

Appendix 4E Preliminary Final Report

Name of entity

FARM PRIDE FOODS LTD

ABN or equivalent company reference: 42 080 590 030

1. Reporting period

Report for the financial year ended	30 June 2017
Previous corresponding period is the financial year ended	30 June 2016

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up 4.28%	to \$97.78m
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up 4.31%	to \$8.48m
Net profit for the period attributable to members (<i>item 2.3</i>)	up 4.31%	to \$8.48m
Dividends (<i>item 2.4</i>)	Amount per security	Franked amount per security
Interim dividend	- ¢	- ¢
Final dividend	- ¢	- ¢
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	N/A	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):		
Refer to Director's report.		

3. Income Statement (*item 3*)

Refer to the attached statement and relevant notes

4. Balance Sheet (*item 4*)

Refer to the attached statement and relevant notes

5. Statement of Cash Flows (item 5)
 Refer to the attached statement and relevant notes

6. Statement of retained earnings (item 6)

	Consolidated Entity	
	2017 \$'000	2016 \$'000
Balance at the beginning of year	8,581	454
Net profit attributable to members of the parent entity	8,481	8,127
Total available for appropriation	17,062	8,581
Dividends paid	-	-
Balance at end of year	<u>17,062</u>	<u>8,581</u>

7. Net tangible assets per security (item 6)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	82.97¢	67.75 ¢

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

Refer to the 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 the Director'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 2017

Corporate Information

Farm Pride Foods Ltd.

ABN 42 080 590 030

Directors

Peter Bell (Non-Executive Chairman)
Bruce De Lacy (Executive Director / CEO)
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, 150 Collins Street
Melbourne, Vic 3000

Share Register

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

ASX: FRM

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000

Internet Address

www.farmpride.com.au

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Chairman's Report

The Company's net revenue increased 4.3% to \$97.78m (2016 \$93.77m). The increase was largely due to our investment in the new free-range farm which was completed at the end of calendar year 2016.

Profit after tax was \$8.48m (2016 \$8.13m), an increase of 4.31%. Underlying EBITDA of \$15.71m was relatively consistent with the prior period (2016 \$15.99m).

Cash management was favourable with cash increasing by \$4.6m to \$8.04m at 30 June 2017 despite an increase in inventory and receivables in excess of \$2m.

Net financial debt at 30 June 2017 was \$0.33m (2016 \$1.14m).

The overall result was pleasing particularly when during the period November 2016 to February 2017 there was a significant increase in inventories with corresponding downward pressure on pricing due to an industry oversupply. Inventory continues to remain higher than ideal in the lead up to the spring period.

We remain committed to our strategy to focus on our brands, investment in new farms, stable cash flow and growth opportunities.

Consistent with our strategy, in July 2017, we acquired land for a new free-range farm in northern Victoria at a cost of \$1.95m. This will be the site for a free range farm. Infrastructure improvements will be commencing as soon as practicable and construction of 2 sheds is due to commence later this calendar year.

This purchase is also consistent with our commitment to support the changing requirements of our customers.

The recently and much-publicised supermarket egg price war presents a challenge for the industry and the Company. Mr John Dunn CEO Egg Farmers Australia was reported as saying in July 2017 "the transition from caged eggs to free range requires an enormous amount of investment by industry which was made more difficult if they eventually received less for their product." We understand the need to adapt to a changing customer landscape, however, as Mr Dunn stated, to meet our customers ongoing changing requirement for more free range we need to be paid appropriately.

The Australian Competition and Consumer Commission (ACCC) filed a Notice of Appeal from the Federal Court's decision on 10 February 2016 dismissing the ACCC's proceedings against the Australian Egg Corporation Limited (AECL) and others including Farm Pride Foods Ltd. The Appeal was heard by the full Court of the Federal Court of Australia on the 15 August 2016 and we are awaiting a judgement from the courts on the Appeal. Farm Pride Foods Ltd continues to deny the allegations made by the ACCC which is consistent with the decision of the trial judge who dismissed the claims.

With the improved position of the company, directors have reviewed a number of options to utilise cash including the payment of dividends, share buybacks, investment into new facilities and growth opportunities.

Our overriding desire is to maximise shareholder value. Given our customers indications for non-cage production we will continue to utilise the cash for further development of new facilities or acquisitions to meet that demand. We are also conscious of the potential for industry volatility.

The Bureau of Meteorology has reported the outlook suggests dry and warm conditions are likely as we head into spring. Australia had its second driest June in 118 years of records, and July stayed drier than average over much of the south. This does not auger well for grain prices. Over the last few months we have seen grain prices spike upwards and with the recent rain this has recovered somewhat but not back to the previous levels. Our expectation is for higher feeds costs for 2018.

Typically, increased day length, sunnier days and less rain for southern parts of Australia present the best conditions for increased egg production. The additional free range capacity added over the last couple of years and the growing number, Australia-wide, of smaller operators of hen flocks will again

result in increased inventory levels in the period from Spring until early in the new year which places further downward pressure on prices.

This type of variability is typical of the egg industry and together with disease and changing weather patterns is why the Board continues to exercise cautious optimism about the future.

Our expectation for 2018, due to increased feed costs, anticipated oversupply and reduced pricing is for an EDITDA reduction of up to 20% compared with 2017.

The Board acknowledges and thanks our customers who have continued to work with us closely and constructively to maintain our supply partnerships. We also acknowledge the input and efforts of all our employees and thank them for their continuing commitment to our business.

A handwritten signature in black ink that reads "Peter Bell". The signature is written in a cursive, slightly stylized font.

Peter Bell
Chairman

Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of Farm Pride Foods Limited ('the Company') and the entities it controlled ('Farm Pride Foods', or the 'Group'), for the financial year ended 30 June 2017 and auditor's report thereon.

Directors

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

Peter Bell	Non-executive Director – Appointed 30 May 2008, Appointed Chairman 30 September 2016
Malcolm Ward	Non-executive Director – Appointed 30 May 2008
Bruce De Lacy	Executive Director – Appointed 30 April 2014
Phillip Campbell	Non-executive Director – Appointed 4 September 2015, Resigned 30 September 2016

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

Principal activities

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

Statutory consolidated net profit after tax attributable to the members of Farm Pride Foods Limited ("Statutory Profit") for the year ended 30 June 2017 was a profit of \$8.48 million (2016: \$8.13 million). Underlying earnings before interest, tax, depreciation and amortisation ("Underlying EBITDA") was \$15.71 million (2016: \$15.99 million).

