

FARM PRIDE FOODS LTD (ABN 42 080 590 030)

**FARM PRIDE FOODS LTD
ABN 42 080 590 030
AND CONTROLLED ENTITIES**

**FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2012
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A**

PRELIMINARY FINANCIAL REPORT

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 2012
Previous corresponding period is the financial year ended	30 June 2011

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up 3.4%	to \$94,827
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up 70.5%	to (\$399)
Net loss for the period attributable to members (<i>item 2.3</i>)	up 70.5%	to (\$399)
Dividends (<i>item 2.4</i>)	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 (<i>item 2.5</i>)	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	39.38¢	40.51 ¢

7. Statement of retained earnings (item 7)

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Balance at the beginning of year	(7,037)	(6,827)
Transfers to retained earnings	38	24
Net profit attributable to members of the parent entity	(399)	(234)
Total available for appropriation	<u>(7,398)</u>	<u>(7,037)</u>
Dividends paid	<u>-</u>	<u>-</u>
Balance at end of year	<u><u>(7,398)</u></u>	<u><u>(7,037)</u></u>

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 Limited

ABN 42 080 590 030

and Controlled Entities

Financial Report

For the year ended 30 June 2012

Corporate Information

ABN 42 080 590 030

Directors

Darren Lurie (Chairman / Non-Executive)

Zelko Lendich (Managing 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

East Melbourne, Victoria 3002

Clayton Utz

QV1, 250 St. Georges Terrace

Perth, Western Australia 6000

Bankers

Westpac Banking Corporation

Level 7, 360 Collins Street

Melbourne, Victoria 3000

Share Register

Computershare Registry Services Pty. Ltd.

Yarra Falls, 452 Johnston Street

Abbotsford, Victoria 3067

Auditors

Pitcher Partners

Level 19 / 15 William Street

Melbourne, Victoria 3000

Internet Address

www.farmpride.com.au

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Chairman's and Managing Director's Report

Over the past 12 months Farm Pride has undertaken a number of initiatives in order to meet its key strategic objectives of increasing free range egg production, growth in its egg products business, productivity improvement and debt reduction.

The overall profit result was similar to last year. Total revenue increased marginally to \$93.4m, EBITDA increased by \$0.2m to \$5.1m with a net loss of \$0.4m (2011:\$0.2m).

Our proportion of free range production and sales has grown significantly as we have sought to be well placed for the rapidly increasing customer demand for free range eggs. A consequence of the growth in free range demand, is industry-wide pressure on cage egg sales. To manage these issues, we reduced our own production of cage eggs as well as purchases from external suppliers.

The egg products business grew strongly and considerable product development has enhanced the appeal and margin of some products. The high Australian dollar and other pressures experienced by bakery manufacturers, in particular, impacted this part of our business.

We have sought to continue to improve efficiencies in order to off-set higher operating costs, such as power, water, freight and labour (including minimum wage increases).

We have and are continuing to undertake a number of projects in order to achieve the objectives described above. These include:

- the establishment of a new modern free range farm at Bears Lagoon, Victoria, which meets the standards of our key customers;
- investment in fencing, perching and other infrastructure to meet the increased requirements of our key customers at our free range farm, near Sydney in New South Wales;
- investment in improved and expanded grading capability at our farm in Lethbridge, Victoria;
- a new egg grader and a purpose built grading floor at our free range egg farm in New South Wales, which is expected to be finished in the second quarter of this financial year; and
- the sub-division and sale of part of our Keysborough site in Victoria. The sale of the first parcel was completed prior to 30 June. The final parcel is expected to be sold prior to the end of the calendar year following the completion of conditions of sub-division and the works required for the business to move to the remainder of the site. The surplus cash generated by the sale will primarily go to debt reduction.

These activities will assist us to meet the requirements of key customers, improve productivity and lower operating costs.

Recent weather and crop conditions in the United States, Russia and other crop growing nations have resulted in rapidly increased feed costs in Australia, and therefore significantly higher costs of production. Increased egg prices will be required to off-set these cost increases.

While the current environment is challenging and recent investments will take some months to bed down, we expect to gain significant benefits from these projects in the second 6 months of the new financial year.

We thank all of our suppliers, customers and staff for their continued support of our business.

Darren Lurie
Chairman

Zelko Lendich
Managing Director

Corporate Governance Statement

Farm Pride Foods Ltd's corporate governance statement 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 and 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.

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 judgments 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 together with a mix of skills and diversity which is complementary to the overall operation of the Board.

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 one executive and three non-

executive directors. One of the three non-executive directors, Mr Darren Lurie, is a non-egg industry director. Mr Lurie 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.
- diversity in succession planning.
- 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.

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 shareholder, 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 him / her 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 Committee which is outlined below.

The committee identifies potential candidates with the appropriate expertise and experience and recommends to the board the most suitable candidate with consideration being given to a skills matrix used to identify gaps in skills and experience on the Board and diversity in succession planning. The committee may engage the services of external professional advisors to assist with the selection to help ensure that a diverse range of candidates is considered.

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 and interaction with management;
- 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 ;
- ongoing industry education;
- Confidentiality and rights of access to corporate information; and
- Indemnity and insurance arrangements.

Following appointment, the new director participates in an induction program which covers occupational health and safety, industry issues, culture and values, arrangements for Board and Committee meetings and interaction with other directors, management and other key stakeholders.

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

Diversity

The Company is in the process of developing a Diversity Policy which will deal with matters including but not limited to gender, age, ethnicity, religion and cultural background. A software package has recently been purchased and commissioned with the assistance of an independent third party software supplier to assist the Company with the collection and collation of diversity issues such as gender and female participation in the workplace which will facilitate the establishment and measurement of diversity objectives.

There are currently no female directors however there are a number of females employed in management throughout the organisation including Human Resources, Quality Assurance and Factory Operations. The proportion of female to male employees in the workforce is 45%: 55%.

The Board of Directors will establish diversity objectives giving due consideration to the nature and the size of the business and the demands of the industry within which it operates and measure performance and or effectiveness of the Diversity Policy on a regular basis.

The Board is committed to a corporate culture which is supportive of diversity and which encourages and assists employees develop skills and experiences that will prepare them for senior management and Board positions.

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 Messrs. Darren Lurie (Chairman), Zelko Lendich and 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,
- is not chaired by an independent chair, and
- is not chaired by someone other than the 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 (or 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 2012.

