



ANNUAL  
REPORT  
2019



• Over this decade, Ingham's invested over \$1 billion in state-of-the-art facilities, to meet future growth and further establish its position as a market leader in poultry.

2000's



1990's



• The increasing demand for chicken through the 1990's saw Ingham's expand across the Tasman into the New Zealand market. At the same time it continued to innovate and expand its range of ready-meals.

1980's



• The 1980's continued to see Ingham's innovate on two fronts. Ingham's remained committed to developing and improving the health and housing of its birds. Secondly, in response to the changing tastes of Australians, the mid-80's resulted in the launch of the chicken nugget.

1960's



• During the mid 1960's, the introduction of new styles and formats of packaging made Ingham's a household name in chicken.

1950's



• The 1950's was a decade of expansion as the demand of a growing nation offered new opportunities. 1953 marked the 'passing of the mantle' of running the company from Walter Ingham to his sons, Jack and Bob Ingham.

1918



• In 1918 Walter Ingham began a small family farm in Sydney's South West with one rooster and six hens.  
• From this humble beginning, and with the hard work of thousands of Australians, Walter's sons, Bob and Jack, built the largest integrated poultry company across Australia and New Zealand.

# WHO WE ARE



INGHAM'S WAS FOUNDED AS A FAMILY BUSINESS IN 1918 BY WALTER INGHAM IN LIVERPOOL, NEW SOUTH WALES. AFTER THEIR FATHER'S DEATH IN 1953, WALTER'S SONS, BOB AND JACK INGHAM, EXPANDED THE BUSINESS THROUGH A COMBINATION OF ORGANIC GROWTH AND ACQUISITIONS, TO BECOME THE LARGEST INTEGRATED POULTRY PRODUCER ACROSS AUSTRALIA AND NEW ZEALAND.

THE PRESENT-DAY OPERATIONS DATE BACK TO THE 1960S WHEN INGHAM'S ENTERED INTO SUPPLY ARRANGEMENTS WITH MAJOR RETAIL AND QUICK SERVICE RESTAURANT (QSR) CUSTOMERS. INGHAM'S SUBSEQUENTLY ENTERED INTO THE PRODUCTION OF TURKEY AND STOCKFEED, AND ENHANCED ITS FURTHER PROCESSING CAPABILITIES TO CATER TO CHANGING CONSUMER PREFERENCES TOWARDS VALUE-ENHANCED POULTRY PRODUCTS.

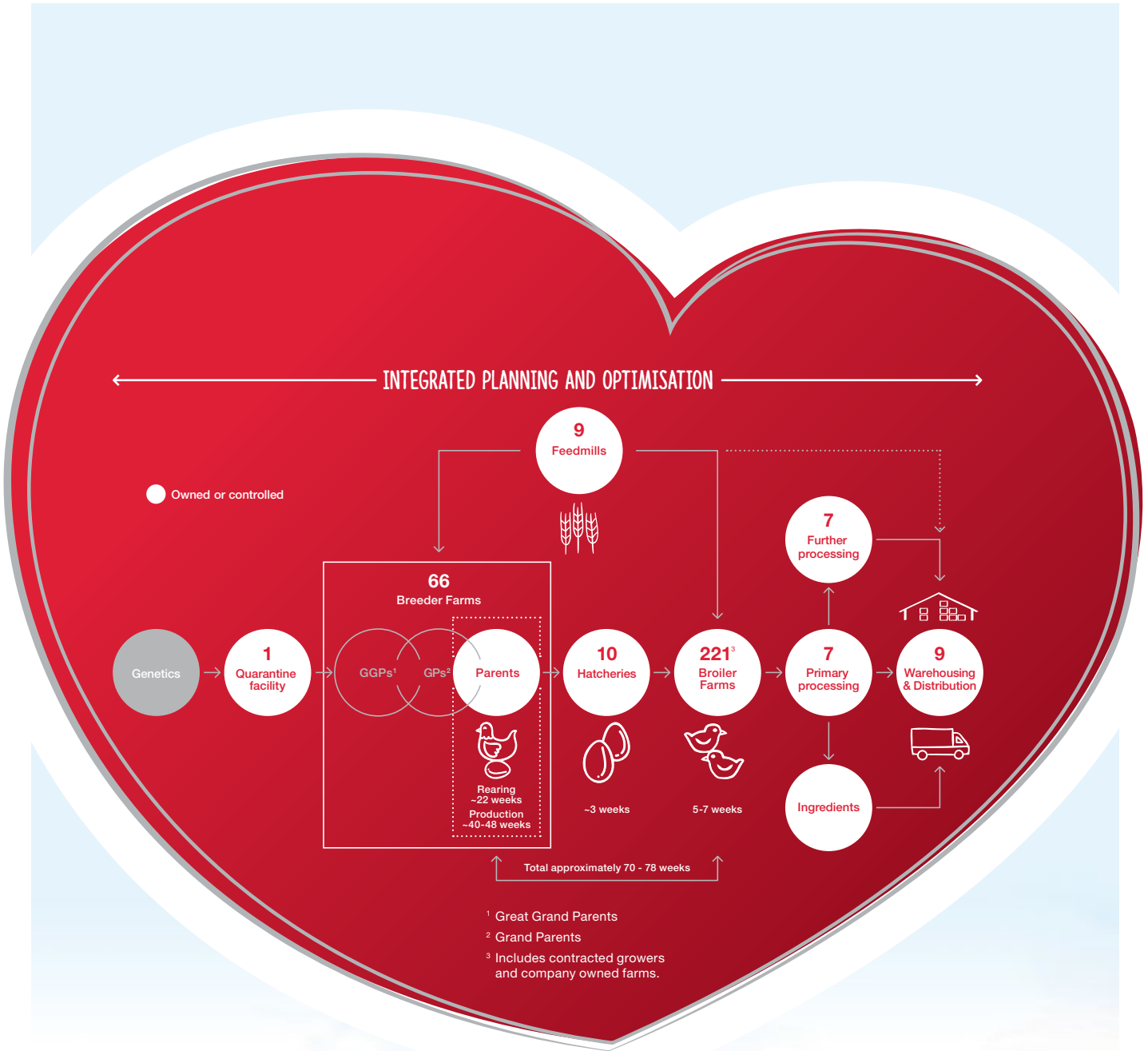
TODAY, INGHAM'S EMPLOYS OVER 8,000 PEOPLE AND CONTINUES TO BUILD ON INGHAM'S PROUD HISTORY OF QUALITY AND CUSTOMER SERVICE, SUPPLYING MAJOR RETAILERS, QSR OPERATORS, FOOD SERVICE DISTRIBUTORS AND WHOLESALERS. INGHAM'S ALSO HOLDS STRONG MARKET POSITIONS ACROSS THE AUSTRALIAN TURKEY, AUSTRALIAN STOCKFEED AND THE NEW ZEALAND DAIRY FEED INDUSTRIES.

## Contents

Company Profile	2
Financial Highlights	6
Chairman's Letter	7
CEO's Report	8
Operational Highlights	10
Business Sustainability	14
Board of Directors	18
Senior Management	19
Directors' Report	20
Auditor's Independence Declaration	49
Consolidated Financial Statements	50
Notes to the Consolidated	
Financial Statements	55
Directors' Declaration	89
Independent Auditor's Report	90
Shareholder Information	94
Corporate Directory	96



# THE HEART OF OUR BUSINESS



<sup>1</sup> Great Grand Parents

<sup>2</sup> Grand Parents

<sup>3</sup> Includes contracted growers and company owned farms.



# WHAT WE DO



INGHAM'S SCALE AND VERTICALLY INTEGRATED OPERATIONS SPAN THE ENTIRE VALUE CHAIN FROM FARMING TO PROCESSING AND DISTRIBUTION.

OUR TWO MAIN AREAS OF OPERATIONS ARE:

## 1. POULTRY

Production and sale of chicken and turkey products across primary, free range, value enhanced, further processed and ingredients.

### Primary



- Chilled chicken products sold as whole birds or primary cuts
- Sold in meat chiller and deli

### Value Enhanced



- Chilled products with additional flavour added through marinades and coatings
- Sold in the meat chiller and deli

### Further Processed



- Products that are partially or fully cooked
- Includes chicken smallgoods
- Sold in meat chiller and freezer

### Free Range



- Primary, value-enhanced or further processed products made with free range chicken

### Turkey



- Primary, value-enhanced and further processed turkey products
- Includes turkey smallgoods
- Sold in meat chiller and freezer

### Ingredients



- Edible poultry products (e.g. feet and necks)
- Palatants, wet pet food, ingredients and protein conversion products
- Other poultry products

## 2. STOCKFEED

Production of stockfeed for use by the poultry, pig and dairy industries. The majority of feed produced is for internal use in Ingham's poultry business.

We focus on best practice standards for quality control, food safety, workplace health & safety and animal welfare throughout all facets of our production process.

### Stockfeed

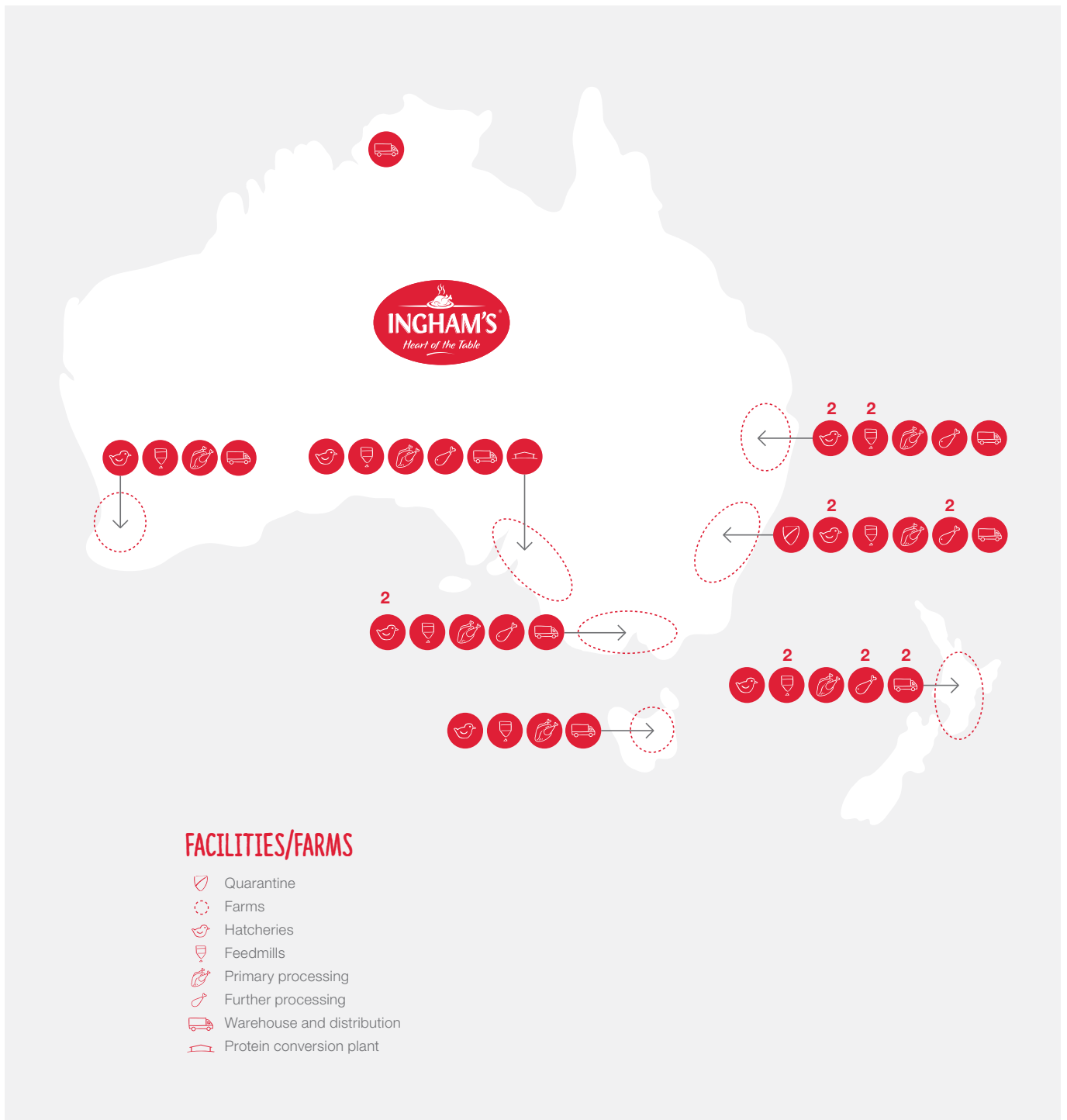
- Chicken feed (broiler and layer)
- Turkey feed
- Duck and quail feed
- Pig and dairy feed



# OUR NETWORK



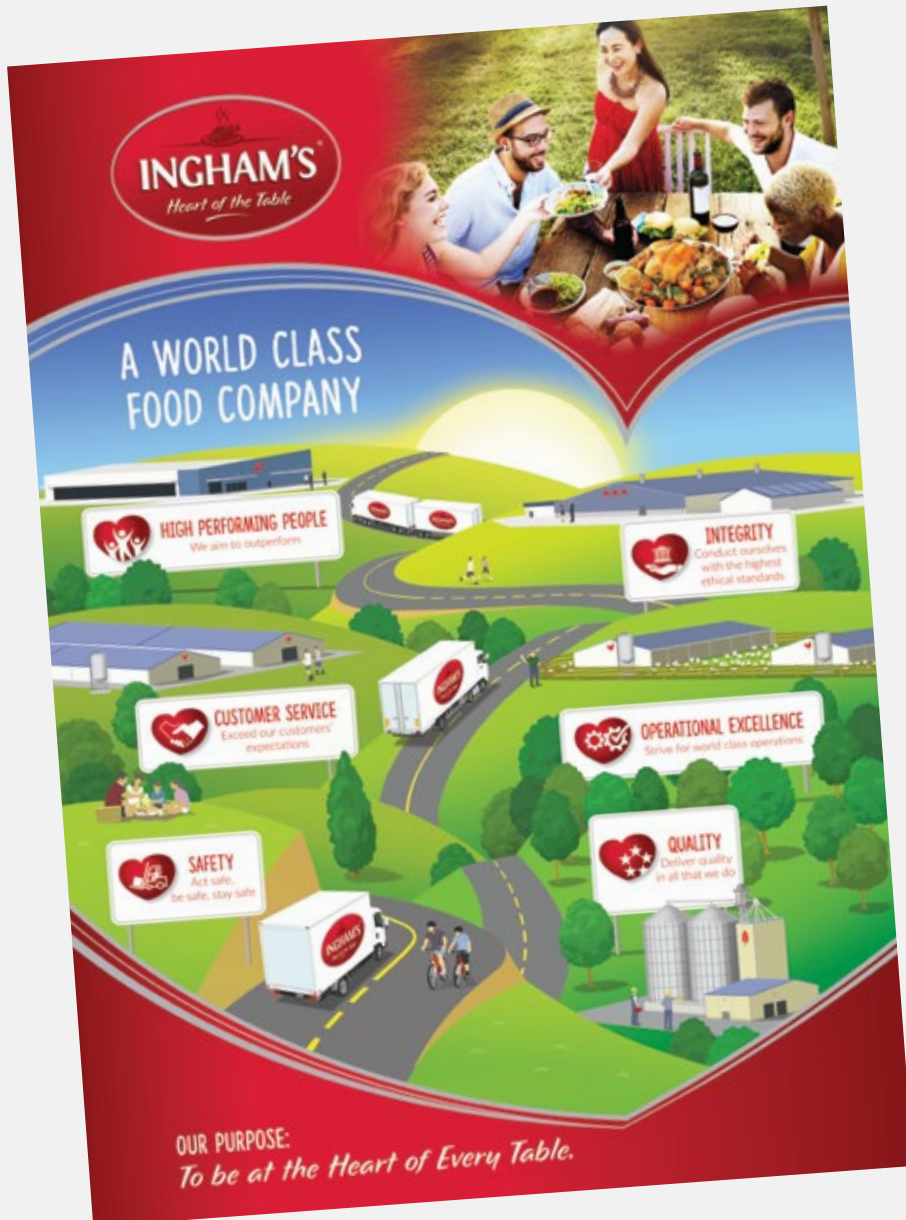
INGHAM'S HAS AN UNRIVALLED NETWORK OF PROCESSING AND DISTRIBUTION FACILITIES ACROSS AUSTRALIA AND NEW ZEALAND, ENABLING A RAPID RESPONSE TO CUSTOMER DEMAND AND EFFICIENT MANAGEMENT OF PRODUCTION VOLUMES.



# OUR VALUES



INGHAM'S VISION IS TO BECOME A WORLD CLASS FOOD COMPANY BY DELIVERING HIGH QUALITY PRODUCTS AND SERVICES TO OUR CUSTOMERS AT THE LOWEST COST.





# FINANCIAL HIGHLIGHTS



Core poultry volume growth

4.3%



EBITDA

\$242.2M



NPAT

\$126.2M



Dividend per share

19.5c



Leverage Ratio

1.1x



TE AWAMUTU BREEDER FARM, NEW ZEALAND



# CHAIRMAN'S LETTER



DEAR SHAREHOLDER, ON BEHALF OF THE BOARD OF DIRECTORS AND MANAGEMENT TEAM, IT IS MY PLEASURE TO PRESENT THE INGHAM'S GROUP LIMITED ANNUAL REPORT FOR THE YEAR ENDED 29 JUNE 2019.

FY2019 was a year of change as we welcomed our new CEO Jim Leighton, following a global search. Jim brings over 30 years of experience in consumer businesses and his deep expertise in the highly competitive North American poultry industry makes him the ideal candidate as we embark on the next phase of Ingham's development. We look forward to Jim's contribution to building the Ingham legacy of quality, integrity and customer service.

This year we have continued progress on our strategy and delivered a \$126.2 million net profit after tax. Core poultry volume growth of 4.3%<sup>1</sup> percent was driven by strong demand in Australia, supported by early signs of a return to growth in the New Zealand market. Continued growth across our key channels in Australia reflects the demand for poultry, based on relative pricing and strong promotional activity by our customers. These results were achieved despite the pressure and impact of drought on feed and selling prices.

Rising feed costs continued to present a challenge to our business in FY2019. Our market position and various contractual arrangements have delivered the intended outcomes. Offsetting inflation in our cost base through strategic initiatives and sustainable improvement remains a critical focus.

Progress continued during the fiscal year on our sustainable improvement program, Project Accelerate. Our refreshed leadership team is applying a new focus on delivering efficiency and getting more out of our current assets and it's clear that the introduction of international poultry operations expertise shines a new light on this opportunity.

We continue to make targeted investments in our network. In South Australia, our new feedmill at Murray

Bridge is operational and the expansion of our New Zealand breeder farming network has been completed. An important investment in our future, the construction of a purpose-built research and development facility is on track for completion in 1H FY2020. We have also announced plans to build state-of-the-art hatcheries in Victoria and Western Australia which will be operational in FY2021.

In June 2018 we announced a project to rationalise our further processing operations. The strategy and execution of that project have regrettably fallen short of expectations as additional and unexpected customer demand placed unplanned pressure on operations, leading to inefficiencies and higher costs. The strategy has been reviewed and measures are in train to remediate, but it impacted our financial performance this year and will continue to do so well into the first half of FY2020.

Ingham's commitment to animal welfare, environmental and social sustainability remain core tenants at the heart of our business. We strive every day to be a leader in farming practices, water usage, energy management, ethical sourcing and much more.

## BOARD, CEO AND MANAGEMENT APPOINTMENTS

As I noted earlier, Jim Leighton commenced as Chief Executive Officer in November 2018. Jim is a seasoned leader and has a proven record of creating fully integrated growth strategies, building capability and scaling operations to support growth. Jim has already made several exceptional key appointments to his management team which he will outline in his report.

We welcomed two new appointments to our Board this year with Rob Gordon and Andrew Reeves both bringing

significant executive experience across the food and agriculture industries.

## DIVIDENDS AND CAPITAL MANAGEMENT

Following an interim dividend of 9.0 cents per share, the Board also announced and delivered a capital return of 33 cents per share in December 2018. A final dividend of 10.5 cents per share has been declared, taking the full year dividend to 19.5 cents per share. Both dividends are fully franked. The company also commenced a share buy back in 2H FY2019, purchasing 3.5% of issued capital.

## OUR PEOPLE

I would like to acknowledge the valuable contribution of the Board, management team and our team of dedicated people throughout the business. The new era of growth under Jim and his team will be an exciting time for all of us.

## COMMUNITY

Ingham's continues its tradition as a positive contributor to the many local communities in which we operate. We continue to support and partner with The Ingham Institute for Applied Medical Research, Conservation Volunteers Australia & New Zealand and the Clontarf Foundation. Ingham's staff also raised over \$80,000 to help fund cancer research and prevention programs, as part of the Tour de Cure cycling event. We look forward to continuing to support the great work of these organisations in the year ahead.

The future of Ingham's is in good hands, with a shared commitment from the entire team to sustainably grow our business in the coming years.

**Peter Bush** Chairman

<sup>1</sup> Core chicken and turkey products

# CEO'S REPORT



DEAR SHAREHOLDER, WHEN I WAS FIRST APPROACHED TO TAKE ON THE CEO ROLE AT INGHAM'S, I WAS IMPRESSED BY THE BUSINESS' STRONG HERITAGE, LEADING MARKET POSITION AND THE OPPORTUNITIES FOR GROWTH.

I am pleased to report that in these first months my excitement has grown and I look forward to leading the next phase of our journey as a publicly listed company.

## LEADERSHIP

In order to position the business for success we needed to attract some fresh eyes to challenge existing ways and bring an international best practice perspective to operational excellence and efficiency. I am pleased to report that the leadership team we now have in place adds both those skills and is complimented by a strong pedigree of domestic experience not only in poultry but from the food and protein industries. The team is engaged, energised and focussed on our goal of delivering on the further potential of this great company.

## FINANCIAL HIGHLIGHTS

The 2019 financial year was solid for the business where we cycled higher feed costs and general inflationary pressures across our supply chain. The underlying result of \$208.6m earnings before interest, tax, depreciation and amortisation (EBITDA) was up 2.9% on last year, achieved on volume growth of 2.4%. Core poultry demand remains strong and our volumes grew 5.0% in Australia and 0.6% in New Zealand.

In Australia we delivered an underlying EBITDA of \$179.0m, up 7.9% on the prior year. Our ability to mitigate input costs was demonstrated with a combination of contractual arrangements, our market position in key channels and the delivery of efficiency gains. Our external feed business performed to expectations following the sale of Mitavite in October 2018.

Our New Zealand business had a challenging year with underlying EBITDA down 19.6% on 2018 at \$29.6m. Continued market conditions limited our ability to recover cost increases at the same time as the new management team were implementing a restructure of operations including getting our contracted free-range grower network back to self-sufficiency. Our feed business was solid, although lower dairy volumes impacted performance.

At a Group level, underlying net profit after tax (NPAT), was \$103.2m, a decline of 4.4% on FY18, reflecting the increase in our corporate tax rate to 29.5%.

## OPERATIONAL HIGHLIGHTS

The macro environment for poultry remains strong, supported by population growth, the relative affordability of chicken and positive consumer trends. Across our key channels, we worked hard to deliver high quality products to meet the growing demand of our customers.

The company's transformation program, Project Accelerate has delivered significant benefits across the business. One of the observations I made early in my tenure was that whilst the capital program delivered quality upstream assets such as hatcheries and feedmills, there is a significant opportunity to achieve what I call 'balance in the supply chain'.

Our investment in automation projects has been effective to date, but there remains much to be done to move our primary and further processing operations towards more best practice benchmark efficiency levels. In poultry this is where the money is made.

Our new team has identified significant capacity upside in our primary processing operations and moving forward we will realign our capital plans to optimise our existing assets.

Our results this year also reflect a rebalance of our mix. We remain focused on ensuring that the mix of our business optimises the return to our shareholders and balances the expectations of our customers.

Pleasingly, we started on the journey of new product development and captured some opportunities in new segments as well as growth from new customers.

One disappointing aspect of the year was the execution of the rationalisation of our further processing network. The closure of our Cleveland plant in Queensland has not gone to plan as strong customer volumes have placed unexpected pressure on operations, leading to a loss of productivity and higher costs at our remaining plants. The supply of further processed products to our customers remains a priority. Our team is working to resolve the issues, however, it will continue to impact financial performance into FY2020.

We continue to strive for Zero Harm. Through our pro-active Safety for Life Program and a continuing focus on our Golden Safety Rules, I am pleased to report that we achieved a 33% reduction in our Lost Time Injury Frequency rate during FY19, down from 6 to 4.

## PEOPLE

I would like to acknowledge the valuable contribution of the leadership team and all of our people throughout the organisation for their hard work and ongoing commitment to building on the Ingham's legacy.

## CEO'S REPORT

### SUMMARY AND OUTLOOK

Ingham's is a well-capitalised business with a robust balance sheet and strong market position. We have significant opportunity to balance our operations to deliver best practice efficiency.

Pleasingly, our New Zealand business is expected to return to year-on-year growth as the local market improves and the new management team implements its turnaround plan. But there is much to do to return to historic levels.

Our sales and marketing teams are focussed on capturing new market opportunities through new product development and delivering on opportunities with new and existing customers.

Above all, however, we must always ensure that we operate our business in a safe and sustainable way, and that we have the building blocks in place to deliver consistent quality products to our customers and consumers.



