

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

**HALF-YEAR INFORMATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019  
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 2019.**

**Appendix 4D****Half Year Report for the six months to 31 December 2019**

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 2019

Previous corresponding periods: Financial year ended 30 June 2019  
 Half- year ended 31 December 2018

**2. Results for announcement to the market**

Revenues from ordinary activities ( <i>item 2.1</i> )	Up	2.36 %	to	\$45,688,000
Loss from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Down	73.44 %	to	(\$754,000)
Net loss for the period attributable to members ( <i>item 2.3</i> )	Down	73.44 %	to	(\$754,000)
<b>Dividends (<i>item 2.4</i>)</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
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 2019	31 Dec 2018
Net tangible asset backing per ordinary security	39.05 ¢ <sup>1</sup>	77.69 ¢

<sup>1</sup> This has reduced mainly as a result of ASX requirements to treat Right of Use Assets (AASB 16 Leased Assets) as intangible. If these assets were treated as tangible, the Net Tangible Asset backing per ordinary security is 72.61¢

**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 2019	N/A	\$ -
Final dividend year ended 30 June 2019	N/A	\$ -

**Amount per security**

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
<b>Total dividend:</b> 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 2019**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2019.

**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)

**Management Team**

Daryl Bird (CEO)  
Geeta Kulkarni (CFO)

**Company Secretary**

Bruce De Lacy

**Registered Office and principal place of business**

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

**Solicitors**

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

**Financiers**

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

**Share Register**

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

ASX: FRM

**Auditors**

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

**Internet Address**

[www.farmpride.com.au](http://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 2019**

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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 2019**

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 2019 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 November 2018, Appointed Company Secretary 30 October 1997

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 2019 was \$0.754 m (2018: loss \$2.839m). Underlying EBITDA was \$2.132m (2018: \$0.582m).

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 2019:

	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Statutory loss	(754)	(2,839)
Add back:		
- Interest (finance costs)	1,063	366
- Income tax (benefit)/ expense	(117)	(552)
- Depreciation and amortisation	4,251	2,065
EBITDA	4,443	(960)
Significant items:		
- AASB 16 Lease payment adjustment	(2,311)	-
- Impairment of property, plant and equipment (note 4)	-	1,542
Underlying EBITDA	2,132	582

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

The Company reported at its 2018 and 2019 AGM's that financial performance continued to be significantly impacted by the ongoing east coast drought. Wheat prices improved late in calendar 2019 but with ongoing drought conditions, the east coast fires and reduced national production for the 2019 harvest the cost of feed continued to remain significantly higher than expected.

These unfavourable conditions are expected to continue through calendar year 2020.

The Group's Underlying EBITDA has seen an increase of 366% compared to 2019H1. Net revenue has increased 2.4% to \$45.688m (2018: \$44.636m). Inventory levels increased to \$5.078m up from \$4.858m at June 2019.

Increase in net borrowings excluding leases during the year included \$574K for establishing the new funding previously advised by the Company.

As reported at the 2019 AGM, and as part of its three-year plan, a key focus of activity and investment would be aimed at buttressing the business against prevailing and historical cyclical conditions

Consistent with this plan the Company has focused its efforts on developing its retail supermarket business and much of the growth achieved this reporting period has been achieved through better trade pricing supported by the continued national shortage. This has helped offset the higher than forecast cost of egg because of the continuing high wheat and feed prices.

The current reporting period includes key capital projects completed in 20H1 which support the development of key farm and production infrastructure. They include the opening of an additional free range shed at our Nathalia farm, a new main egg conveyor at our Lethbridge farm, the commencement of a new free range operation and a replacement automated main boiler at our Keysborough grading and production plant.

During the first six months of FY20 the business continued to develop key programs to drive farm productivity and flock performance into the future. We have increased the size of our internal flock as planned to support forecast sales growth for the second half and into FY21. Our ingredients business has experienced inconsistent supply of externally sourced raw material due to the prevailing under-supply conditions in the market and this has impacted sales during 20H1. Importantly, the business has been successful in securing price increases and this will again help offset the continued high cost of feed and eggs more generally. Additionally, we have renewed sales agreements with a number of our larger industrial ingredient customers.

It remains a challenge not just for our Company, but for the industry as a whole, to manage the investment required in new cage free infrastructure and the bird flocks necessary to meet the demands of our customers. Improving wholesale pricing and receiving a fair return for our products and services from our key retail customers remains the most critical long-term challenge. Farm Pride and the industry must meet rising costs of business, offset the impact of drought and most importantly provide the necessary funds to permit the appropriate investment required to meet the timetable and logistical challenges for transition from cage to cage free. Farm Pride continues to support industry efforts at this level and is also working closely with our major customers in seeking to understand and solve this challenge.

