Rule 4.3A

Appendix 4E **Preliminary Final Report**

Name of entity

FARM PRIDE FOODS LTD

ABN or equivalent company reference:	42 080 590 030

1. Reporting period

Report for the financial year ended	30 June 2010
Previous corresponding period is the financial year ended	30 June 2009

2. Results for announcement to the market

				$'000
Revenues from ordinary activities *(item 2.1)*	*up*	0.32%	to	95,792
Profit / (loss) from ordinary activities after tax attributable to members (*item 2.2*)	*down*	10,086%		(5,792)
Net / (loss) profit for the period attributable to members *(item 2.3)*	*down*	10,086%		(5,792)

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

3. **Income Statement** *(item 3)*

Refer to the attached statement

4. **Balance Sheet** *(item 4)*

Refer to the attached statement

5. **Statement of Cash Flows** *(item 5)*

Refer to the attached statement

6. **Net tangible assets per security** *(item 6)*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	41.39¢	42.22 ¢

7. **Statement of retained earnings** *(item 7)*

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
Balance at the beginning of year	(1,167)	(1,387)
Transfers to retained earnings	132	162
Net profit attributable to members of the parent entity	(5,792)	58
Total available for appropriation	(6,827)	(1,167)
Dividends paid	-	-
Balance at end of year	(6,827)	(1,167)

8. **The financial information provided in the Appendix 4E is based on the accounting standards as described in Note 1.** *(item 8)*

9. **Commentary on the results for the period.** *(item 9)*

Refer to Chairman's & Managing Director's Report.

10. **Audit of the financial report** *(item 10)*

□ The financial report has been audited.

11. **The audit has been completed** *(item 11)*

□ The financial report is not the subject of dispute or qualification.

Farm Pride Foods Ltd

(ABN 42 080 590 030)

And Controlled Entities

Annual Financial Report

For the year ended 30 June 2010

Corporate Information

ABN 42 080 590 030

Directors
James Dudfield (Non-Executive Chairman)
Zelko Lendich (Managing Director)
Bruce De Lacy (Secretary / Executive Director)
Peter Bell (Non-Executive)
Malcolm Ward (Non-Executive)

Company Secretary
Bruce De Lacy

Registered Office
551 Chandler Road
Keysborough, Victoria 3173
(+61-3) 9798 7077

Solicitors
B2B Lawyers
76 Jolimont St
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QV1, 250 St. Georges Terrace
Perth, Western Australia 6000

Bankers
Westpac Banking Corporation
Level 7, 360 Collins Street
Melbourne, Victoria 3000

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

Auditors
Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000

Internet Address
www.farmpride.com.au

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Chairman's and Managing Director's Report

Macro Environment

A long period of national oversupply changed quickly to a shortage at the end of the third quarter of this financial year and was the culmination of many factors including:

- Increasing demand due to the success of cooking shows like Master Chef encouraging more home cooking;
- Reduced production from back yard chickens during winter months;
- An increase in industry bird mortalities and loss of production, due to outbreaks of ILT;
- Continuing success of the Australian Egg Corporation's education and promotional programs.

With the warmer spring weather coming there will be some easing of the shortage. The margin improvement from tight supply conditions has been eroded recently by the rapid increase in grain costs due primarily to the drought in Russia.

Results

The trading result for the company was an overall loss of $0.68m. The second half profit of $0.34m was a significant improvement on the first half loss of over $1 m. The total loss of $5.79m was due to the write-down of all goodwill in December 2009. Revenue was consistent with last year at $95.79m.

The sustained pressure on margins has led to further restructuring of the business including:

- Process simplification;
- Customer grouping and alignment;
- Reduction in sales, finance and administration overheads;
- Continuation of projects focused on yield loss and production waste reduction;
- Increased resourcing of farming, quality and value added processing.

Over the past 12 – 18 months we have continued to make investments in our free range capacity and our value added processing business.

The key improvements include:

- Expansion of free range capacity on our farms in NSW;
- Completion of our hardboiled egg processing facility to world class standard;
- Upgrades to our frozen fried and omelette capabilities;
- The ranging of whole egg powder and crepes in Coles supermarkets.

We have also seen significant improvements in the efficiency and output of our packaging plant.

Outlook

We expect egg supply to remain tight until post Christmas 2010. National bird numbers remain high and thus the outlook for the second half is uncertain in terms of egg supply.

The recent significant increase in grain prices has increased costs significantly and egg prices will need to increase to restore margins.

The local grain outlook is positive but world conditions are likely to dictate both price and supply as we head into the new harvest.

Underlying operating results are expected to remain positive based on:

- Ongoing benefits from cost improvements including overhead reduction;
- Margin management;
- Continued growth in the value added processing business;
- Additional efficiency gains with farm production and egg processing.

We will continue to focus on cost, efficiency and customer service over the coming financial year to help reduce the volatility in our earnings.

We thank all our loyal customers, suppliers and employees for their continued support and contribution to our business.

James Dudfield
Chairman

Zelko Lendich
Managing Director

Corporate Governance Statement

Farm Pride Foods Ltd's corporate governance is the framework of rules, relationships and systems by which the company is directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, how performance is optimised. It also encompasses the mechanisms by which the Directors and Management are held to account.

Directors and Management of Farm Pride Foods Ltd are committed to high standards of corporate governance. The Board of Directors oversee the consolidated entity and performs its functions on behalf of shareholders. The goals of good corporate governance adopted by the Directors and Management of Farm Pride Foods Ltd are to ensure the alignment of Directors interests with those of shareholders.

The Company complies with the ASX Corporate Governance Council's (CGC's) recommendations other than as detailed in the following paragraphs.

Board of Directors

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction and financial objectives, establishing goals for management and monitoring the attainment of these goals.

Role of the Board

The role of the Board is to direct management with the view to optimising company performance and to increase shareholder wealth. The responsibility for the operation and administration of the Group is delegated, by the Board, to the Managing Director and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has procedures in place to assess the performance of the Managing Director and the executive management team.

The Board fulfils this role by exercising the following responsibilities:

- provide input and final approval of strategic direction and performance objectives;
- to approve and monitor the financial performance against corporate budgets;
- ensure that the Company acts legally and responsibly on all matters and ensure high ethical standards and codes of conduct;
- oversee the integrity of risk management strategies and controls.

Other functions reserved to the Board include:

- appointing and removing the Managing Director or equivalent;
- approval of annual and half yearly financial reports;
- approval of capital expenditure, capital management and acquisitions and divestitures;
- effective corporate governance;
- reporting to shareholders.

To assist in the effective execution of its responsibilities, the Board has an established Audit Committee, the role and responsibility of this committee is discussed separately within this corporate governance statement.

Composition of the Board

ASX recommends that the Board of Directors is to be constituted with a majority of individuals who qualify as unrelated or independent directors and so ensure that the board can bring and be perceived to bring, quality, objective and independent judgements to all issues. Due to the nature and the size of the business and the demands of the industry within which it operates the Company has not been able to adopt all of the ASX recommendations.

However the Board recognises that all directors, whether independent or not, should bring an independent judgement to bear on Board decisions.

To add value to the Company, the Board of Farm Pride Foods Ltd has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties in the best interests of the company as a whole. The Board currently consists of two executive and three non executive directors. One of the three non-executive directors, Mr James Dudfield, is an independent director. Mr Dudfield is also the Chairman of the Board. Directors of Farm Pride Foods Ltd are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, “materiality” is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group’s activities and operations.

The names and details of the skills, experience, expertise, qualifications, term of office, and attendance at Board and committee meetings of each Director of the Company are tabled within this annual report.

Ultimate responsibility for management and control of the company business and affairs is vested in the Directors. The Board of Directors adopts appropriate structures and procedures to ensure that the board functions objectively and independent of management.

The composition of the Board is set having regard to factors including:

- the Constitution provides that until otherwise determined, the number of Directors must not be less than 3 or greater than 15;
- the Board should comprise of Directors with a broad range of expertise and knowledge relevant to the demands of the industry sectors within which the company operates.

Performance

The Chairman periodically oversees the evaluation of the Board and key executives against measurable and qualitative indicators. In the case of Executive Directors, performance evaluation is primarily related to meeting budget and other strategic and operational objectives.

During the reporting period the Chairman conducted a performance evaluation that involved an assessment of each Board Member’s and key executive’s performance against the budget and other strategic operational criteria.

Directors and key executives whose performance is unsatisfactory may be asked to retire.

Directors Rights

The Directors of Farm Pride Foods Ltd have the right in furtherance of their duties to seek independent professional advice at the expense of the company.

This procedure requires prior consultation with, and approval by, the Chairman and assurances as to the qualification and reasonableness of the fees of the relevant expert.

If at any time the Chairman does not provide approval, the matter shall be submitted to the full Board for consideration.

Conflict of Interest and Related Party Transactions

Directors must disclose to the Board actual or potential conflicts that may or might reasonably be thought to exist between the interests of the Director and the interests of the Company.

Directors are also expected to indicate to the Chairman any actual or potential conflict of interest situation as soon as it arises.

The Board can request a Director to take reasonable steps to remove the conflict of interest. If a Director cannot remove a conflict of interest the Director must absent himself or herself from the room when discussion and voting occur on matters to which the conflict relates. The entry and exit of the Director concerned will be minuted by the Company Secretary.

