

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

**HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016.

Appendix 4D

Half Year Report for the six months to 31 December 2016

Name of entity: FARM PRIDE FOODS LIMITED

ABN or equivalent company reference: 42 080 590 030

1. Reporting period

Report for the half year ended: 31 December 2016

Previous corresponding periods: Financial year ended 30 June 2016
Half- year ended 31 December 2015

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	Up	2.47%	to	\$49,241,000
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Up	12.51%	to	\$4,307,000
Net profit for the period attributable to members (<i>item 2.3</i>)	Up	12.51%	to	\$4,307,000
Dividends (<i>item 2.4</i>)		Amount per security		Franked amount per security
Interim dividend		- ¢		- ¢
Final dividend		- ¢		- ¢
Previous corresponding period		- ¢		- ¢
Record date for determining entitlements to the dividend (<i>item 2.5</i>)				N/A
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
Refer to Director's report				

3. Net tangible assets per security (*item 3*)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	75.48 ¢	60.14 ¢

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4. Details of entities over which control has been gained or lost during the period:
(item 4)

Control gained over entities

Name of entities <i>(item 4.1)</i>	N/A	
Date(s) of gain of control <i>(item 4.2)</i>	N/A	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired <i>(item 4.3)</i>		\$ -
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period <i>(item 4.3)</i>		\$ -

Loss of control of entities

Name of entities <i>(item 4.1)</i>	N/A	
Date(s) of loss of control <i>(item 4.2)</i>	N/A	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost <i>(item 4.3)</i> .		\$ -
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period <i>(item 4.3)</i>		\$ -

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2016	N/A	\$ -
Final dividend year ended 30 June 2016	N/A	\$ -

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	- ¢	- ¢	- ¢
Previous year	- ¢	- ¢	- ¢

6. The financial information provided in the Appendix 4D is based on the half year condensed consolidated financial report (attached).

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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016.

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

Corporate Information

ABN 42 080 590 030

Directors

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

Company Secretary

Bruce De Lacy

Registered Office

551 Chandler Road
Keysborough, Victoria 3173
+61 3 9798 7077

Solicitors

B2B Lawyers
76 Jolimont St
East Melbourne, Victoria 3002

Banker

Westpac Banking Corporation
Level 7, 150 Collins Street
Melbourne, Victoria 3000

Share Register

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

ASX: FRM

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000

Internet Address

www.farmpride.com.au

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

FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2016

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FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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, for the half-year ended 31 December 2016 and independent auditor's review report thereon.

This financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as described in Note 1(a).

Directors

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

Name	Period of directorship
Peter Bell	Appointed 30 May 2008
Malcolm Ward	Appointed 30 May 2008
Bruce De Lacy	Appointed 30 April 2014
Phillip Campbell	Appointed 4 September 2015, Resigned 30 September 2016

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

The Company produced a solid result (Operating EBITDA) of \$7.905 (2015: \$8.111m) despite some increased market volatility in the second quarter. Sales volumes remained relatively strong but with some weakening in both volumes and prices in 2Q17.

Profit before income tax was \$6.187m (2015: \$5.607m). Despite the improvement in profitability, cash flows from operating activities decreased largely reflecting the impact of increased company tax payments and increases in inventory and biological assets.

In August 2016 we reported that industry egg supply was expected to be in balance at the end of the first half of the 2017 financial year.

In the last two months national egg inventories moved significantly from the previous relatively balanced levels to oversupply. With greater industry certainty about free range definitions and following a hiatus in shed construction, egg producers like ourselves have invested in additional capacity in excess of the immediate national requirement.

The current increased egg inventories reflect the ongoing cyclical nature of the egg industry much like the dairy and pork industries. The egg industry will continue to be influenced by extremes in weather, uncertainty over the medium term changes in demand for different production systems, disease and market forces.

Our management team remains unchanged since June 2016 as do our efforts to remain focused on the business.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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Our strategy remains on track as we increase the focus on our brands and continue our focus on cost of processing, investment in new farms, stable cash flows and growth opportunities to position the company for long term sustainable growth.

Our new free range facility was completed in the 2016 calendar year.

Biological asset performance has been pleasing but we note the increasing impact of Avian Influenza in a number of overseas countries and the impact of unusual summer weather locally and in New South Wales.

