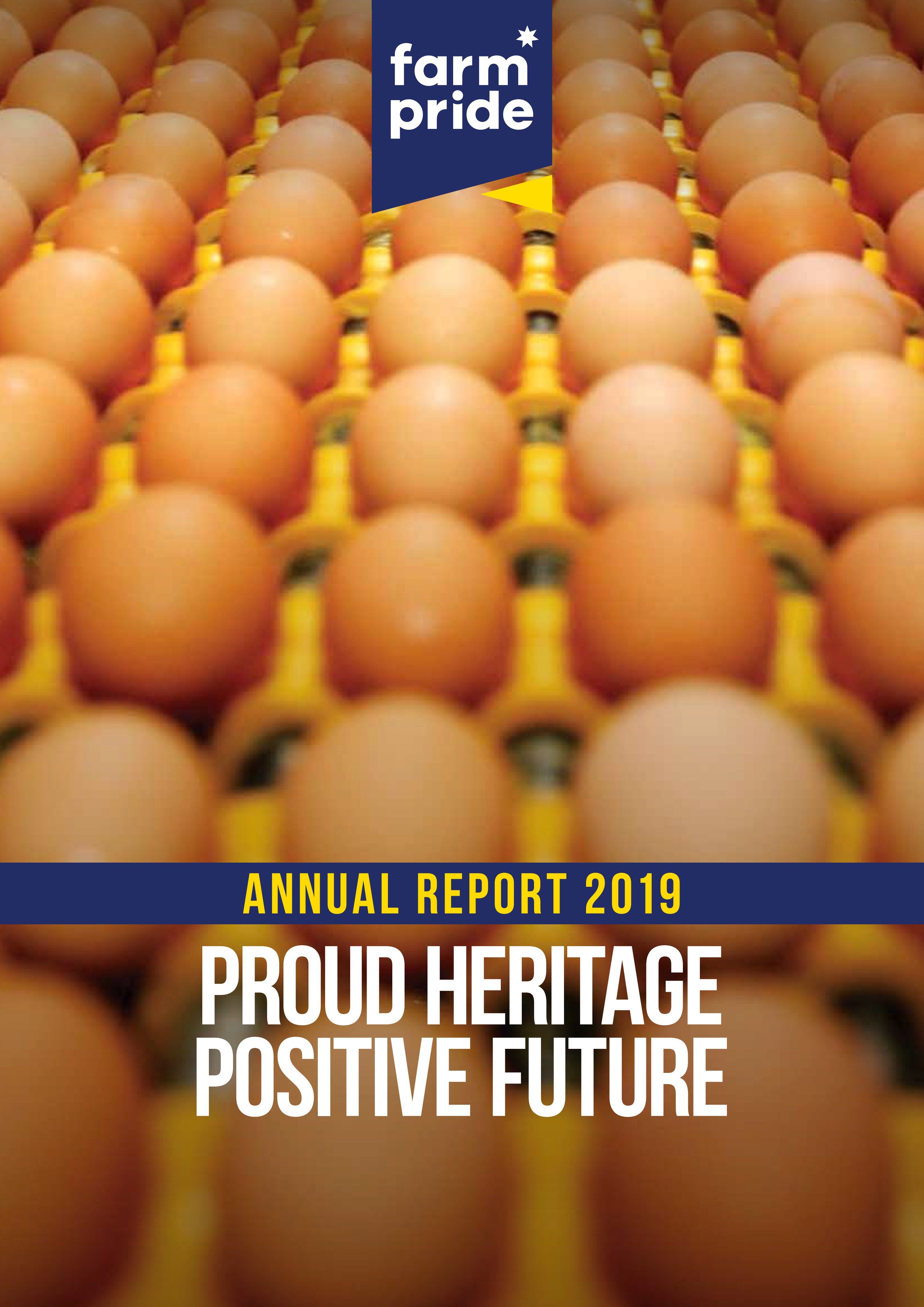

farm pride

ANNUAL REPORT 2019

PROUD HERITAGE POSITIVE FUTURE

Corporate Information

Farm Pride Foods Ltd.
ABN 42 080 590 030

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

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

Company Secretary
Bruce De Lacy

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

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

Bankers
Westpac Banking Corporation
Level 7, 150 Collins Street
Melbourne, Vic 3000

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

ASX: FRM

Auditors
Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000

Internet Address
www.farmpride.com.au

TABLE OF CONTENTS

Chairman's Report

The Company's net revenue increased by 0.6% to $86.641m (2018: $86.116m).

Loss after tax was $3.858m (2018: $0.503m profit). Underlying EBITDA of $1.092m was down from $5.386m in 2018.

These results are reflective of the increased national egg supply and high wheat prices throughout the year and reductions in contracted shell egg volume supplied to key retailers impacting our operating margins.

The increase in borrowings at 30 June 2019 to $14.667m (2018: $12.023m) was applied to the purchase of capital plant and equipment associated with factory and farm upgrades.

Net cash used in investing activities totalled $4.242m in 2019 (2018: $20.040m).

Inventory levels have reduced by approximately 30% from the same time last year, a reflection on the shift from egg over-supply to under-supply which occurred in March 2019. The under-supply cycle has been exacerbated with recent Salmonella outbreak issues affecting the industry and the corresponding withdrawal of additional egg capacity from the national market which was not expected.

As our results show, it has been a difficult year. The national increase in egg production that continued up until March led to a surplus of egg with downward pressure on price and profitability. This downward cycle over the last twelve months is typical of what is seen in many agricultural industries and it is normally followed by a period of recovery which has now started.

The early recovery phase is being thwarted in some part by the persistence of drought and an uncertain outlook for the new wheat crop and with the back drop of global agricultural uncertainty. While wheat prices have dropped from historical highs over the course of the year, prices still remain relatively unfavourable.

Currently, national egg inventory is extremely low. While this has meant some improvement in wholesale prices for egg, the cost to purchase egg as a raw material for our value-added activities has increased because this is also in short supply.

The company's view is that these supply conditions will continue through the first half of the new-year's trading. The company is seeking price adjustments for its produce wherever possible and has implemented various operational initiatives to improve productivity and efficiency to buttress the business against these variable market conditions.

Under new management's direction, the business has undertaken a review of operations and trading and has developed a detailed plan to align operations with the market outlook and our business objectives. A three-part plan over three years known as 'Managing for Value', includes a sustained period of renewal and directed investment with our farm assets being a key focus for these initiatives. Our plan emphasises the importance of our people and our farms providing the necessary capacity, quality and efficiency to support sustainable growth and development over the next three years and beyond. The business has successfully recovered volumes previously reduced by some customers in the first half of FY19 and has also increased business with others. These new sales will gather momentum through the first half of the new-year's trading. Management has invested in new systems, processes and people to provide the necessary capacity and capability to drive the three-year plan and to deliver sustainable growth and profitability in the future.

The business continues to invest in developing its cage free offer, and to this end, is engaging new contract farms and will also add new company operated farm capacity in the new-year. Farm and flock capacity increases will be in line with new business awarded to Farm Pride and to remain ahead of the supermarkets' timetable to convert from cage to cage free eggs over coming years.

The business is continuing to align egg supply with our market focus and our objectives are to increase profitable share of shell egg, primarily in supermarkets, and to drive the growth and business share of our value-added product business. These value-added products are sold to industrial users and significant foodservice customers. Management has continued to exit low profit business as part of this new market alignment. Innovation and new product development are key for future growth to allow the company to advance our eggs as a raw material base for new product formats and to enter new sales channels as part of our three-year plan.

Efficiency, productivity and profitable business are the key tenets of our plan moving forward and management continue to implement programs designed to maximise productivity and contribution from all our assets company wide. Farm Pride has significant purchasing power and management are also investing in additional capability to enhance procurement. This is another area where we will drive additional value for the business.

