



**ANNUAL  
REPORT  
2020**





**Facilities/farms**

-  Quarantine
-  Farms
-  Hatcheries
-  Feedmills
-  Primary processing
-  Further processing
-  Warehouse and distribution
-  Protein conversion plant

# ABOUT US

Ingham's is one of the largest integrated protein producers across Australia and New Zealand providing chicken, turkey and plant-based protein products to major retail, quick service restaurants, foodservice distributors and wholesalers. We are also a large producer of stockfeed.

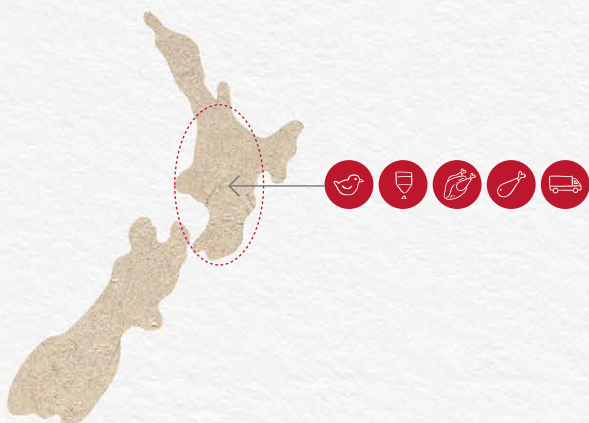
We foster a culture amongst our 8,000 people to support our Principles – to be open, honest and collaborative in the way we work. The team is driven by a strong focus on the nutrition and welfare of our animals, and to nourish our communities with fresh, value-enhanced and convenient food.

## Proud past, bright future

Ingham's was founded as a family business in 1918 by Walter Ingham in Liverpool, New South Wales, Australia. In 1953, Walter's sons, Bob and Jack Ingham, expanded the business across Australia. In the 1960s, the company started supplying products to major retail and quick service restaurants. This was followed by expanding to produce turkey and stockfeed, and then value-enhanced products. In 1990, Ingham's started operating in New Zealand. The company was acquired by TPG Capital in 2013 and listed on the Australian Securities Exchange in 2016. TPG Capital sold their last remaining shareholdings on 26 August 2020.

Over the past decade, Ingham's has invested more than \$1 billion in state-of-the-art facilities to meet future growth and to firmly establish ourselves as an industry leader in Australia and New Zealand's poultry markets.

Our geographically dispersed network provides flexibility and greater resilience to better manage agricultural and biosecurity risks, such as drought or disease, and to deliver continuity of supply to meet our customers' needs. Our network is unrivalled.



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### Notes to financials

All financials are in Australian dollars, unless otherwise stated.

The financial figures provided in the front section of the Annual Report (page 1 to 29) have been rounded, and therefore some totals and percentages may not add up exactly.

Reference to Underlying excludes any profit or loss on sale of assets, restructuring expenses, impairments, trading results for business sold as a going concern and AASB 16 leasing impacts. Further, underlying NPAT excludes tax on the abovementioned exclusions.

### Online Annual Report

This report can be viewed online at [www.ingham.com.au](http://www.ingham.com.au)

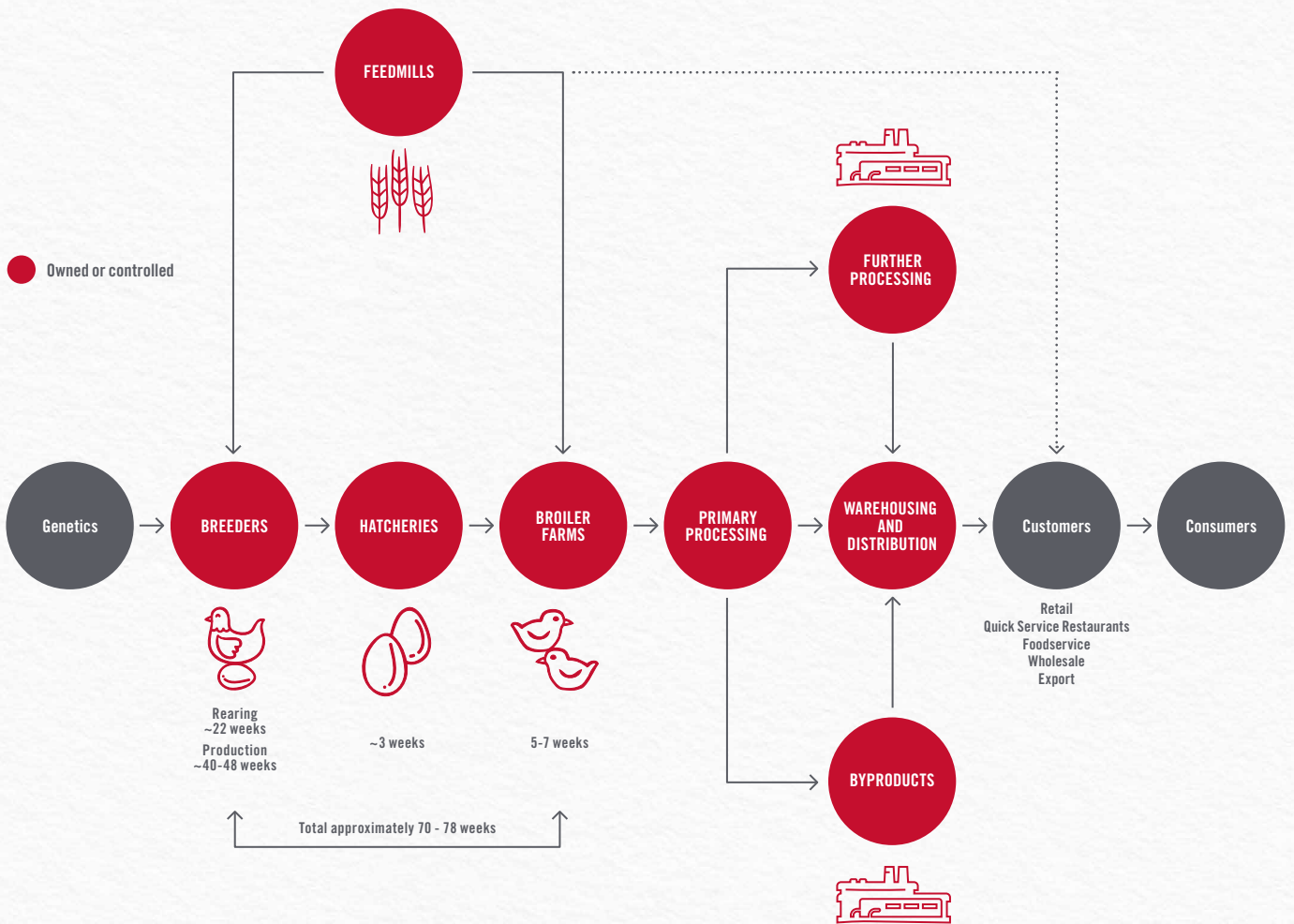
### Help us to reduce our impact on the environment

Register at [linkmarketservices.com.au](http://linkmarketservices.com.au) to receive electronic copies of the Annual Report in future.