**Jim Leighton**  
Managing Director and CEO





# OPERATIONAL HIGHLIGHTS



WE CONTINUED TO MAKE STRONG PROGRESS WITH OUR BUSINESS STRATEGY IN FY2019.

Our growth in profitability was driven by several factors including increased demand for poultry meat from our customers and consumers, investment in automation projects and labour productivity.

## COLLABORATING WITH CUSTOMERS

Ingham's has a long history supplying Australia and New Zealand's major retailers, quick service restaurant operators, food service distributors and wholesalers, with some relationships spanning over 55 years.

Our customer relationships are highly collaborative and span sales, marketing, technical services, new product development, planning and supply chain and sustainability.

This year, we continued to progress our strategy of formalising and extending supply relationships, including the extension of a supply agreement with a large Retail customer in Australia. We also increased the level of collaboration with our major partners through the introduction of project management processes targeting strategic project execution.



### Long-term customer relationships

#### AUSTRALIA - CUSTOMERS

Major retailer 1	57 years	
Major QSR customer 1	50 years	Since market entry
Major retailer 2	46 years	
Major QSR customer 2	39 years	
Major retailer 3	32 years	Since market entry
Major retailer 4	17 years	Since market entry

#### NEW ZEALAND - CUSTOMERS

Major retailer 1	28 years	Since Ingham's entered New Zealand
Major retailer 2	28 years	Since Ingham's entered New Zealand
Major QSR customer 2	28 years	Since Ingham's entered New Zealand

## OPERATIONAL HIGHLIGHTS

### CONSUMER ENGAGEMENT

Ingham's is a well-recognised brand with a reputation for quality and service.

Our product range continues to evolve to meet emerging consumer trends, the most recent example being the Australian retail launch of American Bites – a frozen snacking range inspired by American flavours designed to bring more excitement and innovation to the frozen category.



In New Zealand, our Waitoa Free Range brand has continued to expand, with the launch of innovative ready-to-eat products to the market, including shredded chicken breast and shredded roast chicken. A range of gluten free products were also introduced to the New Zealand market under the Ingham's brand.

Moving forward we are well positioned to benefit from consumer trends through our high animal welfare and sustainability standards and value-enhanced, partially cooked and fully cooked production capabilities.





## OPERATIONAL HIGHLIGHTS



### INVESTING FOR GROWTH

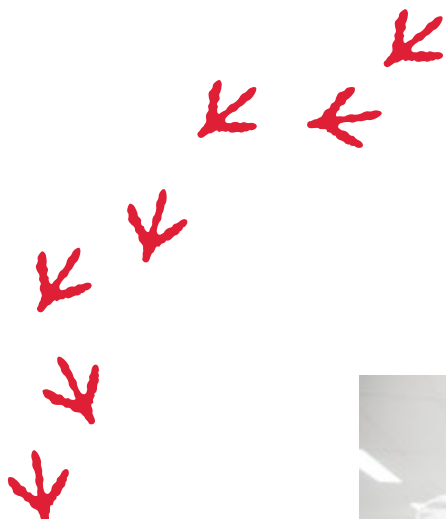
Ingham's has continued to invest in the capacity, efficiency, capability and sustainability of our network during FY2019.

Our new South Australian feedmill at Murray Bridge is operational, replacing the Mile End mill which has since been exited. The expansion of our New Zealand breeder network – in Te Awamutu – has been completed and is operational. Construction of a purpose-built research and development facility is on track for completion in 1H FY2020. The facility

will showcase recent developments and technology in welfare and farming and support nutrition research.

A key to growing our business is moving our Victorian operations onto a more sustainable footing to ensure they are competitive with production in other states and provide a foundation for future growth. As part of this strategy, we have announced a \$46m investment in a new state-of-the-art poultry hatchery. The hatchery will replace an existing facility and be the first of its kind in Australia and New Zealand, delivering improved performance and animal welfare outcomes. Construction is expected to be completed by the end of 2020.

We have continued to invest in our capability including automation initiatives across our primary and further processing and farming facilities, upgrades to our IT infrastructure and continued investment in enhancing skills and capability across the business.



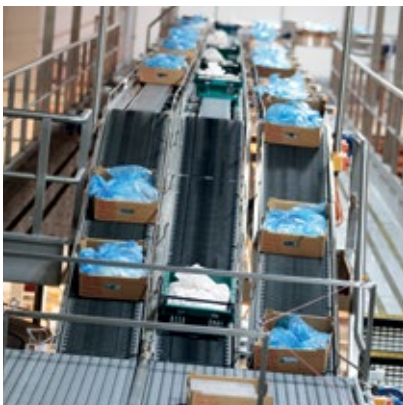


## OPERATIONAL HIGHLIGHTS

### IMPLEMENTING PROJECT ACCELERATE

Project Accelerate is our sustainable improvement program designed to improve efficiencies in our operations including investment in automation.

Our automation investment to date has continued to deliver benefits in terms of improved yields, reduced unit costs and improved utilisation of assets. During FY2019 further automation projects were completed across the business. In Australia, investment was made in further automation within primary processing and increasing flexibility within the further processing network. Investment in New Zealand was focused on further processing operations. A number of automation initiatives are planned in Australia and New Zealand, in addition to plant 'debottlenecking' initiatives.



We continued to make good progress on labour productivity improvements during the year. We renegotiated our enterprise agreements associated with the engineering and maintenance teams at our primary and further processing facilities as well as our agreements at our further processing facilities and farming operations. These negotiations have continued our focus on securing greater flexibility, to better enable labour optimisation initiatives.



PRIMARY PROCESSING FACILITY, SOMERVILLE

# BUSINESS SUSTAINABILITY



BUILDING ON OVER A CENTURY OF EXPERIENCE  
AND THE CHALLENGES AND OPPORTUNITIES OF TODAY  
TO FUTURE-FIT OUR BUSINESS FOR TOMORROW

Our strategic focus is to build business success based on a solid sustainability model. We focus on our material impacts and the expectations of consumers and key stakeholders, underpinned by the best available science. It is our responsibility to ensure Ingham's continues to be a corporate leader and a resilient business, best placed to respond to an ever-changing environment.

## OUR LONG-STANDING COMMITMENT TO SUSTAINABILITY

At Ingham's, we are as passionate about protecting our planet as we are about producing quality food. For more than 100 years, we've proudly sat at the heart of tables across Australia and New Zealand, and worked to ensure that the practices we employ to do so are undertaken ethically and sustainably.

Our long history is a testament to our ability to understand internal and external risks and opportunities facing our business. Continually investing in sustainability to ensure that we not only survive, but thrive in an ever-changing environment, economy and society, goes beyond meeting consumer expectations. It is our corporate responsibility and guides our business practice and principles every day.

### Meeting the needs of a growing nation

Since Ingham's first began in 1918, our population has grown to around 25 million, and by 2050 it is expected to reach about 36 million. Ensuring future generation's continued and affordable access to quality food, in ways that maintain environmental health and respect social values, is a challenge for Ingham's and other food companies, but one we are striving to address.

WE BELIEVE  
SUSTAINABILITY IS  
ABOUT DOING GOOD  
FOR OUR PEOPLE, OUR  
COMMUNITY, OUR  
ENVIRONMENT AND  
OUR BUSINESS SO  
WE CAN CONTINUE  
TO MEET OUR NEEDS  
TODAY WITHOUT  
AFFECTING THE  
ABILITY OF FUTURE  
GENERATIONS TO  
MEET THEIR NEEDS.  
SUSTAINABILITY LIES  
AT THE CORE OF  
OUR BUSINESS.

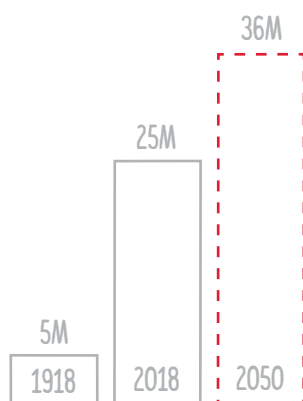
## UNDERSTANDING OUR FOOTPRINT

Chicken consumption has grown faster than the consumption of any other form of animal protein, driven by general population growth, affordability, and consumer trends. Demand for chicken meat has also grown in line with growing consumer preference for foods that improve health and well-being, are high quality and convenient and meet animal welfare standards.

However, with increased demand and consumption comes the inevitable impact on our surrounding environment and natural resources. The challenge lies in meeting the needs of the evolving consumer landscape while ensuring that we minimise the impact of our footprint.

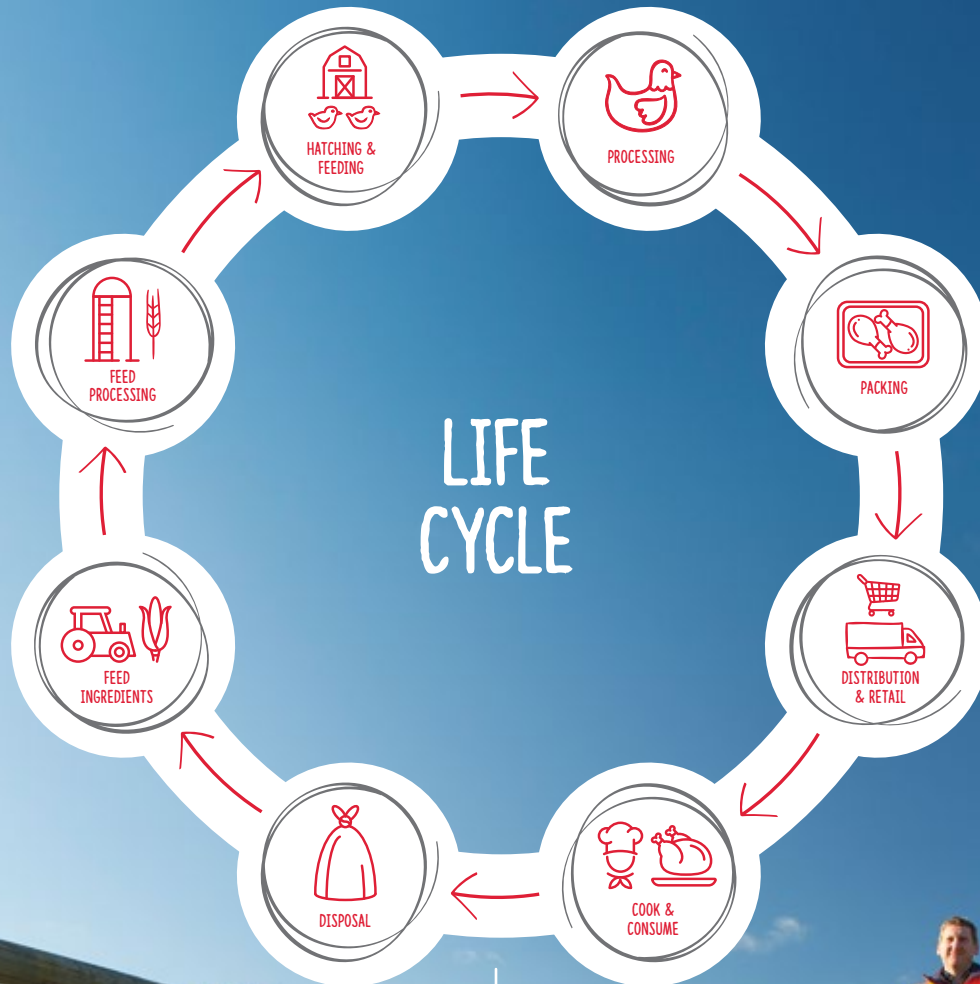
Our strategy, policies, risk management and decision making are all based on evidence, data and science and we employ a formalised method known as Life Cycle Assessment (LCA) in order to do so. Ingham's has used LCA since 2011 to measure the environmental and social impacts of our products at each stage of the supply chain, from grower to supermarket, and identify focus areas for improvement.

Our LCA approach has enabled us to share information based on input and collaboration with customers, the feed industry and the research community. The LCA results and outputs have been used to inform and develop our sustainability strategy, our procurement decisions and our reporting.



2050  
POPULATION  
ESTIMATED 36M

## BUSINESS SUSTAINABILITY



### LIFE CYCLE ASSESSMENT INSIGHTS

- From farm to fork, chicken meat has significantly lower resource use and environmental impact compared with beef, pork and lamb.
- The majority of life cycle water, greenhouse gas emissions and land clearing are from the production of chicken feed, especially from soybean meal from South America.
- Energy and water use in farming and processing plants is the second most significant contribution to our footprint.



## BUSINESS SUSTAINABILITY



### INGHAM'S SUSTAINABILITY STRATEGY AND FOCUS AREAS

Our sustainability strategy is developed based on a thorough assessment of the impacts, challenges and opportunities that are most material to our business and stakeholders.

### SPECIFIC PROGRAMS AND RESEARCH INITIATIVES

Aligned with our strategic direction to deliver positive economic, environmental and social outcomes, these are the five long-term sustainability programs in the business.

OUR SUSTAINABILITY FOCUS AREAS REPRESENT OUR COMMITMENT TO DELIVERING POSITIVE ECONOMIC, ENVIRONMENTAL AND SOCIAL OUTCOMES



#### 1. Climate change adaptation and resilience

We are continuously planning for climate change across all aspects of our business, including how hot weather can impact bird health and how the availability of water can disrupt operations.



#### 2. Water stewardship

To achieve sustainable water management within a water catchment context, we have pioneered a globally applicable Alliance for Water Stewardship (AWS) framework.



#### 3. Animal welfare

Our commitment to ensure our animals are cared for at all times is underpinned by comprehensive programs developed in collaboration with international animal welfare experts, retailers and regulatory authorities. We also hold accreditation by the Royal Society for the Prevention of Cruelty to Animals (RSPCA) in line with the Approved Farming Scheme standards, and have free-range accredited farms in Australia and New Zealand.



#### 4. Sustainable agriculture

We identify solutions for efficient production of safe, high quality agricultural products, in a way that protects and improves the natural environment, the social and economic conditions of farmers, their employees and local communities, and safeguards the health and welfare of all farmed species.



#### 5. Environmental compliance and performance

Management plans are in place for all sites and we have a regular reporting system of water use, energy and greenhouse gas emissions.



#### 6. Labour practices and safety

Striving for Zero Harm and sending employees home safely at the end of each work day, our proactive Safety for Life Program operates within our comprehensive Work Health and Safety Management System.



#### 7. Ethical sourcing and sustainable procurement

We employ an ethical sourcing strategy to manage risks related to quality, sustainability, financial, operational and commercial considerations across a broad range of procurement categories.

### 1. Water Stewardship

Water is essential to every aspect of Ingham's operations, as it is to so many businesses. Accessing the required volume consistently and at high quality is essential, especially for a growing food company. It's important for Ingham's to understand our impact on water catchments and also how those catchments can impact on our operations and future.

Ingham's pioneering processing plant at Somerville on the Mornington Peninsula in Victoria is only the second site in the world to achieve Alliance for Water Stewardship (AWS) certification and the first to achieve platinum level.



We have now also achieved certification at our Te Aroha (NZ) and Murarrie (QLD) sites. Ingham's is now one of only three organisations with multiple AWS certifications, sharing this distinction with the global food giant Nestlé. The water stewardship approach ensures that we contribute to the highest standards of sustainable water management.

Our goal is to have all large water using sites certified as meeting or exceeding the global standard by 2021.

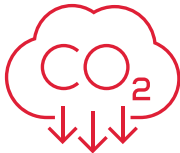
*“Ingham's deep and continual commitment to water stewardship, and the variety of water management projects and improvements in processes they have implemented over the years, ensures that Ingham's can be proud to call themselves world-leading water stewardship champions.”*

**Michael Spencer** former CEO of Water Stewardship Australia and AWS Chair

## BUSINESS SUSTAINABILITY

### 2. Carbon Reduction Program

Climate change presents new and increasing challenges to our business and our people. We have undertaken a number of assessments in order to better understand and reduce our carbon emissions and to prepare for adaptation. Our detailed carbon footprint, first calculated in 2008, enables us to better understand the risks and opportunities in how we generate greenhouse gases and where we should focus our efforts to reduce our impact and address risks.



Ingham's is committed to reducing carbon emissions through energy efficiency and renewable energy opportunities.

*“Reducing carbon emissions is central to the Ingham's sustainability strategy.*

*We recognise the importance of reducing carbon emissions and actively seek opportunities to reduce emissions through operational efficiencies and renewable energy options.*

**Nick Mitrevski** General Manager, Operations Support

### 3. Sustainable Livestock Feed

Ingham's joins other industries worldwide in seeking sustainable feed ingredients to meet increasing demand from consumers for more sustainable production.



Feed ingredients, especially soybean meal, represents the single biggest impact area in Ingham's supply chain and we are focussed on improved feed solutions that are not only nutritious but also ensure minimal environmental impact. Our current focus is on researching alternatives and we are committed to continuously optimising feed for a sustainable future.

*“The way we source feed for our livestock is a vital component in our business. Not only must we meet economies of scale, we must do so in a way that minimises environmental impact and aligns with our commitment to sustainability across all facets of our supply chain. We are actively seeking new and innovative solutions to help us deliver on this promise.*

**Katherine Balding** Group Technical Services Director

### 4. Sustainable Agriculture Initiative

The Sustainable Agriculture Initiative Platform (SAI) is the primary association for sustainable agriculture in the global food and beverage supply chain.



Ingham's proudly participates in the Australian SAI Platform and is helping to facilitate knowledge sharing, adoption of best practice and identifying solutions through collaboration with others across the supply chain.

*“The opportunity to learn from and work collaboratively with others on identifying and implementing solutions is a key SAI advantage. The links to sustainability practitioners, researchers and developers around the world is second to none and helps ensure we continue to be challenged.*

**Julia Seddon** Vice President, SAI Australia

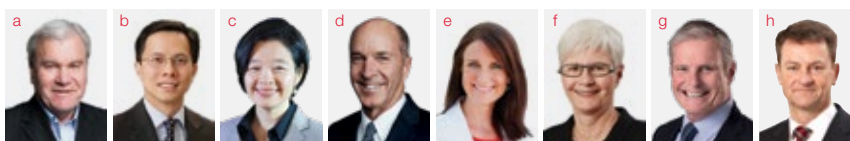
### 5. Packaging Sustainability

Our commitment towards packaging sustainability includes the principles of reduce, reuse, recycle and recover to achieve zero waste to landfill. These principles apply to the design and development of Ingham's packaging, where we aim to reduce the environmental impact by:



- Working with packaging suppliers and our customers to reduce the impact of packaging waste;
- Enabling maximum reuse, recycling or compostability of used packaging through smart design;
- Developing fit-for-purpose packaging that is appropriate for the product it protects;
- Optimising material use and resource efficiency while meeting the functional requirements of the packaging; and
- Sourcing materials from responsible suppliers.

# BOARD OF DIRECTORS



## Peter Bush <sup>(a)</sup>

Chairman

Peter had a long and successful career in fast-moving consumer goods (FMCG), holding senior roles with SC Johnson, Reckitt and Coleman, Ampol/Caltex and Arnott's and was CEO of AGB McNair and Schwarzkopf. He then ran his own strategic consultancy business for six years with clients including Qantas, Telstra, George Patterson Bates, John Singleton Advertising and McDonald's Australia. In 2003, he became the CEO of McDonald's Australia. Peter is also Chairman of Southern Cross Media Group Limited (since 2015). He was previously Chairman of Pacific Brands Limited, Nine Entertainment Co, Mantra Group and NEC Holdings Pty Limited and a director of Insurance Australia Group Limited.

## Ricky Lau <sup>(b)</sup>

Non-Executive Director

Ricky is a Senior Advisor of TPG based in Hong Kong. Since joining TPG in 1998, Ricky has played a key role in TPG's investments in China and has served or serves on the board of directors of Shenzhen Development Bank, China Grand Automotive Services Co. Ltd., Daphne International, WTT and Phoenix Satellite Television. Prior to joining TPG, he was responsible for the corporate and project finance division of Hopewell Holdings, a regional infrastructure project developer. Ricky received an Executive Master of Business Administration from Kellogg-HKUST and an undergraduate degree from the University of British Columbia. Ricky is also a CFA charter holder.

## Jackie McArthur <sup>(c)</sup>

Non-Executive Director

Jackie has more than 20 years' experience in supply chain and logistics roles globally. Jackie was most recently the Managing Director ANZ for the Martin-Brower Company, a global logistics solutions provider for quick service restaurants. Prior to that Jackie was the McDonalds Vice President Supply Chain for Asia, Pacific, Middle East and Africa having also had roles in McDonalds Australia as Senior Vice President Chief Restaurant Support Officer and Vice President Supply Chain Director. Jackie is an Independent Non-Executive Director on the Boards of Tassal Group Limited and InvoCare Limited. She was formerly a Non-Executive Director of Blackmores Ltd.

## Jim Leighton <sup>(d)</sup>

Chief Executive Officer

Appointed 14 November 2018.

Jim has more than 30 years of experience in fast-moving consumer goods (FMCG), most recently the President and Founder of 40 North Foods, a start-up venture backed by global company Pilgrims Pride and JBS. Prior to that, he served as Chief Operating Officer, Interim CEO and Director at Boulder Brands where played a key role scaling the business and ultimately selling it to Pinnacle Foods. He also spent seven years at Perdue Farms and, in his last role there served as President of the company's global multi-billion dollar Food Group. Jim also serves as an Independent Non-Executive Director of Aryzta AG.

## Helen Nash <sup>(e)</sup>

Non-Executive Director

Helen has more than 20 year's executive experience across the Consumer Packaged Goods, Media and Quick Service Restaurants industries. Initially trained as a certified management accountant in the UK, Helen then spent more than 15 years in brands and consumer marketing including the role of CMO for McDonald's Australia and New Zealand. Helen also held the position of Chief Operating Officer for McDonald's Australia where she had strategic, commercial and operational responsibility for the business. Helen is currently an Independent Non-Executive Director of Metcash Ltd and Southern Cross Media Ltd. She was formerly a Non-Executive Director of Pacific Brands Ltd and Blackmores Ltd.

## Linda Bardo Nicholls, AO <sup>(f)</sup>

Non-Executive Director

Linda has more than 30 years' experience as a senior executive and director in banking, insurance and funds management in Australia, New Zealand and United States. She is a Chairman of Japara Healthcare and Chairman of Melbourne Health. Linda is also a director of Medibank Private and is a Member of the Museums Board of Victoria. Linda was previously an Independent Non-Executive Director of Fairfax Media, Pacific Brands and Sigma Pharmaceuticals.

## Andrew Reeves <sup>(g)</sup>

Non-Executive Director

Appointed 14 January 2019.

Andrew is an experienced consumer goods executive who has served as CEO and Managing Director for both ASX-listed entities and large-scale multinationals. Andrew's most recent executive role was as CEO of George Weston Foods, a role he held between 2011 and 2016. He has also held senior roles at Lion Nathan and Coca Cola Amatil. He is currently an Independent Non-Executive Director of Credit Union Australia, Netget Limited and Keytone Dairy.

## Rob Gordon <sup>(h)</sup>

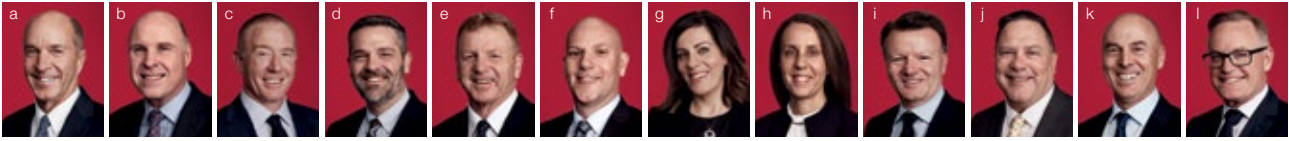
Non-Executive Director

Appointed 11 April 2019.

Rob has more than 35 years of experience in the FMCG and agribusiness sectors, including over 20 years in CEO and Managing Director roles for companies including Viterro Inc, Dairy Farmers Ltd and Goodman Fielder (Meadow Lea and Consumer Goods divisions). Rob is currently the CEO and a director of Ricegrowers Limited, and a member of the Rabobank Agribusiness Advisory Board. Rob has also served as a Non-Executive Director of Gresham Private Equity and as the Non-Executive Deputy Chair of the Australian Food & Grocery Council.



# SENIOR MANAGEMENT



**Ingham's has a proven and highly experienced senior management team with extensive domestic and international experience**

## KEY MANAGEMENT PERSONNEL

### **Jim Leighton (a)** Chief Executive Officer

Jim joined Ingham's in November 2018 as Managing Director and CEO. Jim has more than 30 years of experience in fast-moving consumer goods (FMCG), most recently the President and Founder of 40 North Foods, a start-up venture backed by global company Pilgrims Pride and JBS. Prior to that, he served as Chief Operating Officer, Interim CEO and Director at Boulder Brands where played a key role scaling the business and ultimately selling it to Pinnacle Foods. He also spent seven years at Perdue Farms and, in his last role there served as President of the company's global multi-billion dollar Food Group. Jim also serves as an Independent Non-Executive Director of Arysza AG.

### **Gary Mallett (b)** Chief Financial Officer

Gary joins Ingham's in October 2019. Gary has over 30 years' experience in a range of senior finance roles with ASX listed companies including Origin Energy and Brambles. Prior to joining Ingham's, Gary was CFO at Senex Energy where he was responsible for corporate finance, business planning, governance, IT and business improvement. Gary will serve as secretary and director on a number of Inghams Group subsidiary companies.

