



# 2016 ANNUAL REPORT



## **Corporate Information**

### **Farm Pride Foods Ltd.**

ABN 42 080 590 030

#### **Directors**

Phillip Campbell (Non-Executive Chairman)

Bruce De Lacy (Executive Director / CEO)

Peter Bell (Non-Executive Director)

Malcolm Ward (Non-Executive Director)

#### **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

#### **Bankers**

Westpac Banking Corporation

Level 7, 150 Collins Street

Melbourne, Vic 3000

#### **Share Register**

Computershare Registry Services Pty. Ltd.

Yarra Falls, 452 Johnston Street

Abbotsford, Victoria 3067

ASX: FRM

#### **Auditors**

Pitcher Partners

Level 19 / 15 William Street

Melbourne, Victoria 3000

#### **Internet Address**

[www.farmpride.com.au](http://www.farmpride.com.au)

## TABLE OF CONTENTS

Chairman's Report	3
Directors' Report	4
Auditor's Independence Declaration	12
Financial Report for the year ended 30 June 2016	
• Consolidated Statement of Profit or loss and Other Comprehensive Income	13
• Consolidated Statement of Financial Position	14
• Consolidated Statement of Changes in Equity	15
• Consolidated Statement of Cash Flows	16
• Notes to the Financial Statements	17
Directors' Declaration	49
Independent Auditor's Report	50

## Chairman's Report

Total revenue for the Company was \$93.77m (2015 \$91.34m). The consolidated profit after tax was \$8.13m (2015 \$5.05m).

EBITDA was \$15.99m compared with \$12.19 million at 30 June 2015.

At 30 June 2016 the Company had borrowings of \$1.14m (2015 \$5.57m). Net Assets increased from \$29.94m (2015) to \$38.16m. Net cash provided by operating activities of \$13.69m was up on \$9.23m (2015).

During 2016 financial year industry egg production continued to remain relatively balanced until April when national supply moved into shortage and has since then been relatively tight. Media outlets have reported that the shortage has been caused by a combination of factors, including the very cold and wet winter in the southern states and increased consumption. Uncertainty over new free-range guidelines which are expected to come into effect in late 2016 has also resulted in national underinvestment in production facilities. Debate about Free Range definitions has eased but is expected to remain for some time. We expect supply to be in balance by the end of the first half of 2017 financial year.

The 2016 financial year result was encouraging as we continued to build on our improved 2015 financial year result. Our commitment to customer service, operational performance, consistent quality and an ongoing focus on costs have delivered further value to all of our stakeholders.

Our new free range facility, due to be completed by the end of this calendar year, has been funded from working capital. Net cash used in investing activities was \$6.42m compared with \$0.54m in the previous year.

We are satisfied with what has been achieved so far but we are also looking toward the future. To that end we have developed a strategy for our business which provides for continued growth and is aligned with the expectations of all our stakeholders, including most importantly, our customers.

The Australian Competition and Consumer Commission filed a Notice of Appeal against the Federal Court's decision on 10 February 2016 to dismiss the ACCC's proceedings against the Australian Egg Corporation Limited (AECL) and others including Farm Pride Foods Ltd. Farm Pride Foods Ltd continues to deny engaging in such conduct and as at the date of this report no decision on the appeal has been handed down by the court.

The Board would like to thank all our customers and employees for their ongoing support and commitment to our business.



Philip Campbell  
Chairman

## Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of Farm Pride Foods Ltd and the entities it controlled, for the financial year ended 30 June 2016 and auditor's report thereon.

### Directors

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

Phillip Campbell	Non-executive Director – Appointed 4 September 2015
Peter Bell	Non-executive Director – Appointed 30 May 2008
Malcolm Ward	Non-executive Director – Appointed 30 May 2008
Bruce De Lacy	Executive Director – Appointed 30 April 2014

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

### Principal activities

The principal activities of the consolidated entity during the financial year 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.

### Results and review of operations

The consolidated profit after income tax attributed to the members of Farm Pride Foods Ltd was \$8.13 m (2015: \$5.05m). Revenue increased by 2.7% to \$93.76m (2015: \$91.34m) and EBITDA increased by 31.2% to \$15.99m (2015: \$12.19m). For further clarification of the review and results of operations of the Company reference should be made to the Chairman's Report.

### Significant changes in the state of affairs

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

### After balance date events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may 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 strategy to create shareholder value.

### Environmental regulation

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

The consolidated entity is not aware of any significant breaches of environmental regulations during the financial year.

## Directors' Report (continued)

### Dividend paid, recommended and declared

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

### Share options

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

### Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Farm Pride Foods Ltd at any time during or since 1 July 2015 is provided below, together with details of the company secretary as at the year end.

#### Peter Bell

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

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



He is the Managing Director of AAA Egg Company Pty Ltd and its subsidiary West Coast Eggs Pty Ltd, a director of Novo Foods Pty Ltd, a director of Days Eggs Pty Ltd, a directors of Hy-Line Australia Pty Ltd, a director of Specialised Breeders Australia Pty Ltd and Pure Foods Eggs Pty Ltd.



#### Malcolm Ward

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

Malcolm has been in the egg industry for over 25 years having owned and operated cage and free range farms and has served on industry related boards in the area of farm management and feed supply. He is also a director of AAA Egg Company Pty Ltd and its subsidiary West Coast Eggs Pty Ltd as well as being a director on a number of other private companies. Malcolm is the Managing Director of his family's independent supermarkets and also has commercial interests in property. He is also a director of Australian United Retailers Limited (NSX: AFO), appointed 17 November 2010.

#### Bruce De Lacy

(Company Secretary – Appointed 30 October 1997, Chief Financial Officer – Appointed 10 June 2013, Executive Director – Appointed 30 April 2014, Chief Executive Officer – Appointed 19 March 2015)

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



Bruce has a Bachelor of Business Studies from Swinburne University, majoring in Accounting, is a CPA and is a Fellow of the Governance Institute of Australia.

## Directors' Report (continued)



Phillip Campbell  
(Non-executive Chairman – Appointed 4 September 2015)

After graduating as an engineer from the University of Queensland, Phillip gained valuable project management experience in the mining industry in Southern Africa and the coconut/palm oil industry in Asia before turning his attention to technical sales and marketing across Australia, US and South East Asia, in industries including resources, animal feed, laboratory services, building materials and distribution/logistics.

