

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

**FINANCIAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2014  
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A**

## Appendix 4E Preliminary Final Report

Name of entity

FARM PRIDE FOODS LTD.
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ABN or equivalent company reference:	42 080 590 030
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### 1. Reporting period

Report for the financial year ended	30 June 2014
Previous corresponding period is the financial year ended	30 June 2013

### 2. Results for announcement to the market

Revenues from ordinary activities ( <i>item 2.1</i> )	down	6%	to	\$96.56m
Profit from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	up	259%	to	\$2.17m
Net profit for the period attributable to members ( <i>item 2.3</i> )	up	259%	to	\$2.17m
<b>Dividends (<i>item 2.4</i>)</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
Interim dividend		-		-
Final dividend		-		-
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	N/A			

### 3. Statement of Comprehensive Income

Refer to the attached statement and relevant notes

### 4. Statement of Financial Position

Refer to the attached statement and relevant notes

**5. Statement of Cash Flows**

Refer to the attached statement and relevant notes

**6. Statement of retained earnings**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of year	(6,768)	(7,398)
Transfers to retained earnings	-	26
Net profit attributable to members of the parent entity	2,169	604
Total available for appropriation	(4,599)	(6,768)
Dividends paid	-	-
Balance at end of year	(4,599)	(6,768)

**7. Net tangible assets per security**

	<b>Current period</b>	<b>Previous corresponding period</b>
Net tangible asset backing per ordinary security	43.65 ¢	39.63 ¢

**8. Significant information relating to the entity's financial performance and financial position.**

**Refer to attached Financial Report**

**9. The financial information provided in the Appendix 4E is based on the annual financial report (attached), which has been prepared in accordance with Australian Accounting Standards.**

**10. Commentary on the results for the period.**

Refer to Interim CEO's Report.

**11. Audit of the financial report**

- The financial report has been audited

**12. The audit has been completed.**

- The financial report contains an independent audit report that is not subject to a modified opinion, emphasis of matter or other matter paragraph.

# **Farm Pride Foods Limited**

**ABN 42 080 590 030**

**and Controlled Entities**

## **Financial Report**

**For the year ended 30 June 2014**

## **Corporate Information**

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

ABN 42 080 590 030

#### **Directors**

Bruce De Lacy (Executive Director / Interim CEO)

Peter Bell (Non-Executive Chairman)

Malcolm Ward (Non-Executive Director)

#### **Company Secretary**

Bruce De Lacy

#### **Registered Office**

551 Chandler Road

Keysborough, Victoria 3173

(+61-3) 9798 7077

#### **Solicitors**

B2B Lawyers

76 Jolimont St

East Melbourne, Victoria 3002

#### **Bankers**

Westpac Banking Corporation

Level 7, 360 Collins Street

Melbourne, Victoria 3000

#### **Share Register**

Computershare Registry Services Pty. Ltd.

Yarra Falls, 452 Johnston Street

Abbotsford, Victoria 3067

ASX: FRM

#### **Auditors**

Pitcher Partners

Level 19 / 15 William Street

Melbourne, Victoria 3000

#### **Internet Address**

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

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## **Chairman's Report**

Total revenue for the Company was \$96.56m, down \$6.23m or 6% (2013:\$102.79m). Profit from continuing operations after tax of \$2.17m was up \$1.57m (2013: \$0.6m).

The first six months of the fiscal year the Company generated a loss from continuing operations of \$0.05m. The second half generated a profit after income tax of \$2.22m.

EBITDA was \$7.33m compared with \$2.42m at 31 December 2013 and \$5.93m at 30 June 2013.

Net cash flows from operations for the year were \$4.76m (2013: \$3.11m). Total borrowings were reduced to \$14.16m as at 30 June 2014 (2013: \$17.55m). At the same time, trade and other payables were down to \$13.01m (2013: 17.63m).

Westpac, the Company's bank, has approved extension of our banking facilities for a further 12 months and we are currently discussing the renewal of our facilities for a 2 to 3 year period.

During the last six months the Company fulfilled its commitment to undertake a major review of overhead costs in light of ongoing cost pressures and concerns expressed by shareholders. A further review of overheads will be completed prior to the 31 December 2014 to ensure that the Company can achieve additional improvements and efficiencies in the business.

In May 2014 the Australian Competition and Consumer Commission (ACCC) instituted proceedings in the Federal Court against the Australian Egg Corporation Limited (AECL), Farm Pride Foods Ltd, Mr. Zelko Lendich, a director of AECL and a director of Farm Pride Foods Ltd and a number of other corporate and individual respondents alleging an attempt to induce egg producers who were members of the Australian Egg Industry to enter into an arrangement to cull hens or otherwise dispose of eggs, for the purpose of reducing the amount of eggs available for supply to consumers and businesses in Australia. It is not alleged that this attempt to make a cartel arrangement involving Australian egg producers was successful.

Farm Pride Foods Ltd strenuously denies and is strongly defending the allegations made against it by the ACCC. Farm Pride Foods Ltd expressly denies engaging in any conduct by which it made or agreed to any proposal or attempted to reach any understanding with any other AECL members to limit the production for supply or the supply of eggs.

**Peter Bell**  
**Chairman**



## Director's Report

The Directors present their report together with the financial report of the consolidated entity consisting of Farm Pride Foods Ltd and the entities it controlled, for the year ended 30 June 2014 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors

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

Zelko Lendich	Managing Director – Appointed 6 May 2003, Resigned 30 April 2014
Peter Bell	Non-executive Director – Appointed 30 May 2008
Malcolm Ward	Non-executive Director – Appointed 30 May 2008
Bruce De Lacy	Executive Director – Appointed 30 April 2014

### Principal Activities

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

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

### Results and Review of operations

The consolidated profit after income tax attributed to the members of Farm Pride Foods Ltd \$2.17m (2013: \$0.6m). Revenue decreased by 6.1% to \$96.56m (2013: \$102.79m) and EBITDA increased by 23.7% to \$7.33m (2013: \$5.93m). For further clarification of the review and results of operations of the Company reference should be made to the Chairman's Report.

### Significant changes in the state of affairs

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

### After balance date events

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

### Likely Developments

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

### Environmental Regulation

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

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

## Director's report (continued)

### Dividends paid, recommended and declared

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

### Share options

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

### Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Farm Pride Foods Ltd at any time during or since 1 July 2013 is provided below, together with details of the company secretary as at the year end.

#### Zelko Lendich

(Managing Director – appointed 6 May 2003, member of the Audit Committee, Resigned 30 April 2014)

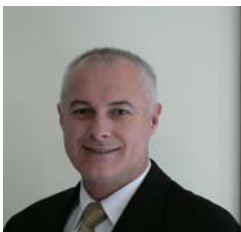
Zelko was a Non-executive Director of West Coast Eggs and the Australian Egg Corporation Ltd. He has wide ranging experience in commerce, government and education in Australia and internationally. Zelko held senior posts at the University of Western Australia's Management Development Institute, the Western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

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

#### Peter Bell

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

Peter has been involved in the egg industry for 50 years and comes from a third generation poultry farming family. He continues to be directly involved in the management and servicing of commercial egg farms. He is also the Managing Director of AAA Egg Company Pty Ltd, a director of West Coast Eggs Pty Ltd, a director of Novo Foods Pty Ltd, a director of Days Eggs Pty Ltd and Pure Foods Eggs Pty Ltd as well as being a Director of a number of other egg related businesses.



