Farm Pride Foods Limited

ABN 42 080 590 030

and Controlled Entities

Financial Report

For the year ended 30 June 2020

Corporate Information

Farm Pride Foods Ltd.
ABN 42 080 590 030

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

Management Team
Daryl Bird (CEO)
Geeta Kulkarni (CFO)

Company Secretary
Bruce De Lacy

Registered office and principal place of business
551 Chandler Road
Keysborough, Victoria 3173
(+61-3) 9798 7077

Solicitors
Gadens
Level 25 Bourke Place
600 Bourke Street
Melbourne, Victoria 3000

Financiers
MC FP Pty Ltd
Level 18, 90 Collins Street
Melbourne, Victoria 3000

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

ASX: FRM

Auditors
Pitcher Partners
Level 13, 664 Collins Street
Docklands, Victoria 3008

Internet Address
www.farmpride.com.au

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Chairman's Report

The Company's net revenue increased by 4.25% to $90.327 million (2019: $86.641 million).

Loss after tax was $2.169 million (2019: $3.858 million loss). Underlying EBITDA of $2.672 million was up from $1.092 million in 2019.

The results reflect the continuing high feed price for much of the year, increased egg prices and tighter supply from external supply sources.

While we indicated in last year's report such conditions were likely to continue into FY20, we believed that much of the impact would have subsided by the end of the first half and trading conditions would be on a stronger footing in the second half of FY20.

Unfortunately, these unfavourable trading conditions have persisted in the second half of FY20 and were made more difficult by the onset of COVID 19. The ensuing shutdown of the foodservice and hospitality sectors and continuing restrictions on these industries in Victoria particularly, have had a negative impact on our ingredient sales and margin derived from these channels in H2. The loss of sales in these sectors has impacted year on year ingredient sales by 7%.

The increase in borrowings as at 30 June 2020 to $19.441 million (2019: $14.667 million) was primarily applied to the purchase of capital plant and equipment associated with factory and farm upgrades.

Net cash used in investing activities was lower in FY20 at $3.664 million (2019: $4.242 million), demonstrating a tighter and more efficient application of capital during the year. An increase in inventory to $6.011 million (2019: $4.858 million) was a result of lower ingredient sales due to COVID in H2 which has been managed during this period.

Progress made

Overall, the business has made great progress during this past 12 months growing its share of market in the supermarket channel and, despite COVID, strengthening its relationships with key ingredient customers. The business is confident that this will result in further new business in the near future for this important income stream. Much work has been undertaken developing our farm network and capacity to meet the forward needs of an evolving focus on cage free eggs and to ensure the business remains relevant in this developing market.

Capex in the past year has been focused on developing farm capacity and key infrastructure reliability at grading and processing level as part of our 3-year plan 'Managing for Value'. Much of this plan focuses on improving productivity and efficiency of our assets, realising asset value where required and necessary, and developing our people, the business IP and planning capability in order to be a more proactive business. The last twelve months has seen the business advance its functional and strategic management ranks to support this plan in the next two years and beyond.

Subsequent event

As we report our FY20 results we also need to update on a 'subsequent event' which has been recently advised and reported. In August, the business was impacted by an Avian Influenza outbreak centred on the company's farm operations in the Lethbridge area South West of Melbourne. As we have previously stated we operate in an agriculture-based industry which from time to time is subject to operational risks such as drought, increased feed costs, flock disease and hen welfare concerns.

The impact is restricted to two of our farms in Lethbridge. Farm Pride operates a dispersed geographical model for its farm operations ensuring our farms are protected from any single disease outbreak or biosecurity breach and that any outbreak is limited to a single area of operation.
On this occasion this model has protected our other farms and operations and limited the issue to two farms at Lethbridge.

Proactive response

The company took immediate proactive and precautionary steps prior to any formal detection of the virus to ensure supply chain integrity for our customers and consumers, staff safety and to minimise any impact on brand or business reputation. We believe these proactive decisions and the professional manner in which Farm Pride management and staff have worked with and assisted the authorities has helped limit the impact to volume and revenue interruption only.

The business is now focused on implementing a recovery program for the farms affected with the view to re-establish production at these farms as quickly as possible. The company continues to work with authorities in support of this recovery plan and to finalise compensation for the outbreak. The company is also working with its key customers and we thank them for their continuing support during this difficult time. As outlined under 'Subsequent Events', the management are also implementing a number of initiatives to increase working capital during this time of recovery including the sale and potential lease back of selected farming assets. The company has briefed and continues to keep its lender updated on the plans and timetable for recovery including a range of initiatives to support this program. The lender is supportive of the recovery plan based on the plan outlined.

Challenging Times

In summary, a challenging year for Farm Pride Foods and the industry. At our last AGM our CEO outlined the need for Farm Pride to implement initiatives and processes that would help buttress the business against continuing unfavourable conditions. Certainly, we have done much of this during the last twelve months.

The Board and management believe the underlying business operational and structural fundamentals are now better placed and more resilient to manage and recover from the subsequent event and return the business to an upward trajectory in the coming twelve months.

Once again, the Board wishes to thank all our customers for their continued support and our employees who have worked very hard to ensure that our business can supply a quality product that our customers can continue to enjoy.

Peter Bell
Chairman
Farm Pride Foods Ltd

16 October 2020

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 (the 'group'), for the financial year ended 30 June 2020 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, Chair
Malcolm Ward	Non-executive Director
Bruce De Lacy	Non-executive Director

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Principal activities

The principal activities of the group during the financial year were the production, processing, manufacturing and sale of eggs and egg products.

There has been no significant change in the nature of these activities during the financial year.

Review of operations and financial results

Statutory consolidated net profit after tax attributable to the members of Farm Pride Foods ("Statutory Profit") for the year ended 30 June 2020 was a loss of $2.169 million (2019: $3.858 million loss). Underlying earnings before interest, tax, depreciation and amortisation ("Underlying EBITDA") was $2.672 million (2019: $1.092 million).

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 year ended 30 June 2020:

	30 June 2020 $'000	30 June 2019 $'000
Statutory (loss) / profit	(2,169)	(3,858)
Add back:		
- Interest (finance costs)	2,291	738
- Income tax (benefit) / expense	(930)	(1,466)
- Depreciation	8,069	4,136
- Lease adjustment AASB16	(4,589)	-
EBITDA	2,672	(450)
Significant items:		
Impairment expense	-	1,542
Underlying EBITDA	2,672	1,092

Operating and financial review (continued)

For further discussion of the review and results of operations of the group reference should be made to the Chairman's Report dated 16 October 2020.

Significant changes in the state of affairs

There have been no significant changes in the group's state of affairs during the financial year, other than as disclosed in this report.

Subsequent events

On 6 August 2020, Agriculture Victoria confirmed that the Lethbridge facility had tested positive for the H7N7 Avian Influenza virus. On 25 August 2020, a second farm leased and operated by the company, also located in the Lethbridge area, tested positive to H7N7. To control the spread of Avian Influenza, the farms (consisting of a total of 380,000 layers hens) were depopulated with the process completed in the month of August 2020. This represents 33% of the productive layer capacity of the business. The impact over the balance of FY21 is expected to be a revenue loss of $18 million. Agriculture Victoria is working with the business on compensation for loss of hens, poultry products (eggs), feed and any other eligible assets lost or disposed as part of the disease control order.

As a result, the company has implemented a number of remediation strategies to facilitate a return to full production as soon as possible including:

- Claiming and receiving compensation in respect of the birds lost.
- Taking immediate steps to restore lost bird capacity.
- Restoration of the affected farms in line with applicable regulations to replace production. This is expected to occur in the second half of the 2021 financial year.
- The sale and or sale & leaseback of company owned farms to provide additional funds.
- Keeping our financiers briefed on the company's progress and strategies to return to full production.

Environmental regulation

The group's operations are not subject to any significant environmental, Commonwealth or State regulations or laws. The group is not aware of any significant breaches of environmental regulations during the financial year.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year.

Share options

No options over unissued shares or interests in the consolidated entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Farm Pride Foods Limited at any time during the year and up to the date of this report is provided below, together with details of the company secretary as at the year end.

Peter Bell
(Non-executive Chairman - Appointed 30 May 2008, Member of the Audit Committee until 22 November 2018)

Peter has been involved in the egg industry for more than 50 years and comes from a third generation poultry farming family. He continues to be directly involved in the management of commercial egg farms and has wide experience in all aspects of the egg industry.

He is the Managing Director of AAA Egg Company Pty Ltd and its subsidiary West Coast Eggs Pty Ltd, a director of Days Eggs Pty Ltd and Pure Foods Eggs Pty Ltd.

Malcolm Ward
(Non-executive Director – Appointed 30 May 2008, Member of the Audit Committee)

Malcolm has been in the egg industry for over 30 years having owned and operated cage and free-range farms and has served on industry related boards in the area of farm management and feed supply. He is also a director of AAA Egg Company Pty Ltd and its subsidiary West Coast Eggs Pty Ltd as well as being a director on a number of other private companies. Malcolm is the Managing Director of his family's independent supermarkets and also has commercial interests in property. He is also a director of Australian United Retailers Limited, appointed 17 November 2010.

