# F.F.I. HOLDINGS LTD.

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

# AND CONTROLLED ENTITIES

# INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31st DECEMBER 2013

***Contents:*** | ***Page***

# INTERIM FINANCIAL REPORT
# FOR THE HALF YEAR ENDED 31st DECEMBER 2013

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

---

## *FINANCIAL RESULTS*

Movement from the previous corresponding period (6 months ended 31 December 2012) for:

| | | | | |
|---|---|---|---|---|
| Revenue from ordinary activities | down | 1.3% | to | $16,024,782 |
| Profit / (Loss) from ordinary activities after tax attributable to members | down | 20.6% | to | $1,185,666 |
| Net Profit / (Loss) attributable to members | down | 20.6% | to | $1,185,666 |

---

## *DIVIDENDS*

| | Amount Per Security | Franked Amount Per Security |
|---|---|---|
| Interim dividend | 10.0 cents | 10.0 cents |
| Previous corresponding period | 10.0 cents | 10.0 cents |
| Record date for determining entitlements to dividend: | 17th April 2014 | |
| Payment date for dividend: | 24th April 2014 | |

The Company's Dividend Reinvestment Plan (DRP) is currently in operation and will be in operation for the interim dividend payable on the 24th of April 2014. A discount of 5.00% has been set by the Board and will apply to the DRP for the interim dividend. Previously lodged elections to participate in the DRP remain valid, however should shareholders wish to change their participation details, new Notice of Election forms may be obtained by contacting the Company's share register. The last date for receipt of election notices is 17th April 2014. There is no foreign sourced dividend.

---

## *NET TANGIBLE ASSETS*

| | Current Period | Previous Corresponding Period |
|---|---|---|
| Net Tangible Assets per Security | $2.88 | $2.98 |

---

- ***It is recommended that this report be read in conjunction with the annual financial report of the company for the year ended 30 June 2013.***

## CHAIRMAN'S REVIEW
## DECEMBER 2013

On behalf of the Directors, I am pleased to provide to shareholders this update for the six months ended 31 December, 2013.

During the period under review the Company achieved a net profit after tax attributable to members of $1.19 million, down 20.6% from the $1.49 million in the previous corresponding half year. Excluding the profit from the sale of investment land recorded in the previous period, net profit after tax from food operations was down by 11%.

The six months under review proved to be a difficult period for our Company. A lack of sales growth and continuing increases in the cost of doing business in the Australian food manufacturing industry were the main factors affecting the results.

While the results were achieved on the back of sales of $16.0 million, a decline of only 1.3%, a change in the product sales mix resulted in higher production costs and tighter profit margins. These increased costs were significantly off-set by improvements in productivity resulting from the capital expenditure program and other initiatives that have been underway since the previous year. The improvements that have been achieved in productivity, with further initiatives underway, place the Company in a good position to return to solid profit growth as market conditions improve.

Cash flow from operations was also significantly affected by a $1.3 million increase in working capital. A build up of inventories to facilitate the launch of new products towards the end of the period was the main reason for the reduction in operating cash flow. However, this is a timing issue and the cash flow benefits from these new product sales should be apparent in the future.

While the Directors consider the reported operating profit to be disappointing, the Company has continued to make excellent progress in the development of its property investment assets. As previously reported, an agreement to develop and lease out a significant area of the property held for investment purposes was finalised in November 2012. This project is now nearing completion and lease income of $725,000 per annum is expected to commence during the current half year.

In addition to the building construction works required under the lease, extensive civil works, including roads, sewerage, drainage, water and power supplies relating to the balance of the Company's investment land are also nearing completion. The completion of these works and the subsequent sub division of a further two prime industrial / commercial lots is expected to create further opportunities to improve shareholder value.

In addition to the final fully franked dividend of 13.5 cents per share relating to the 2013 financial year, a special fully franked dividend of 25 cents per share was paid to shareholders during the period under review. The Company's Dividend Reinvestment Plan (DRP) operated in relation to both of these dividends and was partially underwritten in the case of the special dividend. Accordingly, the total number of shares on issue has increased to approximately 9.2 million shares.