Investment in our staff is also seen as a fundamental principle for improved performance. The business is developing its talent pool through targeted recruitment, staff performance and retention programs. Together with the development of 'best practice' policies and procedures, these programs will enable our business to project a positive and value driven culture. The establishment of key performance indicators across all functional areas of the business, both targeted and cascaded, and aligning with the over-arching company objectives is a key part of this 'value' journey.

In summary, trading conditions will remain fluid for at least the first half of the new-year. The directors have reviewed management's plan and key assumptions are already being realised. The directors are confident the business can implement its plans over the next twelve months and we remain cautiously optimistic that this should provide a solid result in FY20.

Whilst we are optimistic, we acknowledge the nature of the industry within which we operate. We are involved in the agricultural production and manufacture of egg and egg products and their distribution around Australia. As we have seen in the egg industry more recently, all of this activity is subject to operational risks such as drought, increased feed costs, flock disease and hen welfare concerns. The transition to non-cage egg requirements by our customers is also a challenge given the current margins and the potential timeline and capital required to satisfy that demand.

Our approach to managing these inherent risks and challenges is consistent with our Company risk management framework. The new management team has increased the focus on how we manage these risks throughout the business both operationally and strategically to ensure the ongoing success of our business.

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

PJBell

Peter Bell
Chairman
Farm Pride Foods Ltd

29 August 2019

The Directors present their report together with the financial report of the consolidated entity consisting of Farm Pride Foods Limited ('the Company') and the entities it controlled ('Farm Pride Foods', the 'consolidated entity or the 'Group'), for the financial year ended 30 June 2019 and auditor's report thereon.

Directors

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

Peter Bell	Non-executive Director, Chair
Malcolm Ward	Non-executive Director
Bruce De Lacy	Non-executive Director

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

Principal activities

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

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

Review of operations and financial results

Statutory consolidated net profit after tax attributable to the members of Farm Pride Foods ("Statutory Profit") for the year ended 30 June 2019 was a loss of $3.858 million (2018: $0.503 million profit). Underlying earnings before interest, tax, depreciation and amortisation ("Underlying EBITDA") was $1.092 million (2018: $5.386 million).

Underlying EBITDA represents statutory earnings before interest, tax, depreciation and amortisation adjusted for items that are material to revenue or expense that are unrelated to the underlying performance of the business ('significant items'). Farm Pride believes that presenting Underlying EBITDA provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods. The results are presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

The following table reconciles the Statutory Profit to Underlying EBITDA for the year ended 30 June 2019:

	30 June 2019 $'000	**30 June 2018 $'000**
Statutory (loss) / profit	(3,858)	503
Add back:		
- Interest (finance costs)	738	331
- Income tax (benefit) / expense	(1,466)	355
- Depreciation	4,136	3,762
EBITDA	(450)	4,951
Significant items:		
Impairment expense	1,542	-
Transaction costs on Darling Downs acquisition	-	435
Underlying EBITDA	1,092	5,386

Operating and financial review (continued)

For further discussion of the review and results of operations of the Group reference should be made to the Chairman's Report dated 29 August 2019.

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, other than as disclosed in this report.

Subsequent events

On 31 May 2019, the Group commenced a competitive process to refinance with an alternative lender with a view to transfer out of the facility with our current lenders. The process was completed successfully and a new finance agreement has been signed with a new lender effective16 August 2019**.** The total facility is $23.5 million comprising of Tranche A $15 million to be drawn-down in full and Tranche B of $8.5 million to be drawn down as required to meet the needs of the business. Tranche B includes a $3.5 million limit exclusively for capitalised interest, if any. The term of the facility is three years with first drawdown to be executed by 31 August 2019.

There are no other matters or circumstances which have arisen since 30 June 2019 that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

Likely developments

Refer to the Chairman's Report on page 2 for information on likely developments and future prospects of the Group.

Environmental regulation

The consolidated entity's 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.

Dividend paid, recommended and declared

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

Share options

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

Information on directors and company secretary

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

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

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

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

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

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

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

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

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

Directors' meetings

	Board of Directors		**Audit Committee**	
	Eligible to attend	Attended	Eligible to attend	Attended
Peter Bell	15	14	3	7*
Malcolm Ward	15	15	8	8
Bruce De Lacy	15	15	5	8*

* Messrs. Bell and De Lacy attended some meetings by invitation.

Information on directors and company secretary (continued)

Directors' interests in shares

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

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

Indemnification and Insurance of directors and officers

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

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

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

Auditor's independence declaration

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

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-audit services

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

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

	2019 $	2018 $
Taxation services	12,000	12,000
Debt advisory services	100,000	-
	112,000	12,000

Remuneration Report (Audited)

The directors present the consolidated entity's 2019 remuneration report which details the remuneration information for Farm Pride Foods' key management personnel ('KMP') in accordance with the *Corporations Act 2001* and its Regulations ('Remuneration Report'). The Remuneration Report has been audited by Farm Pride Foods' external auditors, Ernst & Young.

(a) Key management personnel

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

Name	Position	Term as KMP
Non-Executive Directors		
Peter Bell	Non-executive Chairman	Full financial year
Malcolm Ward	Non-executive Director	Full financial year
Bruce De Lacy[1]	Non-executive Director, Company secretary	Full financial year
Senior Executives		
Daryl Bird	Group Chief Executive Officer	Appointed 1 December 2018
Geeta Kulkarni	Group Chief Financial Officer	Appointed 5 February 2019

[1]Bruce De Lacy was the Chief Executive Officer, Chief Financial Officer and Executive Director to 30 November 2018. He resigned as Chief Executive Officer and Chief Financial Officer on 30 November 2018 and remained a Non-executive Director and Company Secretary from this date.

(b) Remuneration policy

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

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

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

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

Remuneration Report (continued)

(c) Use of Remuneration Consultants

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

During the year ended 30 June 2019, the Group did not engage external remuneration consultants.

(d) Non-Executive Director Remuneration

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

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

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

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

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

The remuneration of non-executive directors for the year ended 30 June 2019 is detailed in the table titled KMP Remuneration on page 10 (the 'Remuneration Table').

(e) Executive Director Remuneration

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

Remuneration Report (continued)

(f) Executive Remuneration

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

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

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

- Fixed remuneration
- Variable remuneration.

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

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

Fixed Remuneration

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

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

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

Variable remuneration

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

Remuneration Report (continued)

Structure

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

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

Remuneration Report (continued)

(g) KMP remuneration

		Short Term Benefits			Long Term Benefits	Post-Employment		
		Salary and fees	**Performance Based Payment**	**Non-cash Benefits**	**Long Service Leave**	**Superannuation**	**Performance Based**	**Total remuneration**
		$	**$**	**$**	**$**	**$**	**%**	**$**
Peter Bell	**2019**	45,662	-	-	-	4,338	-	50,000
Non-executive director	2018	45,662	-	-	-	4,420	-	50,082
Malcolm Ward	**2019**	45,662	-	-	-	4,338	-	50,000
Non-executive director	2018	45,662	-	-	-	4,420	-	50,082
Bruce De Lacy [1]	**2019**	280,744	-	3,149	-	11,730	-	295,623
Non-executive director	2018	334,571	95,545	3,826	7,158	20,049	21%	461,149
Daryl Bird [2]	**2019**	208,370	-	-	-	14,214	-	222,584
Chief Executive Officer	2018	-	-	-	-	-	-	-
Geeta Kulkarni [3]	**2019**	72,102	-	-	-	6,303	-	78,405
Chief Financial Officer	2018	-	-	-	-	-	-	-
Total	2019	652,540	-	3,149	-	40,923	-	696,612
Total	2018	425,895	95,545	3,826	7,158	28,889	17%	561,313

[1] Bruce De Lacy was Chief Executive Officer, Chief Financial Officer and Executive Director for the full year in FY18 and up until 30 November 2018 in FY19. From 30 November 2018 he has been a Non-executive Director.
[2] Appointed as Chief Executive Officer on 1 December 2018
[3] Appointed as Chief Financial Officer on 5 February 2019

Remuneration Report (continued)

(h) Shareholdings of KMP

	Balance 1 July 2018	Received as remuneration	Options exercised	Other On market purchases/ (sales)	Balance 30 June 2019
Peter Bell	2,314,250	-	-	-	2,314,250
Malcolm Ward	2,031,772	-	-	-	2,031,772
Bruce De Lacy	195,502	-	-	-	195,502
	4,541,524	-	-	-	4,541,524

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 27,486,302 shares held by West Coast Eggs Pty Ltd (2018: 27,486,302 shares) and the 1,000 shares held by Southern Egg Pty Ltd (2018: 1,000).