We are still awaiting a judgement from the courts on the ACCC Egg Cartel appeal. Farm Pride continues to deny the allegations made by the ACCC.

We have made a significant commitment to our customers and consumers that our free range eggs are "fair dinkum" free range by engaging Oritain, a New Zealand company who can scientifically prove the origin of our products. Oritain can trace our eggs back to their true origin by using advanced science. This investment is consistent with our efforts to recognise that credence claims such as free range need to be supported by robust systems and controls.

The Board of Directors would like to thank all our customers and employees for their continued support and efforts.

Significant changes in the state of affairs

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

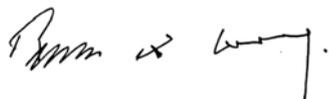
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the company under ASIC Corporations Instrument 2016/191. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors, dated this 23rd day of February 2017.



Bruce De Lacy
Director

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

As lead auditor for the review of Farm Pride Foods Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young



BJ Pollock
Partner
23 February 2017

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year	
	31 Dec	31 Dec
	2016	2015
	\$'000	\$'000
Revenue and other income from continuing operations		
Sales revenue	49,158	47,954
Other income	83	99
	49,241	48,053
Less: Expenses		
Changes in inventories of finished goods and work in progress	1,356	(525)
Raw materials and consumables	(33,040)	(30,086)
Employee benefits expense	(6,259)	(6,328)
Depreciation	(1,634)	(1,651)
Impairment of property, plant and equipment	-	(576)
Finance costs	(84)	(277)
Other expenses	(3,393)	(3,003)
	6,187	5,607
Profit before income tax expense	6,187	5,607
Income tax expense	(1,880)	(1,779)
	4,307	3,828
Profit from continuing operations	4,307	3,828
Profit for the half-year	4,307	3,828
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Cash flow hedge, net of tax	-	77
	-	77
Other comprehensive income for the half-year, net of income tax	-	77
Total comprehensive income for the half-year	4,307	3,905
Earnings per share for profit attributable to the equity holders of the parent entity:		
Basic earnings per share (cents per share)	7.81	6.94
Diluted earnings per share (cents per share)	7.81	6.94

The consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	31 Dec 2016 \$'000	30 June 2016 \$'000
CURRENT ASSETS		
Cash and cash equivalents	3,419	3,438
Receivables	9,231	8,342
Inventories	4,778	3,422
Biological assets	7,509	7,223
Other current assets	701	303
TOTAL CURRENT ASSETS	25,638	22,728
NON-CURRENT ASSETS		
Biological assets	364	378
Deferred tax assets	814	777
Property, plant and equipment	31,616	31,353
TOTAL NON-CURRENT ASSETS	32,794	32,508
TOTAL ASSETS	58,432	55,236
CURRENT LIABILITIES		
Payables	12,457	11,788
Lease liabilities	680	895
Provisions	1,969	1,871
Current tax payable	722	2,121
TOTAL CURRENT LIABILITIES	15,828	16,675
NON-CURRENT LIABILITIES		
Lease Liabilities	15	244
Provisions	123	158
TOTAL NON-CURRENT LIABILITIES	138	402
TOTAL LIABILITIES	15,966	17,077
NET ASSETS	42,466	38,159
EQUITY		
Contributed capital	29,578	29,578
Retained earnings	12,888	8,581
TOTAL EQUITY	42,466	38,159

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed equity	Cash flow hedge reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	29,578	(90)	454	29,942
Profit for the half -year	-	-	3,828	3,828
Other comprehensive income (net of tax)	-	77	-	77
Total comprehensive income for the half-year	-	77	3,828	3,905
Balance as at 31 December 2015	29,578	(13)	4,282	33,847

	Contributed equity	Cash flow hedge reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2016	29,578	-	8,581	38,159
Profit for the half -year	-	-	4,307	4,307
Other comprehensive income (net of tax)	-	-	-	-
Total comprehensive income for the half-year	-	-	4,307	4,307
Balance as at 31 December 2016	29,578	-	12,888	42,466

The consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year	
	31 Dec 2016	31 Dec 2015
CASH FLOW FROM OPERATING ACTIVITIES	\$'000	\$'000
Receipts from customers	48,285	46,795
Payments to suppliers and employees	(42,600)	(37,211)
Interest received	32	-
Finance costs	(84)	(277)
Income tax paid	(3,316)	(2,436)
Net cash provided by operating activities	2,317	6,871
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	21	-
Payment for property, plant and equipment	(1,921)	(3,703)
Net cash used in investing activities	(1,900)	(3,703)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(2,200)
Repayment of finance lease liabilities	(436)	(518)
Net cash used in financing activities	(436)	(2,718)
Net (decrease)/increase in cash and cash equivalents	(19)	450
Cash and cash equivalents at beginning of the half-year	3,438	586
Cash and cash equivalents at end of the half-year	3,419	1,036

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2016

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Farm Pride Foods Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Farm Pride Foods Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the director's report.