The Directors have resolved to maintain the interim dividend at 10 cents per share fully franked. The expanded share capital will result in the total amount of the interim dividend increasing by approximately 11% compared with the previous corresponding period to $921,222. The Company's DRP will continue to apply with respect to the interim dividend which will be paid to shareholders on the 24th April 2014, with a record date of the 17th April 2014.

**Rodney Moonen**
**Chairman of Directors**
**17Th February, 2014.**

# F.F.I. Holdings Limited and Controlled Entities
# Interim Financial Report 31st December 2013

## DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half year ended 31 December 2013.

### Directors

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

Mr Rodney Moonen

Mr Geoffrey Nicholson

Mr Robert Fraser

### Review of Operations

A review of operations is contained in the accompanying Chairman's Review on page 3.

### Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2013.

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

***Rodney G Moonen***
***Director***

Dated this 17th day of February 2014.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Level 3, 12 St Georges Terrace
Perth WA 6000

PO Box 5785 St Georges Terrace
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

**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 2013 there have been:

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

Neil Pace | Moore Stephens

**Neil Pace**
**Partner**

**Moore Stephens**
**Chartered Accountants**

Signed at Perth this 17th day of February 2014

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE HALF YEAR ENDED 31 DECEMBER 2013

| | Note | Consolidated Group | |
|---|---|---|---|
| | | **31.12.2013** | **31.12.2012** |
| | | **$** | **$** |
| Revenue | | 16,024,782 | 16,239,067 |
| Other income – sale of investment land | 2 | - | 243,390 |
| Changes in inventories of finished goods and work in progress | | 713,859 | (28,539) |
| Raw materials and consumables used | | (8,608,300) | (8,018,012) |
| Employee benefits expense | | (3,663,163) | (3,555,413) |
| Depreciation and amortization expense | | (264,048) | (243,341) |
| Repairs and maintenance expense | | (369,553) | (365,364) |
| Freight expense | | (748,623) | (750,641) |
| Finance costs | | - | (47,445) |
| Other expenses | | (1,373,231) | (1,304,776) |
| Profit before income tax from continuing operations | | 1,711,723 | 2,168,926 |
| Income tax expense | | (513,517) | (650,678) |
| Profit after tax from continuing operations | | 1,198,206 | 1,518,248 |
| | | | |
| Profit for the period | | 1,198,206 | 1,518,248 |
| Other comprehensive income for the period | | - | - |
| Items that will not be reclassified to profit or loss: | | | |
| Net gain on revaluation of land and buildings | | - | - |
| Share of other comprehensive income of investments accounted for using the equity method | | - | - |
| Income tax relating to items that will not be reclassified | | - | - |
| | | | |
| 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 | | 1,198,206 | 1,518,248 |
| | | | |
| Net profit attributable to: | | | |
| Members of the parent entity | | 1,185,666 | 1,493,252 |
| Non-controlling interest | | 12,540 | 24,996 |
| | | 1,198,206 | 1,518,248 |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | 1,185,666 | 1,493,252 |
| Non-controlling interest | | 12,540 | 24,996 |
| | | 1,198,206 | 1,518,248 |
| | | | |
| Basic earnings per share (cents per share) | | 13.9 | 18.3 |
| | | | |
| Basic earnings per share from continuing operations (cents per share) | | 13.9 | 18.3 |

The accompanying notes form part of these financial statements.