### **Jonathan Gray (c)** CEO New Zealand

Jonathan joined Ingham's in 2008 as Retail Sales Manager for Ingham's Enterprises NZ before moving into the National Sales Manager position in 2010. In October 2015, he was promoted to executive leader of the Sales division based in Sydney and in February 2016 also took over the Marketing division. Jonathan has extensive experience in retail sales in the UK, NZ and Australia and has held senior positions with Countdown Supermarkets and Marks and Spencer.

## OTHER SENIOR MANAGEMENT

### **Tim Singleton (d)** Chief Operations Officer

Tim joined Ingham's in May 2019 from Case Farm in the US, where he held the position of Vice President. Tim has over 20 years' experience in the poultry industry and has also held key operational roles at Pilgrim's Pride, Simmons Prepared Foods and Tyson's Food. Tim is responsible for Ingham's Australian operations, spanning farming, primary processing, further processing, warehousing and logistics and operational support.

### **Chris Croese (e)** Chief Customer Officer

Chris joined Ingham's in June 2019 and brings over 30 years' experience in retail operations, sales and customer relationship management in the poultry and broader food industry. He has held senior leaderships roles with Woolworths, most recently as the Head of Meat, and prior to that had senior roles with Beak and Johnston, Harris Farm and Hans Smallgoods.

### **Seb Brandt (f)** Chief Marketing Officer

Seb joined Ingham's in May 2019. Seb has 20 years' marketing experience in the food and beverage, QSR and retail categories, having held prior roles with companies including McDonalds, Fosters, PepsiCo and Red Bull. Seb's skills and passion lie in the development and implementation of brand and consumer strategies, creating new business and importantly, a focus on innovation.

### **Anne-Marie Mooney (g)** Feed Business Director

Anne-Marie joined Ingham's in May 2018 as the General Manager Milling Operations. Anne-Marie brings 10 years' of experience at Ridley Corporation Ltd, where she held a number of senior executives roles in both the commercial and feed areas. In May 2019, Anne-Marie was appointed as the Feed Business Director and is responsible for feed procurement, milling and ingredients.

### **Katherine Balding (h)** Technical Services Director

Katherine has been with the Ingham's business for over 25 years', joining in April 1994. During her time in Ingham's she has been in a range of roles in the nutrition side of the business, providing expert nutrition advice and direction. Katherine was appointed as the Director Technical Services in September 2017 and is responsible for nutrition, our chemistry and microbiology laboratories, veterinary health, research and development, Ingham's product pride program and quality assurance across the whole supply chain.

### **Andrew Leighton (i)**

Strategy & Business Development Director

Andrew joined Ingham's in July 2018 from Norske Skog Australasia where he served as Regional President. During this period Andrew also served as Vice Chairman of the Australian Forest Products Association (AFPA) and a member of the Federal Government's Forest Industry Advisory Council (FIAC). Prior to his role as Regional President, Andrew held senior roles in sales, marketing, logistics and business development with Norske Skog in Australia and Canada. Andrew also has extensive experience in FMCG sales and brand management with HJ Heinz and Nestle.

### **Grant Kerswell (j)** Chief People Officer

Grant joined Ingham's in July 2019. Grant brings more than 20 years' of extensive leadership experience in the HR function at Arnott's, Seven Network and Coca-Cola Amatil. Most recently he has been with Broadspectrum where he provided strategic advice and support in the core areas of HR including organisational development, performance management, culture and capability, talent and succession, recruitment, remunerations and work-place relations.

### **Craig Haskins (k)** Investor Relations Director

Craig joined Ingham's in July 2019. Craig has over 20 years' experience in Australian capital markets through his previous roles as Managing Director at Jefferies Australia, and senior roles within Credit Suisse, UBS and Merrill Lynch.

### **Dave Matthews (l)** General Counsel and Company Secretary

David joined Ingham's in November 2015. David has over 30 years' experience as a lawyer with international law firms in Australia and the UK and with large, listed global companies. Prior to joining Ingham's he was General Counsel and Company Secretary of Fonterra Co-operative Group, Telcom New Zealand's Australian operations, and Arnott's Biscuits/Campbell Soup in the Asia Pacific Region.

# DIRECTORS' REPORT

For the year ended 29 June 2019

This audited general purpose financial report for the year ended 29 June 2019 covers the consolidated entity comprising Inghams Group Limited (the Company) (ACN 162 709 506) and its controlled entities ('The Group', 'Ingham's'). The Group's functional and presentation currency is Australian dollars (\$), rounded to the nearest hundred thousand.

## DIRECTORS

The following persons were Directors of Inghams Group Limited during the year and until the date of this report:

Director	Date of appointment	Date of resignation
Peter Bush	7 October 2016	
Rob Gordon	11 April 2019	
Ricky Lau	29 October 2013	
Jim Leighton	7 January 2019	
Jackie McArthur	18 September 2017	
Mick McMahon	6 March 2015	17 October 2018
Helen Nash	16 May 2017	
Linda Bardo Nicholls, AO	7 October 2016	
Andrew Reeves	14 January 2019	
Joel Thickins	18 September 2017	31 December 2018

## PRESENT DIRECTOR PROFILES OF THE COMPANY

The profiles of the Board of Directors are included on page 18.

## DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of Board Committees) held during the year and the number of meetings attended by each director, during their time in office, were as follows:

	Directors' meeting held	Directors' meeting attended	Audit & risk committee meetings held	Audit & risk committee meetings attended	People & remuneration committee meetings held	People & remuneration committee meetings attended	Nomination committee held	Nomination committee attended
Peter Bush <sup>1</sup>	9 <sup>(c)</sup>	8	2	2	3	1	10	10
Rob Gordon <sup>2</sup>	2	2	–	–	–	–	–	–
Ricky Lau	9	9	–	2*	–	2*	–	–
Jim Leighton <sup>3</sup>	4	5	–	1*	–	1*	–	–
Jackie McArthur	9	9	–	2*	–	3*	10	5
Mick McMahon <sup>4</sup>	4	4	–	1*	–	1*	–	–
Helen Nash	9	9	–	2*	3 <sup>(c)</sup>	3	10	10
Linda Bardo Nicholls, AO	9	9	2 <sup>(c)</sup>	2	3	3	10	10
Andrew Reeves <sup>5</sup>	4	4	1	1	–	2*	–	–
Joel Thickins <sup>6</sup>	5	5	–	–	–	1*	10	5

\* Attendance by Directors who are not members of the Committee.

Notes

(c) Designates the chairman of the committee.

(1) Peter Bush on leave of absence for the Directors' meeting on 27 June 2019.

(1) Peter Bush on leave of absence for the People & remuneration committee meetings on 9 May 2019 and 27 June 2019.

(2) Robert Gordon appointed April 2019.

(3) Jim Leighton appointed on 17 October 2018.

(4) Mick McMahon resigned 17 October 2018.

(5) Andrew Reeves Appointed January 2019 to the board.

(5) Andrew Reeves Appointed January 2019 to Audit & risk committee.

(6) Joel Thickins resigned from the board on 31 December 2018.

(6) Joel Thickins resigned from the Audit & risk committee on 31 December 2018.

## COMPANY SECRETARY

### David Matthews, B Econ, LL.B.

David joined Ingham's in November 2015. David has over 30 years' experience as a lawyer with international law firms in Australia and the UK and with large, listed global companies. Prior to joining Ingham's he was General Counsel and Company Secretary of Fonterra Co-operative Group, Telcom New Zealand's Australian operations, and Arnott's Biscuits/ Campbell Soup in the Asia Pacific Region.

## CORPORATE STRUCTURE

Ingham's is a company limited by shares that is incorporated and domiciled in Australia. Details of all companies in the Group are outlined in Note 22 to the Financial Statements.

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the year consisted of the production and sale of chicken and turkey products across its vertically integrated primary, free range, value enhanced, further processed and ingredient categories. Additionally, stockfeed is produced primarily for internal use but also for the poultry, pig, dairy and equine industries.

## DIVIDENDS

An interim dividend of 9.0 cents per share totalling \$34.0 million was paid on 9 April 2019 (2018: \$36.1m).

Subsequent to the year end, a dividend of 10.5 cents per share has been declared totalling \$38.9 million to be paid on 9 October 2019. The financial effect of this dividend has not been brought to account in these consolidated financial statements and will be recognised in the subsequent financial report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to the year end a dividend of 10.5 cents per share has been declared totalling \$38.9 million to be paid on 9 October 2019. The financial effect of this dividend has not been brought to account in these consolidated financial statements and will be recognised in the subsequent financial report.

Other than the matter discussed above, there has not been any matter or circumstance that has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of the operations or the state of affairs of the Group in future reporting periods.

## ENVIRONMENTAL REGULATION

The Group is subject to particular and significant environmental regulations. All relevant authorities have been provided with regular updates, and to the best of the directors' knowledge all activities have been undertaken in compliance with or in accordance with a process agreed with the relevant authority.

The Group takes its environmental obligations seriously and has had an environmental policy in place for more than 30 years. The policy provides the framework for a comprehensive management strategy that is integrated with overall business strategy and ensures individual sites are managed in a consistent way to a high standard. In the past decade, sustainability has become a focus for the organisation and is a key business objective, helping identify business improvements and further efficiencies. Ingham's is now recognised as a leader in sustainability and aims to lead the world in the continued adoption of advanced water treatment to reduce water use.

The policy contains a commitment to protecting the environment including:

- Development of an environmental management system integral to overall management;
- Prevention of pollution;
- Product stewardship;
- Water, energy and material conservation;
- Continuous environmental improvement; and
- Working towards sustainability internally and with the supply chain.



# DIRECTORS' REPORT

For the year ended 29 June 2019

It includes requirements for each site to develop and implement a site specific environmental management plan with the following objectives:

- Compliance with applicable legal and other requirements met;
- Identification of environmental impacts of our activities, products and services;
- Procedures for managing activities with a potential to impact the environment;
- Continuous environmental improvement through setting and reviewing specific objectives and targets; and
- Clear responsibilities and accountability.

It also outlines the annual self-assessment and the periodic independent environmental review processes.

Each site has the required environmental protection licence or resource consent and completes an annual statement of compliance.

The Group is subject to the *National Greenhouse and Energy Reporting Act 1997* and is required to report on the energy consumption and greenhouse gas emissions of its Australian operations.

## DIRECTORS' INTERESTS

The relevant interest of each director in the shares and rights over such instruments issued by the companies within the Group, as notified by the directors to the ASX in accordance with s250G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Ordinary shares	Performance rights
Peter Bush	158,730	–
Jim Leighton	–	556,777
Jackie McArthur	17,264	–
Helen Nash	14,003	–
Linda Bardo Nicholls, AO	30,519	–

## SHARE OPTIONS

Select employees of the Group have been granted an interest-free loan to subscribe to shares of Inghams Group Limited. This loan is non-recourse other than to the shares held by that employee, and the proceeds of the loan must be used to buy shares. The arrangement has been accounted for as share options. These options entitle the holders to receive dividends on ordinary shares of the Company, and these dividends are required to be used to repay the loans attached. Shares under this scheme are held in trust for employees by a subsidiary, Ingham 2 Pty Limited.

### Performance rights

The Inghams Group Limited Equity Incentive Plan, has been issued to key management personnel and select other employees of the Group. Under this Plan, performance rights have been issued to individuals. These rights have a 3 year term and vest subject to performance conditions assessed based on Earnings Per Share (EPS) and Total Shareholder Return (TSR), in addition to having continued employment conditions attached.

Share options/rights outstanding at the end of the year have the following expiry dates and exercise prices (where relevant):

Grant Date	Expiry Date	2019		2018	
		Exercise price	Number of options/rights	Exercise price	Number of options/rights
6 December 2018	30 June 2021	–	107,491	–	–
6 December 2018	30 June 2020	–	46,437	–	–
6 December 2018	7 November 2019	–	63,303	–	–
4 December 2018	30 June 2021	–	506,862	–	–
5 November 2018	30 June 2021	–	584,656	–	–
7 November 2017	30 June 2020	–	700,340	–	1,471,413
6 November 2016	7 November 2019	–	1,004,662	–	1,031,745
20 March 2015	19 March 2020	–	–	\$0.81	565,125
20 March 2015	19 March 2020	–	–	\$0.81	1,786,722
19 June 2015	18 June 2020	–	–	\$0.81	812,038
3 July 2015	2 July 2018	–	–	\$0.81	370,370
18 September 2015	17 September 2020	–	–	\$0.81	234,444
14 October 2015	13 October 2020	–	–	\$1.40	250,000
2 November 2015	1 November 2020	–	–	\$1.40	730,000
22 December 2015	21 December 2018	–	–	\$1.40	2,669,842
22 December 2015	21 December 2020	\$1.40	300,000	\$1.40	820,000
			<b>3,313,751</b>		<b>10,741,699</b>

Included in the above were rights granted as remuneration to the following directors and officers of the company and the Group during the year:

Name of officer	Date granted	Number of rights
Jim Leighton	6 December 2018	49,915
Jim Leighton	4 December 2018	506,862
Ian Brannan	6 December 2018	27,448
Janelle Cashin	6 December 2018	9,149
Quinton Hildebrand	6 December 2018	9,149
Jonathan Gray	6 December 2018	30,556
Jonathan Gray	5 November 2018	111,023
Adrian Revell	6 December 2018	17,807

No options were granted to the directors or officers of the company since the end of the financial year.

#### Shares issued as a result of the exercise of options

During the year no shares were issued as a result of the exercise of options.

# DIRECTORS' REPORT

For the year ended 29 June 2019

## INDEMNITIES AND INSURANCE OF OFFICERS AND AUDITORS

### Indemnities

Ingham's constitution indemnifies each officer of Ingham's and its controlled entities against a liability incurred by that person as an officer unless that liability arises out of conduct involving a lack of good faith. The constitution also provides that Ingham's may make a payment to an officer or employee (by way of advance, loan or otherwise) for legal costs incurred by them in defending legal proceedings in their capacity as an officer or employee. Ingham's has entered into a Deed of Access, Indemnity and Insurance with each director which applies during their term in office and after their resignation (except where a director engages in conduct involving a lack of good faith). Ingham's constitution provides that it may indemnify its auditor against liability incurred in its capacity as the auditor of Ingham's and its controlled entities. Ingham's has not provided such an indemnity.

### Indemnification and insurance of officers

During the reporting period and since the end of the reporting period, the consolidated entity has paid premiums in respect of a contract insuring directors and officers of the consolidated entity in relation to certain liabilities. The insurance policy prohibits disclosure of the nature of the liabilities insured and the premium paid.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration required under section 307C of the *Corporation Act 2001* is included on page 49.

## NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, KPMG. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. This assessment has been confirmed to the Board by the Audit & Risk Committee.

KPMG received or are due to receive the following amounts for the provision of non-audit services:

	\$000
Advisory and other services	32
Taxation services	58
	<b>90</b>

## ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial statements have been rounded to the nearest hundred thousand dollars unless otherwise indicated under the option available to the Group under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

## OPERATING AND FINANCIAL REVIEW

### Non-IFRS measures

Throughout this report, Ingham's has included certain non-IFRS financial information, including EBITDA, and pro forma equivalents of IFRS measures such as net profit after tax. Ingham's believes that these non-IFRS measures provide useful information to recipients for measuring the underlying operating performance of Ingham's.

EBITDA stands for Earnings Before Interest, Tax, Depreciation, and Amortisation. This is calculated throughout the Operating and Financial Review consistent with the segment note to the financial statements from page 62.

### Underlying results

The underlying results exclude the profit on sale of assets, impairments, restructuring charges, finance exits costs and trading performance from divested operations, specifically the sale of Mitavite. The above mentioned items have been tax effected to determine an underlying NPAT to allow shareholders to make a meaningful comparison of the Group's underlying NPAT performance against prior year.



**Underlying results (52 weeks)****Table 1: Underlying results for FY19 compared to underlying results for prior year**

<b>Consolidated income statement</b>	<b>FY19 Underlying \$000</b>	<b>FY18 Underlying \$000</b>	<b>Change \$000</b>
Revenue	2,478,800	2,341,400	137,400
Cost of sales	(1,998,600)	(1,875,400)	(123,200)
Gross profit	480,200	466,000	14,200
Distribution expense	(150,600)	(144,200)	(6,400)
Sales, general and administration expense	(121,200)	(119,200)	(2,000)
Share of net profit of associate	200	100	100
EBITDA	208,600	202,700	5,900
Depreciation & amortisation	(46,800)	(45,100)	(1,700)
EBIT	161,800	157,600	4,200
Net interest expense	(15,700)	(15,200)	(500)
Net profit before tax	146,100	142,400	3,700
Income tax expense	(42,900)	(34,400)	(8,500)
<b>NPAT</b>	<b>103,200</b>	<b>108,000</b>	<b>(4,800)</b>

Chicken remains the competitive protein with 4.3% growth in core poultry across Australia and New Zealand. Feed volumes excluding Mitavite declined 10.1% in the period due and was attributable to cycling the closure of loss of Red Lea Chickens.

The increase in distribution expenses were in line with core poultry volumes whilst sales, general and administration expense increases were in line with expectations. Depreciation has risen due to the multi-year capital investment program, though benefits are being realized through margin improvement.

Project accelerate and other cost out efficiencies continue to improve yields and reduce unit costs to enable the group to offset cost headwinds.

# DIRECTORS' REPORT

For the year ended 29 June 2019

## Statutory results

Table 2: Statutory results for FY19 actual compared to FY18 Consolidated income statement

	Statutory FY19 (52 weeks)	Statutory FY18 (52 weeks)	Change
	Actual \$000	Actual \$000	\$000
Revenue	2,489,800	2,373,900	115,900
Cost of sales	(2,006,000)	(1,897,000)	(109,000)
Gross profit	483,800	476,900	6,900
Other income	49,700	19,400	30,300
Distribution expense	(151,000)	(145,200)	(5,800)
Sales, general and administration expense	(140,500)	(139,200)	(1,300)
Share of net profit of associate	200	100	100
EBITDA	242,200	212,000	30,200
Depreciation & amortisation	(46,800)	(45,400)	(1,400)
EBIT	195,400	166,600	28,800
Net interest expense	(16,300)	(15,200)	(1,100)
Net profit before tax	179,100	151,400	27,700
Income tax expense	(52,900)	(36,800)	(16,100)
<b>Net profit after tax</b>	<b>126,200</b>	<b>114,600</b>	<b>11,600</b>

### Statutory results vs PY actual

Business drivers behind the year on year performance have been described in the underlying results commentary above.

Other income of \$49.7m relates to the profit on sales of Mitavite horse feed business and Cardiff feed mill offset by the loss on sale of the Mile End feed mill and Maldon hatchery.

### Reconciliations – statutory to underlying

Table 3: Reconciliation of statutory EBITDA to underlying EBITDA

Consolidated EBITDA (\$m)	Note	FY19 Actual	FY18 Actual
<b>Statutory Revenue</b>		<b>2,489.8</b>	<b>2,373.9</b>
<b>Underlying Revenue</b>		<b>2,478.8</b>	<b>2,341.4</b>
<b>Statutory EBITDA</b>		<b>242.2</b>	<b>212.0</b>
Profit on sale of assets	1	(49.7)	(19.4)
Restructuring	2	18.3	16.3
Mitavite	3	(2.2)	(6.2)
<b>Underlying EBITDA</b>		<b>208.6</b>	<b>202.7</b>

**Table 4: Reconciliation of underlying NPAT to statutory net profit after tax**

Consolidated NPAT (\$m)	Note	FY19 Actual	FY18 Actual
<b>Statutory NPAT</b>		<b>126.2</b>	<b>114.6</b>
Profit on sale of assets	1	(34.9)	(13.6)
Restructuring	2	12.8	11.5
Mitavite	3	(1.5)	(4.5)
Finance exit costs	4	0.6	–
<b>Underlying NPAT</b>		<b>103.2</b>	<b>108.0</b>

- (1) Removal of profit on sale of Mitavite and Cardiff offset by loss on sale of Maldon and Mile end. FY18 relates to the profit on sale of Wanneroo and Leppington.  
(2) Removal of restructuring expenses for the Group.  
(3) Removal of Mitavite operating results.  
(4) Removal of the finance costs associated with the previous banking facilities.

### Australia

**Table 5: Selected statutory financial information for the Australia segment**

Consolidated income statement	Actual FY19 \$000	Actual FY18 \$000	Change \$000
Revenue	2,109,400	2,003,900	105,500
EBITDA	213,100	175,200	37,900

Australian revenue grew 5.3% in the year, this was underpinned by strong growth in wholesale and increasing demand for further processed products in the QSR and Food Service channels.

EBITDA growth continued in the year due to the realisation of efficiency and automation initiatives and the pass through of price increases due to higher feed and utility costs.

### New Zealand

**Table 6: Selected statutory financial information for the New Zealand segment**

Consolidated income statement	Actual FY19 \$000	Actual FY18 \$000	Change \$000
Revenue	380,400	370,000	10,400
EBITDA	29,100	36,800	(7,700)

New Zealand revenue grew 2.8% in the year, this was attributable to growth in poultry volumes offset by decline in demand for dairy feed volumes due to favourable pasture conditions.

The EBITDA margin declined in the period due to the inability to pass on costs increases due to challenging market conditions.



# DIRECTORS' REPORT

For the year ended 29 June 2019

## Balance sheet

**Table 7: Selected statutory consolidated statement of financial position for the year ended 29 June 2019**

Selected consolidated statement of financial position	FY19 \$000	FY18 \$000	Change \$000
Current assets	661,400	754,600	(93,200)
Non-current assets	420,200	386,100	34,100
<b>Total assets</b>	<b>1,081,600</b>	<b>1,140,700</b>	<b>(59,100)</b>
Current liabilities	469,600	424,900	44,700
Non-current liabilities	447,500	454,800	(7,300)
<b>Total liabilities</b>	<b>917,100</b>	<b>879,700</b>	<b>37,400</b>
<b>Net assets</b>	<b>164,500</b>	<b>261,000</b>	<b>(96,500)</b>

### Net assets

The Group undertook a capital management program during the year. Along with effective working capital management and asset sales, the Group has improved its working capital position as demonstrated by the strong cash flow conversion.

Non-current asset values have remained stable in the year as capital additions of \$76.4m have been offset by transfers into assets held for sale, and depreciation charged in the year.

**Table 8: Consolidated statutory net debt as at 29 June 2019**

Net debt as at 29 June 2019	FY19 \$000	FY18 \$000
Bank loans	(400,000)	(420,000)
Capitalised loan establishment fees included in borrowings	1,700	900
<b>Total borrowings</b>	<b>(398,300)</b>	<b>(419,100)</b>
Less: Cash and cash equivalents	134,500	273,700
<b>Net debt</b>	<b>(263,800)</b>	<b>(145,400)</b>

### Net debt

Net debt has increased by \$118.4m due to a return of capital to shareholders \$125.5m, as well as an on market buy-back of shares \$36.4m, offset by cash generated during the year. The Group's leverage ratio is 1.1x.

### Material business risks

Material business risks faced by the Group that may have a significant effect on the financial prospects of the Group include:

- Import restrictions:** Changes to import quarantine conditions in Australia and/or New Zealand that would allow additional forms of poultry to be imported could result in changes to the poultry market that would adversely impact Ingham's financial performance.
- Food safety and disease outbreak:** If products of the Group or a competitor became unsafe or were to be perceived as unsafe, reduced demand for Ingham's products or for poultry products as an industry could follow. Food safety costs can lead to significant costs being incurred for recalls or other operations to address such issues, in addition to compensation, penalties or liability claims which could be incurred. Outbreak of avian disease(s) occurring in Ingham's flock or in geographic areas in which Ingham's operates could lead to restriction on the use or transportation of affected poultry. Such disruption to supply, in addition to the other events identified here could have an adverse effect on Ingham's financial performance.
- Supply chain disruption:** Failure of a parent stock supplier, poor animal husbandry practices, poor feed quality or outbreak of disease could all cause a significant reduction in the volume or quality of the Group parent stock, limiting the Group's ability to supply sufficient volumes of product. Disruption to the supply chain such as time critical delays, failure or dispute with key suppliers or other events of disruption could have a material adverse impact on the Group's financial performance.

- **Regulatory factors:** The Group requires a range of licences, permits and accreditations/certifications relating to food standards, animal welfare, workers compensation and the environment in order to continue operating successfully. Inability to secure or retain these regulatory approvals, or amendments or revoking of these approvals could have an adverse effect on the Group's financial performance. Ongoing compliance with laws and regulations in the countries in which the Group operates, and ability to comply with changes to these laws and regulations are material to the Group's business. Failure to do so would have a material adverse impact on the Group.
- **Transformation projects:** Project Accelerate involves material capital investment and is expected to deliver cost savings and efficiencies to the business in future periods. Delays in the project or cost overruns, in addition to realised results differing from estimates, may negatively impact the Group's financial performance compared to management's forecasts.
- **Material increase in input costs:** There have been recent actual and forecast increases in a number of input costs such as utilities and grain commodities, during these periods of high cost inflation the availability of commodities can become scarce. While the Group has a range arrangements cost pass through arrangements in place with customers, especially in respect of feed prices, there may be instances where the Group is not able to pass through, or is delayed from passing through, increases in these resulting in the potential risk of margin erosion.
- **Reputation or brand damage:** Ingham's reputation and the value associated with its quality of products and brands could be impacted by a number of factors including: quality issues with Ingham's products or a failure to supply quality products; the occurrence of an animal welfare event due to the failure of Ingham's or third parties it engages to follow Ingham's strict animal welfare policies and procedures; the actions of contractors and their employment practices or a breach of environmental legislation.
- **Material fluctuations in poultry supply and pricing:** There are a number of suppliers of chicken products in Australia and New Zealand. Any material increase in the supply of chicken in these markets that exceeds the increase in demand could lead to an oversupply of chicken, which may result in reduced prices and negatively affect Ingham's results or operations and financial performance. There are a number of suppliers of chicken products in Australia and New Zealand. Any material increase in the supply of chicken in these markets that exceeds the increase in demand could lead to an oversupply of chicken, which may result in reduced prices and negatively affect Ingham's results or operations and financial performance.

