business operations. The record half year results in underlying earnings from food operations reflect the quality of the Company's various business units and the excellent operational performance of those businesses.

#### **Record Financial Results**

Shareholders would be aware from previous announcements of the sale of the Olympic Fine Foods ("Olympic") business during this period. The sale of the business had a significant effect on reported sales revenue and earnings. While total sales revenue for the first half increased by 4%, after adjusting for the sale of the Olympic business, revenue from continuing business units increased by 6% when compared with the previous corresponding period. It is particularly pleasing to note that despite the divestment of the Olympic business unit, underlying profit after tax from the Company's food operations increased by 12% to \$ 1,624,666. This record result was further boosted by a \$ 402,363 profit after tax from the sale of the Olympic business.

The sale of the Olympic business, together with strong cash flows from operations of \$2,176,363, has further improved the Company's financial position. Net debt is now down to \$540,826, representing a gearing level of less than 2.5%. This places the Company in an excellent position to pursue further organic and acquisition growth opportunities.

#### **Dividend**

A special fully franked 50 cent dividend was paid to shareholders during the period under review. This dividend was fully underwritten and subject to the Company's dividend reinvestment plan. As a result of this initiative, the total number of shares on issue increased by approximately 1.0 million to 8.1 million shares. In view of the expanded share capital, and having regard to the growth in underlying earnings, your Directors have resolved to maintain the interim dividend at 10 cents per share (fully franked). As a result of the Company's expanded share base, total interim dividend payments to shareholders will increase by 17% to \$ 810,038.

#### **Future Outlook**

Trading conditions for the second half of the financial year appear difficult. Continuing record world commodity prices of many of the Company's main raw materials will place pressure on profit margins and pricing. At this stage, it is not possible to quantify what effect, if any, this will have on the Company's final results. However, management will continue to work closely with the Company's customers and suppliers to minimise the impact of these expected cost increases. The Company is in an excellent position to meet these challenges and maintain growth over the long term.

## **CHAIRMAN'S REVIEW**

### **DECEMBER 2010**

#### **About FFI Holdings Limited.**

F.F.I. Holdings Limited is a Western Australian based food company with manufacturing, processing and packing operations covering the following areas –

- ◆ “Chocolate Products of Australia” – industrial supply of chocolate and chocolate compounds.
- ◆ “Nemar Cake Toppings” – cake toppings and confectionery products.
- ◆ “Prepackt”- contract packing and blending.
- ◆ “Fresh Food Industries” – bakers’ jams and fruit fillings.
- ◆ “Tradition Smallgoods” – fresh sausages, bacon and processed meat products.



**Rodney G. Moonen**  
**Chairman of Directors**  
**18<sup>th</sup> February 2011**

**F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

**ASX APPENDIX 4D DISCLOSURE**  
**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

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**FINANCIAL RESULTS**

Movement from the previous corresponding period (6 months ended 31 December 2009) for:

Revenue from ordinary activities	up	3.7%	to	\$17,937,871
Profit / (Loss) from ordinary activities after tax attributable to members	up	41.6%	to	\$1,990,062
Net Profit / (Loss) attributable to members	up	41.6%	to	\$1,990,062

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**DIVIDENDS**

	<u>Amount Per Security</u>	<u>Franked Amount Per Security</u>
Interim dividend	10.0 cents	10.0 cents
Previous corresponding period	10.0 cents	10.0 cents
Record date for determining entitlements to dividend:	21 <sup>st</sup> April 2011	
Payment date for dividend:	28 <sup>th</sup> April 2011	

The Company's Dividend Reinvestment Plan (DRP) has been suspended and will not be in operation for the interim dividend payable on the 28<sup>th</sup> of April 2011. The DRP will remain suspended until further notice. Previously lodged elections to participate in the DRP will remain valid should the DRP be reinstated in the future.

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**NET TANGIBLE ASSETS**

	<u>Current Period</u>	<u>Previous Corresponding Period</u>
Net Tangible Assets per Security	\$2.95	\$3.10

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- *It is recommended that this report be read in conjunction with the annual financial report of the company for the year ended 30 June 2010.*

**F.F.I. Holdings Limited and Controlled Entities  
Interim Financial Report 31<sup>st</sup> December 2010**

**DIRECTORS' REPORT**

Your directors submit the financial report of the economic entity for the half year ended 31 December 2010.

**Directors**

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

***Mr Rodney G Moonen***

***Mr Geoffrey W Nicholson***

***Mr Christopher Langdon***

**Review of Operations**

A review of operations is contained in the accompanying Chairman's Review on page 2.

