



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

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31st DECEMBER 2018

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

(ABN 32 009 155 328)

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Movement from the previous corresponding period (6 months ended 31 December 2017) for:

Revenue from ordinary activities	up	9.0%	to	\$20,596,396
Profit/(loss) from ordinary activities after tax attributable to members	up	14.3%	to	\$1,562,559
Net profit/(loss) attributable to members	up	14.3%	to	\$1,562,559

DIVIDENDS

	Amount per security	Franked amount per security
Interim dividend	10.0 cents	10.0 cents ⁽¹⁾
Interim dividend previous corresponding period	10.0 cents	10.0 cents ⁽²⁾
Record date for determining entitlements to the dividend	19 th March 2019	
Payment date for the dividend	29 th March 2019	
(1) Franked at a tax rate of 27.5%		
(2) Franked at a tax rate of 30%		

The Company's Dividend Reinvestment Plan (DRP) has been suspended and will not be in operation for the interim dividend payable on 29 March 2019. There is no foreign sourced dividend.

NET TANGIBLE ASSETS

	Current period 31/12/2018	Previous corresponding period 31/12/2017
Net tangible assets per security	\$3.22	\$3.19

It is recommended that this report be read in conjunction with the annual financial report of the Company for the year ended 30 June 2018.

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CHAIRMAN'S REVIEW

On behalf of the Directors, I am pleased to report the financial results of the Company for the half year ended 31st December 2018.

Financial results

During the period under review the Company achieved a net profit after tax attributable to members of \$1.56 million, up 14.3% on the net profit of \$1.37 million in the previous corresponding half year. The result was achieved on total revenue of \$20.60 million, up 9.0% from \$18.90 million in the comparable period last year.

The strong result reflects sound sales growth and operational improvements achieved by the Company during the period. Net profit before tax was in line with the Directors' previously issued profit guidance. The reported profit after tax also benefited from a reduction in the Company's tax rate from 30% to 27.5%.

The Company continues to be in a very strong financial position with net assets of \$35.04 million (net tangible asset backing per share of \$3.22) and net debt of \$2.11 million. The debt gearing ratio of 6.0% remains at a very conservative level.

Food operations

The half year under review proved to be a very successful period for the Company's food operations. Pre tax contribution to profits from the food operations increased by 14.4% to \$2.18 million.

The results were achieved on the back of strong sales growth in the Company's chocolate, cake decorations and bakers fillings divisions. While gross profit margins remained relatively steady, productivity and operational improvements delivered the improved results.

The Directors are pleased with the result and expect the significant capital expenditure that has been incurred in upgrading the Company's manufacturing facilities in recent times will continue to improve the financial performance in the second half of the financial year.

Property investment

The Company's previously announced plans regarding the development and lease of an area of the vacant industrial land that forms part of the Company's investment property assets is progressing steadily. The statutory planning approvals required for the development have been obtained and the first stage of the project is now expected to be completed by the end of the financial year. This first stage of the development is estimated to cost approximately \$600,000 and on completion will result in the Company's rental income increasing by \$160,000 per annum.

The second stage of the development is expected to cost approximately \$2.4 million and will result in a further increase in rental income of \$340,000 per annum. This final stage of the development is expected to be completed by the end of 2020.

Excluding some minor preliminary development costs, the asset values for the Company's investment properties as at 31st December 2018 remain unchanged from the valuations used in the 30th June 2018 annual accounts.

Dividend

Directors have declared a fully franked interim dividend of 10.0 cents per share, unchanged from the previous corresponding period.

In view of the significant capital expenditure that has been committed to upgrading the Company's manufacturing facilities, the Directors resolved not to increase the interim dividend. However, the Directors understand the importance of dividends to many shareholders and remain focused on returning to dividend growth as cash flow strengthens.

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

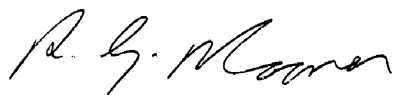
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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CHAIRMAN'S REVIEW (continued)

Conclusion

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

A handwritten signature in black ink, appearing to read 'R. G. Moonen', written in a cursive style.

Rodney Moonen
Chairman of Directors
8th February, 2019

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DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group for the half year ended 31 December 2018.

DIRECTORS

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

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

REVIEW OF OPERATIONS

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December 2018.