(i) Other transactions with KMP

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

Director related entities[1]	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	Purchases	-	-	9	46	(1)	(2)
Specialised Breeders Australia Pty Ltd (P. Bell)	Purchases	-	234	332	643	1	(43)
Days Eggs Pty Ltd (P. Bell)	Egg supply / Purchases	158	180	87	365	18	(2)
Hy-line Australia Pty Ltd (P. Bell)	Purchases / Packaging sales	-	-	3,230	3,486	(437)	(402)
Pure Foods Eggs Pty Ltd (P. Bell)	Egg sales / Purchases	23	30	90	296	8	(10)
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	Egg sales / Purchases	877	1,116	909	245	127	366
Lohmann Layers Australia Pty Ltd (P. Bell)	Purchases	-	-	136	162	-	-

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

Remuneration Report (continued)

(j) Service Agreements

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

Chief Executive Officer, Chief Financial Officer and Company Secretary
Bruce De Lacy was the Chief Executive Officer and Chief Financial Officer of the Company to 30 November 2018. Bruce was employed under a standard employment contract with no defined length of tenure. Under the terms of his employment contract:

- Bruce had to resign from his position by providing the Group with four weeks written notice
- If the Group had to terminate this agreement it was required to provide four weeks written notice or payment in lieu of the notice period, or the unexpired part of any notice period, based on Bruce's total remuneration
- The Group could have terminated at any time without notice if serious misconduct occurred

Details of Bruce De Lacy's salary are detailed in the Remuneration Table.

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

- Daryl may resign from his position by providing the Group with three months written notice,
- The Group may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period, or the unexpired part of any notice period,
- The Group may terminate at any time without notice if serious misconduct has occurred,
- Daryl's total remuneration includes $20,000 car allowance per annum,
- For the financial year ending 30 June 2019, Daryl participated in the Group's bonus scheme with a maximum entitlement of $54,000 which is subject to the Group achieving its results,
- For the financial years commencing 1 July 2019 onwards, Daryl will participate in the Group's Short-Term Incentive and Long-Term Incentive programs.

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

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

- Geeta may resign from her position by providing the Group with three months written notice
- The Group may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period, or the unexpired part of any notice period,
- The Group may terminate at any time without notice if serious misconduct has occurred
- Geeta will receive a performance review at the completion of the initial financial year and based on agreed KPI's will be assessed on this initial performance period, and may receive an increase of $2,500 in her remuneration package.
- For the financial years commencing 1 July 2019 onwards, Geeta participates in the Group's Short-Term Incentive program and is entitled to a performance bonus of up to 15% of the cash salary at the time of payment of the bonus.

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

(k) Revenue and Other Income

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

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Revenue	86,641	86,116	97,778	93,765	91,341
Net (loss)/profit before tax	(5,324)	858	12,232	11,485	7,218
Net (loss)/profit after tax	(3,858)	503	8,481	8,127	5,053
Share price at end of year in dollars	0.21	0.88	1.16	2.45	0.30
Basic (loss)/earnings cents per share	(6.99)	0.91	15.37	14.73	9.16
Diluted (loss)/earnings cents per share	(6.99)	0.91	15.37	14.73	9.16

This is the end of the audited remuneration report.

Rounding of amounts

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

Signed in accordance with a resolution of the Directors.

Director
29 August 2019

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Building a better working world

Auditor's Independence Declaration to the Directors of Farm Pride Foods Limited

As lead auditor for the audit of the financial report of Farm Pride Foods Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

BJ Pollock
Partner
29 August 2019

	Notes	2019 $'000	2018 $'000
Revenue and other income			
Revenue from contracts with customers	4	86,357	85,577
Interest revenue and other income	4	284	539
		86,641	86,116
Less: Expenses			
Changes in inventories of finished goods and work in progress	5	(2,061)	2,347
Raw materials and consumables used	5	(62,640)	(62,816)
Employee benefits expense	5	(13,989)	(13,780)
Depreciation	5	(4,136)	(3,762)
Impairment or property, plant & equipment	5	(1,542)	-
Finance costs	5	(738)	(331)
Other expenses		(6,859)	(6,916)
(Loss)/Profit before income tax		(5,324)	858
Income tax benefit / (expense)	6	1,466	(355)
(Loss)/Profit from continuing operations		(3,858)	503
(Loss)/Profit for the year		(3,858)	503
Total comprehensive (loss) / income for the period		(3,858)	503
Basic (loss)/earnings per share (cents per share)		(6.99)	0.91
Diluted (loss)/earnings per share (cents per share)		(6.99)	0.91

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

	Notes	2019 $'000	2018 $'000
Current Assets			
Cash and short-term deposits		185	7
Trade and other receivables	8	8,203	8,355
Inventories	9	4,858	6,919
Biological assets	10	8,688	8,565
Current tax receivable		-	805
Other current assets	11	406	1,359
Total current assets		22,340	26,010
Non-current assets			
Biological assets	10	399	416
Deferred tax assets	6	2,350	884
Property, plant and equipment	12	45,213	46,649
Total non-current assets		47,962	47,949
TOTAL ASSETS		70,302	73,959
Current liabilities			
Trade and other payables	13	10,211	12,626
Borrowings	14	14,624	1,970
Provisions	16	1,938	1,937
Total current liabilities		26,773	16,533
Non-current liabilities			
Borrowings	14	43	10,053
Provisions	16	201	230
Total non-current liabilities		244	10,283
TOTAL LIABILITIES		27,017	26,816
NET ASSETS		43,285	47,143
EQUITY			
Contributed equity	17	29,578	29,578
Retained earnings		13,707	17,565
		43,285	47,143

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

	Contributed equity	Retained earnings	Total
	$'000	$'000	$'000
Balance as at 1 July 2018	29,578	17,565	47,143
(Loss)/Profit for the year	-	(3,858)	(3,858)
Other comprehensive income	-	-	-
Total comprehensive income	-	(3,858)	(3,858)
Balance as at 30 June 2019	29,578	13,707	43,285
Balance as at 1 July 2017	29,578	17,062	46,640
Profit for the year		503	503
Other comprehensive income	-	-	-
Total comprehensive income	-	503	503
Balance as at 30 June 2018	29,578	17,565	47,143

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

	Notes	2019 $'000	2018 $'000
Cash flow from operating activities			
Receipts from customers		86,776	87,276
Payments to suppliers and employees		(85,032)	(84,140)
Finance costs paid		(738)	(331)
Income tax received/(paid)		805	(2,343)
Interest received		1	43
Net cash provided by operating activities	19	1,812	505
Cash flow from investing activities			
Payment for property, plant and equipment		(4,242)	(13,424)
Payment for business combination		-	(6,616)
Net cash used in investing activities		(4,242)	(20,040)
Cash flow from financing activities			
Proceeds/(repayments) from borrowings		3,500	10,000
Repayment of finance leases		(35)	(322)
Net cash provided by financing activities		3,465	9,678
Net (decrease)/increase in cash and cash equivalents		1,035	(9,857)
Cash and cash equivalents at beginning of the year		(1,819)	8,038
Cash and cash equivalents at end of the year	19	(784)	(1,819)

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

Note 1: Summary of significant accounting policies

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

(a) Basis of preparation of the financial report

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

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

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

The financial report was authorised for issue by the directors as at 29 August 2019.