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:

Darren Lurie

(Chairman /Non-Executive Director – Appointed 15 December 2010 and Chairman of the Board appointed 23 August 2011, Chairman of the Audit Committee)

Darren is a founding director of Aquila Corporate Advisory Pty Ltd. Over the past 10 years in this role and as a founding Director of Cullen Capital Pty Ltd he has advised both ASX listed and privately owned businesses in relation to a range of corporate transactions and strategic initiatives.

He has advised clients across a wide range of industries including agri-business, quarrying, manufacturing, oil and gas services, retail, education and printing.

He was previously a partner at B2B Lawyers and a solicitor at Andersen Legal.

Darren holds a B.LLB (Hons) and B.Com (Hons – Accounting and Finance) from Monash University.

Zelko Lendich

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

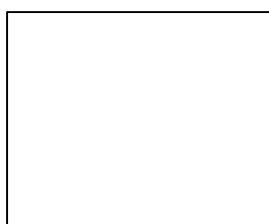
Zelko is currently a Non-executive Director of West Coast Eggs, NOVO Foods and Australian Egg Corporation Ltd. He is also a director of Hensman Nominees Pty Ltd. He has wide ranging experience in commerce, government and education in Australia and Internationally. Zelko has held senior posts at the University 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.

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, member of the Audit Committee)

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)

Bruce De Lacy

(Executive Director / Secretary – Appointed 1 August 2003, resigned as a director 30 June 2011, remaining as Company Secretary.)

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 Chief Operating Officer.



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.

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

Review and Results of Operations

The consolidated profit after income tax attributed to the members of Farm Pride Foods Ltd was a loss of \$399,000 (2011: loss of \$234,000). 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.

Significant changes in the state of affairs

During the year the Company entered into two separate transactions to sell approximately half of the land that it owns at its Keysborough site.

The first transaction was completed prior to 30 June 2012. The second and larger land sale transaction remained subject to a number of terms and conditions as at 30 June 2012.

There were no other 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

After balance date events

On the 30 August 2012 the Company's bank, Westpac, confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2013. A new Business Finance Agreement will be prepared and issued by Westpac in due course.

Post balance date the Company received advice that one of its debtors has had an Administrator appointed. Recoverability of the amount owed as at the date of this report (\$206,000) is currently uncertain.

No other 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.

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.

Directors' Report (continued)

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.

Dividends paid, recommended and declared

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

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:

	Opening Balance	Ordinary Shares		Closing Balance	Options over Ordinary Shares
		Acquired	Disposed		
Zelko Lendich	1,224,000	1,579,000	-	2,803,000	-
Malcolm Ward	1,235,122	6,605,958	5,859,958	1,981,122	-
Peter Bell	5,600	2,000,000	-	2,005,600	-
Darren Lurie	-	200,000	-	200,000	-

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 25,830,902 shares held by West Coast Eggs Pty Ltd (2011: 24,199,944 shares). Mr Darren Lurie has an indirect interest in 85,938 shares held by Cullen Capital Pty Ltd.

Earnings per share	2012 Cents	2011 Cents
Basic earnings per share	(0.72)	(0.42)
Diluted earnings per share	(0.72)	(0.42)

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.

No options were granted during the year ending 30 June 2012 to directors or key management personnel.

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

Directors' Report (continued)

Directors meetings

The number of meetings of the Board of Directors (including meetings of committees of Directors) held during the year were:

	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Darren Lurie	14	14	6	6
Zelko Lendich	14	14	6	6
Malcolm Ward	14	14	6	6
Peter Bell	14	14	6	5

All directors were eligible to attend all meetings held. Mr Peter Bell is not a member of the audit committee but attends by invitation.

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.

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

Proceedings on behalf of the consolidated entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Directors' interests in contracts

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

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, Pitcher Partners. 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.

Directors' Report (continued)

Pitcher Partners (Ernst & Young - 2011) received or are due to receive the following amounts for the provision of non-audit services:

	2012 \$	2011 \$
Taxation services		
Ernst & Young	2,800	26,000
Other assurance related fees		
Pitcher Partners	12,500	-
Ernst & Young	42,200	15,000
	57,500	41,000

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 executive in the Parent and the Group.

Remuneration Policy

The Board policy for determining the nature and amount of remuneration of KMP 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 KMP 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 KMP 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. No resolution was made during the year for the payment of any discretionary bonus.

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 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.

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.

Directors' Report (continued)

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:

Executive	Position	Remuneration \$
Zelko Lendich	Managing Director	300,000

Directors' Report (continued)

Remuneration Report (Audited):

	Short Term Benefits			Long Term Benefits	Post employment			Performance Based	Total
	Salary & Fees	Performance Based Payment	Non-Cash Benefits	Long Service Leave	Super	Retirement Benefits	Options		
2012	\$	\$	\$	\$	\$	\$	\$	%	\$
Darren Lurie	25,070	-	-	-	-	-	-	-	25,070
Zelko Lendich	300,000	-	-	-	-	-	-	-	300,000
Peter Bell	23,000	-	-	-	2,070	-	-	-	25,070
Malcolm Ward	23,000	-	-	-	2,070	-	-	-	25,070
Total	371,070	-	-	-	4,140	-	-	-	375,210
2011									
James Dudfield *	22,734	-	-	-	2,046	-	-	-	24,780
Darren Lurie	11,410	-	-	-	-	-	-	-	11,410
Zelko Lendich	300,000	-	-	-	-	-	-	-	300,000
Bruce De Lacy *	179,855	-	-	4,496	30,935	-	-	-	215,286
Peter Bell	23,000	-	-	-	2,070	-	-	-	25,070
Malcolm Ward	23,000	-	-	-	2,070	-	-	-	25,070
Total	559,999	-	-	4,496	37,121	-	-	-	601,616

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

*Resigned as director 30 June 2011.