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

The following table reconciles the Statutory Profit to Underlying EBITDA for the year ended 30 June 2017:

	30 June 2017	30 June 2016
	\$'000	\$'000
Statutory profit	8,481	8,127
Add back:		
- Interest (finance costs)	150	413
- Income tax	3,751	3,358
- Depreciation and amortisation	3,331	3,514
EBITDA	15,713	15,412
Significant items:		
Impairment of plant and equipment	-	576
Underlying EBITDA	15,713	15,988

Directors' Report (continued)

Results and review of operations (continued)

For further discussion of the review and results of operations of the Company reference should be made to the Chairman's Report dated 18 August 2017.

Significant changes in the state of affairs

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

After balance date events

On 24 July 2017 the Company purchased a new property in Northern Victoria at a purchase price of \$1.95 million.

This will be the site for a free range farm. Infrastructure improvements will be commencing as soon as practicable and construction of 2 sheds is due to commence later this calendar year.

No other 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 strategy to create shareholder value.

Environmental regulation

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

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

Dividend paid, recommended and declared

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

Share options

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

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Farm Pride Foods Limited at any time during or since 1 July 2016 is provided below, together with details of the company secretary as at the year end.

Peter Bell

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

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

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



Directors' Report (continued)



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. He is also a director of Australian United Retailers Limited, appointed 17 November 2010.

Bruce De Lacy

(Company Secretary – Appointed 30 October 1997, Chief Financial Officer – Appointed 10 June 2013, Executive Director – Appointed 30 April 2014, Chief Executive Officer – Appointed 19 March 2015)

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



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



Phillip Campbell

(Non-executive Director – Appointed 4 September 2015, Resigned 30 September 2016)

After graduating as an engineer from the University of Queensland, Phillip gained valuable project management experience in the mining industry in South Africa and the coconut/palm oil industry in Asia before turning his attention to technical sales and marketing across Australia, US and South East Asia, in industries including resources, animal feed, laboratory services, building materials and distribution/logistics.

Phillip's commercial experiences in the last 35 years include M&A activity, IPO, capital raising and debt restructuring.

Phillip is currently a director and advisor to a number of unlisted public, private and not-for-profit organisations across Australia and is based in Melbourne.

Directors' Report (continued)

	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Malcolm Ward	13	13	5	5
Peter Bell	13	13	5	4
Phillip Campbell	4	3	-	2*
Bruce De Lacy	13	13	-	5*

* Messrs. Campbell and De Lacy attended by invitation.

Directors' interests in shares

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

Directors' relevant interests in:	Ordinary shares of Farm Pride Foods Ltd.	Options over shares in Farm Pride Foods Ltd.
Peter Bell	2,246,250	-
Malcolm Ward	2,031,772	-
Bruce De Lacy	195,502	-

Indemnification and Insurance of directors and officers

During the financial year, the Company has paid premiums to insure each of the Directors 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 contracts as held by the Company do not permit premiums to be disclosed.

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

Proceedings on behalf of the consolidated entity

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

The Appeal was heard by the full court of the Federal Court of Australia on the 15 August 2016.

We are still awaiting a judgement from the courts on the ACCC Egg Cartel appeal. Farm Pride Foods continues to deny the allegations made by the ACCC consistently with the decision of the trial judge who dismissed the claims.

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)

Indemnification of auditors

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

Non audit services

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 Ernst & Young Melbourne, network firms of Ernst & Young, 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*.

	2017 \$	2016 \$
Taxation services		
Pitcher Partners	-	14,700
Ernst & Young	12,000	-
Capital and debt advisory services – Ernst & Young	8,472	-
	20,472	14,700

Remuneration report (Audited)

The directors present the consolidated entity's 2017 remuneration report which details the remuneration information for Farm Pride Foods' executive directors and non-executive directors.

This report outlines the remuneration arrangements for directors and executives of Farm Pride Foods and its controlled entities in accordance with the Corporations Act 2001 and its Regulations ('Remuneration Report'). The Remuneration Report has been audited by Farm Pride Foods' external auditors, Ernst & Young.

Key management personnel

Key management personnel ('KMP') comprises the directors and the Chief Executive Officer ('CEO'), CFO and Company Secretary, Bruce De Lacy. The KMP are responsible for the implementation of Farm Pride Foods' vision, values, corporate strategies and risk management systems, as well as the day-to-day management of the business.

Directors' Report (continued)

Details of key management personnel

Directors	Period of Responsibility	Position
Non-executive		
Phillip Campbell	Appointed 4 September 2015 Resigned 30 September 2016	Non-executive Chairman
Peter Bell	Appointed 30 May 2008 Appointed 30 September 2016	Non-executive Director Non-executive Chairman
Malcolm Ward	Appointed 30 May 2008	Non-executive Director Chairman of the Audit Committee
Executive		
Bruce De Lacy	Appointed 30 October 1997 Appointed 10 June 2013 Appointed 30 April 2014 Appointed 19 March 2015	Company Secretary Chief Financial Officer Executive Director Chief Executive Officer

Remuneration policy

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

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

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

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

Directors' Report (continued)

Use of Remuneration Consultants

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

During the year, the board of directors engaged Simon Hare of HaRe Group to provide recommendations regarding:

- Insights on remuneration trends, regulatory developments and shareholder views;
- Market, industry and role data in relation to key management personnel; and
- Executive incentive schemes.

The fees paid to the HaRe Group for remuneration advisory services amounted to \$8,244.50. The board of directors are satisfied the advice received from the HaRe Group is free from undue influence from key management personnel to whom the remuneration recommendations apply, as the consultants were engaged by, and reported directly to, the Chairman.

Non-Executive Director Remuneration

Objective

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

Structure

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

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

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

The remuneration of non-executive directors for the period ended 30 June 2017 is detailed in the table titled Remuneration of key management personnel on page 14 (the 'Remuneration Table').

Executive Director Remuneration

Executive directors are paid for their services as part of their employment contracts. Each executive director appointment to the board is conditional on them being employed by the Group.

Executive Remuneration

Objective

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

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

Directors' Report (continued)

Structure

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

- Fixed remuneration; and
- Variable remuneration.

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

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

Fixed Remuneration

Objective

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

Structure

Fixed remuneration is the non-variable component of an executive's annual remuneration. It consists of the base salary plus any superannuation contributions paid to a complying super fund on the executive's behalf, and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments. The amount of fixed remuneration is established based on relevant market analysis, and having regard to the scope and nature of the role and the individual executive's performance, expertise, skills and experience.

Linking remuneration to performance - variable remuneration

Remuneration is linked to performance to retain high calibre executives by motivating them to achieve performance goals which are aligned to Farm Pride Foods' interests.

Variable remuneration

Objective

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

Scheme Structure

Variable remuneration is expressed as a percentage of a participant's total fixed remuneration ('TFR') comprising base salary, superannuation contributions and any other non-cash benefits, and are based on the achievement of budgeted revenue and profit targets each financial year.

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.

