farm pride

PRIDE IN EVERY EGG

ANNUAL REPORT 2021

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 (Independent Non-Executive Director)

Management Team
Daryl Bird (Chief Executive Officer)
Robin Donohue (Chief Financial Officer)

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

Financiers
MC FP Pty Ltd
Level 18, 90 Collins Street
Melbourne, Victoria 3000

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

ASX: FRM

Auditors
Pitcher Partners
Level 13, 664 Collins Street
Docklands, Victoria 3008

Internet Address
www.farmpride.com.au

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Chairman's Report

The Company's net revenue decreased by 14.8% to $76.991 million (2020: $90.327 million).

The loss after tax was $11.971 million (2020: $2.169 million loss). Underlying EBITDA was a loss of $4.330 million down from $2.672 million in 2020.

The results reflect the impact of the avian influenza (AI) event that the Company suffered early in FY21 and the disruption caused by COVID19. The more significant impact of AI was that retail customers placed volume the Company could not supply with our competitors. The company was not able to recover this lost volume in FY21.

Management effort in FY21 continued to be focussed on the recovery of the AI affected farms. In February 2021, Agriculture Victoria issued Revocation of Quarantine Notices for the affected farms. Re-population of the flocks at the affected farms is now largely complete, delivering productive capacity in line with the requirements of the business.

Following the AI outbreak, the Company with its advisors undertook a strategic review of the business to determine a pathway to facilitate a timely and sustainable financial recovery. This review determined that the cage free farm at Pittsworth in Queensland was surplus to its needs. As a result, the Company finalised the sale of this farm in March 2021

Settlement proceeds from the sale of the Pittsworth farm were $3.100 million excluding expenses. Funds from the sale were directed to working capital and the reduction of debt as at 30 June 2021 by $0.732 million.

The Company also entered into an unconditional agreement to sell its Keysborough manufacturing facility.

The reduction in property, plant and equipment to $31.627 million (2020: $45.020 million) reflects in large part the sale of the Pittsworth farm and the re-classification of the Keysborough manufacturing facility to an asset held for re-sale. The lower level of capital expenditure reflects our focus and effort to recover quickly from AI.

On 9 July 2021, the Company completed the sale of its Keysborough manufacturing facility for $18.500m. Proceeds from the sale were used to reduce debt and provide working capital to drive the business recovery, further develop the Company's cage free capacity and to support its innovation platform. The Company also entered into a long-term lease of the facility of fifteen years, with an additional five-year option, with the purchaser RF Corval, a specialist property fund manager and investment company.

The 3-year plan "Managing for Value" continues to be relevant and a focus for the business. While COVID and AI stalled our progress during the past 12 months, work effort continues to develop the farm network and capacity to meet market needs which continue to evolve to focus on cage free eggs. Relationships in the supermarket channel continue to be strong as we seek additional growth opportunities around the cage free transition. The focus on organic and incremental sales growth in industrial ingredients continues to be a business priority.

Internally, effort continues to focus on structuring our efforts to accelerate new product development. Innovation programs continue to be bolstered with additional technical resources. New product launches are planned for late H1 FY22.

In summary, FY21 has contained the most challenges the Company has ever had to face. The new financial year continues to present challenges in managing the impact of the COVID pandemic in Australia. The Company remains on high vigilance and is making every effort to protect as far as is possible against any incursions that may impact health and safety of our staff or present any commercial impact to the business.

Save for unavoidable impact from COVID in the new financial year, the Board and management believe the underlying business operational and structural fundamentals remain resilient and that the Company will recover from the challenges experienced in FY21 and return to an upward trajectory in the coming twelve months.

The Board wishes to thank all our customers for their continued support and especially to every one of our employees who have worked so hard to ensure our business could meet the challenges of FY21

We look forward to continuing to supply a quality product to all our customers.

PD Bell

Peter Bell
Chairman
Farm Pride Foods Ltd

27 August 2021

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 (the 'group'), for the financial year ended 30 June 2021 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	Independent 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 group 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 Ltd ("Statutory Profit") for the year ended 30 June 2021 was a loss of $11.971 million (2020: $2.169 million loss). Underlying earnings before interest, tax, depreciation and amortisation ("Underlying EBITDA") was a loss of $4.330 million (2020: $2.672 million profit).

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 2021:

	30 June 2021 $'000	30 June 2020 $'000
Statutory (loss) / profit	(11,971)	(2,169)
Add back:		
- Interest (finance costs)	2,376	2,291
- Income tax (benefit) / expense	(2,547)	(930)
- Depreciation	9,090	8,069
- Lease adjustment AASB16	(4,588)	(4,589)
EBITDA	(7,640)	2,672
Significant items:		
AI Compensation \ recovery	(3,561)	-
AI asset write off and stock losses	3,652	-
Impairment of property, plant and equipment	3,219	-
Underlying EBITDA	(4,330)	2,672

Operating and financial review (continued)

The annual result reflects the impact of the Avian Influenza outbreak (AI) in July 2020 that centred on the Company's two farm operations in the Lethbridge area South West of Melbourne. As detailed in the ASX market releases following the outbreak, approximately 33% of our productive hen flock was affected. The management of the AI outbreak was made more difficult and complex with the physical movement restrictions imposed by the Victorian Government due to COVID.

While the visible net financial position of the AI outbreak was a net loss of $0.091 million (compensation for loss of stock and flock $3.414 million, cost recovery from other initiatives $0.147 million, stock and flock loss $3.652million) the event was a major disruption to sales from Q1 onwards. Our retailer customers were forced to replace volume from the Company via competitors.

Management effort in FY21 continued to be focussed on the recovery of the AI affected farms. In February 2021, Agriculture Victoria has issued Revocation of Quarantine Notices for the effected farms. Re-population of the flocks was underway across Q4 of FY2021 to re-build productive capacity in line with the future strategic plan and direction of the business.