Phillip's commercial experiences in the last 35 years include M&A activity, IPO, capital raisings and debt restructuring.

Phillip is currently a director and advisor to a number of unlisted public, private and not-for-profit organisations across Australia and is based in Melbourne.

### 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
Malcolm Ward	13	13	7	7
Peter Bell	13	13	7	7
Phillip Campbell	11	11	-	4*
Bruce De Lacy	13	13	-	7*

\* Messrs. Campbell and De Lacy attended by invitation.

### Directors' interests in shares

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

Directors' relevant interests in:	Ordinary shares of Farm Pride Foods Ltd.	Options over shares in Farm Pride Foods Ltd.
Peter Bell	2,246,250	-
Malcolm Ward	2,031,772	-
Bruce De Lacy	195,502	-
Phillip Campbell	-	-



## Directors' Report (continued)

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

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

### Proceedings on behalf of the consolidated entity

The Australian Competition and Consumer Commission (ACCC) filed a Notice of Appeal from the Federal Court's decision on 10 February 2016 dismissing the ACCC's proceedings against the Australian Egg Corporation Limited (AECL) and four other corporate and individual respondents including Farm Pride Foods Ltd.

The Appeal was listed for 15 August 2015.

Farm Pride Foods continues to strenuously deny the allegations made by the ACCC.

### Auditor's independence declaration

A copy of the Auditor's Independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

### Non audit services

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

	2016 \$	2015 \$
Taxation services		
Pitcher Partners	14,700	14,700
	14,700	14,700



## Directors' Report (continued)

### Remuneration report (Audited)

The directors present the consolidated entity's 2016 remuneration report which details the remuneration information for Farm Pride Foods Ltd's executive directors, non-executive directors and other key management personnel.

#### Details of key management personnel

Directors	Period of Responsibility	Position
Phillip Campbell	Appointed 4 September 2015	Non-executive Chairman
Peter Bell	Appointed 30 May 2008	Non-executive Director
Malcolm Ward	Appointed 30 May 2008	Non-executive Director
Bruce De Lacy	Appointed 30 October 1997 Appointed 10 June 2013 Appointed 30 April 2014 Appointed 19 March 2015	Company Secretary Chief Financial Officer Executive Director Chief Executive Officer

#### Remuneration policy

The Board policy for determining the nature and amount of remuneration of key management personnel (KMP) is agreed by the Board of Directors as a whole. The board has not obtained any professional advice on remuneration during the year ended 30 June 2016.

For executives, the Company provides a remuneration package that incorporates cash based remuneration and may include share-based remuneration. The contracts for service between the Company and executives are on a continuing basis the terms of which are not expected to change in the immediate future. 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.

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.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution.

**Directors’ Report (continued)**

*Service Agreement*

The company has a service agreement with Mr. Bruce De Lacy.

There is no expiry date on the service agreement. The service agreement can be terminated by giving a period of notice, or equivalent payment in lieu based on the length of service as set out below.

*Continuous service*

	<i>Notice Period</i>
Not more than 1 year	1 week
More than 1 year / not more than 3 years	2 weeks
More than 3 years / not more than 5 years	3 weeks
More than 5 years	4 weeks

The period of notice is increased by 1 week if over 45 years of age and more than 2 years’ continuous service has been completed.

## Directors' Report (continued)

### A. Details of key management personnel remuneration

#### (a) Director's remuneration

	Short Term Benefits			Long Term Benefits		Post-employment			Total
	Salary, Fees & Other Short Term Benefits	Performance Based Payment	Non-cash Benefits	Long Service Leave	Super	Termination Benefits	Options	Performance Based	
2016	\$	\$	\$	\$	\$	\$	\$	%	\$
Phillip Campbell (i)	40,577	-	-	-	3,855	-	-	-	44,432
Peter Bell	29,946	-	-	-	2,845	-	-	-	32,791
Malcolm Ward	29,946	-	-	-	2,845	-	-	-	32,791
Bruce De Lacy (ii)	237,093	145,662	4,329	4,667	26,027	-	-	35%	417,778
Total	337,562	145,662	4,329	4,667	35,572	-	-	35%	527,792
2015	\$	\$	\$	\$	\$	\$	\$	%	\$
Peter Bell	23,000	-	-	-	2,128	-	-	-	25,128
Malcolm Ward	23,000	-	-	-	2,128	-	-	-	25,128
Bruce De Lacy (ii)	189,238	-	3,323	2,214	17,781	-	-	-	212,556
Total	235,238	-	3,323	2,214	22,037	-	-	-	262,812

(i) Appointed as director and Chairman on 4 September 2015.

(ii) Salary and fees for Bruce De Lacy is made up of salary \$228,311 (2015: \$187,170) plus annual leave entitlement accrual of \$8,782 (2015: \$2,068)

## Directors' Report (continued)

### (b) Directors' shareholding

#### 2016

	Balance 01/07/2015	Received as remuneration	Options exercised	Other Off market purchases/(sales)	Balance 30/06/2016
Phillip Campbell	-	-	-	-	-
Bruce De Lacy	195,502	-	-	-	195,502
Malcolm Ward	2,031,772	-	-	-	2,031,772
Peter Bell	2,463,919	-	-	(217,669)	2,246,250
	4,691,193	-	-	(217,669)	4,473,524

#### 2015

	Balance 01/07/2014	Received as remuneration	Options exercised	Other Off market purchases/(sales)	Balance 30/06/2015
Bruce De Lacy	195,502	-	-	-	195,502
Malcolm Ward	1,981,122	-	-	50,650	2,031,772
Peter Bell	2,413,269	-	-	50,650	2,463,919
	4,589,893	-	-	101,300	4,691,193

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 27,486,302 shares held by West Coast Eggs Pty Ltd (2015: 27,486,302 shares).

### Relationship between remuneration and company performance

The non-executives remuneration policy is not directly related to company performance. 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.

### Voting and comments made at the company's 2015 Annual General Meeting (AGM)

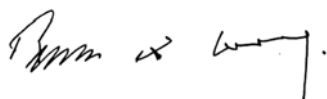
At the company's 2015 AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of "yes" votes were cast for the adoption of the that report. No comments were made on the remuneration report that was considered at the AGM.