The Board has endorsed a separate Code of Conduct in relation to Managing Material Personal Interests and Conflicts of Interest.

Related Party Transactions

Related party transactions include any financial transaction between a Director or officer and the Company.

To assist the Board in showing that a financial benefit, such as the awarding of a contract to a company in which a Director is a partner, is given on arm's length terms, a review is conducted of similar provisions or services from a non-related entity to Farm Pride Foods Ltd to ensure value to Farm Pride Foods Ltd and its' shareholders. The Board has also resolved that where applications are made by a related party to a Director or officer of the Company then the Director or officer shall exclude himself / herself from the approval process.

Related party for this process means:

(a) a spouse or de facto spouse of the Director or officer; or

(b) a parent, son or daughter of the Director or officer or their spouse or de facto spouse; or

(c) an entity over which the Director or officer or a related party defined in (a) or (b) has a controlling interest.

Guidelines for dealing in securities by directors and employees

In addition to the provisions of the Corporations Act, which apply to all Farm Pride Foods Ltd employees, the Company has developed specific written guidelines that prohibit Directors and executives (and their respective associates) from acquiring, selling or otherwise trading in the Company's shares if they possess material price sensitive information which is not in the public domain. These guidelines are available by request.

Having regard to the legal prohibitions commonly referred to as Insider Trading Laws, Directors and executive officers and all other employees of Farm Pride Foods Ltd are aware that by virtue of their respective positions they will qualify as insiders when they are, from time to time, in possession of inside information. In those circumstances Directors, executive officers and all other employees of Farm Pride Foods Ltd must observe these insider trading laws.

All Directors, executive officers, and other relevant employees of Farm Pride Foods Ltd are required to notify in writing the Company Secretary in advance of all proposed dealings in securities in Farm Pride Foods Ltd. Any such proposed dealings that are completed are then required to be notified in writing to the Company Secretary within 3 working days of completion.

Directors will only be permitted to deal in securities of Farm Pride Foods Ltd outside the following periods of time with the prior approval of the Chairman and where the market is aware of all price sensitive information:

- a period of 30 days following the announcement of Farm Pride Foods Ltd annual and half yearly financial results to the ASX;
- a period of 30 days following the date of Farm Pride Foods Ltd's annual general meeting.

The Board has endorsed a policy statement for all Farm Pride Foods Ltd Directors relating to the sale and purchase of company securities.

Nomination Committee

When a Board vacancy exists or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will act as a Nomination Committee. In this role the Board will follow the Charter of the Nomination which is outlined below.

The committee identifies potential candidates with the appropriate expertise and experience and recommends to the board the most suitable candidate. The committee may engage the services of external professional advisors to assist with the selection.

Prior to appointment, each Director is provided with a letter of appointment, which includes:

- terms of appointment;
- the Company's Constitution;
- Statement of Corporate Governance;
- the expectations of the Board in respect to a proposed appointee to the board, their contribution to the performance of the company, attending and preparation for all board meetings;
- policy on dealing in company securities;
- their remuneration and the manner in which it is determined;
- the term of their appointment subject to shareholder approval
- ASX Principles of Good Corporate Governance;
- the requirement to disclose Directors interests and any matters which affect the Directors independence ;
- Confidentiality and rights of access to corporate information;
- Indemnity and insurance arrangements.

A Director retiring at an Annual General Meeting who is not disqualified by law from being re-appointed is eligible for re-election.

Safeguard Integrity in Financial Reporting

External Audit

Farm Pride Foods Ltd has a structure in place to independently verify and safeguard the integrity of the Company's financial reporting.

Audit Committee

The role of the Audit Committee is documented in a Charter approved by the Board.

The Audit committee consists of three members. The members at the date of this report are Mr. James Dudfield (Chairman), Mr. Zelko Lendich and Mr. Malcolm Ward.

Given the size and structure of the Company the Audit Committee:

- does not consist only of non-executive directors,
- does not have majority of independent directors and
- is not chaired by an independent chair who is not chair of the Board.

Members of the Audit Committee have unrestricted access to management and the Auditor. The Committee also has access to the auditor without management being present. The committee also retains the right to, by invitation and board approval, engage additional independent advisors.

Responsibilities of the Audit Committee include:

- reporting to the Board on all relevant matters within its charter, and formally tabling minutes of the intervening committee meetings;
- liaison with the external auditor to ensure that the annual and half yearly statutory audits are conducted in an effective manner;
- reviewing the integrity of the Company's financial statements before submission to the Board and recommends their approval;

- monitoring the procedures in place to ensure compliance with the Corporations Law, Stock Exchange Listing Rules and any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and Australian Stock Exchange;
- review of internal controls and risk management recommending enhancements;
- reviewing significant transactions which are not part of the Company's business and contracts, arrangements and undertakings that may involve related parties;
- monitoring the establishment of appropriate ethical standards;
- the selection and appointment of the Auditor and rotation of the audit partner, via a tender process. After 5 years, the lead partner of the external auditor must rotate off the Farm Pride Foods Ltd audit team.
- Assessment of the performance and independence of the external auditor.

The Audit Committee meets with the external auditor from time to time during the year. The audit plan is formulated and any significant issues and proposed changes in accounting policies are tabled.

For details on the number of meetings of the audit committee held during the year, and the attendees at those meetings, refer to the directors' report.

Financial Report Accountability

The Managing Director and Chief Financial Officer (equivalent) have stated in writing to the Board that:

- the Company's financial reports present a true and fair view in all material respects of the Company's operational results and are in accordance with relevant accounting standards;
- this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects in relation to the financial reporting risks.

Remuneration Committee

The ASX Principles of Good Corporate Governance recommend a minimum of three members to form the composition of the remuneration committee and the majority of members be independent and the committee chaired by an independent director.

The Board considers that due to the nature and scope of the Company's activities, the non-executive directors should recommend policy to the whole Board who should undertake this responsibility. The company does not operate a separate remuneration committee in name.

The Board of Farm Pride Foods Ltd is responsible for reviewing the remuneration policies and practices of the company including but not limited to:

- the Company's remuneration, recruitment, retention and termination policies for key management personnel;
- key management personnel remuneration and incentives including employee share and option plans;
- fees of non-executive members of the Board;
- occupational health and safety;
- anti discrimination policy;
- sexual harassment policy;
- award and conditions compliance, including enterprise bargaining agreements;
- incentive plans;
- fringe benefit policy.

The Board obtains independent professional advice on the appropriateness of remuneration packages where circumstances require it.

Shareholder Communication Policy

The Company is committed to giving all shareholders timely and balanced disclosure on all matters concerning the company by ensuring that:

- all investors have equal and timely access to material information concerning the Company;
- Company announcements are factual and are presented in a clear and balanced way.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX.

The Company also has an objective of honest and open disclosure of information to stakeholders, subject to appropriate commercial considerations associated with competitive and sensitive information.

The Company ensures the fulfilment of its obligations to shareholders and the broader market for continuous disclosure. Market announcements are released to the ASX, this includes annual reports, notices of Annual General Meetings and media releases. Disclosure is provided in electronic and written formats.

The Rights of Shareholders

The Company respects the rights of its shareholders and will ensure that they can exercise those rights in respect of the Company at all times.

The Company is committed to the provision of timely, accurate, balanced and understandable information, General Meetings will normally be conducted in major cities to ensure easy access by shareholders.

Shareholder meetings are conducted in such a way as to facilitate shareholder participation.

The Company also uses its website to complement the official release of material information to the market.

Business Risk Management

The Board has in place a number of arrangements and internal controls intended to identify and manage areas of material business risk. These include the maintenance of:

- Board committees;
- Detailed and regular budgetary and financial management reporting;
- Established organisational structure;
- Procedures and policies;
- Audit;
- Insurance evaluations;
- The retention of specialised staff and external advisors.

The policies require management to establish and implement a risk management framework which identifies, assesses and manages the Company's risks – including material financial risks, operational risks, strategic risks and compliance risks. In addition management is required to report to the Board on the management and oversight of these material risks.

Ethical Standards and Code of Conduct

The Company maintains a Policy of Ethical Standards and a Board Governance Code of Conduct setting out for employees and Directors what standards of conduct are expected of them. All Farm Pride Foods Ltd employees and Directors are expected to act with the highest possible standard of ethics and personal integrity when carrying out their duties.

The policy deals with matters including:

- Shareholders and the community;
- Dealing with customers and consumers;
- Trade practices;
- Relations with suppliers;
- Employment practices;
- Responsibilities to the community;
- Personal conduct;
- Conflict of interest.

Policies are incorporated in the individual letters of engagement, including provisions relating to conflicts of interest, confidentiality and restrictions against use and dissemination of information, use of company assets, prerequisites, tender processes, benefits and contact with suppliers, employment practices, privacy and OH&S.

The Board of Farm Pride Foods Ltd believes the above corporate governance practices, which are reviewed regularly comply with those as outlined with the ASX Principles of Good Corporate Governance.

Publicly accessible information

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

www.farmpride.com.au

Directors' Report

Your Directors present their report for the year ended 30 June 2010.

Directors
The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and responsibilities:

James Dudfield
(Non – executive Director – Appointed 17 October 2003 and Chairman of the Board 1 September 2006, Chairman of the Audit Committee)

James has over 25 years business experience and sits on the Farm Pride Foods Ltd Board as an independent Director. He is currently an Executive in the finance industry and has experience in distribution, sales and marketing, product management and strategy across the financial services, energy and manufacturing industries. James has held senior positions at National Australia Bank, Westpac, ANZ Banking Group, Lend Lease, McKinsey & Co. and Esso Australia Ltd. James holds a Bachelor of Economics (Honours) and MBA from the University of Sydney.