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 31.12.2013 | 30.06.2013 |
| | | $ | $ |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 526,277 | 2,916,395 |
| Trade and other receivables | | 4,816,698 | 4,058,970 |
| Inventories | | 5,145,892 | 3,808,999 |
| Other current assets | | 226,425 | 203,257 |
| **TOTAL CURRENT ASSETS** | | 10,715,292 | 10,987,621 |
| **NON-CURRENT ASSETS** | | | |
| Trade and other receivables | | 193,581 | 157,906 |
| Investment property | | 13,528,488 | 12,143,058 |
| Property, plant and equipment | | 12,607,189 | 12,153,530 |
| Deferred tax assets | | 291,791 | 291,791 |
| Intangible assets | | 402,762 | 402,762 |
| Financial assets | | 73,514 | 73,514 |
| **TOTAL NON-CURRENT ASSETS** | | 27,097,325 | 25,222,561 |
| **TOTAL ASSETS** | | 37,812,617 | 36,210,182 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 3,861,923 | 3,119,958 |
| Current tax liabilities | | 888,255 | 853,200 |
| Short-term provisions | | 835,190 | 834,638 |
| **TOTAL CURRENT LIABILITIES** | | 5,585,368 | 4,807,796 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | 4,996,406 | 4,996,406 |
| **TOTAL NON-CURRENT LIABILITIES** | | 4,996,406 | 4,996,406 |
| **TOTAL LIABILITIES** | | 10,581,774 | 9,804,202 |
| **NET ASSETS** | | 27,230,843 | 26,405,980 |
| **EQUITY** | | | |
| Issued capital | 4 | 14,402,225 | 11,482,953 |
| Reserves | | 3,655,500 | 3,655,500 |
| Retained earnings | | 8,916,874 | 11,023,823 |
| Parent entity interest | | 26,974,599 | 26,162,276 |
| Non-controlling interest | | 256,244 | 243,704 |
| **TOTAL EQUITY** | | 27,230,843 | 26,405,980 |

The accompanying notes form part of these financial statements.

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF YEAR ENDED 31 DECEMBER 2013

| Consolidated Group | Ordinary Share Capital $ | Retained Earnings $ | Reserves $ | Non-contolling Interests $ | Total $ |
|---|---|---|---|---|---|
| **Balance at *1 July 2013*** | 11,482,953 | 11,023,823 | 3,655,500 | 243,704 | 26,405,980 |
| Comprehensive income | | | | | |
| Profit attributable to members of parent entity | - | 1,185,666 | - | - | 1,185,666 |
| Profit attributable to minority shareholders | - | - | - | 12,540 | 12,540 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | - | 1,185,666 | - | 12,540 | 1,198,206 |
| Transactions with owners, in their capacity as owners, and other transfers | | | | | |
| Shares issued during the period | 2,919,272 | - | - | - | 2,919,272 |
| Dividends recognised for the period | - | (3,292,615) | - | - | (3,292,615) |
| Total transactions with owners and other transfers | 2,919,272 | (3,292,615) | - | - | (373,343) |
| **Balance at *31 December 2013*** | 14,402,225 | 8,916,874 | 3,655,500 | 256,244 | 27,230,843 |
| | | | | | |
| **Balance at *1 July 2012*** | 10,337,282 | 9,962,288 | 3,655,500 | 211,559 | 24,166,629 |
| Comprehensive income | | | | | |
| Profit attributable to members of parent entity | - | 1,493,252 | - | - | 1,493,252 |
| Profit attributable to minority shareholders | - | - | - | 24,996 | 24,996 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | - | 1,493,252 | - | 24,996 | 1,518,248 |
| Transactions with owners, in their capacity as owners, and other transfers | | | | | |
| Shares issued during the period | 612,800 | - | - | - | 612,800 |
| Dividends recognised for the period | - | (972,046) | - | - | (972,046) |
| Total transactions with owners and other transfers | 612,800 | (972,046) | - | - | (359,246) |
| **Balance at *31 December 2012*** | 10,950,082 | 10,483,494 | 3,655,500 | 236,555 | 25,325,631 |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF YEAR ENDED 31 DECEMBER 2013