The sale of the cage free farm at Pittsworth Qld was completed in March 2021 for $3.100 million excluding expenses. An impairment of $3.219 million was also recognised in the first half results for FY21 to reflect the realised sale value.

As outlined below as a subsequent event, the Company also entered into a sale process for its Keysborough manufacturing facility. With the unconditional sales agreement and settlement of the transaction straddling year end, the capital gain on the sale is taxable in FY21 but the accounting profit on sale will only be accounted for in FY22.

For further discussion of the review and results of operations of the group reference should be made to the Chairman's Report dated 27 August 2021.

Significant changes in the state of affairs

There have been no significant changes in the group's state of affairs during the financial year, other than as disclosed in this report.

Subsequent events

On 9 July 2021, the Company settled the sale of its Keysborough manufacturing facility. Proceeds of $18.500 million from the sale were used to reduce debt and provide working capital to drive the business recovery, develop the Company's cage free capacity and to support its innovation platform. The Company has entered into a long-term lease of the facility of fifteen years with an additional five-year option with the purchaser RF Corval, a specialist property fund manager and investment company.

Apart from the sale of the Keysborough manufacturing facility no other circumstance has arisen since 30 June 2021 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2021, of the group, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2021, of the group.

Environmental regulation

The group's operations are not subject to any significant environmental, Commonwealth or State regulations or laws. The group 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 at all levels of the egg industry for more than 50 years. He continues to be directly involved in the management of commercial egg farms as well as a contributor to industry and regulatory agencies.

He is a director of AAA Egg Company Pty Ltd and its subsidiary West Coast Eggs Pty Ltd, Days Eggs Pty Ltd and Pure Foods Eggs Pty Ltd. These companies are egg producers and marketers in Western Australia, South Australia and Tasmania.

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
Independent Non-executive director – Appointed 30 November 2018, Chair 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 Chief Executive Office, General Manager and Chief Operating Officer.

Directors' meetings

	Board of Directors		**Audit Committee**	
	Eligible to attend	Attended	Eligible to attend	Attended
Peter Bell	26	23	-	10*
Malcolm Ward	26	26	10	10
Bruce De Lacy	26	26	10	10

* Peter Bell attended meetings by invitation.

Directors' interests in shares

Directors' relevant interests in shares of Farm Pride Foods Limited 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	2,064,250	-
Malcolm Ward	2,031,772	-
Bruce De Lacy	195,502	-

Peter Bell and Malcolm Ward have an indirect interest in the 27,486,302 shares held by West Coast Eggs Pty Ltd (2020: 27,486,302 shares) and the 1,000 shares held by Southern Egg Pty Ltd (2020: 1,000).

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.

Under the Directors and Officers Liability Insurance Policy the company shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300 (9) of the *Corporations Act 2001* to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the policy

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of Farm Pride Foods Limited or any of its subsidiaries.

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 as part of the terms of its engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify the auditors during or since the financial year.

Non-audit services

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

- all non-audit services were subject to the corporate governance procedures adopted by Farm Pride Foods Ltd and have been reviewed and approved by the Audit and Risk Committee to ensure they do not impact on the integrity and objectivity of the auditor; and

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Farm Pride Foods Ltd or any of its related entities, acting as an advocate for Farm Pride Foods Ltd or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of Farm Pride Foods Ltd or any of its related entities.

Amounts paid and payable to Pitcher Partners (Melbourne) for non-audit services:

	2021 $	2020 $
Taxation services	23,737	14,000

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).

Remuneration Report (Audited)

The directors present the group's 2021 remuneration report which details the remuneration information for Farm Pride Foods Limited's 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 Ltd external auditors, Pitcher Partners.

(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	Non-executive Director, Company Secretary	Full financial year
Senior Executives		
Daryl Bird	Group Chief Executive Officer	Full financial year
Geeta Kulkarni	Group Chief Financial Officer, Resigned 21 May 2021	Part of financial year
Robin Donohue	Group Chief Financial Officer, Appointed 31 May 2021	Part of financial year

(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.

(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 2021, the group did not engage external remuneration consultants.

Remuneration Report (continued)

(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 2021 is detailed in the table titled KMP Remuneration on page 14 (the 'Remuneration Table').

(e) 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.

Remuneration Report (continued)

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.

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)

(f) Directors' 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**
	$	**$**	**$**	**$**	**$**	**%**	**$**
2021							
Peter Bell	45,662	-	-	-	4,338	-	50,000
Malcolm Ward	45,662	-	-	-	4,338	-	50,000
Bruce De Lacy	50,000	-	-	-	4,750	-	54,750
	141,324	-	-	-	13,426	-	154,750
2020							
Peter Bell	47,418	-	-	-	4,505	-	51,923
Malcolm Ward	47,418	-	-	-	4,505	-	51,923
Bruce De Lacy	51,923	-	-	-	4,933	-	56,856
	146,759	-	-	-	13,943	-	160,702

(g) Executives' 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 $
2021							
Daryl Bird	287,272	60,000	-	-	21,694	16	368,966
Geeta Kulkarni[2]	198,542	-	-	-	16,865	-	215,407
Robin Donohue[3]	16,923	-	-	-	1,608	-	18,531
	502,737	60,000	-	-	40,167	-	602,904
2020							
Daryl Bird	305,970	54,000	-	-	21,820	14	381,790
Geeta Kulkarni	181,683	-	-	-	17,260	-	198,943
	487,653	54,000	-	-	39,080	-	580,733

[2] Appointed as Chief Financial Officer on 5 February 2019, Resigned 21 May 2021

[3] Appointed as Chief Financial Officer on 31 May 2021

Remuneration Report (continued)

(h) Shareholdings of KMP

	Balance 1 July 2020	Received as remuneration	Options exercised	Other On market purchases/ (sales)	Balance 30 June 2021
Peter Bell	2,314,250	-	-	(250,000)	2,064,250
Malcolm Ward	2,031,772	-	-	-	2,031,772
Bruce De Lacy	195,502	-	-	-	195,502
	4,541,524	-	-	(250,000)	4,291,524