Compliance with International Financial Reporting Standards (IFRS)

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

Significant accounting estimates

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

(b) Going concern

During the year ended 30 June 2019 the Group incurred a net loss after tax of $3.86 million (2018: profit $0.50 million). Net cash inflow from operating activities was $1.81 million (2018: $0.50 million). As at 30 June 2019 current liabilities of $26.77 million exceed current assets of $22.34 million by $4.43 million. This is due to the existing finance facility at 30 June 2019 being reclassified as current following our notification dated 13 February 2019, to Westpac on intention to refinance. Refer to the Funding facilities note below that covers long term borrowing secured in August 2019.

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

To continue as a going concern the Group requires:

- Generation of sufficient funds from its operating activities; and
- Successful completion and settlement of the new financing agreement.

<u>Cash flows from operating activities</u>
The generation of sufficient funds from operating activities is dependent upon the successful execution of the operational and financial initiatives described in the 'Review of operations' section of the Directors' Report and on feed prices (particularly wheat as a key component of feed cost) reducing from current drought affected levels in line with the Group's forecasts.

Note 1: Summary of Significant Accounting Policies (continued)

The Group continues to actively manage its cash flows through management of debtors and creditors within strict terms and the reduction of certain trade rebates. The Group is increasing internal controls and governance. This includes targeted capital expenditure to improve asset life, quality and safety with a view to support the Group's focus on developing its caged-free capacity and product operations.

Funding facilities
The Group's financing facilities at 30 June 2019 comprised a $2.5 million bank overdraft and $16.0 million multi-option loan facility (the "Facilities"). On 31 May 2019, the Group commenced a competitive refinancing review with a view to exit its current lending facility with Westpac Banking Corporation. The refinancing process was completed successfully and a new finance agreement has been signed effective 16 August 2019**.** The total facility is $23.5 million comprising Tranche A $15 million to be drawdown in full and Tranche B of $8.5 million to be drawn down to meet the needs of the business. Tranche B includes $3.5 million limit exclusively for capitalised interest, if any. The term of the facility is for three years with first drawdown to be undertaken by 31 August 2019.

The Group will continue as a going concern and focus on meeting the reporting and other commitments under the new finance agreement. The Directors and management believe the new lending facilities will necessarily support the business in coming years as it seeks to execute its growth and development plans.

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

(c) Changes in accounting policies and disclosures

The Group applied, for the first time, certain standards and amendments which are effective for from 1 July 2018.The nature and the impact of each new standard and/or amendment is described below:

(i) AASB 15 Revenue from contracts with customers

The Group applied AASB 15 *Revenue from Contracts with Customers* ('AASB 15') for the first time from 1 July 2018 in accordance with the modified retrospective transitional approach. The Group assessed the impact of the new standard by analysing its customer contracts in each of the Group's revenue streams described in Note 4, having regard to the requirements of AASB 15 comparing the Group's accounting policies and practices for accounting for the rights and obligations identified in those contracts and identify potential differences. Based on this analysis, there is no material impact on the recognition and measurement of revenue and contract costs on the adoption of AASB 15 at 1 July 2018.

AASB 15 does however require the Group to include in the financial statements certain additional information in respect of the Group's revenue streams. The Group's activities relate to the production, processing and manufacturing of egg and egg products for sale.

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

Variable consideration
Some contracts for the sale of products provide customers with rebates and promotional discounts which give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method based on forecast, timing of settlement and/or volumes

Note 1: Summary of Significant Accounting Policies (continued)

and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently

(i) AASB 15 Revenue from contracts with customers (continued)

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

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

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

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

(ii) AASB 9 Financial Instruments

The Group has applied AASB 9 retrospectively from 1 July 2018 with no changes in comparatives. The only impact of the new standard on the Group relates to application of the forward-looking 'expected credit loss' model for assessing the impairment of the Group's trade receivables. The Group does not currently undertake any hedging activities or apply hedge accounting and does not have any financial liabilities designated as measured at Fair Value Through Profit and Loss (FVTPL). Therefore, the new AASB 9 requirements relating to these areas do not result in a material impact to the Group.

Trade receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These continue to be classified and measured as debt instruments at amortised cost. The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss approach. AASB 9 requires the Group to recognise an allowance for expected credit loss for all debt instruments not held at fair value through profit or loss and contract assets.

Based on past performance and future expectations of continued minimal bad debts due to the tight monitoring by management, there was no material impact from the adoption of the expected credit loss model at 1 July 2018.

(d) Basis of consolidation

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

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

Note 1: Summary of Significant Accounting Policies (continued)

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

(e) Interest revenue

Interest revenue is recognised using the effective interest method.

(f) Cash and cash equivalents

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

(g) Inventories

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

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

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

(h) Property, plant and equipment

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

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

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

The useful lives for each class of assets are:

- Freehold land and land improvements	Up to 40 years
- Buildings on freehold land and building improvements	Up to 40 years
- Plant and equipment	1 to 20 years
- Leased plant and equipment	5 to 20 years

Note 1: Summary of Significant Accounting Policies (continued)

(i) Impairment of non-financial assets

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

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

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

(j) 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.

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

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

Note 1: Summary of Significant Accounting Policies (continued)

(k) Taxes

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

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

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

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

Tax consolidation
Farm Pride Foods Limited 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 Limited and its controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, Farm Pride Foods Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group.

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

Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST.

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

Note 1: Summary of Significant Accounting Policies (continued)

(l) Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Employee benefits

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

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

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

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

(n) Borrowing costs

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

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

Note 1: Summary of Significant Accounting Policies (continued)

(o) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified at initial recognition, and subsequently measured at amortised cost or fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under AASB 15. Refer to the accounting policies in note 1(c)(i)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost are trade receivables.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Note 1: Summary of Significant Accounting Policies (continued)

(o) Financial instruments - initial recognition and subsequent measurement (continued)

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has assessed the risk from a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment including industry performance and customer concentration.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Note 1: Summary of Significant Accounting Policies (continued)

(p) Foreign currency translations and balances

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

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

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

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

(q) Biological assets

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

(r) Segment reporting

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

(s) Comparatives

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

(t) Accounting standards issued but not yet effective

There are a number of Standards and Interpretations that will be mandatory in future reporting periods. We have not elected to early adopt these standards and interpretations. The Standards and Interpretations that are most relevant to the consolidated entity are set out below:

(i) AASB 16 Leases (application date 1 July 2019)

AASB 16 replaces AASB 117 'Leases', AASB Interpretation 4 'Determining whether an Arrangement contains a Lease', AASB Interpretation 115 'Operating Leases-Incentives' and AASB Interpretation 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Note 1: Summary of Significant Accounting Policies (continued)

(t) Accounting standards issued but not yet effective (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

AASB 16 requires lessees to make more extensive disclosures than under AASB 117.

The most significant impact identified based on an initial assessment is that the Group will recognise new right of use assets and financial liabilities for its operating lease commitments for office buildings and plant and equipment. The current accounting treatment of recognising operating lease expenses in 'Other expenses' in the Statement of Profit or Loss and Other Comprehensive Income will also change on adoption of AASB 16, with amortisation of the lease expenditure recognised in both Depreciation expense and Interest expense.

As lessee, the Group can either apply the standard using a:
a) Retrospective approach; or
b) Modified retrospective approach with optional practical expedients.

The Group plans to apply AASB 16 using the modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as a lease applying AASB 117 and AASB Interpretation 4. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment that are considered of low value (i.e. less than $1,000).

The Group has completed an initial assessment of the potential impact on its consolidated financial statements. The impact of AASB 16 has not yet been quantified. The actual impact of applying AASB 16 on the financial statements from 1 July 2019 is still being determined and is dependent on the Group's borrowing rate, the composition of the Group's lease portfolio, the Group's assessment of whether it will exercise any renewal options and the extent to which the Group chooses to use practical expedients and recognition exemption. Under the modified retrospective approach, the cumulative impact of application will be recognised as at 1 July 2019.