Bruce De Lacy
(Company Secretary – Appointed 30 October 1997, Chief Financial Officer – Appointed 10 June 2013, Executive Director – Appointed 30 April 2014, Chief Executive Officer – Appointed 19 March 2015, Resigned as CEO, CFO and Executive Director 30 November 2018, Non-executive director – Appointed 30 November 2018, Chairman of the Audit Committee – Appointed 22 November 2018)

Bruce has over 35 years' experience in the egg industry and has previously been employed in a number of positions at the Company including General Manager and Chief Operating Officer.

Directors' meetings

	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Peter Bell	15	14	-	9*
Malcolm Ward	15	15	9	9
Bruce De Lacy	15	15	9	9

* Mr Bell attended meetings by invitation.

Directors' interests in shares

Directors' relevant interests in shares of Farm Pride Foods Limited or options over shares in the Company are detailed below:

Directors' relevant interests in:	Ordinary shares of Farm Pride Foods Limited.	Options over shares in Farm Pride Foods Limited.
Peter Bell	2,314,250	-
Malcolm Ward	2,031,772	-
Bruce De Lacy	195,502	-

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 27,486,302 shares held by West Coast Eggs Pty Ltd (2019: 27,486,302 shares) and the 1,000 shares held by Southern Egg Pty Ltd (2019: 1,000).

Indemnification and Insurance of directors and officers

During the financial year, the Company has paid premiums to insure each of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company.

The contracts as held by the Company do not permit premiums to be disclosed.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of Farm Pride Foods Limited or any of its subsidiaries.

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 audit for the financial year is provided within this report.

Indemnification of auditors

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

Non-audit services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners (Melbourne), network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by Farm Pride Foods Ltd and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Farm Pride Foods Ltd or any of its related entities, acting as an advocate for Farm Pride Foods Ltd or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of Farm Pride Foods Ltd or any of its related entities.

Amounts paid and payable to Pitcher Partners (Melbourne) (2019: Ernst & Young Australia) for non-audit services:

	2020 $	2019 $
Taxation services	14,000	12,000
Debt advisory services	-	100,000
	14,000	112,000

Services for the FY19 period were performed by Ernst & Young.
Services for the FY20 period have been performed by Pitcher Partners (Melbourne).

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Remuneration Report (Audited)

The directors present the group's 2020 remuneration report which details the remuneration information for Farm Pride Foods Limited's key management personnel ('KMP') in accordance with the *Corporations Act 2001* and its Regulations ('Remuneration Report'). The Remuneration Report has been audited by Farm Pride Foods' external auditors, Pitcher Partners.

(a) Key management personnel

The Remuneration Report discloses the remuneration arrangements and outcomes for people listed in the table below who are those individuals who have been determined as KMP as defined by AASB 124 *Related Party D*isclosures.

Name	Position	Term as KMP
Non-Executive Directors		
Peter Bell	Non-executive Chairman	Full financial year
Malcolm Ward	Non-executive Director	Full financial year
Bruce De Lacy	Non-executive Director, Company secretary	Full financial year
Senior Executives		
Daryl Bird	Group Chief Executive Officer	Full financial year
Geeta Kulkarni	Group Chief Financial Officer	Full financial year

(b) Remuneration policy

The performance of the group depends upon the quality of its directors and executives. To be successful, the group must attract, motivate and retain highly skilled directors and executives. To this end, the group adopts the following principles in its remuneration framework:

- Provide competitive rewards to attract high caliber executives;
- Link executive rewards to the performance of the group and the creation of shareholder value;
- Establish appropriate performance hurdles for variable executive remuneration;
- Meet the Company's commitment to a diverse and inclusive workplace;
- Promote the Company as an employer of choice;
- Comply with relevant legislation and corporate governance principles.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

The board of directors are responsible for determining and reviewing compensation arrangements for directors and executives. The board of directors assess the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant market conditions, as well as whether performance targets have been met, with the overall objective of ensuring maximum shareholder benefit from the retention of a high-quality board and executives.

Remuneration Report (continued)

(c) Use of Remuneration Consultants

To ensure the board of directors are fully informed when making remuneration decisions, the group seeks external remuneration advice. Remuneration consultants are engaged by, and report directly to, the board of directors. In selecting remuneration consultants, the Board of directors considers potential conflicts of interest and requires independence from the group's key management personnel and other executives as part of their terms of engagement.

During the year ended 30 June 2020, the group did not engage external remuneration consultants.

(d) Non-Executive Director Remuneration

Objective
The board aims to set aggregate remuneration at a level which provides the group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The group's Constitution and the ASX Listing Rules specify the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed.

The cap on aggregate non-executive director's remuneration (which requires shareholder approval), and the manner in which it is apportioned amongst non-executive directors, is reviewed annually. The board will consider advice from external consultants as well as fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Non-executive directors receive fees and do not receive share-based remuneration or bonus payments.

Superannuation contributions are made by the Group on behalf of non-executive directors in line with statutory requirements and are included in the remuneration package amount allocated to individual directors.

The remuneration of non-executive directors for the year ended 30 June 2020 is detailed in the table titled KMP Remuneration on page 14 (the 'Remuneration Table').

(e) Executive Director Remuneration

Executive directors are paid for their services as part of their employment contracts.

Remuneration Report (continued)

(f) Executive Remuneration

Objective
The group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the group. This involves:

- Rewarding executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks
- Aligning the interest of executives with those of shareholders
- Linking reward with the strategic goals and performance of the group
- Ensuring total remuneration is competitive by market standards.

Structure
In determining the level and make-up of executive remuneration, the board of directors engage external consultants on market levels of remuneration for comparable roles. Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration.

The proportion of fixed remuneration and variable remuneration is established for each executive by the board of directors. The variable portion consists of a short-term cash bonus which is performance-based and is disclosed separately in the Remuneration Table.

The board of directors also considers current market conventions with regards to the splits between fixed, short-term and long-term incentive elements.

Fixed Remuneration

Objective
The level of fixed remuneration is set to provide an appropriate and market-competitive base level of remuneration. Fixed remuneration is reviewed annually by the board of directors consisting of a review of group, business and individual performance, relevant comparative remuneration in the market and internal and external advice on policies and practices where necessary.

Structure
Total fixed remuneration ('TFR') is the non-variable component of an executive's annual remuneration. It consists of the base salary plus any superannuation contributions paid to a complying super fund on the executive's behalf, and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments.

Linking remuneration to performance - variable remuneration
Remuneration is linked to performance to retain high calibre executives by motivating them to achieve performance goals which are designed to increase shareholders value.

Variable remuneration

Objective
The objective of executive variable remuneration is to link executive remuneration to the achievement of the group's annual operational and financial targets through a combination of both company and individual performance targets.

Remuneration Report (continued)

Structure

Variable remuneration is expressed as a percentage of a participant's TFR comprising base salary, superannuation contributions and may include other non-cash benefits, and are based on the achievement of group-wide budgeted revenue and profit targets each financial year and individual performance targets at the board's discretion.

For executives, the group provides a remuneration package that incorporates annual cash bonuses, payable at the discretion of the board of directors.

Remuneration Report (continued)

(g) KMP remuneration

		Short Term Benefits			Long Term Benefits	Post-Employment		
		Salary and fees $	Performance Based Payment $	Non-cash Benefits $	Long Service Leave $	Superannuation $	Performance Based %	Total remuneration $
Peter Bell	**2020**	47,418	-	-	-	4,505	-	51,923
Non-executive director	2019	45,662	-	-	-	4,338	-	50,000
Malcolm Ward	**2020**	47,418	-	-	-	4,505	-	51,923
Non-executive director	2019	45,662	-	-	-	4,338	-	50,000
Bruce De Lacy[1]	**2020**	51,923	-	-	-	4,933	-	56,856
Non-executive director	2019	280,744	-	3,149	-	11,730	-	295,623
Daryl Bird[2]	**2020**	305,970	54,000	-	-	21,820	-	381,790
Chief Executive Officer	2019	208,370	-	-	-	14,214	-	222,584
Geeta Kulkarni[3]	**2020**	181,683	-	-	-	17,260	-	198,943
Chief Financial Officer	2019	72,102	-	-	-	6,303	-	78,405
Total	**2020**	634,412	54,000	-	-	53,023	-	741,435
Total	2019	652,540	-	3,149	-	40,923	-	696,612

[1] Bruce De Lacy was Chief Executive Officer, Chief Financial Officer and Executive Director up until 30 November 2018 in FY19. From November 2018 he has been a Non-executive Director.