This is the end of the audited remuneration report.

### Rounding of amounts

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

Signed in accordance with a resolution of the Directors.



**Bruce De Lacy**  
Director  
16 August 2016

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

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

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

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



S SCHONBERG  
Partner

16 August 2016



PITCHER PARTNERS  
Melbourne

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Revenue and other income</b>			
Sales revenue	5	93,615	91,204
Other income	5	150	137
		93,765	91,341
<b>Less: Expenses</b>			
Changes in inventories of finished goods and work in progress	6	(1,163)	(286)
Raw materials and consumables used	6	(58,863)	(60,018)
Employee benefits expense	6	(12,183)	(12,052)
Depreciation	6	(3,514)	(3,394)
Impairment of property, plant & equipment	6	(576)	(599)
Finance costs	6	(413)	(979)
Other expenses		(5,568)	(6,795)
<b>Profit before income tax</b>		11,485	7,218
Income tax expense	7	(3,358)	(2,165)
<b>Net Profit from continuing operations</b>		8,127	5,053
<b>Net Profit for the year</b>		8,127	5,053
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Cash flow hedge net of tax	19(a)	90	132
<b>Other comprehensive income for the period, net of income tax</b>		90	132
<b>Total comprehensive income for the period</b>		8,217	5,185
<b>Basic earnings per share (cents per share)</b>	22	14.73	9.16
<b>Diluted earnings per share (cents per share)</b>	22	14.73	9.16

The accompanying notes form part of these financial statements

# Consolidated Statement of Financial Position

## As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	9	3,438	586
Receivables	10	8,342	8,525
Inventories	11	3,422	4,585
Biological assets	13	7,601	7,059
Other current assets	12	303	286
<b>Total current assets</b>		<b>23,106</b>	<b>21,041</b>
<b>Non-current assets</b>			
Deferred tax assets	7(c)	777	710
Property, plant and equipment	14	31,353	29,025
<b>Total non-current assets</b>		<b>32,130</b>	<b>29,735</b>
<b>TOTAL ASSETS</b>		<b>55,236</b>	<b>50,776</b>
<b>Current liabilities</b>			
Payables	15	11,788	11,204
Borrowings	16	895	1,069
Provisions	17	1,871	1,766
Current tax payable	7(d)	2,121	2,023
Derivative financial liabilities	29	-	128
<b>Total current liabilities</b>		<b>16,675</b>	<b>16,190</b>
<b>Non-current liabilities</b>			
Borrowings	16	244	4,502
Provisions	17	158	142
<b>Total non-current liabilities</b>		<b>402</b>	<b>4,644</b>
<b>TOTAL LIABILITIES</b>		<b>17,077</b>	<b>20,834</b>
<b>NET ASSETS</b>		<b>38,159</b>	<b>29,942</b>
<b>EQUITY</b>			
Contributed capital	18	29,578	29,578
Cash flow hedge reserve	19(a)	-	(90)
Retained earnings	19(b)	8,581	454
		<b>38,159</b>	<b>29,942</b>

The accompanying notes form part of these financial statements



# Consolidated Statement of Changes in Equity

## For the Year Ended 30 June 2016

	Contributed Capital \$'000	Retained earnings/ (Accumulated losses) \$'000	Cash Flow hedge reserve \$'000	Total \$'000
<b>Balance as at 1 July 2014</b>	29,578	(4,599)	(222)	24,757
Profit for the year	-	5,053	-	5,053
Other comprehensive income	-	-	132	132
Total comprehensive income	-	5,053	132	5,185
<b>Balance as at 30 June 2015</b>	29,578	454	(90)	29,942
<b>Balance as at 1 July 2015</b>	29,578	454	(90)	29,942
Profit for the year	-	8,127	-	8,127
Other comprehensive income	-	-	90	90
Total comprehensive income	-	8,127	90	8,217
<b>Balance as at 30 June 2016</b>	29,578	8,581	-	38,159

The accompanying notes form part of these financial statements

## Consolidated Statement of Cash Flows

### For the Year Ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Cash flow from operating activities</b>			
Receipts from customers		94,352	91,713
Payments to suppliers and employees		(76,898)	(80,794)
Finance costs		(413)	(953)
Income tax paid		(3,365)	(733)
Interest received		11	-
<b>Net cash provided by operating activities</b>	20(a)	13,687	9,233
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment		4	71
Payment for property, plant and equipment		(6,420)	(606)
<b>Net cash used in investing activities</b>		(6,416)	(535)
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(3,000)	(6,750)
Repayment of finance leases		(1,419)	(1,869)
<b>Net cash used in financing activities</b>		(4,419)	(8,619)
Net increase in cash and cash equivalents		2,852	79
Cash and cash equivalents at beginning of the year		586	507
<b>Cash and cash equivalents at end of the year</b>	20(b)	3,438	586

The accompanying notes form part of these financial statements

## Notes to and forming part of the Financial Statements

### Note 1: Statement of significant accounting policies

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Basis of preparation of the financial report

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

The financial report covers Farm Pride Foods Ltd and controlled entities as a consolidated entity. Farm Pride Foods Ltd is a company limited by shares, incorporated and domiciled in Australia. The address of Farm Pride Foods Ltd's registered office and principal place of business is 551 Chandler Road, Keysborough Victoria. Farm Pride Foods Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors as at the date of the directors' report.

#### *Compliance with IFRS*

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

#### *Historical cost convention*

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

#### *Significant accounting estimates*

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

#### (b) Going concern

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

#### (c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

## **Note 1: Summary of Significant Accounting Policies (continued)**

### **(d) Revenue**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered to have passed to the buyer at time of delivery of the goods to the customer.

Revenue from the sale of goods is recognised upon delivery of the goods to the customer.

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

### **(f) Inventories**

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

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.

### **(g) Property, plant and equipment**

#### *Cost and valuation*

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

#### *Depreciation*

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

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

The useful lives for each class of assets are:

	<b>2016</b>	<b>2015</b>
Freehold land and land improvements	40 years	40 Years
Buildings on freehold land and building improvements	40 years	40 years
Plant and equipment	1 to 20 years	1 to 20 years
Leased plant and equipment	5 to 20 years	5 to 20 years

### **(h) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

## **Note 1: Summary of Significant Accounting Policies (continued)**

### *Finance leases*

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in financial costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

### *Operating leases*

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

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

### **(i) Impairment of non-financial assets**

Intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rate basis to the other assets comprising the relevant cash generating unit.