(ii) IFRIC 23 Uncertain Tax Position (application date 1 July 2019)

The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The impact of IFRIC 23 has not yet been quantified.

Note 2: Significant accounting judgements, estimates and assumptions

Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there would be a material impact on the carrying amounts of the assets and liabilities discussed below:

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

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

(b) Estimation of useful lives of assets

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

(c) *Income tax*

Deferred tax assets are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets are recognised for deductible temporary differences and tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(d) Biological assets

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

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

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

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

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

(f) Rebates and promotional discounts liabilities

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

(g) Inventory provisions

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

Note 3: Financial instruments risk management objectives and policies

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

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

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

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

	2019 $'000	2018 $'000
Financial assets		
Cash and cash equivalents	185	7
Receivables	8,203	8,355
	8,388	8,362
Financial liabilities		
Payables	10,211	12,626
Borrowings	14,667	12,023
	24,878	24,649

(a) Market risk

(i) Commodity price risk

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

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

(i) Commodity price risk (continued)

The Group's activities also require the ongoing purchase of grain and/or feed stock and is therefore affected by fluctuations in the price of feed ingredients, primarily wheat and soy. The Group manages this exposure utilising forward grain and/or feed stock purchase commitments through its key suppliers, within certain price parameters agreed by the Board of Directors.

(ii) Foreign exchange risk

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

Forward foreign exchange contracts

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

(iii) Interest rate risk

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

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

Sensitivity

The following sensitivity analysis is assessed on the interest rate risk exposures in existence at reporting date. At 30 June 2019, if interest rates had moved as illustrated in the table below, with all other variables held constant, the post-tax profit and equity would have been impacted as follows:

	Impact on post-tax profit and equity	
	2019 $'000	**2018 $'000**
Interest rates – increase by 100 basis points	95	70
Interest rates – decrease by 100 basis points	(95)	(70)

(b) Liquidity risk

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

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

Maturities of financial liabilities

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

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

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

2018	<6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000	Fixed/ Floating
Financial liabilities						
Trade and other payables	(12,626)	-	-	-	(12,626)	-
Loans	(1826)	-	(10,000)	-	(11,826)	Floating
Lease liability	(134)	(10)	(53)	-	(197)	Fixed
	(14,586)	(10)	(10,053)	-	(24,649)	

(c) Credit risk

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

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

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

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

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

(d) Fair value of financial instruments

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

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

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

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

Note 4: Revenue

Disaggregation of revenue

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

	Consolidated	
	2019 $'000	2018[1] $'000
Type of product[2]		
Shell egg	64,520	65,568
Egg product	21,523	19,720
Others	314	289
Total revenue from contracts with customers	86,357	85,577
Interest revenue and other income	284	539
Total revenue	86,641	86,116

[1] As described in Note 1(c), the Group applied AASB 15 from 1 January 2018 using the modified retrospective approach. As there was no material impact resulting from the adoption of this new standard, comparative information on disaggregation of revenue has been presented to provide a like-for-like and comparable view. In the 2018 financial statements, all revenue was classified as 'sale of products.

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

Note 5: Profit from continuing operations

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cost of goods sold		
Changes in inventories of finished goods and work in process	2,061	(2,347)
Raw materials and consumables used	62,639	62,816
	64,700	60,469
Employee benefits expenses		
Salaries and wages	12,895	12,756
Employee superannuation contributions	1,094	1,024
Total employee benefits expenses	13,989	13,780
Depreciation of non-current assets		
Land and buildings	1,207	955
Plant & equipment	2,929	2,807
Total depreciation of non-current assets	4,136	3,762
Foreign exchange translation loss	1	11
Flock amortisation (note 10)	12,096	11,094
Finance costs – interest expense	738	331
Operating lease rentals	3,540	3,492
Net (loss) / gain on disposal of property, plant and equipment	-	3
Impairment of property, plant and equipment	(1,542)	-

Note 6: Income tax

	Consolidated	
	2019 $'000	2018 $'000
(a) Components of tax expense:		
Current tax (benefit) / expense	(1,071)	424
Deferred tax (benefit) / expense	(526)	(68)
Under/(over) provision in prior years	131	(1)
Income tax expense	(1,466)	355
(b) Numerical reconciliation between income tax expense in the income statement and that calculated		
(Loss) / profit before income tax	(5,324)	858
At the statutory income tax rate of 30% (2018: 30%)	(1,597)	258
Amounts which are not deductible in calculating taxable income	0	98
Under/(over) provision in prior years	131	(1)
Income tax (benefit) / expense	(1,466)	355
(c) Deferred tax assets and (liabilities) relate to the following:		
Employee benefits	641	650
Provisions and accruals	72	148
Fixed assets	104	86
Building Impairment	462	-
Carry forward tax losses	1,071	-
Gross deferred tax assets	2,350	884
(d) Movement in deferred tax assets and (liabilities)		
Balance at beginning of year	884	859
Recognised in profit or loss	525	68
Deferred taxes acquired in business combinations	-	(43)
Current year losses	1,071	-
Over provision in prior years	(131)	-
Balance at the end of the year	2,350	884
(e) Movement in current tax liability or (receivable):		
Balance at beginning of year	(805)	1,115
Current tax expense	-	424
Tax (received)/paid	805	(2,343)
Under/(over) provision in prior years	-	(1)
Balance at the end of the year	-	(805)

Note 7: Dividends

	Consolidated	
	2019 $'000	**2018 $'000**
(a) Dividends proposed and recognised as a liability	Nil	Nil
(b) Franking credit balance		
Balance of franking account at year end	11,485	12,290

Note 8: Receivables

	2019 $'000	**2018 $'000**
Trade receivables	7,751	7,855
Provisions for expected credit loss	(6)	(17)
	7,745	7,838
Other receivables	458	517
	8,203	8,355

(a) Terms and conditions

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

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

	Consolidated	
	2019 $'000	**2018 $'000**
Movements in the provision for impairment were:		
Opening balance at 1 July	17	50
Decrease in provision for impairment of trade receivables	(11)	(33)
	6	17

Note 8: Receivables (continued)

Trade and other receivables ageing analysis at 30 June is:

	Gross 2019 $'000	Impairment 2019 $'000	Gross 2018 $'000	Impairment 2018 $'000
Not past due	8,148	-	8,198	17
Past due 31-60 days	16	4	-	-
Past due 61-90 days	14	2	112	-
Past due more than 91 days	31	-	62	-
	8,209	6	8,372	17

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

Note 9: Inventories

	Consolidated 2019 $'000	Consolidated 2018 $'000
Raw materials - at cost	3,169	3,530
Finished goods	1,689	3,389
Total inventories	4,858	6,919

Of the total inventories $501,000 is held at net realisable value (2018: $1,891,000).

Note 10: Biological assets

	Consolidated 2019 $'000	2018 $'000
Current	8,688	8,565
Non-current	399	416
Total	9,087	8,981

(a) Flocks

	2019 $'000	2018 $'000
Flock stock at fair value as at 30 June	16,060	16,443
Less: Accumulated amortisation	(6,973)	(7,462)
Flock stock	9,087	8,981
Opening flock stock written down value	8,981	8,152
Additions	12,202	11,923
Amortisation	(12,096)	(11,094)
Closing flock stock at 30 June	9,087	8,981

The number of birds held by the Company as at 30 June 2019 was1,591,223 (2018:1,563,656).