# OUR FULLY INTEGRATED OPERATING MODEL

*Enables us to create value and realise efficiencies across a highly complex and large-scale supply chain*



**INTEGRATED PLANNING AND OPTIMISATION**



# NOURISH OUR WORLD

## Our Purpose is to Nourish Our World.

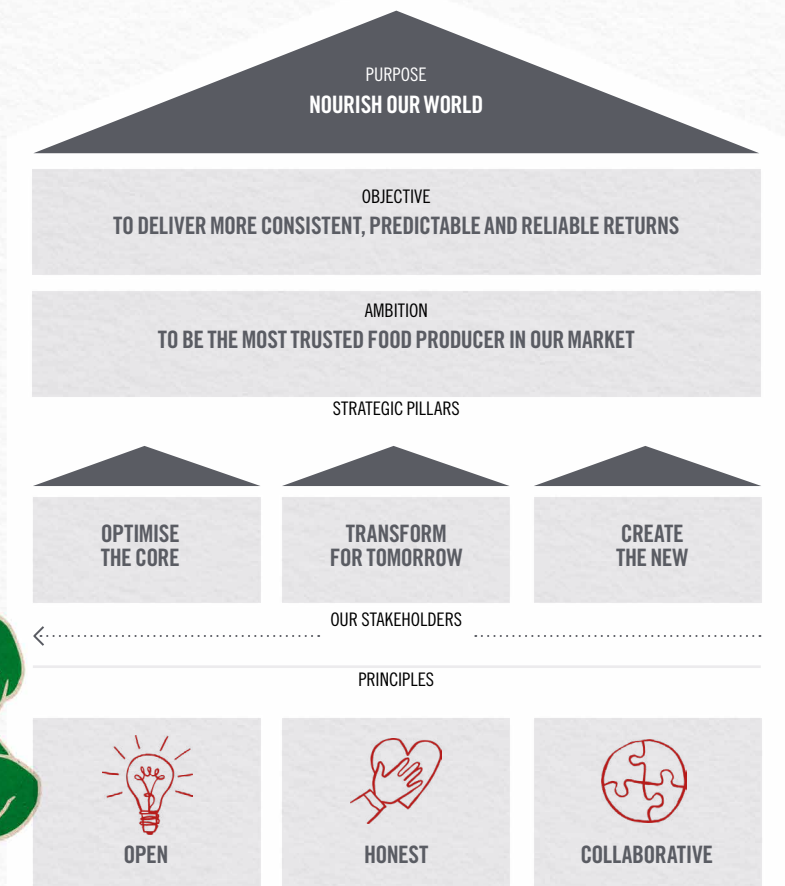
Our Purpose underpins our strategy and our commitment to making a positive difference by:

- providing our people with a high-performing, supportive and safe work environment and culture
- nourishing our consumers and customers with high quality trusted products
- collaborating with our partners – customers and suppliers – to work in new ways
- caring for our animals' welfare and creating a better tomorrow for our planet by reducing, reusing and recycling, and
- growing the business and rewarding our stakeholders by reinvesting for growth and generating profits.

Our people are guided by our Principles – to be **open, honest and collaborative** in the way we work.

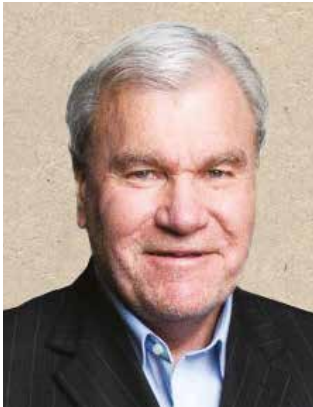
Through our Strategic Pillars, we are focused on optimising the core, transforming for tomorrow and creating the new to achieve our Objective to deliver more consistent, predictable and reliable returns to our stakeholders.

With a team that is united by a common Purpose and Principles, we are committed to achieve our Ambition **to be the most trusted food producer in our market.**





# CHAIRMAN'S REPORT



**Peter Bush**  
Chairman

On behalf of the Board of Directors and management, I am pleased to present the Inghams Group Limited Annual Report for the financial year ended 27 June 2020.

I would like to commend the Ingham's team for delivering resilient results during this difficult time. While our results fell slightly short of our targets, our five-year strategy positions us well for long-term growth, underpinned by our robust organisation and bench strength.

During the first half, the team turned around underperformance in our further processing operations to regain positive operating momentum. Regrettably, we have not been immune to the impact of COVID-19 as Government restrictions to keep our communities safe impacted our customers' trading activities, which led to changes in consumer purchasing behaviours and volatile sales. New Zealand was especially hit hard with a five-week lockdown that closed all quick service restaurants, cafes and other out-of-home channels.

The company's financial results for the year have been impacted by challenges including adverse weather, bushfires and the global pandemic. During the tragic Australian bushfires, our logistics team found alternative solutions when usual delivery routes were blocked. To meet COVID-19 requirements, we embraced our responsibility as an essential food supplier and moved quickly to keep our people safe and our operations compliant. Our collaboration with governments, unions and other stakeholders was critical to ensuring continuity of supply to our customers and consumers.

*I would like to commend the Ingham's team for delivering resilient results during this difficult time*

In the face of all of this, I believe it was the tenacity of our people that enabled the company to achieve these solid financial results. We delivered a Statutory Net Profit After Tax of \$40.1 million, and \$78.8 million on an Underlying\* basis, which excludes the \$23.7 million impact of the adoption of AASB 16 and other non-recurring items. This, combined with strong cash generation, has enabled us to provide shareholders with a fully franked dividend of 14 cents per share, reflecting a payout ratio of 66 per cent of Underlying Net Profit After Tax pre AASB 16 consistent with our dividend policy.

Ongoing financial discipline has been overseen by our new Chief Financial Officer, Gary Mallett, who joined the team in October. Gary brings with him more than 30 years of experience in a range of senior financial roles with companies including Brambles, Origin Energy and Senex Energy.

Michael Ihlein was appointed to the Board in April. Mike complements our Board skills with fast moving consumer goods and supply chain logistics experience, including at Brambles and Coca-Cola Amatil. He is Chairman of our Finance and Audit Committee.

Ricky Lau retired from our Board on 30 June 2020. He joined the Board in 2013 and continued through the IPO as a representative of TPG. I would like to thank Ricky for his contribution.

Our Business Sustainability report and Corporate Governance Statement details our commitment to animal welfare and operating sustainably in the best interests of the company and the communities in which we work.

While the impact of COVID-19 continues for the foreseeable future, I am confident we have the right leadership, team and business model to continue to steer our business with continued agility and a bias for action to keep us always headed in the right direction to deliver against our strategic plan.

Managing Director and Chief Executive Officer, Jim Leighton, has led our business strategy since joining us 18 months ago. Our five-year strategic plan is well underway, and the team is focused and energised to sustainably grow our business to deliver more consistent, predictable and reliable returns for our stakeholders.

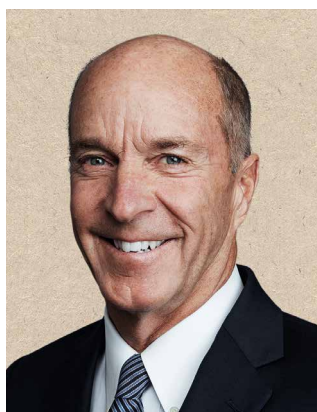
Thank you to my Board colleagues, the leadership team and our people across Australia and New Zealand for continuing to work safely and with determination to support our company to provide Ingham's customers with our trusted products.

On behalf of the Board and management team, I would also like to thank our shareholders for your ongoing support.

\* Underlying excludes any profit or loss on sale of assets, restructuring expenses, impairments, trading results for business sold as a going concern and AASB 16 leasing impacts. Further, underlying NPAT excludes tax on the abovementioned exclusions.