## Strategy and future prospects

The Group's vision is to become a world-class food company by delivering high quality products and services to its customers at the lowest cost. This vision is supported by a clear strategy based around our key strategic pillars. These pillars and current actions are:

- **Quality in all that we do:** Remains the focus of our production processes, product development and customer interactions. The Group continues to look outside Australasia and leverage international best practice including recruitment of staff and executives.
- **High performance culture:** Our leaders are developing engagement action plans following on from our 2019 engagement survey where we saw strong levels of engagement throughout the business. At a group level our focus areas is in three areas; the increased use of multiple communication channels to engage our team members at all levels; continuing to improve the opportunities to collaborate throughout the organization; and diversifying the ways we recognise and reward our many passionate and professional employees. This is supported through an accelerated focus on building our leaders capabilities.
- **Delivering for our customers:** Focus on extending supply contracts with key customers to ensure we deliver to customer expectations and can effectively plan the network of the future.
- **Improve returns and invest for future growth:** Property sales continued in FY19 with the sale of non-core assets and business units, which allowed for the deployment of capital in pursuit of growth objectives.
- **World class operations & build capability:** We have continued to invest in our capability including automation initiatives across our primary and further processing, farming and hatchery facilities, upgrades to our IT infrastructure and continued investment in enhancing skills and capability across the business.

# DIRECTORS' REPORT

For the year ended 29 June 2019

## LETTER FROM THE CHAIRMAN OF THE PEOPLE & REMUNERATION COMMITTEE

Dear Shareholder,

I am pleased to present our Remuneration Report for 2019 summarising Ingham's remuneration strategy, and outcomes for Executive Key Management Personnel (Executive KMP) and Non-Executive Directors.

This year there have been significant changes to our Executive KMP and senior leadership team which we believe will position Ingham's for future growth. On 18 October 2018 the Board appointed US food and poultry industry veteran Jim Leighton as CEO and Managing Director. Andrew Reeves and Rob Gordon have also joined the Board. Together with Jim they provide significant depth and experience across key areas of Poultry, Food Manufacturing, Agriculture, Feed and Grains and Fast Moving Consumer Goods, through their tenure as leaders of prominent international food and beverage businesses. As previously announced Mick McMahon and Joel Thickins have left the Board and we thank them for their service to the Board and the overall organisation.

Jim has rejuvenated the Executive leadership team through the appointment of:

- Chief Financial Officer – Gary Mallett (due to commence on 21 October 2019). Gary has over 30 years' experience across senior finance roles with ASX listed companies; and
- Chief Executive Officer New Zealand – Jonathan Gray. Jonathan has over 11 years' experience with Ingham's, most recently as Director of Sales and Marketing in both Australian and New Zealand respectively.

Jim Leighton, Gary Mallett and Jonathan Gray will be designated as Executive KMP.

Other recent appointments to the senior leadership team include Tim Singleton – Chief Operating Officer, Grant Kerswell – Chief People Officer, Chris Croese – Chief Sales Officer, Seb Brandt – Chief Marketing Officer, Anne-Marie Mooney – Feed Business Director and Katherine Balding – Technical Services Director. The new Executive KMP and senior leadership team will strengthen our capability to achieve our growth agenda for the future as part of our 2020 – 2025 strategy.

As a result of these changes, the following Executive KMP departed the business during the year: Ian Brannan (Chief Financial Officer), Janelle Cashin (Chief Operating Officer), Quinton Hildebrand (Chief Commercial Officer) and Adrian Revell (Managing Director – NZ). In addition, the following senior leaders departed the business during the year business: Omega Abaldonado (General Manager – People and Performance) and Julia Seddon (General Manager – Corporate Affairs). We wish all of our former Executive KMP and senior leaders well for the future.

### Key outcomes on FY19 remuneration

1. The Short Term Incentive (STI) Plan criteria for Executive KMP including the CEO/MD, was not met for FY19 and will not be paid.
2. The performance hurdles for the Long Term Incentive (LTI) Plan for FY17 were met for both relative TSR and EPS. The outcome is that approximately 97.4% of performance rights have vested. Further details are outlined in section 6B on page 42.
3. The treatment of performance rights under the LTI Plan for former Executive KMP is outlined in section 7B on page 46.

### Future remuneration changes

Under the new leadership structure, which underpins and supports the 2020 – 2025 strategy, the Board wants to strengthen the alignment between executive pay and shareholder interests by re-designing the remuneration framework:

1. Short Term Incentive Plan:
  - We are evolving our STI measures to a balanced scorecard approach, with a mix of financial and non-financial objectives, maintaining gateways for safety and quality. For FY20, we will be maintaining the existing scheme and will be socialising and sharing our new approach for full implementation from FY21.
2. Management Recognition Incentive
  - While the gateways for the FY19 STIP were not met the Board chose to recognise the significant progress made by the new Group CEO and Managing Director (Jim Leighton) and recently appointed CEO of NZ (Jonathan Gray) against key strategic milestones. For the Group CEO these were the progress made against the development of a new 5 year strategy with deliverables and metrics and the development and implementation of a new organisational structure to enable strategy execution. For the CEO NZ it was the completion of an internal strategic review and the significant progress made following that review. In recognition of the above, the Board have approved a Management Recognition Incentive for Jim Leighton and Jonathan Gray. The incentive is an offer of 3 year restricted shares to a maximum face value of 40% of the foregone STIP (at target; pro-rata for Jim Leighton).



### 3. Long Term Incentive Plan

- We are reviewing whether the Total Shareholder Return (TSR) measure for the LTI Plan is the most appropriate measurement for FY20 and future years, including consideration of other metrics. An alternate measure is to be determined.

### 4. Non-Executive Director Remuneration

- We have agreed to introduce fees of \$10,000 per annum for participation as Committee Members from FY20. This change remains within the cap approved by shareholders at the last AGM. There will be no other changes to the Chairman, Non-Executive Director or Committee Chair fees.

On behalf of the Board, we invite you to read the Report and we look forward to receiving your feedback at the 2019 AGM.

Yours faithfully,



Helen Nash  
**Chair, People and Remuneration Committee**

## REMUNERATION REPORT (AUDITED)

### Contents

- 1 Remuneration report overview
- 2 How remuneration is governed
- 3 Overview of executive remuneration
- 4 Overview of Non-Executive Director remuneration
- 5 Overview of company performance
- 6 Performance and executive remuneration outcomes in FY19
- 7 Statutory and share based reporting

### 1 Remuneration report overview

The information provided in the Remuneration Report has been audited as required by section 308 (3c) of the *Corporations Act 2001*.

This report covers Non-Executive Directors and Executive Key Management Personnel of Ingham's who are responsible for determining and executing the business strategy. The Executive KMP includes the CEO/MD, CFO and CEO New Zealand as well as the Non-Executive Directors.

Executive KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of Ingham's.

# DIRECTORS' REPORT

For the year ended 29 June 2019

## REMUNERATION REPORT (AUDITED)

### 1 Remuneration report overview (continued)

The table below outlines the Non-Executive Directors of Ingham's and their movement during FY19:

Name	Position	Terms as NED
<b>Non-Executive Directors</b>		
Peter Bush	Non-Executive Chairman	Full financial year
Rob Gordon	Non-Executive Director	From 11 Apr 2019
Ricky Lau	Non-Executive Director	Full financial year
Jackie McArthur	Non-Executive Director	Full financial year
Helen Nash	Non-Executive Director	Full financial year
Linda Bardo Nicholls AO	Non-Executive Director	Full financial year
Andrew Reeves	Non-Executive Director	From 14 Jan 2019
Joel Thickins	Non-Executive Director	To 31 Dec 2018

The tables below outline the KMP of Ingham's and their movement during FY19:

Current KMP	Position	Terms as KMP
<b>Executive directors</b>		
Jim Leighton	Chief Executive Officer/Managing Director	From 14 November 2018
<b>Senior executives</b>		
Jonathan Gray <sup>1</sup>	Chief Executive Officer, New Zealand	Full financial year
Ian Brannan <sup>2</sup>	Chief Financial Officer	Full financial year

Former KMP	Position	Terms as KMP
<b>Executive directors</b>		
Mick McMahon <sup>3</sup>	Chief Executive Officer/Managing Director	To 18 October 2018
<b>Senior executives</b>		
Janelle Cashin	Chief Operating Officer	To 20 May 2019
Quinton Hildebrand <sup>4</sup>	Chief Commercial Officer	To 31 May 2019
Adrian Revell <sup>5</sup>	Managing Director, New Zealand	To 31 October 2018

- (1) Jonathan Gray was the Sales and Marketing Director Australia until 31 October 2018. On 1 November 2018 Jonathan was appointed to the role of Chief Executive Officer, New Zealand.
- (2) Ian Brannan ceased being an Executive KMP on 30 June 2019. Gary Mallett has been appointed as Chief Financial Officer and KMP commencing on 21 October 2019.
- (3) Mick McMahon was the Chief Executive Officer/Managing Director until 22 August 2018. From 23 August until 18 October 2018 he was on garden leave and was not required to perform duties.
- (4) Quinton Hildebrand was appointed to the role of Acting Chief Executive Officer from 23 August 2018 to 13 November 2018. Quinton's substantive role was made redundant and was placed on garden leave from 31 May 2019 to 22 August 2019.
- (5) Adrian Revell ceased being an Executive KMP on 31 October 2018, however continues to be available in an advisory capacity until 31 March 2020.

## 2 How remuneration is governed

### A. Remuneration decision making

The Board, People and Remuneration Committee and management work together to apply our remuneration principles and ensure our strategy supports sustainable shareholder value.

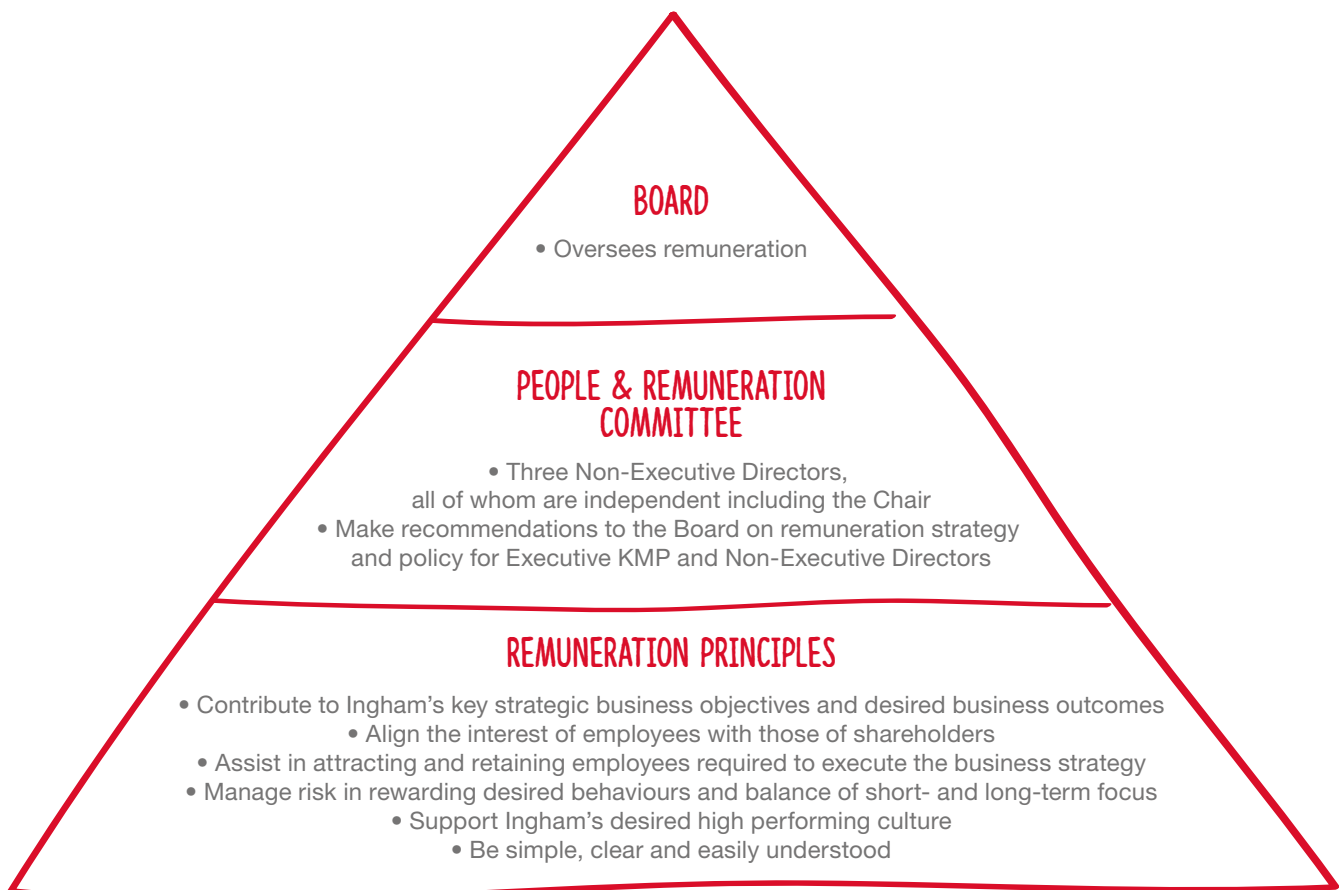
Ingham's has several policies to support a strong governance framework. These policies include a Diversity Policy, Disclosure Policy and Securities Dealing Policy, and they have been implemented to promote responsible management and conduct. Further information is available at: <http://investors.ingham.com.au>.

The Committee's Charter allows the Committee access to specialist external advice about remuneration structure and levels, which it intends to utilise periodically in support of its remuneration decision making process.

During the financial year, the Committee engaged KPMG and Mercer to provide benchmarking data on performance and Non-Executive Director remuneration. Fees paid to Mercer were \$10,000 and fees paid to KPMG were \$20,000. The People and Remuneration Committee Chair and the Board were satisfied the information received was independent and free from undue influence.

We are confident that the provisions enable appropriate Board discretion to ensure we only reward where it is appropriate to do so.

The following diagram represents Ingham's remuneration decision making framework:





# DIRECTORS' REPORT

For the year ended 29 June 2019

## REMUNERATION REPORT (AUDITED)

### 3 Overview of executive remuneration

#### A. How we determine executive remuneration policies and structures

The remuneration framework is designed to attract, motivate and retain high performing executives, reward the achievement of strategic objectives and link pay to shareholder, community and consumer interests. The key principles supporting Ingham's remuneration framework are:

Principle	Objective	Application
<b>Competitive Remuneration</b>	Reward Executives competitively for their contributions to Ingham's success, balancing regulatory compliance and community expectations with investor aspirations	<ul style="list-style-type: none"> <li>Total remuneration is based on the Executive's capabilities and experience</li> <li>Remuneration is benchmarked against an appropriate comparator group of companies within the S&amp;P/ASX 200 index excluding financial, mining and real estate sectors</li> <li>The Board approves recommendations on total remuneration package</li> </ul>
<b>Performance Driven</b>	Executives are rewarded for achieving business outcomes that support sustainable growth in shareholder wealth	<ul style="list-style-type: none"> <li>Variable rewards are intended to provide a robust link between remuneration outcomes and key drivers of long-term shareholder value</li> <li>Variable rewards are designed to motivate strong performance against short-term and long-term performance measures</li> </ul>

#### B. Our executive remuneration policies and structures

Ingham's Executive KMP remuneration consists of fixed remuneration, short-term incentives and long-term incentives in the form of performance rights (Rights).

Ingham's Executive KMP remuneration includes both fixed and variable components. Variable rewards consist of short and long-term incentives that are based on the Group performance outcomes.

Non-Executive Directors do not have a variable performance related component to their remuneration, hence none of their remuneration is at risk.

The graphs below set out the remuneration mix for the CEO/MD and Executive KMP at Ingham's in FY19, illustrating the fixed and variable proportions of remuneration at target and maximum levels:

## REMUNERATION REPORT (AUDITED)

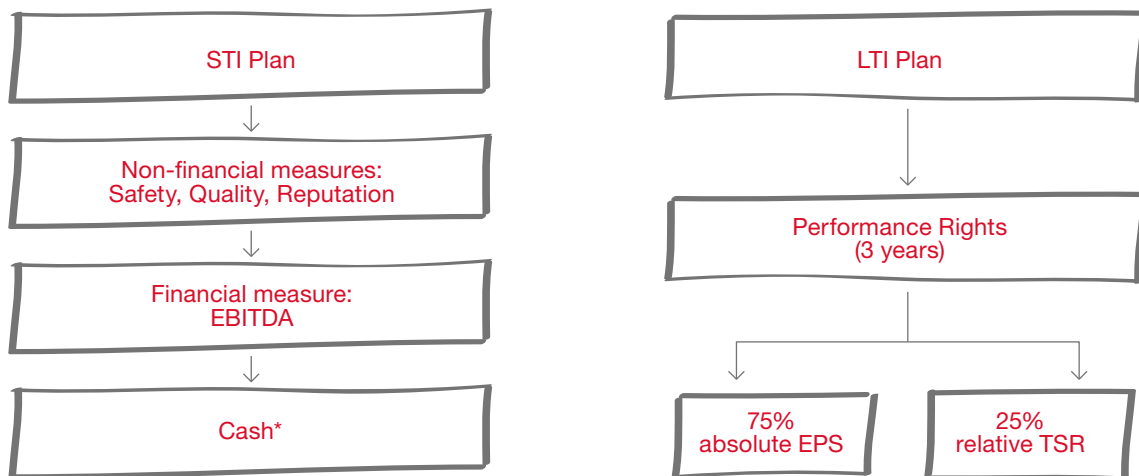
### 3 Overview of executive remuneration (continued)

#### B. Our executive remuneration policies and structures (continued)

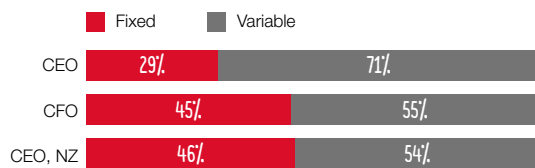
### FIXED REMUNERATION



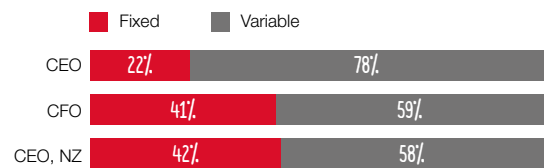
### VARIABLE REMUNERATION



#### ON TARGET REM MIX



#### REM MIX AT MAXIMUM REWARD



\* with the exception of CEO/MD STI award: 50% is paid as cash and the other 50% is applied to purchase Inghams Group Limited shares and held in escrow for a period of three (3) years.

# DIRECTORS' REPORT

For the year ended 29 June 2019

## REMUNERATION REPORT (AUDITED)

### 3 Overview of executive remuneration (continued)

#### C. Elements of remuneration Fixed remuneration

Fixed remuneration is comprised of base salary, salary sacrificed items and employer superannuation contributions, in line with statutory obligations.

Fixed remuneration is reviewed annually taking into consideration:

- Performance and experience in role
- Organisational level
- Role and responsibilities
- Impact on the business
- Commercial outputs
- Market benchmarking
- Recognition of desired behaviours; and
- Risk management

#### Short Term Incentive (STI) Plan

The STI Plan provides the Executive KMP and other senior members of the management team a cash or cash/equity incentive where specific outcomes have been achieved in the financial year. STI payments are calculated as a percentage of base salary or fixed remuneration as per contractual arrangements and conditional on achieving performance objectives against non-financial measures and the Group's performance target.

Ingham's financial performance is measured by the Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). EBITDA has been assessed as the most suitable measure of financial performance for the STI due to its expected alignment to the generation of cash earnings for Ingham's and its shareholders.

The following table outlines the key features of the FY19 STI Plan, granted to the Executive KMP on 17 October 2018:

Term	Description																		
<b>Objective</b>	To reward participants for achieving strategic business objectives aligned to forecasts for FY19.																		
<b>Participants</b>	All Executives and selected senior management																		
<b>Performance Period</b>	Financial year ending 29 June 2019																		
<b>Opportunity</b>	<table border="1"> <thead> <tr> <th>Executive KMP</th> <th>On Target</th> <th>Stretch</th> </tr> </thead> <tbody> <tr> <td>CEO/MD<sup>1</sup></td> <td>100% of Fixed Remuneration<sup>2</sup></td> <td>150% of Fixed Remuneration</td> </tr> <tr> <td>CEO NZ</td> <td>50% Base Salary<sup>3</sup></td> <td>75% of Base Salary</td> </tr> <tr> <td>CFO</td> <td>50% of Base Salary</td> <td>75% of Base Salary</td> </tr> <tr> <td>Former KMP: CCO and Acting CEO</td> <td>75% of Base Salary</td> <td>100% of Base Salary</td> </tr> <tr> <td>Former KMP: CCO, MD NZ</td> <td>50% of Base Salary</td> <td>75% of Base Salary</td> </tr> </tbody> </table>	Executive KMP	On Target	Stretch	CEO/MD <sup>1</sup>	100% of Fixed Remuneration <sup>2</sup>	150% of Fixed Remuneration	CEO NZ	50% Base Salary <sup>3</sup>	75% of Base Salary	CFO	50% of Base Salary	75% of Base Salary	Former KMP: CCO and Acting CEO	75% of Base Salary	100% of Base Salary	Former KMP: CCO, MD NZ	50% of Base Salary	75% of Base Salary
Executive KMP	On Target	Stretch																	
CEO/MD <sup>1</sup>	100% of Fixed Remuneration <sup>2</sup>	150% of Fixed Remuneration																	
CEO NZ	50% Base Salary <sup>3</sup>	75% of Base Salary																	
CFO	50% of Base Salary	75% of Base Salary																	
Former KMP: CCO and Acting CEO	75% of Base Salary	100% of Base Salary																	
Former KMP: CCO, MD NZ	50% of Base Salary	75% of Base Salary																	
	(1) CEO/MD's STI award: 50% is paid as cash and the other 50% is applied to purchase Inghams Group Limited shares and held in escrow for a period of three (3) years.																		
	(2) Fixed Remuneration includes the value of superannuation (as required in accordance with superannuation guarantee legislation).																		
	(3) Base Salary refers to Fixed Remuneration less superannuation.																		

## REMUNERATION REPORT (AUDITED)

### 3 Overview of executive remuneration (continued)

#### C. Elements of remuneration Fixed remuneration (continued)

##### Short Term Incentive (STI) Plan (continued)

Term	Description								
<b>Performance Measures</b>	<p>The Board reviews the performance objectives against non-financial measures of safety, quality and reputation before approving the proportion and amount of the incentive that is determined by the Group's financial performance target: EBITDA. The non-financial measures ensure the business prioritises community and consumer expectations for ensuring the safety of our employees and our products and to maintain our reputation as a high-quality food producer.</p> <p>EBITDA performance is measured at three levels:</p> <table border="1"> <thead> <tr> <th></th> <th>Full Year Target</th> </tr> </thead> <tbody> <tr> <td>Threshold</td> <td>\$208.0 million</td> </tr> <tr> <td>Target</td> <td>\$213.0 million</td> </tr> <tr> <td>Stretch</td> <td>\$223.0 million</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• A minimum (threshold) level of EBITDA performance is required for any STI payments to be made</li> <li>• A straight-line method operates between threshold and target, and between target and stretch</li> <li>• FY19 payments were determined on 52 week financial year EBITDA as assessed by the Board in its sole discretion.</li> </ul>		Full Year Target	Threshold	\$208.0 million	Target	\$213.0 million	Stretch	\$223.0 million
	Full Year Target								
Threshold	\$208.0 million								
Target	\$213.0 million								
Stretch	\$223.0 million								
<b>Payment Method</b>	<p>Participants receive a cash payment following the end of the performance year, with the exception of CEO/MD.</p> <p>CEO/MD's STI award: 50% is paid as cash and the other 50% is applied to purchase Inghams Group Limited shares and held in escrow for a period of three (3) years.</p>								

##### Long Term Incentive (LTI) Plan

###### FY17 and FY18 LTI Offers

The FY17 and FY18 LTI offers were made under the plan to the members of the Ingham's executive team. 75% of the offer is subject to Ingham's EPS performance and 25% are subject to a TSR performance condition. The offer is tested at the end of the performance period, being FY19 and FY20 respectively.

The FY17 LTI vested at the end of the three year performance period, which ended on 30 June 2019, with 97.4% of performance rights vesting. This was subject to confirmation that performance targets were met. The EPS CAGR outcome was 8.8%, which was between the target and maximum target levels. The relative TSR performance outcome was 73.5%, as verified by an independent party – Mercer Consulting (Australia) Pty Ltd. The comparator group for the TSR calculation was the constituents of the S&P/ASX 200 Index, excluding companies classified as financial, mining and resources, including Real Estate Investment Trusts, established at 7 November 2016. This comparator group did not take into account new entrants or those that have departed the S&P/ASX 200 since 7 November 2016. In future years consideration will be given to these new entrants and departures for assessing TSR. The FY17 LTIP vesting outcomes are explained further at section 6B.



