

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

**HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3**

**This half-year financial report is to be read in conjunction with the financial report for the
year ended 30 June 2018.**

Appendix 4D

Half Year Report for the six months to 31 December 2018

Name of entity: FARM PRIDE FOODS LIMITED

ABN or equivalent company reference: 42 080 590 030

1. Reporting period

Report for the half year ended: 31 December 2018

Previous corresponding periods: Financial year ended 30 June 2018
Half- year ended 31 December 2017

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	Down	2.05 %	to	\$44,636,000
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down	>100%	to	(\$2,839,000)
Net loss for the period attributable to members (<i>item 2.3</i>)	Down	>100%	to	(\$2,839,000)
Dividends (<i>item 2.4</i>)		Amount per security		Franked amount per security
Interim dividend		- ¢		- ¢
Final dividend		- ¢		- ¢
Previous corresponding period		- ¢		- ¢
Record date for determining entitlements to the dividend (<i>item 2.5</i>)				N/A
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
Refer to Director's report				

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

	31 Dec 2018	31 Dec 2017
Net tangible asset backing per ordinary security	77.69 ¢	85.81 ¢

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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4. Details of entities over which control has been gained or lost during the period:
(item 4)

Control gained over entities

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

Loss of control of entities

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

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2018	N/A	\$ -
Final dividend year ended 30 June 2018	N/A	\$ -

Amount per security

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

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

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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2018**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2018.

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

Corporate Information

ABN 42 080 590 030

Directors

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

Company Secretary

Bruce De Lacy

Registered Office

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

Solicitors

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

Banker

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

Share Register

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

ASX: FRM

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000

Internet Address

www.farmpride.com.au

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

FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

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

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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' or the 'Group'), for the half-year ended 31 December 2018 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	Non-Executive Director – Appointed 30 April 2014

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

Review of operations

Statutory consolidated net loss after tax for the half year ended 31 December 2018 was \$2.839m (2017: profit \$1.516m). Underlying EBITDA was \$0.582m (2017: \$4.577m).

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 results to Underlying EBITDA for the half year ended 31 December 2018:

	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
Statutory (loss)/profit	(2,839)	1,516
Add back:		
- Interest (finance costs)	366	82
- Income tax (credit)/ expense	(552)	895
- Depreciation and amortisation	2,065	1,649
EBITDA	(960)	4,142
Significant items:		
- Transactions costs on Darling Downs acquisition	-	435
- Impairment of property, plant and equipment (note 4)	1,542	-
Underlying EBITDA	582	4,577

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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Review of operations (continued)

The Company reported at its 2018 AGM and in its January 2019 market update that financial performance continues to be significantly impacted by the national egg surplus and the ongoing drought conditions which have unfavourably impacted the price of feed.

These unfavourable conditions are expected to continue for some time.

The Group's Underlying EBITDA has been impacted and decreased \$3.995m or 87% on the prior corresponding period. Net revenue decreased to \$44.611m (2017: \$45.452m). Inventory levels decreased to \$5.911m from \$6.919m at June 2018. Efforts to balance our egg supply and focus on more profitable sales channels is helping off-set the challenges of the market over-supply and higher feed prices. This continues to be a very key focus for management in the second half of FY19.

It remains a challenge not just for the Company, but for the industry as a whole, to keep pace with the investment required in new cage free infrastructure and the bird flocks necessary to meet the changing market needs. The Company will need to reduce its caged egg supply and continue to increase its cage free capacity in line with market demand but we note that the growth in cage free adds to the over-supply of shell egg in the caged egg segment.

We continue to develop our free range and non-cage production facilities at our new facility in Northern Victoria. Phase 1 is now expected to be completed in calendar 2019 with the all new free-range production housed at 1,500 hens per hectare. This site has approvals for further capacity. As this new site develops and subject to market conditions, we will withdraw from older and less efficient farm assets. Borrowings have increased and are reflective of our investment in updated production facilities and new farming infrastructure.