# MANAGING DIRECTOR AND CEO'S REPORT



**Jim Leighton**  
Managing Director and  
Chief Executive Officer

I am incredibly proud to lead Ingham's and work with such a highly energised team who continually demonstrate their commitment to nourish our communities as an essential service provider.

This past year has been challenging as we navigated the impact of the ongoing drought and bushfires in Australia, and the emergence of COVID-19. Throughout this uncertain time, we have maintained an unwavering commitment to ensure the supply of affordable, high quality and trusted products to our customers.

Pleasingly, our robust business model, led by experienced people with expertise in global best practice, helped to mitigate the impact of these challenges on our people and our company.

The health, safety and wellbeing of our people will always come first. Our company-wide safety performance has materially improved this year. Our Lost Time Injury Frequency Rate has reduced by 45 per cent to 3.8 and our Total Recordable Injury Frequency Rate has reduced by 63 per cent to 8.1. Sadly, one of our team members suffered a serious incident at Tahmoor in February. Thankfully, he is recovering and we are supporting his ongoing rehabilitation.

We achieved an increase of 3.3 per cent in group core poultry volume. This reflects the ongoing demand for poultry as an affordable and healthier protein choice.

*Our Ambition is to be the  
most trusted food producer  
in our market*

In light of the challenges we faced throughout the year, the Ingham's team has delivered resilient financial results as we remained focused on our five-year strategy.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation was down 13.9 per cent to \$179.7 million and Underlying Net Profit After Tax was down 23.6 per cent to \$78.8 million. This result was in line with our business update in May and reflects the financial impact of the further processing network issues in the first quarter and COVID-19 impacts on our business in the fourth quarter.

The company's balance sheet remains solid with strong cash conversion. This gives us the financial flexibility to deliver long-term profitable growth through the execution of our strategic pillars by:

- **OPTIMISING THE CORE** through continuous improvement of our operations, including the commissioning of new de-boners at Te Aroha, New Zealand and Bolivar, South Australia and a new spin chiller at Somerville, Victoria
- **TRANSFORMING FOR TOMORROW** by embracing new ways of working, including constructing new HatchTech hatcheries in Victoria and Western Australia to further improve animal welfare by providing chicks with immediate access to food and water when hatched, and
- **CREATING THE NEW** with exciting product launches, including The FREE RANGER in Australia and the development of plant-based protein products such as the Plant Collective in Australia and Let's Eat in New Zealand.

Our Ambition is to be the most trusted food producer in our market, which we will reach by remaining consistently focused on achieving our resilient five-year strategy.

I am proud of our achievements this year and thank the Ingham's team for their commitment to our dual Purpose to Nourish Our World – including our People, Products, Partners, Planet and Profit – and to stop the spread of COVID-19. Our people live our Principles of being open, honest and collaborative. I invite you to read more about their important work in this Report.

I would also like to thank our customers, consumers, shareholders and communities for their ongoing support as we continue to build on the great legacy of the Ingham's business across Australia and New Zealand.

While the year ahead remains uncertain due to COVID-19, we have proven the resilience of our strategy, business model and people as we continue to work through this evolving situation and remain committed to the delivery of more consistent, predictable and reliable returns to our stakeholders.



## OUR WORLD



# PEOPLE

At Ingham's, we are focused on developing our 8,000 people to grow value for the company and creating a culturally safe environment where they can thrive.

Our priority on the health, safety and wellbeing of our people enabled us to continue to provide our trusted products as an essential service provider despite the impacts of adverse weather, bushfires and the COVID-19 pandemic this financial year.

We are proud of our people and their resilience during COVID-19 as they adapted to embrace a dual Purpose to Nourish Our World and stop the spread of COVID-19.

We reduced the Lost Time Injury Frequency Rate by 45 per cent down to 3.8 and the Total Recordable Injury Frequency Rate down 63 per cent to 8.1. Our Safety for Life program underpinned this result, which, over the past two years, focused on increasing

leader-led walk-and-talks, and improving safety for high-risk activities such as manual handling and on-site traffic management.

Findings from our Engagement Survey in 2019, highlighted the opportunity for us to facilitate increased employee engagement and productivity through a tool that enabled more effective communications. With our newly introduced Workplace communications app, we significantly improved our ability to communicate during the pandemic, shared information on keeping safe and communicated the benefits we made available for people to support their wellbeing.

Our culture is essential to fostering a high-performing organisation. We have surveyed our people this year using Human Synergetics tools to benchmark and



*The installation of hand sanitiser stations and perspex screens to support physical distancing were some of the many measures we implemented to help protect our people at work.*





identify a clear pathway to achieving our ideal culture. Our ideal culture will engage and empower our people to make a positive difference and create more value in delivering our five-year strategy.

During the year, we recognised International Women's Day and National Reconciliation Week. We value and are committed to the equality, inclusion and diversity of our people and believe it enables us to achieve our Purpose to Nourish Our World.

We developed a framework for increasing training and development of our people in line with our five-year strategic objectives. The first module – *GROW* – was piloted with our frontline leaders and is designed to foster a more engaged frontline workforce.

The development of our people includes a focus on aligning individual objectives to business outcomes, as well as collaboration across teams to contribute to the company's strategy.

Our open, honest and collaborative Principles continue to guide the behaviours that enable our people to thrive and contribute to the company's long-term success.

*Providing our people with a high-performing, supportive and safe work environment and culture*





## OUR WORLD

## PRODUCTS



We are one of the largest integrated protein producers across Australia and New Zealand providing chicken, turkey and plant-based protein products to major retail, quick service restaurants, foodservice distributors and wholesalers.

As an essential service provider, we have continued to innovate and launch new products to nourish our communities.

In Australia, the team has launched The FREE RANGER. This new product is vegetarian-fed, antibiotic-free and raised free-range on the Mornington Peninsula in Victoria, Australia.

The development of plant-based protein products is another step in demonstrating our commitment to meet consumer demand for products that minimise

our environmental footprint and taste good. This includes Plant Collective in Australia and Let's Eat in New Zealand.

Consumers continue to enjoy our fresh range of chilled chicken and turkey products, such as whole birds and primary cuts, for example, thighs, tenders and drumsticks.

Under the more than 100-year-old Ingham's brand, we launched new value-enhanced products – sweet soy, garlic and rosemary, and lemon pepper breast steaks, and salt and vinegar tenders.

Our further processed products, which are either partially or fully cooked, are sold in retail, quick service restaurants and foodservice channels. In New Zealand, the team has extended their range with the launch of American Bites.







The pet food industry also benefits from edible poultry byproducts, such as paws and offal.

Our production process prioritises animal welfare with continuing best practice standards for quality, nutrition and food safety. Every chicken product we supply is either accredited by the Royal Society for the Prevention of Cruelty to Animals (RSPCA) or Free Range Egg & Poultry Australia (FREPA).

We have implemented the BRC Global Standard for Food Safety with all processing and distribution (including weigh-label) sites in Australia achieving an A or AA rating. The implementation of the Standard in New Zealand was delayed due to COVID-19 and will be introduced in FY21.

The ongoing drought has limited stockfeed supply and created a tight and expensive market. It is pleasing to see that new crops of wheat are developing to enable us to continue to feed our animals and support our stockfeed business. Our stockfeed supplies our own farms, the broader poultry and pork industries, and we operate one specialty dairy feed plant in New Zealand.