For executives, the Company provides a remuneration package that incorporates cash bonuses 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.

Directors' Report (continued)

Bonuses are payable at the discretion of the board of directors.

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

The Company determines the maximum amount for remuneration for directors by resolution.

Employment Arrangements

Chief Executive Officer, Chief Financial Officer and Company Secretary

Bruce De Lacy is the Chief Executive Officer of the Company. Bruce is employed under a standard employment contract with no defined length of tenure. Under the terms of his employment contract:

- Bruce may resign from his position by providing the Group with four weeks written notice
- The Group may terminate this agreement by providing four weeks written notice or provide payment in lieu of the notice period, or the unexpired part of any notice period, based on Bruce's total remuneration
- The Group may terminate at any time without notice if serious misconduct has occurred

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

Details of all executive remuneration for KMPs are disclosed in the Remuneration Table.

Group Performance

The relation of rewards to performance of directors and executives is discussed above. The Group's revenue, profit before tax and earnings per share for the last five financial years is presented in the table below:

	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	97,778	93,765	91,341	96,558	102,788
Net profit before tax	12,232	11,485	7,218	2,529	788
Net profit after tax	8,481	8,127	5,053	2,169	604
Share price at end of year	1.16	2.45	0.30	0.10	0.09
Basic earnings per share	15.37	14.73	9.16	3.93	1.09
Diluted earnings per share	15.37	14.73	9.16	3.93	1.09

Directors' Report (continued)

A. Details of key management personnel remuneration

(a) Remuneration Table

	Short Term Benefits			Long Term Benefits	Post Employment			
	Fees	Salary	Performance Based Payment	Non-cash Benefits	Long Service Leave	Super	Performance Based	
2017	\$	\$	\$	\$	\$	\$	%	\$
Phillip Campbell (i)	13,462	-	-	-	-	1,279	-	14,741
Peter Bell	45,421	-	-	-	-	4,315	-	49,736
Malcolm Ward	45,421	-	-	-	-	4,315	-	49,736
Bruce De Lacy (ii) (iii)	-	332,234	93,636	3,765	(4,667)	28,637	21%	453,605
Total	104,304	332,234	93,636	3,765	(4,667)	38,546	16%	567,818
2016	\$	\$	\$	\$	\$	\$	%	\$
Phillip Campbell (i)	40,577	-	-	-	-	3,855	-	44,432
Peter Bell	29,946	-	-	-	-	2,845	-	32,791
Malcolm Ward	29,946	-	-	-	-	2,845	-	32,791
Bruce De Lacy (ii) (iii)	-	237,093	145,662	4,329	4,667	26,027	35%	417,778
Total	100,469	237,093	145,662	4,329	4,667	35,572	28%	527,792

(i) Appointed as director and Chairman on 4 September 2015, Resigned 30 September 2016.

(ii) Salary and fees for Bruce De Lacy is made up of cash salary \$327,728 (2016: \$228,311) plus annual leave entitlement movement of \$4,506 (2016: \$8,782)

(iii) Long term benefits for Bruce De Lacy of \$4,667 were reported in 2016. Following a reassessment of the company's method of estimating the long service leave provision across the company no long term benefit is applicable in 2017 in relation to this director.

Directors' Report (continued)

(b) Directors' shareholding

2017

	Balance 01/07/2016	Received as remuneration	Options exercised	Other Off market purchases/(sales)	Balance 30/06/2017
Bruce De Lacy	195,502	-	-	-	195,502
Malcolm Ward	2,031,772	-	-	-	2,031,772
Peter Bell	2,246,250	-	-	-	2,246,250
	4,473,524	-	-	-	4,473,524

Messrs. Peter Bell and Malcolm Ward have an indirect interest in the 27,486,302 shares held by West Coast Eggs Pty Ltd (2016: 27,486,302 shares) and the 1,000 shares held by Southern Egg Pty Ltd (2016: 1,000).

Voting and comments made at the company's 2016 Annual General Meeting (AGM)

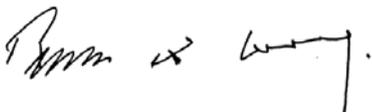
At the company's 2016 AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of "yes" votes were cast for the adoption of that report. No comments were made on the remuneration report that was conducted at the AGM.

This is the end of the audited remuneration report.

Rounding of amounts

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

Signed in accordance with a resolution of the Directors.



Bruce De Lacy
Director
18 August 2017

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

As lead auditor for the audit of Farm Pride Foods Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



BJ Pollock
Partner
18 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Revenue and other income			
Sales revenue	5	97,576	93,615
Other income	5	202	150
		97,778	93,765
Less: Expenses			
Changes in inventories of finished goods and work in progress	6	1,150	(1,163)
Raw materials and consumables used	6	(63,555)	(58,863)
Employee benefits expense	6	(13,008)	(12,183)
Depreciation	6	(3,331)	(3,514)
Impairment of property, plant & equipment	6	-	(576)
Finance costs	6	(150)	(413)
Other expenses		(6,652)	(5,568)
		12,232	11,485
Profit before income tax		12,232	11,485
Income tax expense	7	(3,751)	(3,358)
Profit from continuing operations		8,481	8,127
Profit for the year		8,481	8,127
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Cash flow hedge net of tax	19(a)	-	90
Other comprehensive income for the period, net of income tax		-	90
Total comprehensive income for the period		8,481	8,217
Basic earnings per share (cents per share)	22	15.37	14.73
Diluted earnings per share (cents per share)	22	15.37	14.73

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
As at year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Current Assets			
Cash and short term deposits	9	8,038	3,438
Trade and other receivables	10	9,335	8,342
Inventories	11	4,572	3,422
Biological assets	13	7,730	7,223
Other current assets	12	1,045	303
Total current assets		30,720	22,728
Non-current assets			
Biological assets	13	422	378
Deferred tax assets	7(c)	859	777
Property, plant and equipment	14	30,282	31,353
Total non-current assets		31,563	32,508
TOTAL ASSETS		62,283	55,236
Current liabilities			
Trade and other payables	15	11,996	11,788
Borrowings	16	327	895
Provisions	17	2,057	1,871
Current tax payable	7(d)	1,115	2,121
Total current liabilities		15,495	16,675
Non-current liabilities			
Borrowings	16	5	244
Provisions	17	143	158
Total non-current liabilities		148	402
TOTAL LIABILITIES		15,643	17,077
NET ASSETS		46,640	38,159
EQUITY			
Contributed capital	18	29,578	29,578
Retained earnings		17,062	8,581
		46,640	38,159