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



Rodney G Moonen
Director

Dated this 8th day of February 2019

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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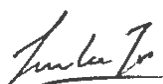
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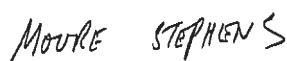
AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF F.F.I. HOLDINGS LIMITED

As lead auditor for the review of F.F.I. Holdings Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 8th day of February 2019

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated Group	
	31.12.2018	31.12.2017
	\$	\$
Revenue	20,596,396	18,896,404
Changes in inventories of finished goods and work in progress	307,102	(157,413)
Raw materials and consumables used	(10,531,563)	(9,496,273)
Employee benefits expense	(4,533,883)	(3,878,074)
Depreciation and amortisation expense	(391,949)	(355,542)
Orchard Icing related payment	-	(120,450)
Repairs and maintenance expense	(526,549)	(363,318)
Freight expense	(988,401)	(869,184)
Finance costs	(83,728)	(77,328)
Other expenses	(1,722,480)	(1,610,552)
Profit before income tax from continuing operations	2,124,945	1,968,270
Income tax expense	(562,386)	(601,431)
Profit after tax from continuing operations	1,562,559	1,366,839
Profit for the period	1,562,559	1,366,839
Other comprehensive income for the period	-	-
Items that will not be reclassified to profit or loss:		
Net gain on revaluation of land and buildings	-	-
Share of other comprehensive income of investments accounted for using the equity method	-	-
Income tax relating to items that will not be reclassified	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	1,562,559	1,366,839
Net profit attributable to:		
Members of the parent entity	1,562,559	1,366,839
	1,562,559	1,366,839
Total comprehensive income attributable to:		
Members of the parent entity	1,562,559	1,366,839
	1,562,559	1,366,839
Basic earnings per share (cents per share)	14.6	12.9
Basic earnings per share from continuing operations (cents per share)	14.6	12.9

The accompanying notes form part of these financial statements

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Consolidated Group	
	Note	31.12.2018	30.06.2018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,391,982	3,360,859
Trade and other receivables		6,066,486	4,712,960
Inventories		4,244,189	3,818,000
Other current assets		332,265	210,817
TOTAL CURRENT ASSETS		13,034,922	12,102,636
NON-CURRENT ASSETS			
Trade and other receivables		95,156	105,233
Financial assets	8	71,536	71,536
Property, plant and equipment		13,484,973	13,247,067
Investment property	8	22,378,161	22,355,592
Intangible assets		552,762	552,762
Deferred tax assets		328,330	325,764
TOTAL NON-CURRENT ASSETS		36,910,918	36,657,954
TOTAL ASSETS		49,945,840	48,760,590
CURRENT LIABILITIES			
Trade and other payables		3,202,702	2,599,515
Short-term borrowings		4,500,000	4,500,000
Current tax liabilities		150,461	91,898
Short-term provisions		1,095,212	1,075,854
TOTAL CURRENT LIABILITIES		8,948,375	8,267,267
NON-CURRENT LIABILITIES			
Trade and other payables		116,374	116,374
Deferred tax liabilities		5,838,860	5,832,390
TOTAL NON-CURRENT LIABILITIES		5,955,234	5,948,764
TOTAL LIABILITIES		14,903,609	14,216,031
NET ASSETS		35,042,231	34,544,559
EQUITY			
Contributed equity	3	19,629,268	19,623,268
Reserves		3,655,500	3,655,500
Retained earnings		11,757,463	11,265,791
TOTAL EQUITY		35,042,231	34,544,559

The accompanying notes form part of these financial statements

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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

Balance at 1.7.2017	18,864,187	11,071,197	3,655,500	33,590,884
Comprehensive income:				
Profit attributable to members of parent entity	-	1,366,839	-	1,366,839
Profit attributable to minority shareholders	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	1,366,839	-	1,366,839
Derecognition of non-controlling interest upon purchase of interest by parent entity	-	-	-	-
Transactions with owners, in their capacity as owners, and other transfers	-	-	-	-
Shares issued during the period	759,081	-	-	759,081
Dividends recognised for the period	-	(1,050,371)	-	(1,050,371)
Total transactions with owners and other transfers	759,081	(1,050,371)	-	(291,290)
Balance at 31.12.2017	19,623,268	11,387,665	3,655,500	34,666,433

The accompanying notes form part of these financial statements

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated Group	
	31.12.2018	31.12.2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	19,223,710	17,226,470
Payments to suppliers and employees	(17,914,862)	(15,385,621)
Dividends received	-	2,134
Interest received	21,019	16,168
Finance costs	(83,728)	(77,328)
Income tax refunded/(paid)	(499,924)	(446,238)
Net cash provided by (used in) operating activities	746,215	1,335,585
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	-	5,000
Purchase of property, plant and equipment	(631,712)	(351,102)
Purchase of investment property	-	-
Investment property development costs	(22,569)	(22,603)
Proceeds from sale of financial assets	-	-
Net cash provided by (used in) investing activities	(654,281)	(368,705)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Repayment of employee share loans	10,076	10,076
Dividends paid by parent entity	(1,070,887)	(291,290)
Net cash provided by (used in) financing activities	(1,060,811)	(281,214)
Net increase (decrease) in cash held	(968,877)	685,666
Cash at beginning of period	3,360,859	2,407,748
Cash at end of period	2,391,982	3,093,414

The accompanying notes form part of these financial statements

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for the half year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of F.F.I. Holdings Limited and its controlled entities (referred to as the "consolidated group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half year.