| | Consolidated Group | |
|---|---|---|
| | **31.12.2013** | **31.12.2012** |
| | **$** | **$** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | 15,243,727 | 16,619,467 |
| Payments to suppliers and employees | (14,706,957) | (15,015,355) |
| Dividends received | 84 | 3,245 |
| Interest received | 28,056 | 12,284 |
| Finance costs | - | (47,445) |
| Income tax paid | (478,462) | (578,919) |
| Net cash provided by (used in) operating activities | 86,448 | 993,277 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (723,520) | (251,347) |
| Proceeds from sale of property, plant and equipment | 1,000 | - |
| Investment property development costs | (1,385,430) | (2,137) |
| Net cash provided by (used in) investing activities | (2,107,950) | (253,484) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividends paid by parent entity | (402,942) | (359,246) |
| Dividends paid by controlled entities to non-controlling interests | - | - |
| Repayment of employee share loans | 34,326 | 34,398 |
| Net cash provided by (used in) financing activities | (368,616) | (324,848) |
| Net increase (decrease) in cash held | (2,390,118) | 414,945 |
| Cash and cash equivalents at beginning of period | 2,916,395 | 527,303 |
| Cash and cash equivalents at end of period | 526,277 | 942,248 |

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**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 2013 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 2013, together with any public announcements made during the following half-year.

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.

c. **New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period**

(i) *Consolidated financial statements, joint arrangements and disclosure of interests in other entities*

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

– AASB 10: *Consolidated Financial Statements;*

– AASB 127: *Separate Financial Statements* (August 2011);

– AASB 12: *Disclosure of Interests in Other Entities;*

– AASB 2011–7*: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and

– AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10. The effects of initial application of these Standards in the current half-year reporting period are as follows:

– *Consolidated financial statements:*

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations*) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012–2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(d).

– *Disclosure of interest in other entities:*

AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128. New disclosures, that are material to this interim financial report and associated with the Group's interests in subsidiaries as prescribed by AASB 12 have been set out in Note 9.

(ii) *Fair value measurements and disclosures*

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this interim financial report have been provided in Note 10. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(e), should be incorporated in these financial statements.

(iii) *Other*

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.*

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10*: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

d. **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 9.

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 interests' 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 statement of financial position and statement of comprehensive income.

e. **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

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 (ie 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 (ie 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 (ie 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.

**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 that an input that is significant to the measurement can be categorised into 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 (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

f. **Critical Accounting Estimates and Significant Judgments Used in Applying Accounting Policies**

The critical estimates and judgments are consistent with those applied and disclosed in the June 2013 annual report.

**NOTE 2: PROFIT FOR THE PERIOD**

| | Consolidated Group | |
|---|---|---|
| | **31.12.2013** | **31.12.2012** |
| The following revenue and expense items are relevant in explaining the financial performance for the interim period: | | |
| Net gain before tax on sale of investment land | - | 243,390 |

**NOTE 3: DIVIDENDS**

| | | |
|---|---|---|
| Declared interim fully franked ordinary dividend of 10.0 cents (2012: 10.0 cents) per share franked at the tax rate of 30% (2012: 30%) | 921,222 | 828,608 |
| Final fully franked ordinary dividend paid during the half year period | 1,137,855 | 972,046 |
| Special fully franked ordinary dividend paid during the half year period | 2,154,760 | - |

**NOTE 4: ISSUED CAPITAL**

| | | |
|---|---|---|
| 9,212,220 (2012: 8,286,082) fully paid ordinary shares | 14,402,225 | 10,950,082 |
| No. of ordinary shares at the beginning of the reporting period | 8,428,561 | 8,100,385 |
| Shares issued during the period – | | |
| 16th November 2012 – DRP shares issued for final (2012) dividend | - | 185,697 |
| 24th October 2013 – DRP shares issued for final (2013) dividend | 190,479 | - |
| 20th December 2013 – DRP shares issued for special dividend | 574,513 | - |
| 20th December 2013 – ESP shares issued | 18,667 | - |
| No. of ordinary shares at the end of the reporting period | 9,212,220 | 8,286,082 |

