Farm Pride Foods Ltd

Annual Report 2013

Farm Pride Foods Limited
ABN 42 080 590 030
and Controlled Entities

Corporate Information

ABN 42 080 590 030

Directors
Zelko Lendich (Managing Director)
Peter Bell (Non-Executive)
Malcolm Ward (Non-Executive)

Company Secretary
Bruce De Lacy

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

Solicitors
B2B Lawyers
76 Jolimont St
East Melbourne, Victoria 3002

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

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

Auditors
Pitcher Partners
Level 19 / 15 William Street
Melbourne, Victoria 3000

Internet Address
www.farmpride.com.au

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Managing Director's Report

Farm Pride Foods Ltd (Farm Pride) is pleased to report a Net Profit after tax result of $0.6m for FY2013 ($0.4 loss for FY2012). Revenue increased by 8.4% to $102.8m and EBITDA increased by 15.2% to $5.9m. This result was achieved in a period characterised by the continued industry wide shift in demand towards free range eggs and consequent pressure on cage egg prices, volatility in feed prices, rising labour and power costs, a high Australian dollar and continued stress felt by many customers in the food manufacturing sector.

The past 12 months have seen Farm Pride complete a number of significant projects critical for its long-term future and profitability including the completion of a new large scale free range farm in Victoria and establishment of a new modern grading floor at Greendale situated less than an hour from Sydney. This will greatly assist the company to meet consumer demand for free range eggs and increase the overall operating efficiency of the business.

Operating cash flow of $3.1m ($2.9m in FY2012) and the completion of the sale of surplus land at Keysborough enabled the company to reduce its borrowings by $1.3m, improve its receivables to payables ratio by in excess of $1.0m and complete the following projects (in addition to those described in the paragraph above) which are also expected to improve financial performance in the coming years:

- Installation of egg washing equipment and upgrade to our grading floor at the company owned farm and operations at Lethbridge, Victoria.
- Significant upgrades to all existing free range farms to meet customer standards.
- Automation projects at both our free range farm located at Greendale, New South Wales and our grading floor at Keysborough, Victoria.
- Construction of new office facilities in the existing grading and products facility at Keysborough, following the sub-division and land sale.

The Company has reduced its total debt by in excess of $6.0m since 30 June 2009 and at the same time restructured its facilities so that it has an exposure of approximately $11m to its senior lender, with approval received to extend its facilities for another 12 months.

Having undertaken the following steps in recent years, the board believes that the Company is well placed to improve its profitability and cash flow and expects to commence the payment of a distribution to shareholders in the next 12 to 18 months:

- Grown our free range production capacity from zero to 40% of our total production capacity, including the development and long term lease of two of the largest and most efficient free range farms in Australia.
- Established three modern, efficient grading floors (two in Victoria and one in NSW), incorporating efficient and cost competitive production capacities.
- Transformed a small unprofitable egg products business into a profitable, modern, efficient, customer focused value added product business.
- Established a carton packaging plant that now produces over 20 million cartons per annum at costs competitive with larger operators both locally and overseas, delivering benefits in added flexibility, lower inventory holdings and quality.

The Board is appreciative of the patience and support of shareholders and will continue to work towards building Farm Pride into a financially strong and successful company.

Zelko Lendich
Managing Director

Director's 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 year ended 30 June 2013 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

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

Darren Lurie	Chairman / Non-executive Director – Appointed 15 December 2010 Chairman of the Board & Chairman of the Audit Committee – Appointed 23 August 2011, Resigned 28 February 2013
Zelko Lendich	Managing Director & Member of Audit Committee – Appointed 6 May 2003
Peter Bell	Non-executive Director – Appointed 30 May 2008
Malcolm Ward	Non-executive Director & Member of Audit Committee – Appointed 30 May 2008

Principal Activities

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

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

Review of operations

The consolidated profit after income tax attributed to the members of Farm Pride Foods Ltd was a profit of $604,000 (2012: loss of $399,000). For further clarification of the review and results of operation of the Company reference should be made to the Managing Director'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

On the 28 August 2013 the Company's bank Westpac, confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2014. A new Business Finance Agreement will be prepared and issued by Westpac in due course.

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

Likely Developments

The Company will continue to pursue its operating strategies to create shareholder value.

Director’s report (continued)

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.

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Directors' report (continued)

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Dividends 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 2012 is provided below, together with details of the company secretary as at the year end.

Darren Lurie
(Chairman /Non-executive Director – Appointed 15 December 2010 and Chairman of the Board appointed 23 August 2011, Chairman of the Audit Committee – Resigned 28 February 2013)

Darren is a founding director of Aquila Corporate Advisory Pty Ltd. Over the past 11 years in this role and as a founding Director of Cullen Capital Pty Ltd he has advised both ASX listed and privately owned businesses in relation to a range of corporate transactions and strategic initiatives.

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

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

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

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

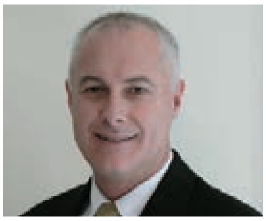
Zelko is currently a Non-executive Director of West Coast Eggs and the Australian Egg Corporation Ltd. He has wide ranging experience in commerce, government and education in Australia and Internationally. Zelko has held senior posts at the University of Western Australia's Management Development Institute, the Western Australian Government, McKinsey & Co and ABB in Sweden, London and Canada.

Whilst with the Western Australian Government, he was the principal advisor to the Minister for Transport and a key economic advisor to the Premier of Western Australia. Zelko has a Bachelor of Economics degree with honours and an MBA from the University of Western Australia.

Directors' report (continued)

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

Peter has been involved in the egg industry for over 45 years and comes from a third generation poultry farming family. He continues to be directly involved in the management and servicing of commercial egg farms. He is also the Managing Director of AAA Egg Company Pty Ltd, a director of West Coast Eggs Pty Ltd, a director of Novo Foods Pty Ltd, a director of Days Eggs Pty Ltd, Pure Foods Eggs Pty Ltd and Hy-Line Australia Pty Ltd as well as being a Director of a number of other egg related businesses.



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

Malcolm has been in the egg industry for over 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 and technology development. He is also a director of Australian United Retailers Limited (NSX: AFO).