Peter Bell and Malcolm Ward have an indirect interest in the 27,486,302 shares held by West Coast Eggs Pty Ltd (2020: 27,486,302 shares) and the 1,000 shares held by Southern Egg Pty Ltd (2020: 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)	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	Purchases	-	-	-	10	-	-
Specialised Breeders Australia Pty Ltd [2] (P. Bell)	Purchases	-	-	-	107	-	(83)
Days Eggs Pty Ltd (P. Bell)	Egg supply / Purchases	27	195	151	420	(10)	(4)
Hy-Line Australia Pty Ltd [2] (P. Bell)	Purchases	-	-	-	5,319	-	(850)
Pure Foods Eggs Pty Ltd (P. Bell)	Egg sales	41	27	-	-	3	3
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	Egg sales / Purchases	854	776	164	154	77	71

[1] Peter Bell and Malcolm 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.

[2] Peter Bell resigned as director of Specialised Breeders Australia Pty Ltd and Hy-Line Australia Pty Ltd effective 31 Oct 2019.

Transactions in the above table represent related party transactions for the full financial year from July '20 – June '21 and comparatives for July '19 - June '20.

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
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 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
Robin Donohue is the Chief Financial Officer of the Company appointed 31 May 2021. Robin is employed under a standard employment contract with no defined length of tenure.

- Robin 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,
- For the financial years commencing 1 July 2021 onwards, Robin 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 Robin Donohue'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:

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue	76,991	90,327	86,641	86,116	97,778
Net (loss)/profit before tax	(14,518)	(3,099)	(5,324)	858	12,232
Net (loss)/profit after tax	(11,971)	(2,169)	(3,858)	503	8,481
Share price at end of year in dollars	0.42	0.27	0.21	0.88	1.16
Basic (loss)/earnings cents per share	(21.69)	(3.93)	(6.99)	0.91	15.37
Diluted (loss)/earnings cents per share	(21.69)	(3.93)	(6.99)	0.91	15.37

Remuneration Report (continued)

Voting and comments made at the company's 2020 Annual General Meeting (AGM)

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

This is the end of the audited remuneration report.

Signed in accordance with a resolution of the directors.

Peter Bell
Director
Melbourne
27 August 2021

FARM PRIDE FOODS LIMITED

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

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

S Schonberg

STEPHEN SCHONBERG
Partner

Date: 27 August 2021

Pitcher Partners

PITCHER PARTNERS
Melbourne

	Notes	2021 $'000	2020 $'000
Revenue and other income			
Revenue from contracts with customers	4	73,316	90,234
Interest revenue and other income	4	3,675	93
		76,991	90,327
Less: Expenses			
Changes in inventories of finished goods and work in progress	5	(1,470)	1,153
Raw materials and consumables used	5	(52,537)	(66,543)
Employee benefits expense	5	(15,305)	(15,811)
Depreciation	5	(9,090)	(8,069)
Impairment of property, plant and equipment	5	(3,219)	-
Loss on disposal of biological assets	5	(3,652)	-
Finance costs	5	(2,376)	(2,291)
Other expenses		(3,860)	(1,865)
(Loss)/Profit before income tax		(14,518)	(3,099)
Income tax benefit / (expense)	6	2,547	930
(Loss)/Profit from continuing operations		(11,971)	(2,169)
(Loss)/Profit for the year		(11,971)	(2,169)
Total comprehensive (loss) / income for the period		(11,971)	(2,169)
Basic (loss)/earnings per share (cents per share)	19	(21.69)	(3.93)
Diluted (loss)/earnings per share (cents per share)	19	(21.69)	(3.93)

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

	Notes	2021 $'000	2020 $'000
Current Assets			
Cash and short-term deposits	20	1,285	4,412
Trade and other receivables	8	6,105	7,439
Inventories	9	4,541	6,011
Biological assets	10	7,603	6,382
Other current assets	11	778	812
Assets held for re-sale	12	2,868	-
Total current assets		23,180	25,056
Non-current assets			
Biological assets	10	414	3,146
Deferred tax assets	6	5,827	3,280
Lease assets	14	10,966	15,581
Property, plant and equipment	13	31,627	45,020
Total non-current assets		48,834	67,027
TOTAL ASSETS		72,014	92,083
Current liabilities			
Trade and other payables	15	10,610	13,303
Lease liabilities	14	3,959	4,380
Provisions	17	1,928	1,983
Total current liabilities		16,497	19,666
Non-current liabilities			
Borrowings	16	18,709	19,441
Lease liabilities	14	7,462	11,648
Provisions	17	201	212
Total non-current liabilities		26,372	31,301
TOTAL LIABILITIES		42,869	50,967
NET ASSETS		29,145	41,116
EQUITY			
Contributed equity	18	29,578	29,578
Retained earnings / (losses)		(433)	11,538
		29,145	41,116

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

	Contributed equity	Retained earnings / (losses)	Total
	$'000	$'000	$'000
Balance as at 1 July 2020	29,578	11,538	41,116
(Loss)/Profit for the year	-	(11,971)	(11,971)
Other comprehensive income	-	-	-
Total comprehensive income	-	(11,971)	(11,971)
Balance as at 30 June 2021	29,578	(433)	29,145
Balance as at 1 July 2019	29,578	13,707	43,285
(Loss)/Profit for the year	-	(2,169)	(2,169)
Other comprehensive income	-	-	-
Total comprehensive income	-	(2,169)	(2,169)
Balance as at 30 June 2020	29,578	11,538	41,116

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

	Notes	2021 $'000	2020 $'000
Cash flow from operating activities			
Receipts from customers		78,731	91,240
Payments to suppliers and employees		(77,186)	(82,069)
Finance costs paid		(1,760)	(2,291)
Interest received		-	2
Net cash provided by / (used in) operating activities	20	(215)	6,882
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		3,115	-
Payment for property, plant and equipment		(400)	(3,664)
Net cash provided by / (used in) investing activities		2,715	(3,664)
Cash flow from financing activities			
Proceeds from borrowings		-	19,441
Repayment of borrowings		(1,348)	(13,500)
Repayment of lease liabilities		(4,279)	(3,963)
Net cash provided by / (used in) financing activities		(5,627)	1,978
Net (decrease)/increase in cash and cash equivalents		(3,127)	5,196
Cash and cash equivalents at beginning of the year		4,412	(784)
Cash and cash equivalents at end of the year	20	1,285	4,412

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 (AASB).