### **(j) Income tax**

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

### *Deferred tax balances*

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

## **Note 1: Summary of Significant Accounting Policies (continued)**

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

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

### *Tax consolidation*

Farm Pride Foods Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation and have formed a tax-consolidated group from 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.

## **(k) Provision**

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

## **(l) Employee benefits**

### *(i) Short term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables in the statement of financial position.

### *(ii) Other long term employee benefit obligations*

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

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

### *(iii) Superannuation*

The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

## **Note 1: Summary of Significant Accounting Policies (continued)**

### *(iv) Termination benefits*

The consolidated entity recognises an obligation and expense for termination benefits at the earlier of: (a) the date when the group can no longer withdraw the offer for termination benefits; and (b) when the group recognises costs for restructuring and the costs include termination benefits. In either case, the obligation and expense for termination benefits is measured on the basis of the best estimate of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before twelve months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

### *(v) Share-based payments*

The consolidated entity 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 executive 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 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 2016 (2015: Nil).

### **(m) Borrowing costs**

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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

### **(n) Financial instruments**

#### *Classification*

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



## **Note 1: Summary of Significant Accounting Policies (continued)**

### *Non-derivative financial instruments*

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

### *Loans and receivables*

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

### *Financial Liabilities*

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### *Derivative financial instruments*

The consolidated entity holds derivative financial instruments to hedge its risk exposures from foreign currency and interest rate movements.

Derivatives that are not designated in a qualifying hedge relationship are subsequently measured at fair value through profit or loss. Derivatives designated as hedging instruments are accounted for as described below.

Some financial instruments have embedded derivatives within them. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the profit and loss.

### *Impairment of financial assets*

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

### *Hedge accounting*

Certain derivatives are designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

## **Note 1: Summary of Significant Accounting Policies (continued)**

At the inception of each hedging transaction, the consolidated entity documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

### *(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### *(ii) Cash flow hedge*

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable.

Changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity in the cash flow hedging reserve. This gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby mitigating any exchange fluctuations that would have transpired in the absence of the hedge.

## **(o) Foreign currency translations and balances**

### *Functional and presentation currency*

The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

### *Transactions and balances*

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year.

## **(p) Goods and services tax (GST)**

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

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

## **(q) Biological Assets**

Biological assets comprise of flocks of hens and are valued at fair value. Fair value is not adjusted for costs to sell because disposal of the asset does not occur by sale. As there is no active market for flocks of hens, the fair value is based upon capitalised cost of poultry and is amortised over the productive life of the flock, which is between 50 and 60 weeks. The poultry flock is held for the purposes of producing eggs.

The directors consider amortised cost to be a reasonable approximation for fair value.

## **Note 1: Summary of Significant Accounting Policies (continued)**

### **(r) Comparatives**

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

### **(s) Rounding Amounts**

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

### **(t) Accounting standards issued but not yet effective at 30 June 2016**

There are a number of Standards and Interpretations that will be mandatory in future reporting periods. We have not elected to early adopt these standards and interpretations. We are yet to quantify the effect on the reporting positions or performance of the consolidated entity.

The Standards and Interpretations that are most relevant to the consolidated entity are set out below:

AASB 9 *Financial Instruments* - Operative date 1 January 2018

AASB 15 *Revenue from Contracts with Customers* – Operative date 1 January 2017

AASB 16 *Leases* – Operative date 1 January 2019

## **Note 2: Significant accounting estimates and judgements**

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**

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

During the period the Company reviewed the effective lives applied to a number of items of plant and equipment. During this review several items of plant, property and equipment were identified as being impaired in accordance with AASB 136-*Impairment of Assets*. This resulted in an impairment loss of \$0.58m being recognised.

### **(b) Income tax**

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

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

### **(c) Fair value measurements**

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 4: Fair Value Measurements for the details of the fair value measure key assumptions and inputs.

## Note 2: Significant accounting estimates and judgements (continued)

### (d) Other current assets

Poultry stock fair value is based upon cost amortised over the productive life of the flock, which is between 50 and 60 weeks.

Given the short productive life of the flock, an amortised cost approach has been adopted. The directors consider amortised cost to be a reasonable approximation for fair value of the biological asset at the reporting date.

### (e) 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 consolidated entity 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.

## Note 3: Financial risk management

The consolidated entity is exposed to a variety of financial risks comprising:

- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The consolidated entity holds the following financial instruments:

	2016 \$'000	2015 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	3,438	586
Receivables	8,342	8,525
	11,780	9,111
<b>Financial liabilities</b>		
Payables	11,788	11,204
Borrowings	1,139	5,571
Derivative financial liabilities	-	128
	12,927	16,903

### Note 3: Financial risk management (continued)

#### (a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Forward exchange contracts are entered into in order to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective in entering into the forward exchange contracts is to protect against unfavourable exchange rate movements for both the contracted and anticipated transactions undertaken in foreign currencies. The accounting policy for forward exchange contracts is detailed in Note 1(n).

At balance date, the details of outstanding forward exchange contracts are:

	Buy Euro		Average Exchange Rate	
	2016	2015	2016	2015
	Euro €000	Euro €000	\$	\$
<b>Sell Australian Dollars Settlement</b>				
Less than 6 months	-	255	N/A	0.67
	-	255	N/A	0.67

#### Sensitivity

If foreign exchange rates were to increase/decrease by 10% from rates used to determine fair values of all financial instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2016	2015
	\$'000	\$'000
+/- 10%		
Impact on profit after tax	-	18
Impact on equity	-	18

#### (b) 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 changes in market interest rates.

Interest rate swaps are used to manage the consolidated entity's cash flow interest rate risk. Accounting policy for interest rate swaps is detailed in Note 1(n): Financial Instruments. Disclosure in relation to interest rate swaps used as hedging instruments and hedge accounting is detailed in Note 29: Derivative Financial Instruments.