Bruce De Lacy
(Company Secretary – Appointed 1 August 2003)

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

Directors meetings

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

	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Darren Lurie	9	9	5	5
Zelko Lendich	13	13	5	5
Malcolm Ward	13	13	5	5
Peter Bell	13	13	5	4

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

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

Proceedings on behalf of the consolidated entity

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

Directors’ interests in contracts

Directors’ interests in contracts are disclosed in Note 27 to the financial statements.

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*.

	2013	**2012**
	$	**$**
Taxation services		
Ernst & Young	-	2,800
Pitcher Partners	14,550	14,000
Other assurance related fees		
Ernst & Young	-	42,200
	14,550	59,000

Remuneration Report (Audited)

The directors present the consolidated entity’s 2013 remuneration report which details the remuneration information for Farm Pride Foods Ltd’s executive directors, non-executive directors and other key management personnel.

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 2013.

For key management personnel the Company provides a remuneration package that includes cash-based remuneration and may include share-based remuneration. The contracts for service between the Company and KMP 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.

Directors' Report (continued)

Bonuses are payable at the discretion of the Board of Directors, there are no set performance hurdles. No resolution was made during the year for the payment of any discretionary bonus.

Non-executive directors receive fees and do not receive options or bonus payments.

The employment conditions of the Managing Director, Mr Lendich, are formalised in a contract of employment. Mr Lendich is employed under a fixed five year contract, which commenced on 1 July 2010 and expires on the 1 July 2015.

The Company may terminate the contract in writing with 18 months' notice whilst within the first three years and six months of the contract, thereafter the remainder of the term. Mr Lendich may terminate his employment in writing with six months' notice.

Non-executive directors receive fees and do not receive options or bonus payments. In accordance with Article 13.2 of the Company Constitution the aggregate amount payable as non- executive director's fees shall not exceed $250,000 per annum.

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

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

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

Directors' Report (continued)
(a) Directors' remuneration:

	Short Term Benefits			Long Term Benefits	Post employment				
	Salary & Fees	**Performance Based Payment**	**Non-cash Benefits**	**Long Service Leave**	**Super**	**Retirement Benefits**	**Options**	**Performance Based**	**Total**
2013	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**$**
Darren Lurie *	33,333	-	-	-	-	-	-	-	33,333
Zelko Lendich	300,000	-	-	-	-	-	-	-	300,000
Peter Bell	23,000	-	-	-	2,070	-	-	-	25,070
Malcolm Ward	23,000	-	-	-	2,070	-	-	-	25,070
Total	379,333	-	-	-	4,140	-	-	-	383,473
2012	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**$**
Darren Lurie	25,070	-	-	-	-	-	-	-	25,070
Zelko Lendich	300,000	-	-	-	-	-	-	-	300,000
Peter Bell	23,000	-	-	-	2,070	-	-	-	25,070
Malcolm Ward	23,000	-	-	-	2,070	-	-	-	25,070
Total	371,070	-	-	-	4,140	-	-	-	375,210

There were no executives, besides executive directors.

*Resigned as director 28 February 2013.

Directors' Report (continued)

Employee Share Option Plan (ESOP)

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

No options were granted during the year ended 30 June 2013 to directors or key management personnel.

This is the end of the audited remuneration report.

Remuneration report at the 2012 Annual General Meeting (AGM)

The 2012 remuneration report received positive shareholder support at the 2012 AGM with a vote of 81% in favour.

Rounding of Amounts

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

Signed in accordance with a resolution of the Directors.

Zelko Lendich
Managing Director
30th August 2013

Corporate Governance Statement

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

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

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

Board Charter

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

Role of the Board

The role of the Board is to direct management with the view to optimising Company performance and to increase shareholder wealth. The responsibility for the operation and administration of the Group is delegated by the Board to the Managing Director.

The Board fulfils this role by exercising the following responsibilities:

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

Other functions reserved to the Board include:

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

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

Composition of the Board

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

However the Board recognises that all directors, whether independent or not, should bring an independent judgement to bear on Board decisions together with a mix of skills and diversity which is complementary to the overall operation of the Board.

Corporate Governance Statement (continued)

To add value to the Company, the Board of Farm Pride Foods Ltd has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties in the best interests of the Company as a whole. Up until the end of February 2013, the Board consisted of one executive and three non-executive directors. Mr Darren Lurie, one of the three non-executive directors, resigned on the 28 February 2013. Mr Darren Lurie was also the Chairman of the Board. The Board are in the process of finding a replacement for Mr Lurie.

Directors of Farm Pride Foods Ltd are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interferes with, the exercise of their unfettered and independent judgement.

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

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

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

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

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

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

Performance

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

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

Directors Rights

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

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

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

Conflict of Interest and Related Party Transactions

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

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

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

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

Related Party Transactions

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

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

Related party for this process means:

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

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

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

Guidelines for dealing in securities by directors and employees

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

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

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

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

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

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

Nomination Committee

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

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

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

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

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

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

Diversity

The Company has developed a Diversity Policy which deals with matters including but not limited to gender, age, ethnicity, religion and cultural background. A software package was purchased and commissioned in 2012 with the assistance of an independent third party software supplier to assist the Company with the collection and collation of diversity issues such as gender participation in the workplace to facilitate the review and measurement of diversity objectives.

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

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

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

Safeguard Integrity in Financial Reporting

External Audit

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

Audit Committee

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

The Audit committee normally consists of three members. The members at the date of this report are Messrs. Zelko Lendich and Malcolm Ward. Mr Darren Lurie was previously the Chairman of the Audit Committee. He resigned in February 2013. The Board is in the process of looking for a new director to replace Mr Lurie. Given the size and structure of the Company the Audit Committee:

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

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

Responsibilities of the Audit Committee include:

- reporting to the Board on all relevant matters within its charter, and formally tabling minutes of the intervening committee meetings;
- liaison with the external auditor to ensure that the annual and half yearly statutory audits are conducted in an effective manner;
- reviewing the integrity of the Company's financial statements before submission to the Board and recommends their approval;
- monitoring the procedures in place to ensure compliance with the Corporations Law, Stock Exchange Listing Rules and any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and Australian Stock Exchange;
- review of internal controls and risk management recommending enhancements;
- reviewing significant transactions which are not part of the Company's business and contracts, arrangements and undertakings that may involve related parties;
- monitoring the establishment of appropriate ethical standards;
- to select and recommend the appointment of the Auditor and rotation of the audit partner, via a tender process. After 5 years, the lead partner of the external auditor must rotate off the Farm Pride Foods Ltd audit team;
- Assessment of the performance and independence of the external auditor.