Directors' Report (continued)

Directors' Remuneration Report – (Audited):

(a) Compensation for key management personnel

	Consolidated	
	2012 \$	2011 \$
Short term employee benefits	371,070	559,999
Post employment benefits	4,140	37,121
Other long term benefits	-	4,496
Total compensation	375,210	601,616

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

2012 - Nil

2011- Nil

(c) Shareholding

2012

	Balance 01/07/2011	Received as remuneration	Options exercised	Other Off market purchases	Balance 30/06/2012
Zelko Lendich (Managing Director)	1,224,000	-	-	1,579,000	2,803,000
Malcolm Ward (Director)	1,235,122	-	-	746,000	1,981,122
Peter Bell (Director)	5,600	-	-	2,000,000	2,005,600
Darren Lurie (Director)	-	-	-	200,000	200,000
	2,464,722	-	-	4,525,000	6,989,722

2011

	Balance 01/07/2010	Received as remuneration	Options exercised	Other	Balance 30/06/2011
Zelko Lendich (Managing Director)	1,224,000	-	-	-	1,224,000
Malcolm Ward (Director)	1,235,122	-	-	-	1,235,122
Peter Bell (Director)	5,600	-	-	-	5,600
Darren Lurie (Director)	-	-	-	-	-
	2,464,722	-	-	-	2,464,722

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 25,830,902 shares held by West Coast Eggs Pty Ltd (2011: 24,199,944 shares).

Mr. Darren Lurie has an indirect interest in 85,938 shares held by Cullen Capital Pty Ltd. Darren commenced as a director of the Company in December 2010.

Directors' Report (continued)

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 2012 to directors or key management personnel.

Group Performance

- Total revenue has increased by 3.4% from \$91.7m to \$94.8m;
- Earnings before interest, tax, depreciation (EBITDA) have increased by \$0.2m to \$5.1m;
- Earnings before tax (EBT) was a loss of \$0.4m compared to a loss of \$0.5m in the previous year (2011);
- Net assets have decreased by \$0.6m.


Historic Group Performance

	June '12 (cents)	June '11 (cents)	June '10 (cents)	June '09 (cents)	June '08 (cents)
Share price	10	9	16	26.5	29
Earnings per share	(0.72)	(0.42)	(10.50)	0.11	6.26

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 2012

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Farm Pride Foods Limited

In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.
- (ii) No contraventions of any applicable code of professional conduct.



S SCHONBERG
Partner
31 August 2012



PITCHER PARTNERS
Melbourne

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Sale of goods	3	93,435	91,667
Other revenue	4	1,392	43
Change in inventories of raw materials and finished goods		930	(480)
Raw materials and consumables		(71,697)	(67,530)
Employee benefits expense		(12,886)	(11,670)
Depreciation expense	4	(3,439)	(3,250)
Finance costs	4	(2,106)	(2,192)
Other expenses		(6,028)	(7,060)
Loss from continuing operations before income tax		(399)	(472)
Income tax benefit	5	-	238
Net loss for the period after tax		(399)	(234)
Other Comprehensive Income / (loss)			
Cash flow hedge reserve – loss taken to equity	21	(428)	(251)
Income tax benefit on items of other comprehensive income		203	-
Other comprehensive loss for the period, net of income tax		(225)	(251)
Total comprehensive loss for the period		(624)	(485)
Basic earnings per share (cents)	8	(0.72)	(0.42)
Diluted earnings per share (cents)	8	(0.72)	(0.42)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	2012 \$'000	2011 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	1,022	144
Trade and other receivables	10	9,919	9,421
Inventories	11	6,531	5,601
Other current assets	12	8,073	8,330
		25,545	23,496
Non-current assets classified as held for sale	13	910	-
Total current assets		26,455	23,496
Non-current assets			
Deferred tax assets	5	828	625
Property, plant and equipment	15	32,788	34,803
Total non-current assets		33,616	35,428
TOTAL ASSETS		60,071	58,924
Current liabilities			
Trade and other payables	16	17,252	15,381
Borrowings	17	11,243	3,404
Short term provisions	18	1,414	1,488
Derivative financial liabilities	20	679	251
Total current liabilities		30,588	20,524
Non-current liabilities			
Borrowings	17	7,600	15,914
Other long term provisions	18	153	132
Total non-current liabilities		7,753	16,046
TOTAL LIABILITIES		38,341	36,570
NET ASSETS		21,730	22,354
EQUITY			
Contributed capital	21	29,578	29,578
Share option reserve	23	26	64
Cash flow hedge reserve	23	(476)	(251)
Accumulated losses	23	(7,398)	(7,037)
		21,730	22,354

The accompanying notes form part of these financial statements

**Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2012**

	Contributed Equity \$'000	Accumulated loss \$'000	Cash Flow Hedge Reserve \$'000	Share Option Reserve \$'000	Total \$'000
Balance at 1 July 2010	29,578	(6,827)	-	88	22,839
Loss for the period	-	(234)	-	-	(234)
Other comprehensive loss	-	-	(251)	-	(251)
Total comprehensive loss	-	(234)	(251)	-	(485)
Transactions with owners in their capacity as owners:					
Employee options	-	24	-	(24)	-
Balance at 30 June 2011	29,578	(7,037)	(251)	64	22,354
Loss for the period	-	(399)	-	-	(399)
Other comprehensive loss	-	-	(225)	-	(225)
Total comprehensive loss	-	(399)	(225)	-	(624)
Transactions with owners in their capacity as owners:					
Employee options	-	38	-	(38)	-
Balance at 30 June 2012	29,578	(7,398)	(476)	26	21,730

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows For the Year Ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		94,459	93,412
Payments to suppliers and employees (inclusive of GST)		(89,439)	(86,102)
Interest paid		(2,106)	(2,192)
Net cash flows from operating activities	25(a)	2,914	5,118
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,037	10
Payments for property, plant and equipment		(1,455)	(1,760)
Net cash used in investing activities		(418)	(1,750)
Cash flows from financing activities			
Proceeds from borrowings		259	-
Repayment of borrowings		(1,625)	(1,834)
Repayment of finance leases		(1,446)	(1,394)
Net cash used in financing activities		(2,812)	(3,228)
Net increase / (decrease) in cash		(316)	140
Cash at beginning of period		144	4
Cash at end of period	25(b)	(172)	144

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 2012 was authorised for issue in accordance with a resolution of the directors on 31 August 2012.

Farm Pride Foods Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are described in the directors' report.

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 has been prepared on a historical cost basis except for revaluations to fair value of current asset classes as described in the accounting policies.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

(a) Compliance with IFRS

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

(b) New accounting standards and interpretations

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013*)

AASB *Financial Instruments* improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable until 1 January 2013* but is available for early adoption.