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

Note 11: Other current assets

	Consolidated 2019 $'000	2018 $'000
Prepayments	406	1,359

Note 12: Property, plant and equipment

	Consolidated			
2019	**Land and buildings**	**Plant and equipment**	**Capital works in progress**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Cost	34,877	47,900	3,485	86,262
Accumulated depreciation	(9,326)	(31,723)	-	(41,049)
Net book value	**25,551**	**16,177**	**3,485**	**45,213**
Opening net book value at 1 July 2018	26,230	14,306	6,113	46,649
Additions	-	-	4,242	4,242
Transfers	2,070	4,800	(6,870)	-
Depreciation	(1,207)	(2,929)	-	(4,136)
Impairment loss[1]	(1,542)	-	-	(1,542)
Net book value at 30 June 2019	**25,551**	**16,177**	**3,485**	**45,213**
2018				
Cost	32,807	43,100	6,113	82,020
Accumulated depreciation	(6,577)	(28,794)	-	(35,371)
Net book value	**26,230**	**14,306**	**6,113**	**46,649**
Opening net book value at 1 July 2017	16,224	13,348	710	30,282
Additions	-	-	13,423	13,423
Acquired in business combination	-	-	6,708	6,708
Transfers	10,961	3,767	(14,728)	-
Disposals	-	(2)		(2)
Depreciation	(955)	(2,807)	-	(3,762)
Net book value at 30 June 2018	**26,230**	**14,306**	**6,113**	**46,649**

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

The carrying value of plant and equipment held under finance leases and hire purchase contracts as 30 June 2019 was $260,000 (2018: $234,000). Additions during the year include $37,000 (2018: $27,000) of plant and equipment under finance lease and hire purchase contracts.

(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 14). The terms of the first mortgage preclude the assets from being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

Note 12: Property, plant and equipment (continued)

(b) Impairment testing of non-current assets

The Group performed an impairment test in June 2019. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2019, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of the Group's non-current assets. In addition, the unfavourable trading conditions and drought impacted grain prices have unfavourably impacted the Group.

The recoverable amounts for the cash generating units ('CGU') have been determined based on a value in use basis. The value-in-use valuations use cash flow projections based on financial budgets covering a 5-year forecast period, and a terminal value based upon an extrapolation of cash flows beyond the 5-year period using a constant growth rate of 9% per annum, that is the same as the long-term average growth rate for the Australian egg industry combined with the business plans of the Group.

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

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

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

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

- The price of eggs sold to customers;
- The price of grain/feed for the Group's flock
- WACC Discount rate

The Group has performed a sensitivity analysis by considering reasonable possible changes in the key assumptions. The changes in the following assumptions used in the impairment assessment would, in isolation, lead to a change in the recoverable amount at 30 June 2019 as shown in the table below.

Key assumption	Sensitivity	Impact on valuation $'000
Egg selling prices	+5%	$13,200
	- 5%	($13,200)
Grain/feed prices	+1%	($11,000)
	-1%	$11,000
Discount rate %	+0.5%	($4,295)
	- 0.5%	$4,900

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

Note 13: Payables

	Consolidated	
	2019 $'000	**2018 $'000**
Trade creditors	8,591	10,080
Other payables and accruals	1,620	2,546
	10,211	12,626

(a) Terms and conditions

Our standard terms are 30 days from end of month.

Note 14: Borrowings

		Interest Rate	Maturity	Consolidated 2019 $'000	2018 $'000
Current					
Secured					
Borrowings:					
	Bank loans[1]	BBSY+1.30%	On demand	13,500	-
	Bank overdraft[1]	BBOR+3.30%	On demand	969	1,826
	Lease liability[2]	Various	Various	155	144
				14,624	1,970
Non-current					
Secured					
Borrowings:					
	Bank loans	BBSY+1.30%	31 Jan 2020	-	10,000
	Lease liability[2]	Various	Various	43	53
				43	10,053

[1] Secured by a fixed and floating charge (mortgage debenture) over all assets and uncalled capital.

[2] Secured by the assets leased.

Note 15: Financing facilities

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

	Consolidated	
	2019 $'000	**2018 $'000**
(i) Bank overdraft		
Facilities available	2,500	2,500
Facilities used	969	1,826
Facilities unused	1,531	674
(ii) Bank loan (multi-option)		
Facilities available	16,000	20,000
Facilities used	13,500	10,000
Facilities unused	2,500	10,000
(ii) **Equipment finance**		
Facilities available	-	1,000
Facilities used	-	-
Facilities unused	-	1,000

On 6 August 2018 the Group entered a long-term borrowing facility arrangement with its financiers. The facilities comprised of $2.5 million bank overdraft, $16 million multi-option long-term loan facility comprising a cash advance and equipment finance facility and $0.3 million equipment finance facility for specified capital expenditure items. From September 2019 the facility limit of the multi-option long-term loan facility is permanently reduced by $0.75 million per quarter until the maturity date of the facility on 31 January 2020. The facilities are subject to various financial covenants related to the Group's financial performance and position

In December 2018, the Group advised its lender that continuing unfavourable trading conditions had impacted operating profits and it was likely the Group would fail its Gearing Ratio Covenant in the December 2018 quarter. On 27 December 2018 the lender issued a letter of forbearance, agreeing to waive the measurement of this covenant for the 31 December 2018 quarter on the condition that the multi option loan facility became repayable on demand and an unused $0.3 million equipment financing facility was cancelled.

On 31 May 2019, the Group commenced a competitive process to refinance with an alternative lender with a view to transfer out of the facility with our current lender. The process was completed successfully and a new finance agreement has been signed with a new lender effective 16 August 2019**.** The total facility is $23.5 million comprising of Tranche A $15 million to be drawn-down in full and Tranche B of $8.5 million to be drawn down to meet the needs of the business. Tranche B includes a $3.5 million limit exclusive for capitalised interest, if any. The term of the facility is for three years with first drawdown to be executed by 31 August 2019.

As at the date of this report the Group's facilities comprise:

(i) Long term loan – Tranche A	
Facilities available	15,000
Facilities used	15,000
Facilities unused	-

(ii) Working capital loan – Tranche B

Facilities available	8,500
Facilities used	2,860
Facilities unused	5,640

Note 16: Provisions

	Consolidated	
	2019 $'000	**2018 $'000**
Current		
Employee benefits		
Annual leave	1,049	1,147
Long service leave	889	790
	1,938	1,937
Non-current		
Employee benefits		
Long service leave benefits	201	230
Total employee benefits provisions	2,139	2,167

Note 17: Contributed Equity

	Consolidated	
	2019 $'000	**2018 $'000**
Issued and paid up capital		
55,180,175 (2018: 55,180,175) Ordinary shares fully paid	29,578	29,578
	29,578	29,578

Each share is entitled to 1 vote per share

(a) Capital management

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

(b) Dividends

During the year ended 30 June 2019 no dividends were paid (2018: Nil)

Note 18: (Loss)/Earnings per share

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

	Consolidated	
	2019 $'000	**2018 $'000**
Net (loss) / profit from continuing operations	(3,858)	503

Weighted average

	2019 No. of shares	2018 No. of shares
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share	55,180,175	55,180,175
Weighted average number of shares used to calculate diluted (loss)/earnings per share	55,180,175	55,180,175

Note 19: Cash Flow Information

	Consolidated	
	2019 $'000	**2018 $'000**
(a) Reconciliation of cash flow from operations with profit after tax:		
(Loss)/profit from ordinary activities after tax	(3,858)	503
Non-cash items		
Depreciation	4,136	3,762
Impairment	1,542	-
Flock amortisation	12,096	11,094
Loss on disposal of property, plant and equipment	-	3
Non-cash movement on loan/lease	36	22
Changes in operating assets and liabilities net of effects from acquisition of businesses:		
(Increase) / decrease in trade and other receivables	152	980
(Increase) / decrease in inventory	2,061	(2,231)
(Increase) / decrease in biological assets	(12,202)	(11,923)
(Increase) / decrease in current tax receivable	805	(805)
(Increase) / decrease in deferred tax asset	(1,466)	(68)
(Increase) / decrease in other assets	953	o(314)
Increase / (decrease) in trade and other creditors	(2,415)	630
Increase / (decrease) in employee entitlements	(28)	(33)
Increase / (decrease) in current tax liability	-	(1,115)
Net cash flow from operating activities	1,812	505
(b) Reconciliation of cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows		
Cash at bank	185	7
Bank overdraft	(969)	(1,826)
	(784)	(1,819)