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 27 August 2021.

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) New and revised accounting standards effective at 30 June 2021

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 2018-7 principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

The application of AASB 2018-7 has not materially impacted the financial statements of the group.

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

AASB 2019-3 has been issued to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

The reliefs apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.
The application of AASB 2019-3 has not materially impacted the financial statements of the group.

Note 1: Summary of significant accounting policies

(c) Accounting standards issued but not yet effective

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-1 amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

AASB 2020-1 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments

AASB 2020-3 amends AASB 1 First-time Adoption of Australian Accounting Standards, AASB 3 Business Combinations, AASB 9 Financial Instruments, AASB 116 Property, Plant and Equipment, AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 141 Agriculture as a consequence of the recent issuance by IASB of the following IFRS: Annual Improvements to IFRS Standards 2018-2020, Reference to the Conceptual Framework, Property, Plant and Equipment: Proceeds before Intended Use and Onerous Contracts – Cost of Fulfilling a Contract.

AASB 2020-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

(d) Going concern

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.

During the year ended 30 June 2021 the Group incurred a net loss after tax of $11.971 million (2020: loss $2.169 million). Net cash flow from operating activities was an outflow of $0.215 million (2020: cash inflow $6.882 million). As at 30 June 2021 current assets of $23.180 million exceed current liabilities of $16.497 million by $6.683 million. (2020: current assets of $25.056 million exceed current liabilities of $19.666 million by $5.390 million). Borrowings of $18.709 million (2020 $19.441 million) are classified as non-current.

As described in Note 16 the Group has debt facilities at 30 June 2021 providing funding of up to $22.152 million. This facility was drawn to $18.932 million as at 30 June 2021. The facility agreement expires on 16 August 2022.

With the completion of the sale of the Keysborough manufacturing facility for $18.500 million on 9 July 2021, $7.500 million of the debt facility was repaid, reducing the Group's borrowings to $11.432 million. The repayment of a principal component of the borrowing reduced the facility limit by $7.081 million to $15.071 million. The remainder of the proceeds from the sale of Keysborough were retained by the Group to fund future growth and innovation initiatives.

The Group continues to actively manage its cash flows through management of inventory levels, debtors and creditors within strict terms and limits. The Group continues to refine its 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 diversified revenue sources to adapt to changing market conditions.

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.

On this basis, no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 1: Summary of significant accounting policies

(e) 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.

(f) 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 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.

(g) 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.

(h) 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 such as 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 date. 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.

Note 1: Summary of significant accounting policies

(i) Events after the reporting period

Events after the reporting period are those events, favourable or unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas events after the reporting period that are indicative of conditions that arose after the reporting period (i.e. which did not exist at the reporting date) are excluded from the determination of the amounts recognised in the financial statements.

(j) Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the group becomes party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets
Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of:

(a) The group's business model for managing the financial assets; and
(b) The contractual cash flow characteristics of the financial asset.

Classification of financial liabilities
Financial liabilities classified as held-for-trading, contingent consideration payable by the group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the group are subsequently measured at amortised cost.

Trade and other receivables
Trade and other receivables arise from the group's transactions with its customers and are normally settled within 30 days.

Consistent with both the group's business model for managing the financial assets and the contractual cash flow characteristics of these assets, trade and other receivables are subsequently measured at amortised cost.

Impairment of financial assets
The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

(a) debt instruments measured at amortised cost;

(b) debt instruments classified at fair value through other comprehensive income; and receivables from contracts with customers, contract assets and lease receivables.

Note 1: Summary of significant accounting policies

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The group determines expected credit losses based on the group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The group has identified contractual payments more than 365 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the group's historical experience. Because contract assets are directly related to unbilled work in progress, contract assets have a similar credit risk profile to receivables from contracts with customers. Accordingly, the group applies the same approach to measuring expected credit losses of receivables from contracts with customers as it does to measuring impairment losses on contract assets.

The measurement of expected credit losses reflects the group's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. Expected credit losses are measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the group's exposure at default, discounted at the financial asset's original effective interest rate.
Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

(a) significant financial difficulty of the issuer or the borrower;
(b) breach of contract;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e. reduced directly) when the counterparty is in severe financial difficulty and the group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the group. Recoveries, if any, are recognised in profit or loss.

(k) Foreign currency translations and balances

Functional and presentation currency
The financial statements are presented in Australian dollars which is the group's functional and presentation currency.

Transactions and balances
Transactions undertaken in foreign currencies are recognised in the group's functional currency, using the spot rate 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 restated to the spot rate at the reporting date.

Except for certain foreign currency hedges, all resulting exchange gains or losses are recognised in profit or loss for the period in which they arise.

Note 1: Summary of Significant Accounting Policies (continued)

(l) 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.

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.

(m) 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 rata basis to the other assets comprising the relevant cash generating unit.

(n) Income tax

Current income tax expense 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 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.

Note 1: Summary of Significant Accounting Policies (continued)

(o) 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.

(p) Leases

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments.

Lease assets
Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities
Lease liabilities are initially recognised at the present value of the future lease payments (i.e. the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group’s incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets
Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

Note 1: Summary of Significant Accounting Policies (continued)

(q) Other revenue

Interest revenue is recognised using the effective interest method.

Other revenue is recognised when the right to receive income or other distribution has been established.

(r) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which the parent entity controls. The 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.

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.