When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading.

The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore there will be no impact on the consolidated entity's accounting for financial liabilities. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2012.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The standard fundamentally changes the way control is defined for the purpose of identifying those entities to be included in

(b) New accounting standards and interpretations (continued)

the consolidated financial statements. It focuses on the need to have power over the investee, rights or exposure to variable returns and ability to use the power to affect the amount of its returns. Returns must vary and can be positive, negative or both. There is also new guidance on substantive rights versus protective rights and on agent versus principal relationships. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the accounting for consolidation.

AASB 11 does not focus on the legal structure of joint arrangements, but rather on how and what rights and obligations are shared between parties. If the parties share the right to the net assets of the joint arrangement, these parties are parties to a joint venture. A joint venture accounts for an investment in the arrangement using the equity method, and the choice to proportionately consolidate will no longer be permitted. If the parties share the right to the separate assets and obligations for the liabilities of the joint arrangement, these parties are parties to a joint operation. A joint operator accounts for assets, liabilities and corresponding revenues and expenses arising from the arrangement by recognising their share of interest in each item.

While the consolidated entity does not expect AASB 10 and AASB 11 to have a significant impact on its composition, it has yet to perform a details analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 12 sets new minimum disclosures requirements for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard will affect the type of information disclosed in relation to the consolidated entity's investments as the new standard requires extensive new disclosures regarding the nature of risk associated with the entity's interest in other entities and the effect of those interest on its financial position, financial performance and cash flows.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest if an investment a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The consolidated entity is still assessing the impact of these amendments.

The consolidated entity does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB13* (effective 1 January 2013)

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to ensure fair value and aims to enhance fair value disclosures. The consolidated entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules of any of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statement.

The consolidated entity does not expect to adopt the new standard before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Other standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented, however the assessment of impact has not yet been completed.

(c) Basis of consolidation

The consolidated financial report comprises the financial report of Farm Pride Foods Ltd and the entities it controlled as at and for the period ended 30 June each year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany

balances, transactions, unrealised gains and losses resulting from intra-group transactions have been eliminated in full.

Note 1: Summary of Significant Accounting Policies (continued)

(d) 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, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

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

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

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

(e) 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 statement of financial position.

(f) 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 a proportion 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.

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

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

Freehold land	Not depreciated
Freehold land improvements	Up to 40 years
Buildings and building improvements	Up to 40 years
Plant and equipment	1 to 20 years

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

Note 1: Summary of Significant Accounting Policies (continued)

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

(h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset even if it is not explicitly specified in an arrangement.

Operating lease payments are recognised as an operating 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.

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 lease liability. Finance charges are recognised as finance costs 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.

(i) Derivative financial instruments and hedging

Farm Pride Foods Ltd uses derivative financial instruments (including foreign currency contracts and interest rate swaps) to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their value is positive and as liabilities when their fair value is negative.

The fair values of interest rate swaps are determined using the valuation technique based on cash flows discounted through present value using current market interest rates. The fair value of commodity contracts are also determined using a discounted cash flow valuation technique using cash flow estimates based on observable and unobservable forward prices for the commodity.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction. The Company currently has cash flow hedges attributable to the payment of interest on borrowings.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (finance costs or inventory purchases) when the forecast transaction occurs.

Note 1: Summary of Significant Accounting Policies (continued)

The Group tests each of the designated cash flow hedges for effectiveness on a bi-annual basis both retrospectively and prospectively using regression analysis. A minimum of 30 data points is used for regression analysis and if the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge.

At each balance date, the Group measures ineffectiveness using the ratio offset method. For foreign currency cash flow hedges if the risk is over-hedged, the ineffective portion is taken immediately to other income/expense in the statement of comprehensive income. For interest rate cash flow hedges, any ineffective portion is taken to other expenses in the statement of comprehensive income.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the statement of comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(j) Impairment of non-financial assets other than goodwill and indefinite life intangibles

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 impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Income tax and other taxes

Current tax assets and liabilities for the current and prior period 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.

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 probable 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.

Note 1: Summary of Significant Accounting Policies (continued)

Tax consolidation legislation

Farm Pride Foods Ltd and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005.

The head entity, Farm Pride Foods Ltd and its controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. 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.

In addition to its own current and deferred tax amounts, Farm Pride Foods Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts received from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

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.

(I) Provisions and employee benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(i) Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Note 1: Summary of Significant Accounting Policies (continued)

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national bonds with terms to maturity and currencies that match as closely as possible the estimated future cash outflows.

(iii) Superannuation

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

(m) 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.

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 to 60 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.

(n) 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 fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(o) 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 written down value of poultry is deemed to approximate fair value.

(p) 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.

Note 1: Summary of Significant Accounting Policies (continued)

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.

Borrowing costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Company does not currently hold qualifying assets.

(q) 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.

(r) Comparatives

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

(s) 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. This includes start up operations which are yet to earn revenues. 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.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the executive Managing Director.

The group aggregates two or more operating segments when they have similar economic characteristics and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

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

Types of products

The Group sells eggs and shell egg equivalents in Australia.

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.

Note 1: Summary of Significant Accounting Policies (continued)

(t) Trade and other receivables

Trade receivables, which generally have 30 to 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.

(u) 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 30 to 60 days of recognition on average.

(v) 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.

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).

If the terms of 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.

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 2012 (2011: Nil).

(w) 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.

Note 1: Summary of Significant Accounting Policies (continued)

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.

(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.

(y) Non-current assets held for sale

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

(z) Going concern

The financial report has been prepared on the going concern basis, which assumes the continuation of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The company has incurred a net loss from continuing operations for the year ending 30 June 2012 of \$399k (2011: \$238k) and as of that date current liabilities exceeded current assets by \$4,133k (2011: current assets exceeded current liabilities by \$2,372k) due to certain borrowing facilities becoming due within the next 12 months. The company achieved positive earnings before interest, tax, depreciation and amortisation (EBITDA) of \$5,142k (2011: \$4,970k).

The Company continues to implement planned restructure and cost saving initiatives following significant capital investment over the last 3-4 years together with active flock and inventory management practices to lower the cost base of operations, generate additional cash flows and manage the demand and supply issues facing the business and industry. The second sale of land is expected to be finalised prior to December 2012 with proceeds to be primarily applied against bank debt.