*Nourishing our consumers and customers with high-quality trusted Products*



*Waitoa Premium Burgers won best new frozen product at the annual NZ Food Awards.*





## OUR WORLD



# PARTNERS

We have been commended by our partners – customers and suppliers – for our strong customer service and flexibility in providing our trusted products during a volatile year for consumer behaviour.

This was demonstrated during the Australian bushfires as our logistics teams had to find alternative solutions when usual delivery routes were blocked. During COVID-19, we flexed to increase or decrease production to meet customer demands and the decrease in tourism-related spending and other affected channels.

Our long-term customer relationships enable us to build robust planning in our operations to support consistent consumer demand and embed reliability in our production teams.

Throughout the COVID-19 pandemic, we drew on our agility to respond to changing consumer demands due to the various lockdown conditions across Australia and New Zealand. Wholesale, foodservice and quick service restaurant channels were most impacted during this time due to in-dining closures, which resulted in lower demand for some of our products.

With customer relationships that span up to 58 years, we are committed to continually collaborate with our partners to deliver more value through our supply chain, sustainability and product development.







## Long-term customer relationships

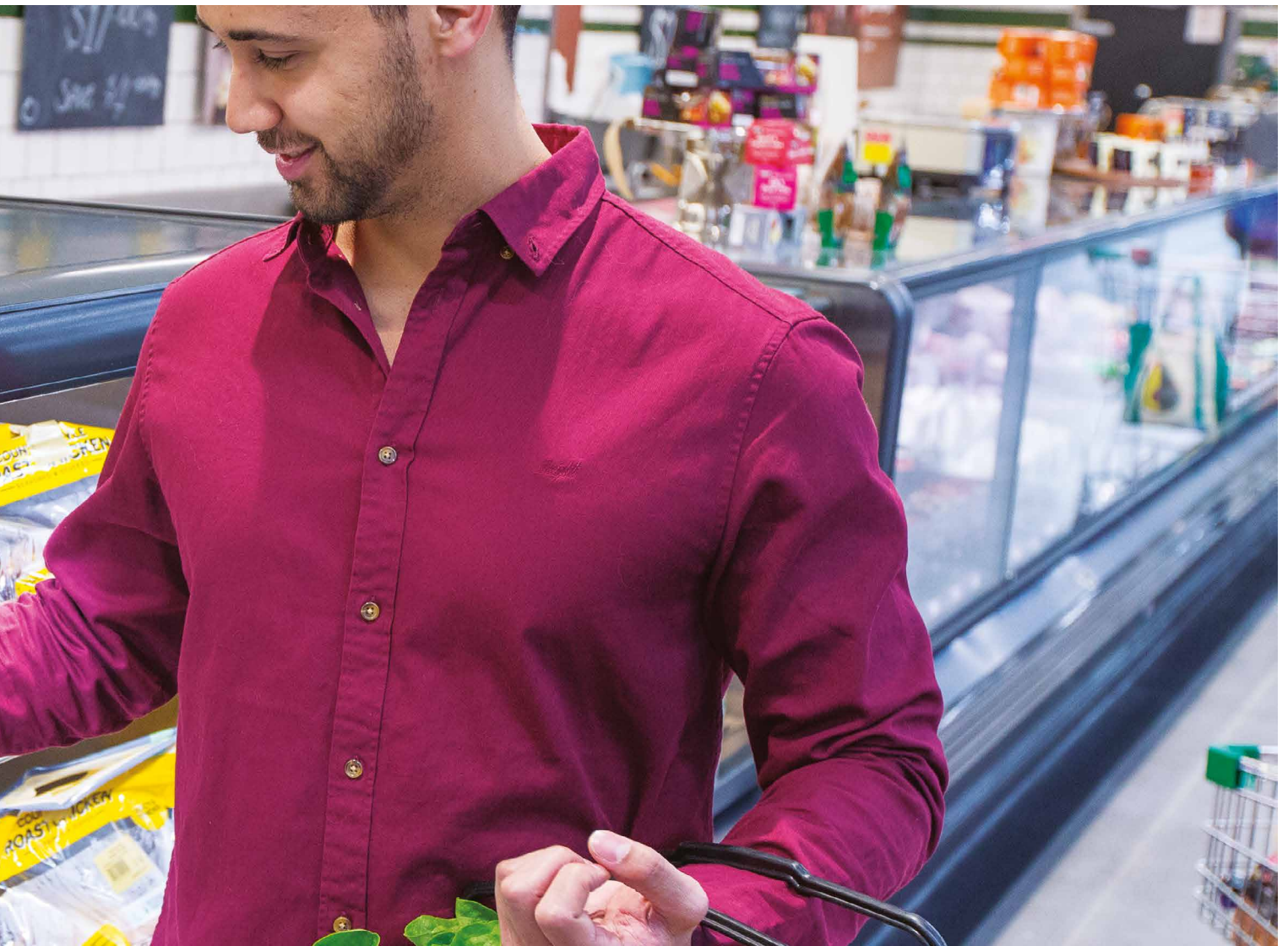
### Australia – CUSTOMERS

Major retailer 1	58 years	
Major QSR customer 1	51 years	Since market entry
Major retailer 2	47 years	
Major QSR customer 2	40 years	
Major retailer 3	33 years	Since market entry
Major retailer 4	18 years	Since market entry

### New Zealand – CUSTOMERS

Major retailer 1	29 years	Since Ingham's entered New Zealand
Major retailer 2	29 years	Since Ingham's entered New Zealand
Major QSR customer 2	29 years	Since Ingham's entered New Zealand

*Collaborating with our Partners  
– customers and suppliers –  
to work in new ways*