The new management team has already commenced a company-wide review with the immediate aim of developing further measures to provide relief from the prevailing unfavourable trading conditions and as an additional off-set should the Group's assumptions regarding feed price and over-supply conditions not be met. These measures include, but are not limited to:

- Further alignment of the Group's feed purchasing strategy to take maximum advantage of changing commodity prices;
- Aligning key costs and timing of biological assets to maximise cashflow;
- Increasing trade prices wherever possible and within the context of current competitive market conditions;
- Exiting and/or reducing exposure to less profitable contracts and markets;
- Developing activities to improve productivity and reduce waste across our labour and supply chain;
- Strengthening our commitment to new product and channel development with a specific focus on innovation and our value-added capabilities.

The Company remains confident that it will be able to work through these current adverse trading conditions.

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

Significant changes in the state of affairs

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year ended 31 December 2018 is provided with this report.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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Rounding of amounts to nearest thousand dollars

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

Signed in accordance with a resolution of the Directors.

Peter Bell
Chairman
28 February 2019

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

As lead auditor for the review of the financial report of Farm Pride Foods Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young



Brad Pollock
Partner
28 February 2019

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Half-year	
	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
Revenue and other income from continuing operations		
Sales revenue	44,611	45,452
Other income	25	119
	44,636	45,571
Less: Expenses		
Changes in inventories of finished goods and work in progress	(1,038)	2,295
Raw materials and consumables	(32,529)	(33,232)
Employee benefits expense	(7,184)	(6,657)
Depreciation	(2,065)	(1,649)
Impairment of property, plant & equipment	(1,542)	-
Finance costs	(366)	(82)
Other expenses	(3,303)	(3,835)
	(3,391)	2,411
Profit before income tax expense	(3,391)	2,411
Income tax expense	552	(895)
	(2,839)	1,516
(Loss)/profit after tax	(2,839)	1,516
Other comprehensive income for the half-year, net of income tax	-	-
Total comprehensive income for the half-year	(2,839)	1,516
Earnings per share for profit attributable to the equity holders of the parent entity:		
Basic (loss)/ earnings per share (cents per share)	(5.14)	2.75
Diluted (loss)/earnings per share (cents per share)	(5.14)	2.75

The condensed consolidated statement of profit or loss and comprehensive income should be read in conjunction with the notes to the financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	31 Dec 2018 \$'000	30 June 2018 \$'000
CURRENT ASSETS		
Cash and short term deposits	88	7
Trade and other receivables	9,224	8,355
Inventories	5,911	6,919
Biological assets	7,660	8,565
Current tax receivable	-	805
Other current assets	510	1,359
TOTAL CURRENT ASSETS	23,393	26,010
NON-CURRENT ASSETS		
Biological assets	455	416
Deferred tax assets	1,436	884
Property, plant and equipment	47,039	46,649
TOTAL NON-CURRENT ASSETS	48,930	47,949
TOTAL ASSETS	72,323	73,959
CURRENT LIABILITIES		
Trade and other payables	12,135	12,626
Borrowings	13,655	1,970
Provisions	1,966	1,937
TOTAL CURRENT LIABILITIES	27,756	16,533
NON-CURRENT LIABILITIES		
Borrowings	57	10,053
Provisions	206	230
TOTAL NON-CURRENT LIABILITIES	263	10,283
TOTAL LIABILITIES	28,019	26,816
NET ASSETS	44,304	47,143
EQUITY		
Contributed capital	29,578	29,578
Retained earnings	14,726	17,565
TOTAL EQUITY	44,304	47,143

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

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Contributed equity	Retained earnings	Total equity
	\$'000	\$'000	\$'000
Balance as at 1 July 2017	29,578	17,062	46,640
Profit for the half -year	-	1,516	1,516
Other comprehensive income (net of tax)	-	-	-
Total comprehensive income for the half-year	-	1,516	1,516
Balance as at 31 December 2017	29,578	18,578	48,156