[2] Appointed as Chief Executive Officer on 1 December 2018

[3] Appointed as Chief Financial Officer on 5 February 2019

Remuneration Report (continued)

(h) Shareholdings of KMP

	Balance 1 July 2019	Received as remuneration	Options exercised	Other On market purchases/ (sales)	Balance 30 June 2020
Peter Bell	2,314,250	-	-	-	2,314,250
Malcolm Ward	2,031,772	-	-	-	2,031,772
Bruce De Lacy	195,502	-	-	-	195,502
	4,541,524	-	-	-	4,541,524

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 27,486,302 shares held by West Coast Eggs Pty Ltd (2019: 27,486,302 shares) and the 1,000 shares held by Southern Egg Pty Ltd (2019: 1,000).

(i) Other transactions with KMP

The value of transactions (inclusive of GST) and amounts receivable/(payable) between directors and their related entities and Farm Pride Foods Limited and its controlled entities.

Director related entities[1]	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	Purchases	-	-	10	9	-	(1)
Specialised Breeders Australia Pty Ltd [2] (P. Bell)	Purchases	-	-	107	332	(83)	1
Days Eggs Pty Ltd (P. Bell)	Egg supply / Purchases	195	158	420	87	(4)	18
Hy-line Australia Pty Ltd [2] (P. Bell)	Purchases / Packaging sales	-	-	5,319	3,230	(850)	(437)
Pure Foods Eggs Pty Ltd (P. Bell)	Egg sales / Purchases	27	23	-	90	3	8
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	Egg sales / Purchases	776	877	154	909	71	127
Lohmann Layers Australia Pty Ltd [2] (P. Bell)	Purchases	-	-	-	136	-	-

[1] Messrs. Bell and Ward through their related entities provide birds, eggs and egg products to and acquire eggs, egg product and packaging from Farm Pride Foods Limited and its controlled entities. These transactions are on normal trading terms and conditions. Director's administrative expenses are reimbursed at cost.

[2] Mr Bell resigned as director of Specialised Breeders Australia Pty Ltd, Hy-Line Australia Pty Ltd and Lohmann Layers Australia Pty Ltd effective 31 Oct 2019.

Transactions in the above table represent related party transactions for the full financial year from July 19 – June 20.

Remuneration Report (continued)

(j) Service Agreements

The contracts for service between the group and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Remuneration and other terms of employment for key management personnel are formalised in service agreements as follows:

Chief Executive Officer
Daryl Bird is the Chief Executive Officer of the Company appointed on 1 December 2018. Daryl is employed under a standard employment contract with no defined length of tenure. Under the terms of his employment contract:

- Daryl may resign from his position by providing the group with three months written notice,
- The group may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period, or the unexpired part of any notice period,
- The group may terminate at any time without notice if serious misconduct has occurred,
- Daryl's total remuneration includes $20,000 car allowance per annum,
- For the financial years commencing 1 July 2019 onwards, Daryl will participate in the group's Short-Term Incentive and Long-Term Incentive programs.

Details of Daryl Bird's salary are detailed in the Remuneration Table.

Chief Financial Officer
Geeta Kulkarni is the Chief Financial Officer of the Company appointed on 5 February 2019. Geeta is employed under a standard employment contract with no defined length of tenure. Under the terms of her employment contract:

- Geeta may resign from her position by providing the group with three months written notice,
- The group may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period, or the unexpired part of any notice period,
- The group may terminate at any time without notice if serious misconduct has occurred,
- For the financial years commencing 1 July 2019 onwards, Geeta participates in the group's Short-Term Incentive program and is entitled to a performance bonus of up to 15% of the cash salary at the time of payment of the bonus.

Details of Geeta Kulkarni's salary are detailed in the Remuneration Table.

(k) Revenue and Other Income

The group's revenue, profit before tax and earnings per share for the last five financial years is presented in the table below:

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Revenue	90,327	86,641	86,116	97,778	93,765
Net (loss)/profit before tax	(3,099)	(5,324)	858	12,232	11,485
Net (loss)/profit after tax	(2,169)	(3,858)	503	8,481	8,127
Share price at end of year in dollars	0.27	0.21	0.88	1.16	2.45
Basic (loss)/earnings cents per share	(3.93)	(6.99)	0.91	15.37	14.73
Diluted (loss)/earnings cents per share	(3.93)	(6.99)	0.91	15.37	14.73

Voting and comments made at the company's 2019 Annual General Meeting (AGM)

At the company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

This is the end of the audited remuneration report.

Signed in accordance with a resolution of the directors.

Peter Bell
Director
Melbourne
16 October 2020

FARM PRIDE FOODS LIMITED

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF FARM PRIDE FOODS LIMITED

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Farm Pride Foods Limited and its controlled entities during the year.

STEPHEN SCHONBERG
Partner

Date: 15 October 2020

PITCHER PARTNERS
Melbourne

	Notes	2020 $'000	2019 $'000
Revenue and other income			
Revenue from contracts with customers	4	90,234	86,357
Interest revenue and other income	4	93	284
		90,327	86,641
Less: Expenses			
Changes in inventories of finished goods and work in progress	5	1,153	(2,061)
Raw materials and consumables used	5	(66,543)	(62,640)
Employee benefits expense	5	(15,811)	(13,989)
Depreciation	5	(8,069)	(4,136)
Impairment of property, plant & equipment	5	-	(1,542)
Finance costs	5	(2,291)	(738)
Other expenses		(1,865)	(6,859)
(Loss)/Profit before income tax		(3,099)	(5,324)
Income tax benefit / (expense)	6	930	1,466
(Loss)/Profit from continuing operations		(2,169)	(3,858)
(Loss)/Profit for the year		(2,169)	(3,858)
Total comprehensive (loss) / income for the period		(2,169)	(3,858)
Basic (loss)/earnings per share (cents per share)		(3.93)	(6.99)
Diluted (loss)/earnings per share (cents per share)		(3.93)	(6.99)

The above statement should be read in conjunction with the accompanying notes.

	Notes	2020 $'000	2019 $'000
Current Assets			
Cash and short-term deposits		4,412	185
Trade and other receivables	8	7,439	8,203
Inventories	9	6,011	4,858
Biological assets	10	6,382	8,688
Other current assets	11	812	406
Total current assets		25,056	22,340
Non-current assets			
Biological assets	10	3,146	399
Deferred tax assets	6	3,280	2,350
Lease assets	13	15,581	-
Property, plant and equipment	12	45,020	45,213
Total non-current assets		67,027	47,962
TOTAL ASSETS		92,083	70,302
Current liabilities			
Trade and other payables	14	13,303	10,211
Lease liabilities	13	4,380	-
Borrowings	15	-	14,624
Provisions	16	1,983	1,938
Total current liabilities		19,666	26,773
Non-current liabilities			
Borrowings	15	19,441	43
Lease liabilities	13	11,648	-
Provisions	16	212	201
Total non-current liabilities		31,301	244
TOTAL LIABILITIES		50,967	27,017
NET ASSETS		41,116	43,285
EQUITY			
Contributed equity	17	29,578	29,578
Retained earnings		11,538	13,707
		41,116	43,285

The above statement should be read in conjunction with the accompanying notes.

	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2019	29,578	13,707	43,285
(Loss)/Profit for the year	-	(2,169)	(2,169)
Other comprehensive income	-	-	
Total comprehensive income	-	(2,169)	(2,169)
Balance as at 30 June 2020	29,578	11,538	41,116
Balance as at 1 July 2018	29,578	17,565	47,143
(Loss)/Profit for the year	-	(3,858)	(3,858)
Other comprehensive income	-	-	-
Total comprehensive income	-	(3,858)	(3,858)
Balance as at 30 June 2019	29,578	13,707	43,285

The above statement should be read in conjunction with the accompanying notes.

	Notes	2020 $'000	2019 $'000
Cash flow from operating activities			
Receipts from customers		91,240	86,776
Payments to suppliers and employees		(82,069)	(85,032)
Finance costs paid		(2,291)	(738)
Income tax received/(paid)		-	805
Interest received		2	1
Net cash provided by operating activities	19	6,882	1,812
Cash flow from investing activities			
Payment for property, plant and equipment		(3,664)	(4,242)
Net cash used in investing activities		(3,664)	(4,242)
Cash flow from financing activities			
Proceeds from borrowings		19,441	3,500
Repayment of borrowings		(13,500)	-
Repayment of lease liabilities		(3,963)	(35)
Net cash provided by financing activities		1,978	3,465
Net (decrease)/increase in cash and cash equivalents		5,196	1,035
Cash and cash equivalents at beginning of the year		(784)	(1,819)
Cash and cash equivalents at end of the year	19	4,412	(784)

The above statement should be read in conjunction with the accompanying notes.

Note 1: Summary of significant accounting policies

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. Farm Pride Foods Limited (the Company or parent entity) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

(a) Basis of preparation of the financial report

This financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

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.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

The financial report was authorised for issue by the directors as at 16 October 2020.

Compliance with International Financial Reporting Standards (IFRS)
The consolidated financial statements of Farm Pride Foods Ltd also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Significant accounting estimates
The preparation of the financial report requires the use of certain estimates and judgements in applying the consolidated entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Going concern

During the year ended 30 June 2020 the Group incurred a net loss after tax of $2.169 million (2019: loss $3.858 million). Considering the recent outbreak of Avian Influenza at Lethbridge farm and its short-term impact on loss of farm yield up to 33%, the directors and management have commenced an ongoing assessment of the Group's costs and cash commitments.