The Company has a number of finance facilities that were due to expire over the next 12 months. Subsequent to balance date the company has received approval for the extension of these facilities until 30 September 2013.

Note 2: Significant accounting judgements, estimates and assumptions

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there would be a material impact on the carrying amounts of the assets and liabilities discussed below:

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

Where an asset is known to be significantly impaired at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity the recoverable amount is reviewed. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations.

(b) 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 group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Note 2: Significant accounting judgements, estimates and assumptions (continued)

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

(c) Other current assets

Poultry stock is amortised over its effective productive life, which is approximately 60 weeks.

Given the short productive life of the flock, an amortised cost approach has been adopted, which the directors consider equates to the fair value of the biological asset at the reporting date. This basis for determining fair value has been applied consistently each year.

(d) Trade and other receivables

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 90 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 cost and net realisable value.

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

(f) 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.

Note 3: Revenue

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Revenues		
Sales to external customers	93,435	91,667

Note 4: Profit from Ordinary Activities

(a) Other income		
Other income	543	45
Foreign currency translation gain	87	-
Profit /(loss) on sale of property, plant & equipment	762	(2)
	1,392	43
(b) Expenses		
Total cost of goods sold	85,703	81,833
Depreciation of non-current assets		
Land improvements	31	33
Buildings	452	456
Plant & equipment	2,956	2,761
Total depreciation of non-current assets	3,439	3,250
Provision for doubtful debts	(438)	375
Amortisation of poultry	10,264	9,468
Finance costs expensed – interest expense	2,106	2,192
Foreign currency translation loss	-	33
Operating lease rentals	2,859	2,714

Note 5: Income Tax

	Consolidated	
	2012 \$'000	2011 \$'000
(a) The components of tax expense/(benefit):		
Deferred tax	-	(238)
Income tax benefit	-	(238)
(b) Numerical reconciliation between income tax expense in the income statement and that calculated		
At the statutory income tax rate of 30% (2011: 30%)	(120)	(142)
Tax effect of amounts which are not deductible in calculating taxable income	120	(96)
Income tax benefit	-	(238)
(c) Deferred tax assets and liabilities relate to the following:		
Employee benefits	494	499
Provisions and accruals	97	255
Capital raising costs	8	34
Tax loss adjustments	344	285
Hedge Reserve	203	-
Gross deferred tax assets	1,146	1,073
Fixed assets	(317)	(448)
Gross deferred tax liabilities	(317)	(448)
Net deferred tax assets	828	625
(d) Movement in current tax (assets)/liability:		
Balance at beginning of year	-	-
Current tax expense	-	-
Tax payments	-	-
Balance at the end of the year	-	-
(e) Deferred taxes recognised directly in equity		
Hedge Reserve	203	-

Note 5: Income Tax (continued)**(f) Tax losses not brought to account**

A deferred tax asset of approximately \$408,040 on tax losses for the consolidated entity is potentially available for recoupment at 30 June 2012. Future tax benefits attributable to tax losses carried forward have not been brought to account at 30 June 2012, because the Directors do not believe that it is appropriate to regard the realisation of the future income tax benefits as probable.

Tax benefits for tax losses will only be obtained if:

- (a) The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (b) The Company complies with the conditions for deductibility imposed by the tax legislation; and
- (c) No changes in tax legislation adversely affect the Company in realising the benefit from deductions for the losses.

In addition, the availability of tax losses is subject to the Group successfully establishing deductibility. That is, the Company satisfies either the continuity of ownership test or the same business test at the time the carried forward losses are sought to be recouped.

Note 6: Dividends on Ordinary Shares**Consolidated Entity****(a) Dividends proposed and recognised as a liability**

2012 \$'000	2011 \$'000
------------------------	------------------------

Nil	Nil
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(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	1,009
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Note 7: Auditor's remuneration

		Consolidated Entity	
		2012	2011
		\$	\$
Amounts received or due and receivable by for:			
An audit or review of the financial report of the entity and any other entity in the consolidated entity			
Pitcher Partners	134,000	-	
Ernst & Young	-	152,000	
Taxation services			
Ernst & Young	2,800	26,000	
Other assurance related fees			
Pitcher Partners	12,500	-	
Ernst & Young	42,200	15,000	
	191,500	193,000	

Note 8: Earnings per share

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

		Consolidated Entity	
		2012	2011
		\$'000	\$'000
Net loss from continuing operations	(399)	(234)	

Weighted average

		2012	2011
		No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic loss/earnings per share	55,180,175	55,180,175	
Weighted average number of shares used to calculate diluted earnings per share	55,180,175	55,180,175	

Note 9: Current assets - cash and cash equivalents

		Consolidated Entity	
		2012	2011
		\$'000	\$'000
Cash at bank	-	144	
Short term deposit	1,022	-	
	1,022	144	

Note 10: Current assets - trade and other receivables

	Consolidated Entity	
	2012	2011
	\$	\$
Trade receivables	9,481	9,019
Allowance for impairment loss	(27)	(465)
	9,454	8,554
Other receivables	465	867
	9,919	9,421

(a) Terms and conditions

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

(b) Allowance for impairment loss

Opening provision for doubtful debts	465	90
Increase / (Decrease) in provision for impairment of trade receivables	(438)	375
	27	465

The ageing analysis of trade receivables is as follows:

	Total	0 – 90 days	0 – 90 days	0 – 90 days	+ 90 days	+90 days
			(PDNI)*	(CI)*	(PDNI)*	(CI)*
2012 Consolidated	9,481	9,426	-	-	28	27
2011 Consolidated	9,019	8,321	233	-	-	465

* 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 11: Current assets - inventories

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Raw materials	3,753	3,109
Finished goods	2,778	2,492
Total inventories at lower of cost and net realisable value	<u>6,531</u>	<u>5,601</u>

Inventories recognised as an expense for the year ended 30 June 2012 totalled \$85.7 m (2011: \$81.8m). 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 12: Current assets – other

Prepayments	459	161
Poultry	12(i) 7,614	8,169
	<u>8,073</u>	<u>8,330</u>

Note 12(i) Poultry

Flock stock at cost	17,878	17,637
Less: Accumulated amortisation	(10,264)	(9,468)
	<u>7,614</u>	<u>8,169</u>
Opening flock stock written down value	8,169	7,053
Additions	9,709	10,584
Amortisation	(10,264)	(9,468)
Closing flock stock	<u>7,614</u>	<u>8,169</u>

The written down value of closing flock stock is an estimated fair value.

