



annual report 2017



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F.F.I. HOLDINGS LTD is a Western Australian based food processing company which was listed on the Australian Securities Exchange in 1986.

Driven by a management philosophy which focuses on efficiency, reliability and innovation as key goals, the Company has expanded steadily and operations now cover the following areas.

FOOD OPERATIONS

Fresh Food Industries Pty Ltd, a 100% controlled entity, operates the following business divisions -



Chocolate Products of Australia

Specialises in the manufacture of cooking chocolate, chocolate coated confectionery, sugar confectionery, cake decorations, ready to roll icing and popcorn snack foods for the retail market. Includes products manufactured under retailers' private labels and also the Company's own proprietary retail brands "**Nemar**", "**Golden Popcorn**" and "**Orchard Icing**".



Prepact

Processing and packaging a wide range of products for the home cooking needs market sector. The majority of products are distributed to the retail market under the well recognised "**Prepact**" and "**Snowflake**" brands. Also incorporates contract packing for third party brands.



Fresh Food Industries - Bakery Products

Includes the processing and manufacture of apple products, baker's fillings, chocolate, specialty chocolate compounds and cake decoration toppings for the bakery and pastrycooks industry.



Tradition Smallgoods Pty Ltd

A 100% controlled entity, which specialises in the manufacture and wholesale of fresh sausages, bacon and other processed meat products.

INVESTMENT PROPERTY

The Company has a significant investment in prime industrial/commercial property which is held for investment purposes. The properties adjoin the Company's existing food factories, are adjacent to the rapidly developing Cockburn Central Town Centre and are ideally suited for further subdivision and development. The properties are only partially developed and provide a significant opportunity to grow the Company's investment income.

Financial Summary

for the year ended 30 June 2017

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Revenue from operating activities	34,197,189	31,794,888	30,723,095	30,469,433	30,115,693
Other revenue	(4,169)	(1,559)	(41,047)	2,271,766	937,641
Total Revenue	34,193,020	31,793,329	30,682,048	32,741,199	31,053,334
Operating profit before tax					
Operating activities	3,105,960	2,954,428	2,972,301	2,351,723	3,225,710
Investment property revaluation/gains	-	-	-	2,279,633	885,274
Income Tax	(878,815)	(837,156)	(819,392)	(1,382,980)	(1,216,650)
Operating profit after income tax	2,227,145	2,117,272	2,152,909	3,248,376	2,894,334
Earnings per share (cents)	21.7	21.4	22.7	36.2	34.7
Ordinary dividend per share (cents) (including final dividend)	20.0	19.0	19.0	17.5	23.5
Special dividend per share (cents)	-	-	-	25.0	-
Dividends paid	2,134,504	1,855,733	1,465,518	4,213,837	1,800,654
Total shareholder's equity	33,590,884	31,938,511	30,444,828	29,016,777	26,405,980
Net tangible asset backing per share	3.15	3.14	3.11	3.02	3.06



On behalf of the Directors, I am pleased to report that the Company has delivered a solid financial result for the year ended 30th June 2017.

There were a number of highlights achieved during the year under review –

- Net profit after tax up 5.2% to \$2.2 million
- Revenue up 7.6% to \$34.2 million
- Net assets up 5.2% to \$33.6 million
- Successful completion of “Orchard Icing” business acquisition
- Full year fully franked dividends up 5.3% to 20 cents per share

Financial results

While the Company achieved a very satisfactory financial result in the first half of the financial year, a dramatic increase in the costs of our major raw materials in the second half significantly affected the overall results. Nonetheless, strong sales growth and improvements in productivity reduced the impact of the record cost increases and resulted in a net profit attributable to shareholders of \$2.2 million, up 5.2% on the previous corresponding year.

Fortunately, by the end of the financial year raw material prices had commenced to return to historically normal levels. The reduction in raw material costs, together with the benefits from continuing sales growth and operational improvements, are expected to improve profit margins in the current 2018 financial year.

The Company's already strong financial position further improved with net assets increasing by 5.2 % to \$33.6 million, resulting in a marginal increase in net tangible asset backing per share to \$3.15.

The sound financial performance has resulted in the net debt decreasing to \$2.1 million. The debt gearing ratio of 6.2 % remains at a very conservative level.

Food operations

The Company achieved sales growth in its food operations of 7.4% to \$33.2 million during the 2017 financial year. However, growth in pre tax contribution to profits from food operations was constrained to 1.3% at \$2.97 million for the year due to the impact of the raw material cost increases referred to previously.

The strong sales growth that was achieved during the year in the Company's chocolate and cake decoration business units is expected to continue with the successful acquisition of the new “Orchard Icing” business. The settlement of the business was not finalised until June 2017 and therefore did not have any material impact on the Company's sales or earnings in the reported results.

The Orchard Icing business is well established in the niche cake decorating market sector and previously operated as part of Orchard Manufacturing Co Pty Ltd. It specialises in the manufacture, packaging and distribution of a range of retail and food service “ready to use” rolled icing cake decoration products.

The Company is currently in the process of restructuring the newly acquired business and merging the operations with our existing cake decorations product division, “Nemar Cake Toppings”. The restructure and relocation of the business to the Company's existing factory at Jandakot, Western Australia is expected to be completed during the first half of the current 2018 financial year.

The purchase together with working capital and restructure costs will require an investment of approximately \$850,000 which is being funded from the Company's existing cash resources. Gross revenue from the new business is expected to exceed \$1 million per annum and provides many opportunities for further sales growth.

Chairman's Review

Strategically the acquisition is an important development for the Company. The new business has many synergies with the existing "Nemar" cake decoration business in the areas of manufacturing, marketing and distribution. Orchard Icing's products complement the Company's current product portfolio and will assist in improving market share.

The Directors are confident that this acquisition will enhance the Company's food operations and improve the long term profitability of the cake decorations division.

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 continues to progress well.

Pre tax contribution to profits from rental income increased by 17.9% to \$0.83 million compared with the previous corresponding period. The full year income received from the property acquired in the previous corresponding period was the main reason for the increased rental income.

During the year under review, the Company further improved the vacant industrial land it holds for investment purposes by constructing a new road to provide for improved access and allow for future investment opportunities. The access road, known as Verde Drive, has been the subject of a bank guarantee previously provided by the Company to the City of Cockburn for future road construction costs.

The completion of these works will significantly enhance the opportunities to increase further the Company's long term returns from its property assets.

Unrelated to the above development, in June 2017 the City of Cockburn released the "Proposed Cockburn Central East Structure Plan". The precinct which the Plan covers includes the Company's existing property holdings. The adoption and implementation of the Structure Plan will require the compulsory resumption by the Western Australian State Government of approximately 10,500 square metres of the Company's total land holding of 82,000 square metres. The area subject to the proposed resumption includes land currently used for car parking and access roadways in the Company's food operations, together with land held for investment purposes and future development.

The Directors believe that if the proposed Structure Plan proceeds the Company will be entitled to full compensation for any financial loss resulting from the compulsory acquisition. The Directors also understand the time frame for the implementation of the Plan is over the next three years. At this time no negotiations have commenced between the Company and the appropriate Government authority regarding compensation.

Excluding the land improvement development costs incurred during the year, the asset value for the Company's investment property as at 30th June 2017 remains unchanged from the valuation reported in the 30th June 2016 annual accounts.

Dividend

The Directors have declared a fully franked final dividend of 10 cents per share. Together with the interim dividend of 10 cents per share this brings the total ordinary dividend for the year to 20 cents per share fully franked, up 5.3% from the previous corresponding period.

Conclusion

The Company has many opportunities for future growth and is in excellent financial shape with low debts, solid cash flows, quality assets and experienced management. From this position of strength the Company is well positioned to deliver increased shareholder returns over the longer term.



Rodney Moonen
Chairman
12th September 2017

Your Directors have pleasure in presenting their report on the company and its controlled entities for the financial year ended 30 June 2017.

DIRECTORS

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

Mr Rodney G Moonen

Mr Geoffrey W Nicholson

Mr Robert D Fraser

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Rodney G Moonen (Refer to details of Directors for experience and qualification details)

PRINCIPAL ACTIVITIES

The activities of the Company during the year were:

- The processing, manufacture, packaging and distribution of food products for the Australian food industry.
- Property investment/leasing.

There were no significant changes in the nature of the Company's activities during the year.

OPERATING RESULTS

The consolidated profit of the consolidated entity after income tax and eliminating non-controlling interests amounted to \$2,227,145 (2016: \$2,117,272).

OPERATIONS AND FINANCIAL REVIEW

Food Operations

The Company, through the controlled entities of Fresh Food Industries Pty Ltd and Tradition Smallgoods Pty Ltd, manufactures a range of food products for the Australian industrial, wholesale and retail markets. The food operations are based entirely in Australia and include:

- The manufacture of chocolate and confectionery products.
- The manufacture of bakers jam fillings and processed apple products.
- The processing and packing of home cooking needs products.
- The production of fresh sausages, bacon and other smallgoods.

The Company's main activities are based on being a niche market manufacturer, developing and supplying products to meet the needs of major Australian manufacturing, wholesale and retail food companies. With a focus on niche markets and a diverse customer base, the Company does not have either a dominant position in any of the markets in which it operates or an economic dependency on any of its major customers.

Property Investment

The Company has a significant investment in industrial and commercial property which is held for investment purposes. The properties adjoin the Company's existing food factories, adjacent to the rapidly developing Cockburn Central Town Centre and are ideally suited for further subdivision and development.

Currently the property investments are only partially developed. The balance of the land holding provides an opportunity to grow the Company's investment income.