## OUR WORLD



## PLANET

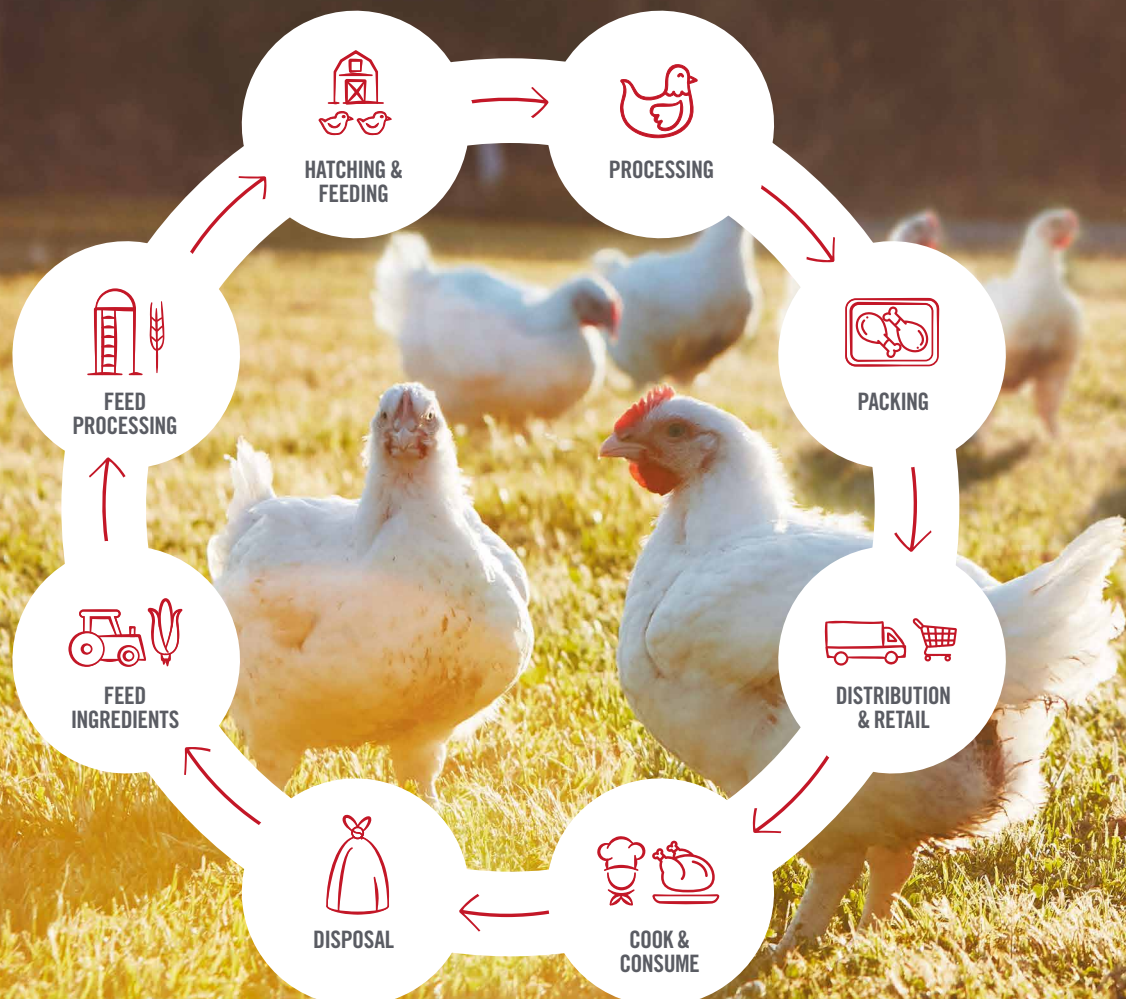
For the past 30 years, we have recognised our success depends on operating sustainably. We have an ongoing commitment to:

- ensure our animals are cared for at all times
- plan for the impacts of climate change
- manage sustainable water, agricultural and environmental practices
- strive for zero harm to our people, and
- take steps to ensure ethical procurement of products and services in our supply chain.

As one of the largest integrated protein producers across Australia and New Zealand, we embrace our responsibility to facilitate best practice in our business to ensure we do the right things by our people and our planet.

*Caring for our animals' welfare and creating a better tomorrow for our planet by reducing, reusing and recycling*

## LIFE CYCLE







## BUSINESS SUSTAINABILITY

Our sustainability focus addresses our commitment to deliver positive economic, environmental and social outcomes in the following areas:

 Animal welfare	 Environmental compliance and performance
 Climate change adaptation and resilience	 Labour practices and safety
 Water stewardship	 Sustainable procurement
 Sustainable agriculture	

### LIFE CYCLE ASSESSMENT INSIGHTS

- From farm to fork, chicken meat has significantly lower resource use and environmental impact compared with beef, pork and lamb.
- Climate change assessment led to the commissioning of an on-site bore water treatment plant at Te Aroha, New Zealand to combat seasonal drought conditions.
- We are improving our data collection to enable us to track and measure our future performance in managing energy and water use.

OUR WORLD



# PLANET

Since 2011, we have measured the environmental and social impacts of our operations and products via the evidence-based scientific framework, Life Cycle Assessment (LCA). We also work consultatively with our sites, customers and suppliers to identify areas for improvement from grower to customer.

Our LCA insights and results are used to develop our sustainability strategy and to assist our procurement decisions and reporting. For example:

- poultry protein production has a significantly lower environmental impact and resource use than beef, lamb or pork
- climate change assessment led to the commissioning of an on-site bore water treatment plant at Te Aroha, New Zealand to combat seasonal drought conditions, and
- we are improving our data collection to enable us to track and measure our future performance in managing energy and water use.



## Animal welfare

We take care of our animals in consultation with international animal welfare experts and regulatory authorities, holding accreditation with:



Royal Society for the Prevention for the Cruelty to Animals (RSPCA)



SPCA Blue Tick® accreditation in New Zealand



Free Range Egg & Poultry Australia (FREPA)

This year, we have progressed two projects that continue our constant drive to be a leader in animal welfare.

We continue to remove antibiotics in our processes for the protection of human health in line with the World Health Organisation (WHO) Global Principles for the Containment of Antimicrobial Resistance.

We successfully removed zinc bacitracin, an antibiotic providing intestinal health, from our animal's diet this year without compromising animal welfare. This follows our discontinuation of using High Priority Critically Important Antibiotics. We have never used fluoroquinolones or third-generation cephalosporins.

The launch of our new antibiotic-free brand, The FREE RANGER, included replacing coccidiostats with vaccines to protect against a parasitic disease impacting the intestinal tract.

Our farming, veterinary, nutrition and milling teams have worked collaboratively to combine modified husbandry practices with probiotics and enzymes to ensure an ongoing nutritional and healthy diet for our animals.



Hatchery construction underway

The construction of our HatchTech hatcheries in Victoria and Western Australia are on track to be completed in 2021. These hatcheries take animal welfare to a new level as the new HatchCare system provides our day-old chicks with immediate access to food and water. This provides for stronger, healthier and less stressed day-old chicks that we supply to our contracted grower farms.



## Climate change adaptation and resilience

This year, we targeted eight representative sites to assess our resilience to climate-related impacts that may affect our business continuity. This included the potential impact of increasing hot weather and prolonged heat waves on our animal welfare, more extreme and frequent bushfires, intense storm events, flooding and droughts. The key recommendations from this assessment will be applied company-wide to improve our business resilience against the effects of climate change.





To combat the increasing intensity and frequency of seasonal drought conditions impacting our Te Aroha processing plant in New Zealand, we commissioned an on-site bore water treatment plant this year. This helps the site to reduce reliance on town-supplied water, which can become stressed due to lower supply in drought conditions.

Our bushfire preparedness plan and collaboration with emergency services ensured we did not sustain any injuries to our people or damage to property in the 2019/2020 bushfires, which impacted most Australian states.



Eight representative sites for climate change adaptation and resilience assessments

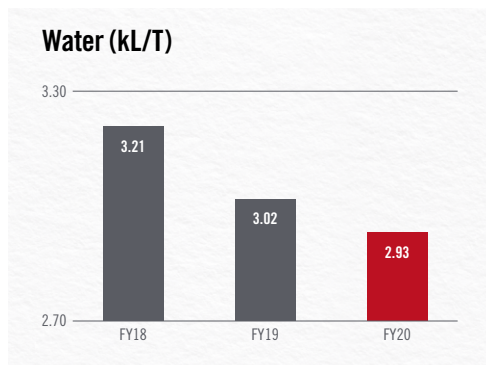


### Water stewardship

Water is an essential resource in our operations. To achieve sustainable water management, we have pioneered an international Alliance for Water Stewardship (AWS) framework.



We proactively manage our water catchment, usage and treatment of wastewater.



This year, we improved water usage by three per cent, tracked through our Planet Key Performance Indicators. We achieved this by maintaining water usage levels against increased production.

Our primary processing operations account for 75 per cent of all water usage. We have developed a water management plan for these sites to focus on reducing their water usage and environmental footprint.

In November 2019, our primary processing plant in Bolivar, South Australia, achieved AWS certification. This is in addition to our other AWS-certified sites at Murarrie, Queensland; Somerville, Victoria; and Te Aroha, New Zealand.