The accompanying notes form part of these financial statements

**Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2017**

	Contributed Capital	Retained earnings	Cash Flow hedge reserve	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2016	29,578	8,581	-	38,159
Profit for the year	-	8,481	-	8,481
Other comprehensive income	-	-	-	-
Total comprehensive income	-	8,481	-	8,481
Balance as at 30 June 2017	29,578	17,062	-	46,640
Balance as at 1 July 2015	29,578	454	(90)	29,942
Profit for the year	-	8,127	-	8,127
Other comprehensive income	-	-	90	90
Total comprehensive income	-	8,127	90	8,217
Balance as at 30 June 2016	29,578	8,581	-	38,159

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows For the Year Ended 30 June 2017

Notes	2017 \$'000	2016 \$'000
Cash flow from operating activities		
Receipts from customers	96,925	94,352
Payments to suppliers and employees	(84,348)	(76,898)
Finance costs	(150)	(413)
Income tax paid	(4,839)	(3,365)
Interest received	73	11
Net cash provided by operating activities	20(a) 7,661	13,687
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	21	4
Payment for property, plant and equipment	(2,288)	(6,420)
Net cash used in investing activities	(2,267)	(6,416)
Cash flow from financing activities		
Repayment of borrowings	-	(3,000)
Repayment of finance leases	(794)	(1,419)
Net cash used in financing activities	(794)	(4,419)
Net increase in cash and cash equivalents	4,600	2,852
Cash and cash equivalents at beginning of the year	3,438	586
Cash and cash equivalents at end of the year	20(b) 8,038	3,438

The accompanying notes form part of these financial statements

Notes to the Consolidated 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. Farm Pride Foods Limited (the Company or parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

(a) Basis of preparation of the financial report

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

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

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

The financial report was authorised for issue by the directors as at 18 August 2017.

Compliance with International Financial Reporting Standards (IFRS)

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

Significant accounting estimates

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

Comparative figures:

The 2016 comparative figure for biological assets have been adjusted to conform with changes in presentation in the current year. The adjustment was the classification of \$378 thousand from current assets to non-current assets to represent the true life of the flock asset after a management review of the financial statements. The consolidated presentation of financial information and reclassification is intended to provide more useful information. The amendment has had no effect on the total assets, total liabilities, profit before income tax or the total comprehensive income for the period.

(b) Going concern

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

(c) Basis of consolidation

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

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

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

Note 1: Summary of Significant Accounting Policies (continued)

(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 revenue can be measured reliably. Risks and rewards of ownership are considered to have passed to the buyer at time of delivery of the goods to the customer.

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of promotional expenditure and rebates.

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, but excluding borrowing costs.

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

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

(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 property, plant and equipment are calculated using the straight-line method over their estimated useful lives commencing from the time the asset is held ready for use.

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

The useful lives for each class of assets are:

	2017	2016
Freehold land and land improvements	40 years	40 years
Buildings on freehold land and building improvements	40 years	40 years
Plant and equipment	1 to 20 years	1 to 20 years
Leased plant and equipment	5 to 20 years	5 to 20 years

Note 1: Summary of Significant Accounting Policies (continued)

(h) Impairment of non-financial assets

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

An impairment loss is recognised where the carrying amount of the asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rate basis to the other assets comprising the relevant cash generating unit.

(i) Leases

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

Finance leases

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

Operating leases

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

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

(j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Note 1: Summary of Significant Accounting Policies (continued)

(k) Income tax

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

Deferred tax balances

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

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

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

Tax consolidation

Farm Pride Foods 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. In addition to its own current and deferred tax amounts, Farm Pride Foods Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(l) Provisions

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

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

(m) Employee benefits

(i) Short term employee benefit obligations

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

Note 1: Summary of Significant Accounting Policies (continued)

(ii) Other long term employee benefit obligations

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

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

(iii) Superannuation

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

(n) Borrowing costs

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

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

(o) Financial instruments

Classification

The consolidated entity classifies its financial instruments, at initial recognition, in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and financial liabilities when the fair value is negative.

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.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Note 1: Summary of Significant Accounting Policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial Liabilities

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

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

Subsequent to initial recognition non-derivative financial liabilities, comprising of interest bearing loans and borrowings, are recognised at amortised cost, comprising original debt less principal payments and effective interest rate amortisation. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

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.

De-recognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

(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. Any hedge ineffectiveness is recognised in profit or loss. This gain or loss is recorded in the cashflow hedging reserve and released to profit or loss in the same period as when the hedged transactions affects profit or loss.

Note 1: Summary of Significant Accounting Policies (continued)

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 as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

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.

(p) 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 entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

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

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

(q) Goods and services tax (GST)

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

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

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

Note 1: Summary of Significant Accounting Policies (continued)

(r) Biological Assets

Biological assets comprise of flocks of hens and are valued at fair value. Fair value is not adjusted for costs to sell because disposal of the asset does not occur by sale. As there is no active market for flocks of hens, the fair value is based upon capitalised cost of poultry and 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.

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

Refer to Note 4: Fair Value Measurements for the details of the fair value measure key assumptions and inputs.

(s) Comparatives

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

(t) Rounding Amounts

The parent entity and consolidated entity have applied for relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(u) Accounting standards issued but not yet effective at 30 June 2017

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

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

AASB 9 Financial Instruments – Effective date 1 January 2018 (applicable date 1 July 2018)

The standard includes a single approach for the classification and measurement of financial assets, based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in AAAS 139. The standard also amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the business.

The consolidated entity does not currently expect the impact of these changes to be material. A more detailed assessment will be performed during 2018.

AASB 15 Revenue from Contracts with Customers – Effective date 1 January 2018 (applicable date 1 July 2018)

The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods and services when control of the goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for the goods or services.

Farm Pride Foods have undertaken an impact assessment of the implementation of the standard. This included a detailed review of the performance obligations contained within a number of contracts from all material revenue streams. The assessment has concluded that the standard is not expected to have a significant impact on the recognition and measurement of revenue by the Group, however the Group has not established a quantitative assessment. The new standard will result in increased financial report disclosures in respect of Group's revenue streams. The Group is in the final stages of completing its implementation plan for the new standard.

Note 1: Summary of Significant Accounting Policies (continued)

AASB 16 *Leases* –Effective date 1 January 2019 (applicable date 1 July 2019)

Under the new standard, a lessee is in essence required to:

- (a) Recognise all right of use assets and lease liabilities, with the exception of short term (under 12 months) and low value leases, on the balance sheet. The liability is initially measured at the present value of future lease payments for the lease term. This includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset is equal to the lease liability, initial direct costs, any lease payments made before the commencement date of the lease, less any lease incentives and, where applicable, provision for dismantling and restoration.
- (b) Recognise depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term.
- (c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the consolidated entity presents in operating activities) in the cash flow statement.

This standard will have an impact on the consolidated entity's earnings and shareholders' funds at transition and in future years. It must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach.