#### Malcolm Ward

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

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

## Director's report (continued)

### Bruce De Lacy

(Company Secretary – Appointed 1 August 2003, Chief Financial Officer – Appointed 10 June 2013, Executive Director – Appointed 30 April 2014)



Bruce was appointed Executive Director and Interim Chief Executive Officer following the resignation of Mr. Lendich.

Bruce has over 30 years' experience in the egg industry and has previously been employed in a number of positions at the Company including General Manager and Chief Operating Officer.

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

### Directors meetings

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

	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Zelko Lendich	10	10	4	4
Malcolm Ward	12	12	4	4
Peter Bell	12	12	4	4
Bruce De Lacy	2	9*	-	4*

All directors were eligible to attend all meetings held.

\*Mr Bruce De Lacy attended by invitation those meetings he was ineligible to attend.

### Directors' interests in shares

Directors' relevant interests in shares of Farm Pride Foods Ltd are detailed below:

Directors' relevant interests in:	Ordinary shares of Farm Pride Foods Ltd.	Options over shares in Farm Pride Foods Ltd.
Peter Bell	2,413,269	-
Malcolm Ward	1,981,122	-
Zelko Lendich	2,793,000	-
Bruce De Lacy	195,502	-

### Indemnification and Insurance of directors and officers

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

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

## **Directors' Report (continued)**

### **Proceedings on behalf of the consolidated entity**

The ACCC has instituted proceedings in the Federal Court against the Australian Egg Corporation Limited (AECL), Farm Pride Foods Ltd and Mr. Zelko Lendich, a director of Farm Pride Foods Ltd and a number of corporate and individual respondents.

The ACCC alleges the AECL and the other corporate and individual respondents attempted to induce egg producers who were members of AECL to enter into an arrangement to cull hens or otherwise dispose of eggs, for the purpose of reducing the amount of eggs available for supply to consumers and businesses in Australia.

It is acknowledged by the ACCC that this attempt to make a cartel arrangement involving Australian egg producers was not successful.

The ACCC alleges that from November 2010, in AECL member publications, the AECL board (which included Messrs. Kellaway, Ironside and Lendich) encouraged its members to reduce egg production in order to avoid oversupply which would affect egg prices. It is also alleged that, in February 2012, AECL held an 'Egg Oversupply Crisis Meeting' attended by egg producers in Sydney, where it allegedly sought a coordinated approach by egg producers to reducing the supply of eggs, in response to a perceived oversupply of eggs. Mr. Kellaway and Mr. Lendich both attended and spoke at this meeting, which was chaired by Mr. Ironside.

The ACCC is seeking declarations, injunctions, pecuniary penalties, orders that AECL, Farm Pride Foods Ltd and Twelve Oaks Poultry establish and maintain a compliance program and that Messrs. Kellaway, Ironside and Lendich attend compliance training, an adverse publicity order and a community service order against AECL, disqualification orders against Messrs. Kellaway, Ironside and Lendich, and costs.

Farm Pride Foods Ltd strenuously denies and is strongly defending the allegations made against it by the ACCC. Farm Pride Foods Ltd expressly denies engaging in any conduct by which it made or agreed to any proposal or attempted to reach any understanding with any other AECL member to limit the production for supply or the supply of eggs.

### **Auditor's Independence Declaration**

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

## Directors' Report (continued)

### Non audit Services

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

	2014 \$	2013 \$
Taxation services		
Pitcher Partners	15,000	14,550
	15,000	14,550

### Remuneration Report (Audited)

The directors present the consolidated entity's 2014 remuneration report which details the remuneration information for Farm Pride Foods Ltd's executive directors, non-executive directors and other key management personnel.

#### Details of key management personnel

<b>(i) Directors</b>	<b>Period of Responsibility</b>	<b>Position</b>
Peter Bell	Appointed 30 May 2008	Non-executive Director
Malcolm Ward	Appointed 30 May 2008	Non-executive Director
Zelko Lendich	Appointed 6 May 2003 / Resigned 30 April 2014	Managing Director
Bruce De Lacy	Appointed 30 April 2014	Executive Director
<b>(ii) Executives</b>		
Bruce De Lacy	Appointed 1 August 2003 Appointed 10 June 2013 Appointed 30 April 2014	Company Secretary Chief Financial Officer Interim CEO

#### Remuneration Policy

The Board policy for determining the nature and amount of remuneration of key management personnel (KMP) is agreed by the Board of Directors as a whole. The board has not obtained any professional advice on Remuneration during the year ended 30 June 2014.

For executives, the Company provides a remuneration package that incorporates cash-based remuneration and may include share-based remuneration. The contracts for service between the Company and executives are on a continuing basis the terms of which are not expected to change in the immediate future. The remuneration policy is directly related to Company performance at the discretion of the Board of Directors. The Board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the Company for shareholders.

## Director's report (continued)

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

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

In accordance with Article 13.2 of the Company Constitution the aggregate amount payable as non-executive director's fees shall not exceed \$250,000 per annum.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution. Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

### *Service Agreement*

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

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

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

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

## Directors' Report (continued)

### A. Details of key management personnel remuneration

#### (a) Directors' remuneration:

	Short Term Benefits			Long Term Benefits	Post-employment			Performance Based	Total
	Salary & Fees	Performance Based Payment	Non-cash Benefits	Long Service Leave	Super	Retirement Benefits	Options		
<b>2014</b>	\$	\$	\$	\$	\$	\$	\$	%	\$
Zelko Lendich **	280,000	-	-	-	-	-	-	-	280,000
Peter Bell	23,000	-	-	-	2,128	-	-	-	25,128
Malcolm Ward	23,000	-	-	-	2,128	-	-	-	25,128
Bruce De Lacy ***	27,677	-	-	-	2,560	-	-	-	30,237
<b>Total</b>	<b>353,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,816</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>360,493</b>
<b>2013</b>	\$	\$	\$	\$	\$	\$	\$	%	\$
Darren Lurie *	33,333	-	-	-	-	-	-	-	33,333
Zelko Lendich	300,000	-	-	-	-	-	-	-	300,000
Peter Bell	23,000	-	-	-	2,070	-	-	-	25,070
Malcolm Ward	23,000	-	-	-	2,070	-	-	-	25,070
<b>Total</b>	<b>379,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383,473</b>

There were no executives, besides executive directors.

\*Resigned as director 28 February 2013.

\*\*Resigned as director 30 April 2014.

\*\*\*Appointed as director and Interim CEO on 30 April 2014.