Zelko Lendich
(Managing Director – appointed 6 May 2003, member of the Audit Committee)

Zelko is an independent management consultant. He is currently a Non-executive Director of West Coast Eggs, NOVO Foods and Australian Egg Corporation Ltd. He has wide ranging experience in commerce, government and education in Australia and Internationally. Zelko has held senior posts at the University of Western Australia's Management Development Institute, Australia Leather Holdings, McKinsey & Co and ABB in Sweden, London and Canada. Whilst with the Australian Government, he was the principal advisor to the Minister for Transport and a key economic advisor to the Premier of Western Australia. Zelko has a Bachelor of Economics degree and an MBA from the University of Western Australia.

Directors' Report (continued)

Bruce De Lacy
(Executive Director / Secretary – Appointed 1 August 2003).

Bruce has over 30 years experience in the egg industry. He has previously been employed in a number of positions at Farm Pride Foods Ltd including Company Secretary, Financial Controller, General Manager and more recently Chief Operating Officer.

Peter Bell
(Non-Executive Director - Appointed 30 May 2008)

Peter has been involved in the egg industry for over 40 years and comes from a third generation poultry farming family. He continues to be directly involved in the management and servicing of commercial egg farms. He is also the Managing Director of AAA Egg Company Pty Ltd, a director of West Coast Eggs Pty Ltd and Pure Foods Eggs Pty Ltd and Hy-Line Australia Pty Ltd as well as being a director of a number of other egg related businesses.

Malcolm Ward
(Non-Executive Director – Appointed 30 May 2008)

Malcolm has been in the egg industry for over 20 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 and technology development.

Directors' Report (continued)

Relevant Interests in the Shares and Options of the Company

As at the date of this report, the interests of the Directors in the shares and options of Farm Pride Foods Ltd were:

	Ordinary Shares	Options over Ordinary Shares
Zelko Lendich	1,224,000	-
Bruce De Lacy	195,502	-
Malcolm Ward	1,235,122	-

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 24,199,944 shares of the Company held through West Coast Eggs Pty Ltd.

Earnings per share	2010 Cents	2009 Cents
Basic earnings per share	(10.5)	0.11
Diluted earnings per share	(10.5)	0.10

Dividends paid, recommended and declared

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

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in note 26 to the financial statements.

Principal Activities

The principal activities of entities within the consolidated entity were the production, processing, manufacturing and sale of egg and egg products.

Review and Results of Operations

The consolidated loss of the Group after income tax benefit amounted to $5,792,000 (2009: profit of $58,000). For further clarification of the review and results of operations of the Company reference should be made to the Chairman's and Managing Director's report.

Directors' Remuneration Report (Audited):

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company and includes the two executives in the Parent and the Group.

Remuneration Policy

The Board policy for determining the nature and amount of remuneration of key management personnel is agreed by the Board of Directors as a whole. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance Company performance through their contributions and leadership.

For key management personnel, the company provides a remuneration package that includes cash-based remuneration and may include share-based remuneration. The contracts for service between the Company and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. Share-based remuneration is at the discretion of the Board and would be conditional upon continuing employment thereby aligning senior executives with shareholder interests. The remuneration policy is directly related to company performance at the discretion of the Board of Directors. The Board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the Company for shareholders.

Bonuses are payable at the discretion of the Board of Directors, there are no set performance hurdles.

The employment conditions of the Managing Director, Mr Lendich, are formalised in a contract of employment. Mr Lendich is employed under a fixed five year contract, which commenced on 1 July 2005 and expired on 30 June 2010. A new agreement has been negotiated which commenced on the 1 July 2010 and expires on the 1 July 2015.

The company may terminate the contract in writing with 18 months notice whilst within the first three years and six months of the contract, thereafter the remainder of the term. Mr Lendich may terminate his employment in writing with six months notice. The same terms and conditions remain applicable in the new agreement.

Non-executive directors receive fees and do not receive options or bonus payments. In accordance with Article 13.2 of the Company Constitution the aggregate amount payable as non executive director's fees shall not exceed $250,000 per annum. No additional fees are paid for being a member on more than one committee.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution. Further details regarding components of directors' and executive remuneration are provided within this Director's remuneration report.

The names and positions of each person who held the position of director at any time during the financial year is provided above. The named executives in the consolidated group who received the highest remuneration for the financial year are:

Executives	Position
Bruce De Lacy	Executive Director / Secretary
Zelko Lendich	Managing Director

Directors’ Report (continued)

Directors’ Remuneration Report (Audited):

	Short Term Benefits			Long Term Benefits	Post employment		Share based payments		Total
	Salary & Fees	**Performance Based Payment**	**Non-Cash Benefits**	**Long Service Leave**	**Super**	**Retirement Benefits**	**Options**		**Total**
2010	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**$**
James Dudfield	23,000	-	-	-	2,070	-	-	-	25,070
Zelko Lendich	300,000	-	-	-	-	-	-	-	300,000
Bruce De Lacy	179,855	-	-	4,496	30,935	-	-	-	215,286
Malcolm Ward	23,000	-	-	-	2,070	-	-	-	25,070
Peter Bell	23,000	-	-	-	2,070	-	-	-	25,070
	548,855		-	4,496	37,145	-	-	-	590,496
2009									
James Dudfield	23,000	-	-	-	2,070	-	-	-	25,070
Zelko Lendich	300,000	-	-	-	-	-	-	-	300,000
Mark Moncrieff (retired 26/11/08)	9,730	-	-	-	876	-	-	-	10,606
Bruce De Lacy	179,855	25,000	-	4,496	35,235	-	-	-	244,586
Malcolm Ward	23,000	-	-	-	2,070	-	-	-	25,070
Peter Bell	23,000	-	-	-	2,070	-	-	-	25,070
Total	558,585	25,000	-	4,496	42,321	-	-	-	630,402

There are no executives, besides executive directors. Performance based payments are paid solely at the discretion of the Board of Directors.

Directors' Remuneration Report – (Audited):

Employee Share Option Plan (ESOP)
Share options are granted at the Board's discretion, to employees of the Group with at least 3 months' service or any executive director. Each option entitles the holder to one fully paid ordinary share in the Company. The ESOP is designed to align the participants' interest with those of shareholders by increasing the value of the Company's shares. Under the ESOP, the exercise price of the options is set at the time of granting the options at the determination of Board, the price shall be no less than the greater of market price or 20 cents. There are no individual or Company performance hurdles that are required to be achieved in order for the options to vest other than continued employment with the Group.

No options were granted during the year ended 30 June 2010 to directors or key management personnel.

Group Performance

- Total revenue has increased by 0.32% from $95.5m to $95.8m.
- Earnings before interest, tax, depreciation (EBITDA) and Goodwill Impairment have increased to $4.49m from $3.92m in 2009.
- Earnings before tax (EBT) and Goodwill Impairment was a loss of $0.68m compared to a loss of $0.5m in the previous year (2009).
- Net assets have decreased by $5.79m reflecting in large part the write off of Intangible Assets ($5.33m)

Historic Group Performance

	June 10 (cents)	June 09 (cents)	Jun 08 (cents)	Jun 07 (cents)	Jun 06 (cents)
Share price	16	26.5	29	37	41
Earnings per share	(10.50)	0.11	6.26	4.84	(18.94)

Share Options

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

During the financial year no options were exercised.

	Grant Date	Vesting Date	Date of Expiry	Number	Exercise Date	Exercise Price	Expired, forfeited or exercised	Closing balance
Zelko Lendich	31/12/2004	31/12/2006	31/12/2009	300,000	-	$0.45	(300,000)	-
Bruce De Lacy	31/12/2004	31/12/2006	31/12/2009	300,000	-	$0.45	(300,000)	-
TOTAL				600,000	-		(600,000)	-

Movement in the number of share options held by KMP's are as follows:

	30 June 2010	30 June 2009
Opening Balance	600,000	1,200,000
Granted during the year	-	-
Exercised during the year	-	-
Expired during the year	(600,000)	(600,000)
Closing Balance	-	600,000

Directors' Report (continued)

No options were granted during the year ending 30 June 2010 to directors or key management personnel.

There is no board policy for directors and executives hedging their equity based remuneration.

Directors meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Number of meetings attended :	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
James Dudfield	14	14	5	4
Zelko Lendich	14	14	5	5
Bruce De Lacy	14	14	-	-
Peter Bell	14	14	-	-
Malcolm Ward	14	14	5	5

All directors were eligible to attend all meetings, held except for B. De Lacy, who attended Audit Committee Meetings by invitation only.

Environmental Regulation

The consolidated entities operations are not subject to any significant environmental, Commonwealth or State regulations or laws.

There have been no known breaches of the consolidated entity's licence conditions or any environmental regulations to which it is subject.

Likely Developments

The Company will continue to pursue its operating strategies to create shareholder value. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity.

Indemnification and Insurance of Directors and Officers

During the financial year, the Company has paid premiums to insure each of the Directors 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 of the Company, other than for conduct involving:

- a wilful breach of duty;
- a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the in relation to the Company.