### Note 3: Financial risk management (continued)

The exposure to interest rate risks in relation to future cash flows and the weighted average effective interest rates on classes of financial assets and financial liabilities is as follows:

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
	\$'000	\$'000	\$'000	%	
<b>2016</b>					
<i>(i) Financial assets</i>					
Cash	3,438	-	3,438	-	Variable
Receivables	-	8,342	8,342	-	
Total financial assets	3,438	8,342	11,780		
<i>(ii) Financial liabilities</i>					
Payables	-	11,788	11,788	-	
Lease liability	1,139	-	1,139	9%	Fixed
Bank loans	-	-	-	4%	Variable
Derivative financial instrument	-	-	-	6%	Fixed
Total financial liabilities	1,139	11,788	12,927		
<b>2015</b>					
<i>(iii) Financial assets</i>					
Cash	586	-	586	-	Variable
Receivables	-	8,525	8,525	-	
Total financial assets	586	8,525	9,111	-	
<i>(iv) Financial liabilities</i>					
Payables	-	11,204	11,204	-	
Lease liabilities	2,571	-	2,571	7%	Fixed
Bank loans	3,000	-	3,000	4%	Variable
Derivative financial instrument	128*	-	128	6%	Fixed
Total financial liabilities	5,699	11,204	16,903		

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

\* The derivative financial instrument is an interest rate swap with a face value of \$6 million. This swap was closed in January 2016.

### Note 3: Financial risk management (continued)

#### Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2016 \$'000	2015 \$'000
+/- 100 basis points		
Impact on profit after tax	-	2
Impact on equity	-	2

#### (c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts.

The consolidated entity does not have any material risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

##### i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

##### ii) Trade receivables

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The aging analysis of trade and other receivables is provided in Note 10(b). As the consolidated entity undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with credit terms.

##### iii) Other financial instruments

The consolidated entity does not have any other material credit risk exposure for other receivables or other financial instruments.



### Note 3: Financial risk management (continued)

#### (d) Liquidity risk

##### Maturity analysis

The tables below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

	<6months	6 – 12 months	1-5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2016</b>					
Cash and cash equivalents	3,438	-	-	3,438	3,438
Receivables	8,342	-	-	8,342	8,342
Payables	(11,788)	-	-	(11,788)	(11,788)
Borrowings	(474)	(468)	(247)	(1,189)	(1,139)
Net maturities	(482)	(468)	(247)	(1,197)	(1,147)
<b>Year ended 30 June 2015</b>					
Cash and cash equivalents	586	-	-	586	586
Receivables	8,525	-	-	8,525	8,525
Payables	(11,204)	-	-	(11,204)	(11,204)
Borrowings	(599)	(600)	(4,974)	(6,173)	(5,571)
Derivative financial instruments	(128)	-	-	(128)	(128)
Net maturities	(2,820)	(600)	(4,974)	(8,394)	(7,792)

The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that at all times it has sufficient liquidity to meet its liabilities. The consolidated entity currently has cash reserves, undrawn bank facilities has reported positive cash flow from operations and is forecasting cash flow positive trading.

#### (e) Fair value compared with carrying amounts

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

#### (f) Working Capital Policy

Management and the Board monitor the consolidated entity'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.

#### (g) Other price risk

The consolidated entity does not currently have any direct exposure to other price risks, whilst exposure to commodity price risk relates to egg, grain and feed stock purchases.

The consolidated entity's main sales product is shell eggs which is a commodity that is subject to market conditions. The consolidated entity manages its exposure to surpluses and shortages of shell egg through appropriate management of its flock assets as well as sourcing from external suppliers.

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

## Note 4: Fair Value Measurements

### (a) Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

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

<b>30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Recurring Fair Value Measurements</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Financial assets</i>				
Hedging instruments	-	-	-	-
Total financial assets	-	-	-	-
<i>Non-financial assets</i>				
Biological assets at fair value less cost to sell	-	-	7,601	7,601
Total non-financial assets	-	-	7,601	7,601
<i>Financial liabilities</i>				
Hedging instruments	-	-	-	-
Total financial liabilities	-	-	-	-
<b>30 June 2015</b>				
<b>Recurring Fair Value Measurements</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Financial assets</i>				
Hedging instruments	-	15	-	15
Total financial assets	-	15	-	15
<i>Non-financial assets</i>				
Biological assets at fair value less cost to sell	-	-	7,059	7,059
Total non-financial assets	-	-	7,059	7,059
<i>Financial liabilities</i>				
Hedging instruments	-	4	-	4
Total financial liabilities	-	4	-	4

#### Note 4: Fair Value Measurements (continued)

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

###### (i) Biological assets

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

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

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

##### (d) Reconciliation of recurring level 3 fair value movements

	Consolidated Entity	
	2016 \$'000	2015 \$'000
Biological assets at fair value less cost to sell		
Opening balance	7,059	7,299
Purchases	10,031	9,690
Amortisation (fair value adjustment)	(9,489)	(9,930)
Closing balance	7,601	7,059

##### (e) Valuation processes used for level 3 fair value measurements

The directors consider the amortised cost of closing flock stock at balance date to be a reasonable approximation for fair value. The capitalised cost of poultry is amortised over the productive life of the flock, which is between 50-60 weeks.

##### (f) Sensitivity analysis for recurring level 3 fair value measurements

At balance date if the amount amortised (fair value adjustment) for the year had varied as illustrated below, post-tax profit and other comprehensive income would have been affected as follows:

+5% variation	332	348
-5% variation	(332)	(348)

## Note 5: Revenue and other income

Consolidated Entity		
	2016 \$'000	2015 \$'000
<b>Revenues and other income from continuing operations</b>		
<i>Sales revenue</i>		
Sale of goods	93,615	91,204
<i>Other income</i>		
Other income	148	137
Profit on sale of property, plant & equipment	2	-
	150	137

## Note 6: Profit from continuing operations

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

		Consolidated Entity	
		2016 \$'000	2015 \$'000
Cost of goods sold			
	Changes in inventories of finished goods and work in process	1,163	286
	Raw materials and consumables used	58,863	60,018
		60,026	60,304
Employee benefits expenses		12,183	12,052
Depreciation of non-current assets			
	Land improvements	25	33
	Buildings	662	428
	Plant & equipment	2,827	2,933
Total depreciation of non-current assets		3,514	3,394
Impairment losses – property, plant and equipment		576	599
Provision for doubtful debts		(150)	-
Foreign exchange translation loss		2	-
Fair value movement in poultry		9,489	9,930
Finance costs expensed – interest expense		413	979
Operating lease rentals		3,492	3,374
Net loss on disposal of property, plant & equipment		-	88