AASB 16 contains a number of practical expedients, one of which permits the classification of existing contracts a leases under current accounting standards to be carried over to AASB 16.

Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively at inception of the lease.

Under AASB 16 the present value of the consolidated entity's operating lease commitments as defined under the new standard, excluding low value leases and short term leases, will be shown as right of use assets and as lease liabilities on the balance sheet.

The Group will undertake a more detailed assessment after finalising the impact of the implementation of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*.

Note 2: Significant 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 consolidated entity 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) Biological assets

Biological assets comprise of flocks of hens and are valued at fair value. Fair value is not adjusted for costs to sell because disposal of the asset does not occur by sale. As there is no active market for flocks of hens, the fair value is based upon capitalised cost of poultry and 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.

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

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 4: Fair Value Measurements for the details of the fair value measure key assumptions and inputs.

(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 consolidated entity 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.

(e) Promotional expenditure and rebates

Promotional expenditure and rebates are costs incurred by the Company when dealing with certain customers. These costs are recorded as a reduction to revenue and are either settled monthly in connection with the invoice of the customer or accrued at balance sheet date depending on the exact timing of the customer claim. The accrual is based on previous claims made and current trends.

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:

	2017	2016
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	8,038	3,438
Receivables	9,335	8,342
	17,373	11,780
Financial liabilities		
Payables	11,996	11,788
Borrowings	332	1,139
	12,328	12,927

(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 at stipulated exchange rates. The objective in entering into 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(p).

At balance date, there were no outstanding forward exchange contracts.

Note 3: Financial risk management (continued)

(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(o): Financial Instruments.

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

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
	\$'000	\$'000	\$'000	%	
2017					
<i>(i) Financial assets</i>					
Cash	8,038	-	8,038	-	Variable
Receivables	-	9,335	9,335	-	
Total financial assets	<u>8,038</u>	<u>9,335</u>	<u>17,373</u>		
<i>(ii) Financial liabilities</i>					
Payables	-	11,996	11,996	-	
Lease liability	332	-	332	6%	Fixed
Total financial liabilities	<u>332</u>	<u>11,996</u>	<u>12,328</u>		
2016					
<i>(iii) Financial assets</i>					
Cash	3,438	-	3,438	-	Variable
Receivables	-	8,342	8,342	-	
Total financial assets	<u>3,438</u>	<u>8,342</u>	<u>11,780</u>		
<i>(iv) Financial liabilities</i>					
Payables	-	11,788	11,788	-	
Lease liabilities	1,139	-	1,139	9%	Fixed
Total financial liabilities	<u>1,139</u>	<u>11,788</u>	<u>12,927</u>		

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

Note 3: Financial risk management (continued)

(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 an 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 aging analysis of trade and other receivables is provided in Note 10(b). As the consolidated entity undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with credit terms.

iii) Other financial instruments

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

Note 3: Financial risk management (continued)

(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
Year ended 30 June 2017					
Cash and cash equivalents	8,038	-	-	8,038	8,038
Receivables	9,335	-	-	9,335	9,335
Payables	(11,996)	-	-	(11,996)	(11,996)
Borrowings	(320)	(10)	(5)	(335)	(332)
Net maturities	<u>5,057</u>	<u>(10)</u>	<u>(5)</u>	<u>5,042</u>	<u>5,045</u>
Year ended 30 June 2016					
Cash and cash equivalent	3,438	-	-	3,438	3,438
Receivables	8,342	-	-	8,342	8,342
Payables	(11,788)	-	-	(11,788)	(11,788)
Borrowings	(474)	(468)	(247)	(1,189)	(1,139)
Net maturities	<u>(482)</u>	<u>(468)</u>	<u>(247)</u>	<u>(1,197)</u>	<u>(1,147)</u>

The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that at all times it has sufficient liquidity to meet its liabilities. The consolidated entity currently has cash reserves, undrawn bank facilities has reported positive cash flow from operations and is forecasting cash flow positive trading.

(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 consolidated entity'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) Other price risk

The consolidated entity does not currently have any direct exposure to other price risks, whilst exposure to commodity price risk relates to egg, grain and feed stock purchases.

The consolidated entity's main sales product is shell eggs which is a commodity that is subject to market conditions. The consolidated entity manages its exposure to surpluses and shortages of shell egg through appropriate management of its flock assets as well as sourcing from external suppliers.

Where appropriate, the consolidated entity 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.

Note 4: Fair Value Measurements

(a) Fair value hierarchy

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

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

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

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

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

30 June 2017	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Hedging instruments	-	-	-	-
Total financial assets	-	-	-	-
<i>Non-financial assets</i>				
Biological assets at fair value less cost to sell	-	-	8,152	8,152
Total non-financial assets	-	-	8,152	8,152
<i>Financial liabilities</i>				
Hedging instruments	-	-	-	-
Total financial liabilities	-	-	-	-
30 June 2016				
Recurring Fair Value Measurements	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Hedging instruments	-	-	-	-
Total financial assets	-	-	-	-
<i>Non-financial assets</i>				
Biological assets at fair value less cost to sell	-	-	7,601	7,601
Total non-financial assets	-	-	7,601	7,601
<i>Financial liabilities</i>				
Hedging instruments	-	-	-	-
Total financial liabilities	-	-	-	-

Note 4: Fair Value Measurements (continued)

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

(i) Biological assets

Biological assets held by the consolidated entity comprise flocks of hens. The directors consider the amortised cost value of closing flock stock at balance date to be fair value. The capitalised cost of poultry is amortised over the productive life of the flock. The flock is held for the purposes of producing eggs.

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

The fair value of biological assets are based upon amortised cost over their productive life which is between 50-60 weeks.

(d) Reconciliation of recurring level 3 fair value movements

	Consolidated Entity	
	2017 \$'000	2016 \$'000
Biological assets at fair value less cost to sell		
Opening balance	7,601	7,059
Purchases	11,186	10,031
Amortisation (fair value adjustment)	(10,635)	(9,489)
Closing balance	8,152	7,601

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

At balance date if the amount amortised (fair value adjustment) for the year had varied as illustrated below, post-tax profit and other comprehensive income would have been affected as follows:

+5% variation	372	332
-5% variation	(372)	(332)

Note 5: Revenue and other income

	Consolidated Entity	
	2017 \$'000	2016 \$'000
Revenues and other income from continuing operations		
<i>Sales revenue</i>		
Sale of goods	97,576	93,615
<i>Other income</i>		
Other income	202	148
Gain on sale of property, plant & equipment	-	2
	202	150