Net cash inflow from operating activities was $6.882 million (2019: $1.812 million). As at 30 June 2020 current assets of $25.056 million exceed current liabilities of $19.666 million by $5.390 million. Borrowings of $19.441 million are classified as non-current.

The financial report has been prepared on the basis that the Group is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The directors in their consideration of the appropriateness of the going concern basis for the preparation of the financial report have reviewed the Group's cash flow forecasts and revenue projections based on current market conditions and business plans.

Note 1: Summary of Significant Accounting Policies (continued)

Avian Influenza
As announced to the market, in August 2020 approximately 33% of the company's productive bird capacity was lost due to Avian Influenza (Bird Flu). As a result, the company has implemented a number of remediation strategies to facilitate a return to full production as soon as possible including:

- Claiming and receiving compensation in respect of the birds lost.
- Taking immediate steps to restore lost bird capacity which should be completed late in 2021 financial year.
- The sale and or sale & leaseback of company owned farms to provide additional funds.
- Keeping our financiers briefed on plans and strategies to return to full production. We note that our financiers have expressed ongoing support for the Company and that there has been no change to the existing terms of our facilities at this time. However, they continue to reserve their rights in respect of their loan facilities, which includes classifying the facility at call. The company believes its proposed strategy is reasonable.

Cash flow management
The Group continues to actively manage its cash flows through management of debtors and creditors within strict terms and improving productivity across farms, grading and manufacturing. The Group continues its focus on review and development of internal controls and governance. This includes targeted capital expenditure to extend or improve asset life, quality and safety with a view to support the Group's focus on developing its caged-free capacity and product operations.

Funding facilities
The Group's financing facilities as at 30 June 2020 comprised a total of $23.5 million comprising Tranche A $15 million that has been drawdown in full and Tranche B of $8.5 million drawn down by $4.861 million. Tranche B includes $3.5 million limit exclusively for capitalised interest, if any. The term of the facility is for three years from the date of the first drawdown on by 16 August 2019.The Group's financier has confirmed its support of the proposed recovery strategy.

The directors recognise that there are uncertainties regarding the forecast quantum and timing of the major strategic initiatives described above and accordingly continue to liaise with and regularly update the Group's financiers.

The financial report does not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern

(c) New and revised accounting standards effective as at 30 June 2020

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases*.

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

(a) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying assist is:
  (i) Investment property, the lessee applies the fair value model in AASB 140 Investment Property to the fight-of-use asset; or
  (ii) Property, plant or equipment, the lessee applies the revaluation model in AASB 116 Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment, and

Note 1: Summary of Significant Accounting Policies (continued)

(b) Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the group has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e. as at 1 July 2019). Accordingly, comparative information has not been restated.

The group has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- To recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application;
- To not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- To exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application; and
- To use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of $19,479k (referred to in these financial statements as “lease assets”) and corresponding lease liabilities with an aggregate carrying amount of $19,479k. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 3%.

Note 1: Summary of Significant Accounting Policies (continued)

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period (i.e. at 30 June 2019) to the aggregate carrying amount of lease liabilities recognised at the end of the initial application (i.e. as at 1 July 2019):

	2019 $'000
Aggregate non-cancellable operating lease commitments as at 30 June 2019	19,160
Plus: lease payments included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	1,743
Less: lease payments previously included in non-cancellable lease commitments for leases with remaining terms of less than 12 months and leases of low value assets	-
Less: impact of discounting lease payments to their present value as at 1 July 2019	(1,424)
Carrying amount of lease liabilities recognized as at 1 July 2019[1]	19,479

[1] In accordance with AASB 16, $198k of finance lease liabilities as at 30 June 2019 were reclassified to lease liabilities on 1 July 2019.

Further details of the group's accounting policy in relation to accounting for leases under AASB 16 are contained in Note 1(l)

(d) Accounting Standards issued but not yet effective as at 30 June 2020

AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material
AASB 2018-7 principally amends AASB 101: Presentation of Financial Statements and AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.
AASB 2018-7 mandatorily applies to annual reporting periods commencing on or after 1 January 2020 and will be first applied by the Group in the financial year commencing 1 July 2020.

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
AASB 2020-1 amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.
AASB 2020-1 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments
AASB 2020-3 amends AASB 1 First-time Adoption of Australian Accounting Standards, AASB 3 Business Combinations, AASB 9 Financial Instruments, AASB 116 Property, Plant and Equipment, AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 141 Agriculture as a consequence of the recent issuance by IASB of the following IFRS: Annual Improvements to IFRS Standards 2018-2020, Reference to the Conceptual Framework, Property, Plant and Equipment: Proceeds before Intended Use and Onerous Contracts – Cost of Fulfilling a Contract.
AASB 2020-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

Note 1: Summary of Significant Accounting Policies (continued)

(e) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which the parent entity controls. The parent entity controls an entity when it is exposed, 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.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are derecognised from the date that control ceases.

(f) Revenue from contracts with customers

Sales
The Group's contracts with customers for the sale of egg products include one performance obligation. The Group recognises revenue from sale of products at the point in time when control of the asset is transferred to the customer on delivery of the goods. The normal credit terms are 30 to 60 days.

Variable consideration
Some contracts for the sale of products provide customers with rebates and promotional discounts which give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method based on forecast, timing of settlement and/or volumes and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved.

The amount of revenue reflects the consideration to which the Group expects to be entitled to in exchange for those goods.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring products to a customer before payment is due, a contract asset is recognised for the right to the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer products to customers for which the Group has received consideration from the customer in advance. If a customer pays consideration before the Group transfers products to the customer, a contract liability is recognised when the payment is made or the payment is due. Contract liabilities are recognised as revenue when the Group provides the product under the contract.

(g) Interest revenue

Interest revenue is recognised using the effective interest method.

Note 1: Summary of Significant Accounting Policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks short term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Costs are assigned on a standard cost basis which approximates actual cost. The standard cost basis is reviewed by management regularly and adjusted to reflect current conditions, where necessary.

Net realisable value is an estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

(j) Property, plant and equipment

Cost and valuation
Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance are recognised in profit or loss as incurred.

Depreciation
Land is not depreciated. The depreciable amounts of all other property, plant and equipment are calculated using the straight-line method over their estimated useful lives commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2020	**2019**
- Buildings	Up to 40 years	Up to 40 years
- Plant and equipment	1 to 20 years	1 to 20 years
- Leased plant and equipment	5 to 20 years	5 to 20 years

(k) Impairment of non-financial assets

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows (‘cash generating units’). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, any goodwill recognised by the entity is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

An impairment loss is recognised where the carrying amount of the asset or cash generating unit exceeds the asset’s or cash generating unit’s recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Note 1: Summary of Significant Accounting Policies (continued)

Impairment losses in respect of individual assets are recognised immediately in profit or loss. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(l) Leases

Accounting policy applied to the information presented for the current period under AASB 16 *Leases*:

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments.

Lease assets
Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities
Lease liabilities are initially recognised at the present value of the future lease payments (i.e. the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets
Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

Accounting policy applied to the information presented for the prior period under AASB 117 Leases
Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Note 1: Summary of Significant Accounting Policies (continued)

Finance leases
Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in financial costs in the statement of comprehensive income.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases
Operating lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

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

(m) Income tax

Current income tax expenses or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST.

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

Note 1: Summary of Significant Accounting Policies (continued)

(o) Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(p) Employee benefits

Short term employee benefit obligations
Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled.

The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

Other long-term employee benefit obligations
The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, duration of service and employee turnover, and are discounted at rates determined by reference to market yields as the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the period in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(q) Borrowing costs

Borrowing costs are expensed as incurred, except for borrowings directly incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs and other costs that an entity incurs in connection with its borrowing of funds.

Note 1: Summary of Significant Accounting Policies (continued)

(r) Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the group becomes party to the contractual provisions of the instrument. For financial assets, this is equivalent to 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 are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets
Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of:

(a) The group's business model for managing the financial assets; and
(b) The contractual cash flow characteristics of the financial asset.

Classification of financial liabilities
Financial liabilities classified as held-for-trading, contingent consideration payable by the group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the group are subsequently measured at amortised cost.

Trade and other receivables
Trade and other receivables arise from the group's transactions with its customers and are normally settled within 30 days.

Consistent with both the group's business model for managing the financial assets and the contractual cash flow characteristics of these assets, trade and other receivables are subsequently measured at amortised cost.

Impairment of financial assets
The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

(a) debt instruments measured at amortised cost;

(b) debt instruments classified at fair value through other comprehensive income; and receivables from contracts with customers, contract assets and lease receivables.