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

Directors' Report (continued)

Auditor's Independence Declaration

A copy of the Auditor's Independence declaration in relation to the audit for the financial year is provided with this report.

Non- Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	2010 $	2009 $
Taxation services (direct and indirect taxes) – Ernst & Young	18,300	28,500
Other assurance related fees	32,780	-
	51,080	28,500

Significant changes in the state of affairs

There have been no matters or circumstances that have arisen during the financial year that have significantly affected or significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Significant events after the balance date

No matters or circumstances have arisen since the end of the financial year that have significantly affected or significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Rounding of Amounts

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable and where noted ($'000)) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

Zelko Lendich
Managing Director
31 August 2010

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Auditor's Independence Declaration to the Directors of Farm Pride Foods Ltd and Controlled Entities

In relation to our audit of the financial report of Farm Pride Foods Ltd and controlled entities for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Ashley C Butler
Partner
31 August 2010

Statement of Comprehensive Income for the year ended 30 June 2010

	Note	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Revenue	3	95,792	95,489
Other Income	4	255	133
Change in inventories of raw materials and finished goods		(1,410)	3,256
Raw materials and consumables		(72,589)	(77,194)
Employee benefits expense		(11,574)	(11,344)
Depreciation expense	4	(3,066)	(2,594)
Finance costs		(2,110)	(1,791)
Other expenses		(5,982)	(6,416)
(Loss)/Profit from operations before impairment and income tax		(684)	(461)
Non-recurring item Goodwill impairment	16	(5,326)	-
(Loss)/Profit before income tax		(6,010)	(461)
Income tax benefit/(expense)	5	218	519
Net (Loss)/Profit from operations after income tax		(5,792)	58
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		(5,792)	58
Basic earnings per share (cents)	9	(10.50)	0.11
Diluted earnings per share (cents)	9	(10.50)	0.10

The accompanying notes form part of these financial statements

Statement of Financial Position as at 30 June 2010

	Note	Consolidated Entity	
		2010	2009
		$'000	$'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	4	1,047
Trade and other receivables	11	11,066	11,079
Inventories	12	6,081	7,491
Other current assets	13	7,319	8,009
Current tax asset	5	-	862
Total current assets		24,470	28,488
Non-current assets			
Deferred tax assets	5	387	169
Property, plant and equipment	15	35,873	36,611
Intangible assets	16	-	5,326
Total non-current assets		36,260	42,106
TOTAL ASSETS		60,730	70,594
Current liabilities			
Trade and other payables	17	14,301	17,044
Interest-bearing loans & borrowings	18	3,577	19,012
Provisions	19	1,453	1,057
Total current liabilities		19,331	37,113
Non-current liabilities			
Interest-bearing loans & borrowings	18	18,537	4,714
Provisions	19	23	143
Total non-current liabilities		18,560	4,857
TOTAL LIABILITIES		37,891	41,970
NET ASSETS		22,839	28,624
EQUITY			
Contributed equity	21	29,578	29,578
Share option reserve	23	88	213
Retained losses	23	(6,827)	(1,167)
TOTAL EQUITY		22,839	28,624

The accompanying notes form part of these financial statements

Statement of Changes in Equity
For the Year Ended 30 June 2010

Consolidated	Contributed Equity	Retained Earnings/ (Accumulated loss)	Share Option Reserve	Total
Balance at 1 July 2008	29,578	(1,387)	344	28,535
Profit for the period	-	58	-	58
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	58	-	58
Transactions with owners in their capacity as owners:				
Employee options	-	162	(131)	31
Balance at 30 June 2009	29,578	(1,167)	213	28,624
Profit for the period	-	(5,792)	-	(5,792)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	(5,792)	-	(5,792)
Transactions with owners in their capacity as owners:				
Employee options	-	132	(125)	7
Balance at 30 June 2010	29,578	(6,827)	88	22,839

The accompanying notes form part of these financial statements

Statement of Cash Flows
For the Year Ended 30 June 2010

	Note	Consolidated Entity	
		2010	**2009**
Cash flows from operating activities		**$'000**	**$'000**
Receipts from customers (inclusive of GST)		97,074	97,119
Payments to suppliers and employees (inclusive of GST)		(92,706)	(91,926)
Interest received		-	13
Interest paid		(2,110)	(1,791)
Income tax refunded / (paid)		862	(1,391)
Net cash flows from/(used in) operating activities	25	3,120	2,024
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		20	9
Payments for property, plant and equipment		(1,127)	(7,257)
Net cash used in investing activities		(1,107)	(7,248)
Cash flows from financing activities			
Proceeds from borrowings		1,103	9,030
Repayment of borrowings		(2,378)	(2,862)
Repayment of finance leases		(1,781)	(763)
Net cash provided by financing activities		(3,056)	5,405
Net increase / (decrease) in cash		(1,043)	181
Cash at beginning of period		1,047	866
Cash at end of period		4	1,047

The accompanying notes form part of these financial statements

Notes to and forming part of the Financial Statements

Note 1: Summary of significant accounting policies

Corporate information

This financial report of Farm Pride Foods Ltd for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 31 August 2010.

Farm Pride Foods Ltd is a company limited by shares, incorporated and domiciled in Australia.

Basis of preparation

This financial report is a general purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report covers Farm Pride Foods Ltd and Controlled Entities as a consolidated entity.

The financial report has been prepared on the basis of the going concern and historical cost conventions.

The following is a summary of material 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.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The ability of the Group to continue as a going concern is dependent on its ability to generate sufficient funds from its operational activities to fund its ongoing obligations and its ability to meet the obligations of its current financing facilities, including scheduled debt reductions.

The directors and management have implemented a series of internal restructure and cost saving initiatives, together with active flock and inventory management practices, to lower the cost base of operations, generate additional cash flows and manage the current demand and supply issues facing the egg industry. The directors and management also continue to consider the ongoing equity requirements of the Group.

However, should the Group be unable to meet the obligations of its current financing facilities and/or achieve the initiatives described above, the Group may be unable to continue as a going concern and pay its debts as and when they fall due. Accordingly, a material uncertainty exists at the time of signing this report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as going concern.

(a) Compliance with IFRS

The financial report complies with the Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2009.

Note 1: Summary of Significant Accounting Policies (continued)

- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations effective 1 January 2009
- AASB 7 Financial Instruments : Disclosures effective 1 January 2009
- AASB 8 Operating Segments effective 1 January 2009
- AASB 101 Presentation of Financial Statements (revised 2009) effective 1 January 2009
- AASB 123 Borrowing Costs (revised 2007) effective 1 January 2009
- AASB 2008-1 Amendments to Australian Accounting Standard – Share based Payment : Vesting Conditions and Cancellations [AASB 2] effective 1 January 2009
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate effective 1 January 2009
- AASB 2009-6 Amendments to Australian Accounting Standards operative for periods beginning on or after 1 January 2009 that end on or after 30 June 2009
- AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 January 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 101 (Revised), AASB 2007-8 and AASB 2007-10 Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income.

The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 8 and AASB 2007-3 Operating Segments and consequential amendments to other Australian Accounting Standards
The Company has adopted the new standard AASB 8 replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.
AASB 8 is a disclosure standard and as such this interpretation, as expected, has had no impact on the amounts included in the Company's financial statements. However, amendments have had an impact on the Company’s segment disclosures.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and therefore have not been adopted by the Company for the annual reporting period ended 30 June 2010.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 January 2010	Minimal	1 July 2010
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2013	Minimal	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets.	1 January 2013	Minimal	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.	1 January 2011	Minimal	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.	1 January 2011	Minimal	1 July 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	No impact	1 July 2013
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	No impact	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.	1 January 2011	Minimal	1 July 2011

(b) Basis of consolidation

The consolidated financial report comprises the financial report of Farm Pride Foods Ltd and the entities it controlled at the year end or from time to time during the financial year.

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 intercompany balances and transactions, including any unrealised profits and losses have been eliminated on consolidation.

(c) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and revenue can be reliably measured.

Revenue from sale of goods is recognised when there has been a transfer of risks and rewards to the customer. This is considered passed to the buyer at the time of delivery of the goods to the customer. Revenue from the sale of goods is presented in the income statement at net of rebates and discounts provided to customers.

Revenue from the sale of goods is presented in the statement of comprehensive income net of rebates and discounts provided to customers.

Revenue from the provision of services to customers is recognised upon delivery of the service to the customer.

Government grants received that relate to specific assets or expenses are deferred and recognised as income in the same period as the asset is consumed or when the associated expenses are incurred.

Note 1: Summary of Significant Accounting Policies (continued)

Interest revenue is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

(d) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(e) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads based on normal operating capacity. Costs are assigned on a standard cost basis which approximates cost. The standard cost basis is reviewed by management and adjusted to reflect current conditions, where necessary.

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

(f) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis over their estimated useful life of the specific asset as follows:

Land	Not depreciated
Buildings	40 years
Plant and equipment	3 to 20 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Note 1: Summary of Significant Accounting Policies (continued)

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

(h) Intangibles

Goodwill
Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

Management has performed value in use calculations using cash flow projections as at 1 January 2010. Calculations performed by management indicated that carrying value of the goodwill is not recoverable.

An impairment loss of $5.33m on goodwill was recognised for the year ended 30 June 2010.

Impairment losses recognised for goodwill are not subsequently reversed.