**NOTE 5: CONTINGENT LIABILITIES**

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

**NOTE 6: EVENTS AFTER THE END OF THE INTERIM PERIOD**

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

## 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.

**NOTE 7: OPERATING SEGMENTS (continued)**

**(i) Segment performance**

| | Bakery Segment | Smallgoods Segment | Investment Property | Unallocated | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Six months ended 31.12.2013** | | | | | |
| **Revenue** | | | | | |
| External sales | 12,269,699 | 3,731,756 | - | - | 16,001,455 |
| Inter-segment sales | - | - | - | - | - |
| Other | 4,949 | (3,436) | - | 21,814 | 23,327 |
| **Total segment revenue** | 12,274,648 | 3,728,320 | - | 21,814 | 16,024,782 |
| *Reconciliation of segment revenue to group revenue* | | | | | |
| Inter-segment elimination | - | - | - | - | - |
| Total group revenue | 12,274,648 | 3,728,320 | - | 21,814 | 16,024,782 |
| **Segment net profit before tax** | 1,538,976 | 89,569 | - | 83,178 | 1,711,723 |
| **Six months ended 31.12.2012** | | | | | |
| **Revenue** | | | | | |
| External sales | 12,127,972 | 4,095,566 | - | - | 16,223,538 |
| Inter-segment sales | - | - | - | - | - |
| Other | 9,651 | 5,010 | 243,390 | 868 | 258,919 |
| **Total segment revenue** | 12,137,623 | 4,100,576 | 243,390 | 868 | 16,482,457 |
| *Reconciliation of segment revenue to group revenue* | | | | | |
| Inter-segment elimination | - | - | - | - | - |
| Total group revenue | 12,137,623 | 4,100,576 | 243,390 | 868 | 16,482,457 |
| **Segment net profit before tax** | 1,735,164 | 178,543 | 243,390 | 11,829 | 2,168,926 |
| **(ii) Segment Assets** | | | | | |
| Opening balance 1 July 2013 | 12,600,650 | 2,513,755 | 12,143,058 | 8,952,719 | 36,210,182 |
| Additions – capital expenditure | 699,157 | 24,363 | 1,385,430 | - | 2,108,950 |
| Disposals | - | (5,813) | - | - | (5,813) |
| Other asset movements | 1,401,589 | 139 | - | (1,902,430) | (500,702) |
| Closing balance 31 December 2013 | 14,701,396 | 2,532,444 | 13,528,488 | 7,050,289 | 37,812,617 |

## NOTE 8: BUSINESS COMBINATIONS

During the period under review the Group formed the company Prepact Australia Pty Ltd. The company is a wholly owned subsidiary of the parent company, F.F.I. Holdings Ltd.

Prepact Australia Pty Ltd has a share capital of $100 and was established to improve customer sales information and management within the Group.

## NOTE 9: INTEREST IN SUBSIDIARIES

### Information about Principal Subsidiaries

Set out below are the Group's subsidiaries at 31 December 2013. 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 | | Proportion of Non-controlling Interests | |
|---|---|---|---|---|---|
| | | At 31 December 2013 | At 30 June 2013 | At 31 December 2013 | At 30 June 2013 |
| Fresh Food Industries Pty Ltd | Perth, Australia | 100% | 100% | - | - |
| Chocolate Products of Australia Pty Ltd | Perth, Australia | 100% | 100% | - | - |
| Prepact Australia Pty Ltd | Perth, Australia | 100% | 100% | - | - |
| Tradition Smallgoods Pty Ltd | Perth, Australia | 80% | 80% | 20% | 20% |