Directors' Report

Profit

The Company's profit attributable to members of the parent entity increased by 5.2% in 2017 to \$2.23 million compared with the previous year. While improvements in contributions to profit were achieved from both the food operations and property investment income, a substantial increase in the costs of our major raw materials in the second half of the year materially affected the overall results. Nonetheless, strong sales growth and improvements in productivity reduced the impact of the record cost increases.

Sales

Overall sales increased by 7.4% to \$33.2 million during the year. The Company continues to pursue sales initiatives to provide for future revenue growth.

Financial Position

The Company's equity as at 30 June 2017 increased by 5.2%, compared to the prior year, to \$33.6 million. The increase was attributable to retained earnings and proceeds from the issue of shares from the Company's dividend reinvestment plan. The net tangible asset backing per share is now \$3.15.

DIVIDENDS PAID OR RECOMMENDED

Dividends paid or recommended for payment are as follows:

- Final ordinary dividend of 11.0 cents per share paid on 30 September 2016, as recommended in last year's report - \$1,105,056.
- Interim ordinary dividend at 10.0 cents per share paid on 31 March 2017 - \$1,029,446.
- Final ordinary dividend of 10.0 cents per share declared by the Directors - \$1,050,371, payable on 29 September 2017.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

A review of significant changes in the state of affairs is set out in the Chairman's Review on Page 3.

On 30 September 2016 the Company issued 248,521 ordinary shares fully paid at \$3.22 each pursuant to the Company's Dividend Reinvestment Plan in association with the Company's final dividend paid. All shares ranked equally for dividends paid after the issue of the shares.

On 31 March 2017 the Company issued 209,227 ordinary shares fully paid at \$3.63 each pursuant to the Company's Dividend Reinvestment Plan in association with the Company's interim dividend paid. All shares ranked equally for dividends paid after the issue of the shares.

On 22 May 2017 the Company acquired the "Orchard Icing" business for \$150,000 being paid for trademarks and goodwill.

AFTER BALANCE DATE EVENTS

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

BUSINESS STRATEGIES AND PROSPECTS

Food Operations

The Company continues to pursue a number of opportunities to increase sales and to provide for long term growth. This growth strategy is driven around leveraging off the Company's existing customer base and manufacturing capabilities.

In addition to the sales growth strategy, the Company will continue to pursue profit growth by improving productivity and reducing costs. The continual improvement programme will be driven by continued investment in innovation and technology.

During the year under review a total of \$0.96 million was invested in new and upgrading plant and equipment. This represents a continuing investment for the Company and the future benefits of this capital expenditure initiatives are expected to flow through to future years' profitability.

Property Investment

Gross investment income is expected to be at least \$922,574 for the 2018 financial year. The Company will continue to pursue further opportunities to develop and create a cash flow from the remainder of the undeveloped land held.

Material Business Risk

The high cost of manufacturing in Australia and the globalisation of the world food industry are among the material business risks faced by the Company. The Company and the Australian food industry will need to remain competitive against lower cost overseas competitors. The Company is managing this risk by maintaining the strategy of being a niche market supplier while focusing on the quality, "clean and green" aspects of Australian food processing.

The Company has modern and flexible processing operations, and is therefore well placed to deal with any long term changes in the Australian market. The Company continually reviews these risks in order to minimise any long term impact.

ENVIRONMENTAL ISSUES

The consolidated entity's operations are subject to environmental regulation under the Environmental Protection Act 1986.

The consolidated entity complied with the requirements of all relevant environmental regulations during the year.

INFORMATION ON DIRECTORS

Rodney G Moonen (Chairman, Managing Director & Company Secretary) (Appointed 1 January 1990)

Qualifications and Experience

Bachelor of Business Studies (Curtin University)

Board member since 4 January 1988. Over 40 years experience in management and finance.

Interest in Shares

Beneficial owner of 3,214,335 fully paid ordinary shares in the Company.

Directorships in other listed entities

During the three years prior to the end of the current year Mr Moonen has not held any directorships in any other listed company.

Directors' Report

Geoffrey W Nicholson (Director & General Manager) (Appointed 2 September 1986)

Qualifications and Experience

Over 40 years experience in the food processing industry.

Interest in Share

Beneficial owner of 653,581 fully paid ordinary shares in the Company.

Directorships in other listed entities

During the three years prior to the end of the current year Mr Nicholson has not held any directorships in any other listed company.

Robert D Fraser (Non-Executive Director) (Appointed 14 October 2011)

Qualifications and Experience

B.Ec., LLB (Hons) (Sydney)

Corporate adviser and company director with over 28 years of investment banking experience. Robert is presently the Sydney based Managing Director of TC Corporate Pty Limited, the corporate advisory division of Taylor Collison Limited stockbrokers, of which he is also a Director and principal. He is also a licensed business broker and real estate agent.

Interest in Shares

Beneficial owner of 104,677 fully paid ordinary shares in the Company.

Directorships in other listed entities

During the three years prior to the end of the current year Mr Fraser has also held positions of director with ARB Corporation Limited (2004 to current), Gowing Bros. Limited (2012 to 2016) and Magellan Financial Group Limited (2014 to current).

REMUNERATION REPORT

This report details the remuneration arrangements for key management, directors and executives of the F.F.I. Holdings Limited Group.

Remuneration Policy

The remuneration policy of F.F.I. Holdings Limited is effectively controlled by the Board of Directors. The Board of F.F.I. Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as maintaining goal congruence between directors, executives and shareholders.

The remuneration structure for directors and executive officers is not directly related to the financial performance of the Group. A summary of the Group's financial performance over the past five years is presented on page 4 of this annual report. Remuneration is based on a number of factors, including length of service, qualifications, proven management skills and the experience of the individual concerned. Key management personnel are not employed on fixed term employment contracts. Terms and conditions of employment are covered by the relevant statutory legislation.

Executive Directors may receive a combination of a director's fee, base salary, superannuation and fringe benefits. Increases in aggregate directors' fees are subject to shareholder approval. Non-executive Directors may receive directors' fees. Executives may receive a combination of a base salary, superannuation and fringe benefits. Executive Directors and executives are also eligible to participate in the Company's Executive Share Plan upon an invitation being made from the board. The table below details the remuneration of directors and executives for the year ended 30 June 2017.

Additional information relating to Key Management Personnel can be found at Note 5.

Key Management Personnel Remuneration Details

(a) Key management personnel are classified as directors and other key management personnel of the consolidated entity. Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Directors

Rodney G Moonen	Chairman – Executive Director
Geoffrey W Nicholson	Managing Director of Subsidiary – Executive Director
Robert D Fraser	Non-Executive Director

Other Key Management Personnel

Brett R Matthews	Group General Manager
Robert G Strong	Managing Director of Subsidiary – Executive Director

(b) Key Management Personnel Remuneration Table

2017

Name	Salary and Fees	Super annuation	Non-Monetary Benefits	Long term benefits - LSL	Equity	Other	Total
	\$	\$	\$	\$	\$	\$	\$
R G Moonen	139,000	23,000	-	-	-	-	162,000
G W Nicholson	151,244	35,000	14,066	2,962	-	1,779	205,051
R D Fraser	36,530	3,470	-	-	-	-	40,000
B R Matthews	166,928	27,246	-	3,044	-	4,558	201,776
R G Strong	117,485	35,405	-	2,283	-	-	155,173
Total	611,187	124,121	14,066	8,289	-	6,337	764,000

2016

Name	Salary and Fees	Super annuation	Non-Monetary Benefits	Long term benefits - LSL	Equity	Other	Total
	\$	\$	\$	\$	\$	\$	\$
R G Moonen	139,000	23,000	-	-	-	-	162,000
G W Nicholson	151,188	35,000	15,399	2,520	-	2,249	206,356
R D Fraser	27,523	2,615	-	-	-	-	30,138
B R Matthews	155,738	25,088	-	2,752	-	4,970	188,548
R G Strong	101,707	35,395	-	2,047	-	-	139,149
Total	575,156	121,098	15,399	7,319	-	7,219	726,191

Directors' Report

(c) Loans

Name	Loan Balance 1/7/16	Interest Charged	Interest Not Charged (*)	Provision Impairment	Loan Balance 30/6/17	Highest Balance During Period
	\$	\$	\$	\$	\$	\$
R G Moonen	-	-	-	-	-	-
G W Nicholson	35,852	-	1,779	-	27,116	35,852
R D Fraser	-	-	-	-	-	-
B R Matthews	84,503	-	4,558	-	76,854	84,503
R G Strong	-	-	-	-	-	-
Total	120,355	-	6,337	-	103,970	120,355

All loans were made pursuant to the Company's Executive Share Plan and were duly approved by shareholders where required.

(*) Loans are interest free and non-recourse. Loans are repaid from dividends paid on shares issued under the Executive Share Plan. Amounts for interest not charged have been estimated based upon likely interest payable if the loans had been made under normal commercial conditions.

(d) Shareholdings

Name	Balance 1/7/16	Executive Share Plan (#)	Net Change Other (^)	Balance 30/6/17
	No	No	No	No
R G Moonen	2,996,603	-	217,732	3,214,335
G W Nicholson	631,155	-	22,426	653,581
R D Fraser	98,506	-	6,171	104,677
B R Matthews	232,080	-	-	232,080
R G Strong	-	-	-	-
Total	3,958,344	-	246,329	4,204,673

(#) Denotes shares issued pursuant to the Company's Executive Share Plan. During the year ended 30 June 2017, no shares were issued pursuant to the Company's Executive Share Plan.

(^) Net Change Other denotes shares purchased or sold during the financial year at current market rates, or shares allotted under the Company Dividend Reinvestment Plan.