	Contributed equity	Retained earnings	Total equity
	\$'000	\$'000	\$'000
Balance as at 1 July 2018	29,578	17,565	47,143
Loss for the half -year	-	(2,839)	(2,839)
Other comprehensive income (net of tax)	-	-	-
Total comprehensive income for the half-year	-	(2,839)	(2,839)
Balance as at 31 December 2018	29,578	14,726	44,304

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

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Half-year	
		31 Dec 2018	31 Dec 2017
		\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		43,735	45,464
Payments to suppliers and employees		(41,750)	(42,978)
Interest received		-	42
Finance costs		(366)	(82)
Income tax received/(paid)		805	(2,344)
Net cash provided by operating activities		2,424	102
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(3,997)	(5,900)
Payment for business combination		-	(6,616)
Net cash used in investing activities		(3,997)	(12,516)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,500	6,000
Repayment of finance leases		(20)	(312)
Net cash provided by financing activities		3,480	5,688
Net increase/(decrease) in cash and cash equivalents		1,907	(6,726)
Cash and cash equivalents at beginning of the half-year		(1,819)	8,038
Cash and cash equivalents at end of the half-year		88	1,312

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

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 1: CORPORATE INFORMATION

Farm Pride Foods Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office and its principal place of business is 551 Chandler Road, Keysborough, Victoria 3173

The consolidated financial statements of the Company as at and for the half year ended 30 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group").

NOTE 2: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(a) Statement of compliance

The half-year financial report has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This half-year financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year financial report was authorised for issue by the directors as at the date of the director's report. Refer also to the Director's declaration on page 24.

(b) Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the year ended 30 June 2018, except for the impact of the adoption of the new and revised accounting policies discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has taken advantage of ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' and financial reports. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases to the nearest dollar.

(c) Going concern

During the half year ended 31 December 2018 the Group incurred a net loss after tax of \$2.839 million (2017: profit \$1.516 million). Net cash flow provided by operating activities was \$2.424 million (2017: \$0.102 million). As at 31 December 2018 current liabilities of \$27.756 million exceed current assets of \$23.393 million by \$4.363 million.

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

To continue as a going concern the Group requires:

- Generation of sufficient funds from its operating activities; and
- The continued support of its bankers and the successful refinancing of the Group's financing facilities prior to maturity on 31 January 2020.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 2: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

(c) Going concern

Cash flows from operating activities

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

The Group continues to actively manage its cash flows through management of debtors and creditors within strict terms and the reduction of certain trade rebates. In the short-term, capital expenditure will be undertaken only to support essential operations and the selected farm infrastructure to support the Group's focus on developing its caged-free capacity.

Funding facilities

The Group's financing facilities comprise a \$2.5 million bank overdraft and \$16 million multi-option loan facility (the "Facilities"). From September 2019 the limit of the multi-option long-term loan facility is permanently reduced by \$0.75 million per quarter until the maturity date of the Facilities on 31 January 2020.

The Facilities are subject to various financial covenants related to the Group's financial performance and position. In December 2018, the Group advised its lender that continuing unfavourable trading conditions had impacted operating profits and it was likely the Group would fail its Gearing Ratio Covenant in the December 2018 quarter. On 27 December 2018 the lender issued a letter of forbearance, agreeing to waive the measurement of this covenant for the 31 December 2018 quarter on the condition that the multi option loan facility became repayable on demand and an unused \$0.3 million equipment financing facility was cancelled. Consequently, the \$13.5 million drawn down under the multi-option loan facility is classified as a current liability at 31 December 2018.

The Facilities remain available to the Group in the ordinary course of business, subject to the Group's ongoing compliance with the terms and conditions of the Facilities. At the date of this report the Group has available undrawn funds of \$2.5 million under the multi-option loan facility.

The Group's cash flow forecasts indicate that the Group will be able to meet its forecast net outgoings over the coming 12 months on the basis that the lender's consent for further drawdowns on the unused facility is granted and that the Group's funding requirements can be successfully refinanced prior to the maturity of the current Facilities on 31 January 2020. Whilst the Group's forecast indicates improving trading conditions and performance over the forecast period, absent a recapitalisation or a modification of the terms of the Facilities the Group is forecasting to be in breach of its financial covenants in the forecast period.