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

**NOTE 10: 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 2013 Using: | | |
|---|---|---|---|---|
| | | Quoted Prices in Active Markets for Identical Assets $ | Significant Observable Inputs Other than Level 1 Inputs $ | Significant Unobservable Inputs $ |
| **Description** | **Note** | **(Level 1)** | **(Level 2)** | **(Level 3)** |
| **Recurring fair value measurements** | | | | |
| Investments in shares of unlisted corporations | | - | 71,534 | - |
| Investments in shares of listed corporations | | 1,980 | - | - |
| Investment Property | (i) | - | 13,528,488 | - |
| Property, plant and equipment (at revalued amounts): | | | | |
| Freehold land | (ii) | - | 5,152,500 | - |
| Buildings | | - | 1,171,074 | - |
| **Non-recurring fair value measurements** | | - | - | - |

| | | Fair Value Measurements at 30 June 2013 Using: | | |
|---|---|---|---|---|
| | | Quoted Prices in Active Markets for Identical Assets $ | Significant Observable Inputs Other than Level 1 Inputs $ | Significant Unobservable Inputs $ |
| **Description** | **Note** | **(Level 1)** | **(Level 2)** | **(Level 3)** |
| **Recurring fair value measurements** | | | | |
| Investments in shares of unlisted corporations | | - | 71,534 | - |
| Investments in shares of listed corporations | | 1,980 | - | - |
| Investment Property | (i) | - | 12,143,058 | - |
| Property, plant and equipment (at revalued amounts): | | | | |
| Freehold land | (ii) | - | 5,152,500 | - |
| Buildings | | - | 1,193,122 | - |
| **Non-recurring fair value measurements** | | - | - | - |

**Note 10: FAIR VALUE MEASUREMENT (continued)**

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

(i) The fair value measurement amounts of investment property is based on an assessment by the directors of the properties fair market value. The methodology used for the assessment incorporated a valuation performed at 30 June 2013 by a licensed independent valuer as well as consideration of other current relevant factors and market conditions. For a significant portion of the investment properties the directors adopted the value assessed by the independent valuer. For the remaining portion of the investment properties the directors adopted a higher value than that adopted by the independent valuer, based on an executed development agreement and long term lease agreement executed with a secure international industrial company, for the development of that part of the property. Fair market value was supported by market evidence and makes use of assumption that a market participant would anticipate based on highest and best use of the property.

(ii) The fair value measurement amounts of freehold land is based on an assessment by the directors of the properties fair market value. The methodology used for the assessment incorporated a valuation performed at 30 June 2013 by a licensed independent valuer as well as consideration of other current relevant factors and market conditions. Fair market value was supported by market evidence and makes use of assumptions that a market participant would anticipate based on highest and best use of the property.

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.

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 19, 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 2013 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 of F.F.I. Holdings Ltd.

R. G. Moonen

***Rodney G Moonen***
***Director***

Dated this 17th day of February 2014.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Level 3, 12 St Georges Terrace
Perth WA 6000

PO Box 5785 St Georges Terrace
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

**INDEPENDENT AUDITOR'S REVIEW REPORT**

**TO THE MEMBERS OF F.F.I. HOLDINGS LTD**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of F.F.I. Holdings Ltd and controlled entities ("the consolidated entity") which comprises the condensed statement of financial position as at 31 December 2013, and the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, the accounting policies, other selected explanatory notes, and the director's declaration.

***Directors' Responsibility for the Half-Year Financial Report***

The directors of F.F.I. Holdings Ltd ("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 the Australian Accounting Interpretations) 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 Australian Auditing Standards 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, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the *Corporations Act 2001*. As the auditor of F.F.I. Holdings Ltd, 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 account 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.

***Matters Relating to the Electronic Publication of the Audited Financial Report***

This auditor's review report relates to the financial report of F.F.I. Holdings Limited and controlled entities for the period ended 31 December 2013 included on F.F.I. Holdings Limited's website. The company's directors are responsible for the integrity of F.F.I. Holdings Limited's website. We have not been engaged to report on the integrity of the F.F.I. Holdings Limited's website. The auditor's review report refers only to the subject matter described above. It does not conclude on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

***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*, provided to the directors of F.F.I. Holdings Limited on 10 December 2013, would be in the same terms if provided to the directors as at the date of this auditor's review report.

***Conclusion***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of F.F.I. Holdings Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Neil Pace | Moore Stephens

**Neil Pace**
**Partner**

**Moore Stephens**
**Chartered Accountants**

Signed at Perth this 17th day of February 2014