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

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

Financial Report Accountability

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

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

Remuneration Committee

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

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

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

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

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

Shareholder Communication Policy

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

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

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

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

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

A copy of information provided to the ASX is also provided on the Company's website.

The Rights of Shareholders

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

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

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

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

Corporate Governance Statement (continued)

Business Risk Management

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

- Board committees;
- Detailed and regular budgetary and financial management reporting;
- Established organisational structure;
- Procedures and policies;
- Audit;
- Insurance evaluations;
- The retention of specialised staff and external advisors.
- A code of ethics and
- Managing Director and Chief Financial Officer sign off on the Company's financial reporting risks and associated controls.

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

Ethical Standards and Code of Conduct

The Company maintains a Policy of Ethical Standards and a Board Governance Code of Conduct setting out for employees and Directors what standards of conduct are expected of them.

All Farm Pride Foods Ltd employees and Directors are expected to act with the highest possible standard of ethics and personal integrity when carrying out their duties.

The policy deals with matters including:

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

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

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

Publicly accessible information

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

www.farmpride.com.au

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of Farm Pride Foods Limited.

In relation to the independent audit for the year ended 30 June 2013, 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.

S SCHONBERG
Partner
30 August 2013

PITCHER PARTNERS
Melbourne

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Revenue			
Sales revenue	3	100,980	93,435
Other revenue	3	1,808	1,392
		102,788	94,827
Less Expenses			
Changes in inventories of finished goods and work in progress	4	(891)	930
Raw materials and consumables used	4	(75,907)	(71,697)
Employee benefits expense	4	(13,776)	(12,886)
Depreciation and amortisation expenses	4	(3,180)	(3,439)
Finance costs	4	(1,960)	(2,106)
Other expenses		(6,286)	(6,028)
Profit/(loss) before income tax		788	(399)
Income tax (expense)/income tax benefit	5	(184)	-
Net Profit /(loss) from continuing operations		604	(399)
Net Profit / (loss) for the year		604	(399)
Other Comprehensive Income / (loss)			
Cash flow hedge reserve – gain/(loss)	21	176	(428)
Income tax on items of other comprehensive income		(53)	203
Other comprehensive profit/(loss) for the period, net of income tax		123	(225)
Total comprehensive profit /(loss) for the period		727	(624)
Basic earnings per share (cents)	8	1.09	(0.72)
Diluted earnings per share (cents)	8	1.09	(0.72)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
As at 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	-	1,022
Receivables	10	11,332	9,919
Inventories	11	5,640	6,531
Biological assets	12	7,116	7,614
Other current assets	13	145	459
		24,233	25,545
Non-current assets classified as held for sale	14	-	910
Total current assets		24,233	26,455
Non-current assets			
Deferred tax assets	5	591	828
Property, plant and equipment	16	34,974	32,788
Total non-current assets		35,565	33,616
TOTAL ASSETS		59,798	60,071
LIABILITIES			
Current liabilities			
Payables	17	17,626	17,252
Borrowings	18	13,280	11,243
Provisions	19	1,449	1,414
Derivative financial liabilities	21	503	679
Total current liabilities		32,858	30,588
Non-current liabilities			
Borrowings	18	4,275	7,600
Provisions	19	208	153
Total non-current liabilities		4,483	7,753
TOTAL LIABILITIES		37,341	38,341
NET ASSETS		22,457	21,730
EQUITY			
Contributed capital	22	29,578	29,578
Share option reserve	24	-	26
Cash flow hedge reserve	24	(353)	(476)
Accumulated losses	24	(6,768)	(7,398)
		22,457	21,730

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2013

	Contributed Equity $'000	Accumulated loss $'000	Cash Flow Hedge Reserve $'000	Share Option Reserve $'000	Total $'000
Balance as at 1 July 2011	29,578	(7,037)	(251)	64	22,354
Loss for the period	-	(399)	-	-	(399)
Other comprehensive loss	-	-	(225)	-	(225)
Total comprehensive loss	-	(399)	(225)	-	(624)
Transactions with owners in their capacity as owners:					
Employee options	-	38	-	(38)	-
Balance as at 30 June 2012	29,578	(7,398)	(476)	26	21,730
Balance at 1 July 2012	29,578	(7,398)	(476)	26	21,730
Profit for the period	-	604	-	-	604
Other comprehensive loss	-	-	123	-	123
Total comprehensive loss	-	604	123	-	727
Transactions with owners in their capacity as owners:					
Employee options	-	26	-	(26)	-
Balance as at 30 June 2013	29,578	(6,768)	(353)	-	22,457

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Cash flow from operating activities			
Receipts from customers		100,768	94,459
Payments to suppliers and employees		(95,719)	(89,439)
Finance costs		(1,938)	(2,106)
Net cash flow provided by operating activities	26 (a)	3,111	2,914
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,547	1,037
Payments for property, plant and equipment		(2,324)	(1,455)
Net cash provided by / (used) in investing activities		223	(418)
Cash flows from financing activities			
Proceeds from borrowings		692	259
Repayment of borrowings		(3,250)	(1,625)
Repayment of finance leases		(1,823)	(1,446)
Net cash used in financing activities		(4,381)	(2,812)
Net decrease in cash and cash equivalents		(1,047)	(316)
Cash and cash equivalents at beginning of the year		(172)	144
Cash and cash equivalents at end of the year	26(b)	(1,219)	(172)

The accompanying notes form part of these financial statements

Notes to and forming part of the Financial Statements

Note 1: Summary of significant accounting policies

(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. 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.

Critical accounting estimates

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

(b) 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 has the power to control the financial and operating policies so as to obtain benefits from its activities.

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 de-recognised from the date that control ceases.

(c) Revenue

Revenue from the sale of goods is recognised when there has been a transfer of 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 presented in the statement of comprehensive income net of rebates and discounts provided to customers.

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

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

Note 1: Summary of Significant Accounting Policies (continued)

(d) 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.

(e) 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 costs basis which approximates cost. The standard costs basis is reviewed by management and adjusted to reflect current conditions, where necessary.