## Directors' Report (continued)

### (b) Directors and major shareholders 2013 and 2014

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

Directors and major shareholders 2013/2014	Note	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
			2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	(a)(c)	Loan/ Purchases	-	-	9	-	(9)	(281)
Altona Hatchery Pty Ltd (P. Bell)	(a)	Purchases	-	-	-	-	(6)	(6)
Days Eggs Pty Ltd (P. Bell)	(a)	Egg supply / Purchases	1,242	488	144	268	105	152
Hy-line Australia Pty Ltd (P. Bell)	(a)	Purchases / Packaging sales	-	-	3,323	4,815	(434)	(1,036)
Southern Eggs Pty Ltd (P. Bell / M. Ward)	(a)	Egg sales / Purchases	-	1,086	-	-	-	-
Pure Foods Eggs Pty Ltd (P. Bell)	(a)	Egg sales / Purchases	226	580	264	183	(89)	31
West Coast Eggs Pty Ltd (P. Bell / M. Ward / Z. Lendich)	(a)	Egg sales / Purchases	3,263	6,290	709	444	(855)	(890)
Aquila Corporate Advisory Pty Ltd (D. Lurie)	(d)	Director	-	-	7	41	-	(34)
Hensman Nominees Pty Ltd (Z Lendich)	(b)	Director / Consulting	-	-	308	330	-	(218)
Hensman Nominees Pty Ltd (Z Lendich)	(b)	Expense Reimbursement	-	-	50	142	-	(42)

- (a) Messrs. Bell and Ward through their related entities provide birds, eggs and egg products to and acquire eggs, egg product and packaging from Farm Pride Foods Ltd and its controlled entities. These transactions are on normal trading terms and conditions.
- (b) Mr. Zelko Lendich who was a director of Farm Pride Foods Ltd was also a director of Hensman Nominees Pty Ltd.
- (c) AAA Egg Company Pty Ltd provided a cash advance facility on normal terms of \$1.5m for a period of 2 years until 26 August 2013. As at 30 June 2014 the advance had been fully repaid.
- (d) Mr. Darren Lurie was a director of Farm Pride Foods Ltd and also a director of Aquila Corporate Advisory Pty Ltd.



## **Directors' Report (continued)**

### **Relationship between remuneration and company performance**

The non-executives remuneration policy is not directly related to company performance. The board considers a remuneration policy based on short-term returns may not be beneficial to the long term creation of wealth by the company for shareholders.

### **Voting and comments made at the company's 2013 Annual General Meeting (AGM)**

At the company's 2013 AGM, a resolution to adopt the prior year remuneration report was put to the vote and less than 75% of the votes cast were for the adoption of the remuneration report.

Comments made at the AGM referred to a lack of confidence in the Managing Director of Farm Pride Foods Ltd, that directors should appoint a suitably qualified person as Managing Director and that directors appoint an additional independent director to assume the role of Chairman.

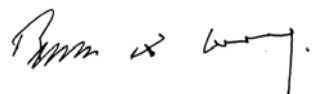
The Board acknowledged that more work remains to be done in relation to both the trading activities of the Company as well as the improvement in value for the shareholders. The Board restated its intention to continue to build the company into a financially strong and successful entity and look forward to rewarding shareholders for their patience and commitment in what continues to be a challenging and competitive industry.

**This is the end of the audited remuneration report.**

### **Rounding of Amounts**

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

Signed in accordance with a resolution of the Directors.



**Bruce De Lacy**  
**Director**  
**29 August 2014**

## Corporate Governance Statement

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

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

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

### Board Charter

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

### Role of the Board

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

The Board fulfils this role by exercising the following responsibilities:

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

Other functions reserved to the Board include:

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

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

### Composition of the Board

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

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

## Corporate Governance Statement (continued)

To add value to the Company, the Board of Farm Pride Foods Ltd has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties in the best interests of the Company as a whole. Up until the end of April 2014, the Board consisted of one executive and two non-executive directors. Mr Zelko Lendich, the executive director, resigned on the 30 April 2014. The Board has appointed Mr De Lacy as Interim Chief Executive Officer. The Board are reviewing the permanent placement of the Chief Executive Officer and will make an announcement in due course.

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

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

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

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

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

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

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

### Performance

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

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

### Directors Rights

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

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

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

## **Corporate Governance Statement (continued)**

### **Conflict of Interest and Related Party Transactions**

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

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

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

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

#### *Related Party Transactions*

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

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

Related party for this process means:

- (a) a spouse or de facto spouse of the Director or officer; or
- (b) a parent, son or daughter of the Director or officer or their spouse or de facto spouse; or
- (c) an entity over which the Director or officer or a related party defined in (a) or (b) has a controlling interest.

### **Guidelines for dealing in securities by directors and employees**

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

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

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

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

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

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

## Corporate Governance Statement (continued)

### Nomination Committee

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

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

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

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

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

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

### Diversity

The Company has developed a Diversity Policy which deals with matters including but not limited to gender, age, ethnicity, religion and cultural background.

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

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

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

## Corporate Governance Statement (continued)

### Safeguard Integrity in Financial Reporting

#### External Audit

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

#### Audit Committee

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

The Audit committee normally consists of three members. At the date of this report the members are Messrs. Peter Bell and Malcolm Ward. Mr Zelko Lendich was previously a member of the Audit Committee resigned on 30 April 2014. Given the size and structure of the Company the Audit Committee:

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

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

Responsibilities of the Audit Committee include:

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

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

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

#### Financial Report Accountability

The Interim Chief Operating Officer (or equivalent) have stated in writing to the Board that:

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

## **Corporate Governance Statement (continued)**

### **Remuneration Committee**

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

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

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

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

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

### **Shareholder Communication Policy**

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

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

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

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

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

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

### **The Rights of Shareholders**

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

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

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

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

## **Corporate Governance Statement (continued)**

### **Business Risk Management**

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

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

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

### **Ethical Standards and Code of Conduct**

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

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

The policy deals with matters including:

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

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

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

### **Publicly accessible information**

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

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



**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 2014, to the best of my knowledge and belief there have been:

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



S SCHONBERG  
Partner  
29 August 2014



PITCHER PARTNERS  
Melbourne

**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2014**

	Notes	2014 \$'000	2013 \$'000
<b>Revenue</b>			
Sales revenue	4	96,423	100,980
Other income	4	135	1,808
		96,558	102,788
<b>Less Expenses</b>			
Changes in inventories of finished goods and work in progress	5	(769)	(891)
Raw materials and consumables used	5	(69,162)	(75,907)
Employee benefits expense	5	(13,075)	(13,776)
Depreciation expenses	5	(3,292)	(3,180)
Finance costs	5	(1,511)	(1,960)
Other expenses		(6,220)	(6,286)
		2,529	788
<b>Profit before income tax</b>		2,529	788
Income tax expense	6	(360)	(184)
<b>Net Profit from continuing operations</b>		2,169	604
<b>Net Profit for the year</b>		2,169	604
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Cash flow hedge reserve – gain	28	188	176
Income tax on items of other comprehensive income		(57)	(53)
		131	123
<b>Other comprehensive profit for the period, net of income tax</b>		131	123
Total comprehensive profit for the period		2,300	727
Basic earnings per share (cents)	21	3.93	1.09
Diluted earnings per share (cents)	21	3.93	1.09

The accompanying notes form part of these financial statements

**Consolidated Statement of Financial Position**  
**As at 30 June 2014**

	Notes	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	507	-
Receivables	9	8,490	11,332
Inventories	10	4,871	5,640
Biological assets	12	7,299	7,116
Other current assets	11	129	145
<b>Total current assets</b>		<b>21,296</b>	<b>24,233</b>
<b>Non-current assets</b>			
Deferred tax assets	6(c)	671	591
Property, plant and equipment	13	32,571	34,974
<b>Total non-current assets</b>		<b>33,242</b>	<b>35,565</b>
<b>TOTAL ASSETS</b>		<b>54,538</b>	<b>59,798</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	13,015	17,626
Borrowings	15	11,177	13,280
Provisions	16	1,571	1,449
Current tax liabilities	6(a)	497	-
Derivative financial liabilities		315	503
<b>Total current liabilities</b>		<b>26,575</b>	<b>32,858</b>
<b>Non-current liabilities</b>			
Borrowings	15	2,987	4,275
Provisions	16	219	208
<b>Total non-current liabilities</b>		<b>3,206</b>	<b>4,483</b>
<b>TOTAL LIABILITIES</b>		<b>29,781</b>	<b>37,341</b>
<b>NET ASSETS</b>		<b>24,757</b>	<b>22,457</b>
<b>EQUITY</b>			
Contributed capital	17	29,578	29,578
Cash flow hedge reserve	18	(222)	(353)
Accumulated losses	18(c)	(4,599)	(6,768)
		<b>24,757</b>	<b>22,457</b>

