FARM PRIDE FOODS LIMITED
ABN 42 080 590 030
AND CONTROLLED ENTITIES

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2017.

Rule 4.2A.3

Appendix 4D

Half Year Report for the six months to 31 December 2017

Name of entity: FARM PRIDE FOODS LIMITED

ABN or equivalent company reference: 42 080 590 030

1. Reporting period

Report for the half year ended: 31 December 2017

Previous corresponding periods: Financial year ended 30 June 2017
Half- year ended 31 December 2016

2. Results for announcement to the market

Revenues from ordinary activities *(item 2.1)*	Down	7.45 %	to	$45,571,000
Profit from ordinary activities after tax attributable to members (*item 2.2*)	Down	64.80 %	to	$1,516,000
Net profit for the period attributable to members *(item 2.3)*	Down	64.80 %	to	$1,516,000

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	- ¢	- ¢
Final dividend	- ¢	- ¢
Previous corresponding period	- ¢	- ¢
Record date for determining entitlements to the dividend *(item 2.5)*	N/A	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item 2.6)*:

Refer to Director's report

3. Net tangible assets per security *(item 3)*

	31 Dec 2017	31 Dec 21016
Net tangible asset backing per ordinary security	85.81 ¢	75.48 ¢

4. Details of entities over which control has been gained or lost during the period: *(item 4)*

Control gained over entities

Name of entities *(item 4.1)*	N/A	
Date(s) of gain of control *(item 4.2)*	N/A	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired *(item 4.3)*		$ -
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 4.3)*		$ -

Loss of control of entities

Name of entities *(item 4.1)*	N/A	
Date(s) of loss of control *(item 4.2)*	N/A	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost *(item 4.3).*		$ -
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 4.3)*		$ -

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2017	N/A	$ -
Final dividend year ended 30 June 2017	N/A	$ -

Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend:	Current year	- ¢	- ¢	- ¢
	Previous year	- ¢	- ¢	- ¢

6. The financial information provided in the Appendix 4D is based on the half year condensed consolidated financial report (attached).

FARM PRIDE FOODS LIMITED
ABN 42 080 590 030
AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2017.

Corporate Information

ABN 42 080 590 030

Directors
Peter Bell (Non-Executive Chairman)
Malcolm Ward (Non-Executive Director)
Bruce De Lacy (Executive Director / CEO)

Company Secretary
Bruce De Lacy

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551 Chandler Road
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Solicitors
B2B Lawyers
76 Jolimont St
East Melbourne, Victoria 3002

Banker
Westpac Banking Corporation
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Melbourne, Victoria 3000

Share Register
Computershare Registry Services Pty. Ltd.
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067

ASX: FRM

Auditors
Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000

Internet Address
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FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

The Directors present their report together with the financial report of the consolidated entity consisting of Farm Pride Foods Limited ('the Company') and the entities it controlled ('Farm Pride' or the 'Group'), for the half-year ended 31 December 2017 and auditor's report thereon.

Directors

The names of directors in office at any time during or since the end of the year are:

Peter Bell	Non-executive Director – Appointed 30 May 2008, Appointed Chairman 30 September 2016
Malcolm Ward	Non-executive Director – Appointed 30 May 2008
Bruce De Lacy	Executive Director – Appointed 30 April 2014

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

Statutory consolidated net profit after tax ("Statutory Profit") for the half year ended 31 December 2017 was $1.516m (2016: $4.307m). Underlying EBITDA was $4.577m (2016: $7.905m).

Underlying EBITDA represents statutory earnings before interest, tax, depreciation and amortisation adjusted for items that are material to revenue or expense that are unrelated to the underlying performance of the business ("significant items"). Farm Pride believes that presenting Underlying EBITDA provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods. The results are presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

The following table reconciles the Statutory Profit to Underlying EBITDA for the half year ended 31 December 2017:

	31 Dec 2017 $'000	31 Dec 2016 $'000
Statutory profit	1,516	4,307
Add back:		
- Interest (finance costs)	82	84
- Income tax	895	1,880
- Depreciation and amortisation	1,649	1,634
EBITDA	4,142	7,905
Significant items:		
- Transactions costs on Darling Downs acquisition	435	-
Underlying EBITDA	4,577	7,905

Review of operations (continued)

Underlying EBITDA decreased $3.328m or 42.1% on the prior corresponding period due to worsening industry conditions which we advised at our 2017 AGM and in our February 2018 market update.
Net revenue decreased to $45.452m (2016: $49.158m). Inventory levels increased to $6.867m from $4.572m at June 2017.