(f) 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 fixed assets 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 asset are:

	2013	**2012**
Freehold land	Not depreciated	Not depreciated
Freehold land improvements	Up to 40 years	Up to 40 Years
Buildings and building improvements	Up to 40 years	Up to 40 years
Plant and equipment	1 to 20 years	1 to 20 years

(g) 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.

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.

Note 1: Summary of Significant Accounting Policies (continued)

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.

(h) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired.

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

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

Deferred tax assets are recognised for deductable 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 legislation

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.

(j) 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 be result and that outflow can be reliably measured.

(k) Employee benefits

(i) Short term employee benefit

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the 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.

Note 1: Summary of Significant Accounting Policies (continued)

(ii) Long term employee benefit obligations

The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

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.

(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.

(l) Borrowing costs

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

(m) 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.

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.

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.

Hedge accounting

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

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 the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Note 1: Summary of Significant Accounting Policies (continued)

(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.

(n) Foreign currencies

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.

Translation of Foreign Currency Transactions

Transactions in foreign currencies of entities within the consolidated group 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 re-statement are recognised as revenues and expenses for the financial year.

Entities that have a functional currency different to the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

(o) Goods and services tax (GST)

Revenues, expenses and 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.

(p) Biological Assets

Biological assets comprise of flocks of hens and are valued at fair value. The capitalised cost of poultry is amortised over the productive life of the flock, which is approximately 60 weeks. The poultry flock is held for the purposes of producing eggs.

The written down value of poultry is deemed to approximate fair value.

(q) Comparatives

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

Note 1: Summary of Significant Accounting Policies (continued)

(r) Rounding Amounts

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

(s) Accounting standards and interpretations Issued but not Operative at 30 June 2013

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

(i) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9 and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure (effective from 1 January 2015)

AASB 9 *Financial Instruments* improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard could change the classification and measurement of financial assets.

(ii) AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities, revised* AASB 127 *Separate Financial Statements and* AASB 128 *Investments in Associates and Joint Ventures and* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective reporting periods beginning on or after 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements,* and Interpretation 12 *Consolidation – Special Purpose Entities*. The standard fundamentally changes the way control is defined for the purpose of identifying those entities to be included in the consolidated financial statements. It focuses on the need to have power over the investee, rights or exposure to variable returns and ability to use the power to affect the amount of its returns. Returns must vary and can be positive, negative or both. There is also new guidance on substantive rights versus protective rights and on agent versus principal relationships. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the accounting for consolidation.

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

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

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

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

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

(t) Going concern

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

The company has generated a net profit from continuing operations for the year ended 30 June 2013 of $0.604m (2012: loss of $0.399m) and as of that date current liabilities exceeded current assets by $8.625m (2012: current liabilities exceeded current assets by $4.133m) due to certain borrowing facilities becoming due within the next 12 months. As noted below, these borrowing facilities have subsequently been extended until 30 September 2014 which has rectified this deficiency. The company achieved positive earnings before interest, tax, depreciation and amortisation (EBITDA) of $5.928m (2012: $5.142m).

On the 28 August 2013 the Company's bank, Westpac, confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2014. A new Business Finance Agreement will be prepared and issued by Westpac in due course.

(u) Share based payment transactions

Equity settled transactions

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

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

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.

Note 1: Summary of Significant Accounting Policies (continued)

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

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

No share options were granted on the period ended 30 June 2013 (2012: Nil).

(v) Earnings per share

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

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

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

(w) Non-current assets held for sale

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

(x) Operating segments

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

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

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

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

Note 1: Summary of Significant Accounting Policies (continued)

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

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

Types of products
The Group sells eggs and associated egg products in Australia.

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

Note 2: Critical 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.

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

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

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

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

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

Note 3: Revenue

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000
Revenues from continuing operations		
Sales revenue		
Sale of goods	100,980	93,435
Other revenue		
Other income	163	543
Foreign exchange gain	113	87
Profit on sale of property, plant & equipment	1,532	762
	1,808	1,392

Note 4: Profit from continuing operations

	2013 $'000	2012 $'000
Cost of goods sold		
Changes in inventories of finished goods and work in process	891	(930)
Raw materials and consumables used	75,907	71,697
	76,798	70,767
Employee benefits	13,776	12,886
Depreciation of non-current assets		
Land improvements	34	31
Buildings	430	452
Plant & equipment	2,716	2,956
Total depreciation of non-current assets	3,180	3,439
Provision for doubtful debts	158	(438)
Amortisation of poultry	9,458	10,264
Finance costs expensed – interest expense	1,960	2,106
Operating lease rentals	3,092	2,859

Note 5: Income Tax

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000
(a) Components of tax expense/(benefit):		
Current tax	-	-
Deferred tax	(184)	-
Under/(over) provision in prior years	-	-
Income tax expense / (benefit)	(184)	-
(b) Numerical reconciliation between income tax expense in the income statement and that calculated		
At the statutory income tax rate of 30% (2012: 30%)	236	(120)
Tax effect of amounts which are not deductible in calculating taxable income	5	120
Deferred tax assets not previously bought to account	(57)	
Income tax benefit	184	-
(c) Deferred tax assets and liabilities relate to the following:		
Employee benefits	521	494
Provisions and accruals	111	97
Capital raising costs	-	8
Tax loss adjustments	147	344
Hedge Reserve	150	203
Gross deferred tax assets	929	1,146
Fixed assets	(333)	(318)
Prepayments	(5)	
Gross deferred tax liabilities	(338)	(318)
Net deferred tax assets	591	828
(d) Movement in current tax (assets)/liability:		
Balance at beginning of year	-	-
Current tax expense	-	-
Tax payments	-	-
Balance at the end of the year	-	-
(e) Deferred taxes recognised directly in equity		
Hedge Reserve	150	203

Note 5: Income Tax (continued)

(f) Tax losses not bought to account

A deferred tax asset of approximately $408,000 on tax losses for the consolidated entity is potentially available for recoupment at 30 June 2014. Future tax benefits attributable to tax losses carried forward have not been brought to account at 30 June 2013, because the Directors do not believe that it is appropriate to regard the realisation of the future income tax benefits as probable.