**Auditor's Declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December 2010.

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



***Rodney G Moonen***

***Director***

Dated this 18<sup>th</sup> day of February 2011

To The Board of Directors

## **Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

This declaration is made in connection with our review of the financial report of F.F.I. Holdings Limited for the half year ended 31 December 2010 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully



**BENTLEYS**  
Chartered Accountants



**RANKO MATIĆ**  
Director

DATED at PERTH this 18<sup>th</sup> day of February 2011

**F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
		<b>\$</b>	<b>\$</b>
Revenue		17,937,871	17,289,985
Other Income		3,000	-
Changes in inventories of finished goods and work in progress		(509,668)	(192,960)
Raw materials and consumables used		(8,730,199)	(8,865,907)
Employee benefits expense		(3,542,003)	(3,439,306)
Depreciation and amortisation expense		(256,000)	(256,500)
Repairs and Maintenance expense		(333,983)	(381,324)
Freight expense		(838,678)	(817,938)
Finance costs		(107,776)	(92,108)
Other expenses		(1,301,612)	(1,177,643)
Profit before income tax from continuing operations		2,320,952	2,066,299
Income tax expense		(696,286)	(619,890)
Profit after tax from continuing operations		1,624,666	1,446,409
Net gain on sale of Olympic Fine Foods business		574,804	-
Income tax expense on net gain		(172,441)	-
Net gain after tax on sale of Olympic Fine Foods business		402,363	-
Profit for the period	2	2,027,029	1,446,409
Other Comprehensive income for the period		-	-
Total Comprehensive income for the period		2,027,029	1,446,409
Profit attributable to:			
Non-controlling interest		36,967	41,105
Members of the parent entity		1,990,062	1,405,304
		2,027,029	1,446,409
Basic earnings per share (cents per share)		25.8	20.7
Diluted earnings per share (cents per share)		25.8	20.7

The accompanying notes form part of these accounts

## F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

### CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	Consolidated Group	
		31.12.2010	30.06.2010
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,459,327	708,007
Trade and other receivables		5,168,661	4,490,572
Inventories		3,739,150	4,222,865
Other current assets		108,627	31,592
<b>TOTAL CURRENT ASSETS</b>		<b>11,475,765</b>	<b>9,453,036</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		1,021,397	398,844
Investment property		14,002,085	13,982,837
Property, plant and equipment		11,426,781	11,755,664
Deferred tax assets		359,939	359,939
Intangible assets		402,762	262,530
Other non-current assets		41,906	41,906
<b>TOTAL NON-CURRENT ASSETS</b>		<b>27,254,870</b>	<b>26,801,720</b>
<b>TOTAL ASSETS</b>		<b>38,730,635</b>	<b>36,254,756</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,824,357	3,110,329
Short-term financial liabilities		-	-
Current tax liabilities		1,095,456	590,708
Short-term provisions		768,852	801,799
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,688,665</b>	<b>4,502,836</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financial liabilities		3,000,153	3,000,153
Deferred tax liabilities		5,530,429	5,530,429
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,530,582</b>	<b>8,530,582</b>
<b>TOTAL LIABILITIES</b>		<b>14,219,247</b>	<b>13,033,418</b>
<b>NET ASSETS</b>		<b>24,511,388</b>	<b>23,221,338</b>
<b>EQUITY</b>			
Issued capital	4	10,407,282	6,420,996
Reserves		3,655,500	3,655,500
Retained earnings		10,226,566	12,925,659
Parent entity interest		24,289,348	23,002,155
Non-controlling interest		222,040	219,183
<b>TOTAL EQUITY</b>		<b>24,511,388</b>	<b>23,221,338</b>

The accompanying notes form part of these financial statements.



**F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	<b>Share Capital</b>	<b>Retained</b>	<b>Reserves</b>	<b>Non- controlling Interests</b>	<b>Total</b>
	<b>Ordinary</b>	<b>Earnings</b>			
<b>Consolidated Group</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1.7.2010</b>	6,420,996	12,925,659	3,655,500	219,183	23,221,338
Shares issued during the period	3,986,286	-	-	-	3,986,286
Total comprehensive income for the period	-	1,990,062	-	36,967	2,027,029
Sub-total	10,407,282	14,915,721	3,655,500	256,150	29,234,653
Dividends paid or provided for	-	(4,689,155)	-	(34,110)	(4,723,265)
<b>Balance at 31.12.2010</b>	10,407,282	10,226,566	3,655,500	222,040	24,511,388
<b>Balance at 1.7.2009</b>	5,720,289	11,281,116	3,655,500	193,190	20,850,095
Shares issued during the period	355,563	-	-	-	355,563
Total comprehensive income for the period	-	1,405,304	-	41,105	1,446,409
Sub-total	6,075,852	12,686,420	3,655,500	234,295	22,652,067
Dividends paid or provided for	-	(745,103)	-	(24,210)	(769,313)
<b>Balance at 31.12.2009</b>	6,075,852	11,941,317	3,655,500	210,085	21,882,754

**F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	<b>Consolidated Group</b>	
	<b>31.12.2010</b>	<b>31.12.2009</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	16,905,439	15,895,744
Payments to suppliers and employees	(14,311,822)	(14,040,308)
Dividends received	3,640	3,245
Interest received	50,861	2,737
Finance costs	(107,776)	(92,108)
Income tax paid	(363,979)	(315,929)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	2,176,363	1,453,381
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of non-current assets	(401,873)	(689,871)
Purchase of intangibles	(190,232)	-
Proceeds from sale of non-current assets	3,000	-
Proceeds from sale of Olympic Fine Foods Business	855,677	-
Investment property development costs	(19,248)	-
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	247,324	(689,871)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid by chief entity	(702,869)	(389,540)
Dividends paid by controlled entities to non-controlling interests	(34,110)	(24,210)
Prepayment of employee share plan loans	64,612	41,254
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	(672,367)	(372,496)
	<hr/>	<hr/>
Net increase (decrease) in cash held	1,751,320	391,014
Cash at beginning of period	708,007	(181,699)
	<hr/>	<hr/>
Cash at end of period	2,459,327	209,315
	<hr/>	<hr/>

The accompanying notes form part of these financial statements.