## Note 7: Income Tax

	Consolidated Entity	
	2016 \$'000	2015 \$'000
<b>(a) Components of tax expense:</b>		
Current tax	3,544	2,260
Deferred tax	(104)	(95)
Under/(over) provision in prior years	(82)	-
<b>Income tax expense</b>	<b>3,358</b>	<b>2,165</b>
<b>(b) Numerical reconciliation between income tax expense in the income statement and that calculated</b>		
At the statutory income tax rate of 30% (2015: 30%)	3,445	2,165
Tax effect of amounts which are not deductible in calculating taxable income	(5)	-
Over provision in prior years	(82)	-
<b>Income tax expense</b>	<b>3,358</b>	<b>2,165</b>
<b>(c) Deferred tax assets and liabilities relate to the following:</b>		
Employee benefits	609	572
Provisions and accruals	222	397
Hedge Reserve	-	38
<b>Gross deferred tax assets</b>	<b>831</b>	<b>1,007</b>
Fixed assets	(54)	(295)
Prepayments	-	(2)
<b>Gross deferred tax liabilities</b>	<b>(54)</b>	<b>(297)</b>
<b>Net deferred tax assets</b>	<b>777</b>	<b>710</b>
<b>(d) Movement in current tax liability:</b>		
Balance at beginning of year	2,024	497
Current tax expense	3,544	2,259
Tax paid	(3,365)	(733)
Over provision in prior years	(82)	-
<b>Balance at the end of the year</b>	<b>2,121</b>	<b>2,023</b>
<b>(e) Deferred taxes recognised directly in equity</b>		
Hedge Reserve	(38)	56

### Note 8: Dividends

	Consolidated Entity	
	2016 \$'000	2015 \$'000
(a) Dividends proposed and recognised as a liability	Nil	Nil
(b) Franking credit balance		
Balance of franking account at year end	4,996	1,742

### Note 9: Cash and cash equivalents

Cash at bank	380	586
Short term deposit	3,058	-
	<u>3,438</u>	<u>586</u>

### Note 10: Receivables

Trade receivables	7,904	8,313
Allowance for impairment loss	(50)	(200)
	7,854	8,113
Other receivables	488	412
	8,342	8,525

### (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.

**Note 10: Receivables (continued)****(b) Provision for impairment loss**

Movements in the provision for impairment were:

Opening balance at 1 July

Decrease in provision for impairment of trade receivables

Consolidated Entity	
2016 \$'000	2015 \$'000
200	200
(150)	-
50	200

Trade and other receivables ageing analysis at 30 June is:

	Gross 2016 \$'000	Impairment 2016 \$'000	Gross 2015 \$'000	Impairment 2015 \$'000
Not past due	6,640	-	7,789	-
Past due 31-60 days	1,264	50	360	-
Past due 61-90 days	-	-	164	200
Past due more than 91 days	-	-	-	-
	7,904	50	8,313	200

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.

**Note 11: Inventories**

Raw materials at cost

Finished goods

Total inventories at cost

2,188	2,917
1,234	1,668
3,422	4,585

**Note 12: Other current assets**

Prepayments

303	286
-----	-----



# **Note 13: Biological assets**

	<b>Consolidated Entity</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Poultry	7,601	7,059
<b>(a) Poultry</b>		
Flock stock at cost	17,090	16,989
Less: Accumulated amortisation	(9,489)	(9,930)
	7,601	7,059
Opening flock stock written down value	7,059	7,299
Additions	10,031	9,690
Amortisation	(9,489)	(9,930)
Closing flock stock	7,601	7,059

The directors consider the amortised cost of closing flock stock to be a reasonable approximation for fair value.

The number of birds held by the Company as at 30 June 2016 was 1,492,793 (2015: 1,292,907).

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

**Note 14: Property, plant and equipment**

	<b>Consolidated Entity</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<i>Freehold land and land improvements</i>		
At cost	7,202	6,857
Accumulated depreciation	(487)	(117)
Total freehold land	6,715	6,740
<i>Buildings and building improvements</i>		
At cost	9,147	9,140
Accumulated depreciation	(4,593)	(3,935)
Total buildings & building improvements	4,554	5,205
Total land and buildings	11,269	11,945
<i>Plant and equipment</i>		
At cost	39,938	38,966
Accumulated depreciation	(25,539)	(21,322)
Accumulated impairment losses	(576)	(599)
Total plant and equipment	13,823	17,045
Projects under construction	6,261	35
Total property, plant and equipment		
Cost	62,548	54,998
Total accumulated impairment	(576)	(599)
Total accumulated depreciation	(30,619)	(25,374)
Total written down amount	31,353	29,025

**(a) Assets pledged as security**

### Consolidated Entity

### (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*

Carrying amount at beginning	6,740	6,975
Additions	-	-
Depreciation Expense	(25)	(33)
Impairment	-	(202)
	<u>6.715</u>	<u>6.740</u>

### *Buildings on Freehold Land and Building Improvements*

Carrying amount at beginning	5,205	5,620
Additions	11	13
Depreciation Expense	(662)	(428)
	<u>4,554</u>	<u>5,205</u>

### Plant & equipment

Carrying amount at beginning	17,045	19,579
Additions	183	955
Depreciation expense	(2,827)	(2,933)
Impairment	(576)	(397)
Disposals	(2)	(159)
	<u>13,823</u>	<u>17,045</u>

### Projects under construction

Carrying amount at beginning	35	397
Additions / transfers	6,226	(362)
	<u>6.261</u>	<u>35</u>

## Total Assets

Carrying amount at beginning	29,025	32,571
Additions	6,420	606
Depreciation expense	(3,514)	(3,394)
Impairment	(576)	(599)
Disposals	(2)	(159)
Total	31,353	29,025

**Note 15: Payables**

	<b>Consolidated Entity</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Trade Creditors/other payables and accruals	11,788	11,204

**(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 25.

**Note 16: Borrowings**

CURRENT		
Secured		
Lease liability	895	1,069
Bank loans	-	-
	895	1,069
NON- CURRENT		
Secured		
Lease liability	244	1,502
Bank loans	-	3,000
	244	4,502

**(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 consolidated entity's performance. These covenants are monitored closely by management and the Board.