(i) Impairment of non-financial assets other than goodwill

Non-financial assets other than goodwill and indefinite life intangibles are tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Farm Pride Foods Ltd conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of cash inflows from other assets or group of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(j) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Note 1: Summary of Significant Accounting Policies (continued)

No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probably that future 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.

Tax Consolidation

The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. Each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax Consolidated Group.

Goods and Services Tax (GST)

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

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of payables or receivables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(k) Employee leave benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(l) Financial Instruments

Classification

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instruments at initial recognition.

Note 1: Summary of Significant Accounting Policies (continued)

Financial assets
Non listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Financial Liabilities
The bank overdraft is secured by a floating charge over the Group's assets, Liabilities are measured at amortised cost. Trade liabilities are normally settled on 30 days from month end.

Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(m) Foreign Currencies

(i) Functional and presentation currency
Both the functional and presentation currency of Farm Pride Foods Ltd and its Australian subsidiaries are Australian dollars ($).

(ii) Translation of Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchanged rate as at the date of the initial transaction. Non-monetary items measured at a fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(n) Poultry

The cost of poultry is amortised over the productive life of the flock, which is approximately 60 weeks. The poultry flock is held for the purposes of producing eggs.

The cost of poultry is deemed to approximate the fair value.

(o) Interest bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date (financial year end).

Borrowing costs
Borrowing costs are recognised as an expense when incurred. The borrowing costs directly associated with a qualifying asset are to be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing). The Group does not currently hold qualifying assets.

(p) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1: Summary of Significant Accounting Policies (continued)

(q) Comparatives

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

(r) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

This segment note reflects the requirements of AASB 8 Operating Segments. As this is the first time the Group has adopted AASB 8 Operating Segments the accounting policies have been provided so as readers of the segment information have a complete understanding of the disclosure.

Identification of reportable segments

The Group has identified its operating segment based on the internal reports that are reviewed and used by the managing director (the chief operating decision maker) in assessing the performance and in determining the allocation of resources.

The operating segment is identified by management based on the manner in which the Group's products are sold and the operating business is reported to the chief executive officer and his management team on at least a monthly basis. The Group operates predominantly in one geographic segment being Australia.

The reportable segment is determined by the similarity of the products produced and sold, as these are the sources of the Group's major risks and have the most effect on the rates of return.

The Group has one customer with net revenue exceeding 10% of total revenue.

Types of products

The Group sells eggs and shell egg equivalents in Australia.

Accounting policies

The accounting policies used by the Group in reportable segment are the same as those contained in Note 1 to the accounts and in the prior period.

As the company has a single reporting segment and management use the same measure of profit or loss as that shown per the financial report, no additional segment information has been presented.

(s) Trade and other receivables

Trade receivables, which generally have 30-60 day terms on average, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue may be considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of the estimated future cash flows, discounted at the original effective interest rate.

Note 1: Summary of Significant Accounting Policies (continued)

(t) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition on average.

(u) Share based payment transactions

Equity settled transactions
The Group provides benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

There is currently one plan in place (Employee Share Option Plan – ESOP) which provides benefits to directors and senior executives.

The cost of these equity settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date of which they are granted. The fair value is determined by using the Black Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Farm Pride Foods Ltd (market conditions) if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

(i) The grant date fair value of the award.

(ii) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.

(iii) The expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Note 1: Summary of Significant Accounting Policies (continued)

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

No share options were granted on the period ended 30 June 2010 (30 June 2009 : Nil)

(v) Earnings per share

Basic earnings per share is calculated as net profit attributed to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributed to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses
- Other non discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Retrospective Restatement

Consolidated trade payables were understated by $1.1 million at 30 June 2009, with a corresponding overstatement of consolidated net profit for the year ended 30 June 2009 of the same amount. There is no effect on the 1 July 2008 Balance Sheet comparatives.

Accounting Standard AASB108 – Accounting Policies, Changes in Estimates and Errors has been applied to restate the financial statements of the company. The accounts affected by this restatement are set out below:

Farm Pride Foods Ltd		30 June 2009	
Consolidated	Previously stated	Adjustment	Restated
	$'000s	$'000s	$'000s
Income Statement			
Other expenses from ordinary activities	(6,250)	(166)	(6,416)
Raw materials and consumables	(76,255)	(939)	(77,194)
Balance Sheet			
Trade and other payables	15,939	1,105	17,044
Retained earnings	(62)	(1,105)	(1,167)

(x) Rounding Amounts

The company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Note 2: Significant Accounting Judgements, Estimates and Assumptions

The Group makes certain judgements, estimates and assumptions concerning the future, which affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes are reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(a) Income taxes
Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Other current assets
Poultry stock is amortised over its effective productive life, which is approximately 60 weeks.

(c) Long service leave
Based on the entity's history management has discounted provisions relating to employees with continued service of 7 years or greater but not more than 15 years.

(d) Trade and other receivables
Trade receivables, which generally have 30 – 60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(e) Inventories
Inventories including raw materials, work in progress and finished goods are valued at the lower of costs and net realisable value.

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

(f) Impairment of goodwill and non financial assets other than goodwill
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

Note 3: Revenue

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Revenues		
Net revenue from sale of goods	95,792	95,476
Total revenues	95,792	95,476
Revenues from other operations		
Interest		
Other persons / corporations	-	13
Total interest	-	13
Total revenues from other operations	-	13
Total revenues	95,792	95,489

Note 4: Profit from Ordinary Activities

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
(a) Other income		
Other income	31	115
Profit/(Loss) on sale of property, plant & equipment	1	3
	32	118
(b) Revenues and Net Gains		
Foreign currency translation gains	223	15
	255	133
(c) Expenses		
Total cost of goods sold	73,999	73,938
Depreciation of non-current assets		
Land improvements	25	22
Buildings	452	412
Plant & equipment	2,589	2,160
Total depreciation of non-current assets	3,066	2,594
Provision for doubtful debts	(10)	(130)
Amortisation of poultry	9,395	8,736
Share based payment – employee benefits	7	31
Finance costs expensed - interest expense	2,110	1,791
Operating lease rentals	2,655	2,322

Note 5: Income Tax

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
(a) The components of tax expense/(benefit):		
Current tax	-	(437)
Deferred tax	(218)	(25)
Over / (under) expense prior year	-	(57)
Income tax expense / (benefit)	(218)	(519)
(b) Numerical reconciliation between tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate:		
Accounting loss before tax	(6,010)	(461)
At the statutory income tax rate of 30% (2009: 30%)	(1,803)	(138)
Tax effect of amounts which are not deductible in calculating taxable income	(13)	(138)
Investment allowance	-	(186)
Goodwill impairment	1,598	-
Over expense prior year	-	(57)
Income tax expense / (benefit)	(218)	(519)
(c) Deferred tax assets and liabilities relates to the following:		
Employee benefits	464	360
Provisions and accruals	29	27
Leased assets – unrealized FX loss	-	9
Capital raising costs	59	85
Tax loss adjustments	305	95
Gross deferred tax assets	857	576
Fixed assets	(403)	(407)
Leased assets – unrealized FX gain	(67)	-
Gross deferred tax liabilities	(470)	(407)
Net deferred tax assets	387	169
(d) Movement in current tax (asset)/ liability:		
Balance at beginning of year	(862)	586
Current tax expense		-
Tax Payments	862	(1,391)
Related party balances	-	-
Over provision in prior year	-	(57)
Balance at the end of the year	-	(862)

Note 5: Income Tax (continued)

(e) Tax consolidation contributions/(distributions):

Farm Pride Foods Ltd has recognised the following amounts as tax consolidation contribution adjustments:

	Parent	
	2010	**2009**
	$'000	**$'000**
Total increase/(reduction) of tax payable of Farm Pride Foods Ltd	-	(258)
Total increase/(reduction) of intercompany assets of Farm Pride Foods Ltd	(198)	(198)
Total increase/(reduction)of investment in subsidiary accounts of Farm Pride Foods Ltd	198	198

Note 6: Dividends on Ordinary Shares

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
(a) Dividends proposed and recognised as a liability	Nil	Nil
(b) Franking credit balance		
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends:	1,009	1,871

Note 7: Key Management Personnel

(a) Compensation for key management personnel

	Consolidated Entity 2010 $	2009 $
Short term employee benefits	548,855	583,585
Post employment benefits	37,145	42,321
Other long term benefits	4,496	4,496
Total compensation	590,496	630,402

(b) Option holdings of key management personnel (consolidated):

2010

	Balance 01/7/09	Granted as remuneration	Options exercised	Net change other	Balance 30/06/10	Total vested 30/06/10	Total exercisable 30/06/10
Zelko Lendich	300,000	-	-	300,000*	-	-	-
Bruce De Lacy	300,000	-	-	300,000*	-	-	-
	600,000	-	-	600,000	-	-	-

*Expired

2009

	Balance 01/7/08	Granted as remuneration	Options exercised	Net change other	Balance 30/06/09	Total vested 30/06/09	Total exercisable 30/06/09
Zelko Lendich	600,000	-	-	300,000*	300,000	300,000	300,000
Bruce De Lacy	600,000	-	-	300,000*	300,000	300,000	300,000
	1,200,000	-	-	600,000	600,000	600,000	600,000

*Expired

Details of share options outstanding as at end of year:

Grant Date	Date of Expiry	Exercise Price	30 June 2010	30 June 2009
31-Dec-04	31-Dec-09	0.45	-	600,000