# F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting 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 (the 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 interim financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half year.

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.

### NOTE 2: PROFIT FOR THE PERIOD

	<b>Consolidated Group</b>	
	<b>31.12.2010</b>	<b>31.12.2009</b>
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Net gain before tax on the sale of the Olympic Fine Foods business	<u>574,804</u>	-

### NOTE 3: DIVIDENDS

Proposed interim fully franked ordinary dividend of 10.0 cents (2009: 10.0 cents) per share franked at the tax rate of 30% (2009: 30%)	<u>810,038</u>	<u>689,627</u>
Final fully franked ordinary dividend paid during the half year period	<u>1,197,219</u>	<u>745,103</u>
Special fully franked ordinary dividend paid during the half year period	<u>3,491,936</u>	-

### NOTE 4: ISSUED CAPITAL

8,100,385 (2009: 6,896,272) fully paid ordinary shares	<u>10,407,282</u>	<u>6,420,996</u>
Ordinary shares at the beginning of the reporting period	6,983,872	6,773,664
Shares issued during the period –		
27 <sup>th</sup> August 2010 – DRP shares issued for special dividend	997,589	-
17 <sup>th</sup> November 2010 – DRP shares issued for final (2010) dividend	118,924	-
26 <sup>th</sup> November 2009 – DRP shares issued for final (2009) dividend	<u>-</u>	<u>122,608</u>
Ordinary shares at the end of the reporting period	<u>8,100,385</u>	<u>6,896,272</u>

### NOTE 5: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

### NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

## **F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES**

### **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*

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

(ii) *Smallgoods Segment*

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

(iii) *Investment Property*

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

##### **Impact on Segment Reporting of Sale of Olympic Fine Foods Business**

During the period under review the Group sold its Olympic Fine Foods business. For operating segment reporting purposes the Olympic Fine Foods business has been included in the Group's Bakery Segment as it shared similar characteristics to the other businesses comprising the Bakery Segment. Accordingly the sale of the Olympic Fine Foods business has had no impact on the operating segment reporting for the half year period to 31 December 2010.

## F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTE 7: OPERATING SEGMENTS

#### (i) Segment performance

	Bakery Segment	Smallgoods Segment	Investment Property	Unallocated	Total
	\$	\$	\$	\$	\$
<b>Six months ended</b>					
<b>31.12.2010</b>					
<b>Revenue</b>					
External sales	13,865,445	3,972,925	-	-	17,838,370
Inter-segment sales	-	-	-	-	-
Other	92,360	6,175	-	966	99,501
<b>Total segment revenue</b>	<b>13,957,805</b>	<b>3,979,100</b>	<b>-</b>	<b>966</b>	<b>17,937,871</b>
<i>Reconciliation of segment revenue to group revenue</i>					
Inter-segment elimination	-	-	-	-	-
Total group revenue	13,957,805	3,979,100	-	966	17,937,871
<b>Segment net profit before tax</b>	<b>2,680,208</b>	<b>264,050</b>	<b>-</b>	<b>(48,502)</b>	<b>2,895,756</b>
<b>Six months ended</b>					
<b>31.12.2009</b>					
<b>Revenue</b>					
External sales	13,198,280	4,085,723	-	-	17,284,003
Inter-segment sales	-	-	-	-	-
Other	867	4,247	-	868	5,982
<b>Total segment revenue</b>	<b>13,199,147</b>	<b>4,089,970</b>	<b>-</b>	<b>868</b>	<b>17,289,985</b>
<i>Reconciliation of segment revenue to group revenue</i>					
Inter-segment elimination	-	-	-	-	-
Total group revenue	13,199,147	4,089,970	-	868	17,289,985
<b>Segment net profit before tax</b>	<b>1,753,967</b>	<b>293,607</b>	<b>-</b>	<b>18,725</b>	<b>2,066,299</b>

## **F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES**

### **DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 13:
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date.
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.



**Rodney G Moonen**

**Director**

Dated this 18<sup>th</sup> day of February 2011.

## Independent Auditor's Review Report

### To the Members of FFI Holdings Limited

We have reviewed the accompanying half-year financial report of FFI Holdings Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

#### 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 and the Corporations Act 2001 and for such 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 Standard on Review Engagements ASRE 2410 Review of a Financial Report 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 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. As the auditor of FFI Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

#### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

# **Independent Auditor's Review Report**

To the Members of FFI Holdings Limited (Continued)

## **Conclusion**

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 FFI Holdings Limited and Controlled Entities 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 2010 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



**BENTLEYS**  
Chartered Accountants



**RANKO MATIĆ**  
Director

DATED at PERTH this 18<sup>th</sup> day of February 2011