The number of hens held by the Company as at 30 June 2012 was 1,402,183 (2011: 1,361,648)

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

Note 13: Non-current assets classified as held for sale

Land held for sale at cost	910	-
	<u>910</u>	<u>-</u>

Note 14: Controlled Entities

(a) List of companies in the group	Country of incorporation	Percentage owned	
		2012	2011
Parent entity:			
Farm Pride Foods Ltd	Australia	100%	100%
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: Non-current assets - property, plant and equipment

	Consolidated Entity	
	2012 \$'000	2011 \$'000
<i>Freehold land and land improvements</i>		
At cost	7,102	7,881
Accumulated depreciation	(151)	(123)
Total freehold land	6,951	7,758
<i>Buildings and building improvements</i>		
At cost	7,616	7,895
Accumulated depreciation	(2,716)	(2,273)
Total buildings & building improvements	4,900	5,622
Total land and buildings	11,851	13,380
<i>Plant and equipment</i>		
At cost	36,798	34,473
Accumulated depreciation	(17,313)	(14,357)
Total plant and equipment	19,485	20,386
Projects under construction	1,452	1,037
Total property, plant and equipment		
Cost	52,968	51,566
Total accumulated depreciation	(20,180)	(16,753)
Total written down amount	32,788	34,803

Note 15: Non-current assets- 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 17). 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.

(b) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

Freehold Land and Land Improvements

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Carrying amount at beginning	7,758	7,755
Additions	19	36
Transfer to land held for sale	(628)	-
Depreciation Expense	(31)	(33)
Disposals	(167)	-
	6,951	7,758

Buildings on Freehold Land and Building Improvements

Carrying amount at beginning	5,622	6,048
Additions	12	29
Transfer to land held for sale	(282)	-
Depreciation Expense	(452)	(455)
	4,900	5,622

Plant & equipment

Carrying amount at beginning	20,386	20,732
Additions	2,095	2,416
Depreciation expense	(2,956)	(2,762)
Disposals	(40)	-
	19,485	20,386

Projects under construction

Carrying amount at beginning	1,037	1,338
Additions	415	-
Transfer to Plant & Equipment	-	(301)
	1,452	1,037

Total depreciation for the year	(3,439)	(3,250)
Total	32,788	34,803

Note 16: Current liabilities - trade and other payables

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Trade Creditors/other payables and accruals	17,252	15,381

(a) Fair value

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

(b) Related party payables

For terms and conditions relating to related party payables refer note 26.

Note 17: Borrowings

	Consolidated	
	2012	2011
	\$'000	\$'000
CURRENT		
Secured		
Lease liability	1,540	1,904
Bank loans	8,250	1,500
Related party loan	259	-
Bank overdraft	1,194	-
	11,243	3,404
NON CURRENT		
Secured		
Bank loans	5,000	13,375
Lease liability	2,600	2,539
	7,600	15,914

(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.

(b) On the 30 August 2012 the Company's bank, Westpac, confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2013. A new Business Finance Agreement will be prepared and issued by Westpac in due course.

Note 18: Provisions

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
CURRENT		
Employee benefits	1,414	1,488
NON CURRENT		
Employee benefits	153	132
Aggregate employee benefit liability	1,567	1,620

Note 19: 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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of movements in market interest rates.

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

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Financial assets:		
Cash and cash equivalents	-	144
Term deposit	1,022	-
Financial liabilities:		
Bank overdraft	(1,194)	-
Variable rate lease liabilities	(297)	(397)
Variable rate bank bills	(8,250)	(4,875)
	(9,741)	(5,272)
Net exposure	(8,719)	(5,128)

Interest rate swap contracts are outlined in Note 20.

The Group manages its finance cost using a mix of fixed and variable rate 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. To manage debt in a cost-efficient manner, the Group has entered in an interest rate swap in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. This swap is designated to hedge underlying debt obligations.

At 30 June 2012, after taking into account the effect of interest rate swaps, approximately 93% of the Groups borrowings are at a fixed rate of interest (2011: 67%). 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 following sensitivity analysis is based on the interest rate exposures in existence at balance sheet date.

Note 19: Financial risk management objectives and policies (continued)

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

Judgements of reasonable possible movements	Post tax profit Higher / (Lower)		Other comprehensive income Higher / (lower)	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Consolidated Entity				
+1% (100 basis points)	(37)	(51)	-	-
-1% (100 basis points)	37	51	-	-

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

During the year the Company 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 2012, the Group had the following exposure to foreign currency:

Financial liabilities denominated in foreign currency:	Consolidated Entity	
	2012 \$'000	2011 \$'000
Lease liabilities (EUR)	(372)	(689)
Net exposure	(372)	(689)

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

At 30 June 2012, 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:

Judgements of reasonable possible movements	Post tax profit Higher / (Lower)		Other Comprehensive Income Higher / (Lower)	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Consolidated Entity				
AUD/EUR +5%	19	34	-	-
AUD/EUR -10%	(37)	(69)	-	-

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.

Note 19: Financial risk management objectives and policies (continued)

(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.

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 following table 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.

Note 19: Financial risk management objectives and policies (continued)

Liquidity risk analysis

	2012 \$'000				2011 \$'000			
	< = 6 months	6 – 12 months	1 - 5 years	Total	<= 6 months	6 – 12 months	1 - 5 years	Total
Consolidated Entity								
<i>(i) Financial assets</i>								
Cash and cash equivalents	1,022	-	-	1,022	144	-	-	144
Trade and other receivables	9,919	-	-	9,919	9,421	-	-	9,421
	10,941	-	-	10,941	9,565	-	-	9,565
<i>(ii) Financial liabilities</i>								
Bank overdraft	(1,194)	-	-	(1,194)	-	-	-	-
Trade and other payables	(17,252)	-	-	(17,252)	(15,381)	-	-	(15,381)
Bank loans	(5,750)	(2,500)	(5,285)	(13,535)	(750)	(750)	(14,185)	(15,685)
Related party loan	-	(13)	(260)	(273)	-	-	-	-
Interest bearing leases	(1,066)	(783)	(3,029)	(4,878)	(1,346)	(867)	(2,980)	(5,193)
	(25,262)	(3,296)	(8,574)	(37,132)	(17,477)	(1,617)	(17,165)	(36,259)
Net maturity	(14,321)	(3,296)	(8,574)	(26,191)	(7,912)	(1,617)	(17,165)	(26,694)

Note 19: Financial risk management objectives and policies (continued)**(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.