Note 6: Profit from continuing operations

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

	Consolidated Entity	
	2017 \$'000	2016 \$'000
Cost of goods sold		
Changes in inventories of finished goods and work in process	(1,150)	1,163
Raw materials and consumables used	63,555	58,863
	62,405	60,026
Employee benefits expenses		
Salaries and wages	12,035	11,263
Employee superannuation contributions	973	920
Total employee benefits expenses	13,008	12,183
Depreciation of non-current assets		
Land improvements	60	25
Buildings	482	662
Plant & equipment	2,789	2,827
Total depreciation of non-current assets	3,331	3,514
Impairment losses – property, plant and equipment	-	576
Provision for doubtful debts	-	(150)
Foreign exchange translation loss	2	2
Fair value movement in poultry	10,635	9,489
Finance costs expensed – interest expense	150	413
Operating lease rentals	3,500	3,492
Net loss on disposal of property, plant & equipment	4	-

Note 7: Income Tax

	Consolidated Entity	
	2017 \$'000	2016 \$'000
(a) Components of tax expense:		
Current tax	3,760	3,544
Deferred tax	(68)	(104)
Under/(over) provision in prior years	59	(82)
Income tax expense	3,751	3,358
(b) Numerical reconciliation between income tax expense in the income statement and that calculated		
At the statutory income tax rate of 30% (2016: 30%)	3,670	3,445
Tax effect of amounts which are not deductible in calculating taxable income	22	(5)
Under/(over) provision in prior years	59	(82)
Income tax expense at 30.68% (2016: 29.24%)	3,751	3,358
(c) Deferred tax assets and liabilities relate to the following:		
Employee benefits	660	609
Provisions and accruals	177	222
Gross deferred tax assets	837	831
Fixed assets	22	(54)
Gross deferred tax liabilities	22	(54)
Net deferred tax assets	859	777
(d) Movement in current tax liability:		
Balance at beginning of year	2,121	2,024
Current tax expense	3,760	3,544
Tax paid	(4,839)	(3,365)
Under/(over) provision in prior years	59	(82)
Other	14	-
Balance at the end of the year	1,115	2,121
(e) Deferred taxes recognised directly in equity		
Hedge Reserve	-	(38)

Note 8: Dividends

	Consolidated Entity	
	2017 \$'000	2016 \$'000
(a) Dividends proposed and recognised as a liability	Nil	Nil
(b) Franking credit balance		
Balance of franking account at year end	9,945	4,996

Note 9: Cash and cash equivalents

Cash at bank	607	380
Short term deposit	7,431	3,058
	8,038	3,438

Note 10: Receivables

Trade receivables	8,856	7,904
Allowance for impairment loss	(50)	(50)
	8,806	7,854
Other receivables	529	488
	9,335	8,342

(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 10: Receivables (continued)**(b) Provision for impairment loss**

	Consolidated Entity	
	2017 \$'000	2016 \$'000
Movements in the provision for impairment were:		
Opening balance at 1 July	50	200
Decrease in provision for impairment of trade receivables	-	(150)
	50	50

Trade and other receivables ageing analysis at 30 June is:

	Gross 2017 \$'000	Impairment 2017 \$'000	Gross 2016 \$'000	Impairment 2016 \$'000
Not past due	9,292	-	7,128	-
Past due 31-60 days	11	11	1,264	50
Past due 61-90 days	82	39	-	-
Past due more than 91 days	-	-	-	-
	9,385	50	8,392	50

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.

Note 11: Inventories

	Consolidated Entity	
	2017 \$'000	2016 \$'000
Raw materials at cost	2,275	2,188
Finished goods	2,297	1,234
Total inventories	4,572	3,422

Of the total inventories \$ 341,000 is held at NRV (2016: \$566,000)

Note 12: Other current assets

Prepayments	1,045	303
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Note 13: Biological assets

	Consolidated Entity	
	2017	2016
	\$'000	\$'000
Current	7,730	7,223
Non-current	422	378
Total	8,152	7,601
(a) Poultry		
Flock stock at fair value as at 30 June	18,787	17,090
Less: Accumulated amortisation	(10,635)	(9,489)
	8,152	7,601
Opening flock stock written down value	7,601	7,059
Additions	11,186	10,031
Amortisation	(10,635)	(9,489)
Closing flock stock	8,152	7,601

The number of birds held by the Company as at 30 June 2017 was 1,697,046 (2016: 1,492,793).

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

Note 14: Property, plant and equipment

	Consolidated Entity	
	2017 \$'000	2016 \$'000
<i>Freehold land and land improvements</i>		
At cost	7,834	7,202
Accumulated depreciation	(547)	(487)
Total freehold land	<u>7,287</u>	<u>6,715</u>
<i>Buildings and building improvements</i>		
At cost	14,013	9,147
Accumulated depreciation	(5,076)	(4,593)
Total buildings & building improvements	<u>8,937</u>	<u>4,554</u>
Total land and buildings	<u>16,224</u>	<u>11,269</u>
<i>Plant and equipment</i>		
At cost	39,349	39,938
Accumulated depreciation	(26,001)	(25,539)
Accumulated impairment losses	-	(576)
Total plant and equipment	<u>13,348</u>	<u>13,823</u>
Projects under construction	<u>710</u>	<u>6,261</u>
Total property, plant and equipment		
Cost	61,906	62,548
Total accumulated impairment	-	(576)
Total accumulated depreciation	<u>(31,624)</u>	<u>(30,619)</u>
Total written down amount	<u>30,282</u>	<u>31,353</u>

Note 14: 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 16). The terms of the first mortgage preclude the assets from being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

	Consolidated Entity	
	2017	2016
	\$'000	\$'000
(b) Reconciliations		
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	6,715	6,740
Depreciation Expense	(60)	(25)
Additions	632	-
	7,287	6,715
<i>Buildings on Freehold Land and Building Improvements</i>		
Carrying amount at beginning	4,554	5,205
Additions	4,865	11
Depreciation Expense	(482)	(662)
	8,937	4,554
<i>Plant & equipment</i>		
Carrying amount at beginning	13,823	17,045
Additions	2,339	183
Depreciation expense	(2,789)	(2,827)
Impairment	-	(576)
Disposals	(25)	(2)
	13,348	13,823
<i>Projects under construction</i>		
Carrying amount at beginning	6,261	35
Additions	2,253	6,417
Transfers	(7,804)	(191)
	710	6,261
<i>Total Assets</i>		
Carrying amount at beginning	31,353	29,025
Additions	10,089	6,420
Transfers	(7,804)	-
Depreciation expense	(3,331)	(3,514)
Impairment	-	(576)
Disposals	(25)	(2)
Total	30,282	31,353

The carrying value of plant and equipment held under finance leases and hire purchase contracts as 30 June 2017 was \$1,837,000 (2016: \$2,190,000).

Note 15: Payables**Consolidated Entity**

	2017 \$'000	2016 \$'000
Trade Creditors/other payables and accruals	11,996	11,788

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. Terms are 30 days from end of month.