Murarrie site before the pond refurbishment – August 2019



Murarrie site pond refurbishment progress – June 2020

## OUR WORLD



## PLANET

Revegetation projects were initiated this year in partnership with the local councils at Somerville, Victoria and Bolivar, South Australia, to help improve the health of the local waterways.

The on-site Advanced Water Treatment Plants (AWTPS) at Murarrie and Somerville continue to fulfil up to 70 per cent of the sites' potable water needs.



*One of the remediated ponds at the Murarrie site showing wildlife activity*

We have welcomed more bird wildlife to the wetland areas at our Murarrie primary processing plant, following remediation works on the site's five ponds. These works have improved the efficiency of the AWTP and water flow into the ponds, which provide a valuable sanctuary for the local wildlife, especially during times of water stress in the area.



*Fishmeal made from nutrients removed from wastewater treatment*

In a world-first, we are also partnering with the University of Queensland's Advanced Water Management Centre to remove organic contaminants from our Murarrie AWTP to produce protein-rich biomass to replace fishmeal to benefit the aquaculture industry. We are continually looking at ways to optimise our recycling and treatment facilities on our site and reduce the transfer of treated wastewater, which ultimately discharges into the Brisbane River.

In New Zealand, we discharge treated wastewater from our Te Aroha operation into a local stream, which converges into the Piako River, before ultimately discharging into the Firth of Thames. The Firth of Thames is one of the six protected sites of important biodiversity in New Zealand under the Ramsar Convention. Earlier this year, there was an extremely rare sighting of a pod of 60 bottlenose dolphins swimming up the Piako River from the Firth of Thames. The Department of Conservation stated that this is an indication of the healthy ecosystem in the waterway with an abundance of fish species, which the dolphins appear to have been chasing upstream.



*Photo credit: Department of Conservation, NZ, taken 19 May 2020*

Our work continues company-wide to steward our water management sustainably.



## Sustainable agriculture

Ingham's proudly participates in the Sustainable Agriculture Initiative (SAI) to help protect and improve the environmental, social and economic conditions of farming, and the health and welfare of animals. Through this platform, we share knowledge and best practice to benefit across the agricultural supply chain.

We are also participating in a collaborative project to develop a climate 'readiness to adapt' tool.

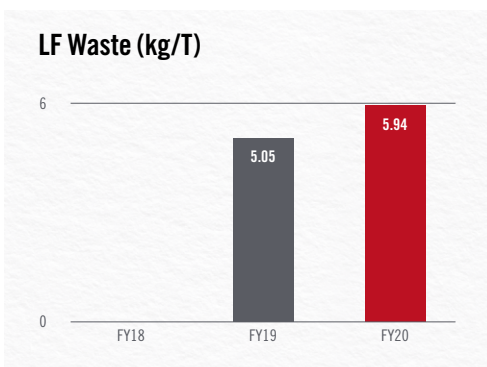
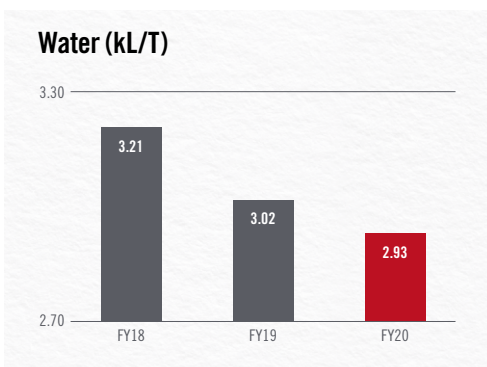
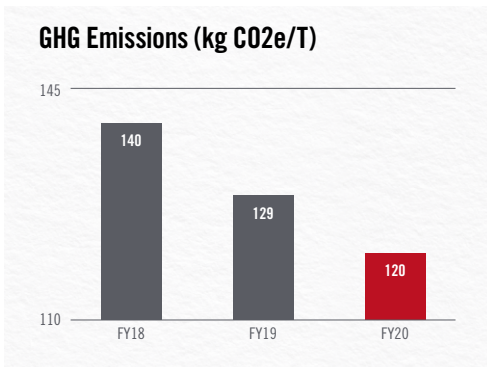
Through an industry-academia collaboration, we have developed a Feed Optimisation Model to better understand the environmental impact of the ingredients used in our animal feed.





### Environmental compliance and performance

All Ingham’s sites have a bespoke Environmental Management Plan that details environmental compliance, risk management and sustainability. Recently, this Plan was independently assessed against the ISO template 14001:2015 (Environmental Management System) to help us continually improve and meet international standards.



Ingham’s Planet measures include greenhouse gas emissions (GHG), water usage and landfill waste generation. We are pleased to report we are making positive progress towards reducing our environmental footprint even as our business continues to grow.

In FY20, we have reduced GHG emissions in our business operations by more than 3,700 tonnes, which is equivalent to driving along the Australian coastline 850 times.

We have improved our data collection on landfill waste to capture more than 99 per cent of data this year, providing us with a credible starting point to benchmark and measure our future performance. This year, we reported 75 per cent of our solid waste was diverted from landfill. The Matamata Hatchery, in New Zealand, reported more than 99 per cent of waste diverted from landfill.



*Matamata Hatchery in Waikato, New Zealand, where 99% of all waste is diverted from landfill*

We also have several initiatives aimed at reducing our environmental footprint monitored through our Life Cycle Assessment (LCA) tool.

The Ingham’s team has rallied right behind these initiatives at the following facilities by:

- introducing the Simply Cups Program at Lisarow, NSW, a closed-loop solution that upcycles used paper-based coffee cups, which have replaced the polystyrene cups
- completing LED lighting upgrades at Somerville and Thomastown in Victoria, and Murarrie in Queensland to reduce electricity usage
- installing a rainwater harvesting system at Sorell, Tasmania to reduce water usage by seven per cent, and

## OUR WORLD



## PLANET

- completing two energy efficient projects to reduce GHG emissions at Somerville, harnessing the heat energy from our discharged refrigeration ammonia to reduce gas and electricity consumption and modifying the plant's largest refrigeration compressor to reduce power consumption.

We have a dedicated team focused on packaging sustainability. This includes targeting 100 per cent kerbside recyclability of trays by the end of 2025 in line with the Australian 2025 National Packaging Targets. We are focused on incorporating recycled content in our packaging as much as possible without compromising the packaging functionality or food safety. Currently, the average recycled content across our packaging is 30 per cent and more than 90 per cent is reusable or recyclable.

*Installation of perspex barriers on production lines by our engineering and maintenance teams have supported physical distancing in our operations*

We are also investigating the feasibility of using compostable plastic alternatives in the 2021 financial year to help divert further plastic waste from going to landfill.



## Labour practices and safety

We strive for zero harm and to send our employees home safely at the end of each workday.

COVID-19 presented challenges to our business to ensure our people's health, safety and welfare while continuing to maintain the highest standards of food safety, service and product quality to our customers and consumers.