The accompanying notes form part of these financial statements

**Consolidated Statement of Changes in Equity  
For the Year Ended 30 June 2014**

	<b>Contributed Equity \$'000</b>	<b>Accumulated loss \$'000</b>	<b>Cash Flow Hedge Reserve \$'000</b>	<b>Share Option Reserve \$'000</b>	<b>Total \$'000</b>
<b>Balance at 1 July 2012</b>	29,578	(7,398)	(476)	26	21,730
Profit for the period	-	604	-	-	604
Other comprehensive loss	-	-	123	-	123
Total comprehensive loss	-	604	123	-	727
<b>Transactions with owners in their capacity as owners:</b>					
Employee options	-	26	-	(26)	-
<b>Balance as at 30 June 2013</b>	<b>29,578</b>	<b>(6,768)</b>	<b>(353)</b>	<b>-</b>	<b>22,457</b>
<b>Balance at 1 July 2013</b>	29,578	(6,768)	(353)	-	22,457
Profit for the period	-	2,169	-	-	2,169
Other comprehensive loss	-	-	131	-	131
Total comprehensive loss	-	2,169	131	-	2,300
<b>Transactions with owners in their capacity as owners:</b>					
Employee options	-	-	-	-	-
<b>Balance as at 30 June 2014</b>	<b>29,578</b>	<b>(4,599)</b>	<b>(222)</b>	<b>-</b>	<b>24,757</b>

The accompanying notes form part of these financial statements

**Consolidated Statement of Cash Flows  
For the Year Ended 30 June 2014**

Notes	2014 \$'000	2013 \$'000
<b>Cash flow from operating activities</b>		
Receipts from customers	99,745	100,768
Payments to suppliers and employees	(93,487)	(95,719)
Finance costs	(1,495)	(1,938)
<b>Net cash flow provided by operating activities</b>	19(a) 4,763	3,111
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	44	2,547
Payments for property, plant and equipment	(831)	(2,324)
<b>Net cash provided by / (used) in investing activities</b>	(787)	223
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	10	692
Repayment of borrowings	(547)	(3,250)
Repayment of finance leases	(1,713)	(1,823)
<b>Net cash used in financing activities</b>	(2,250)	(4,381)
Net increase/(decrease) in cash and cash equivalents	1,726	(1,047)
Cash and cash equivalents at beginning of the year	(1,219)	(172)
<b>Cash and cash equivalents at end of the year</b>	19(b) 507	(1,219)

The accompanying notes form part of these financial statements

## Notes to and forming part of the Financial Statements

### Note 1: Statement of significant accounting policies

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

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

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

The financial report covers Farm Pride Foods Ltd and controlled entities as a consolidated entity. Farm Pride Foods Ltd is a company limited by shares, incorporated and domiciled in Australia. Farm Pride Foods Ltd is a for-profit entity for the purpose of preparing the financial statements.

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

#### *Compliance with IFRS*

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

#### *Historical cost convention*

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

#### *Critical accounting estimates*

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

#### (b) Going concern

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

The financial report has been prepared on a going concern basis, which assumes the continuation of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The company has generated a net profit from continuing operations for the year ended 30 June 2014 of \$2.17m (2013: profit of \$0.6m) and as of that date current liabilities exceeded current assets by \$5.28m (2013: current liabilities exceeded current assets by \$8.63m) due to certain borrowing facilities becoming due within the next 12 months. The company achieved positive earnings before interest, tax, depreciation and amortisation (EBITDA) of \$7.33m (2013: \$5.93m).

On the 28 August 2014 the Company's bank, Westpac confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2015. A new Business Finance Agreement will be prepared and issued by Westpac in due course.

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

### **(c) Principles of consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which the parent has the power to control the financial and operating policies so as to obtain benefits from its activities.

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

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

### **(d) Revenue**

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

Revenue from sale of goods is presented in the statement of comprehensive income net of rebates and discounts provided to customers.

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

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

### **(e) Cash and cash equivalents**

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

### **(f) Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacity. Costs are assigned on a standard cost basis which approximates cost. The standard cost basis is reviewed by management and adjusted to reflect current conditions, where necessary.

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

#### *Cost and valuation*

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

#### *Depreciation*

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

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

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

The useful lives for each class of assets are:

	2014	2013
Freehold land and land improvements	Up to 40 years	Up to 40 Years
Buildings on free hold land and building improvements	Up to 40 years	Up to 40 years
Plant and equipment	1 to 20 years	1 to 20 years

### (h) Leases

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

#### *Finance leases*

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

#### *Operating leases*

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

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

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

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

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

### (j) Income tax

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

#### *Deferred tax balances*

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for 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)**

### *Tax consolidation*

Farm Pride Foods Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2005.

The head entity, Farm Pride Foods Ltd and its controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

### **(k) Provision**

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

### **(l) Employee benefits**

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

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

#### *(ii) Long term employee benefit obligations*

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

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### *(iii) Superannuation*

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

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

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

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

#### *Classification*

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

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

### *Non-derivative financial instruments*

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

### *Financial Liabilities*

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

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

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

### *Derivative financial instruments*

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

Derivatives are initially recognised at fair value and applicable transaction costs are recognised in profit or loss as they are incurred. After initial recognition, derivatives that are not designated in a qualifying hedge relationship are measured at fair value and changes in value are recognised immediately in profit or loss. Derivatives designated as hedging instruments are accounted for as described below.

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

### *Impairment of financial assets*

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

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

### *Hedge accounting*

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

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

#### *(i) Fair value hedge*

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

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

### *(ii) Cash flow hedge*

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

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

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

#### *Functional and presentation currency*

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

#### *Transactions and balances*

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

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

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

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

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

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

### **(q) Biological Assets**

Biological assets comprise of flocks of hens and are valued at fair value. The capitalised cost of poultry is amortised over the productive life of the flock, which is between 50 and 60 weeks. The poultry flock is held for the purposes of producing eggs.

The amortised cost of poultry is deemed a proxy for fair value.

### **(r) Comparatives**

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

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

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

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

### **(t) Adoption of new and amended accounting standards that are first operative at 30 June 2014**

#### *(i) AASB 10 Consolidated Financial Statements*

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 controls. The group controls and 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 consolidated entity concluded that the adoption of AASB 10 did not change the consolidation status of its subsidiaries. Therefore, no adjustments to any of the carrying amounts were required.

#### *(ii) AASB 11 Joint Arrangements*

Under AASB 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement, rather than the legal structure of joint arrangements.

If the parties share the right to the net assets of the joint arrangement, these parties are parties to a joint venture. A joint venturer accounts for an investment in the arrangement using the equity method, and the choice to proportionately consolidate is no longer permitted.