(s) Property held for development and sale

Property held for development and sale is measured at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Borrowing costs and holding costs incurred after the completion of development are expensed as incurred.

(t) 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:

	2021	**2020**
- Buildings	Up to 40 years	Up to 40 years
- Plant and equipment	1 to 20 years	1 to 20 years
- Leased plant and equipment	5 to 20 years	5 to 20 years

Note 1: Summary of Significant Accounting Policies (continued)

(u) Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when the group can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development costs are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to capitalised development costs is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, capitalised development costs are measured at cost, less accumulated amortisation and any accumulated impairment losses.

(v) Revenue from contracts with customers

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 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 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.

Note 1: Summary of Significant Accounting Policies (continued)

(w) 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.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(x) 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.

(y) Comparatives

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

(z) Rounding of amounts

The group have applied the relief under ASIC Corporates (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the Financial Reports and in the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Note 2: Significant accounting estimates and judgements

Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could 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 13(b) for further details.

(b) *Income tax*

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

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

(c) Fair value measurements

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 3(d): Fair Value Measurements for the details of the fair value measure key assumptions and inputs.

(d) 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.

(e) 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.

(f) 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 estimates and judgements (continued)

(g) 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.

(h) 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:

	2021 $'000	2020 $'000
Financial assets		
Cash and cash equivalents	1,285	4,412
Receivables	6,105	7,439
	7,390	11,851
Financial liabilities		
Payables	10,610	13,303
Lease liabilities	11,421	16,028
Borrowings	18,709	19,441
	40,740	48,772

(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. Where possible the Group enters longer term relationships with key customers that create more certainty around volumes and price.

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.

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

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 2021, 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	
	2021 $'000	**2020 $'000**
Interest rates – increase by 100 basis points	(121)	(149)
Interest rates – decrease by 100 basis points	121	149

(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 16.

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.

2021	<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	(10,610)	-	-	-	(10,610)	-
Loans	-	-	(18,709)	-	(18,709)	Fixed at 9%
Lease liability	(1,995)	(1,964)	(7,462)	-	(11,421)	Fixed at 3%
	(12,605)	(1,964)	(26,171)	-	(40,740)	

2020	<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	(13,303)	-	-	-	(13,303)	-
Loans	-	-	(19,441)	-	(19,441)	Fixed at 9%
Lease liability	(2,250)	(2,130)	(10,884)	(764)	(16,028)	Fixed at 3%
	(15,553)	(2,130)	(30,325)	(764)	(48,772)	

(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	
	2021 $'000	**2020 $'000**
Type of product[1]		
Shell egg	52,420	69,264
Egg product	20,020	20,025
Other	876	945
Total revenue from contracts with customers	73,316	90,234
Interest revenue and other income	3,675	93
Total revenue	76,991	90,327

[1] 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: Loss from continuing operations

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

	Consolidated	
	2021 $'000	**2020 $'000**
Cost of goods sold		
Changes in inventories of finished goods and work in progress	1,470	(1,153)
Raw materials and consumables used	52,537	66,543
	54,007	65,390
Employee benefits expenses		
Salaries and wages	14,097	14,555
Employee superannuation contributions	1,208	1,256
Total employee benefits expenses	15,305	15,811
Depreciation of non-current assets and leased assets		
Land and buildings	1,636	1,205
Plant & equipment	3,076	2,438
Right of use asset	4,378	4,426
Total depreciation of non-current assets	9,090	8,069
Foreign exchange translation loss	1	4
Flock amortisation (note 10)	9,456	12,449
Finance costs – interest expense	2,376	2,291
Impairment of property, plant and equipment	3,219	-
Loss on disposal of biological assets	3,652	-

Note 6: Income tax

	Consolidated 2021 $'000	Consolidated 2020 $'000
(a) Components of tax expense:		
Current tax (benefit) / expense	-	-
Deferred tax (benefit) / expense	(2,786)	(930)
Under/(over) provision in prior years	239	-
Income tax expense	(2,547)	(930)
(b) Income tax reconciliation		
(Loss) / profit before income tax	(14,518)	(3,099)
At the statutory income tax rate of 30% (2020: 30%)	(4,355)	(930)
Derecognition of carry forward losses	1,569	-
Under/(over) provision in prior years	239	-
Income tax (benefit) / expense	(2,547)	(930)
(c) Deferred tax assets and (liabilities) relate to the following:		
Employee benefits	639	659
Provisions and accruals	201	208
Fixed assets and leases	4, 987	280
Carry forward tax losses	-	2,133
Gross deferred tax assets	5,827	3,280
(d) Movement in deferred tax assets and (liabilities)		
Balance at beginning of year	3,280	2,350
Recognised in profit or loss	2,547	930
Current year losses	-	-
Balance at the end of the year	5,827	3,280

Note 7: Dividends

	Consolidated 2021 $'000	Consolidated 2020 $'000
(a) Dividends proposed and recognised as a liability	Nil	Nil
(b) Franking credit balance		
Balance of franking account at year end	11,485	11,485

Note 8: Receivables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Trade receivables	5,657	7,115
Allowance for expected credit losses	(6)	(6)
	5,651	7,109
Other receivables	454	330
	6,105	7,439

(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) Allowance for expected credit losses

	Consolidated 2021 $'000	Consolidated 2020 $'000
Movements in the allowance for expected credit losses were:		
Opening balance as at 1 July	6	6
Decrease in allowance for expected credit losses	-	-
	6	6

Note 8: Receivables (continued)

Trade and other receivables ageing analysis as at 30 June is:

	Gross 2021	Loss Allowance 2021	Gross 2020	Loss Allowance 2020
	$'000	$'000	$'000	$'000
Not past due	6,083	-	7,247	-
Past due 31-60 days	17	-	101	-
Past due 61-90 days	2	-	65	-
Past due more than 91 days	9	6	32	6
	6,111	6	7,445	6

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	
CURRENT	2021 $'000	2020 $'000
Raw materials	3,137	3,622
Finished goods	1,404	2,389
Total inventories	4,541	6,011

Note 10: Biological assets

	Consolidated	
	2021 $'000	2020 $'000
Current	7,603	6,382
Non-current	414	3,146
Total	8,017	9,528
Flocks		
Cost	17,473	16,809
Less: Accumulated amortisation	(9,456)	(7,281)
	8,017	9,528
Opening written down value	9,528	9,087
Additions	11,597	12,890
Amortisation	(9,456)	(12,449)
Disposal	(3,652)	-
Closing written down value	8,017	9,528

The number of birds held by the Company as at 30 June 2021 was 1,212,953 (2020: 1,427,375).