To prioritise the health, safety and wellbeing of our people, we implemented industry-leading actions in response to COVID-19 including:

- establishing an Incident Management Team to coordinate our company-wide actions and consultation with governments, health agencies, customers and unions to ensure we met safety standards







- providing additional leave benefits to enable our people to stay home, get tested, and stay safe without financial burden
- reconfiguring labour-intense operations to enable physical distancing – of 1.5 metres in Australia and 2 metres in New Zealand – by installing guarding, and implementing enhanced personal protective equipment (PPE) and high standards of hygiene practices
- providing direction on car-pooling to ensure safe travel to and from work
- building temporary on-site facilities, such as lunchrooms, to accommodate physical distancing during breaks
- separating shifts to reduce the number of people at any one time on sites, and
- increasing communication and consultation with employees, including frequent updates on how to stop the spread of COVID-19 via Workplace.
- develop a video to promote SafeWork NSW's Participative Ergonomics for Manual Tasks (PEforM) Program, and
- partner with a creative advertising organisation to develop a public awareness campaign regarding musculoskeletal disorders.

The full undertaking is available at [safework.nsw.gov.au](http://safework.nsw.gov.au)



### Sustainable procurement

Ingham's has implemented a digital platform this year to manage supply chain risks related to quality, ethical sourcing, financial and commercial considerations across the company's broad range of procurement categories.

This 'Know Your Supplier' platform will support Ingham's ethical sourcing requirements across our supply chain.

Ingham's is in the process of rolling out a Supplier Code of Conduct to all suppliers to establish expectations regarding human rights, the environment, ethical practices aligned to legal requirements, other relevant policies and international good practice.

We are taking steps to continue to safeguard and exclude children and forced labour from our operations and supply chains in accordance with the Australian Modern Slavery Act requirements. This includes:

- introduction of a Whistleblower Policy
  - developing training and tools to monitor our progress
  - engaging a software solution to assess risks across our supply chain
  - updating supply agreement templates to include a modern slavery clause, and
  - developing a comprehensive policy for modern slavery.
- Our proactive Safety for Life Program operates within our Work Health and Safety Management System. This led to our Lost Time Injury Frequency Rate reducing by 45 per cent to 3.8 and our Total Recordable Injury Frequency Rate reduced by 63 per cent to 8.1.
- Regrettably, one of our team members suffered a serious incident at Tahmoor in February 2020. We continue to support him with ongoing rehabilitation.
- In December 2016, a team member working at Prestons in the weigh label room while stacking and adjusting pallets containing chicken products was injured as a result of being trapped by a robot in a robotic cell. SafeWork NSW investigated the incident.
- A Notice of Acceptance of an Enforceable Undertaking under Part 11 of the Work Health and Safety Act 2011 has since been placed on Ingham's to finalise the contravention with the following actions:
- develop and implement an electronic platform for a Work Health and Safety Management System designed for use in Ingham's agribusiness operations
  - share the learnings from the incident and the process for developing the electronic platform for the Work Health and Safety Management System

## OUR WORLD

## PROFIT

Strong core poultry volume growth with resilient financial results despite previously disclosed operational issues and COVID-19 challenges. Pleasingly, our robust business model, led by experienced people with expertise in global best practice, helped to mitigate the impact of these challenges on our company.

Group core poultry  
volume growth



3.3%

Statutory NPAT



\$40.1M

Dividend per share



14c

Underlying NPAT pre-AASB 16



\$78.8M

Leverage Ratio



1.8x

Statutory EBITDA



\$387.8M

Underlying EBITDA pre-AASB 16



\$179.7M

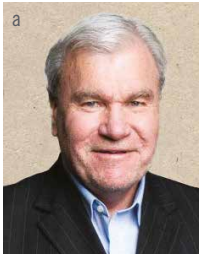




*Growing the business and rewarding  
our stakeholders by reinvesting  
for growth and generating Profit*



# BOARD OF DIRECTORS



## **Peter Bush (a)**

*Bachelor of Arts, Fellow of the Australian Marketing Institute*

Board Chair and Chair of the Nominations Committee

Peter had a long and successful career in fast-moving consumer goods (FMCG), holding senior roles with Ampol/Caltex, Arnott's, Reckitt and Coleman, and SC Johnson. He was also formerly Chief Executive Officer of AGB McNair, McDonald's Australia and Schwarzkopf. He ran his own strategic consultancy business for six years with clients including George Patterson Bates, John Singleton Advertising, McDonald's Australia, Qantas and Telstra.

Peter is also Chairman of Southern Cross Media Group Limited (since 2015). He has previously served on the boards of Insurance Australia Group Limited, Mantra Group Limited, Nine Entertainment Holdings Limited and Pacific Brands Limited.

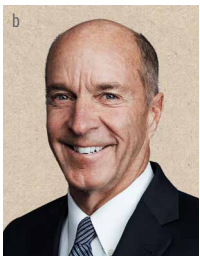
## **Rob Gordon (c)**

*Bachelor of Science (Hons), Chartered Engineer, Member of the Australian Institute of Company Directors*

Non-Executive Director

Member of the Finance and Audit Committee  
Rob has more than 36 years of experience in the fast-moving consumer goods and agribusiness sectors, including over 20 years in Chief Executive Officer and Managing Director roles for companies including Dairy Farmers Limited, Goodman Fielder Limited (Meadow Lea and Consumer Goods divisions) and Viterra Inc.

Rob is currently the Chief Executive Officer and a director of Ricegrowers Limited, and a member of the Rabobank Agribusiness Advisory Board. Rob has also served as a non-executive Deputy Chair of the Australian Food & Grocery Council and a member of Gresham Private Equity Advisory Board.



## **Jim Leighton (b)**

*Bachelor of Arts, Master of Business Administration*

Managing Director and Chief Executive Officer

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

Jim also serves as an Independent Non-Executive Director of Arysza AG.

## **Michael Ihlein (d)**

*Bachelor of Business (Accounting), Fellow of the Australian Institute of Company Directors, Fellow of Certified Practising Accountants, Fellow of the Financial Services Institute of Australasia, Member of the Financial Executives Institute of Australia*

Non-Executive Director

Chair of the Finance and Audit Committee, Member of the People and Remuneration Committee

Mike has significant experience across fast-moving consumer goods and supply-chain logistics companies. He held senior roles at Coca-Cola Amatil Limited including Executive Director and Chief Financial Officer as well as Managing Director, Coca-Cola Amatil Poland. Subsequently, he was Executive Director and Chief Financial Officer at Brambles Limited prior to becoming Chief Executive Officer until his retirement.

Mike also serves on the Boards of Ampol Limited, CSR Limited, Scentre Group Limited and the not-for-profit mentoring organisation Kilfinan Australia.





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**Jackie McArthur (e)***Bachelor of Engineering (Aeronautical)*

Non-Executive Director

Chair of the Risk and Sustainability Committee, Member of the People and Remuneration Committee

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 McDonald's 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 InvoCare Limited, Qube Holdings and Tassal Group Limited. She was formerly a Non-Executive Director of Blackmores Limited.

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**Helen Nash (f)***Bachelor of Arts (Hons), Graduate of the Australian Institute of Company Directors*

Non-Executive Director

Chair of the People and Remuneration Committee, Member of the Nominations Committee

Helen has more than 20 years' 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 Chief Marketing Officer 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 Limited and Southern Cross Media Limited. She was formerly a Non-Executive Director of Blackmores Limited and Pacific Brands Limited.

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**Linda Bardo Nicholls AO (g)***Bachelor of Arts, Master of Business Administration, Fellow of the Australian Institute of Company Directors*

Member of the Finance and Audit Committee, Member of the People and Remuneration Committee, and Member of the Risk and Sustainability Committee

Linda has more than 30 years' experience as a senior executive and director in banking, insurance and funds management in Australia, New Zealand and the United States.