(e) The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows -

The remuneration structure for executive officers is not directly related to financial performance of the Group. It is based on a number of factors, including length of service, qualifications, proven management skills and the experience of the individual concerned.

(f) Other transactions with KMP and/or related parties.

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonable expected under arm's length dealings with unrelated persons.

MEETINGS OF DIRECTORS

The number of meetings of Directors and the number of meetings attended by each of the Directors of the company during the financial year are:

Director	Number eligible to attend	Number attended
Rodney G Moonen	4	4
Geoffrey W Nicholson	4	4
Robert D Fraser	4	4

SHARE OPTIONS

No entity in the consolidated entity has granted an option to any person entitling that person to take up unissued shares of the entity or of any other body corporate.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

The Company has, during the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate paid a premium in respect of Directors' and Officers' Liability Insurance which indemnifies the Directors and Officers of the Company for any claims made against the Directors and Officers of the Company, subject to the conditions contained in the insurance policy. The contract of insurance prohibits disclosure of the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for the auditors of the consolidated entity.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. No non-audit services were provided in the current and previous year by the Company's auditors.

Details of the auditor's remuneration are included in Note 6 accompanying the Financial Statements.

Directors' Report

DIRECTORS' BENEFITS

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the chief entity or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than the benefits as disclosed in note 27 in the notes to and forming part of the accounts. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and shown in the Company's accounts, or the fixed salary of a full-time employee of the chief entity, controlled entity, or related body corporate.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 13 of the annual report.

This report of the Directors, incorporating the Remuneration Report, is signed in accordance with the resolution of the Board of Directors



R G Moonen

Dated this 12th day of September 2017.



G W Nicholson

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION
307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS
OF FFI HOLDINGS LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 12th day of September 2017.

Corporate Governance Statement

The Board of F.F.I. Holdings Limited (the Company) is committed to high standards of corporate governance and supports the principles of good corporate governance as published in the third edition of Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (3rd Edition recommendations).

This Corporate Governance Statement (Statement) outlines the key corporate governance practices of the Company as they relate to the 3rd Edition recommendations for the financial year. It is current as at 30 June 2017 and has been approved by the Board.

The Directors do not believe that any 3rd Edition recommendations that have been disclosed below as not having been adopted, in any way disadvantage the commercial effectiveness with which the Board operates. The Board remains clearly focused on maximising shareholder value in an ethically responsible manner and willingly adopts corporate governance best practice recommendations as the circumstances and needs of the Company require them.

PRINCIPLE 1: Lay solid foundations for management and oversight

1.1 The Board of Directors is responsible for ensuring the Company is managed in a manner that protects and enhances the interests of shareholders and takes into account the interests of all stakeholders. The responsibilities of the Board include:

- setting the strategic direction of the Company;
- overseeing and monitoring the Company's performance and achievement of strategic goals and objectives;
- approving major investment decisions and financial budgets;
- determining capital, funding and dividend policies;
- defining the limits to management's responsibilities;
- ensuring that the capital markets are informed of all relevant material matters;
- monitoring executives' performance against appropriate measures;
- ensuring appropriate risk management systems and internal controls are in place; and
- meeting formally and informally on a regular basis and reviewing management operational reports regarding the financial performance of the Company.

The Board has delegated to management the responsibility for the operation and administration of the Company, including the implementation of corporate strategies and the development of annual budgets. Management is responsible for keeping the Board informed, through the provision of management reports and monthly management accounts.

1.2 Before Directors are appointed, all necessary checks are undertaken by the Board. In addition, biographical details, as well as details pertaining to material directorships held, are included in election and re-election notices to shareholders. These details are also included in the Directors' Report in the Annual Report of the Company.

1.3 There is a written agreement with each Director and senior executive setting out the terms of their employment.

1.4 The Company Secretary is currently the Chairman of the Company and is therefore accountable directly to the Board.

1.5 The Board has not adopted a formal diversity policy or set measurable objectives based on diversity alone for reasons detailed in Principle 3 of this Statement.

- 1.6 Board performance is open to evaluation by shareholders at the Annual General Meeting. It is self-appraised on a periodic basis. During June 2017 the Board undertook a performance review in accordance with this process and concluded that it had performed satisfactorily. At every Annual General Meeting one Director retires from office and is eligible to offer themselves for re-election. No Director may retain office for more than three years without submitting themselves for re-election.
- 1.7 Senior executive performance is reviewed by the Board annually. During the year ended 30 June 2017 the Board carried out a performance evaluation on all senior executives in accordance with this process.

PRINCIPLE 2: Structure the board to add value

- 2.1 The Board consists of three Directors. There are two executive Directors and one independent non-executive Director. The two executive Directors hold key management roles within the Company. The names, details and qualifications of the Directors are included in the Information on Directors section of the Directors' Report.

The current structure of the Board has been designed to provide the most effective composition, size and commitment from its members. The members have extensive experience and between them possess an extensive range of skills and knowledge and a wide diversity of capability. This ensures that the Board performs its function to the optimum and meets corporate governance standards that are relevant to the Company's current size and scope of operations.

Given the current size of the Company, the Board does not consider it appropriate to establish a nomination committee. The Board as a whole effectively performs this function.

- 2.2 Following a review of the requirements of the Company, the Board has identified the skills required of the members of the Board:

Skill	R Moonen	G Nicholson	R Fraser
Management Experience	•	•	•
Food Manufacturing	•	•	
Food Industry	•	•	
Property Industry	•		•
Business Development		•	
Financial Management	•		
Risk Management	•	•	•
Corporate Finance			•
Legal			•
Directorships	•		•

- 2.3 As noted in 2.1, the Company presently has one independent Director whose details are included in the Information on Directors section of the Directors' Report. The length of service of each Director is also included in this section.
- 2.4 In light of the Company's approach to board composition and function, the majority of the Board are not independent Directors.
- 2.5 Further to 2.4, the Chairman is not an independent Director, and the Chairman also performs the role of Chief Executive Officer. The Board believes that the wealth of knowledge and expertise of the current Chairman and his interest in the Company as a substantial shareholder, make it appropriate for him to be Chairman.
- 2.6 The Company does not have a program for inducting new Directors or provide professional development opportunities for skills training. However, the necessary induction and training will be provided if and when required.

Corporate Governance Statement

PRINCIPLE 3: Act ethically and responsibly

3.1 The Board has opted not to establish a formal code of conduct as it believes that a more effective means of enhancing shareholder returns and actively promoting ethical and responsible decision-making is for the Board and the senior management team to foster, through their own actions, an ethical corporate culture.

Similarly, the Board has not adopted a formal diversity policy or set measurable objectives based on diversity alone. Instead the Board believes that it has fostered and that the Company and its employees have a governance culture that encourages excellence and ethical business practices to enhance long term shareholder value, including the advancement of all employees in an ethical manner as appropriate irrespective of gender, age, ethnicity and cultural background.

The proportion of women employed by the consolidated entity in the following roles is as follows:

Board	0%
Senior management	22%
Consolidated entity	40%

The Company adheres to all ASX and Corporations Act requirements regarding the trading by Directors and employees of shares in the Company.

PRINCIPLE 4: Safeguard integrity in corporate reporting

4.1 The Company does not have an audit committee. All external audit reports are reviewed by the whole Board to ensure appropriate action is taken by management regarding any areas which are identified as a weakness in internal control. Accordingly the Board will:

- ensure that the external auditors who are selected and appointed remain appropriate to the needs of the Company;
- review the independence of the external auditors;
- ensure the rotation of external audit engagement partners is in accordance with regulatory requirements;
- review, with management and the auditors, the Company's periodic statutory accounts and reports;
- monitor procedures in place aimed at ensuring compliance with the Corporations Act and the ASX Listing Rules; and
- monitor the effective management of financial and other business risks.

4.2 The Chief Executive Officer and the Chief Financial Officer provide a declaration in writing to the Board that the Company's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company as required by section 295A of the Corporations Act for each reporting period. Their declaration states that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 The Company ensures that its external auditor attends the Annual General Meeting and is available to answer shareholder questions relevant to the audit.

Corporate Governance Statement

PRINCIPLE 5: Make timely and balanced disclosure

5.1 Given the current size of the Company, the Board does not consider it appropriate to have a written policy for compliance with its continuous disclosure obligations under the ASX Listing Rules. However, the Company complies with its ASX Listing Rules continuous disclosure obligations.

PRINCIPLE 6: Respect the rights of securityholders

6.1 Given the current size of the Company, the Board does not consider it necessary to have an investor relations section on its website. However, the Board believes that all relevant information about itself and its governance is available in the Annual Report and through the ASX.

6.2 The Board believes it has effective two way communication with investors, in that the Company:

- encourages attendance at the Annual General Meeting by all shareholders;
- complies and lodges all necessary statutory ASX announcements;
- fulfils its obligations of continuous disclosure through ASX announcements;
- distributes the Company's Annual Report to all shareholders;
- sends notices and explanatory memoranda to shareholders in relation to resolutions to be put to a vote.

6.3 The Annual General Meeting of the Company provides an opportunity for the Company to impart to shareholders a greater understanding of its business, governance, financial performance and prospects and gives shareholders the opportunity to express their views on matters concerning the Company and to vote on other items of business for resolution by shareholders. The Company's policy is to encourage effective shareholder participation at general meetings.

Shareholders unable to attend general meetings can exercise their right to ask questions about, or make comments on, the management of the Company by submitting questions or comments ahead of the meeting. Where appropriate these questions will be responded to at the meeting.

6.4 The Company provides shareholders with the option of receiving communications from, and sending communications to, its share registry electronically.