Note 19: Cash Flow Information (continued)

(c) Reconciliation of liabilities arising from financing activities

2019

				Non-Cash Changes		
	As at 1 July	Financing cash flows	Operating cash flows - interest paid	New leases-arising from business combination	New leases-other	As at 30 June 2019
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans	10,000	-	3500	-	-	13,500
Finance leases	197	-	(36)	-	37	198
Total liabilities from financing activities	10,197	-	3,464	-	37	13,698

2018

Bank loans	-	10,000	-	-	-	10,000
Finance leases	332	(322)	(5)	165	27	197
Total liabilities from financing activities	332	9,678	(5)	165	27	10,197

Note 20: Commitments

(a) Operating leases (non-cancellable)

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

	Consolidated	
	2019 $'000	**2018 $'000**
Minimum lease payments		
Not later than one year	4,539	4,050
Later than one year and not later than five years	12,501	12,339
Later than five years	2,120	3,404
Aggregate lease expenditure contracted for at reporting date	19,160	19,793

(b) Finance leases

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

	Consolidated			
	2019 $'000		**2018 $'000**	
	Minimum payment	**Present value of payments**	**Minimum payments**	**Present value of payments**
Within one year	155	154	144	119
After one year but not more than five years	43	39	53	47
More than five years	-	-	-	-
Total minimum lease payments	198	193	197	166
Less amounts representing finance charges	(5)	-	(31)	-
Present value of minimum lease payments	193	193	166	166

	Consolidated	
	2019 $'000	**2018 $'000**
Recognised in the financial statements:		
- Current liability	155	144
- Non-current liability	43	53
Total	198	197

Note 20: Commitments (continued)

(c) Farm cost commitments

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

	Consolidated	
	2019 $'000	2018 $'000
Farm cost commitments	4,372	3,054

Note 21: Controlled Entities

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

List of companies in the group	Country of incorporation	Percentage owned	
		2019	2018
Parent entity:			
Farm Pride Foods Limited	Australia	100%	100%
Controlled entities of Farm Pride Foods Limited			
Big Country Products Pty Ltd	Australia	100%	100%
Farm Pride Property Pty Ltd	Australia	100%	100%
Mooroopna Farm Trading Pty Ltd	Australia	100%	100%
Farm Pride North Pty Ltd	Australia	100%	100%
Carton Packaging Pty Ltd	Australia	100%	100%

Note 22: Related party disclosures

(a) Parent entity and equity interests in related parties

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

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

(b) Key management personnel

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

Note 22: Related party disclosures (continued)

(c) Key management personnel compensation

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

	Consolidated	
	2019 $'000	2018 $'000
Short-term employee benefits	656	526
Long term employee benefits	-	7
Post-employment benefits	41	28
	697	561

Detailed remuneration disclosures are provided in the Remuneration Report on page 10.

(d) Transactions with directors and director-related entities

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

Director related entities[1]	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	Purchases	-	-	9	46	(1)	(2)
Specialised Breeders Australia Pty Ltd (P. Bell)	Purchases	-	234	332	643	1	(43)
Days Eggs Pty Ltd (P. Bell)	Egg supply / Purchases	158	180	87	365	18	(2)
Hy-line Australia Pty Ltd (P. Bell)	Purchases / Packaging sales	-	-	3,230	3,486	(437)	(402)
Pure Foods Eggs Pty Ltd (P. Bell)	Egg sales / Purchases	23	30	90	296	8	(10)
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	Egg sales / Purchases	877	1,116	909	245	127	366
Lohmann Layers Australia Pty Ltd (P. Bell)	Purchases	-	-	136	162	-	-

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

Note 23: Parent entity information

Information relating to Farm Pride Foods Limited:

	2019 $'000	2018 $'000
Summarised statement of financial position		
Current assets	22,340	26,003
Total assets	70,302	73,952
Current liabilities	13,274	16,083
Total liabilities	25,918	26,249
Total equity of the Parent comprises of the following:		
Share capital	29,578	29,578
Retained earnings	14,806	18,125
Total shareholder's equity	44,384	47,703
Summarised statement of comprehensive income		
(Loss)/profit of the parent entity	(3,319)	556
Total comprehensive (loss)/profit of the parent entity	(3,319)	556

Farm Pride Foods Limited as parent has provided security over the loans of its subsidiaries by a fixed and floating charge (see note 14).

Note 24: Auditor's remuneration

	Consolidated Entity	
	2019 $	2018 $
Audit and other assurance services		
Audit and review of the financial report of the entity and any other entity in the consolidated entity	138,000	124,500
Other services		
Debt advisory services	100,000	-
Taxation services	12,000	12,000
	250,000	136,500

Note 25: Business Combinations

There were no business combinations during the period ended 30 June 2019

(a) Acquisition of Darling Downs Fresh Eggs in 2018

On 6 November 2017, the Company acquired the business and associated assets of Darling Downs Fresh Eggs from Clearmedal Pty Ltd (Administrators Appointed) ('Darling Downs Fresh Eggs'). Darling Downs Fresh Eggs is based in Queensland.

Note 25: Business Combinations (continued)

Identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Darling Downs Fresh Eggs at the date of acquisition were:

	$'000
Assets	
Inventories	116
Property, Plant and equipment	6,708
Total assets	**6,824**
Liabilities	
Borrowings	165
Deferred tax liability	43
Total liabilities	**208**
Total identifiable net assets at fair value (i)	**6,616**
Purchase consideration transferred	**6,616**

Net cash outflow on acquisition of businesses	
Purchase consideration paid in cash	6,616
	6,616

(i) The initial accounting was provisionally determined at 30 June 2018 and there has been no subsequent fair value adjustments through to 30 June 2019 in the post-acquisition period. As at 30 June 2018 the valuation of property, plant and equipment was to be finalised. Any changes to the fair value of the identifiable assets and liabilities would have result in any residual amount being recognised as goodwill or a gain on acquisition. In accordance with the requirements of AASB 3 Business Combinations the consolidated entity has 12 months to finalise its acquisition accounting

From the date of acquisition, Darling Downs Fresh Eggs contributed nil revenue and nil to profit before tax of the Group.

From the date of acquisition, the Group has undertaken various activities including the upgrade of the site to meet the Group's production standards.

It is impractical to measure the contribution of Darling Downs Fresh Eggs to the revenue and profit before tax of the Group if the acquisition had taken place at the beginning of the year (1 July 2017) as the business was not operational.

Transaction costs of $0.435m have been recognised within other expenses in the 2018 Consolidated Statement of Profit or Loss and Other Comprehensive Income and recognised within operating cash flows in Consolidated Statement of Cash Flows.

Note 26: Subsequent Events

On 31 May 2019, the Group commenced a competitive process to refinance with an alternative lender with a view to transfer out of the facility with our current lenders. The process was completed successfully and a new finance agreement has been signed with a new lender effective 16 August 2019**.** The total facility is $23.5 million comprising of Tranche A $15 million to be drawn-down in full and Tranche B of $8.5 million to be drawn down to meet the needs of the business. Tranche B includes a $3.5 million limit exclusive for capitalised interest, if any. The term of the facility is for three years with first drawdown to be executed by 31 August 2019.

There are no other matters or circumstances which have arisen since 30 June 2019 that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 17 to 54 in accordance with the *Corporations Act 2001*:

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

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

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Farm Pride Foods Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2019.