(b) Related party payables

For terms and conditions relating to related party payables refer Note 27.

Note 16: Borrowings

CURRENT		
Secured		
Lease liability	327	895
	<u>327</u>	<u>895</u>
NON- CURRENT		
Secured		
Lease liability	5	244
	<u>5</u>	<u>244</u>

(a) Details of assets pledged as security

The bank facilities (refer note 20 (c) and (d)) are secured by a fixed and floating charge (mortgage debenture) over all assets and uncalled capital. The expiry date of the facility is 30 September 2018.

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

The carrying amounts of the consolidated entity's current and non-current borrowings approximate their fair value. The consolidated entity's interest bearing borrowings consist of variable interest rate loans.

Note 17: Provisions

	Consolidated Entity	
	2017	2016
	\$'000	\$'000
CURRENT		
Employee benefits		
Annual leave	1,158	1,027
Long service leave	899	844
	2,057	1,871
NON-CURRENT		
Long service leave benefits	143	158
Aggregate employee benefits liability	2,200	2,029
Balance at beginning of year	2,029	1,908
Additional provisions recognised during the year	961	820
Amounts used	(790)	(699)
Balance at end of year	2,200	2,029

Note 18: Contributed Equity

	Consolidated Entity	
	2017	2016
	\$'000	\$'000
(a) Issued and paid up capital		
55,180,175 (2016 : 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) 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 2017 no dividends were paid (2016: Nil)

Note 19: Reserves and Retained Earnings**Consolidated Entity**

	2017	2016
	\$'000	\$'000
(a) Cash flow hedge reserve	-	-
(b) Retained earnings	17,062	8,581

(a) Cash flow hedge reserve

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

Balance at beginning of year	-	(90)
Reclassification of reserve to Profit & Loss for the year	-	90
Balance at end of year	-	-

Note 20: Cash Flow Information

	Consolidated Entity	
	2017 \$'000	2016 \$'000
(a) Reconciliation of cash flow from operations with profit after tax:		
Profit from ordinary activities after tax	8,481	8,127
Non-cash items		
Depreciation	3,331	3,514
Impairment	-	576
Flock amortisation	10,635	9,489
Inventory write down	2	(222)
Net loss on foreign exchange	2	-
Provision for doubtful debts	-	(150)
Net loss/(profit) on disposal of property, plant and equipment	4	(2)
Non-cash movement on loan	(13)	(13)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(993)	333
(Increase)/decrease in inventory	(1,151)	1,385
Increase in biological asset	(11,186)	(10,031)
(Increase)/decrease in other assets	(742)	(17)
Decrease in trade and other creditors	208	584
Increase in deferred tax asset	3,751	3,358
Increase in employee entitlements	171	121
Increase/(decrease) in current tax liability	(4,839)	(3,365)
Net cash flow from operating activities	<u>7,661</u>	<u>13,687</u>
(b) Reconciliation of cash		
Cash and cash equivalents	8,038	3,438
	<u>8,038</u>	<u>3,438</u>
(c) Overdraft with bank		
Credit facility	1,250	1,250
Amount utilised	-	-
Unused credit facility	1,250	1,250
(d) Loan facilities		
Loan facility	10,000	10,000
Amount utilised	-	-
Unused loan facility	<u>10,000</u>	<u>10,000</u>

Note 21: Commitments

Consolidated Entity

	2017 \$'000	2016 \$'000
Lease expenditure commitments		
(i) <i>Operating leases (non-cancellable)</i>		
Minimum lease payments		
Not later than one year	3,443	4,788
Later than one year and not later than five years	6,262	8,219
Later than five years	4,815	6,188
Aggregate lease expenditure contracted for at reporting date	14,520	19,195

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

(ii) *Finance leases (manufacturing equipment)*

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

Consolidated Entity

	2017 \$'000		2016 \$'000	
	Minimum payment	Present value of payments	Minimum payments	Present value of payments
Within one year	330	327	942	895
After one year but not more than five years	5	5	247	244
More than five years	-	-	-	-
Total minimum lease payments	335	332	1,189	1,139
Less amounts representing finance charges	(3)	-	(50)	-
Present value of minimum lease payments	332	332	1,139	1,139

Consolidated Entity

Current liability	327	895
Non-current liability	5	244
Total	332	1,139
(iii) <i>Flock replacement commitment</i>	1,598	1,691

Note 22: Earnings per share

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

Consolidated Entity	
2017 \$'000	2016 \$'000
8,481	8,127

Net profit from continuing operations

Weighted average

	2017 No. of shares	2016 No. of shares
Weighted average number of ordinary shares used in calculating basic loss/earnings per share	55,180,175	55,180,175
Weighted average number of shares used to calculate diluted earnings per share	55,180,175	55,180,175

Note 23: Key Management Personnel Compensations

Compensation by category

Consolidated Entity		
2017 \$'000	2016 \$'000	
Short-term employment benefits	534	487
Superannuation	39	36
Long-term employment benefits	(5)	5
	568	528

Note 24: Controlled Entities

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

List of companies in the group	Country of incorporation	Percentage owned	
		2017	2016
Parent entity:			
Farm Pride Foods Ltd	Australia	100%	100%
Controlled entities of Farm Pride Foods Ltd			
Big Country Products Pty Ltd	Australia	100%	100%
Farm Pride Property Pty Ltd	Australia	100%	100%
Mooroopna Farm Trading Pty Ltd	Australia	100%	100%
Farm Pride North Pty Ltd	Australia	100%	100%
Carton Packaging Pty Ltd	Australia	100%	100%

Note 25: Related Party Disclosures**Related party balances included in Receivables/Payables:**

	Consolidated Entity	
	2017 \$'000	2016 \$'000
Trade debtors	54	82
Trade creditors	(706)	(605)
Net payable	(652)	(523)

Note 26: Parent Entity Information

Information relating to Farm Pride Foods Ltd:

	2017 \$'000	2016 \$'000
		Restated
Summarised statement of financial position		
Current assets	30,727	23,107
Total assets	62,289	55,236
Current liabilities	15,052	16,237
Total liabilities	15,142	16,600
Total equity of the Parent comprises of the following:		
Share capital	29,578	29,578
Retained earnings	17,569	(a) 9,058
Cash flow hedge reserve	-	-
Total shareholder's equity	47,147	38,636
Summarised statement of comprehensive income		
Profit of the parent entity	8,511	8,159
Total comprehensive profit of the parent entity	8,511	8,159

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

(a) Details of the restatement

Retained earnings for 2016 has been restated to include profit for the year ended 30 June 2016 which was previously not included.