If the parties have the right to separate assets and obligations the liabilities of the joint arrangement, these parties are parties to a joint operation. A joint operator accounts for assets, liabilities and corresponding revenues and expenses arising from the arrangement by recognising their share of interest in each item.

The consolidated entity concluded that the adoption of AASB 11 had no impact on the composition or performance of the consolidated entity. Therefore, no adjustments to any of the carrying amounts were required.

#### *(iii) AASB 13 Fair Value Measurement*

AASB 13 introduces a fair value framework for all fair value measurements as well as the enhanced disclosure requirements. Application of AASB 13 does not materially change the company's fair value measurements. However, the additional disclosures required under AASB13 are provided in Note 27: Fair Value Measurements.

#### *(iv) AASB 119: Employee Benefits*

The amendments to AASB 119 revise the definitions of short term and long term employee benefits, placing the emphasis on when the benefit is expected to be settled rather than when it is due to be settled. The group has assessed its impact and concludes that the adoption of AASB 119 has no material effect on the amounts recognised in current or prior years.

No other new and amended accounting standards effective for the financial year beginning 1 July 2013 affected any amounts recorded in the current or prior year.

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

### **(u) Accounting standards and interpretations issued but not operative at 30 June 2014**

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

(i) AASB 9 *Financial instruments*, AASB 200-11 *Amendments to Australian Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010), AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure* and AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* (effective from 1 January 2017).

AASB 9 *Financial Instruments* improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading.

Most of the requirements for financial liabilities were carried forward unchanged. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities.

In December 2013, new general hedge accounting requirements were incorporated into AASB 9. The new model aligns hedge accounting more closely with risk management, and will be easier to apply and reduce costs of implementation. However, the new model requires extended disclosure. The standard is not applicable until 1 January 2017 but is available for early adoption. The consolidated entity has yet to assess the impact of new general hedge accounting model on its hedge arrangements. The consolidated entity has decided not to early adopt AASB 9 to 30 June 2014.

Other standards and interpretations applicable to the consolidated entity have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented. However the assessment of impact has not yet been completed.

### **(v) Share based payment transactions**

#### *Equity settled transactions*

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

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

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Farm Pride Foods Ltd (market conditions) if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

If the terms of equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

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

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

No share options were granted on the period ended 30 June 2014 (2013: Nil).

**Note 2: Critical accounting estimates and judgements**

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there would be a material impact on the carrying amounts of the assets and liabilities discussed below:

*(a) Impairment of non-financial assets other than goodwill*

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

*(b) Income 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) Other current assets*

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

Given the short productive life of the flock, an amortised cost approach has been adopted, which the directors consider equates to the fair value of the biological asset at the reporting date.

*(d) Trade and other receivables*

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

### Note 3: Financial risk management

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

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

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

The consolidated entity holds the following financial instruments:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	507	-
Receivables	8,490	11,332
	8,997	11,332
<b>Financial liabilities</b>		
Bank overdraft	-	1,219
Payables	13,015	17,626
Borrowings – Bank Loans	14,164	16,055
Derivative financial liabilities	315	503
Related party loan	-	281
	27,494	35,684

#### (a) Currency risk

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

Forward exchange contracts are entered into in order to buy and sell specified amounts of foreign currency in the future as stipulated exchange rates. The objective in entering the forward exchange contracts is to protect against unfavourable exchange rate movements for both the contracted and anticipated transactions undertaken in foreign currencies. The accounting policy for forward exchange contracts is detailed in Note 1(o) Disclosure in relation to forward exchange contracts used as hedging instruments and hedge accounting is detailed in Note 28: Derivative Financial Instruments.

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

	Buy Euro		Average Exchange Rate	
	2014 Euro €000	2013 Euro €000	2014 \$	2013 \$
<b>Sell Australian Dollars Settlement</b>				
Less than 6 months	108	671	0.68	0.71
6 months to 1 year	-	180	-	0.70
	108	851	0.68	0.70

## Sensitivity

If foreign exchange rates were to increase/decrease by 1% from rates used to determine fair values of all financial instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2014 \$'000	2013 \$'000
+/- 1% price variation		
Impact on profit after tax	1	6
Impact on equity	1	6

### (b) Interest rate risk

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

Interest rate swaps are used to manage the consolidated entity's cash flow interest rate risk. Accounting policy for interest rate swaps is detailed in Note 1(n). Disclosure in relation to interest rate swaps used as hedging instruments and hedge accounting is detailed in Note 28: Derivative Financial Instruments.

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

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2014	\$'000	\$'000	\$'000	%	
<i>(i) Financial assets</i>					
Cash	507	-	507	0.01%	Variable
Receivables	-	8,490	8,490	-	
Total financial assets	507	8,490	8,997	-	
<i>(ii) Financial liabilities</i>					
Payables	-	13,015	13,015	-	
Hire purchase liabilities	4,414	-	4,414	10%	Fixed
Bank loans	9,750	-	9,750	6%	Fixed
Derivative financial instrument	315	-	315	6%	Fixed
Total financial liabilities	14,479	13,015	27,494	-	
<b>2013</b>					
<i>(iii) Financial assets</i>					
Receivables	-	11,332	11,332	-	
Total financial assets	-	11,332	11,332	-	
<i>(iv) Financial liabilities</i>					
Bank overdraft	1,219	-	1,219	12%	Variable
Payables	-	17,626	17,626	-	
Hire purchase liabilities	6,055	-	6,055	14%	Fixed
Bank loans	10,000	-	10,000	7%	Variable
Derivative financial instrument	503	-	503	6%	Fixed
Related party loan	281	-	281	6%	Variable
Total financial liabilities	18,058	17,626	35,684	-	

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



## Sensitivity

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

	2014	2013
	\$'000	\$'000
+/- 100 basis points		
Impact on profit after tax	102	127
Impact on equity	102	127

## (c) Credit risk

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

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

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

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

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

### i) Cash deposits

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

### ii) Trade receivables

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

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

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

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

### iii) Other financial instruments

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

#### (d) Liquidity risk

##### Maturity analysis

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

	<6months	6 – 12 months	1-5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2014</b>					
Cash	507	-	-	507	507
Receivables	8,490	-	-	8,490	8,490
Payables	(13,015)	-	-	(13,015)	(13,015)
Hire purchase liabilities	(978)	(988)	(3,156)	(5,122)	(5,122)
Bank loans	(9,786)	-	-	(9,786)	(9,750)
Derivative financial instrument	(315)	-	-	(315)	(315)
Net maturities	<u>(15,097)</u>	<u>(988)</u>	<u>(3,156)</u>	<u>(19,241)</u>	<u>(19,205)</u>
<b>Year ended 30 June 2013</b>					
Cash and cash equivalents	-	-	-	-	-
Receivables	11,332	-	-	11,332	11,332
Bank overdraft	(1,219)	-	-	(1,219)	(1,219)
Payables	(17,626)	-	-	(17,626)	(17,626)
Hire purchase liabilities	(1,254)	(1,124)	(4,651)	(7,029)	(7,029)
Bank loans	(10,252)	-	-	(10,252)	(10,000)
Derivative financial instrument	(503)	-	-	(503)	(503)
Related party loan	(281)	-	-	(281)	(281)
Net maturities	<u>(19,803)</u>	<u>(1,124)</u>	<u>(4,651)</u>	<u>(25,578)</u>	<u>(25,326)</u>