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

Note 1: Summary of Significant Accounting Policies (continued)

The group determines expected credit losses based on the group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The group has identified contractual payments more than 365 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the group's historical experience. Because contract assets are directly related to unbilled work in progress, contract assets have a similar credit risk profile to receivables from contracts with customers. Accordingly, the group applies the same approach to measuring expected credit losses of receivables from contracts with customers as it does to measuring impairment losses on contract assets.

The measurement of expected credit losses reflects the group's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. Expected credit losses are measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the group's exposure at default, discounted at the financial asset's original effective interest rate. Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

(a) significant financial difficulty of the issuer or the borrower;
(b) breach of contract;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e, reduced directly) when the counterparty is in severe financial difficulty and the group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the group. Recoveries, if any, are recognised in profit or loss.

(s) Foreign currency translations and balances

Functional and presentation currency
The financial statements are presented in Australian dollars which is the group's functional and presentation currency.

Transactions and balances
Transactions undertaken in foreign currencies are recognised in the group's functional currency, using the spot rate at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are restated to the spot rate at the reporting date.

Except for certain foreign currency hedges, all resulting exchange gains or losses are recognised in profit or loss for the period in which they arise.

Note 1: Summary of Significant Accounting Policies (continued)

(t) Biological assets

Biological assets comprise flocks of hens. As there is no active market for flocks of hens, the biological assets are recorded based upon the capitalised cost of the flock less accumulated amortisation. The cost is amortised over the productive life of the flock. This is between 50 and 60 weeks. The flocks are held for the purposes of producing eggs.

(u) Segment reporting

Management has determined the operating segments based on the reports reviewed by the board of directors (the chief operating decision maker as defined under AASB 8) that are used to make strategic and operating decisions. The board of directors considers the business primarily from a geographic perspective. On this basis the Group has identified one reportable segment, Australia. The Group does not operate in any other geographic segment.

(v) Comparatives

Where necessary the comparative information has been reclassified and repositioned for consistency with current year disclosures.

(w) Rounding of amounts

The group have applied the relief under ASIC Corporates (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Note 2: Significant accounting estimates and judgements

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 assets and liabilities discussed below:

(a) Impairment of non-current assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined. Refer to Note 12(b) for further details.

(b) *Income tax*

Deferred tax assets are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences and tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(c) Fair value measurements

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 3(d): Fair Value Measurements for the details of the fair value measure key assumptions and inputs.

(d) Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, and technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(e) Biological assets

The cost of flocks of hens are amortised over the productive life of the flock, which is between 50 and 60 weeks. This is based on the characteristics of the flock and the Group's historical operating experience.

Note 2: Significant accounting estimates and judgements (continued)

(f) Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(g) Rebates and promotional discounts liabilities

Rebates and promotional discounts are either settled monthly on settlement of invoice or accrued at balance sheet date depending on the exact timing of the customer claim. The Group estimates the rebate and promotional discount based on the percentage specified in the customer contract and the timing of settlement and/or volumes sold taking into account previous claims made.

(h) Inventory provisions

Management's judgement is applied in determining the inventory provisions for obsolescence and net realisable value, where the estimated selling price of inventory is lower than the cost to sell based on historical observations and management expectations.

Note 3: Financial instruments risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including market risk (commodity prices, foreign currency and interest rate risk), liquidity risk and credit risk.

The Group's senior management oversees the management of these risks by using various financial instruments, including derivative financial instruments. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The use of financial derivatives is subject to approval by the Board of Directors.

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Group is exposed to some foreign currency risk as the purchase of plant and equipment from time to time is denominated in foreign currencies.

The Group holds the following financial assets and financial liabilities at reporting date:

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	4,412	185
Lease assets	15,581	-
Receivables	7,439	8,203
	27,432	8,388
Financial liabilities		
Payables	13,303	10,211
Lease liabilities	16,028	-
Borrowings	19,441	14,667
	48,772	24,878

(a) Market risk

(i) Commodity price risk

The Group is affected by the price variability of certain commodities. The Group's main sales product is shell eggs which is a commodity that is subject to market conditions. The Group manages this exposure utilising forward grain and/or feed stock purchase commitments through its key suppliers, within certain price parameters agreed by the Board of Directors. Where possible the Group enters longer term relationships with key customers that create more certainty around volumes and price.

The Group's activities also require the ongoing purchase of grain and/or feed stock and is therefore affected by fluctuations in the price of feed ingredients, primarily wheat and soy.

(ii) Foreign exchange risk

The majority of the Group's operations are denominated in Australian dollars, therefore minimising the impact of foreign currency risk. The Group undertakes some transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilising forward foreign exchange contracts, subject to approval by the Board of Directors.

Note 3: Financial instruments risk management objectives and policies (continued)

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments (normally Euro) for future purchases of plant and equipment.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's external debt facilities and cash at bank held at variable rates.

The Group's exposure to interest rate risks in relation to future cash flows and the weighted average effective interest rates on classes of financial assets and financial liabilities is shown in the table below.

Sensitivity

The following sensitivity analysis is assessed on the interest rate risk exposures in existence at reporting date. At 30 June 2020, if interest rates had moved as illustrated in the table below, with all other variables held constant, the post-tax profit and equity would have been impacted as follows:

	Impact on post-tax profit and equity	
	2020 $'000	**2019 $'000**
Interest rates – increase by 100 basis points	149	95
Interest rates – decrease by 100 basis points	(149)	(95)

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who assess the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows. Refer to the Group's funding arrangements disclosed in Note 15.

Note 3: Financial instruments risk management objectives and policies (continued)

Maturities of financial liabilities

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both principal and estimated interest cash flows. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at reporting date.

2020	<6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000	Fixed/ Floating
Financial liabilities						
Trade and other payables	(13,303)	-	-	-	(13,303)	-
Loans	-	-	(19,441)	-	(19,441)	Fixed at 9%
Lease liability	(2,250)	(2,130)	(10,884)	(764)	(16,028)	Fixed at 3%
	(15,553)	(2,130)	(30,325)	(764)	(48,772)	

2019	<6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000	Fixed/ Floating
Financial liabilities						
Trade and other payables	(10,211)	-	-	-	(10,211)	-
Loans	(14,469)	-	-	-	(14,469)	Floating avg rate of 3.5%
Lease liability	(146)	(19)	(33)	-	(198)	Fixed at 3%
	(24,826)	(19)	(33)	-	(24,878)	

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations under a financial instrument or customer contract, resulting in financial loss to the Group. The Group manages its credit risk by dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The aging analysis of trade and other receivables is provided in Note 8(b). As the Group undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with credit terms.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment, represents the Group's maximum exposure to credit risk.

Note 3: Financial instruments risk management objectives and policies (continued)

(d) Fair value of financial instruments

The only financial assets or financial liabilities carried at fair value are forward foreign currency contracts from time to time. These instruments are considered to be Level 2 financial instruments as their measurement is derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices).

The fair value of forward foreign currency is obtained from third party valuations derived from discounted cash flow forecasts of forward exchange rates at the end of the reporting period and contract exchange rates.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the financial year.

The carrying amount of other financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Note 4: Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by major product.

	Consolidated	
	2020 $'000	**2019 $'000**
Type of product[1]		
Shell egg	69,264	64,520
Egg product	20,025	21,523
Others	945	314
Total revenue from contracts with customers	90,234	86,357
Interest revenue and other income	93	284
Total revenue	90,327	86,641

[1] The majority of sales (99.5%) are made in Australia. Revenue is recognised at a point in time, upon satisfaction of the Group's performance obligation, being delivery of the products to the customer.

Note 5: Profit from continuing operations

Profit from continuing operations before income tax has been determined after the following specific expenses:

	Consolidated	
	2020 $'000	**2019 $'000**
Cost of goods sold		
Changes in inventories of finished goods and work in progress	(1,153)	2,061
Raw materials and consumables used	66,543	62,640
	65,390	64,701
Employee benefits expenses		
Salaries and wages	14,555	12,895
Employee superannuation contributions	1,256	1,094
Total employee benefits expenses	15,811	13,989
Depreciation of non-current assets and leased assets		
Land and buildings	1,205	1,207
Plant & equipment	2,438	2,929
Right of use asset	4,426	-
Total depreciation of non-current assets	8,069	4,136
Foreign exchange translation loss	4	1
Flock amortisation (note 10)	12,449	12,096
Finance costs – interest expense	2,291	738
Operating lease rentals	-	3,540
Impairment of property, plant and equipment	-	1,542

Note 6: Income tax

	Consolidated 2020 $'000	Consolidated 2019 $'000
(a) Components of tax expense:		
Current tax (benefit) / expense	-	(1,071)
Deferred tax (benefit) / expense	(930)	(526)
Under/(over) provision in prior years	-	131
Income tax expense	(930)	(1,466)
(b) Numerical reconciliation between income tax expense in the income statement and that calculated		
(Loss) / profit before income tax	(3,099)	(5,324)
At the statutory income tax rate of 30% (2019: 30%)	(930)	(1,597)
Under/(over) provision in prior years	-	131
Income tax (benefit) / expense	(930)	(1,466)
(c) Deferred tax assets and (liabilities) relate to the following:		
Employee benefits	659	641
Provisions and accruals	208	72
Fixed assets	280	104
Building Impairment	-	462
Carry forward tax losses	2,133	1,071
Gross deferred tax assets	3,280	2,350
(d) Movement in deferred tax assets and (liabilities)		
Balance at beginning of year	2,350	884
Recognised in profit or loss	930	525
Current year losses	-	1,071
Over provision in prior years	-	(131)
Balance at the end of the year	3,280	2,350
(e) Movement in current tax liability or (receivable):		
Balance at beginning of year	-	(805)
Tax (received)/paid	-	805
Balance at the end of the year	-	-

Note 7: Dividends

	Consolidated 2020 $'000	Consolidated 2019 $'000
(a) Dividends proposed and recognised as a liability	Nil	Nil
(b) Franking credit balance		
Balance of franking account at year end	11,485	11,485

Note 8: Receivables

	Consolidated 2020 $'000	Consolidated 2019 $'000
Trade receivables	7,115	7,751
Provisions for expected credit loss	(6)	(6)
	7,109	7,745
Other receivables	330	458
	7,439	8,203

(a) Terms and conditions

Trade receivables are non-interest bearing and generally on 30 to 60 day terms.
Other receivables are non-interest bearing and have repayment terms between 30 and 60 days.