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

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

Note 6: Dividends

	Consolidated Entity	
	2013 $'000	**2012 $'000**
(a) Dividends proposed and recognised as a liability	Nil	Nil
(b) Franking credit balance		
Balance of franking account at year end.	1,009	1,009

Note 7: Auditor's remuneration

	Consolidated Entity	
	2013 $	**2012 $**
Amounts received or due and receivable by for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity		
Pitcher Partners	138,500	134,000
Taxation services		
Ernst & Young	-	2,800
Pitcher Partners	14,550	14,000
Other assurance related fees		
Pitcher Partners	8,500	12,000
Ernst & Young	-	42,200
	161,550	205,000

Note 8: Earnings per share

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

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Net profit / (loss) from continuing operations	604	(399)

Weighted average

	2013 No. of shares	**2012 No. of shares**
Weighted average number of ordinary shares used in calculating basic loss/earnings per share	55,180,175	55,180,175
Weighted average number of shares used to calculate diluted earnings per share	55,180,175	55,180,175

Note 9: Cash and cash equivalents

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Short term deposit	-	1,022

Note 10: Receivables

	Consolidated Entity 2013 $	Consolidated Entity 2012 $
Trade receivables	10,916	9,481
Impairment loss	(185)	(27)
	10,731	9,454
Other receivables	601	465
	11,332	9,919

(a) Terms and conditions

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

(b) Allowance for impairment loss

Opening provision for doubtful debts	27	465
Increase / (Decrease) in provision for impairment of trade receivables	158	(438)
	185	27

The ageing analysis of trade receivables is as follows:

	Total	0 – 90 days	0 – 90 days (PDNI)*	0 – 90 days (CI)*	+ 90 days (PDNI)*	+90 days (CI)*
2013 Consolidated	10,916	10,435	64	-	232	185
2012 Consolidated	9,481	9,426	-	-	28	27

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

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

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

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

Note 11: Inventories

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000
Raw materials at cost	3,664	3,753
Finished goods	1,976	2,778
Total inventories at lower of cost and net realisable value	5,640	6,531

Note 12: Biological assets

	Note	2013	2012
Poultry	12(a)	7,116	7,614

(a) Poultry

Flock stock at cost	16,574	17,878
Less: Accumulated amortisation	(9,458)	(10,264)
	7,116	7,614
Opening flock stock written down value	7,614	8,169
Additions	8,960	9,709
Amortisation	(9,458)	(10,264)
Closing flock stock	7,116	7,614

The written down value of closing flock stock approximates fair value.

The number of hens held by the Company as at 30 June 2013 was 1,245,502 (2012: 1,402,183)

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

Note 13: Other current assets

Prepayments	145	459

Note 14: Non-current assets classified as held for sale

Land held for sale at cost	-	910

Note 15: Controlled Entities

(a) List of companies in the group	Country of incorporation	Percentage owned	
		2013	2012
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 16: Property, plant and equipment

	Consolidated Entity	
	2013 $'000	2012 $'000
Freehold land and land improvements		
At cost	7,187	7,102
Accumulated depreciation	(185)	(151)
Total freehold land	7,002	6,951
Buildings and building improvements		
At cost	9,116	7,616
Accumulated depreciation	(3,054)	(2,716)
Total buildings & building improvements	6,062	4,900
Total land and buildings	13,064	11,851
Plant and equipment		
At cost	40,977	36,798
Accumulated depreciation	(19,279)	(17,313)
Total plant and equipment	21,698	19,485
Projects under construction	212	1,452
Total property, plant and equipment		
Cost	57,492	52,968
Total accumulated depreciation	(22,518)	(20,180)
Total written down amount	34,974	32,788

Note 16: Property, plant and equipment (continued)

(a) Assets pledged as security

Included in the balances of freehold land and buildings and plant and equipment are assets over which first mortgages have been granted as security over bank loans (see note 18). The terms of the first mortgage preclude the assets from being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

	Consolidated Entity	
	2013 $'000	**2012 $'000**
(b) Reconciliations		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
Freehold Land and Land Improvements		
Carrying amount at beginning	6,951	7,758
Additions	73	19
Transfer	12	(628)
Depreciation Expense	(34)	(31)
Disposal	-	(167)
	7,002	6,951
Buildings on Freehold Land and Building Improvements		
Carrying amount at beginning	4,900	5,622
Additions	1,102	12
Transfer	490	(282)
Depreciation Expense	(430)	(452)
Disposals	-	-
	6,062	4,900
Plant & equipment		
Carrying amount at beginning	19,485	20,386
Additions	4,051	2,095
Transfers	1,054	-
Depreciation expense	(2,716)	(2,956)
Disposals	(176)	(40)
	21,698	19,485
Projects under construction		
Carrying amount at beginning	1,452	1,037
Additions	132	415
Transfer	(1,372)	-
	212	1,452
Total Assets		
Carrying amount at beginning	32,788	34,803
Additions	5,358	2,541
Transfer	184	(910)
Depreciation expense	(3,180)	(3,439)
Disposals	(176)	(207)
Total	34,974	32,788

Note 17: Payables

	Consolidated 2013 $'000	2012 $'000
Trade Creditors/other payables and accruals	17,626	17,252

(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 27.

Note 18: Borrowings

CURRENT		
Secured		
Lease liability	1,780	1,540
Bank loans	10,000	8,250
Related party loan	281	259
Bank overdraft	1,219	1,194
	13,280	11,243
NON- CURRENT		
Secured		
Bank loans	-	5,000
Lease liability	4,275	2,600
	4,275	7,600

(a) Details of assets pledged as security

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

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

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

(b) On 28 August 2012 the Company's bank, Westpac confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2014. A new Business Finance Agreement will be prepared and issued by Westpac in due course.

Note 19: Provisions

CURRENT		
Employee benefits	1,449	1,414
NON- CURRENT		
Employee benefits	208	153
Aggregate employee benefit liability	1,657	1,567

Note 20: Financial risk management objectives and policies

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

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

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

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

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

(a) Interest rate risk

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

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

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Financial assets:		
Cash and cash equivalents	-	-
Term deposit	-	1,022
Financial liabilities:		
Bank overdraft	(1,219)	(1,194)
Related party loan	(281)	(259)
Variable rate lease liabilities	(256)	(297)
Variable rate bank bills	(10,000)	(8,250)
	(11,756)	(10,000)
Net exposure	(11,756)	(8,978)

Interest rate swap contracts are outlined in Note 21.