# DIRECTORS' REPORT

For the year ended 29 June 2019

## REMUNERATION REPORT (AUDITED)

### 3 Overview of executive remuneration (continued)

#### C. Elements of remuneration Fixed remuneration (continued)

##### FY19 LTI Offer

The table below outlines the key terms of the FY19 LTI Offer under the Plan:

#### Inghams Group Limited Equity Incentive Plan (LTI Offer)

Term	Description
<b>Eligibility to participate in LTI Offer</b>	<ul style="list-style-type: none"> <li>Offers may be made at the Board's discretion to employees of the Ingham's Group or any other person that the Board determines to be eligible to receive a grant under the Plan</li> <li>The 2019 LTI Offer has been made to the following current KMP:               <ul style="list-style-type: none"> <li>– Jim Leighton (CEO/MD)</li> <li>– Jonathan Gray (CEO, NZ)</li> </ul> </li> </ul>
<b>Offers under the Plan</b>	<ul style="list-style-type: none"> <li>The LTI Offer is a grant of performance rights</li> </ul>
<b>Grant of Rights</b>	<ul style="list-style-type: none"> <li>A Right entitles the participant to acquire a Share for nil consideration at the end of the performance period, subject to meeting specific performance conditions. The Board retains the discretion to make a cash payment to participants on vesting of the Rights in lieu of an allocation of shares.</li> </ul>
<b>Quantum of Rights</b>	<p>The face value of the LTI Offer is \$6.6 million.</p> <p>Jim Leighton was granted Rights with a maximum face value of \$1.9 million. Other participating members of senior management were granted Rights with a cumulative face value of \$4.7 million.</p> <ul style="list-style-type: none"> <li>The final number of Rights awarded to each participant was calculated by dividing the face value of their LTI award by \$3.681 being the volume weighted average price (VWAP) of Ingham's shares traded on the ASX in the 10 days after 22 August 2018 (i.e. the announcement of Ingham's FY18 annual results).</li> </ul>
<b>Performance period</b>	The performance period commenced on 1 July 2018 and ends on 30 June 2021.

## REMUNERATION REPORT (AUDITED)

### 3 Overview of executive remuneration (continued)

#### C. Elements of remuneration Fixed remuneration (continued)

##### FY19 LTI Offer (continued)

Term	Description																				
<b>Performance conditions</b>	<p>Rights granted as part of the LTI Offer will vest at the end of the performance period, subject to meeting the performance conditions.</p> <p>The performance conditions are:</p> <ul style="list-style-type: none"> <li>75% of the Rights are subject to a performance condition based on Ingham's absolute EPS over the performance period (EPS Component); and</li> <li>The remaining 25% of the Rights are subject to a relative total shareholder return (TSR) performance condition, measured over the performance period (TSR Component). Ingham's relative TSR will be benchmarked against an appropriate comparator group of companies within the S&amp;P/ASX200 index excluding financing, mining and real estate sectors.</li> </ul> <p><b>EPS Component</b></p> <ul style="list-style-type: none"> <li>For any Rights in the EPS Component to vest, a threshold target must be achieved (as set out below). The percentage of Rights comprising the EPS Component that vest, if any, will be determined over the performance period by reference to the following vesting schedule:</li> </ul> <table border="1"> <thead> <tr> <th>Ingham's EPS over the performance period</th> <th>% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than threshold</td> <td>Nil</td> </tr> <tr> <td>Equal to threshold</td> <td>50%</td> </tr> <tr> <td>Greater than threshold up to maximum target</td> <td>Straight line pro rata vesting between 50% and 100%</td> </tr> <tr> <td>At or above maximum target</td> <td>100%<sup>(1)</sup></td> </tr> </tbody> </table> <p>(1) For Jim Leighton, where the maximum EPS target is exceeded, 144% of performance rights shall vest.</p> <ul style="list-style-type: none"> <li>Threshold and maximum targets will be set annually by the Board at the start of each financial year, with vesting of the EPS Component based on achievement against these targets over the 3 year performance period.</li> </ul> <p><b>TSR Component</b></p> <ul style="list-style-type: none"> <li>The percentage of Rights comprising the TSR Component that vest, if any, will be based on Ingham's TSR ranking over the performance period, as set out in the following vesting schedule:</li> </ul> <table border="1"> <thead> <tr> <th>Ingham's TSR rank in the Relevant Comparator Group</th> <th>% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>Nil</td> </tr> <tr> <td>At 50th percentile (threshold performance)</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Straight line pro rata vesting between 50% and 100%</td> </tr> <tr> <td>At 75th percentile or above</td> <td>100%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Performance will not be re-tested if the performance conditions are not satisfied at the end of the performance period. Any Rights that remain unvested at the end of the performance period will lapse immediately.</li> </ul>	Ingham's EPS over the performance period	% of Rights that vest	Less than threshold	Nil	Equal to threshold	50%	Greater than threshold up to maximum target	Straight line pro rata vesting between 50% and 100%	At or above maximum target	100% <sup>(1)</sup>	Ingham's TSR rank in the Relevant Comparator Group	% of Rights that vest	Less than 50th percentile	Nil	At 50th percentile (threshold performance)	50%	Between 50th and 75th percentile	Straight line pro rata vesting between 50% and 100%	At 75th percentile or above	100%
Ingham's EPS over the performance period	% of Rights that vest																				
Less than threshold	Nil																				
Equal to threshold	50%																				
Greater than threshold up to maximum target	Straight line pro rata vesting between 50% and 100%																				
At or above maximum target	100% <sup>(1)</sup>																				
Ingham's TSR rank in the Relevant Comparator Group	% of Rights that vest																				
Less than 50th percentile	Nil																				
At 50th percentile (threshold performance)	50%																				
Between 50th and 75th percentile	Straight line pro rata vesting between 50% and 100%																				
At 75th percentile or above	100%																				
<b>Voting and dividend entitlements</b>	The Rights granted under the LTI Offer do not carry dividend or voting rights prior to vesting. Shares allocated upon vesting of Rights carry the same dividend and voting rights as other Shares.																				

# DIRECTORS' REPORT

For the year ended 29 June 2019

## REMUNERATION REPORT (AUDITED)

### 3 Overview of executive remuneration (continued)

#### C. Elements of remuneration Fixed remuneration (continued)

##### FY19 LTI Offer (continued)

Term	Description
<b>Restrictions on dealing</b>	<p>Participants must not sell, transfer, encumber, hedge or otherwise deal with the Rights comprising the LTI Offer unless the Board allows it or the dealing is required by law.</p> <p>Participants will be free to deal with the Shares allocated on vesting of the Rights comprising the LTI Offer, subject to the requirements of the Ingham's Securities Dealing Policy.</p>
<b>Cessation of employment</b>	<p>If the participant ceases employment for cause or due to their resignation, unless the Board determines otherwise, any unvested Rights will automatically lapse. The Board has the discretion to designate a "good leaver", whereby Rights will not automatically lapse.<sup>1</sup></p> <p>In all other circumstances, the Rights will be pro-rated (based on the proportion of the performance period that has elapsed) and remain on foot and subject to the original performance conditions, unless the Board exercises a discretion to treat them otherwise.</p> <p>(1) In relation to the cessation of employment of Mick McMahon, the Board exercised its discretion to treat him as a "good leaver" for the purposes of the FY17 LTI. In relation to the FY18 LTI, the Board exercised its discretion to allow the Rights to be pro-rated and remain on foot and subject to the original performance conditions.</p>
<b>Clawback and preventing inappropriate benefits</b>	<p>Under the Plan rules and the terms of the LTI Offer, the Board has clawback powers which it may exercise, including among other things:</p> <ul style="list-style-type: none"> <li>• The participant has acted fraudulently or dishonestly, has engaged in gross misconduct, brought Ingham's, the Ingham's Group or any Ingham's Group company into disrepute or breached their obligations to the Ingham's Group, or Ingham's is required by or entitled under law or Ingham's policy to reclaim remuneration from the participant;</li> <li>• There is a material misstatement or omission in the accounts of an Ingham's Group company; or</li> <li>• The participant's entitlements vest or may vest as a result of fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the Rights would not have otherwise vested.</li> </ul>

#### Executive employment agreements

Key terms of the Executive Service Agreements for the CEO/MD and other Executive KMP members are presented in the table below:

Executive KMP	Position	Contract duration	Notice Period	Termination payments applicable
Jim Leighton	CEO/MD	4 years from commencement date	12 months	12 months fully paid
Jonathan Gray	CEO, NZ	Unlimited	6 months	6 months fully paid

#### Loans to Key Management Personnel

Jonathan Gray received a NZD \$350K non-interest bearing loan in September 2018 in conjunction with his relocation to New Zealand. The loan is to be repaid no later than 31 December 2019. The Company is holding shares owned by Jonathan in escrow as security over the loan. As it is a non-interest bearing loan, the difference between market interest rates and 0% interest represents a benefit to Jonathan Gray.

## REMUNERATION REPORT (AUDITED)

### 4 Overview of non-executive director remuneration

The details of fees paid to Non-Executive Directors in FY19 are outlined in section 7 of this Remuneration Report. Non-Executive Directors' fees were fixed and they did not receive any performance based remuneration.

The table below outlines the fee structure for Non-Executive Directors in FY19 (inclusive of superannuation as applicable). The annual aggregate fee pool for Non-Executive Directors is capped at \$2.0m. Board and committee fees inclusive of statutory superannuation contributions are included in this aggregate fee pool.

Board fees		FY19
Chairman		\$350,000 (no additional committee fees)
Non-Executive Director		\$140,000

Committee fees		
Audit and Risk	Chair	\$20,000
People and Remuneration	Chair	\$20,000
Nomination	Chair	–

Non-Executive Directors do not receive additional fees for participation as committee members.

### 5 Overview of company performance

	FY19 Actual	FY19 Underlying	FY18 Actual	FY18 Underlying	FY17 Actual	FY17 Pro forma	FY16 Actual	FY16 Pro forma	FY15 Actual	FY15 Pro forma
Revenue (\$'m)	2,489.8	2,478.8	2,373.9	2,341.4	2,373.8	2,383.9	2,308.7	2,308.7	2,273.8	2,271.9
EBITDA (\$'m)	242.2	208.6	212.0	202.7	160.3	195.0	106.6	167.5	301.7	114.5
Profit after tax (\$'m)	126.2	103.2	114.6	108.0	59.1	102.0	25.2	83.1	146.9	51.7
Dividends per year (cents per share)	19.5	19.5	21.1	21.1	2.6	2.6	–	–	–	–
Return of capital (cents per share)	33.0	33.0	–	–	–	–	–	–	–	–
Movement in share price post-IPO (cents per share)	87.0	–	67.0	–	23.0	–	n/a	n/a	n/a	n/a

### 6 Performance and executive remuneration outcomes in FY19

#### A. Performance against STI measures

##### Performance against FY19 STI Plan

'At target' performance against EBITDA and non-financial KPI's as identified under the STI Plan were not met in the period.

Executive KMP	STI target – \$	STI target	Maximum STI	STI portion earned – \$	Forfeit against STI maximum	Forfeited %
Jim Leighton <sup>1</sup>	941,096	100%	150%	–	1,411,644	150%
Jonathan Gray	259,853	50%	75%	–	389,780	75%
Ian Brannan	375,000	50%	75%	–	562,500	75%

(1) Jim Leighton's STI was offered on a pro-rata basis according to a commencement date of 14 November 2018.

No Short Term Incentive (STI) will be paid for the FY19 reporting period.



# DIRECTORS' REPORT

For the year ended 29 June 2019

## REMUNERATION REPORT (AUDITED)

### 6 Performance and executive remuneration outcomes in FY19 (continued)

#### B. Performance against LTI measures

##### LTI vesting outcomes

The FY17 LTI scheme vested on 30 June 2019. The EPS performance was between threshold and maximum target and the TSR ranking was between the 50th and 75th percentile.

These outcomes determined an EPS-based vesting of 97.5% and a TSR-based vesting of 97%. This resulted in a total of 97.4% of performance rights vesting that will be converted to shares during FY20.

#### C. Actual remuneration earned by key management personnel

The actual remuneration earned by Executive KMP's in FY19 and FY18 are set out below. This information is considered to be relevant as it provides shareholders with a view of the remuneration actually 'paid' to executives in FY19 for performance and the value of LTIs that vested during the period, some of which remain under escrow post-IPO. This differs from the remuneration details prepared in accordance with statutory obligations and accounting standards from page 44 of this report, as those details include the values of performance rights that have been awarded, but which may or may not vest.

		Fixed remuneration \$000	STI <sup>1</sup> \$000	Total Cash \$000	Other short term benefits \$000	LTI vested <sup>2</sup> \$000	Long term benefits <sup>3</sup> \$000	Total actual remuneration earned \$000
<b>Non-Executive Directors</b>								
Peter Bush	2019	350	-	350	-	-	-	350
	2018	350	-	350	-	-	-	350
Rob Gordon	2019	31	-	31	-	-	-	31
	2018	-	-	-	-	-	-	-
Ricky Lau	2019	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-
Jackie McArthur	2019	140	-	140	-	-	-	140
	2018	110	-	110	-	-	-	110
Helen Nash	2019	160	-	160	-	-	-	160
	2018	160	-	160	-	-	-	160
Linda Bardo Nicholls, AO	2019	160	-	160	-	-	-	160
	2018	160	-	160	-	-	-	160
Andrew Reeves	2019	58	-	58	-	-	-	58
	2018	-	-	-	-	-	-	-
Joel Thickins	2019	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-
<b>Sub-total Non-Executive Directors' Actual Remuneration</b>	2019	899	-	899	-	-	-	899
	2018	780	-	780	-	-	-	780
<b>Chief Executive Officers</b>								
Mick McMahon	2019	572	1,500	2,072	-	1,149	(79)	3,142
	2018	1,500	1,500	3,000	-	-	23	3,023
Jim Leighton	2019	951	-	951	53	-	6	1,010
	2018	-	-	-	-	-	-	-
<b>Sub-total Directors' Actual Remuneration</b>	2019	2,422	1,500	3,922	53	1,149	(73)	5,051
	2018	2,280	1,500	3,780	-	-	23	3,803

## REMUNERATION REPORT (AUDITED)

### 6 Performance and executive remuneration outcomes in FY19 (continued)

#### C. Actual remuneration earned by key management personnel (continued)

		Fixed remuneration \$000	STI <sup>1</sup> \$000	Total Cash \$000	Other short term benefits \$000	LTI vested <sup>2</sup> \$000	Long term benefits <sup>3</sup> \$000	Total actual remuneration earned \$000
<b>Senior Executives</b>								
Ian Brannan	2019	737	375	1,112	–	663	12	1,787
	2018	771	375	1,146	–	–	11	1,157
Janelle Cashin	2019	651	343	994	–	221	11	1,226
	2018	705	240	945	–	–	11	956
Quinton Hildebrand	2019	852	297	1,149	–	221	(26)	1,344
	2018	717	208	925	–	–	10	935
Adrian Revell	2019	144	203	347	–	221	2	570
	2018	426	145	571	–	–	6	577
Jonathan Gray	2019	535	237	772	86	221	(24)	1,055
	2018	526	166	692	–	–	8	700
<b>Sub-total Senior Executives' Actual Remuneration</b>	2019	<b>2,919</b>	<b>1,455</b>	<b>4,374</b>	<b>86</b>	<b>1,547</b>	<b>(25)</b>	<b>5,982</b>
	2018	3,145	1,134	4,279	–	–	46	4,325
<b>Total Actual Remuneration</b>	2019	<b>5,341</b>	<b>2,955</b>	<b>8,296</b>	<b>139</b>	<b>2,696</b>	<b>(98)</b>	<b>11,033</b>
	2018	5,425	2,634	8,059	–	–	69	8,128

(1) STI paid during the financial year. The amount disclosed for FY19 reflects the STI paid in FY19 for FY18 performance.

(2) At grant date fair value of LTI that vested during the financial year.

(3) Value of changes to employee long term benefit balances in the year.

# DIRECTORS' REPORT

For the year ended 29 June 2019

## REMUNERATION REPORT (AUDITED)

### 7 Statutory and share-based reporting

#### A. Director & Executive KMP remuneration for the year ended 29 June 2019

The following tables of Director & Executive KMP remuneration has been prepared in accordance with accounting standards and the *Corporations Act 2001* requirements, for the period from 1 July 2018 to 29 June 2019. Performance related remuneration is calculated as FY18 STI bonus, IPO bonus and share options share based payment expense.

	Year	Short-Term Benefits				Long Term/ Post-Employment Benefits	Termin- ation Benefits	Share-Based Payments \$	Total Remun- eration	Perform- ance Related		
		Salary and Fees \$000	STI Bonus \$000	Non- Monetary \$000	Reloc- ation expense \$000	Super- annuation \$000	Long Service Leave \$000	\$000	Share option (equity settled) \$000	Other equity settled <sup>1</sup> \$000	\$000	\$000
<b>Non-Executive Directors</b>												
Peter Bush	2019	330	-	-	-	20	-	-	-	-	350	-
	2018	330	-	-	-	20	-	-	-	-	350	-
Rob Gordon	2019	28	-	-	-	3	-	-	-	-	31	-
	2018	-	-	-	-	-	-	-	-	-	-	-
Ricky Lau	2019	-	-	-	-	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-	-	-	-	-
Jackie McArthur	2019	128	-	-	-	12	-	-	-	-	140	-
	2018	101	-	-	-	9	-	-	-	-	110	-
Helen Nash	2019	146	-	-	-	14	-	-	-	-	160	-
	2018	146	-	-	-	14	-	-	-	-	160	-
Linda Bardo Nicholls, AO	2019	146	-	-	-	14	-	-	-	-	160	-
	2018	146	-	-	-	14	-	-	-	-	160	-
Andrew Reeves	2019	53	-	-	-	5	-	-	-	-	58	-
	2018	-	-	-	-	-	-	-	-	-	-	-
Joel Thickins	2019	-	-	-	-	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal Non-Executive Directors' Remuneration</b>	2019	831	-	-	-	68	-	-	-	-	899	-
	2018	723	-	-	-	57	-	-	-	-	780	-
<b>Chief Executive Officers</b>												
Mick McMahon	2019	381	-	-	-	7	(79)	224	715	-	1,248	715
	2018	1,480	1,500	-	-	20	23	-	705	-	3,728	2,205
Jim Leighton	2019	937	-	-	53	14	6	-	383	64	1,457	447
	2018	-	-	-	-	-	-	-	-	-	-	-
<b>Total Executive Directors' Remuneration</b>	2019	1,318	-	-	53	21	(73)	224	1,098	64	2,705	1,162
	2018	1,480	-	-	-	20	23	-	705	-	3,728	2,205

(1) Management recognition incentive

## REMUNERATION REPORT (AUDITED)

### 7 Statutory and share-based reporting (continued)

#### A. Director & Executive KMP remuneration for the year ended 29 June 2019 (continued)

	Year	Short-Term Benefits				Long Term/ Post-Employment Benefits	Termin- ation Benefits	Share-Based Payments \$		Total Remun- eration	Perform- ance Related	
		Salary and Fees \$000	STI Bonus \$000	Non- Monetary \$000	Reloc- ation expense \$000	Super- annuation \$000	Long Service Leave \$000	\$000	Share option (equity settled) \$000	Other equity settled <sup>1</sup> \$000	\$000	\$000
<b>Senior Executives</b>												
Ian Brannan	2019	716	-	-	-	20	12	-	196	-	944	196
	2018	751	375	-	-	20	11	-	309	-	1,466	684
Janelle Cashin	2019	653	-	-	-	20	11	-	(2)	-	682	(2)
	2018	685	343	-	-	20	12	-	170	-	1,230	513
Quinton Hildebrand	2019	830	-	-	-	22	(26)	1,125	11	-	1,962	11
	2018	692	297	-	-	25	10	-	157	-	1,181	454
Adrian Revell	2019	133	-	-	-	10	2	-	215	-	360	215
	2018	396	207	-	-	31	6	-	133	-	773	340
Jonathan Gray	2019	504	-	-	86	32	(24)	-	320	23	941	343
	2018	506	237	-	-	20	8	-	139	-	910	376
<b>Total Executives Remuneration</b>	2019	2,836	-	-	86	104	(25)	1,125	740	23	4,889	763
	2018	3,030	1,459	-	-	116	47	-	908	-	5,560	2,367
<b>Total Directors' and Executive Officers' Remuneration</b>	2019	4,985	-	-	139	193	(98)	1,349	1,838	87	8,493	1,925
	2018	5,233	2,959	-	-	193	70	-	1,613	-	10,068	4,572

(1) Management recognition incentive



# DIRECTORS' REPORT

For the year ended 29 June 2019

## REMUNERATION REPORT (AUDITED)

### 7 Statutory and share-based reporting (continued)

#### B. Options and rights awarded, vested and lapsed during the year

The table below discloses the number of share options and performance rights granted, vested or lapsed during the year. Performance rights do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

		No. of Rights awarded during the year	Award date	Fair value per right at grant date (\$) <sup>1</sup>	Vesting date	Value of rights granted during the year (\$000)	No. rights vested during the year	No. rights lapsed/forfeited during the year
Mick McMahon	<b>FY19</b>	–	–	–	–	–	<b>463,631</b>	<b>(223,434)</b>
	FY18	421,870	6 November 2017	3.56	30 June 2020	1,500	–	–
Jim Leighton	<b>FY19</b>	<b>506,862</b>	<b>4 December 2018</b>	<b>3.06</b>	<b>30 June 2021</b>	<b>1,866</b>	–	–
		<b>49,915</b>	<b>6 December 2018</b>	<b>Note 2</b>	<b>Note 2</b>	<b>164</b>	–	–
	FY18	–	–	–	–	–	–	–
Ian Brannan	<b>FY19</b>	<b>142,624</b>	<b>5 November 2018</b>	<b>3.06</b>	<b>30 June 2021</b>	<b>525</b>	<b>258,974</b>	<b>(326,413)</b>
		<b>57,014</b>	<b>6 December 2018</b>	<b>Note 2</b>	<b>Note 2</b>	<b>187</b>	–	–
	FY18	147,654	6 November 2017	3.56	30 June 2020	525	–	–
Janelle Cashin	<b>FY19</b>	<b>142,624</b>	<b>5 November 2018</b>	<b>3.06</b>	<b>30 June 2021</b>	<b>525</b>	<b>86,325</b>	<b>(321,757)</b>
		<b>38,439</b>	<b>6 December 2018</b>	<b>Note 2</b>	<b>Note 2</b>	<b>125</b>	–	–
	FY18	147,654	6 November 2017	3.56	30 June 2020	525	–	–
Quinton Hildebrand	<b>FY19</b>	<b>209,182</b>	<b>5 November 2018</b>	<b>3.06</b>	<b>30 June 2021</b>	<b>770</b>	<b>86,325</b>	<b>(373,168)</b>
		<b>42,979</b>	<b>6 December 2018</b>	<b>Note 2</b>	<b>Note 2</b>	<b>141</b>	–	–
	FY18	127,967	6 November 2017	3.56	30 June 2020	445	–	–
Adrian Revell	<b>FY19</b>	–	–	–	–	–	<b>86,325</b>	<b>(11,688)</b>
		<b>18,814</b>	<b>6 December 2018</b>	<b>Note 2</b>	<b>Note 2</b>	<b>50</b>	–	–
	FY18	93,121	6 November 2017	3.56	30 June 2020	331	–	–
Jonathan Gray	<b>FY19</b>	<b>111,023</b>	<b>5 November 2018</b>	<b>3.06</b>	<b>30 June 2021</b>	<b>409</b>	<b>86,325</b>	<b>(2,327)</b>
		<b>30,694</b>	<b>6 December 2018</b>	<b>Note 2</b>	<b>Note 2</b>	<b>100</b>	–	–
	FY18	102,374	6 November 2017	3.56	30 June 2020	364	–	–

(1) Fair value per right is a weighted average of rights values under the EPS and TSR portion of the awards

(2) These rights relate to the top up grants to Executive KMP as a result of the capital return carried out. These were approved at the EGM on 6 December 2018, and vest progressively from 30 June 2019 to 30 June 2021 in line with the underlying grants that were topped up.

#### C. Shares issued on exercise of options

29 June 2019	Shares issued No.	Average paid per share \$
Mick McMahon	–	–
Ian Brannan	–	–
Janelle Cashin	–	–
Quinton Hildebrand	–	–
Adrian Revell	–	–
Jonathan Gray	–	–

## REMUNERATION REPORT (AUDITED)

### 7 Statutory and share-based reporting (continued)

#### D. Option/Performance rights holdings of Directors and KMP

	Balance 1 July 2018	Granted as remuneration	Options exercised	Net Change Other <sup>1</sup>	Balance 29 June 2019	Vested at 29 June 2019	
						Exercisable	Not exercisable
Mick McMahon	3,934,782	–	–	(3,260,156)	674,626	463,691	–
Jim Leighton	–	556,777	–	–	556,777	–	–
Ian Brannan	1,947,787	199,638	–	(1,888,451)	258,974	258,974	–
Janelle Cashin	227,019	181,063	–	(321,757)	86,325	86,325	–
Quinton Hildebrand	657,332	252,161	–	(823,168)	86,325	86,325	–
Adrian Revell	662,486	18,814	–	(501,688)	179,612	86,325	–
Jonathan Gray	461,739	141,717	–	(82,327)	521,129	86,325	200,000
<b>Total</b>	<b>7,891,145</b>	<b>1,350,170</b>	<b>–</b>	<b>(6,877,547)</b>	<b>2,363,768</b>	<b>1,067,965</b>	<b>200,000</b>

(1) Represents treasury share movements and forfeited rights.