PRINCIPLE 7: Recognise and manage risk

7.1 The Company does not have a committee to oversee risk. In view of the size and structure of the Board, the risk management framework is overseen by the whole Board. The Board identifies, assesses, monitors and oversees business risks and internal control procedures by considering such matters as part of regular Board meetings.

7.2 The Board has undertaken a review of the risk management framework for the period under review and is satisfied that it continues to be sound.

7.3 The Company does not have an internal audit function. Instead, monthly management reports are prepared by senior management within the Company, identifying relevant areas of risk and internal control. These reports are circulated to Board members, where applicable, for them to evaluate and to continue to improve the effectiveness of the risk management framework and internal control processes.

Corporate Governance Statement

7.4 The Board has identified a number of areas which pose a risk to the business and has implemented strategies to mitigate these risks as follows:

Risk Identified	Strategy to minimise risk
Product recall	Quality Assurance department Product liability insurance
Loss of major customer	Diversify customer base
OH&S	Workers' compensation insurance
Loss of key supplier	Constantly evaluate alternate suppliers
Currency	Forward buying
Key personnel	Succession planning

PRINCIPLE 8: Remunerate fairly and responsibly

8.1 Given the current size of the Company, the Board does not consider it appropriate to establish a remuneration committee. The Board as a whole effectively performs this function. Remuneration levels are based on skills, knowledge, experience, education, length of service, industry salary and remuneration levels and retention. Remuneration is reviewed annually for executive Directors, non-executive Directors and senior management to ensure that it remains appropriate.

8.2 The independent non-executive Director is remunerated by way of fees and statutory superannuation and does not receive any retirement benefits. This remuneration is in line with the responsibilities, duties and risks involved in the role. Total remuneration to any non-executive Directors is restricted in terms of the remuneration cap, which is reviewed annually and is subject to shareholder approval for increased limits.

Additional information with respect to remuneration, including separate disclosure of policies and practices regarding the remuneration of non-executive Directors, executive Directors and other senior key management, is provided in the Remuneration Report in the Company's Annual Report.

8.3 The Company does not presently have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the Executive Share Plan (the Company's equity-based remuneration scheme) because the existing loans under that plan are not considered to be material. However, any shares issued under the Executive Share Plan in the future will be considered on a case by case basis.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue	2	34,197,189	31,794,888
Other income	2	(4,169)	(1,559)
Changes in inventories of finished goods and work in progress		153,893	308,233
Raw materials and consumables used		(17,831,820)	(16,071,828)
Employee benefits expense		(7,253,515)	(7,129,770)
Depreciation and amortisation expense	3	(668,213)	(611,863)
Repairs and maintenance expense		(849,045)	(777,503)
Freight expense		(1,504,863)	(1,465,362)
Finance costs	3	(155,580)	(151,598)
Other expenses		(2,977,917)	(2,939,210)
Profit before income tax from continuing operations		3,105,960	2,954,428
Income tax expense	4	(878,815)	(837,156)
Profit after tax from continuing operations		2,227,145	2,117,272
Profit for the period		2,227,145	2,117,272
Other comprehensive income for the period		-	-
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		2,227,145	2,117,272
Net profit attributable to:			
Members of the parent entity		2,227,145	2,117,272
Non-controlling interest		-	-
		2,227,145	2,117,272
Total comprehensive income attributable to:			
Members of the parent entity		2,227,145	2,117,272
Non-controlling interest		-	-
		2,227,145	2,117,272
Basic earnings per share (cents per share)	8	21.7	21.4
Basic earnings per share from continuing operations (cents per share)	8	21.7	21.4

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

AS AT THE 30TH JUNE 2017

	Note	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	9	2,407,748	1,589,820
Trade and other receivables	10	3,846,577	3,977,704
Inventories	11	4,922,363	4,322,291
Other current assets	17	220,413	221,992
TOTAL CURRENT ASSETS		11,397,101	10,111,807
NON-CURRENT ASSETS			
Trade and other receivables	10	125,386	146,546
Financial assets	12	71,536	71,536
Property, plant and equipment	14	13,294,971	13,014,392
Investment property	15	22,329,984	22,031,346
Intangible assets	16	552,762	402,762
Deferred tax assets	20	336,131	321,111
TOTAL NON-CURRENT ASSETS		36,710,770	35,987,693
TOTAL ASSETS		48,107,871	46,099,500
CURRENT LIABILITIES			
Trade and other payables	18	3,062,140	2,695,050
Current tax liabilities	20	94,428	195,302
Short-term provisions	21	1,010,439	960,370
TOTAL CURRENT LIABILITIES		4,167,007	3,850,722
NON-CURRENT LIABILITIES			
Trade and other payables	18	47,992	47,992
Long-term borrowings	19	4,500,000	4,500,000
Deferred tax liabilities	20	5,801,988	5,762,275
TOTAL NON-CURRENT LIABILITIES		10,349,980	10,310,267
TOTAL LIABILITIES		14,516,987	14,160,989
NET ASSETS		33,590,884	31,938,511
EQUITY			
Issued capital	22	18,864,187	17,304,455
Reserves	23	3,655,500	3,655,500
Retained earnings		11,071,197	10,978,556
Parent interest		33,590,884	31,938,511
TOTAL EQUITY		33,590,884	31,938,511

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Ordinary Share Capital \$	Retained Earnings \$	Reserves \$	Non- controlling Interests \$	Total \$
Balance at 1.7.2016		17,304,455	10,978,556	3,655,500	-	31,938,511
Comprehensive income:						
Profit attributable to members of parent entity		-	2,227,145	-	-	2,227,145
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	2,227,145	-	-	2,227,145
Transactions with owners, in their capacity as owners, and other transfers		-	-	-	-	-
Shares issued during the period		1,559,732	-	-	-	1,559,732
Dividends recognised for the period	7	-	(2,134,504)	-	-	(2,134,504)
Total transactions with owners and other transfers		1,559,732	(2,134,504)	-	-	(574,772)
Balance at 30.6.2017		18,864,187	11,071,197	3,655,500	-	33,590,884
Balance at 1.7.2015		16,072,311	10,717,017	3,655,500	-	30,444,828
Comprehensive income:						
Profit attributable to members of parent entity		-	2,117,272	-	-	2,117,272
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	2,117,272	-	-	2,117,272
Transactions with owners, in their capacity as owners, and other transfers		-	-	-	-	-
Shares issued during the period		1,232,144	-	-	-	1,232,144
Dividends recognised for the period	7	-	(1,855,733)	-	-	(1,855,733)
Total transactions with owners and other transfers		1,232,144	(1,855,733)	-	-	(623,589)
Balance at 30.6.2016		17,304,455	10,978,556	3,655,500	-	31,938,511

The accompanying notes form part of these financial statements.

Consolidated Statement of Cashflows

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		34,296,460	31,490,200
Payments to suppliers and employees		(30,444,598)	(28,481,563)
Dividends received		3,556	1,422
Interest received		28,299	39,023
Finance costs		(155,580)	(151,598)
Income tax refunded/(paid)		(954,999)	(803,894)
Net cash provided by (used in) operating activities	25	2,773,138	2,093,590
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		3,194	92,733
Purchase of property, plant and equipment		(956,155)	(610,717)
Purchase of investment property		-	(3,377,290)
Investment property development costs		(298,638)	(15,106)
Purchase of investment – Orchard Icing		(150,000)	-
Net cash provided by (used in) investing activities		(1,401,599)	(3,910,380)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	1,500,000
Repayment of employee share loans		21,161	19,145
Dividends paid by parent entity		(574,772)	(623,590)
Net cash provided by (used in) financing activities		(553,611)	895,555
Net increase (decrease) in cash held		817,928	(921,235)
Cash at 1 July 2016		1,589,820	2,511,055
Cash at 30 June 2017	9	2,407,748	1,589,820

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of F.F.I. Holdings Ltd and controlled entities ('Consolidated Entity'), and the separate financial information (note 30) of F.F.I Holdings Ltd as an individual parent entity ('Parent Entity').

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

The financial statements were authorised for issue on 12 September 2017 by the Directors of the Company.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. All monetary amounts in the financial report are stated in Australian dollars.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The functional currency of the Group is Australia dollar.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity over which F.F.I. Holdings Limited 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 to direct the activities of the entity.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Non-controlling interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the first in first out basis.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations by directors, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are brought to account at cost.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets, including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation/amortisation rates used for each class of assets are:

Class of Fixed Assets	Depreciation Rate
Building	2.5%
Plant and equipment	5-25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Investment Property

Investment property comprises land held for future development and/or resale. Investment property is carried at fair value determined annually by Directors and/or independent licensed valuers. Changes to fair value are recorded in the income statement as other income.

Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties, in an arms-length transaction, based on highest and best use of the property.