The Group continues to discuss its on-going financing requirements with its lender and other potential financiers for the refinancing of the Group's funding facilities prior to the maturity of the Facilities on 31 January 2020.

To continue as a going concern the Group requires the successful implementation of its operational and financial initiatives to generate sufficient cash flows from operations, the continued support of its bankers and the refinancing of the Group's funding facilities prior to the maturity of the existing Facilities on 31 January 2020. In the event these are not achieved there is a material uncertainty as to whether the Group would be able to continue as a going concern, and therefore whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 2: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

(d) Changes in accounting policies and disclosures

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

(i) AASB 15 Revenue from contracts with customers

The Group applied AASB 15 *Revenue from Contracts with Customers* ('AASB 15') for the first time from 1 July 2018 in accordance with the modified retrospective transitional approach.

The Group assessed the impact of the new standard by analysing its customer contracts in each of the Group's revenue streams described in Note 3, having regard to the requirements of AASB 15 comparing the Group's accounting policies and practices for accounting for the rights and obligations identified in those contracts and identify potential differences. Based on this analysis, there is no material impact on the recognition and measurement of revenue and contract costs on the adoption of AASB 15 at 1 July 2018.

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

Sale of goods

The Group's contracts with customers for the sale of products include one performance obligation. The Group has concluded that revenue from sale of products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of AASB 15 did not have a material impact on the timing of revenue recognition.

Variable consideration

Some contracts for the sale of products provide customers with volume rebates and promotional discounts which give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method based on forecast volumes and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved. The amount of revenue reflects the consideration to which the Group expects to be entitled to in exchange for those goods.

(ii) AASB 9 Financial Instruments

The Group has applied AASB 9 from 1 July 2018. The impact of the new standard on the Group relates to application of the forward-looking 'expected credit loss' model for assessing the impairment of the Group's trade receivables. The Group does not currently undertake any hedging activities and does not have any financial liabilities designated as measured at FVTPL. Therefore, the new AASB 9 requirements relating to these areas do not impact the Group.

Trade receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 July 2018. The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss approach. AASB 9 requires the Group to recognise an allowance for expected credit loss for all debt instruments not held at fair value through profit or loss and contract assets.

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 2: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

(e) Accounting estimates and judgements

The preparation of the half-year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this report, the significant estimates and judgements applied in the consolidated entity's accounting policies were consistent with those applied to the consolidated financial statements as at and for the year ended 30 June 2018.

(f) Accounting standards issued but not yet effective

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

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

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right-to-use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

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 as 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 changes in lease recognition requirements in AASB 16 may cause changes to the amount of interest and operating expenses, leased assets and lease liabilities recorded in the financial statements as well as additional disclosures.

The impact of AASB 16 has not yet been quantified.

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 2: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

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

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

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

The impact of IFRIC 23 has not yet been quantified.

NOTE 3: REVENUE AND OTHER INCOME

	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
Revenue from contracts with customers		
Revenue from sale of goods	44,611	45,452
Other income		
Interest revenue	-	42
Other revenue	25	77
Total revenue and other income	44,636	45,571

NOTE 4: IMPAIRMENT OF PROPERTY, PLANT & EQUIPMENT

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Group engaged an independent valuer to assess the fair value of the Darling Downs operation post acquisition and subsequent to initial capital works being undertaken. The value assessed was lower than the carrying value and the Company has recorded an impairment loss of \$1.542 million in the current period. (31 Dec 2017: nil).

NOTE 5: DIVIDENDS

No dividends were paid or proposed during the half-year (2017: nil).

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 6: CONTRIBUTED CAPITAL

	As at	
	31 Dec 2018	30 June 2018
Issued and paid up capital	\$'000	\$'000
Ordinary shares fully paid	29,578	29,578
	<u>29,578</u>	<u>29,578</u>

As at 31 December 2018, the Company had 55,180,175 shares on issue (30 June 2018: 55,180,175).