These interim financial statements were authorised for issue on 8th February 2019 by the directors of the Company.

b. Accounting Policies

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

New and Amended Standards Adopted by the Group

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

- AASB 9: *Financial Instruments*, and
- AASB 15: *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the respective accounting policies is disclosed in Note 9.

Impact of Standards Issued but Not Yet Applied by the Group

- AASB 16: *Leases*

AASB 16: *Leases* (issued February 2016) will supersede the existing lease accounting requirements in AASB 117: *Leases* and the related Interpretations. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership. The key requirements of AASB 16 are summarised as follows:

- recognition of a right-of-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-of-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;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components, instead accounting for all components as a lease;
- inclusion of additional disclosure requirements; and
- accounting for lessors will not significantly change.

AASB 16 will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has no significant non-cancellable operating lease commitments. Consequently, the directors anticipate that the adoption of AASB 16 will not materially impact the Group's financial statements.

The Standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the Standard before its effective date.

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent F.F.I. Holdings Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 7.

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

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

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

d. 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 instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation techniques

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

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

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

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

Fair value hierarchy

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

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

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

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

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

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

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The critical estimates and judgements are consistent with those applied and disclosed in the annual financial statements of the Group for the year ended 30 June 2018.

NOTE 2: DIVIDENDS

Declared interim fully franked dividend of 10.0 cents (2017: 10.0 cents) per share franked at the tax rate of 27.5% (2017: 30%)

Final fully franked dividend of 10.0 cents per share paid during the half year period (2018: 10.0 cents)

Consolidated Group	
31.12.2018	31.12.2017
\$	\$
1,071,037	1,070,887
1,070,887	1,050,371

NOTE 3: ISSUED CAPITAL

Issued and Paid Up Capital

10,710,367 (2017: 10,708,867) fully paid ordinary shares

(a) Ordinary shares

At the beginning of reporting period

Shares issued during half year:

14 November 2018 – Shares issued for employee entitlements

29 September 2017 – DRP shares issued for final (2017) dividend

Shares bought back during year

At reporting date

31.12.2018	31.12.2017
\$	\$
19,629,268	19,623,268
No.	No.
10,708,867	10,503,710
1,500	-
-	205,157
-	-
10,710,367	10,708,867

NOTE 4: CONTINGENT LIABILITIES

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

NOTE 5: EVENTS AFTER THE END OF THE INTERIM PERIOD

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

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 6: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

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

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

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

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

Types of products and services by segment

(i) *Bakery Segment*

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

(ii) *Smallgoods Segment*

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

(iii) *Investment Property*

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

F.F.I. HOLDINGS LIMITED AND CONTROLLED ENTITIES

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 6: OPERATING SEGMENTS (continued)

(i) Segment performance

	Bakery Segment	Smallgoods Segment	Investment Property	Total
	\$	\$	\$	\$
Six months ended 31/12/2018				
Revenue				
External sales	16,356,951	3,703,540	-	20,060,491
Rent	-	-	516,743	516,743
Inter-segment sales	-	-	-	-
Other revenue	(1,857)	-	-	(1,857)
Total segment revenue	16,355,094	3,703,540	516,743	20,575,377
<i>Reconciliation of segment revenue to Group revenue</i>				
Unallocated revenue				21,019
Total group revenue				20,596,396
Segment net profit before tax	1,963,514	213,768	388,015	2,565,297
<i>Reconciliation of segment result to Group net profit/(loss) before tax</i>				
Amounts not included in segment result but reviewed by the directors:				
Unallocated items:				
• Other				(440,352)
Net profit before tax from continuing operations				2,124,945

Six months ended 31/12/2017

Revenue				
External sales	14,436,968	3,922,063	-	18,359,031
Rent	-	-	503,332	503,332
Inter-segment sales	-	-	-	-
Other revenue	15,740	-	-	15,740
Total segment revenue	14,452,708	3,922,063	503,332	18,878,103
<i>Reconciliation of segment revenue to Group revenue</i>				
Unallocated revenue				18,301
Total group revenue				18,896,404
Segment net profit before tax	1,665,414	238,409	426,004	2,329,827
<i>Reconciliation of segment result to Group net profit/(loss) before tax</i>				
Amounts not included in segment result but reviewed by the directors:				
Unallocated items:				
• Other				(361,557)
Net profit before tax from continuing operations				1,968,270

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NOTE 6: OPERATING SEGMENTS (continued)