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2016 and the corresponding half-year.

Historical cost convention

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

Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies.

(b) Going concern

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

(c) Rounding amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Class Instrument, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(d) Accounting standards issued but not yet effective

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

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

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

AASB 15 *Revenue from Contracts with Customers* – Operative date 1 January 2018

AASB 16 *Leases* – Operative date 1 January 2019

NOTE 2: DIVIDENDS

No dividends were paid or proposed during the half-year (2015: nil).

NOTE 3: CONTRIBUTED CAPITAL

	As at	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Issued and paid up capital		
Ordinary shares fully paid	29,578	29,578
	<u>29,578</u>	<u>29,578</u>

As at 31 December 2016 the Company had 55,180,175 shares on issue (30 June 2016: 55,180,175).

NOTE 4: CONTINGENT LIABILITIES

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

Judgement was reserved on the 16 August 2016 with an outcome still pending.

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

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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NOTE 5: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

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

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

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

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

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

31 Dec 2016	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Hedging instruments	-	(4)	-	(4)
Total financial assets	-	(4)	-	(4)
<i>Non-financial assets</i>				
Current biological assets at fair value less cost to sell	-	-	7,509	7,509
Non-current biological assets at fair value less cost to sell			364	364
Total non-financial assets	-	-	7,873	7,873
30 June 2016				
Recurring Fair Value Measurements	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Non-financial assets</i>				
Current biological assets at fair value less cost to sell	-	-	7,223	7,223
Non-current biological assets at fair value less cost to sell			378	378
Total non-financial assets	-		7,601	7,601

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

Biological assets

Biological assets held by the Group comprise flocks of hens. The written down value of closing flock stock at balance date approximates fair value. The capitalised cost of poultry is amortised over the productive life of the flock. The flock is held for the purposes of producing eggs.

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

Biological assets are based upon amortised cost over their productive life which is between 50-60 weeks.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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NOTE 5: FAIR VALUE MEASUREMENTS (continued)

(d) Reconciliation of recurring level 3 fair value movements

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Biological assets at fair value less cost to sell		
Opening balance	7,601	7,059
Purchases	5,605	10,031
Amortisation (fair value adjustment)	(5,333)	(9,489)
Closing balance	<u>7,873</u>	<u>7,601</u>

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

The amortised cost of closing flock stock at balance date is deemed a proxy for fair value. The capitalised cost of poultry is amortised over the productive life of the flock, which is between 50-60 weeks.

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

At balance date if the amount amortised for the six months had varied as illustrated below, post tax profit and other comprehensive income would have been affected as follows:

	31 Dec 2016	30 June 2016
	\$'000	\$'000
+5% variation	187	332
-5% variation	(187)	(332)

(g) Fair value compared with carrying amounts

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

NOTE 6: COMMITMENTS

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Flock replacement commitment	880	1,691
Capital projects	1,483	6,261
	<u>2,363</u>	<u>7,952</u>

NOTE 7: SUBSEQUENT EVENTS

There are no matters or circumstances which have arisen since 31 December 2016 that have significantly affected or may significantly affect the operations, the results of those operations or the state of affairs of the Group as a whole, in subsequent financial years.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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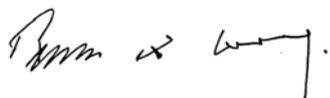
DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 8 to 17 in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance for the half-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 is made in accordance with a resolution of the Directors.



Bruce De Lacy
Director

Melbourne
Date: 23 February 2017

To the members of Farm Pride Foods Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Farm Pride Foods Limited, which comprises the Consolidated Statement of Financial Position as at 31 December 2016 the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Farm Pride Foods Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Farm Pride Foods Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young



BJ Pollock
Partner

Melbourne
23 February 2017