(b) Provision for expected credit loss (contracts with customers)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Movements in the provision for impairment were:		
Opening balance as at 1 July	6	17
Decrease in provision for impairment of trade receivables	-	(11)
	6	6

Note 8: Receivables (continued)

Trade and other receivables ageing analysis as at 30 June is:

	Gross 2020 $'000	Impairment 2020 $'000	Gross 2019 $'000	Impairment 2019 $'000
Not past due	7,247	-	8,148	-
Past due 31-60 days	101	-	16	4
Past due 61-90 days	65	-	14	2
Past due more than 91 days	32	6	31	-
	7,445	6	8,209	6

Due to the short-term nature of these receivables, their carrying value approximates their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.

Note 9: Inventories

	Consolidated	
CURRENT	2020 $'000	2019 $'000
Raw materials - at cost	3,622	3,169
Finished goods	2,389	1,689
Total inventories	6,011	4,858

Note 10: Biological assets

	Consolidated	
	2020 $'000	**2019 $'000**
Current	6,382	8,688
Non-current	3,146	399
Total	9,528	9,087

(a) Flocks

Cost	16,809	16,060
Less: Accumulated amortisation	(7,281)	(6,973)
	9,528	9,087
Opening written down value	9,087	8,981
Additions	12,890	12,202
Amortisation	(12,449)	(12,096)
Closing written down value	9,528	9,087

The number of birds held by the Company as at 30 June 2020 was 1,427,375 (2019: 1,591,223).

The average output per bird is approximately 5 eggs per week during their productive period.

Note 11: Other current assets

	Consolidated	
	2020 $'000	**2019 $'000**
Prepayments and deposits	812	406

Note 12: Property, plant and equipment

	Consolidated			
2020	**Land and buildings**	**Plant and equipment**	**Capital works in progress**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Cost	35,457	48,995	5,260	89,712
Accumulated depreciation	(10,531)	(34,161)	-	(44,692)
Net book value	**24,926**	**14,834**	**5,260**	**45,020**
Opening net book value as at 1 July 2019	25,551	16,177	3,485	45,213
Reclassifications to 'lease assets'[2]	-	(214)	-	(214)
Additions	-	-	3,664	3,664
Transfers	580	1,309	(1,889)	-
Depreciation	(1,205)	(2,438)	-	(3,643)
Net book value as at 30 June 2020	**24,926**	**14,834**	**5,260**	**45,020**

2019				
Cost	34,877	47,900	3,485	86,262
Accumulated depreciation	(9,326)	(31,723)	-	(41,049)
Net book value	**25,551**	**16,177**	**3,485**	**45,213**
Opening net book value as at 1 July 2018	26,230	14,306	6,113	46,649
Additions	-	-	4,242	4,242
Transfers	2,070	4,800	(6,870)	-
Depreciation	(1,207)	(2,929)	-	(4,136)
Impairment loss[1]	(1,542)	-	-	(1,542)
Net book value as at 30 June 2019	**25,551**	**16,177**	**3,485**	**45,213**

[1]The Group engaged an independent valuer to assess the fair value of Darling Downs operation post acquisition and subsequent to initial capital works being undertaken. The value assessed was lower than the carrying value and the Group recorded an impairment loss of $1.542 million in the prior period.

[2]On the initial application of AASB 16 Leases, as at 1 July 2019, the carrying amount of equipment under finance lease arrangements was reclassified from 'property, plant and equipment' to 'lease assets'

(a) Assets pledged as security

Included in the balances of freehold land and buildings and plant and equipment are assets over which first mortgages have been granted as security over loans (see note 15). The terms of the first mortgage preclude the assets from being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

Note 12: Property, plant and equipment (continued)

(b) Impairment testing of non-current assets

The Group performed an impairment test in June 2020. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2020, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of the Group's non-current assets. In addition, the unfavourable trading conditions and drought impacted grain prices have unfavourably impacted the Group.

The recoverable amounts for the cash generating units ('CGU') have been determined based on a value in use basis. The value-in-use valuations use cash flow projections based on financial budgets covering a 5-year forecast period, and a terminal value based upon an extrapolation of cash flows beyond the 5-year period using a constant growth rate of 4% per annum and a terminal growth rate of 2.5%. These rates are in line with the long-term average growth rate for the Australian egg industry, combined with the business plans of the Group.

In performing value in use calculations, estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessment of the time value of money adjusted for a risk premium to reflect the risk of the specific CGU and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate of 9% has been applied. This rate is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors.

As a result of the analysis, management did not identify an impairment.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

Key drivers which impact the recoverable amount aggregated over the five-year impairment assessment period include:

- The movement in revenue driven by volume and price of goods sold to customers.
- The price of grain/feed for the Group's flock.
- WACC Discount rate.

The Group has performed a sensitivity analysis by considering reasonable possible changes in the key assumptions. The changes in the following assumptions used in the impairment assessment would, in isolation, lead to a change in the recoverable amount as at 30 June 2020 as shown in the table below.

Key assumption	**Sensitivity**	**Impact on valuation $'000**
Revenue movement	+5%	$7,914
	- 5%	($11,963)
Grain/feed prices	+1%	($3,738)
	-1%	$3,738
Discount rate %	+0.5%	($4,707)
	- 0.5%	$5,485

Changes in one assumption could be accompanied by a change in another assumption, which may increase or decrease the recoverable amount. None of these tests resulted in the carrying amount of the CGU exceeding its recoverable amount.

Note 13: Lease assets and liabilities

Lease arrangements (30 June 2020)

The following information relates to the current reporting period only and is presented in accordance with AASB 16 Leases (which was applied by the group for the first time in the current reporting period).

The group has lease obligations for land and buildings and plant and equipment with lease terms varying from one to five years, with rent payable monthly in advance.

Lease assets

2020	**Land and buildings $'000**	**Plant and equipment $'000**	**Total $'000**
Cost	18,684	1,323	20,007
Accumulated depreciation	(4,081)	(345)	(4,426)
Net book value	**14,603**	**978**	**15,581**
Opening net book value as at 1 July 2019	-	-	-
Reclassifications from PPE[1]	-	214	214
Recognition of leased assets as at 1 July 2019	18,684	795	19,479
Recognition of leased assets - additions	-	314	314
Depreciation	(4,081)	(345)	(4,426)
Net book value as at 30 June 2020	**14,603**	**978**	**15,581**

[1] On the initial application of AASB 16 Leases, as at 1 July 2019, the carrying amount of equipment under finance lease arrangements was reclassified from 'property, plant and equipment' to 'lease assets'.

Lease liabilities

	Consolidated 2020 $'000
Current lease liabilities	4,380
Non-current lease liabilities	11,648
	16,028

Lease expenses and cashflows	**2020 $'000**
Interest expense on lease liabilities	537
Depreciation expense on lease assets	4,426
Repayment of lease liability	3,963

Finance lease arrangements (30 June 2019)

The following information relates to finance lease arrangements of the prior reporting period only and is presented in accordance with the predecessor accounting standard AASB 117 *Leases*.

The Group has finance leases and hire purchase contracts for various items of plant and machinery. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	2019
	$'000
The following is a reconciliation of the total undiscounted future lease payments to be made by the group in relation to finance leases to the carrying amount of finance lease liabilities.	
Undiscounted future lease payments to be made:	
Not later than 1 year	155
Later than 1 year and not later than 5 years	43
Later than 5 years	-
Total undiscounted future lease payments to be made	198
Less: future finance charges	(5)
Carrying amount of finance lease liabilities	193

Finance lease liabilities are included in the carrying amount of borrowings in the statement of financial position. Refer to Note 15 for further information about the group's borrowings.