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

Note 11: Other current assets

	Consolidated	
	2021 $'000	2020 $'000
Prepayments and deposits	778	812

Note 12: Assets held for re-sale

	Consolidated	
	2021 $'000	2020 $'000
Assets held for re-sale	2,868	-

Assets held for re-sale

The Group announced on 29 June that after completing an open market Expression of Interest (EOI) sale process conducted by CBRE Melbourne it has entered into an unconditional agreement to sell its Keysborough manufacturing site. The settlement process was completed on the 9th July, 2021.

Note 13: Property, plant and equipment

2021	Land and buildings $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
Cost	25,780	45,789	984	72,553
Accumulated depreciation	(7,148)	(33,778)	-	(40,926)
Net book value	**18,632**	**12,011**	**984**	**31,627**
Opening net book value as at 1 July 2020	24,926	14,834	5,260	45,020
Reclassifications to 'lease assets'	-	(78)	-	(78)
Additions	-	19	514	533
Impairment losses	(94)	(69)	(3,056)	(3,219)
Disposal	(2,453)	(431)	(165)	(3,049)
Transfers	488	1,081	(1,569)	-
Depreciation	(1,636)	(3,076)	-	(4,712)
Transfer to assets held for re-sale	(2,599)	(269)	-	(2,868)
Net book value as at 30 June 2021	**18,632**	**12,011**	**984**	**31,627**

2020				
Cost	35,457	48,995	5,260	89,712
Accumulated depreciation	(10,531)	(34,161)	-	(44,692)
Net book value	**24,926**	**14,834**	**5,260**	**45,020**
Opening net book value as at 1 July 2019	25,551	16,177	3,485	45,213
Reclassifications to 'lease assets'[1]	-	(214)	-	(214)
Additions	-	-	3,664	3,664
Transfers	580	1,309	(1,889)	-
Depreciation	(1,205)	(2,438)	-	(3,643)
Net book value as at 30 June 2020	**24,926**	**14,834**	**5,260**	**45,020**

[1]On the initial application of AASB 16 Leases, as at 1 July 2019, the carrying amount of equipment under finance lease arrangements was reclassified from 'property, plant and equipment' to 'lease assets'.

Note 13: Property, plant and equipment (continued)

(a) Assets pledged as security

Included in the balances of freehold land and buildings and plant and equipment are assets over which first mortgages have been granted as security over loans (see note 16). The terms of the first mortgage preclude the assets from being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

(b) Impairment testing of non-current assets

The Group performed an impairment test in June 2021. 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 2021, 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.

As a result of the analysis, management did not identify an impairment other than specific impairments identified and taken up throughout the year.

Note 14: Lease assets and liabilities

Lease assets

2021	**Land and buildings $'000**	**Plant and equipment $'000**	**Total $'000**
Cost	18,094	1,408	19,502
Accumulated depreciation	(7,891)	(645)	(8,536)
Net book value	**10,203**	**763**	**10,966**
Opening net book value as at 1 July 2020	14,603	978	15,581
Reclassification from PPE	-	78	78
Recognition of leased assets - additions	-	53	53
Re-assessment of lease liability	(368)	-	(368)
Depreciation	(4,032)	(346)	(4,378)
Net book value as at 30 June 2021	**10,203**	**763**	**10,966**

Lease assets

2020	**Land and buildings $'000**	**Plant and equipment $'000**	**Total $'000**
Cost	18,684	1,323	20,007
Accumulated depreciation	(4,081)	(345)	(4,426)
Net book value	**14,603**	**978**	**15,581**
Opening net book value as at 1 July 2019	-	-	-
Reclassifications from PPE[1]	-	214	214
Recognition of leased assets as at 1 July 2020	18,684	795	19,479
Recognition of leased assets – additions	-	314	314
Depreciation	(4,081)	(345)	(4,426)
Net book value as at 30 June 2020	**14,603**	**978**	**15,581**

[1] On the initial application of AASB 16 Leases, as at 1 July 2019, the carrying amount of equipment under finance lease arrangements was reclassified from 'property, plant and equipment' to 'lease assets'.

Note 14: Lease assets and liabilities (continued)

Lease liabilities

Lease liabilities	2021 $'000	2020 $'000
Current lease liabilities	3,959	4,380
Non-current lease liabilities	7,462	11,648
Total carrying amount of lease liabilities	11,421	16,028
Lease expenses and cashflows		
Depreciation expense on lease assets	4,378	4,426
Interest expense on lease liabilities	400	537
Repayment of lease liability	4,279	3,963
Total cash outflow relating to leases	4,679	4,500

Note 15: Payables

	Consolidated	
	2021 $'000	2020 $'000
Trade creditors	8,822	11,519
Other payables and accruals	1,788	1,784
	10,610	13,303

(i) Terms and conditions

Our standard terms are 30 days from the end of month.

Note 16: Borrowings

	Interest Rate	Maturity	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current				
Secured				
Borrowings:				
Long term loan[2] – Tranche A			15,000	15,000
Working capital loan – Tranche B[1]			3,709	4,441
			18,709	19,441

[1] In line with AASB 9, Working capital loan – Tranche B is measured net of transaction costs of $223k.
[2] Secured by fixed charge over selected property and company assets.