The change in market conditions has placed considerable pressure on the Company and the egg industry with excessive national egg inventories driving down prices as marketers competed to maintain market share and move inventory.

Borrowings have increased, reflecting the impact of our investment in new productions facilities.

Refurbishment of our new non-cage Pittsworth site has commenced with commissioning expected in FY19.

We are continuing to develop our free range and non-cage production facilities in Northern Victoria. Phase 1 is expected to be finished in calendar 2018 with all the new free range production housed at 1,500 hens per hectare.

As these new sites come into production, subject to market conditions, we will also be reviewing the ongoing requirement for our older, less efficient farming systems.

We are now seeing some indications that egg industry supply is starting to ease, however, the extent to which this will continue is not yet clear. The increased industry production of non-cage eggs combined with existing egg supply may mean we again see a rapid build-up in national egg inventories in Spring 2018.

The additional cage free layer facilities completed by the industry over the past 18 months has already exceeded short term demand which is not surprising given many consumers still generally prefer the more affordable cage eggs. The introduction of new non-cage production systems could result in further periods of relative market instability but egg producers have little choice given retailer pledges to consumers.

We believe that to satisfy Australia’s total requirement for egg with only non-cage production, the industry will experience higher hen mortality, lower productivity, increased risk of food safety issues and a greater environmental impact.

Governments, the egg industry and those concerned about animal welfare need to continue to work constructively through a consultative process that provides greater certainty for the industry and consumers.

We previously advised the Federal Court dismissed the ACCC appeal and we were organising a claim for costs. Agreement has been reached on costs and the matter has now been finalised.

The Board of Directors would like to thank all our customers and employees for their continued support and efforts.

Significant changes in the state of affairs

There have been no significant changes in the consolidated entity’s state of affairs during the half year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year ended 31 December 2017 is provided with this report.

Rounding of amounts to nearest thousand dollars

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the company under ASIC Corporations Instrument 2016/191. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

Peter Bell
Chairman
23 February 2018

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Auditor's Independence Declaration to the Directors of Farm Pride Foods Limited

As lead auditor for the review of Farm Pride Foods Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Farm Pride Foods Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

BJ Pollock
Partner

23 February 2018

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half-year	
	31 Dec 2017	**31 Dec 2016**
	$'000	**$'000**
Revenue and other income from continuing operations		
Sales revenue	45,452	49,158
Other income	119	83
	45,571	49,241
Less: Expenses		
Changes in inventories of finished goods and work in progress	2,295	1,356
Raw materials and consumables	(33,232)	(33,040)
Employee benefits expense	(6,657)	(6,259)
Depreciation	(1,649)	(1,634)
Finance costs	(82)	(84)
Other expenses	(3,835)	(3,393)
Profit before income tax expense	2,411	6,187
Income tax expense	(895)	(1,880)
Profit from continuing operations	1,516	4,307
Profit for the half-year	1,516	4,307
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Cash flow hedge, net of tax	-	-
Other comprehensive income for the half-year, net of income tax	-	-
Total comprehensive income for the half-year	1,516	4,307
Earnings per share for profit attributable to the equity holders of the parent entity:		
Basic earnings per share (cents per share)	2.75	7.81
Diluted earnings per share (cents per share)	2.75	7.81

The condensed consolidated statement of profit or loss and comprehensive income should be read in conjunction with the notes to the financial statements.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
ABN 42 080 590 030