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

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

#### (f) Working Capital Policy

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

#### (g) Price risk

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

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

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

**Note 4: Revenue and other income**

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Revenues and other income from continuing operations</b>		
<i>Sales revenue</i>		
Sale of goods	96,423	100,980
<i>Other income</i>		
Other income	109	163
Foreign exchange gain	-	113
Profit on sale of property, plant & equipment	26	1,532
	<b>135</b>	<b>1,808</b>

**Note 5: Profit from continuing operations**

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

<b>Cost of goods sold</b>		
Changes in inventories of finished goods and work in process	769	891
Raw materials and consumables used	69,162	75,907
	<b>69,931</b>	<b>76,798</b>
 Employee benefits expenses	 13,075	 13,776
 Depreciation of non-current assets		
Land improvements	42	34
Buildings	453	430
Plant & equipment	2,797	2,716
Total depreciation of non-current assets	<b>3,292</b>	<b>3,180</b>
 Provision for doubtful debts	 15	 158
Foreign exchange translation loss	13	-
Amortisation of poultry	10,058	9,458
Finance costs expensed – interest expense	1,511	1,960
Operating lease rentals	3,233	3,092

**Note 6: Income Tax**

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>(a) Components of tax expense/(benefit):</b>		
Current tax	497	-
Deferred tax	(137)	(184)
Under/(over) provision in prior years	-	-
<b>Income tax expense / (benefit)</b>	<b>360</b>	<b>(184)</b>
<b>(b) Numerical reconciliation between income tax expense in the income statement and that calculated</b>		
At the statutory income tax rate of 30% (2013: 30%)	(759)	236
Tax effect of amounts which are not deductible in calculating taxable income	-	5
Deferred tax assets not previously brought to account	399	(57)
<b>Income tax benefit / (expense)</b>	<b>(360)</b>	<b>184</b>
<b>(c) Deferred tax assets and liabilities relate to the following:</b>		
Employee benefits	537	521
Provisions and accruals	340	111
Tax loss adjustments	-	147
Hedge Reserve	94	150
<b>Gross deferred tax assets</b>	<b>971</b>	<b>929</b>
Fixed assets	(300)	(333)
Prepayments	-	(5)
<b>Gross deferred tax liabilities</b>	<b>(300)</b>	<b>(338)</b>
<b>Net deferred tax assets</b>	<b>671</b>	<b>591</b>
<b>(d) Movement in current tax (assets)/liability:</b>		
Balance at beginning of year	-	-
Current tax expense	497	-
Tax payments	-	-
<b>Balance at the end of the year</b>	<b>497</b>	<b>-</b>
<b>(e) Deferred taxes recognised directly in equity</b>		
Hedge Reserve	94	150

**Note 7: Dividends**

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>(a) Dividends proposed and recognised as a liability</b>	Nil	Nil
<b>(b) Franking credit balance</b>		
Balance of franking account at year end.	1,009	1,009

**Note 8: Cash and cash equivalents**

Cash at bank	507	-
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**Note 9: Receivables**

Trade receivables	8,243	10,916
Allowance for impairment loss	(200)	(185)
	8,043	10,731
Other receivables	447	601
	8,490	11,332

**(a) Terms and conditions**

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

**Note 9: Receivables (continued)****(b) Allowance for impairment loss**

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Opening allowance for impairment loss	185	27
Increase / (Decrease) in provision for impairment of trade receivables	15	158
	200	185

The ageing analysis of trade receivables is as follows:

	Total	0 – 90 days	0 – 90 days (PDNI)*	0 – 90 days (CI)*	+ 90 days (PDNI)*	+90 days (CI)*
2014 Consolidated	8,243	7,121	820	140	102	60
2013 Consolidated	10,916	10,435	64	-	232	185

\* PDNI – Past due not impaired

\* CI – Considered impaired

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

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

Other balances within trade and other receivables do not contain impaired assets and are not past due.

It is expected that these other balances will be recovered when due.

**Note 10: Inventories**

Raw materials	3,012	3,664
Finished goods	1,859	1,976
Total inventories at lower of cost and net realisable value	4,871	5,640

**Note 11: Other current assets**

Prepayments	129	145
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**Note 12: Biological assets**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Poultry	7,299	7,116
<b>(a) Poultry</b>		
Flock stock at cost	17,357	16,574
Less: Accumulated amortisation	(10,058)	(9,458)
	7,299	7,116
Opening flock stock written down value	7,116	7,614
Additions	10,241	8,960
Amortisation	(10,058)	(9,458)
Closing flock stock	7,299	7,116

The amortised cost of closing flock stock is deemed a proxy for fair value.

The number of birds held by the Company as at 30 June 2014 was 1,248,734 (2013: 1,245,502).

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

**Note 13: Property, plant and equipment**

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<i>Freehold land and land improvements</i>		
At cost	7,202	7,187
Accumulated depreciation	(227)	(185)
Total freehold land	6,975	7,002
<i>Buildings and building improvements</i>		
At cost	9,127	9,116
Accumulated depreciation	(3,507)	(3,054)
Total buildings & building improvements	5,620	6,062
Total land and buildings	12,595	13,064
<i>Plant and equipment</i>		
At cost	41,592	40,977
Accumulated depreciation	(22,013)	(19,279)
Total plant and equipment	19,579	21,698
Projects under construction	397	212
Total property, plant and equipment		
Cost	58,318	57,492
Total accumulated depreciation	(25,747)	(22,518)
Total written down amount	32,571	34,974



**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 bank loans (see note 15). 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>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>(b) Reconciliations</b>		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
<i>Freehold Land and Land Improvements</i>		
Carrying amount at beginning	7,002	6,951
Additions	15	73
Transfer	-	12
Depreciation Expense	(42)	(34)
	6,975	7,002
<i>Buildings on Freehold Land and Building Improvements</i>		
Carrying amount at beginning	6,062	4,900
Additions	11	1,102
Transfer	-	490
Depreciation Expense	(453)	(430)
	5,620	6,062
<i>Plant &amp; equipment</i>		
Carrying amount at beginning	21,698	19,485
Additions	696	4,051
Transfers	-	1,054
Depreciation expense	(2,797)	(2,716)
Disposals	(18)	(176)
	19,579	21,698
<i>Projects under construction</i>		
Carrying amount at beginning	212	1,452
Additions	185	132
Transfer	-	(1,372)
	397	212
<i>Total Assets</i>		
Carrying amount at beginning	34,974	32,788
Additions	907	5,358
Transfer	-	184
Depreciation expense	(3,292)	(3,180)
Disposals	(18)	(176)
Total	32,571	34,974

**Note 14: Payables**

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Trade Creditors/other payables and accruals	13,015	17,626

(a) Fair value

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

(b) Related party payables

For terms and conditions relating to related party payables refer note 24.

**Note 15: Borrowings**

<b>CURRENT</b>		
Secured		
Lease liability	1,427	1,780
Bank loans	9,750	10,000
Related party loan	-	281
Bank overdraft	-	1,219
	11,177	13,280
<b>NON- CURRENT</b>		
Secured		
Lease liability	2,987	4,275
	2,987	4,275

(a) Details of assets pledged as security

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

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

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

(b) On 28 August 2014 the Company's bank, Westpac confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2015.