Fair value is based on current prices in an active market, adjusted if necessary for any difference in the nature, location or condition of the specific property. The group uses alternative valuation methods such as the capitalisation of rental income method where appropriate.

f. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the economic entity, are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets are depreciated on a straight line basis over their estimated useful lives.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

g. Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit and loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. All other loans and receivables are classified as non-current assets.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognized in profit or loss through the amortization process and when the financial asset is derecognized.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale investments

Available-for-sale financial investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss. Available-for-sale financial assets are classified as non-current when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

h. Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared with the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i. Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

j. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Superannuation

Contributions are made to superannuation funds on behalf of employees and are charged as expenses when incurred.

k. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that an outflow can be reliably measured.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Consolidated Statement of Financial Position.

m. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers as this corresponds to the transfer of significant risk and rewards of ownership and the cessation of all involvement in those goods.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established, generally when the dividend is declared.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

n. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(s) for further discussion on the determination of impairment losses.

o. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days from end of month of recognition of the liability.

p. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

q. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

r. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

s. Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Investment Property

A key estimate in the financial statements was made in relation to the value of investment property (refer Note 15). The fair value of investment property as at 30 June 2017 was based on an assessment by the Directors which incorporated a valuation by an independent licensed valuer made during the financial year ended 30 June 2014. As at 30 June 2017 the Directors believe the value assessed for the year ended 30 June 2016 remains unchanged, except for new acquisitions and land improvement development costs incurred during the financial year, which are included at cost.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Land Held for Own Use

A key estimate in the financial statements was made on the Land Held for Own Use. A Directors' valuation was undertaken on 30 June 2017 on land held for own use. The valuation was based on an assessment by Directors of the property's current active open market value. (Refer to Note 14 for further information)

(iv) Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of Directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that Directors' best estimate, pending an assessment by the Australian Taxation Office.

t. 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 (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

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

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

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

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, 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.

u. New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

v. New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors do not believe there will be any impact on the Group's financial statements as a result of the introduction of AASB 9.

AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either; restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is believed that the impact will not be material.

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 will not impact the Group's financial statements.

	Note	2017 \$	2016 \$
NOTE 2: REVENUE AND OTHER INCOME			
Revenue			
– Sale of goods		33,183,910	30,902,089
– Dividends received	2(a)	3,556	1,422
– Interest received	2(b)	28,299	39,023
– Rent received	2(c)	981,424	852,354
– Other revenue		-	-
Total revenue		34,197,189	31,794,888
(a) Dividend revenue from:			
– Other corporations		3,556	1,422
Total dividend revenue		3,556	1,422
(b) Interest revenue from:			
– Other corporations		28,299	39,023
Total interest revenue		28,299	39,023
(c) Rental revenue from:			
– Other corporations		981,424	852,354
Total rental revenue		981,424	852,354
Other income			
– Gain on revaluation of investment property		-	-
– Gain on sale of investment property		-	-
– Gain/(Loss) on disposal of non-current assets		(4,169)	(1,559)
Total other income		(4,169)	(1,559)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
NOTE 3: PROFIT/(LOSS) FOR THE YEAR			
Profit /(loss) from ordinary activities before income tax has been determined after			
a. Expenses			
– Cost of sales		26,394,794	24,407,922
– Finance costs - external		155,580	151,598
– Depreciation of buildings		44,096	44,097
– Depreciation of plant and equipment		624,117	567,766
– Bad and doubtful debts – trade receivables		(7,495)	57,254
– Rental expense on operating leases		58,868	63,107
– Employee benefits - superannuation		499,113	485,266
NOTE 4: INCOME TAX EXPENSE			
a. 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		3,105,960	2,954,428
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)		931,788	886,328
Add:			
Tax effect of:			
non-deductible depreciation and amortisation		14,035	13,750
other non-allowable items		2,027	1,429
Less:			
Tax effect of:			
rebateable fully franked dividends		(1,146)	(610)
other tax benefits		(57,613)	(63,741)
over provision for income tax in prior year		(10,276)	-
		878,815	837,156
Income Tax Expense			
The components of income tax expense comprises:			
Current tax		854,122	811,422
Deferred tax assets	20	24,693	25,734
		878,815	837,156

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4: INCOME TAX EXPENSE (continued)

Following recent amendments to Australian corporate tax rate, a gradual reduction in the company tax rate from 30% to 25% by 30 June 2027 will apply as follows:

- Companies with turnover under \$10m will pay tax at 27.5% from the 2016-17 financial year;
- Companies with turnover under \$25m will pay tax at 27.5% from the 2017-18 financial year;
- Companies with turnover under \$50m will pay tax at 27.5% from the 2018-19 financial year;

Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The tax rate used in the reconciliation above is the corporate tax rate of 30% payable by Australian Companies with an aggregate turnover in excess of \$10 million in financial year ended 30 June 2017. There has been no change in this tax rate since the previous reporting period. From financial year ended 2019, all companies with aggregate turnover in excess of \$50 million will continue to be taxed at 30% tax rate. Due to the significant uncertainty in relation to future turnover level, the Group has adopted 30% tax rate for calculation of deferred income taxes.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the Director's report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	2017 \$	2016 \$
Short-term employee benefits	625,253	590,555
Post-employment benefits	124,121	121,098
Other long-term benefits	8,289	7,319
Other benefits	6,337	7,219
	764,000	726,191

Short term benefits:

These amounts include fees paid to non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits:

These amounts are superannuation contributions made during the year.

Other long-term benefits:

These amounts represent long service leave benefits accruing during the year.

Further information in relation to KMP remuneration can be found in the Directors' report.

NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditors of the parent entity for:

– auditing or reviewing the financial report	58,500	56,500
	58,500	56,500

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 7: DIVIDENDS		
Final fully franked ordinary dividend of 11.0 (2016: 11.0) cents per share franked at the rate of 30% (2016: 30%) declared in 2016 and paid on 30 September 2016	1,105,056	1,063,984
Interim fully franked ordinary dividend of 10.0 (2016: 8.0) cents per share franked at the rate of 30% (2016: 30%) paid on 31 March 2017	1,029,448	791,749
	2,134,504	1,855,733

(a) Proposed final fully franked ordinary dividend of 10.0 (2016: 11.0) cents per share franked at 30% (2016: 30%) payable on 29 September 2017 not yet brought into account in the financial statements.	1,050,371	1,105,056
(b) Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables and franking debits arising from payment of proposed dividends	975,645	1,034,957
Subsequent to year end, the franking account would be reduced by the proposed dividend per 7(a) above.	(450,159)	(473,595)

NOTE 8: EARNINGS PER SHARE

(a) Reconciliation of earnings to profit or loss		
Profit	2,227,145	2,117,272
Profit attributable to minority equity interest	-	-
Earnings used to calculate basic and diluted EPS	2,227,145	2,117,272
(b) Reconciliation of earnings to profit or loss from continuing operations		
Profit	2,227,145	2,117,272
Profit attributable to minority equity interest	-	-
Earnings used to calculate basic and diluted EPS	2,227,145	2,117,272

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 No	2016 No
NOTE 8: EARNINGS PER SHARE (Continued)		
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	10,284,006	9,871,663
Weighted average number of options outstanding	-	-
Weighted average number of converting preference shares on issue	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	10,284,006	9,871,663

	Note	2017 \$	2016 \$
NOTE 9: CASH ASSETS			
Cash at bank and in hand		2,407,748	1,589,820
		2,407,748	1,589,820
Reconciliation of cash			
Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to items in the Consolidated Statement of Financial Position as follows:			
Cash and cash equivalents		2,407,748	1,589,820
Bank overdrafts	19	-	-
		2,407,748	1,589,820

NOTE 10: RECEIVABLES

CURRENT

Trade receivables	3,846,577	3,977,704
Provision for impairment of receivables	-	-
	3,846,577	3,977,704
Ageing of past due but not impaired receivables		
60-90 days	141,817	252,071
91-120 days	24,101	22,076
	165,918	274,147

Credit Risk – Receivables

The group has significant concentrations of credit risk with respect to a number of major customers of the Group (Refer Note 24(v)). The balances of receivables that relate to these major customers are considered to be of high credit quality. The class of assets described as receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has 100% of its credit risk exposure in Australia.

The tables above detail the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided thereon. Amounts are considered as 'past due' when the debt has not been settled. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms are considered to be of high credit quality.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 10: RECEIVABLES (continued)

Collateral held as security

Collateral has been received from a number of debtors of the Company in the form of a financial directors' guarantee.

	2017 \$	2016 \$
NON-CURRENT		
F.F.I. Holdings Ltd Executive Share Plan – refer to remuneration note for loans	125,386	146,546
	125,386	146,546

NOTE 11: INVENTORIES

CURRENT

At cost

Raw materials and stores	3,177,301	2,731,122
Finished goods	1,745,062	1,591,169
	4,922,363	4,322,291

NOTE 12: FINANCIAL ASSETS

Available-for-sale financial assets comprise:

shares in unlisted corporations	71,536	71,536
shares in corporations listed on a prescribed stock exchange	-	-
	71,536	71,536

NOTE 13: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 30 June 2017. 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	
		2017 %	2016 %	2017 %	2016 %
Fresh Food Industries Pty Ltd	Perth, Western Australia	100	100	-	-
Chocolate Products of Australia Pty Ltd	Perth, Western Australia	100	100	-	-
Prepact Australia Pty Ltd	Perth, Western Australia	100	100	-	-
Tradition Smallgoods Pty Ltd	Perth, Western Australia	100	100	-	-

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 14: PROPERTY, PLANT AND EQUIPMENT		
LAND AND BUILDINGS		
Freehold land at:		
Fair value	5,152,500	5,152,500
TOTAL LAND	5,152,500	5,152,500
BUILDINGS		
Fair value	1,766,955	1,766,955
Accumulated depreciation	(750,220)	(706,124)
TOTAL BUILDINGS	1,016,735	1,060,831
TOTAL LAND AND BUILDINGS	6,169,235	6,213,331
PLANT AND EQUIPMENT		
At cost	14,355,436	13,457,011
Accumulated depreciation	(7,229,700)	(6,655,950)
TOTAL PLANT AND EQUIPMENT	7,125,736	6,801,061
TOTAL PROPERTY PLANT AND EQUIPMENT	13,294,971	13,014,392

(a) 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	1,060,831	6,801,061	13,014,392
Additions	-	-	956,155	956,155
Disposals	-	-	(7,363)	(7,363)
Depreciation expense	-	(44,096)	(624,117)	(668,213)
Carrying amount at the end of year	5,152,500	1,016,735	7,125,736	13,294,971

	2017 \$	2016 \$
(b) If land and buildings were stated at historical cost, amounts would be as follows:		
Cost	1,993,034	1,993,034
Accumulated depreciation	(750,220)	(706,124)
Net Book Value	1,242,814	1,286,910

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 15: INVESTMENT PROPERTY		
Balance at beginning of year	22,031,346	18,638,950
Land sold	-	-
Property acquired	-	3,377,290
Fair value adjustments	-	-
Property development costs	298,638	15,106
Provision for depreciation	-	-
Balance at end of year	22,329,984	22,031,346

The value of the Group's land was reviewed at 30 June 2017 by the Directors. The value adopted as at 30 June 2017 is based on a valuation performed as at 30 June 2014 by a licensed independent valuer as well as consideration of other current relevant factors and market conditions. As at 30 June 2014 the Directors adopted the value assessed by the independent valuer. 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.