The carrying amount of equipment under finance lease arrangements is included in the carrying amount of property, plant and equipment in the statement of financial position. Refer to Note 12 for further information about the group's property, plant and equipment.

Non-cancellable operating lease arrangements (30 June 2019)

The following information relates to non-cancellable operating lease arrangements of the prior reporting period only and is presented in accordance with the predecessor accounting standard AASB 117 *Leases*.

	2019
	$'000
Future minimum lease payments to be made:	
Not later than 1 year	4,539
Later than 1 year and not later than 5 years	12,501
Later than 5 years	2,120
Aggregate lease payments contracted for at reporting date	19,160

Note 14: Payables

	Consolidated 2020 $'000	2019 $'000
Trade creditors	11,519	8,591
Other payables and accruals	1,784	1,620
	13,303	10,211

(i) Terms and conditions

Our standard terms are 30 days from the end of month.

Note 15: Borrowings

	Interest Rate	Maturity	Consolidated 2020 $'000	2019 $'000
Current				
Secured				
Borrowings:				
Bank loans[1]	BBSY+1.30%	On demand	-	13,500
Bank overdraft[1]	BBOR+3.30%	On demand	-	969
Lease liability[2]	Various	Various	-	155
			-	14,624
Non-current				
Secured				
Borrowings:				
Lease liability[2]	Various	Various	-	43
Long term loan[4] – Tranche A			15,000	-
Working capital loan – Tranche B[3]			4,441	-
			19,441	43

[1] Secured by a fixed and floating charge (mortgage debenture) over all assets and uncalled capital.
[2] Secured by the assets leased.
[3] In line with AASB 9, Working capital loan – Tranche B is measured net of transaction costs of $420k.
[4] Secured by fixed charge over selected property and company assets.

At the reporting date, the consolidated entity's financing are as follows.

	Consolidated	
	2020 $'000	**2019 $'000**
(i) Bank overdraft		
Facilities available	-	2,500
Facilities used	-	969
Facilities unused	-	1,531
(ii) Bank loan (multi-option)		
Facilities available	-	16,000
Facilities used	-	13,500
Facilities unused	-	2,500
(iii) Loan Term Loan – Tranche A		
Facilities available	15,000	-
Facilities used	15,000	-
Facilities unused	-	-
(iv) Working capital loan – Tranche B		
Facilities available	8,500	-
Facilities used	4,861	-
Facilities unused	3,639	-

Group's financing facilities as at 30 June 2020 were $23.5 million, comprising Tranche A $15 million that has been drawdown in full and Tranche B of $8.5 million drawn down by $4.861 million. Tranche B includes $3.5 million limit exclusively for capitalised interest, if any. The term of the facility is for three years from the date of the first drawdown, 16 August 2019.

Note 16: Provisions

	Consolidated	
	2020 $'000	**2019 $'000**
Current		
Employee benefits		
Annual leave	1,031	1,049
Long service leave	952	889
	1,983	1,938
Non-current		
Employee benefits		
Long service leave benefits	212	201
Total employee benefits provisions	2,195	2,139

Note 17: Contributed Equity

	Consolidated	
	2020 $'000	**2019 $'000**
Issued and paid up capital		
55,180,175 (2019: 55,180,175) Ordinary shares fully paid	29,578	29,578
	29,578	29,578

Each share is entitled to 1 vote per share.

(a) Capital management

The Board reviews the capital structure on an ongoing basis. The Group's objective is to maintain an optimal capital structure which seeks to reduce the cost of capital and safeguard the Group's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

(b) Dividends

During the year ended 30 June 2020 no dividends were paid (2019: Nil).

Note 18: (Loss)/Earnings per share

The following reflects the income and share data used in calculations of basic and diluted (loss)/earnings per share computations:

	Consolidated	
	2020 $'000	**2019 $'000**
Net (loss) / profit from continuing operations	(2,169)	(3,858)

Weighted average

	2020 No. of shares	**2019 No. of shares**
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share	55,180,175	55,180,175
Weighted average number of shares used to calculate diluted (loss)/earnings per share	55,180,175	55,180,175

Note 19: Cash Flow Information

	Consolidated 2020 $'000	Consolidated 2019 $'000
(a) Reconciliation of cash flow from operations with profit after tax:		
(Loss)/profit from ordinary activities after tax	(2,169)	(3,858)
Non-cash items		
Depreciation	8,069	4,136
Impairment	-	1,542
Flock amortisation	12,449	12,096
Non-cash movement on loan/lease	-	36
Changes in operating assets and liabilities net of effects from acquisition of businesses:		
(Increase) / decrease in trade and other receivables	764	152
(Increase) / decrease in inventory	(1,153)	2,061
(Increase) / decrease in biological assets	(12,890)	(12,202)
(Increase) / decrease in current tax receivable	-	805
(Increase) / decrease in deferred tax asset	(930)	(1,466)
(Increase) / decrease in other assets	(406)	953
Increase / (decrease) in trade and other creditors	3,092	(2,415)
Increase / (decrease) in employee entitlements	56	(28)
Net cash flow from operating activities	6,882	1,812
(b) Reconciliation of cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows		
Cash at bank	4,412	185
Bank overdraft	-	(969)
	4,412	(784)

(c) Reconciliation of liabilities arising from financing activities

2020	As at 1 July	Financing cash flows	Operating cash flows - interest paid	Non-Cash Changes New leases-other	As at 30 June
	$'000	$'000	$'000	$'000	$'000
Bank loans	13,500	5,941	-	-	19,441
Lease liabilities	198	(3,963)	(537)	20,330	16,028
Total liabilities from financing activities	13,698	1,978	(537)	20,330	35,469

2019					
Bank loans	10,000	-	3500	-	13,500
Finance leases	197	-	(36)	37	198
Total liabilities from financing activities	10,197	-	3,464	37	13,698

Note 20: Commitments

(a) Farm cost commitments

Farm commitments relate to commitments for flock replenishment and other farm operating expenditure commitments:

	Consolidated	
	2020 $'000	2019 $'000
Farm cost commitments	10,063	4,372

Note 21: Controlled Entities

The consolidated financial statements include the financial statements of Farm Pride Foods Limited and its controlled entities listed below:

List of companies in the group	Country of incorporation	Percentage owned	
		2020	2019
Parent entity:			
Farm Pride Foods Limited	Australia	100%	100%
Controlled entities of Farm Pride Foods Limited			
Big Country Products Pty Ltd	Australia	100%	100%
Farm Pride Property Pty Ltd	Australia	100%	100%
Mooroopna Farm Trading Pty Ltd	Australia	100%	100%
Farm Pride North Pty Ltd	Australia	100%	100%
Carton Packaging Pty Ltd	Australia	100%	100%

Note 22: Related party disclosures

(a) Parent entity and equity interests in related parties

The parent entity of the Group is Farm Pride Foods Limited, a listed public company, incorporated in Australia.

Details of the percentage of ordinary share held in subsidiaries are disclosed in Note 21.

(b) Key management personnel

Disclosures relating to key management personnel are set out in the Directors' report.

(c) Key management personnel compensation

The aggregate compensation of the key management personnel of the Group is set out below:

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Short-term employee benefits	688	656
Long term employee benefits	-	-
Post-employment benefits	53	41
	741	697

Detailed remuneration disclosures are provided in the Remuneration Report on page 14.

(d) Transactions with directors and director-related entities

The value of transactions (inclusive of GST) and amounts receivable / (payable) between Directors and their related entities and Farm Pride Foods Limited and its controlled entities.

Director related entities[1]	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	Purchases	-	-	10	9	-	(1)
Specialised Breeders Australia Pty Ltd [2] (P. Bell)	Purchases	-	-	107	332	(83)	1
Days Eggs Pty Ltd (P. Bell)	Egg supply / Purchases	195	158	420	87	(4)	18
Hy-Line Australia Pty Ltd [2] (P. Bell)	Purchases / Packaging sales	-	-	5,319	3,230	(850)	(437)
Pure Foods Eggs Pty Ltd (P. Bell)	Egg sales / Purchases	27	23	-	90	3	8
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	Egg sales / Purchases	776	877	154	909	71	127
Lohmann Layers Australia Pty Ltd [2] (P. Bell)	Purchases	-	-	-	136	-	-

[1] Messrs. Bell and Ward through their related entities provide birds, eggs and egg products to and acquire eggs, egg product and packaging from Farm Pride Foods Limited and its controlled entities. Director's administrative expenses are reimbursed at cost. These transactions are on normal trading terms and conditions.

[2] Mr Bell resigned as director of Specialised Breeders Australia Pty Ltd, Hy-Line Australia Pty Ltd and Lohmann Layers Australia Pty Ltd effective 31 Oct 2019.

Transactions in the above table represent related party transactions for the full financial year from July 19 – June 20.