Note 7: Key Management Personnel (continued)

(c) Shareholding

2010

	Balance 01/07/09	Received as remuneration	Options exercised	Other	Balance 30/06/10
Zelko Lendich (Managing Director)	1,224,000	-	-	-	1,224,000
Bruce De Lacy (Chief Operating Officer)	195,502	-	-	-	195,502
	1,419,502	-	-	-	1,419,502

2009

	Balance 01/07/08	Received as remuneration	Options exercised	Other	Balance 30/06/09
Zelko Lendich (Managing Director)	1,224,000	-	-	-	1,224,000
Bruce De Lacy (Chief Operating Officer)	195,502	-	-	-	195,502
	1,419,502	-	-	-	1,419,502

Note 8: Auditor's Remuneration

	Consolidated Entity	
	2010 **$**	**2009** **$**
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	142,450	135,150
Taxation services	18,300	28,500
Other assurance related fees	32,780	-
	193,530	163,650

Note 9: Earnings per share

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
The following reflects the income and share data used in the calculations of basic and diluted loss/earnings per share:		
Net (loss)/profit	(5,792)	58

	2010 No. of shares	**2009 No. of shares**
Weighted average		
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 earnings per share	55,180,175	56,820,997

Note 10: Cash and Cash Equivalents

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
CURRENT		
Cash at bank	4	1,047
	4	1,047

Note 11: Trade and Other Receivables

CURRENT	Consolidated Entity 2010 $'000	2009 $'000
Trade Receivables	10,831	10,693
Provision for doubtful debts	(90)	(100)
	10,741	10,593
Other receivables	325	486
	11,066	11,079

(a) Terms and conditions

(i) Trade receivables are non-interest bearing and generally on 30 - 60 day terms.
(ii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

(b) Provision for doubtful debts

Opening provision for doubtful debts	100	230
Increase / (Decrease) in provision	(10)	(130)
Closing provision for doubtful debts	90	100

The ageing analysis of trade receivables is as follows:

	Total	0 – 90 days	0 – 90 days (PDNI) *	0 – 90 days (CI)*	+ 90 days (PDNI)*	+ 90 days (CI)*
2010 Consolidated	10,831	9,767	598	6	376	84
2009 Consolidated	10,693	7,522	3,026	-	45	100

* PDNI – Past due not impaired
* CI – Considered impaired

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be recovered when due.

Note 12: Inventories

	Notes	Consolidated Entity 2010 $'000	2009 $'000
CURRENT			
Raw material and stores at cost		3,242	3,770
Finished goods at cost		2,839	3,721
Total inventories at lower of cost and net realisable value		6,081	7,491

Inventories recognised as an expense for the year ended 30 June 2010 totalled $86.7m (2009:$85.6m). This expense includes employee benefits where they relate to production of goods in addition to the cost of raw materials and consumables which have been included in the cost of sales line item as a cost of inventories.

Note 13: Other Current Assets

CURRENT			
Prepayments		266	417
Poultry	13(i)	7,053	7,592
		7,319	8,009

Note 13(i) Poultry

Flock stock at cost	16,448	16,328
Less: Accumulated amortisation	(9,395)	(8,736)
	7,053	7,592

Opening flock stock written down value	7,592	6,146
Additions	8,856	10,182
Amortisation	(9,395)	(8,736)
Closing flock stock	7,053	7,592

The number of hens held by the Company as at 30 June 2010 was 1,529,051 (1,598,137 at 30 June 2009).

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

Note 14: Controlled Entities

(a) List of companies in the group	Country of incorporation	Percentage owned	
		2010	2009
Parent entity:			
Farm Pride Foods Ltd	Australia		
Subsidiaries of Farm Pride Foods Ltd			
Big Country Products Pty Ltd.	Australia	100%	100%
Farm Pride Property Pty Ltd.	Australia	100%	100%
Mooroopna Breeding Farm Pty Ltd.	Australia	100%	100%
Farm Pride North Pty Ltd.	Australia	100%	100%
Carton Packaging Pty Ltd.	Australia	100%	100%

Note 15: Property, Plant and Equipment

	Consolidated Entity	
	2010 $'000	2009 $'000
Freehold land and land improvements		
At cost	7,842	7,843
Accumulated depreciation	(87)	(62)
Total freehold land	7,755	7,781
Buildings and building improvements		
At cost	7,869	7,849
Accumulated depreciation	(1,821)	(1,365)
Total buildings & building improvements	6,048	6,484
Total land and buildings	13,803	14,265
Plant and equipment		
At cost	32,504	29,111
Accumulated depreciation	(11,772)	(9,215)
Total plant and equipment	20,732	19,896
Projects under construction	1,338	2,450
	1,338	2,450
Total property, plant and equipment		
Cost	49,553	47,253
Total accumulated depreciation	(13,680)	(10,642)
Total written down amount	35,873	36,611

Note 15: Property, Plant and Equipment (continued)

(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 bank loans (see note 18). 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.

	Consolidated Entity	
	2010 $'000	2009 $'000
(b) Reconciliations		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
Freehold Land		
Carrying amount at beginning	7,323	7,323
	7,323	7,323
Land Improvements		
Carrying amount at beginning	458	373
Additions	2	107
Depreciation Expense	(25)	(22)
Reclassification	(3)	-
	432	458
Buildings on Freehold land		
Carrying amount at beginning	5,313	5,307
Additions	-	342
Depreciation Expense	(350)	(336)
	4,963	5,313
Buildings Improvements		
Carrying amount at beginning	1,171	486
Additions	19	761
Depreciation Expense	(102)	(76)
Reclassification	(3)	-
	1,085	1,171
Plant and equipment under lease		
Carrying amount at beginning	7,433	3,602
Additions	1,220	3,783
Depreciation Expense	(869)	(637)
Reclassification	-	685
	7,784	7,433

Note 15: (b) Property, Plant and Equipment (continued)

	Consolidated Entity	
	2010 $'000	2009 $'000
Plant and equipment		
Carrying amount at beginning	12,463	10,231
Additions	2,245	4,446
Depreciation expense	(1,720)	(1,523)
Disposals	(40)	(6)
Reclassification	-	(685)
	12,948	12,463
Projects under construction		
Carrying amount at beginning	2,450	1,841
Additions	2,269	6,264
Transfers to Plant & Equipment	(3,381)	(5,655)
	1,338	2,450
Total depreciation for the year	(3,066)	(2,594)

Note 16: Intangible Assets

Goodwill at cost	9,326	9,326
Accumulated Impairment Loss	(9,326)	(4,000)
	-	5,326

Goodwill

Management has performed value in use calculations using cash flow projections as at 1 January 2010. Calculations performed by management indicated that carrying value of the goodwill is not recoverable. An impairment loss of $5.33m on goodwill was recognised for the year ended 30 June 2010 based on a discount rate of 13.28%.

Note 17: Trade and Other Payables

	Consolidated Entity	
	2010 $'000	2009 $'000
CURRENT		
Trade Creditors	14,301	17,044
	14,301	17,044

(a) Fair value
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Note 18: Borrowings

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
CURRENT		
Secured		
Lease liability	1,445	1,029
Bank loans	1,637	17,983
Bank overdraft	495	-
	3,577	19,012
NON CURRENT		
Secured		
Bank loans	14,577	-
Lease liability	3,960	4,714
	18,537	4,714

(a) Details of assets pledged as security

The bank loans are secured by a fixed and floating charge (mortgage debenture) over all assets and uncalled capital.

The Company's banking facility is subject to various specific covenants that are related to the Company's performance. These covenants are monitored closely by management and the Board.

The carrying amounts of the Group's current and non-current borrowings approximate their fair value. The Groups interest bearing borrowings consist of a mixture of fixed and variable interest rate loans.

Note 19: Provisions

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
CURRENT		
Employee benefits	1,453	1,057
NON CURRENT		
Employee benefits	23	143
(a) Aggregate employee benefit liability	1,476	1,200
(b) Number of employees at year end	196	200

Note 20: Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, cash and bank bills.

The Group manages its exposure to key financial risks, including interest rate, currency and credit risk, with the objective of providing support to delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are credit risk, liquidity, currency risk and interest rate risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include analysis of aging reports to monitor and manage credit risk, analysis of future cash flow forecasts to monitor and manage liquidity risk, monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate and foreign currency movement.

Management reviews and agrees risk management strategies for managing each of the risks identified above.

Primary responsibility for the identification and control of financial risks rests with Management under authority of the Board.

(a) Interest rate risk

At balance sheet date the Group has the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
Financial assets:		
Cash and cash equivalents	4	1,047
Financial liabilities:		
Bank overdraft	(495)	-
Variable rate lease liabilities	(497)	(517)
Variable rate bank bills	(6,213)	(7,983)
	(7,205)	(8,500)
Net exposure	(7,201)	(7,453)

Management manages the Group's finance cost using a mix of fixed and variable debt. The Group's policy is to maintain a portion of its borrowings at fixed rates as determined by Management from time to time, carrying these borrowings at amortised cost. The Group will continue to analyse its interest rate exposure. Within this analysis consideration is given to, alternative financing, alternative hedging options and the mix of fixed and variable interest rates.

The sensitivity analysis on the next page is based on the interest rate exposures in existence at balance sheet date.