NOTE 16: INTANGIBLE ASSETS

Goodwill at cost	350,232	350,232
Accumulated impaired losses	-	-
Net carrying value	350,232	350,232
Patents, trademarks and licences at cost	200,000	50,000
Accumulated amortisation	-	-
Net carrying value	200,000	50,000
Other at cost	2,530	2,530
Net carrying value	2,530	2,530
Total intangibles	552,762	402,762

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: INTANGIBLE ASSETS (continued)

Economic Entity

	Goodwill \$	Trademark & Licences \$	Other at Cost \$	Total \$
Year ended 30 June 2017				
Balance at the beginning of the year	350,232	50,000	2,530	402,762
Additions	-	-	-	-
Acquisitions through business combinations	-	150,000	-	150,000
Disposals	-	-	-	-
Amortisation charge	-	-	-	-
Impairment losses	-	-	-	-
Closing carrying value at 30 June 2017	350,232	200,000	2,530	552,762

Year ended 30 June 2016

Balance at the beginning of the year	350,232	50,000	2,530	402,762
Additions	-	-	-	-
Acquisitions through business combinations	-	-	-	-
Disposals	-	-	-	-
Amortisation charge	-	-	-	-
Impairment losses	-	-	-	-
Closing carrying value at 30 June 2016	350,232	50,000	2,530	402,762

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charge for intangible assets are included under depreciation and amortisation expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Goodwill has an infinite life.

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments.

	2017 \$	2016 \$
Bakery segment	350,232	350,232
Smallgoods segment	-	-
Total	350,232	350,232

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using the yield of 10-year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Bakery segment	2.5%	2.5%
Smallgoods segment	N/A	N/A

Management has based the value-in-use calculations on current year profits for each reporting segment. Value-in-use calculations are based on assumed growth rate, and discount rates are adjusted to incorporate risks associated with a particular segment. All amounts used in value-in-use calculations are pre-tax.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 17: OTHER ASSETS		
CURRENT		
Prepayments	220,413	221,992

NOTE 18: TRADE AND OTHER PAYABLES

CURRENT		
Unsecured liabilities	3,062,140	2,695,050
NON CURRENT		
Security bond – lease property	47,992	47,992

NOTE 19: BORROWINGS

CURRENT		
Unsecured liabilities:		
Bank overdraft	-	-
NON-CURRENT		
Secured liabilities:		
Bank Loans	4,500,000	4,500,000

All bank borrowings are reviewed annually by the Company's management and the Company's bank. The next review date is 31 October 2017. The Company is comfortably within its financial covenants and all bank borrowings have been consistently kept in place as in prior years after the completion of the annual review. At the date of this report the Directors of the Company fully expect all bank facilities to be continued at the next review date, and on this basis the facilities have been classified as non-current.

Collateral Provided

The bank debt is secured by a first registered mortgage over certain freehold properties owned by the Group and cross guarantee by the Group.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 20: TAX		
(a) Liabilities		
CURRENT		
Income tax payable (receivable)	94,428	195,302
NON-CURRENT		
Deferred tax liability comprises:		
Tax allowances relating to property, plant and equipment	278,016	238,303
Revaluation adjustments taken directly to equity	1,417,109	1,417,109
Fair value gain adjustments	4,106,863	4,106,863
Total	5,801,988	5,762,275
(b) Assets		
Deferred tax assets comprise:		
Other	-	-
Provisions	336,131	321,111
	336,131	321,111
(c) Reconciliations		
(i) Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	(5,441,164)	(5,415,430)
Credited/(charged) to income statement	(24,693)	(25,734)
Charge to equity	-	-
Closing balance	(5,465,857)	(5,441,164)
(ii) Deferred Tax Liability		
The movement in deferred tax liability for each temporary difference during the year is as follows:		
Tax allowances relating to property, plant and equipment		
Opening balance	238,303	196,883
Credited/(charged) to the income statement	39,713	41,420
Closing balance	278,016	238,303
Tangible assets revaluation adjustments taken directly to equity		
Opening balance	1,417,109	1,417,109
Net revaluations during the current period	-	-
Closing balance	1,417,109	1,417,109
Fair value gain adjustment		
Opening balance	4,106,863	4,106,863
Credited/(charged) to the income statement	-	-
Closing balance	4,106,863	4,106,863

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 20: TAX (continued)		
(iii) Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	321,111	305,425
Credited/(charged) to the income statement	15,020	15,686
Closing balance	336,131	321,111
Other		
Opening balance	-	-
Credited/(charged) to the income statement	-	-
Closing balance	-	-

NOTE 21: PROVISIONS

	Employee Entitlements 2017 \$	Employee Entitlements 2016 \$
Economic Entity		
Opening balance at 1 July	960,370	880,083
Additional provisions	50,069	80,287
Amounts used/paid	-	-
Balance at 30 June	1,010,439	960,370

Provision for Long-term Employee benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 of the financial statements.

Analysis of Total Provisions

	2017 \$	2016 \$
Current	1,010,439	960,370
Non-current	-	-
	1,010,439	960,370

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 22: ISSUED CAPITAL		
Issued and Paid Up Capital		
10,503,710 (2016: 10,045,962) fully paid ordinary shares	18,864,187	17,304,455
(a) Ordinary shares	No	No
At the beginning of reporting period	10,045,962	9,672,585
Shares issued during year:		
25 September 2015	-	224,283
22 April 2016	-	149,094
30 September 2016	248,521	-
31 March 2017	209,227	-
Shares bought back during year	-	-
At reporting date	10,503,710	10,045,962

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Capital Management

The Board and management control the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	Note	2017 \$	2016 \$
Total borrowings	19	4,500,000	4,500,000
Less cash and cash equivalents	9	(2,407,748)	(1,589,820)
Net debt		2,092,252	2,910,180
Total equity		33,590,884	31,938,511
Total capital		35,683,136	34,848,691
Gearing ratio		6.2%	9.1%

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 23: RESERVES

Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

	2017 \$	2016 \$
Asset Revaluation Reserve		
Opening balance	3,655,500	3,655,500
Movements during the year	-	-
	3,655,500	3,655,500

Note 24: 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;
- the type or class of customer for the products;

Types of products and services by segment

(i) Bakery Segment

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

(ii) Smallgoods Segment

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

(iii) Investment Property

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Groups financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

Note 24: OPERATING SEGMENTS (continued)

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- Intangible asset; and
- discontinued operations.

Segment performance

	Bakery Segment \$	Smallgoods Segment \$	Investment Property \$	Total \$
2017				
Revenue				
External sales	25,468,968	7,714,942	-	33,183,910
Rent	-	-	981,424	981,424
Inter-segment sales	-	-	-	-
Other revenue	(7,363)	3,194	-	(4,169)
Total segment revenue	25,461,605	7,718,136	981,424	34,161,165
<i>Reconciliation of segment revenue to Group revenue</i>				
Unallocated revenue				31,855
Total group revenue				34,193,020
Segment net profit before tax	2,497,641	470,296	825,844	3,793,781
<i>Reconciliation of segment result to Group net profit/(loss) before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
Unallocated items:				
• Other				(687,821)
Net profit before tax from continuing operations				3,105,960

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

Note 24: OPERATING SEGMENTS (continued)

	Bakery Segment \$	Smallgoods Segment \$	Investment Property \$	Total \$
2016				
Revenue				
External sales	23,097,673	7,804,416	-	30,902,089
Rent	-	-	852,354	852,354
Inter-segment sales	-	-	-	-
Other revenue	(1,559)	-	-	(1,559)
Total segment revenue	23,096,114	7,804,416	852,354	31,752,884
<i>Reconciliation of segment revenue to Group revenue</i>				
Unallocated revenue				40,445
Total group revenue				31,793,329
Segment net profit before tax	2,387,104	543,162	700,756	3,631,022
<i>Reconciliation of segment result to Group net profit/(loss) before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
Unallocated items:				
• Other				(676,594)
Net profit before tax from continuing operations				2,954,428

(ii) Segment assets

	Bakery Segment \$	Smallgoods Segment \$	Investment Property \$	Total \$
2017				
Segment assets				
Segment assets	15,474,517	2,958,711	22,329,985	40,763,213
Segment asset increases for the period:				
• capital expenditure	700,312	255,843	298,638	1,254,793
• acquisitions	150,000	-	-	150,000
	850,312	255,843	298,638	1,404,793
<i>Reconciliation of segment assets to Group assets</i>				
Inter-segment eliminations				
Unallocated assets:				
• Land and buildings				6,169,235
• Cash and cash equivalents				985,198
• Other				190,225
Total group assets from continuing operations				48,107,871

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

Note 24: OPERATING SEGMENTS (continued)

	Bakery Segment \$	Smallgoods Segment \$	Investment Property \$	Total \$
2016				
Segment assets				
Segment assets	14,588,060	2,682,797	22,031,346	39,302,203
Segment asset increases for the period:				
• capital expenditure	530,005	80,712	3,392,396	4,003,113
• acquisitions	-	-	-	-
	530,005	80,712	3,392,396	4,003,113
<i>Reconciliation of segment assets to Group assets</i>				
Inter-segment eliminations				
Unallocated assets:				
• Land and buildings				6,213,332
• Cash and cash equivalents				416,173
• Other				167,792
Total group assets from continuing operations				46,099,500

(iii) Segment liabilities

2017				
Segment liabilities	14,916,315	2,744,216	8,811,728	26,472,259
<i>Reconciliation of segment liabilities to Group liabilities</i>				
Inter-segment eliminations				(11,955,272)
Total Group liabilities from continuing operations				14,516,987

2016				
Segment liabilities	14,039,130	2,453,107	8,811,728	25,303,965
<i>Reconciliation of segment liabilities to group liabilities</i>				
Inter-segment eliminations				(11,142,976)
Total Group liabilities from continuing operations				14,160,989

(iv) Geographical Segments

The Group's business segments operate entirely within the one geographical segment of Australia.