#### E. Shareholdings of Directors and KMP

	Balance 1 July 2018	Granted as remuneration	On exercise of options	Net change Other	Balance 29 June 2019	Balance 29 June 2019 (inclusive of vested treasury shares)
<b>Non-Executive Directors</b>						
Peter Bush	158,730	–	–	–	158,730	158,730
Rob Gordon	–	–	–	–	–	–
Ricky Lau <sup>1</sup>	–	–	–	–	–	–
Jackie McArthur	15,000	–	–	2,264	17,264	17,264
Helen Nash	–	–	–	14,003	14,003	14,003
Linda Bardo Nichollos, AO	26,096	–	–	4,423	30,519	30,519
Andrew Reeves	–	–	–	–	–	–
Joel Thickins <sup>2</sup>	–	–	–	–	–	–
<b>Chief Executive Officers</b>						
Mick McMahon	323,810	–	–	(323,810)	–	108,016
Jim Leighton	–	–	–	–	–	–
Quinton Hildebrand	–	–	–	–	–	–
<b>Senior Executives</b>						
Ian Brannan	161,904	–	–	551,880	713,784	713,784
Janelle Cashin	560,000	–	–	(550,000)	10,000	10,000
Quinton Hildebrand	–	–	–	200,000	200,000	200,000
Jonathan Gray	–	–	–	–	–	280,000
Adrian Revell	–	–	–	–	–	–
<b>Total</b>	<b>1,245,540</b>	<b>–</b>	<b>–</b>	<b>(101,240)</b>	<b>1,144,300</b>	<b>1,532,316</b>

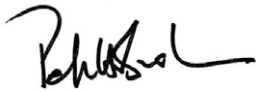
(1) A related TPG entity of these directors sold 50,000,000 shares during the year.

(2) A related TPG entity of these directors sold 50,000,000 shares during the year.

# DIRECTORS' REPORT

For the year ended 29 June 2019

Signed in accordance with a resolution of the directors made pursuant to s298(2) of the *Corporations Act 2001*.



**Peter Bush**  
Non-Executive Chairman

Sydney  
27 August 2019



**Linda Bardo Nicholls, AO**  
Non-Executive Director

# AUDITOR'S INDEPENDENCE DECLARATION



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Inghams Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Inghams Group Limited for the financial year ended 29 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature of the KPMG representative, appearing as 'KPMG' in a cursive script.

A handwritten signature in cursive script, which appears to be 'Julie Cleary'.

KPMG

Julie Cleary

*Partner*

Sydney

27 August 2019

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



# CONSOLIDATED INCOME STATEMENT

For the year ended 29 June 2019

	<i>Notes</i>	52 weeks ended 29 June 2019 \$000	52 weeks ended 30 June 2018 \$000
<b>Revenue</b>	4	2,489,800	2,373,900
<b>Other income</b>	5(a)	49,700	19,400
<b>Expenses</b>			
Cost of sales		(2,047,400)	(1,936,900)
Distribution		(152,000)	(145,700)
Administration and selling		(144,900)	(144,200)
<b>Operating profit</b>		<b>195,200</b>	<b>166,500</b>
<b>Finance income and costs</b>			
Finance income		3,400	3,800
Finance costs		(19,700)	(19,000)
<b>Net finance costs</b>	5(c)	(16,300)	(15,200)
Share of net profit associate	24	200	100
<b>Profit before income tax</b>		<b>179,100</b>	<b>151,400</b>
Income tax expense	6(a)	(52,900)	(36,800)
<b>Profit for the year attributable to: Owners of Inghams Group Limited</b>		<b>126,200</b>	<b>114,600</b>
Basic EPS (cents per share)	27	33.79	30.81
Diluted EPS (cents per share)	27	33.22	30.44

The above consolidated income statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 29 June 2019

	Notes	52 weeks ended 29 June 2019 \$000	52 weeks ended 30 June 2018 \$000
<b>Profit for the year</b>		126,200	114,600
<b>Other comprehensive income</b>			
<i>Items that have been reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges		(1,700)	1,700
Tax on changes in fair value of cash flow hedges		500	(500)
<b>Total items that have subsequently been reclassified to profit or loss</b>		(1,200)	1,200
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations	19(a)	6,300	(3,900)
Changes in the fair value of cash flow hedges	19(a)	(6,600)	1,700
Tax on changes in fair value of cash flow hedges	19(a)	2,000	(500)
<b>Total items that may subsequently be reclassified to profit or loss</b>		1,700	(2,700)
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of land and buildings		8,100	–
Tax on revaluation of land and buildings		(1,000)	–
<b>Total items that will not be reclassified to profit or loss</b>		<b>7,100</b>	<b>–</b>
<b>Total comprehensive income for the year, attributable to: Owners of Inghams Group Limited</b>		133,800	113,100

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 29 June 2019

	Notes	29 June 2019 \$000	30 June 2018 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	134,500	273,700
Trade and other receivables	8	214,600	197,300
Biological assets	9	124,200	117,900
Inventories	10	166,700	145,900
Assets classified as held for sale	11	21,400	16,500
Derivative financial instruments	16	–	3,300
<b>Total current assets</b>		<b>661,400</b>	<b>754,600</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	418,400	384,300
Investments accounted for using the equity method	24	1,800	1,800
<b>Total non-current assets</b>		<b>420,200</b>	<b>386,100</b>
<b>Total assets</b>		<b>1,081,600</b>	<b>1,140,700</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	360,700	313,100
Current tax liability		21,400	21,000
Provisions	15	84,400	90,300
Derivative financial instruments	16	3,100	500
<b>Total current liabilities</b>		<b>469,600</b>	<b>424,900</b>
<b>Non-current liabilities</b>			
Trade and other payables	13	10,600	2,500
Borrowings	14	398,300	419,100
Provisions	15	23,900	24,100
Derivative financial instruments	16	4,300	–
Deferred tax liabilities	6(c)	10,400	9,100
<b>Total non-current liabilities</b>		<b>447,500</b>	<b>454,800</b>
<b>Total liabilities</b>		<b>917,100</b>	<b>879,700</b>
<b>Net assets</b>		<b>164,500</b>	<b>261,000</b>
<b>EQUITY</b>			
Contributed equity	17(a)	109,100	263,600
Reserves	19(a)	35,100	24,900
Retained earnings/(Accumulated losses)		20,300	(27,500)
<b>Total equity</b>		<b>164,500</b>	<b>261,000</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 29 June 2019

Attributable to owners of Inghams Group Limited

	Notes	Contributed Equity \$000	Retained Earnings/ (Accumulated losses) \$000	Asset revaluation reserve \$000	Other reserves \$000	Total Equity \$000
<b>Balance at 1 July 2017</b>		<b>262,000</b>	<b>(88,500)</b>	<b>16,700</b>	<b>26,300</b>	<b>216,500</b>
Profit for the year		–	114,600	–	–	114,600
Other comprehensive income		–	–	–	(1,500)	(1,500)
Transfer to retained earnings	19(a)	–	11,900	(11,900)	–	–
<b>Total comprehensive income</b>		<b>–</b>	<b>126,500</b>	<b>(11,900)</b>	<b>(1,500)</b>	<b>113,100</b>
<b>Transactions with owners of the Company</b>						
Dividends provided for or paid	18	1,600	(72,200)	–	–	(70,600)
Transfer to retained earnings	17	–	6,700	–	(6,700)	–
Share based payment expense	19(a)	–	–	–	2,000	2,000
		<b>1,600</b>	<b>(65,500)</b>	<b>–</b>	<b>(4,700)</b>	<b>(68,600)</b>
<b>Balance at 30 June 2018</b>		<b>263,600</b>	<b>(27,500)</b>	<b>4,800</b>	<b>20,100</b>	<b>261,000</b>
<b>Balance at 1 July 2018</b>		<b>263,600</b>	<b>(27,500)</b>	<b>4,800</b>	<b>20,100</b>	<b>261,000</b>
AASB 9 Adoption*		–	(800)	–	–	(800)
<b>As at 1 July 2018</b>		<b>263,600</b>	<b>(28,300)</b>	<b>4,800</b>	<b>20,100</b>	<b>260,200</b>
Profit for the year		–	126,200	–	–	126,200
Other comprehensive income	19(a)	–	–	7,100	500	7,600
Transfer to retained earnings		–	500	(500)	–	–
<b>Total comprehensive income</b>		<b>–</b>	<b>126,700</b>	<b>6,600</b>	<b>500</b>	<b>133,800</b>
<b>Transactions with owners of the Company</b>						
Capital Return	17	(125,500)	–	–	–	(125,500)
Share Buyback	17	(36,400)	–	–	–	(36,400)
Dividends provided for or paid	18	–	(78,100)	–	–	(78,100)
Amounts paid for escrowed shares	17	7,400	–	–	–	7,400
Share based payment expense	19(a)	–	–	–	3,100	3,100
		<b>(154,500)</b>	<b>(78,100)</b>	<b>–</b>	<b>3,100</b>	<b>(229,500)</b>
<b>Balance at 29 June 2019</b>		<b>109,100</b>	<b>20,300</b>	<b>11,400</b>	<b>23,700</b>	<b>164,500</b>

\* AASB 9 change relates to an increase in the provision for doubtful debts as a result of adopting this standard.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 29 June 2019

	Notes	52 weeks ended 29 June 2019 \$000	52 weeks ended 30 June 2018 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		2,559,000	2,471,900
Payments to suppliers and employees (inclusive of GST)		(2,349,100)	(2,209,900)
<b>Cash flows from operating activities</b>		<b>209,900</b>	<b>262,000</b>
Interest received		3,400	3,200
Lease incentives		8,000	–
Income taxes paid		(50,900)	(26,200)
<b>Net cash generated from operating activities</b>	21	<b>170,400</b>	<b>239,000</b>
<b>Cash flows from investing activities</b>			
Capital expenditure (inclusive of third party spend)		(74,100)	(60,500)
Property purchases		(39,100)	–
Third party capital expenditure recovered		7,000	–
Proceeds from sale of assets held for sale		82,100	68,000
Dividends received from investments		–	300
Deposit paid on new projects		(9,000)	(2,500)
<b>Net cash from investing activities</b>		<b>(33,100)</b>	<b>5,300</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(20,000)	(30,000)
Dividends paid		(77,100)	(70,600)
Repayment of capital		(124,500)	–
Share buyback		(36,400)	–
Interest and finance charges paid		(20,200)	(17,700)
<b>Net cash from financing activities</b>		<b>(278,200)</b>	<b>(118,300)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(140,900)</b>	<b>126,000</b>
Cash and cash equivalents at the beginning of the financial year		273,700	149,000
Effects of exchange rate changes on cash and cash equivalents		1,700	(1,300)
<b>Cash and cash equivalents at end of year</b>	7	<b>134,500</b>	<b>273,700</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 1 CORPORATE INFORMATION

The financial statements of Inghams Group Limited and its subsidiaries (collectively, the Group) for the 52 week year ended 29 June 2019 (comparative period was 52 weeks ended 30 June 2018) were authorised for issue in accordance with a resolution of the directors on 27 August 2019. Inghams Group Limited (the Company) is a for-profit company limited by shares incorporated in Australia.

The registered office and principle place of business of Inghams Group Limited is:

Level 4  
1 Julius Avenue  
North Ryde NSW 2113  
Australia

The principal activities of the Group during the year consisted of the production and sale of chicken and turkey products across its vertically integrated primary, free range, value enhanced, further processed and by products categories. Additionally, stockfeed is produced primarily for internal use but also for the poultry, equine, pig and dairy industries.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

From 1 July 2018 the Group adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. There has been an increase in the provision for doubtful debts as a result of the adoption of AASB 9. There are no material impacts to the financial report as a result of the adoption of AASB 15. The changes to significant accounting policies are described in the remainder of note 2.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

#### (i) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment – measured at fair value.
- Assets held for sale – measured at the lower of cost (including revaluation adjustments where applicable), or fair value less cost of disposal.

#### (ii) Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

- Fair value determination of freehold land and buildings – note 12;
- The determination of workers compensation provision – note 15; and
- Fair value of options granted under the long term incentive scheme, as determined at grant date – note 20.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### (iii) Adoption of accounting standards

The Group has adopted new and revised Standards and Interpretations issued by the AASB that are relevant to operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations have not had a material impact on the Group for full year ended 29 June 2019. The following Standards, amendments to Standards and Interpretations that are not mandatory for 29 June 2019 reporting and have not been applied by the Group in this Financial Report are set out below:

#### AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. For lessee accounting, the standard eliminates the 'operating lease' and 'finance lease' classifications required by AASB 117 *Leases*. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short term leases of 12 months or less, and leases of low value assets (such as personal computers and office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and as estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For classification within the statement of cash flows, the lease payments will be separated into both a principal (financial activities) and interest (either operating or financing activities) components. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (a) Basis of preparation (continued)

#### (iii) Adoption of accounting standards (continued)

##### AASB 16 Leases (continued)

The Group plans to apply AASB 16 initially on 30 June 2019, using the modified retrospective approach. Therefore, the cumulative effect on adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 30 June 2019, with no restatement of comparative information. The Group has assessed the estimated impact of the initial adoption of AASB 16. Based on the information currently available, the Group estimates that it will recognise additional lease liabilities and corresponding 'right-of-use' assets of \$1.8b – \$1.9b as at 30 June 2019.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries and the results of all subsidiaries for the year ended 29 June 2019.

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, 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 included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

#### (ii) Joint Ventures

The Group's interests in equity-accounted investees comprise interests in a joint venture. Interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Inghams Group Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at period end exchange rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in consolidated income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

#### (iii) Group companies

The results and financial position of foreign operations of the Group (none of which has the currency of a hyperinflationary economy), that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for the statement of financial position are translated at the closing rate at balance date,
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates, and
- All resulting exchange differences are recognised in other comprehensive income.

#### (iv) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities:

#### (i) Sale of goods

A sale is recorded when goods have been dispatched to a customer pursuant to a sales order and control of the goods has passed to the carrier or customer.

#### (d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (d) Income tax (continued)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

#### *Tax consolidation legislation*

Inghams Group Limited, the ultimate Australian controlling entity, and its subsidiaries, have implemented the tax consolidation legislation.

Inghams Group Limited and its subsidiaries in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Inghams Group Limited, the ultimate Australian controlling entity, also recognises the current tax liabilities (or assets) and the deferred tax assets

arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated Group.

Assets or liabilities arising under tax funding arrangements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Under the tax funding arrangement the members of the tax consolidated Group compensate Inghams Group Limited for any current tax payable assumed, and are compensated by Inghams Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Inghams Group Limited.

### (e) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

### (f) Impairment of assets

Assets are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term and highly liquid investments with maturities of three months or less from inception date, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are generally collected within 30 days of invoice date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is calculated using an expected credit losses provision matrix. The provision matrix is based on the Group's historical observed default rates, adjusted for forward looking estimates. The historical observed default rates are updated to reflect current and forecast credit conditions on each reporting date. Provisions for specific receivables are recognised in addition to the general provision originating from the expected credit losses matrix.

The amount of the provision is recognised in the consolidated income statement within selling expenses.

### (i) Biological assets

Biological assets are recognised at cost less accumulated depreciation. The fair value of biological assets cannot be reliably measured, as quoted market prices are not available and it is difficult to estimate the fair value based on the eventual sales price. Depreciation of breeder chickens occurs on an egg-laying basis with the depreciation representing a portion of the egg cost and subsequently the day old broiler cost.

Biological assets are reclassified as inventory once processed.

### (j) Inventories

Poultry, feed and other classes of inventories are stated at the lower of cost and net realisable value. Cost comprises all overheads except selling, distribution, general administration and interest. Net realisable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the necessary costs to make the sale.

### (k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (i) Financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available for sale (AFS) financial assets

##### *Financial assets at fair value through profit or loss*

This category generally applies to derivative financial instruments. For more information on derivative financial instruments, refer to Note 16.

##### *Loans and receivables*

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 8.

##### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Group has transferred substantially all the risks and rewards of the asset, or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### (ii) Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (k) Financial instruments (continued)

#### (ii) Financial liabilities (continued)

##### *Derecognition*

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 derecognition 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.

#### (iii) 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.

### (l) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group 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.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 16. Movements in the hedging reserve in shareholders' equity are shown in note 19(a). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

#### (i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the comprehensive income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps and hedging fixed rate borrowings is recognised in the comprehensive income statement within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in comprehensive income statement within other income or other expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the period to maturity using a recalculated effective interest rate.

#### (ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in comprehensive income statement within other income or other expense.

Amounts accumulated in equity are reclassified to the comprehensive income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

The Group may also enter into derivative contracts in order to hedge the translation of results of its New Zealand business. As this result is an uncertain amount at the date the derivative is entered into, it is not eligible for designation as a hedging instrument under Australian Accounting Standards, and as such any applicable contracts are measured at fair value through profit or loss, with gains or losses being recognised in profit or loss in the period incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (m) Property, plant and equipment

Freehold land and buildings are shown at fair value based on formal periodic valuations (with sufficient regularity to ensure materially accurate valuations reflected) by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Freehold land and buildings and leasehold buildings	3 – 50 years
Plant and equipment	1 – 20 years
Leased plant and equipment	5 – 15 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

As asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### (n) Assets classified as held for sale

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. Assets are not depreciated or amortised while they are classified as held for sale.

### (o) Investments

Investments in subsidiaries and joint venture entities are accounted for at cost. Dividends received from subsidiaries and joint venture entities are recognised in the parent entity's profit, rather than being deducted from the carrying amount of these investments.

### (p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (q) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

### (r) Provisions

Provisions for make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (r) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Workers compensation provisions are determined by actuarial assessment every financial period. The provision represents the expected liability of the entity in relation to each states self-insurance licence.

### (s) Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is presented as provision for employee benefits. All other short term employee benefit obligations are presented as payables.

#### (ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

#### (iii) Share-based payments

Share-based compensation benefits are provided to directors and select key management under Long Term Incentive Plans.

The fair value of shares granted under Long Term Management Incentive Plans are recognised as an employee benefits expense with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the shares. The total amount to be expensed is determined by reference to the fair value of the shares granted,

which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting condition.

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Where such adjustments results in a reversal of previous expenses these are recognised as a credit to profit and loss in the period that it is assessed that certain vesting conditions will not be met.

#### (iv) Short term incentive scheme

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the earnings of the entity after certain adjustments.

#### (t) Contributed equity

Ordinary shares are classified as equity.

#### (u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### (v) Good and Services Tax (GST)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

#### (w) Rounding of amounts

The amounts contained in the financial report have been rounded to the nearest hundred thousand dollars (where rounding is applicable) where noted (\$000), or in certain cases, the nearest dollar, under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies.

#### (x) Parent entity financial information

The financial information for the parent entity, Inghams Group Limited, has been prepared on the same basis as the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 3 SEGMENT INFORMATION

### Description of segments

Ingham's operations are all conducted in the poultry industry in Australia and New Zealand.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO and the senior leadership team (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Group's operations in Australia and New Zealand are each treated as individual operating segments. The CEO and the senior leadership team monitor the operating results of business units separately, for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on earnings before interest, tax, depreciation and amortisation (EBITDA) and significant items. Inter-segment pricing is determined on an arm's length basis and inter segment revenue is generated from a royalty charge for the services provided by the Australian operation.

One customer generated revenues in excess of 10% of Group revenue (2018: one).

Allocations of assets and liabilities are not separately identified in internal reporting so are not disclosed in this note.

	Australia Jun 2019 \$000	New Zealand Jun 2019 \$000	Consolidated Jun 2019 \$000
Poultry revenue	1,946,200	310,500	2,256,700
Feed revenue	163,200	69,900	233,100
Other Income	49,700	–	49,700
Inter segment revenue/expense	18,100	(18,100)	–
	2,177,200	362,300	2,539,500
Adjusted operating expenses*	(1,964,300)	(333,200)	(2,297,500)
Share of net profit of associate	200	–	200
<b>EBITDA</b>	<b>213,100</b>	<b>29,100</b>	<b>242,200</b>
Depreciation and amortisation			(46,800)
<b>EBIT</b>			<b>195,400</b>
Net finance costs			(16,300)
<b>Profit before tax</b>			<b>179,100</b>

\* Adjusted operating expenses include cost of sales, distribution, selling and administration, excluding depreciation and amortisation.

	Australia \$000	New Zealand \$000	Consolidated \$000
Total capital expenditure	66,100	10,300	76,400
Total property, plant and equipment	338,600	79,800	418,400
Total impairment losses	12,900	100	13,000



### 3 SEGMENT INFORMATION (CONTINUED)

	Australia Jun 2018 \$000	New Zealand Jun 2018 \$000	Consolidated Jun 2018 \$000
Poultry	1,817,200	300,600	2,117,800
Feed	186,700	69,400	256,100
Other Income	19,400	–	19,400
Inter segment revenue/expense	22,800	(22,800)	–
	2,046,100	347,200	2,393,300
Adjusted operating expenses*	(1,871,000)	(310,400)	(2,181,400)
Share of net profit of associate	100	–	100
<b>EBITDA</b>	<b>175,200</b>	<b>36,800</b>	<b>212,000</b>
Depreciation and amortisation			(45,400)
<b>EBIT</b>			<b>166,600</b>
Net finance costs			(15,200)
<b>Profit before tax</b>			<b>151,400</b>

\* Adjusted operating expenses include cost of sales, distribution, selling and administration, excluding depreciation and amortisation.

	Australia \$000	New Zealand \$000	Consolidated \$000
Capital expenditure	49,600	12,300	61,900
Total property, plant and equipment	316,600	67,700	384,300
Total impairment losses	6,700	300	7,000

### 4 REVENUE

	29 Jun 2019			30 Jun 2018		
	Australia \$000	New Zealand \$000	Total \$000	Australia \$000	New Zealand \$000	Total \$000
Poultry	1,946,200	310,500	2,256,700	1,817,200	300,600	2,117,800
Feed	163,200	69,900	233,100	186,700	69,400	256,100
	<b>2,109,400</b>	<b>380,400</b>	<b>2,489,800</b>	<b>2,003,900</b>	<b>370,000</b>	<b>2,373,900</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 5 OTHER INCOME AND EXPENSES

### (a) Other Income

	2019 \$000	2018 \$000
<b>Other items</b>		
Net gain on disposal of assets held for sale*	49,700	19,400
* Inclusive of profit on sale of Mitavite of \$51.1m		

### (b) Expenses

Employee benefits expenses		
Employee benefits expense	555,700	538,500
Defined super contributions	38,300	37,800
Share-based payment expense	3,100	2,000
	<b>597,100</b>	<b>578,300</b>
<i>Impairment losses</i>		
Trade receivables	200	800
<b>Inventories</b>	<b>12,800</b>	<b>6,200</b>

Impairment losses on trade receivables are recognised within administration and selling expenses, and impairment losses on inventories are recognised within cost of sales.

Property rental expenses related to operating leases	83,000	87,400
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### (c) Finance income and costs

Interest income	(3,400)	(3,800)
Interest and borrowing costs	18,400	18,500
Amortisation/Write off of borrowing costs	300	500
One-off financing costs	1,000	–
	<b>16,300</b>	<b>15,200</b>

## 6 INCOME TAX EXPENSE

### (a) Income tax expense

	2019 \$000	2018 \$000
Current tax	51,400	39,900
Deferred tax	1,500	(3,100)
	<b>52,900</b>	<b>36,800</b>

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense	179,100	151,400
Tax at the Australian tax rate of 30% (2018 – 30%)	53,700	45,400
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	300	1,400
R&D tax offset	(400)	(400)
Reassessment of income losses	–	(3,100)
	53,600	43,300
Net tax differential and legislative adjustment of overseas operations	1,200	(6,000)
Difference in overseas tax rates	(800)	(500)
Adjustments for current tax of prior periods	(1,100)	–
<b>Income tax expense</b>	<b>52,900</b>	<b>36,800</b>

### (c) Deferred taxes

The movements in deferred tax balances for the Group are shown in the tables below:

2019	Opening Balance \$000	Charged to income \$000	Charged to equity \$000	Exchange differences \$000	Closing balance \$000
Doubtful debts	400	200	–	–	600
Employee benefits	21,800	500	–	–	22,300
Cash flow hedges	(1,000)	2,000	1,200	–	2,200
Other accruals	3,400	(2,000)	–	–	1,400
Provisions	2,700	3,800	–	–	6,500
Property, plant and equipment	(4,000)	(3,300)	(1,000)	–	(8,300)
Inventories	(36,900)	(1,200)	–	–	(38,100)
IPO related expenditure	4,500	(1,500)	–	–	3,000
<b>Net deferred tax (liabilities)/assets</b>	<b>(9,100)</b>	<b>(1,500)</b>	<b>200</b>	<b>–</b>	<b>(10,400)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 6 INCOME TAX EXPENSE (CONTINUED)

### (c) Deferred taxes (continued)

2018	Opening Balance \$000	Charged to income \$000	Charged to equity \$000	Exchange differences \$000	Closing balance \$000
Doubtful debts	400	–	–	–	400
Employee benefits	22,500	(700)	–	–	21,800
Cash flow hedges	500	(500)	(1,000)	–	(1,000)
Other accruals	3,400	–	–	–	3,400
Provisions	1,400	1,300	–	–	2,700
Property, plant and equipment	(7,300)	3,300	–	–	(4,000)
Inventories	(37,900)	1,000	–	–	(36,900)
IPO related expenditure	5,800	(1,300)	–	–	4,500
<b>Net deferred tax (liabilities)/assets</b>	<b>(11,200)</b>	<b>3,100</b>	<b>(1,000)</b>	<b>–</b>	<b>(9,100)</b>

## 7 CASH AND CASH EQUIVALENTS

	2019 \$000	2018 \$000
Cash at bank and on hand	119,100	115,300
Short-term deposits	15,400	158,400
	<b>134,500</b>	<b>273,700</b>

Short-term deposits are presented as cash equivalents as they have a maturity of less than three months.