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(m).

Note 20: Derivative Financial Instruments

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Current liabilities		
Interest rate swap contract – cash flow hedge	679	251

Instruments used by the group

(a) Interest rate swap

Interest bearing loans of the Group currently bear an average variable interest rate of 9.3%. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

Swaps in place cover approximately 61% (2011: 67%) of the principal outstanding total borrowings and are timed to expire at the expected conclusion date of each loan. The fixed interest rate is 6%.

At the 30 June 2012 the notional principal amounts and periods of expiry of the interest rate swap contract are as follows:

	2012	2011
	\$'000	\$'000
0 - 1 Years	1,000	1,000
1 - 2 Years	1,000	1,000
2 - 3 Years	1,000	1,000
3 - 4 Years	6,000	1,000
4 - 5 Years	-	6,000
	9,000	10,000

Note 20: Derivative Financial Instruments (continued)

The interest rate swap requires settlement of net interest receivable or payable each 30 days. The current settlement dates on which interest is payable on the underlying debt is every 90 days. The swap is matched against the equivalent value of debt and as such is considered highly effective.

They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk is taken directly to equity and re-classified into profit or loss (2012: \$139,244 and 2011: \$55,845) when the interest expense is recognised.

Note 21: Contributed Equity

	Consolidated Entity	
	2012 \$'000	2011 \$'000
(a) Issued and paid up capital		
55,180,175 (2011 : 55,180,175) Ordinary shares fully paid	29,578	29,578
Each share is entitled to 1 vote per share.		
	29,578	29,578
(b) Movements in value of shares on issue		
Beginning of the financial year	29,758	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 2012 there were 240,000 (2011: 540,000) 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
Gerry Vullings	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	01/07/2011	150,000	-	\$0.45	150,000	-
	01/07/2007	01/07/2012	120,000	-	\$0.50	-	120,000
TOTAL			540,000			(300,000)	240,000

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 the 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 2012	30 June 2011
Opening Balance	540,000	740,000
Granted during the year	-	-
Exercised during the year	-	-
Lapsed/expired during the year	(300,000)	(200,000)
Closing Balance	240,000	540,000
Exercisable at year end	240,000	540,000
Weighted average contractual life remaining	1 day	1 year
Weighted average fair value of options granted during the year (<i>None granted in 2011</i>)	-	-

Note 22: Parent Entity Information

Information relating to Farm Pride Foods Ltd:

	2012 \$'000	2011 \$'000
Summarised statement of financial position of the parent entity at year end		
Current assets	26,544	26,456
Total assets	61,268	62,034
Current liabilities	29,626	20,385
Total liabilities	37,961	36,338
Total equity of the Parent comprises of the following:		
Share capital	29,578	29,578
Retained earnings	(6,999)	(7,037)
Share Option Reserve	26	64
Cash flow hedge reserve	(476)	(251)
Total shareholder's equity	22,129	22,354
Summarised statement of comprehensive income		
Profit/(loss) of the parent entity	1,178	(234)
Total comprehensive profit/(loss) of the parent entity	953	(410)

Farm Pride Foods Ltd as parent has provided security over the loans of its subsidiaries by a fixed and floating charge (see note 17).

Note 23: Reserves and Accumulated loss

	Consolidated Entity	
	2012 \$'000	2011 \$'000
(a) Share option reserve	26	64
(b) Accumulated loss	(7,398)	(7,037)
(c) Hedge reserve	(476)	(251)
(a) Share option reserve		

This reserve is used to record the value of equity benefit provided to directors and employees as part of remuneration.

Balance at beginning of year	64	88
Share option expensed	-	-
Expired options transferred	(38)	(24)
Balance at end of year	26	64

Note 23: Reserves and Accumulated loss (continued)

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
(b) Accumulated losses		
Balance at the beginning of year	(7,037)	(6,827)
Expired Employee share options	38	24
Net loss attributed to members of Farm Pride Foods Ltd	(399)	(234)
Balance at end of year	(7,398)	(7,037)
(c) Hedge reserve		
Balance at beginning of year	(251)	-
Revaluation of reserve	(225)	(251)
Balance at end of year	(476)	(251)

This reserve is used to account for the fair value movement of the cash flow hedge.

Note 24: Capital and Leasing Commitments

Consolidated Entity

	2012 \$'000	2011 \$'000
Lease expenditure commitments		
<i>(i) Operating leases (non-cancellable)</i>		
Minimum lease payments		
Not later than one year	4,155	3,618
Later than one year and not later than five years	15,293	11,786
Later than five years	9,967	6,800
Aggregate lease expenditure contracted for at reporting date	29,415	22,204

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.

<i>(ii) Finance leases (manufacturing equipment)</i>		
Future minimum lease payments and the present value of the net minimum lease payments:		
Not later than one year	1,849	2,211
Later than one year and not later than five years	3,029	2,980
Later than five years	-	-
Total minimum lease payments	4,878	5,191
Future finance charges	(738)	(748)
Present value of minimum lease payments	4,140	4,443
Current liability	1,540	1,904
Non-current liability	2,600	2,539
Total	4,140	4,443

Capital expenditure commitments

<i>(iii) Capital expenditure commitments contracted for :</i>		
Plant and equipment purchases	-	76
Payable		
Not later than one year	-	76
Later than one year not later than five years	-	-
Later than five years	-	-
<i>(iv) Flock replacement commitment</i>	1,527	3,235