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	31 Dec 2017 $'000	30 June 2017 $'000
CURRENT ASSETS		
Cash and short term deposits	1,312	8,038
Trade and other receivables	9,602	9,335
Inventories	6,867	4,572
Biological assets	7,709	7,730
Current tax receivable	343	-
Other current assets	902	1,045
TOTAL CURRENT ASSETS	26,735	30,720
NON-CURRENT ASSETS		
Biological assets	388	422
Deferred tax assets	807	859
Property, plant and equipment	41,238	30,282
TOTAL NON-CURRENT ASSETS	42,433	31,563
TOTAL ASSETS	69,168	62,283
CURRENT LIABILITIES		
Trade and other payables	12,771	11,996
Borrowings	142	327
Provisions	1,881	2,057
Current tax payable	-	1,115
TOTAL CURRENT LIABIITIES	14,794	15,495
NON-CURRENT LIABILITIES		
Borrowings	6,038	5
Provisions	180	143
TOTAL NON-CURRENT LIABILITIES	6,218	148
TOTAL LIABILITIES	21,012	15,643
NET ASSETS	48,156	46,640
EQUITY		
Contributed capital	29,578	29,578
Retained earnings	18,578	17,062
TOTAL EQUITY	48,156	46,640

The condensed consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Contributed equity	Retained earnings	Total equity
	$'000	$'000	$'000
Balance as at 1 July 2016	29,578	8,581	38,159
Profit for the half -year	-	4,307	4,307
Other comprehensive income (net of tax)	-	-	-
Total comprehensive income for the half-year	-	4,307	4,307
Balance as at 31 December 2016	29,578	12,888	42,466

	Contributed equity	Retained earnings	Total equity
	$'000	$'000	$'000
Balance as at 1 July 2017	29,578	17,062	46,640
Profit for the half -year	-	1,516	1,516
Other comprehensive income (net of tax)	-	-	-
Total comprehensive income for the half-year	-	1,516	1,516
Balance as at 31 December 2017	29,578	18,578	48,156

The condensed consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Half-year 31 Dec 2017	31 Dec 2016
CASH FLOW FROM OPERATING ACTIVITIES		**$'000**	**$'000**
Receipts from customers		45,464	48,285
Payments to suppliers and employees		(42,978)	(42,600)
Interest received		42	32
Finance costs		(82)	(84)
Income tax paid		(2,344)	(3,316)
Net cash provided by operating activities		**102**	**2,317**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	21
Payment for property, plant and equipment		(5,900)	(1,921)
Payment for business combination	5	(6,616)	-
Net cash used in investing activities		**(12,516)**	**(1,900)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		6,000	-
Repayment of finance leases		(312)	(436)
Net cash used in financing activities		**5,688**	**(436)**
Net decrease in cash and cash equivalents		(6,726)	(19)
Cash and cash equivalents at beginning of the half-year		8,038	3,438
Cash and cash equivalents at end of the half-year		**1,312**	**3,419**

The condensed consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2017

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Farm Pride Foods Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Farm Pride Foods Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the director's report.

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2017 and the corresponding half-year.

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Significant accounting estimates

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results.

Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there would be a material impact on the carrying amounts of the following assets and liabilities:

(i) Impairment of non-financial assets other than goodwill
(ii) Income tax
(iii) Biological assets
(iv) Trade and other receivables
(v) Promotional expenditure and rebates

Refer to page 29 of the annual financial report for the year ended 30 June 2017 for further details.

(b) Going concern

The financial report has been prepared on a going concern basis.

(c) Rounding amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Class Instrument, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(d) Accounting standards issued but not yet effective

There are a number of Standards and Interpretations that will be mandatory in future reporting periods. We have not elected to early adopt these standards and interpretations. The Standards and Interpretations that are most relevant to the consolidated entity are set out below:

(i) AASB 9 Financial Instruments – Effective date 1 January 2018 (application date 1 July 2018)

The standard includes a single approach for the classification and measurement of financial assets, based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in AASB 139. The standard also amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the business.

The consolidated entity does not currently expect the impact of these changes to be material. A more detailed assessment will be performed during 2018.