**Note 16: Provisions**

<b>CURRENT</b>		
Employee benefits	1,571	1,449
<b>NON- CURRENT</b>		
Employee benefits	219	208
Aggregate employee benefit liability	1,790	1,657

**Note 17: Contributed Equity**

		<b>Consolidated Entity</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(a) Issued and paid up capital</b>			
55,180,175 (2013 : 55,180,175) Ordinary shares fully paid		29,578	29,578
Each share is entitled to 1 vote per share.			
		29,578	29,578
<b>(b) Movements in value of shares on issue</b>			
Beginning of the financial year		29,758	29,578
Shares issued during the year		-	-
		29,578	29,578
<b>(c) Movements in number of shares on issue</b>			
		<b>2014</b>	<b>2013</b>
		<b>No. of shares</b>	<b>No. of shares</b>
Beginning of the financial year		55,180,175	55,180,175
Shares issued during the year		-	-
End of the financial year		55,180,175	55,180,175

**(d) Share Options**

At 30 June 2014 there were nil (2013: Nil) unissued ordinary shares.

*Employee Share Option Plan (ESOP)*

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

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

	<b>30 June 2014</b>	<b>30 June 2013</b>
Opening Balance	-	240,000
Granted during the year	-	-
Exercised during the year	-	-
Lapsed/expired during the year	-	(240,000)
Closing Balance	-	-
Exercisable at year end	-	-
Weighted average contractual life remaining	-	-
Weighted average fair value of options granted during the year ( <i>None granted in 2014</i> )	-	-

**Note 17: Contributed Equity (continued)****(e) Capital Management**

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

During 2014 no dividends were paid (2013: Nil)

**Note 18: Reserves and Accumulated Losses**

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
(a) Share option reserve	-	-
(b) Cash flow hedge reserve	(222)	(353)
(c) Accumulated loss	(4,599)	(6,768)
<b>(a) Share option reserve</b>		
This reserve is used to record the value of equity benefit provided to directors and employees as part of remuneration.		
Balance at beginning of year	-	26
Share option expensed	-	-
Expired options transferred	-	(26)
Balance at end of year	-	-
<b>(b) Cash flow hedge reserve</b>		
Balance at beginning of year	(353)	(476)
Revaluation of reserve	131	123
Balance at end of year	(222)	(353)
<b>(c) Accumulated losses</b>		
Balance at the beginning of year	(6,768)	(7,398)
Expired Employee share options	-	26
Net profit attributed to members of Farm Pride Foods Ltd	2,169	604
Balance at end of year	(4,599)	(6,768)

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

**Note 19: Cash Flow Information**

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>(a) Reconciliation of the net profit after tax to the net cash flows from operations:</b>		
Operating profit after tax	2,169	604
<b>Non-cash items</b>		
Depreciation	3,292	3,180
Flock amortisation	10,058	9,458
Inventory write down	809	(288)
Net gain on foreign exchange	(14)	(33)
Provision for doubtful debts	15	158
Profit on sale of non- current assets	(26)	(1,600)
Non-cash movement on loan	16	22
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	2,827	(1,571)
Decrease in inventory	240	1,179
Increase in biological asset	(10,241)	(8,960)
Increase in other assets	16	314
Increase/(decrease) in trade and other creditors	(4,611)	374
Increase/(decrease) in deferred tax asset	80	184
Increase/(decrease) in provisions	133	90
Net cash flow from operating activities	<u>4,763</u>	<u>3,111</u>
Bank overdraft facilities have been arranged with Westpac Banking Corporation with the general terms and conditions being set and agreed annually.		
Interest rates are both variable and fixed and subject to adjustment.		
<b>(b) Reconciliation of cash at end of period</b>		
Cash and cash equivalents	507	-
Bank overdraft	-	(1,219)
	<u>507</u>	<u>(1,219)</u>
<b>(c) Overdraft with bank</b>		
Credit facility	1,250	1,250
Amount utilised	-	1,219
Unused credit facility	<u>1,250</u>	<u>31</u>
<b>(d) Loan facilities</b>		
Loan facility	10,000	11,500
Amount utilised	(9,750)	(10,281)
Unused loan facility	<u>250</u>	<u>1,219</u>

**Note 20: Commitments**

**Consolidated Entity**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Lease expenditure commitments		
<i>(i) Operating leases (non-cancellable)</i>		
Minimum lease payments		
Not later than one year	4,445	4,358
Later than one year and not later than five years	11,858	13,763
Later than five years	5,910	7,714
Aggregate lease expenditure contracted for at reporting date	<b>22,213</b>	<b>25,835</b>

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

<i>(ii) Finance leases (manufacturing equipment)</i>		
Future minimum lease payments and the present value of the net minimum lease payments:		
Not later than one year	1,966	2,020
Later than one year and not later than five years	3,156	4,902
Later than five years	-	-
Total minimum lease payments	5,122	6,922
Future finance charges	(708)	(867)
Present value of minimum lease payments	4,414	6,055
Current liability	1,427	1,780
Non-current liability	2,987	4,275
Total	<b>4,414</b>	<b>6,055</b>
 <i>(iii) Flock replacement commitment</i>	 562	 1,253

**Note 21: Earnings per share**

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

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Net profit from continuing operations	2,169	604

**Weighted average**

	<b>2014 No. of shares</b>	<b>2013 No. of shares</b>
	Weighted average number of ordinary shares used in calculating basic loss/earnings per share	55,180,175
Weighted average number of shares used to calculate diluted earnings per share	55,180,175	55,180,175

**Note 22: Directors' and Executives Compensations***Compensation by category*

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Short-term employment benefits	354	379
Superannuation	7	4
	361	383

**Note 23: Controlled Entities**

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

<b>List of companies in the group</b>	<b>Country of incorporation</b>	<b>Percentage owned</b>	
		<b>2014</b>	<b>2013</b>
<b>Parent entity:</b>			
Farm Pride Foods Ltd	Australia	100%	100%
<b>Subsidiaries of Farm Pride Foods Ltd</b>			
Big Country Products Pty Ltd	Australia	100%	100%
Farm Pride Property Pty Ltd	Australia	100%	100%
Mooroopna Breeding Farm Pty Ltd	Australia	100%	100%
Farm Pride North Pty Ltd	Australia	100%	100%
Carton Packaging Pty Ltd	Australia	100%	100%

**Note 24: Related Party Disclosures****(a) Related party balances included in Receivables/Payables:**

	<b>Consolidated Entity</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Trade debtors	226	625
Borrowings	-	(281)
Trade creditors	(1514)	(2,949)
Net receivable/(payable)	(1,288)	(2,605)

**(b) Directors' shareholding****2014**

	Balance 01/07/2013	Received as remuneration	Options exercised	Other Off market purchases/(sales)	Balance 30/06/2014
Zelko Lendich (Managing Director)	2,803,000	-	-	(10,000)	2,793,000
Bruce De Lacy	195,502	-	-	-	195,502
Malcolm Ward (Director)	1,981,122	-	-	-	1,981,122
Peter Bell (Director)	2,413,269	-	-	-	2,413,269
	<u>7,392,893</u>	-	-	(10,000)	<u>7,382,893</u>

**2013**

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

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 25,830,902 shares held by West Coast Eggs Pty Ltd (2013: 25,830,902 shares).