## 8 TRADE AND OTHER RECEIVABLES

	2019 \$000	2018 \$000
Trade receivables	181,100	181,800
Allowance for doubtful debts	(2,300)	(1,500)
	178,800	180,300
Other receivables	6,700	6,800
Prepayments	29,100	10,200
	<b>214,600</b>	<b>197,300</b>

Movement in the allowance for doubtful debts:

<b>At start of period</b>	(1,500)	(1,400)
AASB 9 Adoption	(800)	–
Impairment expense recognised during the year	(200)	(800)
Receivables written off during the year as uncollectable	200	700
<b>Balance at end of period</b>	<b>(2,300)</b>	<b>(1,500)</b>

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

## 8 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group has considered the collectability and recoverability of trade receivables. A provision for doubtful receivables is calculated using an expected credit losses provision matrix. The provision matrix is based on the Group's historical observed default rates, adjusted for forward looking estimates. The historical observed default rates are updated to reflect current and forecast credit conditions on each reporting date. Provisions for specific receivables are recognised in addition to the general provision originating from the expected credit losses matrix.

	2019 \$000	2018 \$000
Current	169,700	174,800
1 to 30	6,700	4,100
31 to 60	600	800
61 to 90	300	–
90+	1,500	600
Impaired	2,300	1,500
	<b>181,100</b>	<b>181,800</b>

## 9 BIOLOGICAL ASSETS

	2019 \$000	2018 \$000
Breeder	42,400	40,300
Broiler	68,300	65,900
Eggs	13,500	11,700
	<b>124,200</b>	<b>117,900</b>

All movements in the value of biological asset classes are due to purchases and consumption in the ordinary course of business.

The Group is exposed to a number of risks relating to its biological assets:

### (i) Regulatory and environmental risk

The Group is subject to laws and regulations in the countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

### (ii) Climate and other risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections. The Group is also insured against natural disasters.

## 10 INVENTORIES

	2019 \$000	2018 \$000
Processed Poultry	98,000	92,800
Feed	40,500	29,900
Other	33,700	28,600
	<b>172,200</b>	<b>151,300</b>
Net realisable value adjustment	(5,500)	(5,400)
	<b>166,700</b>	<b>145,900</b>

Other inventories include medication, packaging and consumables.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 11 ASSETS CLASSIFIED AS HELD FOR SALE

	2019 \$000	2018 \$000
Assets classified as held for sale	21,400	16,500

The carrying amount of assets classified as held for sale in 2019 represents poultry assets currently marketed for sale in Wacol, QLD and East Kurrajong, NSW. The carrying amount of assets classified as held for sale in 2018 represented Wacol, QLD which remains as held for sale and Cardiff, NSW which was sold during 2019.

## 12 PROPERTY, PLANT AND EQUIPMENT

2018	Freehold land \$000	Freehold Buildings \$000	Leasehold buildings \$000	Plant and equipment \$000	Leased plant and equipment \$000	Capital work in progress \$000	Total \$000
<b>Cost</b>							
Opening balance	24,100	22,000	7,500	407,900	9,900	47,100	518,500
Additions	–	–	700	–	–	61,200	61,900
Transfers	300	1,100	3,800	74,500	–	(79,700)	–
Assets held for sale	–	–	–	(16,800)	–	–	(16,800)
Disposals	–	–	–	(1,700)	–	–	(1,700)
Property purchases	–	–	–	15,900	–	–	15,900
Exchange differences	(200)	(400)	(200)	(2,700)	–	(400)	(3,900)
<b>Closing Balance</b>	<b>24,200</b>	<b>22,700</b>	<b>11,800</b>	<b>477,100</b>	<b>9,900</b>	<b>28,200</b>	<b>573,900</b>
<b>Accumulated Depreciation</b>							
Opening balance	–	(200)	(1,100)	(136,900)	(7,500)	–	(145,700)
Depreciation charge	–	(700)	(500)	(43,300)	(900)	–	(45,400)
Assets held for sale	–	–	–	300	–	–	300
Exchange differences	–	–	–	1,200	–	–	1,200
Closing Balance	–	(900)	(1,600)	(178,700)	(8,400)	–	(189,600)
<b>Net Book Value</b>	<b>24,200</b>	<b>21,800</b>	<b>10,200</b>	<b>298,400</b>	<b>1,500</b>	<b>28,200</b>	<b>384,300</b>

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2019	Freehold land \$000	Freehold Buildings \$000	Leasehold buildings \$000	Plant and equipment \$000	Leased plant and equipment \$000	Capital work in progress \$000	Total \$000
<b>Cost</b>							
Opening balance	24,200	22,700	11,800	477,100	9,900	28,200	573,900
Additions	–	–	–	300	–	76,400	76,700
Property purchases	9,400	4,200	–	100	–	–	13,700
Transfers	–	1,400	300	69,900	–	(71,600)	–
Assets held for sale	(8,600)	(3,900)	(100)	(5,100)	–	–	(17,700)
Revaluation	4,900	2,200	–	(600)	–	–	6,500
Disposals	–	–	(100)	(10,300)	–	–	(10,400)
Exchange differences	200	500	200	2,700	–	400	4,000
<b>Closing Balance</b>	<b>30,100</b>	<b>27,100</b>	<b>12,100</b>	<b>534,100</b>	<b>9,900</b>	<b>33,400</b>	<b>646,700</b>
<b>Accumulated Depreciation</b>							
Opening balance	–	(900)	(1,600)	(178,700)	(8,400)	–	(189,600)
Depreciation charge	–	(1,000)	(800)	(44,200)	(800)	–	(46,800)
Assets held for sale	–	100	–	1,700	–	–	1,800
Revaluation	–	900	–	700	–	–	1,600
Disposals	–	–	–	5,800	–	–	5,800
Exchange differences	–	–	–	(1,100)	–	–	(1,100)
<b>Closing Balance</b>	<b>–</b>	<b>(900)</b>	<b>(2,400)</b>	<b>(215,800)</b>	<b>(9,200)</b>	<b>–</b>	<b>(228,300)</b>
<b>Net Book Value</b>	<b>30,100</b>	<b>26,200</b>	<b>9,700</b>	<b>318,300</b>	<b>700</b>	<b>33,400</b>	<b>418,400</b>

The valuation basis of freehold land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. An independent valuation was performed during the year and asset values were adjusted as at 29 June 2019. Had the land and building not been adjusted, the carrying value of freehold land and buildings would have been \$13.7m less at 30 June 2019 (2018: \$5.0m less).

## 13 TRADE AND OTHER PAYABLES

	2019			2018		
	Current \$000	Non-Current \$000	Total \$000	Current \$000	Non-Current \$000	Total \$000
Trade payables	244,900	10,600	255,500	247,000	2,500	249,500
Factored trade payables	94,700	–	94,700	40,100	–	40,100
Other payables	21,100	–	21,100	26,000	–	26,000
	<b>360,700</b>	<b>10,600</b>	<b>371,300</b>	<b>313,100</b>	<b>2,500</b>	<b>315,600</b>

The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short term nature. Factored trade payables have extended payment terms and are interest bearing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 14 BORROWINGS

### (a) Interest bearing loans

	Carrying amount		Principal amount drawn		Interest rate	Maturity
	2019 \$000	2018 \$000	2019 \$000	2018 \$000		
<b>Unsecured liabilities</b>						
Tranche A	–	249,500	–	250,000	Floating*	November 2019
Tranche B	–	169,600	–	170,000	Floating*	November 2020
Tranche A	199,100	–	200,000	–	Floating*	November 2021
Tranche B	199,200	–	200,000	–	Floating*	November 2022
	<b>398,300</b>	<b>419,100</b>	<b>400,000</b>	<b>420,000</b>		

\* Floating rates are at Bank Bill Swap Rate plus a predetermined margin. The Group has entered into hedging of the floating interest rate, as further described in note 23.

### (b) Fair value

For external borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on the borrowings is either close to current market rates or the borrowings are of a short-term nature. The Group has entered into interest rate swaps in relation to the interest payable.

## 15 PROVISIONS

	2019			2018		
	Current \$000	Non-Current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Workers compensation						
Queensland	1,700	3,200	4,900	1,800	4,400	6,200
New South Wales	1,300	3,400	4,700	1,100	3,900	5,000
South Australia	2,000	2,700	4,700	1,500	3,900	5,400
Victoria	2,500	4,800	7,300	2,000	4,600	6,600
Western Australia	800	700	1,500	700	700	1,400
Tasmania	–	100	100	–	100	100
	8,300	14,900	23,200	7,100	17,600	24,700
Employee benefits	68,800	5,500	74,300	68,500	5,500	74,000
Make good	1,400	600	2,000	5,800	1,000	6,800
Onerous contracts	1,500	2,900	4,400	–	–	–
Restructuring	2,800	–	2,800	7,400	–	7,400
Other provisions	1,600	–	1,600	1,500	–	1,500
	76,100	9,000	85,100	83,200	6,500	89,700
	<b>84,400</b>	<b>23,900</b>	<b>108,300</b>	<b>90,300</b>	<b>24,100</b>	<b>114,400</b>

## 15 PROVISIONS (CONTINUED)

### (a) Workers compensation

Workers compensation provisions are determined by actuarial assessment by Mr William Szuch Bsc, BA, MBA, FIA. FIAA Principle of WSA Financial Consulting Pty Limited and Mr Bruce Harris, BEng(Hons) FIAA Consultant of AM actuaries, considering the liability for reported claims still outstanding, settled claims that may be reopened in the future, claims incurred but not reported as at balance date and a provision for future expenses, adjustments for claims cost escalation and investment earnings on the claims provision.

### (b) Make good provision

The Group is required to restore certain leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

### (c) Onerous provision

During the year the Group recognised a provision in recognition of remaining lease term on a building that is not expected to be utilised due to the closure of its Cleveland facility. The provision represents present value of future minimum lease payments. Additionally the provision also includes amounts for terminating supplier contracts where no economic benefits will be realised.

### (d) Restructuring provision

Provisions for restructuring are recognised when a detailed formal plan has been approved and either commenced or a valid expectation has been raised to those persons affected. The provision is based on expenditure to be incurred which is directly caused by the restructuring and does not include costs associated with ongoing activities. The adequacy of the provision is reviewed regularly and adjusted if required. Revisions in the estimated amount of a restructuring provision are reported in the period in which the revision in the estimate occurs.

### (e) Other provisions

The Group recognises a straight line provision on property leases in accordance with accounting standards.

### (f) Movements

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Workers Compensation \$000	Make good provisions \$000	Onerous provision \$000	Restructuring \$000	Other \$000	Total \$000
<b>Balance at 1 July 2017</b>	24,100	9,900	1,800	2,600	–	38,400
Charged to profit or loss	12,000	1,400	–	16,300	1,500	31,200
Amounts used during the period	(11,400)	(4,500)	(1,800)	(11,500)	–	(29,200)
<b>Balance at 30 June 2018</b>	<b>24,700</b>	<b>6,800</b>	<b>–</b>	<b>7,400</b>	<b>1,500</b>	<b>40,400</b>
<b>Balance at 30 June 2018</b>	24,700	6,800	–	7,400	1,500	40,400
Charged to profit or loss	10,400	4,000	19,300	5,900	100	39,700
Amounts used during the period	(11,900)	(8,800)	(14,900)	(10,500)	–	(46,100)
<b>Balance at 29 June 2019</b>	<b>23,200</b>	<b>2,000</b>	<b>4,400</b>	<b>2,800</b>	<b>1,600</b>	<b>34,000</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 16 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	2019			2018		
	Current \$000	Non-Current \$000	Total \$000	Current \$000	Non-Current \$000	Total \$000
<b>Interest rate swap contracts</b>						
– Cash flow hedges (asset)	–	–	–	–	–	–
– Cash flow hedges (liability)	(2,100)	(4,300)	(6,400)	(500)	–	(500)
<b>Forward foreign exchange contracts</b>						
– Cash flow hedges (asset)	–	–	–	3,300	–	3,300
– Cash flow hedges (liability)	(1,000)	–	(1,000)	–	–	–
	<b>(3,100)</b>	<b>(4,300)</b>	<b>(7,400)</b>	<b>2,800</b>	<b>–</b>	<b>2,800</b>

### Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for its cash flow hedges is set out in note 2(l). For hedged forecast transactions that result in the recognition of a non-financial asset, the Group has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

## 17 EQUITY CONTRIBUTED EQUITY

### (a) Share capital

	2019 Shares	2018 Shares	2019 \$000	2018 \$000
Ordinary shares issued	371,679,601	380,243,196	109,100	263,600

### (b) Movements in ordinary shares

	Shares	\$000
<b>Balance at 1 July 2017</b>	380,243,196	262,000
Amounts paid for shares under escrow	–	1,600
<b>Balance at 30 June 2018</b>	<b>380,243,196</b>	<b>263,600</b>
Capital return	–	(125,500)
Share buyback	(8,563,595)	(36,400)
Amounts paid for shares under escrow	–	7,400
<b>Balance at 29 June 2019</b>	<b>371,679,601</b>	<b>109,100</b>

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and to share the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.



## 17 EQUITY CONTRIBUTED EQUITY (CONTINUED)

### (d) Treasury shares

Treasury shares outstanding of 300,000 shares (2018: 8,238,541) are shares in Inghams Group Limited that are held in trust by Ingham 2 Pty Limited, a subsidiary, for the purpose of issuing shares under the employee share scheme. Information relating to the Ingham's Long Term Incentive Plan, including details of shares issued, exercised and lapsed during the financial period and outstanding at the end of the reporting period, is set out in note 20.

## 18 DIVIDENDS

### (a) Ordinary shares

	2019 \$000	2018 \$000
Dividends paid or provided for	78,100	72,200

The directors propose that a final dividend of 10.5 cents per ordinary share be declared on 27 August 2019, and be paid on 9 October 2019. The proposed FY19 final dividend will be fully franked for Australian tax purposes. The financial effect of this dividend has not been brought to account in these consolidated financial statements and will be recognised in subsequent financial reports.

### (b) Franking credits

Amount of Australian franking credits available to the shareholders of Inghams Group Limited	28,400	20,100
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The ability to utilise the franking credits is dependent upon the ability to declare dividends in the future. Franking credits of \$16.0m (2018: \$16.0m) are only available to be used under certain specific circumstances.

## 19 RESERVES

### (a) Other reserves

	2019 \$000	2018 \$000
Asset revaluation reserve	11,400	4,800
Foreign currency translation reserve	14,000	7,700
Cash flow hedge reserve	(4,600)	1,200
Share-based payments reserve	14,300	11,200
	<b>35,100</b>	<b>24,900</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 19 RESERVES (CONTINUED)

### (a) Other reserves (continued)

	2019 \$000	2018 \$000
<b>Movements:</b>		
<i>Asset revaluation reserve</i>		
Balance at beginning of financial period	4,800	16,700
Revaluation gain	8,100	–
Deferred tax	(1,000)	–
Transfer to retained earnings	(500)	(11,900)
<b>Balance at end of the financial year</b>	<b>11,400</b>	<b>4,800</b>
<i>Foreign currency translation reserve</i>		
Balance at beginning of financial period	7,700	11,600
Currency translation differences arising during the period	6,300	(3,900)
<b>Balance at end of the financial year</b>	<b>14,000</b>	<b>7,700</b>
<i>Cash flow hedges reserve</i>		
Balance at beginning of financial period	1,200	(1,200)
Balance reclassified to profit and loss in period	(1,200)	1,200
Revaluation – gross	(6,600)	1,700
Deferred tax	2,000	(500)
<b>Balance at end of the financial year</b>	<b>(4,600)</b>	<b>1,200</b>
<i>Share-based payment reserve</i>		
Balance at beginning of financial period	11,200	9,200
Share based payment expense	3,100	2,000
<b>Balance at end of the financial year</b>	<b>14,300</b>	<b>11,200</b>

### (b) Nature and purpose of other reserves

#### (i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 12. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law. Upon sale of the asset, the balance relating to that asset is transferred to retained earnings.

#### (ii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 2(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

#### (iii) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 2(m). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

#### (iv) Share-based payments

The share-based payments reserve is used to recognise the grant date fair value of shares issued to employees but not vested.

## 20 SHARE-BASED PAYMENTS

### Ingham's Employees Share Plan

Select employees of the Group have been granted an interest-free loan to subscribe to shares of Inghams Group Limited. This loan is non-recourse other than to the shares held by that employee, and the proceeds of the loan must be used to buy shares. As the only recourse on the loans is the shares and there are vesting conditions, the arrangement has been accounted for as share options, as required under accounting standards. These options entitle the holders to receive dividends on ordinary shares of the Company, and these dividends are required to be used to repay the loans described above. The shares vest based on earnings and length of service as follows:

- (a) Performance based – which only vest if certain performance standards are met
- (b) Time based – will vest on each anniversary of the transaction close date.

No options expired during these periods.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	2019		2018	
		Exercise price	Number of options	Exercise price	Number of options
6 December 2018	30 June 2021	–	107,491	–	–
6 December 2018	30 June 2020	–	46,437	–	–
6 December 2018	7 November 2019	–	63,303	–	–
4 December 2018	30 June 2021	–	506,862	–	–
5 November 2018	30 June 2021	–	584,656	–	–
7 November 2017	30 June 2020	–	700,340	–	1,471,413
6 November 2016	7 November 2019	–	1,004,662	–	1,031,745
20 March 2015	19 March 2020	–	–	\$0.81	565,125
20 March 2015	19 March 2020	–	–	\$0.81	1,786,722
19 June 2015	18 June 2020	–	–	\$0.81	812,038
3 July 2015	2 July 2018	–	–	\$0.81	370,370
18 September 2015	17 September 2020	–	–	\$0.81	234,444
14 October 2015	13 October 2020	–	–	\$1.40	250,000
2 November 2015	1 November 2020	–	–	\$1.40	730,000
22 December 2015	21 December 2018	–	–	\$1.40	2,669,842
22 December 2015	21 December 2020	\$1.40	300,000	\$1.40	820,000
			<b>3,313,751</b>		<b>10,741,699</b>

The number of in substance share options granted during the year was Nil (2018: Nil). No (2018: Nil) in substance share options vested during the year, 7,938,541 were exercised and none were forfeited or expired (2018: nil).

The fair value at grant date was determined using an adjusted form of the Black Scholes Model.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 20 SHARE-BASED PAYMENTS (CONTINUED)

### Long Term Incentive Plan for FY19 (LTI Offer)

The table below outlines the key terms of the FY19 LTI Offer under the Plan:

Term	Description										
<b>Eligibility to participate in LTI Offer</b>	<ul style="list-style-type: none"> <li>Offers may be made at the Board's discretion to employees of the Ingham's Group or any other person that the Board determines to be eligible to receive a grant under the Plan</li> <li>The 2019 LTI Offer has been made to the following Ingham's KMP Executives: <ul style="list-style-type: none"> <li>Jim Leighton (CEO/MD)</li> <li>Jonathan Gray (CEO, NZ)</li> </ul> </li> </ul>										
<b>Offers under the Plan</b>	The LTI Offer is a grant of performance rights										
<b>Grant of Rights</b>	A Right entitles the participant to acquire a Share for nil consideration at the end of the performance period, subject to meeting specific performance conditions. The Board retains the discretion to make a cash payment to participants on vesting of the Rights in lieu of an allocation of shares.										
<b>Quantum of Rights</b>	<p>The face value of the LTI Offer is \$6.6 million.</p> <ul style="list-style-type: none"> <li>Jim Leighton was granted Rights with a maximum face value of \$1.9 million. Other participating members of senior management were granted Rights with a cumulative face value of \$4.7 million.</li> <li>The final number of Rights awarded to each participant was calculated by dividing the face value of their LTI award by \$3.681 being the volume weighted average price (VWAP) of Ingham's shares traded on the ASX in the 10 days after 22 August 2018 (i.e. the announcement of Ingham's FY18 annual results).</li> </ul>										
<b>Performance Period</b>	The performance period commenced on 1 July 2018 and ends on 30 June 2021.										
<b>Performance conditions</b>	<p>Rights granted as part of the LTI Offer will vest at the end of the performance period, subject to meeting the performance conditions.</p> <p>The performance conditions are:</p> <ul style="list-style-type: none"> <li>75% of the Rights are subject to a performance condition based on Ingham's absolute EPS over the performance period (EPS Component); and</li> <li>The remaining 25% of the Rights are subject to a relative total shareholder return (TSR) performance condition, measured over the performance period (TSR Component). Ingham's relative TSR will be benchmarked against an appropriate comparator group of companies within the S&amp;P/ASX200 index excluding financing, mining and real estate sectors</li> </ul> <p><b>EPS Component</b></p> <ul style="list-style-type: none"> <li>For any Rights in the EPS Component to vest, a threshold target must be achieved (as set out below). The percentage of Rights comprising the EPS Component that vest, if any, will be determined over the performance period by reference to the following vesting schedule:</li> </ul> <table border="1"> <thead> <tr> <th>Ingham's EPS over the performance period</th> <th>% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than threshold</td> <td>Nil</td> </tr> <tr> <td>Equal to threshold</td> <td>50%</td> </tr> <tr> <td>Greater than threshold up to maximum target</td> <td>Straight line pro rata vesting between 50% and 100%</td> </tr> <tr> <td>At or above maximum target</td> <td>100%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Threshold and maximum targets will be set annually by the Board at the start of each financial year, with vesting of the EPS Component based on achievement against these targets over the 3 year performance period.</li> </ul>	Ingham's EPS over the performance period	% of Rights that vest	Less than threshold	Nil	Equal to threshold	50%	Greater than threshold up to maximum target	Straight line pro rata vesting between 50% and 100%	At or above maximum target	100%
Ingham's EPS over the performance period	% of Rights that vest										
Less than threshold	Nil										
Equal to threshold	50%										
Greater than threshold up to maximum target	Straight line pro rata vesting between 50% and 100%										
At or above maximum target	100%										

## 20 SHARE-BASED PAYMENTS (CONTINUED)

### Long Term Incentive Plan for FY19 (LTI Offer) (continued)

Term	Description										
<b>Performance conditions</b> <i>(continued)</i>	<p><b>TSR Component</b></p> <ul style="list-style-type: none"> <li>The percentage of Rights comprising the TSR Component that vest, if any, will be based on Ingham's TSR ranking over the performance period, as set out in the following vesting schedule:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Ingham's TSR rank in the Relevant Comparator Group</th> <th style="text-align: left;">% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>Nil</td> </tr> <tr> <td>At 50th percentile (threshold performance)</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Straight line pro rata vesting between 50% and 100%</td> </tr> <tr> <td>At 75th percentile or above</td> <td>100%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Performance will not be re-tested if the performance conditions are not satisfied at the end of the performance period. Any Rights that remain unvested at the end of the performance period will lapse immediately.</li> </ul>	Ingham's TSR rank in the Relevant Comparator Group	% of Rights that vest	Less than 50th percentile	Nil	At 50th percentile (threshold performance)	50%	Between 50th and 75th percentile	Straight line pro rata vesting between 50% and 100%	At 75th percentile or above	100%
Ingham's TSR rank in the Relevant Comparator Group	% of Rights that vest										
Less than 50th percentile	Nil										
At 50th percentile (threshold performance)	50%										
Between 50th and 75th percentile	Straight line pro rata vesting between 50% and 100%										
At 75th percentile or above	100%										
<b>Voting and dividend entitlements</b>	The Rights granted under the LTI Offer do not carry dividend or voting rights prior to vesting. Shares allocated upon vesting of Rights carry the same dividend and voting rights as other Shares.										
<b>Restrictions on dealing</b>	<p>Participants must not sell, transfer, encumber, hedge or otherwise deal with the Rights comprising the LTI Offer unless the Board allows it or the dealing is required by law.</p> <p>Participants will be free to deal with the Shares allocated on vesting of the Rights comprising the LTI Offer, subject to the requirements of the Ingham's Securities Dealing Policy.</p>										
<b>Cessation of employment</b>	<p>If the participant ceases employment for cause or due to their resignation, unless the Board determines otherwise, any unvested Rights will automatically lapse. The Board has the discretion to designate a "good leaver", whereby Rights will not automatically lapse. The Board has exercised discretion and Mr. McMahon has been designated as a good leaver, and his Rights did not automatically lapse. His FY18 Rights remain on foot and will vest over the original performance period.</p> <p>In all other circumstances, the Rights will be pro-rated (based on the proportion of the performance period that has elapsed) and remain on foot and subject to the original performance conditions, unless the Board exercises a discretion to treat them otherwise.</p>										
<b>Clawback and preventing inappropriate benefits</b>	<p>Under the Plan rules and the terms of the LTI Offer, the Board has claw back powers which it may exercise, among other things:</p> <ul style="list-style-type: none"> <li>The participant has acted fraudulently or dishonestly, has engaged in gross misconduct, brought Ingham's, the Ingham's Group or any Ingham's Group company into disrepute or breached their obligations to the Ingham's Group, or Ingham's is required by or entitled under law or Ingham's policy to reclaim remuneration from the participant;</li> <li>There is a material misstatement or omission in the accounts of an Ingham's Group company; or</li> <li>The participant's entitlements vest or may vest as a result of fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the Rights would not have otherwise vested</li> </ul>										



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 20 SHARE-BASED PAYMENTS (CONTINUED)

### Long Term Incentive Plan for FY19 (LTI Offer) (continued)

The fair value at grant date was determined using an adjusted form of the Black Scholes Model. The weighted average grant date fair value of rights granted in the year was \$2.89.