Note 27: Related party Disclosures

Directors and related entities 2016 and 2017

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 related entities 2016/2017	Note	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
			2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	(a)	Purchases	-	-	15	1	-	-
Altona Hatchery Pty Ltd (P. Bell)	(a)	Purchases	-	-	1	-	-	-
Specialised Breeders Australia Pty Ltd (P. Bell)	(a)	Purchases	-	-	1,116	539	(94)	(53)
Days Eggs Pty Ltd (P. Bell)	(a)	Egg supply / Purchases	217	561	612	630	(34)	(41)
Hy-line Australia Pty Ltd (P. Bell)	(a)	Purchases / Packaging sales	-	-	4,260	3,550	(160)	(488)
Pure Foods Eggs Pty Ltd (P. Bell)	(a)	Egg sales / Purchases	26	368	285	194	(109)	(10)
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	(a)	Egg sales / Purchases	1,167	1,251	175	182	353	69
Lohmann Layers Australia Pty Ltd (P. Bell)	(a)	Purchases	-	-	1,368	1,887	-	(452)

(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.

Note 28: Auditor's remuneration

	Consolidated Entity	
	2017 \$	2016 \$
An audit or review of the financial report of the entity and any other entity in the consolidated entity	122,000	144,350
Taxation services	12,000	14,700
Other services	8,472	-
	142,472	159,050

Note 29: Contingent Liability

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

The Appeal was heard by the full court of the Federal Court of Australia on the 15 August 2016.

We are still awaiting a judgement from the courts on the ACCC Egg Cartel appeal. Farm Pride Foods continues to deny the allegations made by the ACCC consistently with the decision of the trial judge who dismissed the claims.

Note 30: Subsequent Events

On 24 July 2017 the Company purchased a new property in Northern Victoria at a purchase price of \$1.95m. This will be the site for a free range farm. Infrastructure improvements will be commencing as soon as practicable and construction of 2 sheds is due to commence later this calendar year.

There are no other matters or circumstances, which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

- (a) The operations, in financial years subsequent to 30 June 2017, of the consolidated entity, or
- (b) The result of those operations, or
- (c) The state of affairs, in financial years subsequent to 30 June 2017, of the consolidated entity.

Note 31: Company details

The registered office of the Company is:

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

Directors' Declaration

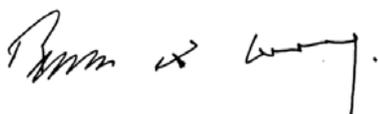
The Directors declare that the financial statements and notes set out on pages 17 to 52 in accordance with the *Corporations Act 2001*:

- (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 2017 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 Chief Executive Officer / Chief Financial Officer to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2017.

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



Bruce De Lacy
Director

18 August 2017
Melbourne

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Farm Pride Foods Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

Valuation and existence of flock assets

Why significant

The carrying value of flock assets at 30 June 2017 was \$8.15 million accounted for in accordance with Australian Accounting Standard - AASB 141 'Agriculture', as disclosed in Note 13.

We focused on this area because flock assets is a material balance for the Group's financial report and the valuation of flock assets involves judgement in relation to the estimated productive life of the flock and capitalisation of directly attributable costs of establishing the flock.

How our audit addressed the key audit matter

We gained an understanding of the key processes to record flock asset transactions and assessed the design of the Group's processes including related controls. We performed testing of a sample of costs capitalised into flock assets during the year by agreeing costs to supporting documentation such as invoices. We also assessed the appropriateness of the capitalisation of these costs.

We assessed the Group's assumptions in respect of the productive life of the flock via reference to the age of the specific flock and the Group's prior experience.

We attended a sample of monthly flock counts at two farms during the year to test the existence of flock assets.

Promotional expenditure and rebates

Why significant

Promotional expenditure and rebates ('Rebates') are costs incurred by the Company when dealing with certain customers. These costs are recorded as a reduction to revenue and are either settled monthly in connection with the invoicing of the customer or accrued at balance sheet date depending on the exact timing of the customer claim. The accrual is based on previous claims made and current trends.

We focused on this area because the calculation of the accrual involves judgement and estimation as referred to in Note 2 of the financial report.

How our audit addressed the key audit matter

We gained an understanding of the key processes used to record Rebate transactions, including period end accruals, and assessed the design of the Group's processes including related controls.

We tested a sample of rebate transactions during the year by agreeing the Rebate amount to customer claim documentation.

We assessed the Group's Rebate accrual by assessing the key assumptions having regard to past claims experience and customer claim documentation received after balance date. Where available, we agreed the accrual to the amount settled post year end.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

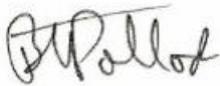
In our opinion, the Remuneration Report of Farm Pride Foods Pty Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Ernst & Young



BJ Pollock
Partner

Melbourne
18 August 2017

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 17 August 2017.

(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	307	182,908
1,001 - 5,000	492	1,402,541
5,001 - 10,000	180	1,388,327
10,001 - 100,000	186	4,852,090
100,001 +	35	47,354,309

The number of shareholders holding less than a marketable parcel of shares are:	100	17,875
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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	27,486,302	49.81
2 J P Morgan Nominees Australia Ltd	3,696,168	6.70
3 Normpat Pty Ltd	2,064,250	3.74
4 Oakmeadow Pty Ltd	2,011,772	3.65
5 Citicorp Nominees Pty Ltd	1,972,268	3.57
6 HSBC Custody Nominees (Australia) Ltd	1,873,928	3.40
7 Markcamp No2 Pty Ltd	1,566,335	2.84
8 Glenmon No2 Pty Ltd	1,203,057	2.18
9 Mr Clinton James Quay	595,741	1.08
10 BNP Paribas Noms Pty Ltd	531,208	0.96
11 Debuscey Pty Ltd	503,710	0.91
12 Nearlart No.2 Pty Ltd	360,000	0.65
13 Mr Tomasso Montalto + Estate Late Mauro Montalto	316,861	0.57
14 Zenith Business Pty Ltd	296,259	0.54
15 Dr Harry Hirschowitz + Mrs Fariba Yeroshalmi	273,318	0.50
16 Mrs Francesca D'Alberto	241,994	0.44
17 Miss Jean Shiong Li Ho	224,000	0.41
18 National Nominees Ltd	209,280	0.38
19 Mr Gavin Bruce De Lacy	195,502	0.35
20 Mr Dong Rong Lun	82,000	0.33
	45,803,953	83.01

ASX Additional Information (continued)

(c) Substantial shareholders

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

	No. held	Percentage of ordinary shares
West Coast Eggs Pty Ltd	27,486,302	49.81
JP Morgan Nominees Australia Ltd	3,696,168	6.70

(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 (2016: Nil).

(f) Stock Exchange listing

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

Publicly accessible information

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

www.farmpride.com.au