Note 23: Parent entity information

Information relating to Farm Pride Foods Limited:

	2020 $'000	2019 $'000
Summarised statement of financial position		
Current assets	25,476	22,340
Total assets	89,557	70,302
Current liabilities	18,293	13,274
Total liabilities	48,441	25,918
Total equity of the Parent comprises of the following:		
Share capital	29,578	29,578
Retained earnings	11,538	14,806
Total shareholder's equity	41,116	44,384
Summarised statement of comprehensive income		
(Loss)/profit of the parent entity	(3,268)	(3,319)
Total comprehensive (loss)/profit of the parent entity	(3,268)	(3,319)

Farm Pride Foods Limited as parent has provided security over the loans of its subsidiaries by a fixed and floating charge (see note 15).

Note 24: Auditor's remuneration

	Consolidated Entity	
	2020 $	2019 $
Audit and other assurance services		
Audit and review of the financial report of the entity and any other entity in the consolidated entity	129,000	138,000
Other services		
Debt advisory services	-	100,000
Taxation services	14,000	12,000
	143,000	250,000

Services for the FY19 period were performed by Ernst & Young.
Services for the FY20 period have been performed by Pitcher Partners (Melbourne).

Note 25: Subsequent Events

On 6 August 2020, Agriculture Victoria confirmed that the Lethbridge facility had tested positive for the H7N7 Avian Influenza virus. On 25 August 2020, a second farm leased and operated by the company, also located in the Lethbridge area, tested positive to H7N7. To control the spread of Avian Influenza, the farms (consisting of a total of 380,000 layers hens) were depopulated with the process completed in the month of August 2020. This represents 33% of the productive layer capacity of the business. The impact over the balance of FY21 is expected to be a revenue loss of $18 million. Agriculture Victoria is working with the business on compensation for loss of hens, poultry products (eggs), feed and any other eligible assets lost or disposed as part of the disease control order.

As a result, the company has implemented a number of remediation strategies to facilitate a return to full production as soon as possible including:

- Claiming and receiving compensation in respect of the birds lost.
- Taking immediate steps to restore lost bird capacity.
- Restoration of the affected farms in line with applicable regulations to replace production. This is expected to occur in the second half of the 2021 financial year.
- The sale and or sale & leaseback of company owned farms to provide additional funds.
- Keeping our financiers briefed on the company's progress and strategies to return to full production.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 19 to 58 in accordance with the *Corporations Act 2001*:

(a) Comply with Australian Accounting Standards and the *Corporations Regulation 2001*, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2020 and of its performance for the 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 has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2020.

This declaration is made in accordance with a resolution of the Directors.

Director
16 October 2020
Melbourne

FARM PRIDE FOODS LIMITED
ABN 42 080 590 030

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FARM PRIDE FOODS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Farm Pride Foods Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report, which indicates that the Group incurred a net loss of $2.169 million during the year ended 30 June 2020 and subsequent to year-end the significant effects of Avian Influenza outbreak on future production. These events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FARM PRIDE FOODS LIMITED
ABN 42 080 590 030

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FARM PRIDE FOODS LIMITED

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of flock assets Valuation of flock assets - $9,528,694 Refer to Note 10: Biological Assets The Group has $9.53 million ($9.09 as at 30 June 2019) of biological assets, "the flock assets". The flock assets should be valued at market value consistent with AASB 141 Agricultural assets, however, the lack of an active or liquid market for flock assets means the flock assets are measured at cost less accumulated amortisation and impairment losses. The amortisation rate is based on the estimated life of an individual flocks within the flock assets, and consequently the valuation of the flock assets as a whole is subject to judgement. We have focused on this balance given it is based on significant estimates involving subjective judgements and uncertainties over the estimated flock assets life due to the impact of factors such as disease and productive capacity of the individual flocks.	Our testing of the flock assets valuation focused on assessing the appropriateness of management's judgements when determining the flock assets' estimated life. Our procedures included, amongst others: • Obtained client schedule for total flock assets as at 30 June 2020 and agreeing to the general ledger; • Assessed the underlying mathematical accuracy of the client schedule by performing a recalculation of the written down value of the flock assets as at 30 June 2020 based on the total capitalised cost, age and production life of each flock asset as at 30 June 2020; • Tested the appropriateness and accuracy of costs capitalised to flock assets by verifying a sample of costs back to supporting invoices/documentation; • Held discussions with management and analysed the key assumptions used to determine productive life for each flock asset as at 30 June 2020. • Assessed the adequacy of the presentation and disclosure of the flock assets in the financial report as at 30 June 2020.

FARM PRIDE FOODS LIMITED
ABN 42 080 590 030

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FARM PRIDE FOODS LIMITED

Valuation of Property, plant and equipment	
Valuation of property, plant and equipment - $45,020,275 Refer to Note 12: Property, plant and equipment The Group has $45.0 million ($45.2 as at 30 June 2019) of property, plant and equipment, which represents approximately 49% of total assets. Australian Accounting Standards require the Group to assess, at the end of each reporting period, whether there is any indication of impairment to assets. The Group has not recorded any impairment during the financial year. We have focused on this balance due to the significance of the balance and the determination that property, plant and equipment is a single cash-generating unit. The assumptions and methodologies used in the discounted cash-flow for the impairment assessment are complex judgements made by management such as forecasting egg prices and costings for feed that are affected by future economic and market conditions as well as farm capacity.	Our testing of property, plant and equipment valuation focused on assessing the appropriateness of management's judgements in relation to its determination of cash-generating units and the associated discounted cash flow. Our procedures included, amongst others: • Evaluated the assumptions and methodologies utilised in the discounted cash flow prepared by management, including determination of discount rate, growth rates and other key assumptions such as egg prices and costings for feed; • Evaluated the determination of cash-generating units; • Assessed the Group's results in comparison to historical actuals and forecasts and the relatively low impact of COVID-19 to determine the reasonableness of the discounted cash flow; • Compared forecast future cash flows to Board approved budgets; • Tested the mathematical accuracy of the discounted cash flow model; • Assessed the impact of sensitivities to sales, cost of sales and gross margin. • Assessed the adequacy of the presentation and disclosure of property, plant and equipment in the financial report as at 30 June 2020.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FARM PRIDE FOODS LIMITED**

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Farm Pride Foods Limited and controlled entities, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

FARM PRIDE FOODS LIMITED
ABN 42 080 590 030

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FARM PRIDE FOODS LIMITED

Responsibilities

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

STEPHEN SCHONBERG
Partner

PITCHER PARTNERS
Melbourne

Date: 15 October 2020

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 October 2020.

(a) Distribution of equity security

The number of shareholders, by size of holding, in each class of share are:

	No. of shareholders	No. of shares
1 - 1,000	452	280,850
1,001 - 5,000	890	2,493,224
5,001 - 10,000	312	2,304,996
10,001 - 100,000	317	8,616,041
100,001 +	45	41,485,064
The number of shareholders holding less than a marketable parcel of shares are:	888	1,012,090

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares held	Percentage of ordinary shares
1	West Coast Eggs Pty Ltd	27,486,302	49.81
2	Normpat Pty Ltd	2,064,250	3.74
3	Oakmeadow Pty Ltd	2,011,772	3.65
4	Markcamp No 2 Pty Ltd	1,071,716	1.94
5	Glenmon No2 Pty Ltd	1,003,057	1.82
6	Merrill Lynch (Australia) Nominees Pty Ltd	608,443	1.10
7	David Ricardo Asset Management Pty Ltd	545,804	0.99
8	Mr Clinton James Quay	500,000	0.91
9	Zero Nominees Pty Ltd	464,244	0.84
10	Mr Tomasso Montalto + Estate Late Mauro Montalto	316,861	0.57
11	Brazil Farming Pty Ltd	296,614	0.54
12	Neweconomy Com Au Nominees Pty Ltd	260,938	0.47
13	Dr Harry Hirschowitz + Mrs Fariba Yeroshalmi	255,295	0.46
14	Mrs Trisha Verran	250,000	0.45
15	Tangent Value Investors Pty Ltd	242,500	0.44
16	Mrs Francesca D'Alberto	241,994	0.44
17	Miss Jean Shiong Li Ho	224,000	0.41
18	Ago Pty Ltd	204,061	0.37
19	Mr Matthew David Beale	197,000	0.36
20	Mr Gavin Bruce De Lacy	195,502	0.35
		38,440,353	69.66

ASX Additional Information (continued)

(c) Substantial shareholders

The names of substantial shareholders listed in the Company's register.

	No. held	Percentage of ordinary shares
West Coast Eggs Pty Ltd	27,486,302	49.81

(d) Voting rights

The voting rights are set out in Article Number 10 of the Company's Articles of Association. In summary, voting by or on behalf of members at a meeting shall be by show of hands or upon poll exercised by one vote for each fully paid ordinary share held or proportionate to the amount paid on each partly paid ordinary share held.

(e) Unquoted securities

Nil share options are on issue (2019: Nil).

(f) Stock Exchange listing

Quotation has been granted for all the ordinary shares of the Company on all members Exchanges of the Australian Stock Exchange Limited.

Publicly accessible information

For information on corporate governance policies adopted by Farm Pride Foods Ltd refer to our website:

www.farmpride.com.au