At balance sheet date, if interest rates had moved as illustrated in the table on the next page, with all other variables constant, post tax profit and other comprehensive income would have been affected as follows:

Note 20: Financial risk management objectives and policies (continued)

Judgements of reasonable possible movements	Post tax profit Higher / (Lower)		Other comprehensive income Higher / (Lower)	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Consolidated Entity				
+1% (100 basis points)	(72)	(75)	-	-
-1% (100 basis points)	72	75	-	-

The movements in profit are due to higher / lower interest costs from variable rate debt. The judgement of reasonable possible rate movement is based upon management's current assessment of the economic outlook.

(b) Foreign currency risk

As a result of the continued expansion of the Group's production capacity, during the year it purchased capital equipment denominated in Euros. Foreign currency risk is managed by using a mix of forward currency contracts and forward purchase of funds held in a Euro denominated bank account to manage currency exposures on the purchase of capital equipment and related lease repayments denominated in Euros.

As at 30 June 2010, the Group had the following exposure to foreign currency:

	Consolidated Entity	
	2010 $'000	**2009 $'000**
Financial assets denominated in foreign currency:		
Cash and cash equivalents (EUR)	-	48
Cash and cash equivalents (USD)	-	9
Financial liabilities denominated in foreign currency:		
Lease liabilities (EUR)	(1,219)	(828)
Net exposure	(1,219)	(771)

The sensitivity analysis on the next page is based on the foreign currency risk exposure in existence at the balance sheet date.

Note 20: Financial risk management objectives and policies (continued)

At 30 June 2010, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit Higher / (Lower)		Other comprehensive income Higher / (Lower)	
Judgements of reasonable possible movements	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Consolidated Entity				
AUD/EUR +5%	61	39	-	-
AUD/EUR -10%	(122)	(77)	-	-

Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group's profile of trade debtors reflects a significant proportion of trade debtors with large and well established companies and, as such, collateral is not requested for these customers. The profile of trade debtors is completed by a relatively high number of independent customers, thereby having a favourable impact on credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, including independent credit rating and industry reputation.

Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to material bad debts is not significant.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and committed available credit lines.

Responsibility for liquidity risk management rests with Management and the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at balance sheet date. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at balance sheet date.

Maturity analysis of the financial assets and liabilities are based on contractual maturities.

Note 20: Financial risk management objectives and policies (continued)

The risk implied from the values shown in the following table, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities may originate from the financing of assets used in our ongoing operations such as plant and equipment and investment in working capital. These assets are considered in the Group's overall liquidity risk.

The analysis in the table below represents financial assets and financial liabilities at the balance sheet date, and does not take into account cash flows generated from future operating activities which are expected to account for any net deficit that arises in the maturity of those financial assets and liabilities.

(e) Capital Management Policy
Management and the Board monitor the Group's working capital and liquidity on the basis of expected cash flow. The information that is prepared by management and reviewed by the Board includes annual profit and loss, cash flow and balance sheet forecasts as well as forecast revisions to accommodate potential new projects. Forecasts take account of significant items such as capital expenditure projects.

(f) Price risk
The Group does not currently have any direct exposure to equity securities price risks, whilst exposure to commodity price risk is minimal.

Where appropriate, the Group forward buys grain and / or feed stock through its key suppliers for the purposes of providing an economic hedge against feed costs, subject to Board approval.

Note 20: Financial risk management objectives and policies (continued)

Liquidity risk analysis

	2010 $'000				2009 $'000			
	< = 6 months	**6 – 12 months**	**1 - 5 years**	**Total**	**<= 6 months**	**6 – 12 months**	**1 - 5 years**	**Total**
Consolidated Entity								
(i) Financial assets								
Cash and cash equivalents	4	-	-	4	1,047	-	-	1,047
Trade and other receivables	11,066	-	-	11,066	11,079	-	-	11,079
	11,070	-	-	11,070	12,126	-	-	12,126
(ii) Financial liabilities								
Trade and other payables	(14,301)	-	-	(14,301)	(17,044)	-	-	(17,044)
Bank loans	(1,386)	(746)	(15,185)	(17,317)	(5,356)	(12,627)	-	(17,983)
Interest bearing leases	(714)	(731)	(4,423)	(5,868)	(514)	(515)	(5,460)	(6,489)
	(16,351)	(1,427)	(18,636)	(37,486)	(22,914)	(13,142)	(5,460)	(41,516)
Net maturity	(5,281)	(1,427)	(18,636)	(26,416)	(10,788)	(13,142)	(5,460)	(29,390)

Note 20: Financial risk management objectives and policies (continued)

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1(l).

Note 21: Contributed Equity

	Note	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
(a) Issued and paid up capital			
55,180,175 (2008:55,180,175) Ordinary shares fully paid		29,578	29,578
		29,578	29,578
(b) Movements in value of shares on issue			
Beginning of the financial year		29,578	29,578
Shares issued during the year		-	-
		29,578	29,578
(c) Movements in number of shares on issue			
Beginning of the financial year		55,180,175	55,180,175
Shares issued during the year		-	-
End of the financial year		55,180,175	55,180,175

(d) Share Options

At 30 June 2010 there were 740,000 (30 June 2009: 1,340,000) unissued ordinary shares for which options were outstanding detailed as follows:

	Grant Date	Date of Expiry	Number	Exercise Date	Exercise Price	Expired, forfeited or exercised	Closing balance
Zelko Lendich*	31/12/2004	31/12/2009	300,000	-	$0.45	(300,000)	-
Bruce De Lacy*	31/12/2004	31/12/2009	300,000	-	$0.45	(300,000)	-
Gerry Vullings	01/07/2007	31/12/2010	100,000	-	$0.40	-	100,000
	01/07/2007	01/07/2011	150,000	-	$0.45	-	150,000
	01/07/2007	01/07/2012	120,000	-	$0.50	-	120,000
Ian Savenake	01/07/2007	31/12/2010	100,000	-	$0.40	-	100,000
	01/07/2007	01/07/2011	150,000	-	$0.45	-	150,000
	01/07/2007	01/07/2012	120,000	-	$0.50	-	120,000
TOTAL			1,340,000			(600,000)	740,000

* Key Management Personnel

Note 21: Contributed Equity (continued)

(e) Share Options (continued)

Employee Share Option Plan (ESOP)
Share options are granted to employees of the Group with at least 3 months' service or any executive director at the Board's discretion. The ESOP is designed to align the participants' interest with those of shareholders by increasing the value of the Company's shares. Under the ESOP, the exercise price of the options is set at the time of granting the options at the determination of Board, the price shall be no less than the greater of market price of 20 cents. There are no individual or Company performance hurdles that are required to be achieved in order for the options to vest other than continued employment with the Group.

Movement in the number of share options held during the year are as follows:

	30 June 2010	30 June 2009
Opening Balance	1,340,000	1,940,000
Granted during the year	-	-
Exercised during the year	-	-
Lapsed/expired during the year	(600,000)	(600,000)
Closing Balance	740,000	1,340,000

Exercisable at year end	-	900,000
Weighted average contractual life remaining	-	1.5 years
Weighted average fair value of options granted during the year *(None granted in 2010)*	-	-

Calculations of options, other than those issued to key management personnel, issued as remuneration have been determined using a Black Scholes option pricing model applying the following inputs respectively:

Weighted average price	$0.40	$0.45	$0.50
Weighted average life of the option	3.5 years	4 years	5 years
Underlying share price	$0.34	$0.34	$0.34
Expected share price volatility	40%	40%	40%
Risk free interest rate	6%	6%	6%

Note 22: Parent Entity Information

Information relating to Farm Pride Foods Ltd:	2010 $'000	2009 $'000
Current assets	25,496	29,872
Total assets	60,265	40,746
Current liabilities	19,008	37,160
Total liabilities	37,668	41,994
Share capital	29,578	29,578
Retained earnings	(7,069)	(1,167)
Share Option Reserve	88	213
Total shareholder's equity	22,597	28,624
Profit/(loss) of the parent entity	(5,794)	(544)
Total comprehensive income of the parent entity	(5,794)	(544)

Farm Pride Foods Ltd as parent has provided security over the loans of its subsidiaries by a fixed and floating charge (see note 18).

Note 23: Reserves and Accumulated loss

	Notes	Consolidated Entity	
		2010 $'000	2009 $'000
Share option reserve		88	213
Accumulated loss		(6,827)	(1,167)

(a) Share option reserve
This reserve is used to record the value of equity benefit provided to directors and employees as part of remuneration.

	2010	2009
Balance at beginning of year	213	344
Share options expensed	7	31
Expired options transferred	(132)	(162)
Balance at end of year	88	213

(b) Accumulated losses

	2010	2009
Balance at the beginning of year	(1,167)	(1,387)
Expired Employee share options	132	162
Net profit/(loss) attributed to members of Farm Pride Foods Ltd	(5,792)	58
Balance at end of year	(6,827)	(1,167)

Note 24:

Capital and Leasing Commitments	Consolidated Entity 2010 $'000	2009 $'000
Lease expenditure commitments		
(i) Operating leases (non-cancellable)		
Minimum lease payments		
Not later than one year	3,041	2,913
Later than one year and not later than five years	10,161	8,295
Later than five years	8,158	9,206
Aggregate lease expenditure contracted for at reporting date	21,360	20,414

The property leases are non cancellable leases with terms varying from one to eleven years, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased with reference to the CPI.