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

Director
29 August 2019
Melbourne

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Independent Auditor's Report to the Members of Farm Pride Foods Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Farm Pride Foods Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Going concern

Why significant	How our audit addressed the key audit matter
As at 30 June 2019 current liabilities of \$26.7 million exceed current assets of \$22.3 million by \$4.4 million. The Group's borrowings under its existing debt facilities at 30 June 2019 are classified as current liabilities. On 16 August 2019 the Group refinanced its borrowing facilities as disclosed in Note 1(b) and Note 15 to the financial statements. The Group's determination of going concern involves complex judgements in the determination of forecasts which include a range of assumptions that will be impacted by future performance and market conditions. The assessment of the Group's going concern determination was considered a key audit matter given the complex judgements and estimates involved.	In assessing the Group's going concern determination our audit procedures included the following: ► We considered the Group's access to the long-term funding facilities as disclosed in Note 15 to the financial statements, considering the limits of the new funding facilities entered into on 16 August 2019, and the Group's compliance with the financial covenant in the forecast period. ► We analysed the key assumptions in the Group's cash flow forecasts, such as expected cash inflows from the sale of shell egg and egg product and cash outflows from purchases of hens, feed costs and other operating and capital expenditure compared to historical operating performance, historic capital expenditure profile, future commitments, and market data. ► We conducted sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom including the ability to defer and or not spend discretionary capital expenditure. ► We assessed the adequacy of the disclosures in Note 1(b) and Note 15 of the financial report.

Valuation of flock assets

Why significant	How our audit addressed the key audit matter
The carrying value of flock assets at 30 June 2019 was \$9.1 million as disclosed in Note 10. The valuation of flock assets was considered a key audit matter given the complex judgements and estimates involved in relation to the estimated productive life of the flock and determination of the directly attributable costs of establishing the flock.	Our audit procedures in respect of the valuation of flock assets included the following: ► We selected a sample of costs capitalised in flock costs during the year and agreed costs to supporting documentation such as supplier invoices. We also assessed the appropriateness of the capitalisation of these costs against the requirements of Australian accounting standards. ► We assessed the Group's assumptions in respect of the productive life of the flock by considering the age of the specific flock, the Group's prior experience and industry studies.

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Impairment of non-current assets

Why significant	How our audit addressed the key audit matter
Property, plant and equipment of $45.2 million as disclosed in Note 12 represents 64% of total assets. As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. The Group recorded an impairment charge during the financial year relating to land and buildings of $1.5 million as disclosed in Note 12. The carrying value of property, plant and equipment ("PPE") was a key audit matter due to the significance of these balances, the complex judgements in the impairment assessment process such as forecast egg prices and feed cost pricing that are affected by future market or economic conditions. The Group's disclosures are included in Note 12, which specifically explain the key operating assumptions used and sensitivity of changes in the key assumptions which could give rise to an impairment loss or impairment reversal of the PPE balance in the future	Our audit procedures included an evaluation of the assumptions and methodologies utilised in the assessment, with an emphasis on those relating to the determination of cash generating units, forecast cash flows, growth rates, discount rates, comparative industry valuation multiples and other market evidence. In respect of the Group's cash flow forecasts we: ► Assessed key assumptions such as forecast shell egg, egg product and feed prices in comparison to external independent data. ► Assessed the Group's results in comparison to historical forecasts to assess forecast accuracy. ► Compared future cash flows to board approved budgets. ► Assessed the Group's assumptions for long term growth rates in comparison to economic and industry forecasts. ► Assessed the adequacy of capital expenditure forecasts. ► Assessed discount rates through comparing the cost of capital for the Group with comparable businesses. ► Considered the EBITDA multiples against comparable companies as a valuation crosscheck. ► Tested the mathematical accuracy of the discounted cash flow model. We performed sensitivity analysis in respect of the assumptions noted above, which were considered to have the most significant impact on carrying values, to ascertain the extent of changes in those assumptions which either individually or collectively would be required for the PPE to be impaired. We assessed the likelihood of these changes in assumptions arising. We also considered the adequacy of the financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis as disclosed in Note 12.

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Net realisable value of inventories

Why significant	How our audit addressed the key audit matter
As at 30 June 2019, the Group held $4.9 million in inventories representing 7.0% of total assets of the Group. As detailed in Note 1(g) of the financial report, inventories are valued at the lower of cost and net realisable value. Judgement was required to be exercised by the Group to determine the net realisable value for items which may be ultimately sold below cost. These judgements include consideration of expectations for future sales based on historical experience.	Our audit procedures in respect of the valuation of inventories included the following: ▶ Selected a sample of inventory items and agreed the cost price of inventory recorded to supporting documentation such as supplier invoices. ▶ Assessed the basis for inventory provisions recorded by the Group for slow moving and surplus inventories. In doing so, we examined the Group's forecast sales volumes and price assumptions. ▶ Considered the impact of sales subsequent to year end on the value of inventories at balance date by comparing the actual selling price to the carrying value of the relevant product line.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 15 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Farm Pride Foods Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

BJ Pollock
Partner
Melbourne
29 August 2019

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 28 August 2019.

(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	516	330,811
1,001 - 5,000	997	2,783,430
5,001 - 10,000	343	2,543,699
10,001 - 100,000	308	8,100,379
100,001 +	41	41,421,856
The number of shareholders holding less than a marketable parcel of shares are:	819	754,862

(b) Twenty largest shareholders

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

		Listed ordinary shares held	Percentage of ordinary shares
1	West Coast Eggs Pty Ltd	27,486,302	49.81
2	Normpat Pty Ltd	2,064,250	3.74
3	Oakmeadow Pty Ltd	2,011,772	3.65
4	Markcamp No 2 Pty Ltd	1,071,716	1.94
5	Glenmon No2 Pty Ltd	1,003,057	1.82
6	Merrill Lynch (Australia) Nominees Pty Limited	607,740	1.10
7	Debuscey Pty Ltd	503,710	0.91
8	Mr Clinton James Quay	500,000	0.91
9	David Ricardo Asset Management Pty Ltd	495,804	0.90
10	Zero Nominees Pty Ltd	464,244	0.84
11	Brazil Farming Pty Ltd	388,106	0.70
12	LZ New Century Pty Ltd	372,196	0.67
13	Mr Tomasso Montalto & Estate Late Mauro Montalto	316,861	0.57
14	Neweconomy Com Au Nominees Pty Limited	260,938	0.47
15	Dr Harry Hirschowitz & Mrs Fariba Yeroshalmi	255,295	0.46
16	Mrs Trisha Marie Verran	250,000	0.45
17	Mrs Francesca D'Alberto	241,994	0.44
18	Miss Jean Shiong Li Ho	224,000	0.41
19	Zenith Business Pty Ltd	218,499	0.40
20	Auxilium Capital Pty Ltd	200,000	0.36
		38,936,484	70.56

ASX Additional Information (continued)

(c) Substantial shareholders

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

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

(d) Voting rights

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

(e) Unquoted securities

Nil share options are on issue (2018: Nil).

(f) Stock Exchange listing

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

Publicly accessible information

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

www.farmpride.com.au

OUR PURPOSE

"TO BE A TRUSTED AND RESPECTED EGG GROWER AND PROCESSOR DELIVERING SUSTAINABLE VALUE FOR OUR SHAREHOLDERS, CUSTOMERS AND STAKEHOLDERS..."

WE ARE FARM...

- **P** PROUD OF WHAT WE DO
- **R** RESPECT FOR OUR BUSINESS AND OTHERS
- **I** INTEGRITY IS OUR FOUNDATION
- **D** DETERMINED TO SUCCEED
- **E** EXCELLENCE THROUGH DOING IT RIGHT AND DOING IT WELL

farm pride

EVERY DAY WE DEMONSTRATE THESE VALUES WITH PRIDE

WE DO THIS BY:

- Drawing on our long heritage and experience
- Managing our farm and processing assets proactively and to the highest quality and performance standards
- Ensuring our farming practices are to the highest animal welfare and bio-security standards
- Investing in and developing our people
- Developing strong and sustainable relationships with our trading and supply partners
- Being ethical and transparent in all our activities

FARM PRIDE HAS SET OUT A NEW VISION AND PURPOSE THAT UNIFIES OUR TEAM AS WE HEAD INTO 2020.

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