The model inputs for performance rights granted during the year ended included:

- (a) Exercise price \$nil (2018: \$nil)
- (b) Share price at grant date \$3.98 (2018: \$3.70)
- (c) Expected price volatility 32-42% (2018: 35-45%)
- (d) Expected dividend yield 7.6% (2018: 6%)
- (e) Risk-free interest rate 1.91% (2018: 1.91%)

Grant Date	Expiry Date	2019 Number of rights	2018 Number of rights
6 December 2018	7 November 2019	63,303	–
6 December 2018	30 June 2020	46,437	–
6 December 2018	30 June 2021	107,491	–
4 December 2018	30 June 2021	506,862	–
5 November 2018	30 June 2021	584,656	–
7 November 2017	30 June 2020	700,340	1,471,413
6 November 2016	7 November 2019	1,004,662	1,031,745

## 21 CASH FLOW INFORMATION

	2019 \$000	2018 \$000
<b>Reconciliation of profit after income tax</b>		
Profit after tax for the period	126,200	114,600
Depreciation	46,800	45,400
Non-cash employee benefits expense – share based payment	3,100	2,000
Net gain on sales of assets	(49,700)	(19,400)
Share of net profit of joint venture (net of dividend received)	–	(100)
Finance costs	19,700	19,000
Amortisation of lease incentive	100	–
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(15,900)	21,200
(Increase)/decrease in biological assets	(6,300)	(3,300)
(Increase)/decrease in inventories	(22,600)	13,500
Increase/(decrease) in trade and other payables	62,700	39,400
(Decrease)/increase in provision for income taxes payable	500	13,000
(Decrease)/increase in deferred tax liabilities	1,400	(2,200)
Increase/(decrease) in other provisions	(5,800)	(1,900)
(Increase)/decrease in financial assets and liabilities at fair value through profit or loss	10,200	(2,200)
<b>Net cash provided by operating activities</b>	<b>170,400</b>	<b>239,000</b>

## 22 RELATED PARTY DISCLOSURES GROUP STRUCTURE

### (a) Parent entity

The ultimate parent entity of the group is Inghams Group Limited.

### (b) Subsidiaries

The consolidated financial statements include the financial statements of Inghams Group Limited and its subsidiaries as follows:

Name of entity	Country of incorporation	Equity holding	
		2019 %	2018 %
Ingham Holdings II Pty Limited <sup>(a),(c)</sup>	Australia	100	100
Ingham Holdings III Pty Limited <sup>(a),(c)</sup>	Australia	100	100
Adams Bidco Pty Limited <sup>(a),(c)</sup>	Australia	100	100
Ingham Enterprises Pty Limited <sup>(a),(c)</sup>	Australia	100	100
Inghams Enterprises Pty Limited <sup>(a),(c)</sup>	Australia	100	100
Ingham Finco Pty Limited <sup>(b)</sup>	Australia	100	100
Ingham 2 Pty Limited <sup>(b)</sup>	Australia	100	100
Agnidla Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Aleko Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Inghams Enterprises (NZ) Pty Limited <sup>(a),(c)</sup>	Australia	100	100
Inghams Property Management Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Ovoid Insurance Limited	Bermuda	100	100
Ovoid Insurance Pty Limited <sup>(b)</sup>	Australia	100	100
Inadnam Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Harvey Farms Pty Limited	New Zealand	100	100

(a) These subsidiaries have been granted relief from the necessity to prepare financial reports under the option available to the Company under ASIC Corporations (Wholly Owned Companies) Instrument 2016/785.

(b) These subsidiaries are not audited as they are small proprietary companies which are not required to prepare audited financial statements under ASIC Corporations (Audit Relief) Instrument 2016/784.

(c) These subsidiaries, along with Inghams Group Limited, form the Deed of Cross Guarantee Group described further from Note 30.

### (c) Key management personnel compensation

	2019 \$000	2018 \$000
Short-term employee benefits	6,666	8,385
Other long-term employee benefits	(98)	70
Share based payments	1,925	1,613
	<b>8,493</b>	<b>10,068</b>

Information regarding individual directors and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report.

No director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 22 RELATED PARTY DISCLOSURES GROUP STRUCTURE (CONTINUED)

### (d) Transactions with other related parties

The following transactions occurred with related parties:

Various TPG entities related to the TPG directors sold 50,000,000 shares of the Company during the year.

Jonathan Gray received a NZD \$350K non-interest bearing loan in September 2018 in conjunction with his relocation to New Zealand. The loan is to be repaid no later than 31 December 2019. The Company is holding shares owned by Jonathan in escrow as security over the loan. As it is a non-interest bearing loan, the difference between market interest rates and 0% interest represents a benefit to Jonathan Gray.

## 23 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by a central treasury department. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Treasury provides overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments in accordance with the Group's facilities agreement and company policies.

The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for economic hedging purposes and not as trading or speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

### Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Fair value inputs are summarised as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair value inputs are summarised as follows:

	Fair value hierarchy	Note	Valuation technique
Derivatives	Level 2	16	Calculated as the present value of estimated future cash flows using a market based yield curve sourced from available market data quoted for all major interest rates.
Property, Plant & Equipment	Level 3	12	Based on current prices in an active market for similar properties in the same location and condition.

Property, plant and equipment is valued using independent valuers who use recent land and property sales adjusted for characteristics of the asset(s) being valued such as location and use.

Fair value hierarchy is re-assessed annually for any change in circumstance that may suggest a revised level be assigned to a type of balance measured at fair value.

## 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk

#### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has a policy requiring Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts. Additionally, the Group will look to manage the translation exposure to foreign denominated profits through the use of derivatives such as forward contracts.

#### (ii) Foreign exchange sensitivity

The Group has some exposure to exchange rate risk as it purchases some of the supplies in foreign currencies and has a subsidiary with a New Zealand dollar (NZD) functional currency. The exposure to other currencies is collectively immaterial and as such the Group's foreign currency exposure is materially in respect of NZD.

	Impact on post tax profits		Impact on other components of equity	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
+100 bp variability in exchange rate	300	400	1,400	1,000
-100 bp variability in exchange rate	(300)	(400)	(1,400)	(1,000)

#### (iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates, expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. Group policy is to maintain at least 50% of its term borrowings at fixed rate using interest rate swaps to achieve this. During the year ended 29 June 2019, the Group's borrowings at variable rate were denominated in Australian Dollars.

The Group's borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

As at the end of the reporting period, the Group had the following interest rate swap contracts outstanding:

	Notional principle amount		Interest rate	
	2019 \$000	2018 \$000	2019	2018
Interest rate swap	200,000	210,000	3.0% to 4.0%	3.5% to 4.5%

The contracts require settlement of net interest receivable or payable every month. The settlement dates align with the dates on which interest is payable on the underlying debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

#### (iii) Cash flow and fair value interest rate risk (continued)

##### Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of change in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

	Impact on post tax profit		Impact on other components of equity	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
+100 bp variability in interest rate	(1,900)	(1,800)	3,800	(2,500)
-100 bp variability in interest rate	1,900	1,800	(3,900)	2,500

#### (iv) Commodity Price

The Group's exposure to commodity price risk arises from commercial transactions required for the operations of the business, however exposure is not considered significant. To manage its commodity price risk the Group enters into forward contracts to purchase grain. This is performed through monitoring movements in price. As these are forward contracts for items to be used in the ordinary course of business, no derivative asset or liability is recognised at year end, and a such a 10% movement in commodity prices at year end would not impact reported profit for the year ended 29 June 2019.

### (b) Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions and the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group has a credit policy which provides guidelines for the management of credit risk. The guideline provides for the manner in which the credit risk of customers is assessed and the use of credit ratings and other information in order to set appropriate account limits. Customers that do not meet minimum credit criteria are required to pay up front. Customers who fail to meet their account terms are reviewed for continuing credit worthiness.

The maximum exposure to credit risk at the reporting date is the carrying amount of the accounts receivable. The Group does not consider that there is any significant concentration of credit risk. For some trade receivables the Group may obtain security in the form of credit insurance. Revenues from five key customers accounted for 55% to 65% of revenue for the year ended 29 June 2019 (2018: 55% to 60%) relating to both operating segments.

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

### (c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held deposits of \$15,400,000 (2018: \$158,400,000) on 30 to 90 terms which are readily available to generate cash inflows for managing liquidity risk.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the Group's undrawn re-drawable term cash advance facility below) and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios.

## 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity Risk (continued)

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2019		2018	
	\$000 Drawn	\$000 Available	\$000 Drawn	\$000 Available
<b>Floating rate</b>				
Expiring beyond one year	400,000	125,000	420,000	125,000

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 29 June 2019. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

2019	Carrying value \$000	Contractual cash flows \$000	Less than 1 year \$000	1 year to 5 years \$000
Trade payables	255,400	255,400	244,800	10,600
Factored trade payables	94,700	94,700	94,700	–
Other payables	21,100	21,100	21,100	–
Derivative financial liabilities	7,400	7,400	3,100	4,300
Interest bearing liabilities	398,300	400,000	–	400,000
	<b>776,900</b>	<b>778,600</b>	<b>363,700</b>	<b>414,900</b>

2018	Carrying value \$000	Contractual cash flows \$000	Less than 1 year \$000	1 year to 5 years \$000
Trade payables	249,500	249,500	247,000	2,500
Factored trade payables	40,100	40,100	40,100	–
Other payables	25,700	25,700	25,700	–
Derivative financial liabilities	500	500	500	–
Interest bearing liabilities	419,100	420,000	–	420,000
	<b>734,900</b>	<b>735,800</b>	<b>313,300</b>	<b>422,500</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 24 INTERESTS IN JOINT ARRANGEMENTS

A subsidiary has a 50% interest in the joint venture entity, AFB International Pty Limited, the principal activity of which is the supply of high quality, high performance palatability products under Bioproducts BioFlavor brand name to the pet food industry in Australia, New Zealand and the Pacific Rim. Information relating to the joint venture entity, presented in accordance with the accounting policy described in note 2(b), is set out below.

Name of principal activity	Ownership interest		Carrying value of investment	
	2019 %	2018 %	2019 \$000	2018 \$000
AFB International Pty Limited				
Pet food manufacture	50	50	1,800	1,800
			2019 \$000	2018 \$000
Movement in investment in joint arrangements:				
Opening balance			1,800	2,000
Add: share of net profit of joint venture			200	100
Less: dividend received from joint venture			(200)	(300)
<b>Closing balance</b>			<b>1,800</b>	<b>1,800</b>

During the year the Group sold goods and services to AFB International Pty Limited to the value of \$5,209,863 (2018: \$5,584,804). At balance date the amount owed from AFB International Pty Limited to the Group is \$560,066 (2018: \$744,000). Outstanding balances are unsecured and on normal commercial terms and conditions.

## 25 CONTINGENCIES

State WorkCover authorities also require guarantees against workers' compensation self insurance liabilities. The guarantee is based on independent actuarial advice of the outstanding liability. Workers' compensation guarantees held at each reporting date do not equal the liability at these dates due to the timing of issuing the guarantees.

The probability of having to make a payment under these guarantees is considered remote.

No provision has been made in the consolidated financial statements in respect of these contingencies, however provisions for self-insured risks, which includes liabilities relating to workers' compensation claims, have been recognised in the Consolidated Statement of Financial Position at the reporting date.

## 26 COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2019 \$000	2018 \$000
Property, plant and equipment	19,300	14,500

## 26 COMMITMENTS (CONTINUED)

### (b) Lease commitments

#### *Non-cancellable operating leases*

The Group leases various offices, farms, distribution and processing facilities, plant and office equipment. The leases have varying terms, escalation clauses and renewal rights.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2019 \$000	2018 \$000
Within one year	90,000	86,700
Later than one year but not later than five years	311,400	308,300
Later than five years	827,500	907,800
	<b>1,228,900</b>	<b>1,302,800</b>

## 27 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

Earnings	2019 \$000	2018 \$000
Profit attributable to ordinary equity holders for calculating basic and diluted EPS calculations	126,200	114,600

	Number of shares	
Number of ordinary shares	'000	'000
Weighted average number of ordinary shares used in the calculation of basic EPS	373,400	371,900
Dilutive effect of share options	6,500	4,600
Weighted average number of ordinary shares for diluted EPS	379,900	376,500
Basic EPS (cents per share)	33.79	30.81
Diluted EPS (cents per share)	33.22	30.44

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 28 REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firm.

	2019 \$000	2018 \$000
<b>KPMG</b>		
<i>Amounts received or due and receivable by KPMG for:</i>		
Audit and review of financial statements	795	730
Advisory and other services	32	30
Taxation services	58	34
<b>Total amount paid or payable to auditors</b>	<b>885</b>	<b>794</b>

## 29 PARENT ENTITY FINANCIAL INFORMATION SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2019 \$000	2018 \$000
<b>Statement of financial position</b>		
Non-current assets	417,900	606,100
<b>Total assets</b>	<b>417,900</b>	<b>606,100</b>
Current liabilities	18,700	23,400
Non-current liabilities	402,700	419,100
<b>Total liabilities</b>	<b>421,400</b>	<b>442,500</b>
<b>Net (liabilities)/assets</b>	<b>(3,500)</b>	<b>163,600</b>
<b>Equity</b>		
Contributed equity	109,100	263,600
Accumulated losses	(113,600)	(101,800)
Other reserves	1,000	1,800
	<b>(3,500)</b>	<b>163,600</b>
<b>Profit for the year</b>	<b>66,300</b>	<b>67,600</b>
<b>Total comprehensive income</b>	<b>66,300</b>	<b>67,600</b>

The parent entity continues to be a going concern despite the current liability and net liability position, as the group has a deed of cross guarantee in place, along with undrawn funding lines.

The parent entity does not have any commitments or contingent liabilities as at 29 June 2019.

### 30 DEED OF CROSS GUARANTEE

Inghams Group Limited and all of the subsidiaries shown as (c) in note are parties to a deed of cross guarantee dated 22 May 2017, under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly Owned Companies) Instrument 2016/285 issued by the Australian Securities and Investments Commission.

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

#### (a) Consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The companies shown as (c) in note represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Inghams Group Limited, they also represent the 'extended closed group'.

Set out below is a condensed consolidated income statement, consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the period ended 29 June 2019 of the closed group.

	2019 \$000
<i>Consolidated income statement</i>	
<b>Revenue from continuing operations</b>	
Sales revenue	2,489,900
<b>Expenses</b>	
Expenses from ordinary activities	(2,310,500)
<b>Profit before income tax</b>	179,400
Income tax expense	(52,900)
<b>Profit for the period</b>	<b>126,500</b>
<i>Consolidated statement of comprehensive income</i>	
<b>Profit for the period</b>	<b>126,500</b>
Other comprehensive income	
Changes in the fair value of cash flow hedges	(5,800)
Exchange differences on translation of foreign operations	6,300
Revaluation of land and buildings	7,100
Other comprehensive income for the period, net of tax	7,600
<b>Total comprehensive income for the period</b>	<b>134,100</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 29 June 2019

## 30 DEED OF CROSS GUARANTEE (CONTINUED)

### (b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 29 June 2019 of the closed group.

	2019 \$000
Cash and cash equivalents	131,000
Trade and other receivables	214,600
Biological assets	124,200
Inventories	166,700
Assets classified as held for sale	21,400
<b>Total current assets</b>	<b>657,900</b>
Property, plant and equipment	418,400
Equity accounted investments	1,800
<b>Total non-current assets</b>	<b>420,200</b>
<b>Total assets</b>	<b>1,078,100</b>
Trade and other payables	367,700
Provisions	84,500
Derivative financial instruments	3,100
Current tax liability	21,400
Related party payables	10,500
<b>Total current liabilities</b>	<b>487,200</b>
Borrowings	398,300
Provisions	23,900
Derivative financial instruments	4,300
Deferred tax liabilities	10,400
<b>Total non-current liabilities</b>	<b>436,900</b>
<b>Total liabilities</b>	<b>924,100</b>
<b>Net assets</b>	<b>154,000</b>
<b>Equity</b>	
Contributed equity	(104,400)
Other reserves	(34,100)
Retained earnings	(15,500)
<b>Total equity</b>	<b>(154,000)</b>

## 31 EVENTS AFTER THE REPORTING PERIOD

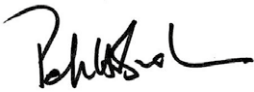
Subsequent to the year end a dividend of 10.5 cents per share has been declared totalling \$38.9 million to be paid on 9 October 2019. The financial effect of this dividend has not been brought to account in these consolidated financial statements and will be recognised in subsequent financial reports.

Other than the matter discussed above, there has not been any matter or circumstance that has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group's operations or results of those operations or the Group's state of affairs.

## DIRECTORS' DECLARATION

1. In the opinion of the directors:
  - (a) The consolidated financial statements and notes set out on pages 50 to 88 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 29 June 2019 and of its performance for the financial year ended on that date, and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
  - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b); and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe the Company the Group entities identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Corporations (Wholly Owned Companies) Instrument 2016/285.
3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer, for the financial year ended 29 June 2019.
4. The directors draw attention to note 2(a) to consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



**Peter Bush**  
Non-Executive Chairman



**Linda Bardo Nicholls, AO**  
Non-Executive Director

Sydney  
27 August 2019



# INDEPENDENT AUDITOR'S REPORT



## Independent Auditor's Report

To the shareholders of Inghams Group Limited

### Report on the audit of the Financial Report

#### Opinion

We have audited the **Financial Report** of Inghams Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 29 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 29 June 2019
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

The **Year** is the 52 week period ended on 29 June 2019.

#### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 fulfilled our other ethical responsibilities in accordance with the Code.



**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.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

**Accounting for rebates and trade allowances – (sales revenue, which is net of trade allowances and rebates, amounts to \$2,490 million)**

Refer to Note 4 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Revenue is recognised at the fair value of the consideration received or receivable and is net of returns, trade allowances, rebates and amounts collected on behalf of third parties.</p> <p>The accounting for trade allowances and rebates is a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>• Significance of trade allowances and rebates to the financial report;</li> <li>• Number of categories of customers including retail, quick service restaurants and foodservice, which attract different trade allowances and rebate terms. This requires our evaluation to be performed across these categories;</li> <li>• Variety of customer-specific contractual arrangements for trade allowances and rebates, increasing the audit effort to address these specific conditions; and</li> <li>• Differing settlement terms for customers which leads to complexity in checking the accruals at balance date across the portfolio.</li> </ul> <p>The accrual at balance date is based on sales activity and relevant rebate and trade allowance rates/conditions of customers, for the time period since the last payment date to balance date.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Considering the appropriateness of the Group's accounting policies regarding revenue recognition, trade allowances and rebates against the requirement of the Accounting Standards;</li> <li>• Testing the Group's controls over the agreement, monitoring and calculation of trade allowances and rebates;</li> <li>• Checking a sample, by customer category, of rebates and trade allowances to signed customer contractual terms;</li> <li>• Comparing the amount of the trade allowances and rebates by customer category as a percentage of gross revenue to the prior year;</li> <li>• Assessing the accrual recognised at balance date by calculating an expected accrual per customer based on specific customer trading and settlement terms and comparing this to the recognised balance date accrual for a sample of significant customers by customer category;</li> <li>• Assessing, on a sample basis, the accuracy of prior year rebate accrual estimates to inform our evaluation of the Group's current balance date accruals; and</li> <li>• Comparing a sample of rebate claims or correspondence received since balance date to accruals recognised at year end, for evaluation of the accrual existence and quantum.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT



## Other Information

Other Information is financial and non-financial information in Inghams Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our Auditor's Report.



**Report on the Remuneration Report**

**Opinion**

In our opinion, the Remuneration Report of Inghams Group Limited for the year ended 29 June 2019, complies with *Section 300A of the Corporations Act 2001*.

**Directors' 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 responsibilities**

We have audited the Remuneration Report included in pages 31 to 47 of the Directors' report for the year ended 29 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Julie Cleary

Partner

Sydney

27 August 2019

## SHAREHOLDER INFORMATION

Shareholder Information required by the Australian Securities Exchange Limited Listing Rules and not dis-closed elsewhere in this report is set out below:

### Twenty Largest Registered Shareholders (as at 23 August 2019)

Rank	Name of Shareholder	Number of Shares	% of Issued Capital
1	HSBC Custody Nominees (Australia) Limited	119,783,777	32.23
2	JP Morgan Nominees Australia Pty Limited	68,660,558	18.47
3	Citicorp Nominees Pty Limited	33,785,088	9.09
4	TPG Asia SF V Pte Ltd	32,810,994	8.83
5	TPG Asia VI Sf Pte. Ltd.	27,293,383	7.34
6	TPG Adams Co-Invest L.P	13,723,288	3.69
7	National Nominees Limited	10,238,782	2.75
8	Warbont Nominees Pty Ltd	5,955,316	1.60
9	BNP Paribas Nominees Pty Ltd	4,428,063	1.19
10	BNP Paribas Noms Pty Ltd	2,318,830	0.62
11	BKI Investment Company Limited	1,855,000	0.50
12	AMP Life Limited	1,472,196	0.40
13	HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,435,305	0.39
14	National Nominees Limited	1,000,000	0.27
15	HSBC Custody Nominees (Australia) Limited – A/C 2	979,277	0.26
16	Woodross Nominees Pty Ltd	937,382	0.25
17	CS Third Nominees Pty Limited	861,154	0.23
18	Citicorp Nominees Pty Limited	721,254	0.19
19	HSBC Custody Nominees (Australia) Limited	581,872	0.16
20	Ian Brannan	562,038	0.15

### Distribution of Holdings (as at 23 August 2019)

Range	Number of Holders	Number of Shares	% of Issued Capital
100,001 and over	49	336,196,853	90.45
10,001 to 100,000	809	18,212,170	4.90
5,001 to 10,000	1,059	7,873,301	2.12
1,001 to 5,000	3,229	8,238,604	2.22
1 to 1,000	1,981	1,158,673	0.31
<b>TOTAL</b>	<b>7,127</b>	<b>371,679,601</b>	<b>100.00</b>

There are 84 shareholders holding less than a marketable parcel of shares (as at 23 August 2019).

**Substantial Shareholders (as Disclosed in Substantial Holder Notices given to the Company as at 23 August 2019)**

Shareholder	Number of Shares	% of Issued Capital
TPG Capital	73,827,665	19.73%
UBS Group	36,249,581	9.75%
FMR LLC	34,066,528	9.17%
Mitsubishi UFJ Financial Group	30,959,888	8.33%
Mondrian Investment Partners Limited	24,583,491	6.47%
AustralianSuper	21,475,492	5.78%
Credit Suisse Holdings	19,016,482	5.12%
Carol Australia Holdings	18,697,522	5.03%

**Escrow Shares**

As at 23 August 2019, the shares subject to escrow arrangements are:

Number of Shares	Escrow End Date	Early Release Date and Conditions (if Applicable)
108,016	September 2021	Nil

**Unquoted Securities**

As at 23 August 2019, the total number of rights outstanding equalled 3,313,751 remained over unissued shares of Inghams Group Limited, as described in the Directors' Report on page 21. These performance rights are predominantly held by 23 members of management and former management of the Company. All unissued shares which are the subject of these performance rights are ordinary shares in the Company or will be converted into ordinary shares immediately after exercise of the relevant performance right.

**Shares and Voting Rights**

All 371,679,601 issued shares in the Company are ordinary shares, held by 7,127 shareholders. Voting rights for ordinary shares are:

- on a show of hands, one vote for each shareholder; and
- on a poll, one vote for each fully paid ordinary share.

There is no current on-market buy-back.



# CORPORATE DIRECTORY

## DIRECTORS

Peter Bush  
Rob Gordon  
Ricky Lau  
Jim Leighton  
Jackie McArthur  
Helen Nash  
Linda Bardo Nicholls, AO  
Andrew Reeves

## COMPANY SECRETARY

David Matthews

## REGISTERED OFFICE

**Inghams Group Limited**  
Level 4, 1 Julius Avenue  
North Ryde, NSW 2113  
Australia  
Telephone: +61 2 9826 4444

## AUDITORS

**KPMG**  
Level 38, Tower Three,  
International Towers Sydney  
300 Barangaroo Avenue  
Sydney, NSW 2000

## SHARE REGISTRY

**Link Market Services Limited**  
Level 12, 680 George Street  
Sydney, NSW 2000  
Telephone: 1800 177 747  
+61 2 8280 7390

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

## STOCK EXCHANGE

Inghams Group Limited shares are quoted on the Australian Securities Exchange (ASX code: ING).

## CORPORATE WEBSITE

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