(ii) Finance leases
Operating plant and equipment and motor vehicles.
Future minimum lease payment and the present value of the net minimum lease payment:

Not later than one year	2,083	1,449
Later than one year and not later than five years	4,136	5,181
Later than five years	-	298
Total minimum lease payments	6,219	6,928
Future finance charges	(814)	(1,185)
Present value of minimum lease payment	5,405	5,743
Current liability	1,345	1,029
Non-current liability	4,060	4,714

Capital expenditure commitments
(*iii) Capital expenditure commitments contracted for*

Plant and equipment purchases	87	-
Payable		
Not later than one year	87	-
Later than one year and not later than five years	-	-
Later than five years	-	-
(iii) Flock replacement commitment	2,449	1,088

Note 25: Cash Flow Information

	Notes	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
(a) Reconciliation of the net profit after tax to the net cash flows from operations:			
Operating profit / (loss) after tax		(5,792)	58
Non Cash items			
Depreciation		3,066	2,594
Flock amortisation		9,395	8,736
Inventory write down		171	-
Share option expense		7	31
Provision for doubtful debts		(10)	-
(Profit)/Loss on sale of non current assets		(1)	(3)
Goodwill impairment		5,326	-
Non cash movement on leases		223	(50)
Changes in assets and liabilities			
(Increase) /decrease in trade and other receivables		23	1,693
(Increase)/decrease in inventory		1,240	(3,256)
(Increase)/decrease in other assets		(8,705)	(9,765)
Increase/(decrease) in trade and other creditors		(2,743)	3,566
(Decrease)/increase in income tax payable		862	(1,448)
(Increase)/decrease in deferred tax balance		(218)	(25)
(Decrease)/increase in provisions		276	(107)
Net cash flow from operating activities		3,120	2,024

Bank overdraft facilities have been arranged with Westpac Banking Corporation with the general terms and conditions being set and agreed annually.

Interest rates are both variable and fixed and subject to adjustment.

Note 26: Related Party Disclosures

(a) Active producer, Director and major shareholders 2010 and 2009
The value of transactions and amounts receivable / (payable) between Directors and their related entities and Farm Pride Foods Ltd and its controlled entities.

Active producer, Director and major shareholders 2009/2010	**Transaction**	**Revenue**		**Expenditure**		**Balance Receivable / (Payable)**	
		2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
Arglemane Pty Ltd (M. Moncrieff)	Egg supply	-	1	-	1,087	-	*
Newport Central Pty Ltd (M. Moncrieff)	Feed supply	-	-	-	783	-	*
Moncrieff Property Pty Ltd (M. Moncrieff)	Rental of premises	-	-	-	59	-	*
Sydney Market Egg Supplies (M. Moncrieff)	Egg sales	-	1,318	-	-	-	-
Newport Property Holdings Pty Ltd (M. Moncrieff)	Rental of premises	-	-	-	402	-	-
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	Underwriting fees / Purchases	-	-	11	13	(24)	(13)
Days Eggs Pty Ltd (P. Bell)	Egg supply	100	-	123	178	(15)	-
Hy-line Australia Pty Ltd (P. Bell)	Purchases / Packaging sales	21	45	5,159	5,106	(1,102)	(1,017)
Southern Eggs Pty Ltd (P. Bell)	Egg sales / Purchases	444	4,111	-	33	27	234
Pure Foods Eggs Pty Ltd (P. Bell)	Egg sales / Purchases	198	468	244	322	3	(17)
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	Egg sales / Purchases	2,656	955	150	336	(1,690)	37
Novo Foods Ltd (P. Bell)	Marketing	-	-	585	964	-	42

* Mr. Moncrieff through his related entities provides feed and eggs to Farm Pride Foods Ltd and its controlled entities. Farm Pride Foods Ltd rent premises from related entities of Mr. Moncrieff where its operations are based. These transactions are on normal trading terms and conditions. Mr. Moncrieff ceased to be a director of the Company on 26 November 2008, transactions noted above are for the period 1 July 2008 to 26 November 2008, subsequently no balances at year end are reported.

Messrs. Bell and Ward through their related entities provide birds, eggs and egg products to Farm Pride Foods Ltd and its controlled entities. These transactions are on normal trading terms and conditions.

Novo provide marketing services to Farm Pride Foods Ltd. These transactions are on normal trading terms and conditions.

Mr. Zelko Lendich who is a director of Farm Pride Foods Ltd. is also a director of Novo Foods Ltd and West Coast Eggs Pty Ltd.

Note 26: Related Party Disclosures (continued)

	Grant Date	Vesting Date	Date of Expiry	Number	Exercise Date	Exercise Price	Expired, forfeited or exercised	Closing balance
Zelko Lendich	31/12/2004	31/12/2006	31/12/2009	300,000		$0.45	(300,000)	-
Bruce De Lacy	31/12/2004	31/12/2006	31/12/2009	300,000		$0.45	(300,000)	-
TOTAL				600,000			(600,000)	-

Movement in the number of share options held by KMP's are as follows:

	30 June 2010	30 June 2009
Opening Balance	600,000	1,200,000
Granted during the year	-	-
Exercised during the year	-	-
Expired during the year	(600,000)	(600,000)
Closing Balance	-	600,000

Shares held by KMP's are as follows:

	Ordinary Shares	Options over Ordinary Shares
Zelko Lendich	1,224,000	-
Bruce De Lacy	195,502	-
Malcolm Ward	1,235,122	-

(b) Related party balances included in Receivables/Payables:

	Consolidated Entity	
	2010 $'000	**2009 $'000**
Trade Debtors	682	383
Other receivables	-	40
Trade Creditors	(2,367)	(1,501)
Net receivable/(payable)	(1,685)	(1,078)

Note 27: Subsequent Events

There has been no matter or circumstance, which has arisen since 30 June 2010 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2010, of the consolidated entity, or
(b) the result of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2010, of the consolidated entity.

Note 28: Company details

The registered office of the Company is:

Farm Pride Foods Ltd
551 Chandler Road
Keysborough, Victoria 3173
Australia

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 22 to 63 in accordance with the Corporations Act 2001:

(a) comply with Accounting standards and the *Corporations Regulations 2001* and
(b) give a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2010 and of their performance as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date.
(c) Comply with International Financial Reporting Standards as disclosed in Note 1.

In the Directors' opinion there are reasonable grounds to believe that Farm Pride Foods Ltd 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 Managing Director and Chief Financial Officer to the Directors in accordance with other mandatory professional reporting requirements and sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

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

Zelko Lendich
Managing Director

31 August 2010
Melbourne

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Independent auditor's report to the members of Farm Pride Foods Ltd

Report on the Financial Report

We have audited the accompanying financial report of Farm Pride Foods Ltd, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included immediately following the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Farm Pride Foods Ltd is in accordance with the *Corporations Act 2001*, including:
   - i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
   - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As indicated in Note 1 to the financial report, the ability of Farm Pride Foods Ltd to continue as a going concern is dependent on the consolidated entity being able to generate sufficient funds from its operational activities to fund its ongoing obligations, its ability to meet the obligations of its current financing facilities, including scheduled debt reductions, and its ongoing ability to raise equity funds as required.

Accordingly, in the absence of such outcome, there is a material uncertainty about whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Farm Pride Foods Ltd for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ashley Butler
Partner
Melbourne
31 August 2010

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 30 August 2010.

(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	91	40,276
1,001 - 5,000	118	356,451
5,001 - 10,000	67	522,840
10,001 - 100,000	118	4,062,818
100,001 +	46	50,197,790

The number of shareholders holding less than a marketable parcel of shares are: **53**

(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	24,199,944	43.86%
2	GPG Nominees Pty Ltd	7,202,958	13.05%
3	Glenmon Pty Ltd	2,870,453	5.20%
4	Markcamp Pty Ltd	2,568,942	4.66%
5	GO Drew Pty Ltd	1,637,793	2.97%
6	Oakmeadow Pty Ltd	1,215,122	2.20%
7	Lippo Securities Nominees (BVI) Ltd	990,000	1.79%
8	ANZ Trustees Limited	799,146	1.45%
9	Mr. Zelko Lendich & Mrs. Susan Janine Lendich	667,000	1.21%
10	Hensman Nominees Pty Ltd	557,000	1.01%
11	A & R Moncrieff Pty Limited	420,000	0.76%
12	Mrs. Trisha Marie Verran	389,669	0.71%
13	Mrs. Barbara Hirschowitz	358,695	0.65%
14	Mr. Theo Versteden & Mrs. Maureen Helen Versteden	341,051	0.62%
15	Nealart Pty Ltd	333,333	0.60%
16	Mr. George Scaunich	323,694	0.59%
17	Mr. Tomasso Montalto & Mr. Mauro Montalto	316,861	0.57%
18	Lempriere (Australia) Pty Ltd	299,999	0.54%
19	Monolithic Memories Pty Ltd	290,000	0.53%
20	Mr. Gerald Francis Pauley & M. Michael James Pauley	288,474	0.52%
		46,070,134	**83.49%**

ASX Additional Information (continued)

(c) Substantial shareholders

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

	No. held	Percentage of ordinary shares
West Coast Eggs Pty Ltd	**24,199,944**	**43.86%**
GPG Nominees Pty Ltd	**7,202,958**	**13.05%**
Glenmon Pty Ltd	**2,870,453**	**5.20%**

(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

A total of 740,000 share options are on issue.

(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.