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
(i) Long Term Loan – Tranche A		
Facilities available	15,000	15,000
Facilities used	15,000	15,000
Facilities unused	-	-
(ii) Working capital loan – Tranche B		
Facilities available	7,152	8,500
Facilities used	3,709	4,861
Facilities unused	3,443	3,639

Tranche B includes $3.5 million limit exclusively for capitalised interest, if any. The term of the facility is for three years from the date of the first drawdown, 16 August 2019.

Note 17: Provisions

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current		
Employee benefits		
Annual leave	1,008	1,031
Long service leave	920	952
	1,928	1,983
Non-current		
Employee benefits		
Long service leave benefits	201	212
Total employee benefits provisions	2,129	2,195

Note 18: Contributed Equity

	Consolidated	
	2021 $'000	**2020 $'000**
Issued and paid up capital		
55,180,175 (2019: 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 2021 no dividends were paid, declared or recommended (2020: Nil).

Note 19 (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	
	2021 $'000	**2020 $'000**
Net (loss) / profit from continuing operations	(11,971)	(2,169)

Weighted average

	2021 No. of shares	**2020 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 20: Cash Flow Information

	Consolidated 2021 $'000	Consolidated 2020 $'000
(a) Reconciliation of cash flow from operations with profit after tax:		
(Loss)/profit from ordinary activities after tax	(11,971)	(2,169)
Non-cash items		
Depreciation	9,090	8,069
Impairment of property, plant and equipment	3,219	-
Loss on disposal of biological assets	3,652	
Flock amortisation	9,456	12,449
Non-cash movement on loan	616	-
Non-cash movement on property, plant and equipment and leases	(212)	-
Changes in operating assets and liabilities net of effects from acquisition of businesses:		
(Increase) / decrease in trade and other receivables	1,334	764
(Increase) / decrease in inventory	1,470	(1,153)
(Increase) / decrease in biological assets	(11,597)	(12,890)
(Increase) / decrease in deferred tax asset	(2,547)	(930)
(Increase) / decrease in other assets	34	(406)
Increase / (decrease) in trade and other creditors	(2,693)	3,092
Increase / (decrease) in employee entitlements	(66)	56
Net cash flow from operating activities	(215)	6,882
(b) Reconciliation of cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows		
Cash at bank	1,285	4,412
	1,285	4,412

Note 20: Cash Flow Information (continued)

(c) Reconciliation of liabilities arising from financing activities

2021	As at 1 July	Financing cash flows	Operating cash flows - interest paid	Non-Cash Changes Other	As at 30 June
	$'000	$'000	$'000	$'000	$'000
Bank loans	19,441	(1,348)	-	616	18,709
Lease liabilities	16,028	(4,279)	(400)	72	11,421
Total liabilities from financing activities	35,469	(5,627)	(400)	688	30,130
2020					
Bank loans	13,500	5,941	-	-	19,441
Lease liabilities	198	(3,963)	(537)	20,330	16,028
Total liabilities from financing activities	13,698	1,978	(537)	20,330	35,469

Note 21: Commitments

Farm cost commitments

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

	Consolidated	
	2021 $'000	2020 $'000
Farm cost commitments	1,156	10,063

Note 22: 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 2021	2020
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 23: 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 22.

(b) Ultimate parent entity

The ultimate parent entity of the Group is AAA Egg Company Pty Limited, a private company, incorporated in Australia.

(c) Key management personnel

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

(d) Key management personnel compensation

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

	Consolidated	
	2021	2020
	$'000	$'000
Short-term employee benefits	704	688
Long term employee benefits	-	-
Post-employment benefits	54	53
	758	741

Detailed remuneration disclosures are provided in the Remuneration Report on page 13 and 14.

Note 23: Related party disclosures (continued)

(e) 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)	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	Purchases	-	-		10	-	-
Specialised Breeders Australia Pty Ltd [2] (P. Bell)	Purchases	-	-		107		(83)
Days Eggs Pty Ltd (P. Bell)	Egg supply / Purchases	27	195	151	420	(10)	(4)
Hy-Line Australia Pty Ltd [2] (P. Bell)	Purchases	-	-		5,319		(850)
Pure Foods Eggs Pty Ltd (P. Bell)	Egg sales	41	27	-	-	3	3
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	Egg sales / Purchases	854	776	164	154	77	71

[1]Peter Bell and Malcolm 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.

[2] Peter Bell resigned as director of Specialised Breeders Australia Pty Ltd and Hy-Line Australia Pty Ltd effective 31 Oct 2019.

Transactions in the above table represent related party transactions for the full financial year from July '20 – June '21 and comparatives for July '19 - June '20.

Note 24: Parent entity information

Information relating to Farm Pride Foods Limited:

	2021 $'000	2020 $'000
Summarised statement of financial position		
Current assets	23,180	25,476
Total assets	70,641	89,557
Current liabilities	15,172	18,293
Total liabilities	40,966	48,441
Total equity of the Parent comprises of the following:		
Share capital	29,578	29,578
Retained earnings	97	11,538
Total shareholder's equity	29,675	41,116
Summarised statement of comprehensive income		
(Loss) of the parent entity	(11,441)	(3,268)
Total comprehensive (loss) of the parent entity	(11,441)	(3,268)

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

Note 25: Auditor's remuneration

	Consolidated Entity	
	2021 $	2020 $
Audit and other assurance services		
Audit and review of the financial report of the entity and any other entity in the consolidated entity	131,000	129,000
Additional Audit procedures required due to the AI outbreak	44,175	-
Other services		
Taxation services	23,737	14,000
	198,912	143,000

Note 26: Subsequent Events

On 9 July 2021, the Company settled the sale of its Keysborough manufacturing facility. Proceeds of $18.500 million from the sale were be used to reduce debt and provide working capital to drive the business recovery, develop the Company's cage free capacity and to support its innovation platform. The Company has entered into a long-term lease of the facility of fifteen years with an additional five-year option with the purchaser RF Corval, a specialist property fund manager and investment company.