(v) Major Customers

The Group has a number of customers to which it provides products. The Group supplies two external customers in the bakery segment which accounted for the following % of total external revenue

Customer 1	8% (2016: 8%)
Customer 2	7% (2016: 6%)

The next most significant customer accounts for 6% (2016: 6%) of external revenue. Refer Note 10 and Note 26 for policies on credit risk management.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 25: 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	2,227,145	2,117,272
Non-cash flows in profit from ordinary activities		
Depreciation	668,213	611,863
(Profit)/Loss on sale of property, plant and equipment	4,169	1,559
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	131,126	(264,244)
Decrease/(Increase) in prepayments	1,579	(8,708)
Decrease/(Increase) in inventories	(600,072)	(631,446)
Increase/(Decrease) in creditors and accruals	367,093	153,745
Increases in provisions	50,069	80,287
Decrease/(Increase) in deferred tax asset	(15,020)	(15,686)
Increase/(Decrease) in income tax payable	(100,876)	7,528
Increase/(Decrease) in deferred tax payable	39,712	41,420
Cash flow from operations	2,773,138	2,093,590
(a) Credit Standby Arrangements with Banks		
Credit facility	4,500,000	4,500,000
Amount utilized	4,500,000	4,500,000
Amount unutilized	-	-

The major facilities are summarised as follows:

Fixed loan facilities are arranged with general trading terms and conditions being reviewed and set annually. Interest rates are variable and subject to change.

(b) Disposal of Entities

No entities were disposed of during the year.

(c) Acquisition of Entities

No entities were acquired during the year.

(d) Non-cash Financing and Investing Activities

(i) Share Issues

During the year there was no ordinary shares issued to executives pursuant to the Company's Executive Share Plan. During the year 457,748 fully paid ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 26: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries. The Group does not operate any derivative financial instruments.

The main purpose on non-derivative financial instruments is to raise finance for Group operations.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

(a) Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Summary of Financial Instruments and Interest Rate Risks

	2017 \$	2016 \$	2017 Effective Interest Rate	2016
Financial Assets:				
Cash (floating interest rate)	2,407,748	1,589,820	1.32%	1.99%
Loans and receivables:				
Trade Receivables & other (non-interest bearing)	3,971,963	4,124,250	N/A	N/A
Receivables (fixed interest rate)	-	-	N/A	N/A
Available for Sale of Financial Assets (at cost):				
Investments (non-interest bearing)	71,536	71,536	N/A	N/A
Total financial assets	6,451,247	5,785,606		
Financial Liabilities:				
Financial liabilities at amortised cost:	-	-	-	-
Bank overdraft (floating interest rate)	-	-	8.05%	8.05%
Bank loan (floating interest rate)	4,500,000	4,500,000	3.46%	3.88%
Trade and other payables (non-interest bearing)	3,062,140	2,695,050	N/A	N/A
Total financial liabilities	7,562,140	7,195,050		

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- Ensuring adequate unutilised borrowing facilities are maintained
- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- Maintaining a reputable credit profile
- Managing credit risk related to financial assets
- Only investing surplus cash with major financial institutions
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 26: FINANCIAL RISK MANAGEMENT (continued)

Financial Liability and Financial Asset Maturity Analysis

	Within 1 Year		1 to 5 Years		Over 5 years		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Consolidated Group	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Bank overdraft and loans (i)	-	-	4,500,000	-	-	4,500,000	4,500,000	4,500,000
Trade and other payables (excluding est. annual leave)	3,062,140	2,695,050	-	-	-	-	3,062,140	2,695,050
Total contractual outflows	3,062,140	2,695,050	4,500,000	-	-	4,500,000	7,562,140	7,195,050
Less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	3,062,140	2,695,050	4,500,000	-	-	4,500,000	7,562,140	7,195,050
Financial assets – cash flows realisable								
Cash and cash equivalents	2,407,748	1,589,820	-	-	-	-	2,407,748	1,589,820
Trade, term and loans receivables	3,846,577	3,977,704	125,386	146,546	-	-	3,971,963	4,124,250
Other investments	-	-	-	-	71,536	71,536	71,536	71,536
Total anticipated inflows	6,254,325	5,567,524	125,386	146,546	71,536	71,536	6,451,247	5,785,606
Net inflow on financial instruments	3,192,185	2,872,474	4,374,614	146,546	71,536	(4,428,464)	(1,110,893)	(1,409,444)

All bank borrowings are reviewed annually by the Company's management and the Company's bank. The next review date is 31 October 2017. The Company is comfortably within its financial covenants and all bank borrowings have been consistently kept in place as in prior years after the completion of the annual review. At the date of this report the Directors of the Company fully expect all bank facilities to be continued at the next review date, and on this basis the facilities have been classified as non-current. Bank borrowings are secured by a fixed and floating charge held over the assets of the Company and cross guarantee by the Group.

(c) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group (also refer to Note 10).

NOTE 26: FINANCIAL RISK MANAGEMENT (continued)

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposure against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms range from 7 days from invoice date to 60 days from end of month.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. This amounts to \$6,451,247 for 2017 (2016: \$5,785,606)

Credit risk related to cash balances held with banks is managed by the Board policy of only investing surplus funds with major banks with a Standard and Poor's credit rating of at least AA-. As at reporting date all surplus funds was held with a major bank with a Standard and Poor's credit rating of AA-.

(d) Price risk

The Group is exposed to price risk through fluctuations in the prices of all business input costs including food commodities. The exposure is however mitigated by the Group's ability to change its selling price structure and by the very large and diverse base of customers, suppliers and products with which the Group operates. These factors limit any commodity based price risk to the Group.

Net Fair Values

The fair values of financial assets and financial liabilities are presented in the table in part (a) of this note and can be compared to their carrying values as presented in the Consolidated Statement of Financial Position. Fair Values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Sensitivity Analysis

Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2017 \$	2016 \$
Change in profit		
- Increase in interest rate by 200 basis points (2%)	(41,845)	(58,204)
- Decrease in interest rate by 200 basis points (2%)	41,845	58,204
Change in Equity		
- Increase in interest rate by 200 basis points (2%)	(41,845)	(58,204)
- Decrease in interest rate by 200 basis points (2%)	41,845	58,204

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 27: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Controlled Entities

F.F.I. Holdings Ltd provides factory and office space, and management services to its controlled entities. The total of these transactions for the year was as follows:

	2017 \$	2016 \$
Fresh Food Industries Pty Ltd	127,192	140,392
Tradition Smallgoods Pty Ltd	22,446	24,775
Interest charged by the Parent Entity on inter-company loans Tradition Smallgoods Pty Ltd	-	-
Inter-company loan balances in the Parent Entity at reporting date were as follows:		
Fresh Food Industries Pty Ltd	12,008,840	11,096,280
Tradition Smallgoods Pty Ltd	1,287,881	1,363,190
Chocolate Products of Australia Pty Ltd	(100,982)	(100,982)
Prepact Australia Pty Ltd	(100)	(100)

(b) Share transactions by directors

Directors and their related entities held directly, indirectly or beneficially as at the reporting date the following equity interests in the parent entity:

	2017 No	2016 No
R G Moonen	3,214,335	2,996,603
G W Nicholson	653,581	631,155
R D Fraser	104,677	98,506

(c) Transactions of group companies with companies related to a director

There were no transactions of Group companies with companies related to a Director during the year ended 30 June 2017.

(d) Loans to Key Management Personnel

For loans provided to Key Management Personnel refer to the Remuneration Report contained in the Directors' Report.