Mr. Darren Lurie resigned as a director of the company 28 February 2013.

Mr. Zelko Lendich resigned as a director of the company 30 April 2014.



**Note 25: Auditor's remuneration**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	142,000	138,500
Taxation services	15,000	14,550
Other assurance related fees	-	8,500
	<b>157,000</b>	<b>161,550</b>

**Note 26: Parent Entity Information**

Information relating to Farm Pride Foods Ltd:

**Summarised statement of financial position**

Current assets	21,296	24,233
Total assets	54,538	59,798
Current liabilities	26,276	32,650
Total liabilities	29,717	37,062

**Total equity of the Parent comprises of the following:**

Share capital	29,578	29,578
Retained earnings	(6,489)	(5,276)
Share Option Reserve	-	-
Cash flow hedge reserve	(222)	(353)
Total shareholder's equity	22,867	23,949

**Summarised statement of comprehensive income**

Profit/(loss) of the parent entity	1,954	(1,213)
Total comprehensive profit/(loss) of the parent entity	1,954	(1,213)

Farm Pride Foods Ltd as parent has provided security over the loans of its subsidiaries by a fixed and floating charge (see note 15).

## Note 27: 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.

<b>30 June 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Recurring Fair Value Measurements</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Financial assets</i>				
Hedging instruments	-	108	-	108
Total financial assets	-	108	-	108
<i>Non-financial assets</i>				
Biological assets at fair value less cost to sell	-	-	7,299	7,299
Total non-financial assets	-	-	7,299	7,299
<i>Financial liabilities</i>				
Hedging instruments	-	315	-	315
Total financial liabilities	-	315	-	315

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

#### (i) Biological assets

Biological assets held by the Company comprise flocks of hens. The amortised cost value 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. The flock is held for the purposes of producing eggs.

#### (ii) Foreign currency contracts

The Company holds a number of foreign currency contracts for the purposes of hedging exchange rate exposure relating to the purchase of goods and the repayment of lease liabilities denominated in Euros. Fair value of foreign currency contracts is calculated as the difference between the contracted forward exchange rate and the spot rate offered by the Company's financier at balance date.

#### (iii) Interest rate swap

The Company holds an interest rate swap for the purpose of hedging interest rates by swapping a variable rate of interest for a fixed interest rate. Fair value is determined as the mark-to-market value of the swap contract as at balance date, as determined by the Company's financier. Mark-to-market value is determined by comparing the interest rate swap to similar contracts within the market.

### (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.

**Note 27: Fair Value Measurements (continued)****(d) Reconciliation of recurring level 3 fair value movements**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Biological assets at fair value less cost to sell		
Opening balance	7,116	7,614
Purchases	10,241	8,960
Amortisation (fair value adjustment)	(10,058)	(9,458)
Closing balance	7,299	7,116

**(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:

+5% variation	255	249
-5% variation	(255)	(249)

**Note 28: Derivative Financial Instruments****Current liabilities**

Interest rate swap contract – cash flow hedge	315	503
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Instruments used by the group

**(a) Interest rate swap**

Interest bearing loans of the Group currently bear an average variable interest rate of 9.5%. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

Swaps in place cover approximately 49% (2013: 46%) of the principal outstanding total borrowings and are timed to expire at the expected conclusion date of each loan. The fixed interest rate is 6%.

**Note 28: Derivative Financial Instruments (continued)**

At the 30 June 2014 the notional principal amounts and periods of expiry of the interest rate swap contract are as follows:

	Consolidated Entity	
	2014 \$'000	2013 \$'000
0 – 1 Years	1,000	1,000
1 - 2 Years	1,000	1,000
2 - 3 Years	5,000	6,000
3 - 4 Years	-	-
4 - 5 Years	-	-
	7,000	8,000

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

The interest rate swap is settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk is taken directly to equity and re-classified into profit or loss (2014: \$241,121 and 2013: \$227,055) when the interest expense is recognised.

**Note 29: Subsequent Events**

On 28 August 2014 the Company's bank Westpac, confirmed that it had approved the extension of existing facilities (including terms and conditions) until 30 September 2015. A new Business Finance Agreement will be prepared and issued by Westpac in due course.

There are no other matters or circumstances, which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- (a) The operations, in financial years subsequent to 30 June 2014, of the consolidated entity, or
- (b) The result of those operations, or
- (c) The state of affairs, in financial years subsequent to 30 June 2014, of the consolidated entity.

**Note 30: Company details**

The registered office of the Company is:

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

## Directors' Declaration

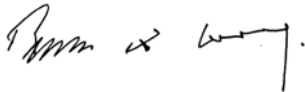
The Directors declare that the financial statements and notes set out on pages 21 to 55 in accordance with the *Corporations Act 2001*:

- (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 2014 and of its performance for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the Managing Director and Chief Financial Officer to the Directors in accordance with other mandatory professional reporting requirements and sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

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



**Bruce De Lacy**  
Director

**29 August 2014**  
Melbourne

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

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

We have audited the accompanying financial report of Farm Pride Foods Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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

*Independence*

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

*Opinion*

In our opinion:

- (a) the financial report of Farm Pride Foods Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

*Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2014. 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.



S SCHONBERG  
Partner  
29 August 2014



PITCHER PARTNERS  
Melbourne

## ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28 August 2014.

### (a) Distribution of equity security

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

	No. of shareholders	No. of shares
1 - 1,000	91	38,232
1,001 - 5,000	110	334,376
5,001 - 10,000	58	454,544
10,001 - 100,000	102	3,595,363
100,001 +	49	50,757,660

The number of shareholders holding less than a marketable parcel of shares are:	55	9,008
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### (b) Twenty largest shareholders

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

	Listed ordinary shares held	Percentage of ordinary shares
1 West Coast Eggs Pty Ltd	25,830,902	46.81
2 Glenmon Pty Ltd	2,870,453	5.20
3 Markcamp Pty Ltd	2,568,942	4.66
4 Normpat Pty Ltd	2,013,600	3.65
5 Oakmeadow Pty Ltd	1,961,122	3.55
6 GO Drew Pty Ltd	1,637,793	2.97
7 Mr. Zelko Lendich & Mrs. Susan Janine Lendich	1,346,000	2.44
8 Hensman Nominees Pty Ltd	1,325,000	2.40
9 Jadig Superannuation Pty Ltd	1,000,000	1.81
10 Mr. Clinton James Quay	853,000	1.55
11 Lippo Securities Nominees (BVI) Ltd	750,000	1.36
12 Mr. Gerald Francis Pauley & Mr. Michael James Pauley	676,042	1.23
13 A & R Moncrieff Pty Limited	420,000	0.76
14 Mrs. Trisha Marie Verran	399,669	0.72
15 Mrs. Barbara Hirschowitz	358,695	0.65
16 SSRAY Asset & Co Pty Ltd	354,408	0.64
17 Mr. Bartlomiej Ryszard Stepień	343,752	0.62
18 Mr. Theo Verstedden & Mrs. Maureen Helen Verstedden	341,051	0.62
19 Monolithic Memories Pty Ltd	340,000	0.62
20 Nearlart Pty Ltd	333,333	0.60
	<b>45,723,762</b>	<b>82.86</b>



**ASX Additional Information (continued)**

**(c) Substantial shareholders**

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

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

**(d) Voting rights**

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

**(e) Unquoted securities**

Nil share options are on issue (2013: 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.