Apart from the sale of the Keysborough manufacturing facility no other circumstance, has arisen since 30 June 2021 that has significantly affected or may significantly affect:
- the operations, in financial years subsequent to 30 June 2021, of the group, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2021, of the group.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 19 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 2021 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 2021.

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

Director
27 August 2021
Melbourne

FARM PRIDE FOODS LIMITED
ABN 42 080 590 030

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Farm Pride Foods Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; 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 (including Independence Standards)* "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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of flock assets Valuation of flock assets - $8,016,567 Refer to Note 10: Biological Assets The Group has $8.02 million ($9.53 million as at 30 June 2020) of biological assets, "the flock assets". The flock assets should be valued at market value consistent with AASB 141 Agricultural assets, however, the lack of an active or liquid market for flock assets means the flock assets are measured at cost less accumulated amortisation and impairment losses. The amortisation rate is based on the estimated life of an individual flock within the flock assets, and consequently the valuation of the flock assets as a whole is subject to judgement. We have focused on this balance given it is based on significant estimates involving subjective judgements and uncertainties over the estimated flock assets life due to the impact of factors such as disease and productive capacity of the individual flocks.	Our testing of the flock assets valuation focused on assessing the appropriateness of management's estimates and judgements when determining the flock assets' estimated life. Our procedures included, amongst others: • Obtained an understanding of processes and evaluated the design and implementation of key controls in respect of the valuation of the flock assets; • Obtained schedule of total flock assets as at 30 June 2021 and agreed to the general ledger; • Assessed the underlying mathematical accuracy of the flock asset schedule by performing a recalculation of the written down value of the flock assets as at 30 June 2021 based on the total capitalised cost, age and productive life of each flock asset as at 30 June 2021; • Tested the appropriateness and accuracy of costs capitalised to flock assets by verifying a sample of costs back to supporting invoices/documentation; • Held discussions with management and assessed the key assumptions used to determine productive life for each flock asset as at 30 June 2021; • Assessed the adequacy of the presentation and disclosure of the flock assets in the financial report as at 30 June 2021.

Valuation of Property, plant and equipment Valuation of property, plant and equipment and asset held for resale- $34,495,545 Refer to Note 13 and 12: Property, plant and equipment and asset held for resale. The Group has $35.4 million ($45.0 million as at 30 June 2020) of property, plant and equipment, which represents approximately 47% of total assets. Australian Accounting Standards require the Group to assess, at the end of each reporting period, whether there is any indication of impairment to assets. We have focused on this balance due to the significance of the balance and in light of the market capitalisation of the company being less than its net asset value, which is a potential indicator of impairment. The key assumptions and methodologies used in the discounted cash-flow forecast for value-in-use impairment assessment are complex judgements made by management.	Our testing of property, plant and equipment valuation focused on assessing the appropriateness of management's judgements in relation to its determination of cash-generating unit and the associated value in use calculation. Our procedures included, amongst others: • Obtained an understanding of processes and evaluated the design and implementation of key controls in respect of the valuation of property, plant and equipment; • Evaluated the determination of cash-generating units; • Evaluated the assumptions and methodologies utilised in the discounted cash flow prepared by management, including discount rate, growth rates and other key assumptions such as egg prices and costings for feed; • Assessed the Group's results in comparison to historical actuals and forecasts to determine the reasonableness of the discounted cash flow; • Compared forecast future cash flows to Board approved budgets; • Tested the mathematical accuracy of the discounted cash flow model; • Assessed the impact of sensitivities to sales, feed prices and WACC rates. • Assessed the adequacy of the presentation and disclosure of property, plant and equipment in the financial report as at 30 June 2021.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, 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.

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.

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

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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Farm Pride Foods Limited and controlled entities, for the year ended 30 June 2021, 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.

STEPHEN SCHONBERG
PITCHER PARTNERS
Partner

Melbourne

Date: 27 August 2021

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 July 2021.

(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	431	263,194
1,001 - 5,000	809	2,264,339
5,001 - 10,000	286	2,097,957
10,001 - 100,000	285	7,525,763
100,001 +	35	43,028,922
The number of shareholders holding less than a marketable parcel of shares are:	549	398,888

(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	J P MORGAN NOMINEES AUSTRALIA PTY LTD	3,431,330	6.22
3	NORMPAT PTY LTD	2,064,250	3.74
4	OAKMEADOW PTY LTD	2,011,772	3.65
5	MARKCAMP NO 2 PTY LTD	1,071,716	1.94
6	GLENMON NO2 PTY LTD	1,003,057	1.82
7	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	620,249	1.12
8	DAVID RICARDO ASSET MANAGEMENT PTY LTD	514,495	0.93
9	MR CLINTON JAMES QUAY	500,000	0.91
10	ZERO NOMINEES PTY LTD	464,244	0.84
11	MR TOMASSON MONTALTO + ESTATE LATE MAURO MONTALTO	316,861	0.57
12	DR HARRY HIRSCHOWITZ + MRS FARIBA YEROSHALMI	255,295	0.46
13	MR DION DEREK MARTINUS	254,244	0.46
14	NEWECONOMY COM AU NOMINEES PTY LIMITED	253,206	0.46
15	MRS FRANCESCA D'ALBERTO	241,994	0.44
16	MISS JEAN SHIONG LI HO	224,000	0.41
17	MR PETER SCARF + MRS IDA SCARF	200,000	0.36
18	CITICORP NOMINEES PTY LIMITED	196,520	0.36
19	MR GAVIN BRUCE DE LACY	195,502	0.35
20	MR DONG RONG LUN	182,000	0.33
		41,487,037	75.18

ASX Additional Information (continued)

(c) Substantial shareholders

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

	No. of shares held	Percentage of ordinary shares
West Coast Eggs Pty Ltd	27,486,302	49.81
J P Morgan Nominees Australia Pty Ltd	3,431,330	6.22

(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 (2020: 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

farm pride

PRIDE IN EVERY EGG

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