The Group manages its finance cost using a mix of fixed and variable rate debt. The Group's policy is to maintain a portion of its borrowings at fixed rates as determined by Management from time to time, carrying these borrowings at amortised cost. To manage debt in a cost-efficient manner, the Group has entered in an interest rate swap in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. This swap is designated to hedge underlying debt obligations.

At 30 June 2013, after taking into account the effect of interest rate swaps, approximately 79% of the Groups borrowings are at a fixed rate of interest (2012: 91%). The Group will continue to analyse its interest rate exposure. Within this analysis consideration is given to alternative financing, alternative hedging options and the mix of fixed and variable interest rates.

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

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

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

	Post tax profit Higher / (Lower)		Other comprehensive income Higher / (lower)	
Judgements of reasonable possible movements	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Consolidated Entity				
+1% (100 basis points)	(118)	(90)	-	-
-1% (100 basis points)	118	90	-	-

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

(b) Foreign currency risk

During the year the Company purchased capital equipment denominated in Euros. Foreign currency risk is managed by using a mix of forward currency contracts and forward purchase of funds held in a Euro denominated bank account to manage currency exposures on the purchase of capital equipment and related lease repayments denominated in Euros.

As at 30 June 2013, the Group had the following exposure to foreign currency:

	Consolidated Entity	
	2013 $'000	2012 $'000
Financial liabilities denominated in foreign currency:		
Lease liabilities (EUR)	(52)	(372)
Net exposure	(52)	(372)

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

At 30 June 2013, had the Australian Dollar moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit Higher / (Lower)		Other Comprehensive Income Higher / (Lower)	
Judgements of reasonable possible movements	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Consolidated Entity				
AUD/EUR +5%	3	19	-	-
AUD/EUR -10%	(5)	(37)	-	-

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

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

(c) Credit risk

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

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

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

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

(d) Liquidity risk

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

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

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

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

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

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

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

Liquidity risk analysis

	2013 $'000				2012 $'000			
	< = 6 months	6 – 12 months	1 - 5 years	Total	<= 6 months	6 – 12 months	1 - 5 years	Total
Consolidated Entity								
(i) Financial assets								
Cash and cash equivalents	-	-	-	-	1,022	-	-	1,022
Trade and other receivables	11,332	-	-	11,332	9,919	-	-	9,919
	11,332	-	-	11,332	10,941	-	-	10,941
(ii) Financial liabilities								
Bank overdraft	(1,219)	-	-	(1,219)	(1,194)	-	-	(1,194)
Trade and other payables	(17,626)	-	-	(17,626)	(17,252)	-	-	(17,252)
Bank loans	(10,252)	-	-	(10,252)	(5,750)	(2,500)	(5,285)	(13,535)
Related party loan	(284)	-	-	(284)	-	(13)	(260)	(273)
Interest bearing leases	(1,254)	(1,124)	(4,651)	(7,029)	(1,066)	(783)	(3,029)	(4,878)
	(30,635)	(1,124)	(4,651)	(36,410)	(25,262)	(3,296)	(8,574)	(37,132)
Net maturity	(19,303)	(1,124)	(4,651)	(25,078)	(14,321)	(3,296)	(8,574)	(26,191)

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

(e) Working Capital Policy

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

(f) Price risk

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

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

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

Note 21: Derivative Financial Instruments

	Consolidated Entity	
	2013	**2012**
	$'000	**$'000**
Current liabilities		
Interest rate swap contract – cash flow hedge	503	679

Instruments used by the group

(a) Interest rate swap

Interest bearing loans of the Group currently bear an average variable interest rate of 10.8%. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

Swaps in place cover approximately 46% (2012: 48%) of the principal outstanding total borrowings and are timed to expire at the expected conclusion date of each loan. The fixed interest rate is 6%.

At the 30 June 2013 the notional principal amounts and periods of expiry of the interest rate swap contract are as follows:

	2013	**2012**
	$'000	**$'000**
0 - 1 Years	1,000	1,000
1 - 2 Years	1,000	1,000
2 - 3 Years	6,000	1,000
3 - 4 Years	-	6,000
4 - 5 Years	-	-
	8,000	9,000

Note 21: Derivative Financial Instruments (continued)

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

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 (2013: $227,055 and 2012: $139,244) when the interest expense is recognised.

Note 22: Contributed Equity

	Consolidated Entity	
	2013 $'000	**2012 $'000**
(a) Issued and paid up capital		
55,180,175 (2012 : 55,180,175) Ordinary shares fully paid	29,578	29,578
Each share is entitled to 1 vote per share.		
	29,578	29,578
(b) Movements in value of shares on issue		
Beginning of the financial year	29,758	29,578
Shares issued during the year	-	-
	29,578	29,578
(c) Movements in number of shares on issue	**2013 No. of shares**	**2012 No. of shares**
Beginning of the financial year	55,180,175	55,180,175
Shares issued during the year	-	-
End of the financial year	55,180,175	55,180,175

(d) Share Options

At 30 June 2013 there were nil (2012: 240,000) unissued ordinary shares for which options were outstanding detailed as follows:

	Grant Date	Date of expiry	Number	Exercise Date	Exercise Price	Expired, forfeited or exercised	Closing balance
Gerry Vullings	01/07/2007	01/07/2012	120,000	-	$0.50	(120,000)	-
Ian Savenake	01/07/2007	01/07/2012	120,000	-	$0.50	(120,000)	-
TOTAL			240,000			(240,000)	-

Note 22: Contributed Equity (continued)

(e) Share Options (continued)

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

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

	30 June 2013	30 June 2012
Opening Balance	240,000	540,000
Granted during the year	-	-
Exercised during the year	-	-
Lapsed/expired during the year	(240,000)	(300,000)
Closing Balance	-	240,000
Exercisable at year end	-	-
Weighted average contractual life remaining	-	-
Weighted average fair value of options granted during the year (*None granted in 2013*)	-	-

(f) 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 2013 no dividends where paid (2012: Nil)

Note 23: Parent Entity Information

Information relating to Farm Pride Foods Ltd:	2013 $'000	2012 $'000
Summarised statement of financial position of the parent entity at year end		
Current assets	29,015	26,544
Total assets	64,580	61,268
Current liabilities	32,650	29,626
Total liabilities	37,062	37,961
Total equity of the Parent comprises of the following:		
Share capital	29,578	29,578
Retained earnings	(5,276)	(6,999)
Share Option Reserve	-	26
Cash flow hedge reserve	(353)	(476)
Total shareholder's equity	23,949	22,129
Summarised statement of comprehensive income		
Profit/(loss) of the parent entity	3,569	1,178
Total comprehensive profit/(loss) of the parent entity	3,692	953