(ii) AASB 15 Revenue from Contracts with Customers – Effective date 1 January 2018 (application date 1 July 2018)

AASB 15 Revenue from contracts with customers (‘AASB 15’) and the related subsequent amendments replaces all existing requirements (AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations) and applies to all revenue from contracts with customers. The new requirements provide a single, contract-based revenue recognition model. AASB 15 establishes principles for reporting the nature, amount and timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The core principle of AASB 15 is that an entity recognises revenue when a customer obtains control of promised goods or services and is recognised in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard requires new and expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers and the key judgements made.

AASB 15 is effective for annual reporting periods commencing on or after 1 January 2018, which means it will be effective for Farm Pride’s 30 June 2019 financial statements.

Farm Pride have undertaken an impact assessment of the implementation of the standard. This included a detailed review of the performance obligations contained within a number of contracts from all material revenue streams. The assessment has concluded that the standard is not expected to have a significant impact on the recognition and measurement of revenue by the Group. The new standard will result in increased financial report disclosures in respect of the Group’s revenue streams. The Group is in the final stages of completing its implementation plan for the new standard ahead of implementation from 1 July 2018.

(iii) AASB 16 Leases –Effective date January 2019 (application date 1 July 2019)

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right-to-use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(d) Accounting standards issued but not yet effective (continued)

(iii) AASB 16 Leases –Effective date January 2019 (Application date 1 July 2019)

This standard will have an impact on the consolidated entity's earnings and shareholders' funds at transition and in future years. It must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach.

AASB 16 contains a number of practical expedients, one of which permits the classification of existing contracts as leases under current accounting standards to be carried over to AASB 16. Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively at inception of the lease. Under AASB 16 the present value of the consolidated entity's operating lease commitments as defined under the new standard, excluding low value leases and short term leases, will be shown as right of use assets and as lease liabilities on the balance sheet.

The changes in lease recognition requirements in AASB 16 may cause changes to the amount of interest and operating expenses, leased assets and lease liabilities recorded in the financial statements as well as additional disclosures.

The impact of AASB 16 has not yet been quantified. A detailed assessment will be performed during 2018.

(iv) IFRIC 23 Uncertain Tax Positions (Application date 1 July 2019)

The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

(i) Whether an entity considers uncertain tax treatments separately.
(ii) The assumptions an entity makes about the examination of tax treatments by taxation authorities.
(iii) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
(iv) How an entity considers changes in facts and circumstances.

The impact of IFRIC 23 has not yet been quantified.

NOTE 2: DIVIDENDS

No dividends were paid or proposed during the half-year (2016: nil).

NOTE 3: CONTRIBUTED CAPITAL

	As at	
	31 Dec 2017	**30 June 2017**
Issued and paid up capital	**$'000**	**$'000**
Ordinary shares fully paid	29,578	29,578
	29,578	29,578

As at 31 December 2017, the Company had 55,180,175 shares on issue (30 June 2017: 55,180,175).

NOTE 4: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the assets or liabilities are not based on observable market data.

The following table provides the fair value classification of those assets and liabilities held by the Group that are measured either on a recurring or non-recurring basis at fair value.

31 Dec 2017 **Recurring Fair Value Measurements**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Financial assets				
Foreign exchange derivative	-	(38)	-	(38)
Total financial assets	-	(38)	-	(38)
Non-financial assets				
Biological assets at fair value less cost to sell	-		8,097	8,097
Total non-financial assets	-		8,097	8,097
Financial liabilities				
Foreign exchange derivative	-	-	-	-
Total financial liabilities	-	-	-	-

30 June 2017 **Recurring Fair Value Measurements**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Financial assets				
Total financial assets	-	-	-	-
Non-financial assets				
Biological assets at fair value less cost to sell	-	-	8,152	8,152
Total non-financial assets	-	-	8,152	8,152
Financial liabilities				
Total financial liabilities	-	-	-	-

NOTE 4: FAIR VALUE MEASUREMENTS

(b) Valuation techniques and inputs used in level 2 and 3 fair value measurement

Foreign exchange derivatives

Foreign exchange derivatives held by the consolidated entity comprise of contracts to settle foreign currencies at a future date. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counterparties.