(ii) Segment assets

	Bakery Segment	Smallgoods Segment	Investment Property	Unallocated	Total
	\$	\$	\$		\$
Six months ended 31/12/2018					
Opening balance 1 July 2018	15,321,103	2,441,014	22,355,592	8,642,881	48,760,590
Segment asset increases for the period:					
• capital expenditure	630,062	1,650	22,569	-	654,281
• disposals	(21,220)	(1,320)	-	-	(22,540)
• other asset movements	1,080,124	521,412	-	(1,048,027)	553,509
Closing balance 31 December 2018	17,010,069	2,962,756	22,378,161	7,594,854	49,945,840

NOTE 7: INTEREST IN SUBSIDIARIES

Information about Principal Subsidiaries

Set out below are the Group's subsidiaries at 31 December 2018. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest held by the Group	
		At 31 December 2018 %	At 30 June 2018 %
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.

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NOTE 8: FAIR VALUE MEASUREMENT

a. Recurring and Non-recurring Fair Value Measurement

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

Fair Value Measurements at 31 December 2018 using:

		Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Observable Inputs Other than Level 1 Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
Description	Note			
Recurring fair value measurements				
Investments in shares of unlisted corporations		-	71,536	
Investments in shares of listed corporations		-	-	
Investment property	(i)	-	22,378,161	
Property, plant and equipment (at revalued amounts):				
Freehold land	(ii)	-	5,152,500	
Buildings		-	950,590	
Non-recurring fair value measurements				

Fair Value Measurements at 30 June 2018 using:

		Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Observable Inputs Other than Level 1 Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
Description	Note			
Recurring fair value measurements				
Investments in shares of unlisted corporations		-	71,536	
Investments in shares of listed corporations		-	-	
Investment property	(i)	-	22,355,592	
Property, plant and equipment (at revalued amounts):				
Freehold land	(ii)	-	5,152,500	
Buildings		-	972,638	
Non-recurring fair value measurements				
		-	-	

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

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

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NOTE 8: FAIR VALUE MEASUREMENT (continued)

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

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

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

NOTE 9: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 9: *Financial Instruments* and AASB 15: *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

a. AASB 9: *Financial Instruments* – Accounting Policies

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability; that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other

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NOTE 9: CHANGES IN ACCOUNTING POLICIES

comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value (if not designated as at fair value through profit or loss and not arising from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with AASB 9.3.25.3; and
- the amount initially recognised less the accumulative amount of income recognised in accordance with the revenue recognition policies.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

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NOTE 9: CHANGES IN ACCOUNTING POLICIES

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: *Business Combinations* applies, the Group may make an irrevocable election to measure any subsequent changes in fair value of the equity instrument in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial assets:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in of equity which was elected to be classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 9: CHANGES IN ACCOUNTING POLICIES

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

- the general approach;
- the simplified approach;
- the purchased or originated credit-impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: *Revenue from Contracts with Customers* and that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used, taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience etc).

Purchased or originated credit-impaired approach

For a financial asset that is considered to be credit-impaired (not on acquisition or origination), the Group measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (e.g. default or past due event);
- a lender granting to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- high probability that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Group assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Group applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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NOTE 9: CHANGES IN ACCOUNTING POLICIES

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

b. AASB 15: Revenue from Contracts with Customers – Accounting Policies

In the comparative period

Revenue was measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from sale of goods was recognised at the point of delivery, as this corresponds to the transfer of significant risks and rewards of ownership of goods and the cessation of all involvement in those goods.

Revenue from rendering of services was recognised upon the delivery of the service to the customers.

Under AASB 15, revenue generated by the group is categorised into the Group's following reportable segments:

- (i) Bakery– sales of predominantly bakery and home cooking needs food products for distribution to a diverse customer base.
- (ii) Smallgoods– sales of a wide range of smallgoods products for distribution to a diverse customer base

For sales of bakery goods and smallgoods, revenue is recognised when control of the products has transferred to the customer, which is usually when the products are delivered to the customers. Volume discounts could be provided with the sale of these items depending on the volume of aggregate sales made to eligible customers. A receivable will be recognised when the goods are delivered. The Group's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no financing component because sales are made within standard credit terms as agreed with the customers.

- (iii) Investment property – rental income generated from the Group's holdings of industrial and commercial land which is held for investment purposes. Rental income is recognised on a straight-line basis over the term of the lease.

c. Initial Application of AASB 9 and AASB 15

The Group has adopted AASB 9 and AASB 15 with an initial application date of 1 July 2018. The application of these standards did not have a material impact on the Group's financial statements.

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 8 to 24 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



R G Moonen

Dated this 8th day of February 2019

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of F.F.I. Holdings Limited (the company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

MOORE STEPHENS

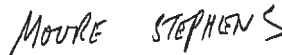
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 8th day of February 2019.