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

Note 24: Reserves and Accumulated loss

	Consolidated Entity	
	2013 $'000	2012 $'000
(a) Share option reserve	-	26
(b) Cash flow hedge reserve	(353)	(476)
(c) Accumulated loss	(6,768)	(7,398)

(a) Share option reserve

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

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

Note 24: Reserves and Accumulated loss (continued)

	Consolidated Entity	
	2013 $'000	**2012 $'000**
(b) Cash flow hedge reserve		
Balance at beginning of year	(476)	(251)
Revaluation of reserve	123	(225)
Balance at end of year	(353)	(476)
(c) Accumulated losses		
Balance at the beginning of year	(7,398)	(7,037)
Expired Employee share options	26	38
Net loss attributed to members of Farm Pride Foods Ltd	604	(399)
Balance at end of year	(6,768)	(7,398)

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

Note 25: Capital and Leasing Commitments

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Lease expenditure commitments		
(i) Operating leases (non-cancellable)		
Minimum lease payments		
Not later than one year	4,358	4,155
Later than one year and not later than five years	13,763	15,293
Later than five years	7,714	9,967
Aggregate lease expenditure contracted for at reporting date	25,835	29,415

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.

	2013 $'000	2012 $'000
(ii) Finance leases (manufacturing equipment)		
Future minimum lease payments and the present value of the net minimum lease payments:		
Not later than one year	2,020	1,849
Later than one year and not later than five years	4,902	3,029
Later than five years	-	-
Total minimum lease payments	6,922	4,878
Future finance charges	(867)	(738)
Present value of minimum lease payments	6,055	4,140
Current liability	1,780	1,540
Non-current liability	4,275	2,600
Total	6,055	4,140
Capital expenditure commitments		
(iii) Capital expenditure commitments contracted for :		
Plant and equipment purchases	-	-
Payable		
Not later than one year	-	-
Lather than one year not later than five years	-	-
Later than five years	-	-
(iv) Flock replacement commitment	1,253	1,527

Note 26: Cash Flow Information

	Consolidated Entity	
	2013 $'000	2012 $'000
(a) Reconciliation of the net profit after tax to the net cash flows from operations:		
Operating loss after tax	604	(399)
Non-cash items		
Depreciation	3,180	3,439
Flock amortisation	9,458	10,264
Inventory write down	(288)	(135)
Net gain on foreign exchange	(33)	(73)
Provision for doubtful debts	158	(438)
Profit on sale of non- current assets	(1,600)	(762)
Non-cash movement on loan	22	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(1,571)	2
(Increase)/decrease in inventory	1,179	(795)
(Increase) in biological asset	(8,960)	(9,709)
Increase / (decrease) in other assets	314	(298)
Increase/(decrease) in trade and other creditors	374	1,871
Increase/(decrease) in deferred tax assets	184	-
Increase/(decrease) in provisions	90	(53)
Net cash flow from operating activities	3,111	2,914

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

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

	2013 $'000	2012 $'000
(b) Reconciliation of cash at end of period		
Cash and cash equivalents	-	1,022
Bank overdraft	(1,219)	(1,194)
	(1,219)	(172)
(c) Overdraft with bank		
Credit facility	1,250	1,250
Amount utilised	1,219	1,194
Unused credit facility	31	56
(d) Loan facilities		
Loan facility	11,500	14,750
Amount utilised	10,281	13,509
Unused loan facility	1,219	1,241

Note 27: Related Party Disclosures

(a) Directors and major shareholders 2013 and 2012

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

Directors and major shareholders 2012/2013	Note	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
			2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	(a)(e)	Loan/ Purchases	-	-	-	20	(281)	(277)
Altona Hatchery Pty Ltd (P. Bell)	(a)	Purchases	-	-	-	2	(6)	(6)
Days Eggs Pty Ltd (P. Bell)	(a)	Egg supply	488	-	268	215	152	(22)
Hy-line Australia Pty Ltd (P. Bell)	(a)	Purchases / Packaging sales	-	-	4,815	5,527	(1,036)	(1,099)
Southern Eggs Pty Ltd (P. Bell / M. Ward)	(a)	Egg sales / Purchases	1,086	3,653	-	-	-	(1)
Pure Foods Eggs Pty Ltd (P. Bell)	(a)	Egg sales / Purchases	580	33	183	183	31	(17)
West Coast Eggs Pty Ltd (P. Bell / M. Ward / Z. Lendich)	(a)	Egg sales / Purchases	6,290	2,019	444	28	(890)	(923)
Cullen Capital Pty Ltd (D. Lurie)	(d)	Director / Consulting	-	-	-	23	-	(2)
Aquila Corporate Advisory Pty Ltd (D. Lurie)	(d)	Director	-	-	41	5	(34)	(5)
Novo Foods Ltd (P. Bell / Z. Lendich)	(b)	Marketing	-	-	-	5	-	(1)
Hensman Nominees Pty Ltd (Z Lendich)	(c)	Director / Consulting	-	-	300	300	(218)	(93)
Hensman Nominees Pty Ltd (Z Lendich)	(c)	Expense Reimbursement	-	-	142	125	(42)	(13)

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

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

(c) Mr. Zelko Lendich who is a director of Farm Pride Foods Ltd is also a director of Novo Foods Ltd, West Coast Eggs Pty Ltd and Hensman Nominees Pty Ltd.

Note 27: Related Party Disclosures (continued)

(d) Mr. Darren Lurie who is a director of Farm Pride Foods Ltd is also a director of Cullen Capital and Aquila Corporate Advisory Pty Ltd.

(e) AAA Egg Company Pty Ltd have provided a cash advance facility on normal terms of $1.5m for a period of 2 years until 26 August 2013. As at 30 June 2013 the advance had been drawn down to $250,000 and interest of $31,000 has been accrued for the year. The advance is repayable at the end of its term.