Biological assets

Biological assets held by the consolidated entity comprise flocks of hens. The directors consider the amortised cost value of closing flock stock at balance date to be fair value. The capitalised cost of poultry is amortised over the productive life of the flock. The flock is held for the purposes of producing eggs.

(c) Significant unobservable inputs used in level 3 fair value measurements

The fair value of biological assets are based upon amortised cost over their productive life which is between 50-60 weeks.

(d) Reconciliation of recurring level 3 fair value movements

	31 Dec 2017 $'000	30 June 2017 $'000
Biological assets at fair value less cost to sell		
Opening balance	8,152	7,601
Purchases	5,399	11,186
Amortisation (fair value adjustment)	(5,454)	(10,635)
Closing balance	8,097	8,152

(e) Sensitivity analysis for recurring level 3 fair value measurements

At balance date if the amount amortised for the six months had varied as illustrated below, post tax profit and other comprehensive income would have been affected as follows:

	31 Dec 2017 $'000	30 June 2017 $'000
+5% variation	191	372
-5% variation	(191)	(372)

NOTE 5: BUSINESS COMBINATIONS

(a) Acquisition of Darling Downs Fresh Eggs

On 6 November 2017, the Company acquired the business and associated assets of Darling Downs Fresh Eggs from Clearmedal Pty Ltd (Administrators Appointed) ('Darling Downs Fresh Eggs'). Darling Downs Fresh Eggs is based in Queensland.

Identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Darling Downs Fresh Eggs at the date of acquisition were:

	$'000
Assets	
Inventories	116
Property, Plant and equipment	6,708
Total assets	**6,824**
Liabilities	
Borrowings	165
Deferred tax liability	43
Total liabilities	**208**
Total identifiable net assets at fair value (i)	**6,616**
Purchase consideration transferred	**6,616**
Net cash outflow on acquisition of businesses	
Purchase consideration paid in cash	6,616
	6,616

(i) The initial accounting has only been provisionally determined at 31 December 2017. The valuation of property, plant and equipment is to be finalised. Any changes to the fair value of the identifiable assets and liabilities will result in any residual amount being recognised as goodwill. In accordance with the requirements of AASB 3 Business Combinations the Group has 12 months to finalise its acquisition accounting, and therefore the information presented should be considered provisional.

From the date of acquisition, Darling Downs Fresh Eggs contributed nil revenue and nil to profit before tax of the Group.

From the date of acquisition, the Group has undertaken various activities including the upgrade of the site to meet the Group's production standards.

It is impractical to measure the contribution of Darling Downs Fresh Eggs to the revenue and profit before tax of the Group if the acquisition had taken place at the beginning of the half-year (1 July 2017).

Transaction costs of $0.435m have been recognised within other expenses in the statement of profit or loss and other comprehensive income and recognised within operating cash flows in statement of cash flows.

NOTE 6: SUBSEQUENT EVENTS

On 4 January 2018 the Group entered an amended long term financing facility arrangement with its lender comprising a working capital facility of $2.5m (undrawn) and $20m multi-option facility ($6m drawn). The availability of the Group's financing facilities are subject to maintaining compliance with financial covenants in respect of the debt to capital ratio, fixed charges cover ratio and the leverage ratio. We have no current plans to materially increase or decrease our debt levels and believe they are appropriate.

There are no other matters or circumstances which have arisen since 31 December 2017 that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

DIRECTORS DECLARATION

The Directors declare that the financial statements and notes set out on pages 11 to 21 in accordance with the *Corporations Act 2001*:

(a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and

(b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Farm Pride Foods Limited 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 Directors.

Peter Bell
Chairman

Melbourne
Date: 23 February 2018

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Independent Auditor's Review Report to the Members of Farm Pride Foods Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Farm Pride Foods Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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 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 Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ernst & Young

Ernst & Young

BJ Pollock

BJ Pollock
Partner

Melbourne
23 February 2018

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