Moving forward, the directors and management remain cautiously optimistic that the business can continue to build on its first half results implementing further sales, improved efficiency and further productivity initiatives to establish a sustainable growth trajectory in line with its three year 'Managing for Value' plan.

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

**FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES**  
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**Significant changes in the state of affairs**

There have been no significant changes in the Group's 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 2019 is provided with this report.

**Rounding of amounts to nearest thousand dollars**

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

Signed in accordance with a resolution of the Directors.

Peter Bell  
Chairman  
28 February 2020

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

In relation to the independent auditor's review for the period ended 31 December 2019, to the best of my knowledge and belief there have been no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



STEPHEN SCHONBERG  
Partner  
28 February 2020



PITCHER PARTNERS  
Melbourne

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Half-year	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000
<b>Revenue and other income from continuing operations</b>		
Sales revenue	45,638	44,611
Other income	50	25
	45,688	44,636
<b>Less: Expenses</b>		
Changes in inventories of finished goods and work in progress	(220)	(1,038)
Raw materials and consumables	(31,922)	(32,529)
Employee benefits expense	(7,970)	(7,184)
Depreciation	(4,251)	(2,065)
Impairment of property, plant & equipment	-	(1,542)
Financial costs	(1,063)	(366)
Other expenses	(1,133)	(3,303)
	(871)	(3,391)
<b>Loss before income tax expense</b>	(871)	(3,391)
Income tax benefit	117	552
	(754)	(2,839)
<b>Loss after tax</b>	(754)	(2,839)
<b>Total comprehensive loss for the half-year</b>	(754)	(2,839)
<b>Earnings per share for profit attributable to the equity holders of the parent entity:</b>		
Basic loss per share (cents per share)	(1.37)	(5.14)
Diluted loss per share (cents per share)	(1.37)	(5.14)

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 2019**

	<b>31 Dec 2019 \$'000</b>	<b>30 June 2019 \$'000</b>
<b>CURRENT ASSETS</b>		
Cash and short term deposits	2,360	185
Trade and other receivables	8,836	8,203
Inventories	5,078	4,858
Biological assets	8,149	8,688
Other current assets	1,099	406
<b>TOTAL CURRENT ASSETS</b>	<b>25,522</b>	<b>22,340</b>
<b>NON-CURRENT ASSETS</b>		
Biological assets	-	399
Deferred tax assets	2,467	2,350
Lease assets	18,515	-
Property, plant and equipment	43,532	45,213
<b>TOTAL NON-CURRENT ASSETS</b>	<b>64,514</b>	<b>47,962</b>
<b>TOTAL ASSETS</b>	<b>90,036</b>	<b>70,302</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	10,325	10,211
Borrowings	-	14,624
Lease liabilities	4,348	-
Provisions	1,955	1,938
<b>TOTAL CURRENT LIABILITIES</b>	<b>16,628</b>	<b>26,773</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	17,346	43
Lease liabilities	13,325	-
Provisions	206	201
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>30,877</b>	<b>244</b>
<b>TOTAL LIABILITIES</b>	<b>47,505</b>	<b>27,017</b>
<b>NET ASSETS</b>	<b>42,531</b>	<b>43,285</b>
<b>EQUITY</b>		
Contributed capital	29,578	29,578
Retained earnings	12,953	13,707
<b>TOTAL EQUITY</b>	<b>42,531</b>	<b>43,285</b>

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**  
**ABN 42 080 590 030**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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

  

	<b>Contributed equity</b>	<b>Retained earnings</b>	<b>Total equity</b>
	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2019</b>	29,578	13,707	43,285
Loss for the half -year	-	(754)	(754)
Other comprehensive income (net of tax)	-	-	-
<b>Total comprehensive income for the half-year</b>	-	(754)	(754)
<b>Balance as at 31 December 2019</b>	29,578	12,953	42,531

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**  
**ABN 42 080 590 030**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Half-year	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	45,304	43,735
Payments to suppliers and employees	(41,056)	(41,750)
Interest received	(2)	-
Interest Lease <sup>1</sup>	(273)	-
Finance costs	(1,063)	(366)
Income tax received/(paid)	-	805
<b>Net cash provided by operating activities</b>	<b>2,910</b>	<b>2,424</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment for property, plant and equipment	(1,710)	(3,997)
<b>Net cash used in investing activities</b>	<b>(1,710)</b>	<b>(3,997)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from new funding borrowings	17,345	3,500
Repayment of borrowings	(14,469)	-
Repayment of finance leases <sup>1</sup>	(1,901)	(20)
<b>Net cash provided by financing activities</b>	<b>975</b>	<b>3,480</b>
Net increase/(decrease) in cash and cash equivalents	2,175	1,907
Cash and cash equivalents at beginning of the half-year	185	(1,819)
<b>Cash and cash equivalents at end of the half-year</b>	<b>2,360</b>	<b>88</b>

<sup>1</sup> For cash flow the repayment of lease liability principal is classified as repayment of finance leases (financing).