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

	Consolidated Entity 2013 $'000	2012 $'000
Trade debtors	625	90
Borrowings	(281)	(259)
Trade creditors	(2,949)	(2,290)
Net receivable/(payable)	(2,605)	(2,459)

(c) Directors' shareholding

2013

	Balance 01/07/2012	Received as remuneration	Options exercised	Other Off market purchases	Balance 30/06/2013
Zelko Lendich (Managing Director)	2,803,000	-	-	-	2,803,000
Malcolm Ward (Director)	1,981,122	-	-	-	1,981,122
Peter Bell (Director)	2,405,269	-	-	8,000	2,413,269
Darren Lurie (Director)	200,000	-	-	-	200,000
	7,389,391	-	-	8,000	7,397,391

2012

	Balance 01/07/2011	Received as remuneration	Options exercised	Other Off market purchases	Balance 30/06/2012
Zelko Lendich (Managing Director)	1,224,000	-	-	1,579,000	2,803,000
Malcolm Ward (Director)	1,235,122	-	-	746,000	1,981,122
Peter Bell (Director)	405,269	-	-	2,000,000	2,405,269
Darren Lurie (Director)	-	-	-	200,000	200,000
	2,864,391	-	-	4,525,000	7,389,391

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 25,830,902 shares held by West Coast Eggs Pty Ltd (2012: 25,830,902 shares).

Mr. Darren Lurie has an indirect interest in 85,938 shares held by Cullen Capital Pty Ltd. Darren resigned as a director of the company 28 February 2013.

Note 28: Subsequent Events

On the 28 August 2013 the Company's bank Westpac, confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2014. A new Business Finance Agreement will be prepared and issued by Westpac in due course.

There are no other matters or circumstances, which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

(a) The operations, in financial years subsequent to 30 June 2013, of the consolidated entity, or
(b) The result of those operations, or
(c) The state of affairs, in financial years subsequent to 30 June 2013, of the consolidated entity.

Note 29: 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 24 to 55 in accordance with the Corporations Act 2001:

(a) Comply with 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 2013 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 Managing Director and Chief Financial Officer to the Directors in accordance with other mandatory professional reporting requirements and sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2013.

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

Zelko Lendich
Managing Director
30 August 2013
Melbourne

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

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

We have audited the accompanying financial report of Farm Pride Foods Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in 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 27 975 255 196
AND CONTROLLED ENTITIES

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Farm Pride Foods Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 8 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation fo 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.

S SCHONBERG
Partner

30 August 2013

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 27 August 2013.

(a) Distribution of equity security

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

	No. of shareholders	**No. of shares**
1 - 1,000	91	40,139
1,001 - 5,000	112	344,275
5,001 - 10,000	56	437,247
10,001 - 100,000	105	3,662,869
100,001 +	51	50,695,645
The number of shareholders holding less than a marketable parcel of shares are:	55	10,005

(b) Twenty largest shareholders

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

		Listed ordinary shares held	**Percentage of ordinary shares**
1	West Coast Eggs Pty Ltd	25,830,902	46.81
2	Glenmon Pty Ltd	2,870,453	5.20
3	Markcamp Pty Ltd	2,568,942	4.66
4	Normpat Pty Ltd	2,013,600	3.65
5	Oakmeadow Pty Ltd	1,961,122	3.55
6	GO Drew Pty Ltd	1,637,793	2.97
7	Mr. Zelko Lendich & Mrs. Susan Janine Lendich	1,457,000	2.64
8	Hensman Nominees Pty Ltd	1,346,000	2.44
9	Jadig Superannuation Pty Ltd	1,000,000	1.81
10	ANZ Trustees Limited	799,146	1.45
11	Lippo Securities Nominees (BVI) Ltd	750,000	1.36
12	Mr. Gerald Francis Pauley & Mr. Michael James Pauley	626,042	1.13
13	Mr. Clinton James Quay	490,600	0.89
14	A & R Moncrieff Pty Limited	420,000	0.76
15	Mrs. Trisha Marie Verran	399,669	0.72
16	Mrs. Barbara Hirschowitz	358,695	0.65
17	Mr. Theo Versteden & Mrs. Maureen Helen Versteden	341,051	0.62
18	Nearlart Pty Ltd	333,333	0.60
19	Mr. George Scaunich	323,694	0.59
20	Mr. Tomasso Montalto & Mr. Mauro Montalto	316,861	0.57
		45,844,903	**83.08**

ASX Additional Information (continued)

(c) Substantial shareholders

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

	No. held	Percentage of ordinary shares
West Coast Eggs Pty Ltd	25,830,902	46.81
Glenmon Pty Ltd	2,870,453	5.20

(d) Voting rights

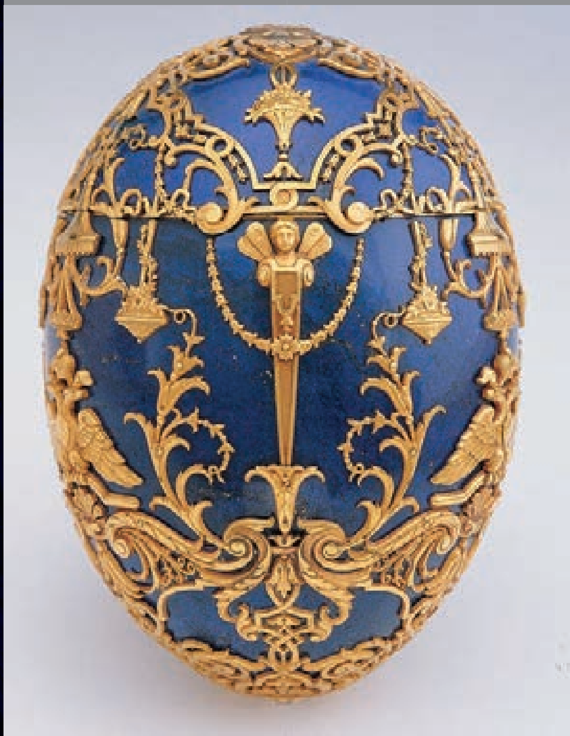
The voting rights are set out in Article Number 10 of the Company's Articles of Association. In summary, voting by or on behalf of members at a meeting shall be by show of hands or upon poll exercised by one vote for each fully paid ordinary share held or proportionate to the amount paid on each partly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

(e) Unquoted securities

Nil share options are on issue (2012: 240,000).

(f) Stock Exchange listing

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



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