Note 25: Cash Flow Information

Consolidated Entity

	2012 \$'000	2011 \$'000
(a) Reconciliation of the net profit after tax to the net cash flows from operations:		
Operating loss after tax	(399)	(234)
Non Cash items		
Depreciation	3,439	3,250
Flock amortisation	10,264	9,468
Inventory write down	(135)	354
Gain on foreign exchange	(73)	-
Provision for doubtful debts	(438)	375
(Profit)/Loss on sale of non current assets	(762)	2
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	2	1,270
(Increase)/decrease in inventory	(795)	126
(Increase)/decrease in other assets	(10,007)	(10,479)
Increase/(decrease) in trade and other creditors	1,871	1,080
Increase/(decrease) in income tax payable	-	(238)
Increase/(decrease) in provisions	(53)	144
Net cash flow from operating activities	2,914	5,118
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.		
(b) Reconciliation of cash at end of period		
Cash and cash equivalents	1,022	144
Bank overdraft	(1,194)	-
	(172)	144
(c) Overdraft with bank		
Credit facility	1,250	1,250
Amount utilised	1,194	-
Unused credit facility	56	1,250
(d) Loan facilities		
Loan facility	14,750	14,875
Amount utilised	13,509	14,875
Unused loan facility	1,241	-

Note 26: Related Party Disclosures

(a) Directors and major shareholders 2012 and 2011

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

Directors and major shareholders 2011/2012	Note	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
			2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	(a)(e)	Loan/ Purchases	-	-	20	2	(277)	(43)
Altona Hatchery Pty Ltd (P. Bell)	(a)	Purchases	-	-	2	-	(6)	-
Days Eggs Pty Ltd (P. Bell)	(a)	Egg supply	-	-	215	180	(22)	(16)
Hy-line Australia Pty Ltd (P. Bell)	(a)	Purchases / Packaging sales	-	-	5,527	7,820	(1,099)	(1,974)
Southern Eggs Pty Ltd (P. Bell / M. Ward)	(a)	Egg sales / Purchases	3,653	4,630	-	786	(1)	290
Pure Foods Eggs Pty Ltd (P. Bell)	(a)	Egg sales / Purchases	33	103	183	236	(17)	(18)
West Coast Eggs Pty Ltd (P. Bell / M. Ward / Z. Lendich)	(a)	Egg sales / Purchases	2,019	1,999	28	638	(923)	(736)
Cullen Capital Pty Ltd (D. Lurie)	(d)	Director / Consulting	-	-	23	25	(2)	(9)
Aquila Corporate Advisory Pty Ltd (D. Lurie)	(d)	Director	-	-	5	-	(5)	-
Novo Foods Ltd (P. Bell / Z. Lendich)	(b)	Marketing	-	-	5	530	(1)	-
Hensman Nominees Pty Ltd (Z Lendich)	(c)	Director / Consulting	-	-	300	300	(93)	(62)
Hensman Nominees Pty Ltd (Z Lendich)	(c)	Expense Reimbursement	-	-	125	127	(13)	(8)

(a) 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.

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

(c) 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)

- (d) Mr. Darren Lurie who is a director of Farm Pride Foods Ltd. is also a director of Cullen Capital and Aquila Corporate Advisory Pty Ltd.
- (e) AAA Egg Company Pty Ltd have provided a cash advance facility on normal terms of \$1.5m for a period of 2 years until 26 August 2013. As at 30 June 2012 the advance had been drawn down to \$259,000 and interest of \$9,000 has been accrued for the year. The advance is repayable at the end of its term.

	Ordinary Shares	Options over Ordinary Shares
Zelko Lendich	2,803,000	-
Peter Bell	2,005,600	-
Malcolm Ward	1,981,122	-
Darren Lurie	200,000	-

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

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Trade debtors	90	462
Borrowings	(259)	-
Trade creditors	(2,291)	(2,968)
Net receivable/(payable)	(2,460)	(2,506)

Note 27: Subsequent Events

On the 30 August 2012 the Company's bank, Westpac, confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2013. A new Business Finance Agreement will be prepared and issued by Westpac in due course.

Post balance date the Company received advice that one of its debtors has had an Administrator appointed. Recoverability of the amount owed as at the date of this report (\$206,000) is currently uncertain.

There are no other matters or circumstances, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2012, of the consolidated entity, or
- (b) the result of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2012, 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 26 to 58 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 2012 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 2012.

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



Zelko Lendich
Managing Director
31 August 2012
Melbourne

FARM PRIDE FOODS LIMITED
42 080 590 030
AND CONTROLLED ENTITIES

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

Report on the Financial Report

We have audited the accompanying financial report of Farm Pride Foods Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. 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.

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

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Farm Pride Foods Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 20 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Farm Pride Foods Ltd and controlled entities for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.



S SCHONBERG

Partner

31 August 2012



PITCHER PARTNERS

Melbourne

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 2012.

(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	90	40,136
1,001 - 5,000	115	353,891
5,001 - 10,000	61	472,555
10,001 - 100,000	118	4,101,198
100,001 +	51	50,212,395

The number of shareholders holding less than a marketable parcel of shares are:	52	9,002
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(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	25,830,902	46.81
2 Glenmon Pty Ltd	2,870,453	5.20
3 Markcamp Pty Ltd	2,568,942	4.66
4 Normpat Pty Ltd	2,005,600	3.63
5 Oakmeadow Pty Ltd	1,961,122	3.55
6 GO Drew Pty Ltd	1,637,793	2.97
7 Mr. Zelko Lendich & Mrs. Susan Janine Lendich	1,457,000	2.64
8 Hensman Nominees Pty Ltd	1,346,000	2.44
9 Lippo Securities Nominees (BVI) Ltd	990,000	1.79
10 ANZ Trustees Limited	799,146	1.45
11 Jadig Superannuation Pty Ltd	750,000	1.36
12 Mr. Gerald Francis Pauley & Mr. Michael James Pauley	426,042	0.77
13 A & R Moncrieff Pty Limited	420,000	0.76
14 Mrs. Trisha Marie Verran	399,669	0.72
15 Mrs. Barbara Hirschowitz	358,695	0.65
16 Mr. Theo Verstedden & Mrs. Maureen Helen Verstedden	341,051	0.62
17 Nearlart Pty Ltd	333,333	0.60
18 Mr. George Scaunich	323,694	0.59
19 Mr. Tomasso Montalto & Mr. Mauro Montalto	316,861	0.57
20 Lempiere (Australia) Pty Ltd	299,999	0.54
	45,436,302	82.34

ASX Additional Information (continued)

(c) Substantial shareholders

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

	No. held	Percentage of ordinary shares
West Coast Eggs Pty Ltd	25,830,902	46.81
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 240,000 share options are on issue (2011: 540,000).

(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.