Repayment of interest on the lease liability is classified as operating – finance costs.

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**  
**ABN 42 080 590 030**

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2019**

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Farm Pride Foods Limited (the Company) during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This condensed half-year financial report covers the Company and its controlled entities as a consolidated entity. Farm Pride Foods Limited is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is 551 Chandler Road, Keysborough, Victoria. The Company is a for-profit entity for the purpose of preparing the financial statements.

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

**(a) Basis of preparation**

The condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year 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.

Except as disclosed in Note 1(b), the accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2019.

**(b) Summary of the significant accounting policies**

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases*.

**AASB 16 Leases**

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- (a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - i. investment property, the lessee applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or
  - ii. property, plant or equipment, the applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

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

**(b) Summary of the significant accounting policies (continued)**

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the Group has elected:

- (a) to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect of initially applying the new standard recognised at the beginning of the current reporting period (i.e., at 1 July 2019). Accordingly, comparative information has not been restated; and

The application of AASB 16 resulted in the initial recognition of right-of-use assets with an aggregate carrying amount of \$19.376 m (referred to in these financial statements as “lease assets”) and corresponding lease liabilities with an aggregate carrying amount of \$19.376 m. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities is 3%.

Further details of the Group’s accounting policy for leases, for the half-year period ended 31 December 2019, is as follows:

*Lease assets*

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

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

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

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

*Lease liabilities*

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

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

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

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

**(b) Summary of the significant accounting policies (continued)**

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

*Leases of 12 months or less and leases of low value assets*

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

**(c) Going concern**

During the half year ended 31 December 2019 the Group incurred a net loss after tax of \$0.754m (2018: \$2.839m). Net cash flow provided by operating activities was \$2.910m (2018: \$2.424m). As at 31 December 2019 current assets of \$25.522m exceed current liabilities of \$16.628m by \$8.894m.

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.

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. The Group is increasing internal controls and governance. This includes targeted capital expenditure to improve asset life, quality and safety with a view to support the Group's focus on developing its caged-free capacity and egg product ingredient operations.

**(d) Rounding amounts**

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

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

**NOTE 2: REVENUE AND OTHER INCOME**

	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from contracts with customers</b>		
Shell egg	34,428	32,747
Product egg	10,957	11,864
Other	253	-
	<u>45,638</u>	<u>44,611</u>
<b>Other income</b>		
Other revenue	52	25
Currency translation gains	(2)	-
<b>Total revenue and other income</b>	<u>45,688</u>	<u>44,636</u>

**NOTE 3: DIVIDENDS**

No dividends were paid or proposed during the half-year (2018: nil).

**NOTE 4: CONTRIBUTED CAPITAL**

	<b>As at</b>	
	<b>31 Dec 2019</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Issued and paid up capital</b>		
Ordinary shares fully paid	29,578	29,578
	<u>29,578</u>	<u>29,578</u>

As at 31 December 2019, the Company had 55,180,175 shares on issue (30 June 2019: 55,180,175).

**NOTE 5: CASH AND CASH EQUIVALENTS**

	<b>31 Dec</b>	<b>30 June</b>
	<b>2019</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	2,360	185
	<u>2,360</u>	<u>185</u>

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

**NOTE 6: RECEIVABLES**

	<b>31 Dec 2019 \$'000</b>	<b>30 June 2019 \$'000</b>
CURRENT		
Receivables from contracts with customers	8,104	7,751
Allowance for credit losses	(6)	(6)
	<u>8,098</u>	<u>7,745</u>
Other receivables	738	458
	<u>8,836</u>	<u>8,203</u>

**NOTE 7: INVENTORIES**

	<b>31 Dec 2019 \$'000</b>	<b>30 June 2019 \$'000</b>
Raw materials – at cost	3,463	3,169
Finished goods	1,615	1,689
Total inventories	<u>5,078</u>	<u>4,858</u>

Write-downs of finished goods to net realisable value were Nil during the period (half-year ended 31 December 2018: \$96,000). The write-downs were recognised as part of changes in inventories of finished goods and work in progress in profit or loss for the period.