NOTE 28: COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 29: EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which could significantly affect 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 30: PARENT ENTITY DISCLOSURES		
(a) Financial Position		
Assets		
Current assets	1,031,093	418,430
Non-current assets	42,335,230	41,264,643
Total assets	43,366,323	41,683,073
Liabilities		
Current Liabilities	73,924	49,634
Non-current liabilities	10,066,894	10,066,230
Total liabilities	10,140,818	10,115,864
Equity		
Issued capital	18,864,187	17,304,455
Reserves:		
Asset revaluation	3,597,650	3,597,650
Retained profits	10,763,668	10,665,104
Total Equity	33,225,505	31,567,209
(b) Financial Performance		
Profit for the year after tax	2,233,068	1,996,273
Other comprehensive income	-	-
Total comprehensive income	2,233,068	1,996,273
(c) Contingent Liabilities of the Parent Entity		
	-	371,803
(d) Commitments for the Acquisition of Property, Plant and Equipment by the Parent Entity		
	-	-

NOTE 31: BUSINESS COMBINATIONS

On 22 May 2017, the Company acquired the business of Orchard Icing. Trademarks were acquired for \$150,000 and this has been recognized in intangibles. The business has been merged into the Bakery segment.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 32: 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 2017 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		-	71,536	-
Investments in shares of listed corporations		-	-	-
Investment Property	(i)	-	22,329,984	-
Property, plant and equipment (at revalued amounts):				
Freehold land	(ii)	-	5,152,500	-
Buildings		-	1,016,735	-
Non-recurring fair value measurements				

		Fair Value Measurements at 30 June 2016 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		-	71,536	-
Investments in shares of listed corporations		-	-	-
Investment Property	(i)	-	22,031,346	-
Property, plant and equipment (at revalued amounts):				
Freehold land	(ii)	-	5,152,500	-
Buildings		-	1,060,831	-
Non-recurring fair value measurements				
		-	-	-

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 2014 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.

NOTE 32: FAIR VALUE MEASUREMENT (continued)

(ii) The fair value measurement amounts of freehold land is based on an assessment by the Directors of the property's fair market value. The methodology used for the assessment incorporated a valuation performed at 30 June 2014 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 Level1, Level 2 and Level 3 during the reporting period.

NOTE 33: LEASE COMMITMENTS RECEIVABLE

Minimum future lease payments receivable under non-cancellable leases are as follows:

	Within 1 Year	1 to 5 Years	Over 5 years	Total
	\$	\$	\$	\$
Monash Gate Jandakot #	827,784	3,611,182	1,780,159	6,219,125
Cutler Road Jandakot ^	100,857	-	-	100,857
Total	928,641	3,611,182	1,780,159	6,319,982

(#) This investment property is leased to a multi-national environmental services company for a period of 10 years effective 15 April 2014.

The Lease has been negotiated on a basis reflective of the commercial terms and prevailing market conditions at the time of the negotiations.

(^) This investment property is leased to two independent engineering companies. The lease period was for two years. The Leases have been negotiated on a basis reflective of the commercial terms and prevailing market conditions at the time of the negotiations.

NOTE 34: COMPANY DETAILS

The registered office of the company is:

17 – 23 Knock Place
Jandakot WA 6164

The principal places of business are:

F.F.I. Holdings Limited and Group Companies at:
17 – 23 Knock Place
Jandakot WA 6164

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 19 to 55, are in accordance with the Corporations Act 2001, and:
 - a. comply with Accounting Standards;
 - b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Company and consolidated group; and
 - c. are in accordance with International Financial Reporting Standards issued by International Accounting Standards Board.
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. 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.



R G Moonen



G W Nicholson

Dated this 12th day of September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FFI HOLDINGS LIMITED

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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of FFI Holdings Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Valuation of Land Held for Own Use	
Refer to Note 14 Property, Plant and Equipment	
As at 30 June 2017, FFI Holdings Limited Group had \$5,152,500 of land held for own use. Based on management's estimate, the value remains unchanged from 30 June 2016, no revaluation gain or loss was recorded in the consolidated statement of profit or loss and other comprehensive income. This balance is material and the value is subject to significant management judgement and estimates. The methodology used for the assessment incorporated an independent external valuation performed as at 30 June 2014 by a licensed independent valuer as well as consideration of other current relevant factors and market conditions. The valuation is dependent on several key assumptions and judgements including highest and best use concepts and comparable market values.	Our audit procedures to test the valuation of Land Held for Own Use included, amongst others, the following: • Testing mathematical accuracy of the valuation model prepared by management • Evaluation of the independent external valuer's assumptions, objectivity, competency and capabilities • Assessment of the valuation methodology including the reasonableness of the key assumptions and key inputs used in the valuation model • Testing key assumptions used to external market information, where available • Testing of depreciation expense recorded and ensured consistency with accounting policies • Review of disclosure in the financial statements to ensure appropriateness and adequacy

Valuation of Investment Properties	
Refer to Note 15 Investment Property	
The valuation of investment properties is a key audit matter as it is FFI Holdings Limited Group's most significant asset and is highly dependent on estimates and judgements. Management has estimated the fair value of the Group's investment properties to be \$22,329,984 as at 30 June 2017. Other than the land improvement development cost capitalised, the value remains unchanged from 30 June 2016 with no revaluation gain or loss recorded in the consolidated statement of profit or loss and other comprehensive income. Management's valuation incorporated an independent external valuation obtained as at 30 June 2014 as well as consideration of other current relevant factors and market conditions. The valuation is dependent on several key assumptions and judgements including highest and best use concepts, capitalisation rates and comparable market values.	Our procedures to test the valuation of investment properties included, amongst others, the following: • Testing mathematical accuracy of the valuation models prepared by management • Evaluation of the independent external valuer's assumptions, objectivity, competency and capabilities • Assessment of the valuation methodology including the reasonableness of the key assumptions and key inputs used in the valuation model • Testing key assumptions used to external market information available. • Review of disclosure in the financial statements to ensure appropriateness and adequacy.

Key Audit Matters (continued)

Existence and Valuation of Inventories	
Refer to Note 11 Inventories	
FFI Holdings Limited Group holds a significant amount of inventories (raw materials and finished goods) which is used in the processing, manufacturing, packaging and distribution of foods products. Inventories are held in significant quantities and are valued at the lower of cost and net realisable value (NRV). Valuation at cost includes different components and is subject to significant management estimates. This could result in an overstatement of the value of the inventories if the historical cost is higher than the net realisable value. We have therefore identified inventory existence and valuation as a key audit matter.	Our procedures to test the existence and valuation of inventories included, amongst others, the following: • Testing the relevant internal control procedures relating to the existence and valuation of inventory, including stocktake attendance of the inventory count at year end • Testing a sample of stock items and comparing our count results with count results by the Group's representative and investigating any variances • Performing test of details on historical costs, including testing the mathematical accuracy of the final stock listing and assessment of management estimates and assumptions in relation to other fixed costs allocations. • Testing a sample of stock items to subsequent sales to ensure that they were recorded at the lower of cost and net realisable value Reviewing gross margin for any unusual pattern compared to prior periods

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of FFI Holdings Limited, for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on the 12th day of September 2017

Additional Information for Listed Public Companies

The following additional information is required by Australian Stock Exchange Limited:

SHAREHOLDINGS

a) Distribution of Shareholder Numbers as at 6th September 2017:

Range of Holding	Total Holders	No of Shares	% of Issued Capital
1 to 1,000	111	49,493	0.47%
1,001 to 5,000	135	372,683	3.55%
5,001 to 10,000	81	590,483	5.62%
10,001 to 100,000	69	1,814,342	17.27%
100,001 and over	18	7,676,709	73.09%
Total Shareholders	414	10,503,710	100%

b) The number of shareholdings held in less than marketable parcels is 28 holders with 475 shares.

c) The names of the substantial shareholders listed in the holding company's register as at 6th September 2017 are:

Name	Fully Paid Shares	% of Issued Capital
Moonen Mr Rodney Graham	3,214,335	30.60%
Morrison Mr Donald John	1,222,805	11.64%
Beer Mr Kenneth J	783,438	7.46%
Nicholson Mr Geoffrey W	653,581	6.22%
Warr Mr Ronald W	590,011	5.62%

d) Voting Rights

All ordinary shares carry 1 vote per share

e) As at 6th September 2017, the twenty largest shareholders held 7,854,668 of the total issued fully paid shares in the Company are as follows:

Names of 20 Largest Shareholders in each class of share	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Pearlwood Holdings Pty Ltd	2,194,919	20.90%
Evelin Investments Pty Ltd	844,669	8.04%
Beer Kenneth John	783,438	7.46%
Salter Point Investments Pty Ltd	613,013	5.84%
Warr Nominees Pty Ltd	477,915	4.55%
J P Morgan Nominees Australia Ltd	444,816	4.23%
Nicholson Geoffrey Wayne	326,045	3.10%
Nairana Pty Limited	298,017	2.84%
Simpson Samuel Gordon	246,360	2.35%
Moonen Rodney Graham	229,596	2.19%
BB Holdings Pty Ltd	213,313	2.03%
Matthews Brett	195,653	1.86%
Love Francis Alan	180,359	1.72%
Keiser Investments Pty Ltd	158,108	1.51%
Nereid Pty Ltd	145,002	1.38%
Bell Bruce Athol	111,084	1.06%
National Nominees Ltd	109,725	1.04%
Fraser Tracy	104,677	1.00%
G G Panizza Pty Ltd	89,960	0.86%
Nicholson Julie	87,999	0.84%

COMPANY SECRETARY

The company Secretary is Mr. R.G. Moonen

REGISTERED OFFICE

The registered office of the Company is:

23 Knock Place, Jandakot, WA, 6164

Telephone: (08) 9417 4088

Facsimile: (08) 9417 3063

E-mail: ffi@ffiholdings.com.au

Website: www.ffiholdings.com.au

SHARE REGISTRY

Security Transfer Australia Pty Ltd

770 Canning Highway, Applecross, WA, 6153

STOCK EXCHANGE LISTING

Quotation has been granted for all ordinary shares of the Company on the Australian Securities Exchange.

DIRECTORS INTEREST IN EQUITY

The interests of each Director in the share capital of the Company as disclosed by the register of Directors' shareholdings as at 6 September 2017 are as follows:

Director	Ordinary Shares Held	
	Directly	Beneficially
RG Moonen	229,596	2,984,739
GW Nicholson	363,331	290,250
RD Fraser		104,677

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