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

**Note 17: Provisions**

	<b>Consolidated Entity</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>CURRENT</b>		
Employee benefits	1,871	1,766
<b>NON-CURRENT</b>		
Employee benefits	158	142
Aggregate employee benefits liability	2,029	1,908
Balance at beginning of year	1,908	1,790
Additional provisions recognised during the year	239	231
Amounts used	(118)	(113)
Balance at end of year	2,029	1,908

**Note 18: Contributed Equity**

	<b>Consolidated Entity</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>(a) Issued and paid up capital</b>		
55,180,175 (2015 : 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) Share Options**

At 30 June 2016 there were no unissued ordinary shares (2015: Nil).

*Employee Share Option Plan (ESOP)*

Share options are granted to employees of the consolidated entity 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 consolidated entity'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 consolidated entity performance hurdles that are required to be achieved in order for the options to vest other than continued employment with the consolidated entity.

As at 30 June 2016 there are no options on issue (2015: Nil)

### (c) Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

During 2016 no dividends were paid (2015: Nil)

#### Note 19: Reserves and Accumulated Losses

##### Consolidated Entity

	2016 \$'000	2015 \$'000
(a) Cash flow hedge reserve	-	(90)
(b) Retained earnings / (Accumulated loss)	8,581	454

##### (a) Cash flow hedge reserve

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

Balance at beginning of year	(90)	(222)
Revaluation of reserve	90	132
Balance at end of year	-	(90)

##### (b) Retained earnings / (Accumulated losses)

Balance at the beginning of year	454	(4,599)
Net profit attributed to members of Farm Pride Foods Ltd	8,127	5,053
Balance at end of year	8,581	454

**Note 20: Cash Flow Information**

	<b>Consolidated Entity</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>(a) Reconciliation of cash flow from operations with profit after tax:</b>		
Profit from ordinary activities after tax	8,127	5,053
<b>Non-cash items</b>		
Depreciation	3,514	3,394
Impairment	576	599
Flock amortisation	9,489	9,930
Inventory write down	(222)	585
Net gain on foreign exchange	(13)	-
Provision for doubtful debts	(150)	-
Net loss/(profit) on disposal of property, plant and equipment	(2)	88
Non-cash movement on loan	-	26
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	333	(35)
(Increase)/decrease in inventory	1,385	(299)
Increase in biological asset	(10,031)	(9,690)
(Increase)/decrease in other assets	(17)	(157)
Decrease in trade and other creditors	584	(1,811)
Increase in deferred tax asset	3,358	1,526
Increase in employee entitlements	121	118
Increase/(decrease) in current tax liability	(3,365)	(94)
Net cash flow from operating activities	13,687	9,233
<b>(b) Reconciliation of cash</b>		
Cash and cash equivalents	3,438	586
	3,438	586
<b>(c) Overdraft with bank</b>		
Credit facility	1,250	1,250
Amount utilised	-	-
Unused credit facility	1,250	1,250
<b>(d) Loan facilities</b>		
Loan facility	10,000	10,000
Amount utilised	-	(3,000)
Unused loan facility	10,000	7,000

## Note 21: Commitments

### Consolidated Entity

	2016 \$'000	2015 \$'000
Lease expenditure commitments		
(i) <i>Operating leases (non-cancellable)</i>		
Minimum lease payments		
Not later than one year	4,788	4,705
Later than one year and not later than five years	8,219	10,684
Later than five years	6,188	4,422
Aggregate lease expenditure contracted for at reporting date	19,195	19,811
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 or market.		
(ii) <i>Finance leases (manufacturing equipment)</i>		
Future minimum lease payments and the present value of the net minimum lease payments:		
Not later than one year	942	1,199
Later than one year and not later than five years	247	1,584
Later than five years	-	-
Total minimum lease payments	1,189	2,783
Future finance charges	(50)	(212)
Present value of minimum lease payments	1,139	2,571
Current liability	895	1,069
Non-current liability	244	1,502
Total	1,139	2,571
(iii) <i>Flock replacement commitment</i>	1,691	796



**Note 22: Earnings per share**

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

<b>Consolidated Entity</b>	
<b>2016 \$'000</b>	<b>2015 \$'000</b>
Net profit from continuing operations	8,127
	5,053

**Weighted average**

	<b>2016 No. of shares</b>	<b>2015 No. of shares</b>
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 23: Directors' and Executives Compensations***Compensation by category*

	Consolidated Entity	
	2016 \$'000	2015 \$'000
Short-term employment benefits	487	239
Superannuation	36	22
Long-term employment benefits	5	2
	528	263

**Note 24: Controlled Entities**

(a) The consolidated financial statements include the financial statements of Farm Pride Foods Ltd and its controlled entities listed below:

List of companies in the group	Country of incorporation	Percentage owned	
		2016	2015
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 25: Related Party Disclosures****(c) Related party balances included in Receivables/Payables:**

	<b>Consolidated Entity</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Trade debtors	82	566
Trade creditors	(605)	(818)
Net receivable/(payable)	(523)	(252)

**Note 26: Parent Entity Information**

Information relating to Farm Pride Foods Ltd:

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Summarised statement of financial position</b>		
Current assets	23,107	21,032
Total assets	55,236	50,768
Current liabilities	16,237	15,798
Total liabilities	16,600	20,381
<b>Total equity of the Parent comprises of the following:</b>		
Share capital	29,578	29,578
Retained earnings	899	(4,535)
Cash flow hedge reserve	-	(90)
Total shareholder's equity	30,477	24,953
<b>Summarised statement of comprehensive income</b>		
Profit/(loss) of the parent entity	8,159	5,434
Total comprehensive profit/(loss) of the parent entity	8,159	5,434

Farm Pride Foods Ltd as parent has provided security over the loans of its subsidiaries by a fixed and floating charge (see note 16).