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

**NOTE 8: LEASE ASSETS AND LEASE LIABILITIES**

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

	<b>31 Dec 2019 \$'000</b>	
Carrying amount of lease assets, by class of underlying asset:		
<i>Buildings under lease arrangements</i>		
At cost	18,138	
Accumulated depreciation	(2,085)	
	16,053	
 <i>Equipment under lease arrangements</i>		
At cost	7,377	
Accumulated depreciation	(4,915)	
	2,462	
Total carrying amount of lease assets	18,515	
 Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year:		
	<b>Buildings \$'000</b>	<b>Equipment \$'000</b>
Amount reclassified on 1 July 2019 <sup>1</sup>	-	1,563
Amount recognised on 1 July 2019	18,138	1,238
Depreciation	(2,085)	(339)
Carrying amount at 31 December 2019	16,053	2,462
 <b>Lease liabilities</b>		
Current lease liabilities	4,348	
Non-current lease liabilities	13,325	
Total carrying amount of lease liabilities	17,673	
 <b>Lease expenses and cashflows</b>		
Interest expense on lease liabilities	(273)	
Total cash outflow in relation to leases	(2,326)	

<sup>1</sup> Prior year property, plant and equipment leased assets reclassified per AASB 16.

**FARM PRIDE FOODS LIMITED AND CONTROLLED ENTITIES**  
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**NOTE 9: BORROWINGS**

The total facility is \$23.5 million comprising of Tranche A \$15 million has been drawn-down in full and Tranche B of \$8.5 million to be drawn down to meet the needs of the business. Tranche B includes a \$3.5 million limit exclusive for capitalised interest, if any. The term of the facility is for three years commencing Aug 2019.

	<b>31 Dec 2019</b>	<b>30 June 2019</b>
<b>Current</b>		
<i>Secured</i>		
Bank loans	-	13,500
Bank overdraft	-	969
Lease liability	-	155
		<u>14,624</u>
<b>Non-current</b>		
<i>Secured</i>		
Bank loans	-	-
Lease liability	-	43
Long term loan – Tranche A	15,000	-
Working capital loan – Tranche B <sup>1</sup>	2,346	-
	<u>17,346</u>	<u>43</u>
<b>Total borrowings</b>	<u>17,346</u>	<u>14,469</u>

<sup>1</sup> In line with AASB 9, the Working capital loan – Tranche B is measured net of transaction costs of \$515k.

**NOTE 10: PROVISIONS**

	<b>31 Dec 2019</b>			<b>30 June 2019</b>		
	<b>\$'000</b>			<b>\$'000</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Employee benefits	1,955	206	2,161	1,938	201	2,139
	<u>1,955</u>	<u>206</u>	<u>2,161</u>	<u>1,938</u>	<u>201</u>	<u>2,139</u>

The following table provides a reconciliation of the opening and closing balances of provisions for the reporting period.

	<b>Employee benefits</b>	<b>Total</b>
Balance at 1 July 2019	2,139	2,139
Additional provisions made during the period	163	163
Amounts used during the period	141	141
Balance at 31 Dec 2019	<u>2,161</u>	<u>2,161</u>
Current provision	1,955	1955
Non-current provision	206	206
	<u>2,161</u>	<u>2,161</u>

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

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2019**

**NOTE 11: 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.

**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 2019/2020	Transaction	Revenue		Expenditure		Balance Receivable / (Payable)	
		31 Dec 2019 \$'000	31 Dec 2018 \$'000	31 Dec 2019 \$'000	31 Dec 2018 \$'000	31 Dec 2019 \$'000	31 Dec 2018 \$'000
AAA Egg Company Pty Ltd (P. Bell / M. Ward)	Purchases	-	-	6	5	-	(7)
Specialised Breeders Australia Pty Ltd (P. Bell)	Purchases	-	-	-	202	-	(69)
Days Eggs Pty Ltd (P. Bell)	Egg supply / Purchases	113	135	158	53	(5)	5
Hy-line Australia Pty Ltd (P. Bell)	Purchases / Packaging sales	-	-	1,873	1,237	(257)	(458)
Pure Foods Eggs Pty Ltd (P. Bell)	Egg sales / Purchases	16	9	2	74	7	(6)
West Coast Eggs Pty Ltd (P. Bell / M. Ward)	Egg sales / Purchases	396	421	79	561	72	(186)
Lohmann Layers Australia Pty Ltd (P. Bell)	Purchases	-	-	-	83	-	-

Director's administrative expenses are reimbursed at cost.

**NOTE 13: SUBSEQUENT EVENTS**

Other than disclosed in the financial report there are no matters or circumstances which have arisen since 31 December 2019 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 22 and 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 2019 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 2020**

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

We have reviewed the accompanying half-year financial report of Farm Pride Foods Ltd and its controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Farm Pride Foods Ltd and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Farm Pride Foods Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Farm Pride Foods Ltd is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



STEPHEN SCHONBERG  
Partner



PITCHER PARTNERS  
Melbourne

28 February 2020