NOTE 7: BORROWINGS

	31 Dec 2018	30 June 2018
	\$'000	\$'000
Current borrowings		
Bank overdraft	-	1,826
Bank loan – multi option	13,500	-
Finance lease liabilities	155	144
	<u>13,655</u>	<u>1,970</u>
Non-current borrowings		
Bank loan – multi option	-	10,000
Finance lease liabilities	57	53
	<u>57</u>	<u>10,053</u>
Total borrowings	<u>13,712</u>	<u>12,023</u>

The Group's financing facilities at 31 December 2018 comprise \$2.5 million bank overdraft and \$16 million multi-option loan facility (\$13.5 million drawn at 31 December 2018). From September 2019 the facility limit of the multi-option long-term loan facility is permanently reduced by \$0.75 million per quarter until the maturity date of the facility on 31 January 2020. The facilities are secured by a fixed and floating charge (mortgage debenture) over all assets and uncalled capital of the Group. All facilities are repayable on demand.

Refer to further discussion on the Group's financing facilities at Note 2(c) to the financial statements

NOTE 8: RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 8: RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with director related entities

Messrs. Bell and Ward through their related entities provide birds, eggs and egg products to and acquire eggs, egg product and packaging from Farm Pride Foods Limited and its controlled entities as follows:

Directors and related entities 2017/2018	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
		31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	Purchases	-	-	5	7	(7)	-
Specialised Breeders Australia Pty Ltd (P. Bell)	Purchases	-	234	202	398	(69)	(189)
Days Eggs Pty Ltd (P. Bell)	Egg supply / Purchases	135	49	53	215	5	(9)
Hy-line Australia Pty Ltd (P. Bell)	Purchases / Packaging sales	-	-	1,237	1,133	(458)	(259)
Pure Foods Eggs Pty Ltd (P. Bell)	Egg sales / Purchases	9	14	74	244	(6)	(12)
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	Egg sales / Purchases	421	478	561	44	(186)	325
Lohmann Layers Australia Pty Ltd (P. Bell)	Purchases	-	-	83	162	-	-

Director's administrative expenses are reimbursed at cost.

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 9: 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: Inputs 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 assets or liabilities are not based on observable market data.

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

31 Dec 2018	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Total financial assets	-	-	-	-
<i>Non-financial assets</i>				
Biological assets at fair value less cost to sell	-	-	8,115	8,115
Total non-financial assets	-	-	8,115	8,115
<i>Financial liabilities</i>				
Total financial liabilities	-	-	-	-
30 June 2018	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Total financial assets	-	-	-	-
<i>Non-financial assets</i>				
Biological assets at fair value less cost to sell	-	-	8,981	8,981
Total non-financial assets	-	-	8,981	8,981
<i>Financial liabilities</i>				
Total financial liabilities	-	-	-	-

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE10: FAIR VALUE MEASUREMENTS

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

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

	31 Dec 2018	30 June 2018
	\$'000	\$'000
Biological assets at fair value less cost to sell		
Opening balance	8,981	8,152
Purchases	5,186	11,923
Amortisation (fair value adjustment)	(6,052)	(11,094)
Closing balance	8,115	8,981

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

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

	31 Dec 2018	30 June 2018
	\$'000	\$'000
+5% variation	212	388
-5% variation	(212)	(388)

NOTE11: SUBSEQUENT EVENTS

Other than disclosed in the financial report there are no matters or circumstances which have arisen since 31 December 2018 that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

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

DIRECTORS DECLARATION

The Directors declare that the financial statements and notes set out on pages 11 to 23 in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2018 and of its performance for the half-year ended on that date.

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

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

Peter Bell
Chairman

Melbourne
Date: 28 February 2019

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Farm Pride Foods Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 [period date] and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. These events or conditions indicate there is a material uncertainty, that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

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

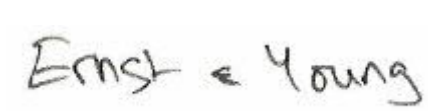
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Ernst & Young



Brad Pollock
Partner

Melbourne
28 February 2019