## Note 27: Related party Disclosures

### Directors and major shareholders 2015 and 2016

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

Directors and major shareholders 2015/2016	Note	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
			2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	(a)	Purchases	-	-	-	1	-	(1)
Altona Hatchery Pty Ltd (P. Bell)	(a)	Purchases	-	-	1	-	-	-
Specialised Breeders Australia Pty Ltd (P. Bell)	(a)	Purchases	-	-	528	-	(53)	-
Days Eggs Pty Ltd (P. Bell)	(a)	Egg supply / Purchases	561	947	614	493	(41)	195
Hy-line Australia Pty Ltd (P. Bell)	(a)	Purchases / Packaging sales	-	-	3,580	4,274	(488)	(753)
Pure Foods Eggs Pty Ltd (P. Bell)	(a)	Egg sales / Purchases	368	387	192	264	(10)	92
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	(a)	Egg sales / Purchases	1,251	1,445	184	33	69	214
Novo Foods Ltd (P. Bell)	(b)	Marketing	-	-	-	118	-	-

- (a) Messrs. Bell and Ward through their related entities provide birds, eggs and egg products to and acquire eggs, egg product and packaging from Farm Pride Foods Ltd and its controlled entities. These transactions are on normal trading terms and conditions.
- (b) Novo provided marketing services to Farm Pride Foods Ltd. These transactions are on normal trading terms and conditions.

**Note 28: Auditor's remuneration**

	Consolidated Entity	
	2016 \$	2015 \$
Amounts paid and payable to Pitcher Partners		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	144,350	144,350
Taxation services	14,700	14,700
Other assurance related fees		-
	159,050	159,050

**Note 29: Derivative Financial Instruments****Current liabilities**

Interest rate swap contract – cash flow hedge	-	128
-----------------------------------------------	---	-----

Instruments used by the consolidated entity.

**(a) Interest rate swap**

Interest bearing loans of the consolidated entity currently bear an average variable interest rate of 4%. In order to protect against rising interest rates the consolidated entity previously 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.

There are no swaps in place at 30 June 2016. At 30 June 2015 swaps in place covered approximately 22% of the principal outstanding total borrowings and were timed to expire at the expected conclusion date of each loan. The fixed interest rate on the swap was 6%. This swap was closed in January 2016.

At the 30 June 2016 the notional principal amounts and periods of expiry of the interest rate swap contract are as follows:

	Consolidated Entity	
	2016	2015
	\$'000	\$'000
0 – 1 Years	-	6,000
1 - 2 Years	-	-
2 - 3 Years	-	-
	-	6,000

The interest rate swap required settlement of net interest receivable or payable each 30 days. The current settlement dates on which interest is payable on the underlying debt was every 30 days.

The interest rate swap is 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 (2015: \$219,088) when the interest expense is recognised.

**Note 30: Subsequent Events**

There are no matters or circumstances, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- (a) The operations, in financial years subsequent to 30 June 2016, of the consolidated entity, or
- (b) The result of those operations, or
- (c) The state of affairs, in financial years subsequent to 30 June 2016, of the consolidated entity.

**Note 31: Company details**

The registered office of the Company is:

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

## Directors' Declaration

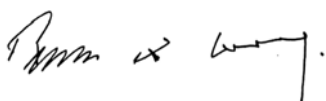
The Directors declare that the financial statements and notes set out on pages 13 to 48 in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standards and the *Corporations Regulation 2001*, and other mandatory professional reporting requirements;
- (b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards and;
- (c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and of its performance for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Farm Pride Foods 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 Chief Executive Officer / Chief Financial Officer to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2016.

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



**Bruce De Lacy**  
Director

**16 August 2016**  
**Melbourne**

**FARM PRIDE FOODS LIMITED**  
**ABN 42 080 590 030**

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

**Report on the Financial Report**

We have audited the accompanying financial report of Farm Pride Foods Limited and controlled entities, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and 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.

*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  
ABN 42 080 590 030

**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 and controlled entities is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2016 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 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 8 to 10 of the directors' report for the year ended 30 June 2016. 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 Limited and controlled entities for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



S SCHONBERG  
Partner

16 August 2016



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 16 August 2016.

### (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	282	154,928
1,001 - 5,000	404	1,133,809
5,001 - 10,000	123	955,812
10,001 - 100,000	148	3,993,104
100,001 +	41	48,942,522

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

144	39,201
-----	--------

### (b) Twenty largest shareholders

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

	Listed ordinary shares held	Percentage of ordinary shares
1 West Coast Eggs Pty Ltd	27,486,302	49.81
2 Glenmon No2 Pty Ltd	2,267,512	4.11
3 Normpat Pty Ltd	2,064,250	3.74
4 Oakmeadow Pty Ltd	2,011,772	3.65
5 J P Morgan Nominees Australia Limited	1,732,067	3.14
6 Markcamp No2 Pty Ltd	1,566,335	2.84
7 Citicorp Nominees Pty Limited	1,543,893	2.80
8 BNP Paribas Noms Pty Ltd	867,485	1.57
9 Nealart No 2 Pty Ltd	818,967	1.48
10 Mrs Leora Shamgar	796,224	1.44
11 Mr Bartlomiej Ryszard Stepień	740,874	1.34
12 Truwind Pty Ltd	653,021	1.18
13 Mr Clinton James Quay	620,762	1.12
14 SSRAY Asset & Co Pty Ltd	609,360	1.10
15 Debuscey Pty Ltd	503,710	0.91
16 A & R Moncreiff Pty Limited	420,000	0.76
17 HSBC Custody Nominees (Australia) Limited	371,088	0.67
18 Stepień Value Investing Pty Ltd	357,000	0.65
19 Mr Tomasso Montalto + Estate Late Mauro Montalto	316,861	0.57
20 Dr Harry Hirschowitz + Mrs Fariba Yeroshalmi	273,318	0.50
	46,020,801	83.40

## **ASX Additional Information (continued)**

### **(c) Substantial shareholders**

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

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

### **(d) Voting rights**

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

### **(e) Unquoted securities**

Nil share options are on issue (2015: Nil).

### **(f) Stock Exchange listing**

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

## **Publically accessible information**

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

[www.farmpride.com.au](http://www.farmpride.com.au)



**Farm Pride Foods Limited** | ABN 42 080 590 030  
551 Chandler Road, Keysborough, Victoria 3173, Australia  
PO Box 141, Noble Park, Victoria 3174, Australia  
Telephone (613) 9798 7077 | Facsimile (613) 9798 6163  
[www.farmpride.com.au](http://www.farmpride.com.au)