Linda is Chairman of Japara Healthcare Limited and Melbourne Health, a director of Medibank Private Limited and serves on the Museums Board of Victoria. She has previously served as a Director and Chairman on the Boards of a number of other major Australian listed companies, including Fairfax Limited, and is a Life Fellow of the Australian Institute of Company Directors.

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**Andrew Reeves (h)***Bachelor of Arts (Economics)*

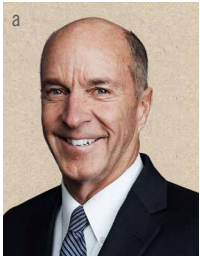
Non-Executive Director

Member of the Finance and Audit Committee, Member of the Risk and Sustainability Committee

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.

Andrew currently sits on the boards of Credit Union Australia and Keytone Dairy Limited.

# SENIOR MANAGEMENT



**Jim Leighton (a)**

*Bachelor of Arts, Master of Business Administration*

Managing Director and Chief Executive Officer

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

Jim also serves as an Independent Non-Executive Director of Aryzta AG.

**Jonathan Gray (c)**

*Master of Business Administration*

Chief Executive Officer, New Zealand

Jonathan joined Ingham's in 2008. He is responsible for leading the New Zealand business and managing all operations, sales and marketing as well as support services. Jonathan's experience in the company includes executive responsibility across Australia and New Zealand, having previously held the roles of Sales and Marketing Director based in Australia and General Manager, Sales and Marketing for New Zealand. He has more than 18 years' experience in retail sales in the United Kingdom, New Zealand and Australia. Prior to joining Ingham's, he held senior positions with Countdown Supermarkets and Marks and Spencer.



**Gary Mallett (b)**

*Chartered Accountant, Bachelor of Business (Accounting)*

Chief Financial Officer

Gary joined Ingham's in 2019. He is responsible for the company's financial and management reporting, treasury, investor relations, governance and information technology. Gary has more than 30 years' experience in a range of senior finance roles with ASX listed companies including Brambles and Origin Energy. Prior to joining Ingham's, Gary was Chief Financial Officer at Senex Energy. Gary also serves as secretary and director on a number of Inghams Group subsidiary companies.

**Tim Singleton (d)**

*Bachelor of Health Information Management*

Chief Operations Officer

Tim joined Ingham's in 2019. He is responsible for Ingham's Australian operations, spanning primary processing, further processing, warehousing and logistics, quality, continuous improvement, engineering, regulatory compliance, and our turkey farming, operations and strategy development. Tim joined from Case Farms in the US, where he held the position of Vice President. He has more than 20 years' experience in the poultry industry, including in key operational roles at Pilgrim's Pride, Simmons Prepared Foods and Tyson Foods.





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**Chris Croese (e)**

Chief Customer Officer

Chris joined Ingham's in 2019 and brings more than 30 years' experience in retail operations, sales and customer relationship management in the poultry and broader food industry. He has held senior leadership 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.

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**Seb Brandt (f)***Bachelor of Economics*

Chief Marketing Officer

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

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**Anne-Marie Mooney (g)***Bachelor of Communications*

Chief Agribusiness Officer

Anne-Marie joined Ingham's in 2018. She is responsible for leading our farming, feedmill and procurement with a focus on continually improving the nutrition and welfare of our animals. She was previously General Manager Milling Operations, and Feed Business Director. Anne-Marie has more than 20 years of experience across the energy and agriculture sectors, including senior executive roles in both commercial and operational areas at Ridley Corporation Ltd.

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**Grant Kerswell (h)***Bachelor of Business (Human Resource Management), Master of Business Administration*

Chief People Officer

Grant joined Ingham's in 2019. Grant provides strategic advice and support in the core areas of people, culture and communications, including organisational development, performance management, capability, talent and succession, recruitment, remuneration and workplace relations. Grant brings more than 20 years of extensive leadership experience in the human resources function from previous leadership roles at Arnott's Biscuits/Campbell Soup in the Asia Pacific Region, Broadspectrum, Coca-Cola Amatil and Seven Network.

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**Edward Alexander (i)***Bachelor of Commerce (Economics, Finance)*

Chief Strategy Officer

Ed joined the Ingham's team in 2015 where he supported the organisation to create value through operational excellence initiatives. He went on to lead the implementation of our five-year strategy as General Manager, Transformation and was promoted to Chief Strategy Officer in 2020. He brings more than 10 years' experience in strategy and integrated business planning through his previous roles at Aon Risk Solutions and Ernst & Young.

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**David Matthews (j)***Bachelor of Economics, Bachelor of Laws*

General Counsel and Company Secretary

David joined Ingham's in 2015. David has more than 30 years' experience as a lawyer with international law firms in Australia and the United Kingdom 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 GOVERNANCE STATEMENT

This statement summarises the corporate governance framework, policies and practices of Inghams Group Limited (ACN 162 709 506) (Ingham's or the Company) for the financial year ended on 27 June 2020 ("reporting period") in accordance with the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). This statement has been approved by the Ingham's Board.

This statement reports against the 3rd edition of the ASX Recommendations. However, the Board continually reviews the Company's governance policies and practices to ensure that they remain appropriate in light of changes in corporate governance expectations and developments. For that purpose, Ingham's has commenced work to align its governance arrangements with the 4th edition of the ASX Recommendations which will apply for its financial year commencing 28 June 2020. Many aspects of the 4th edition of the ASX Recommendations are already embedded in the Company's governance policies and practice and, where relevant, these have been noted in this statement.

Ingham's Board and Committee Charters and the key corporate governance policies referred to in this statement can be found on the Corporate Governance section of Ingham's website, accessible here: <http://investors.ingham.com.au/Investor-Centre/?page=corporate-governance>

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Board responsibilities

The Board is responsible for the overall governance of Ingham's including overseeing and appraising Ingham's strategies, policies, performance and reporting to shareholders.

The Board delegates to the CEO & Managing Director, matters involving the implementation of corporate strategy and management of Ingham's day-to-day activities. The Board oversees the development of the Company's Purpose to 'Nourish our World', which underpins the Company's strategy and commitment to making a positive difference.

The Purpose is underpinned by the Ingham's Principles and Values – to be open, honest and collaborative in the way we work – which form the basis for Ingham's workplace practices and culture and are disclosed on the Ingham's website, as recommended by the 4th edition of the ASX Recommendations.

The Board has adopted a charter which sets out the Board's role, powers and duties and establishes the functions reserved for the Board and those which are delegated to management. The Board's responsibilities as set out in the Board Charter include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the CEO & Managing Director
- contributing to and approving management's development of corporate strategy, setting performance objectives and approving operating budgets
- reviewing, ratifying and monitoring systems of risk management and internal control, and ethical and legal compliance
- monitoring corporate performance and implementation of strategy and policy
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting, and
- developing and reviewing corporate governance principles and policies.

The Board delegates authority to the CEO & Managing Director, and through the CEO & Managing Director to other senior executives, for the day-to-day

operations of the Company, its subsidiaries and their respective operations. The Company Secretaries are accountable to the Board through the Chair for the proper functioning of the Board.

### Board appointments and reviews

The Board acknowledges the importance of regular reviews of its effectiveness and performance, including the effectiveness and performance of individual directors and Committees. During the reporting period, the Board refreshed its composition with the appointment of one new director: Michael Ihlein (Independent Non-Executive Director). In line with the ASX Recommendations, background checks were conducted prior to Mr Ihlein's appointment. Ricky Lau resigned from the Board effective 30 June 2020.

Details of the experience of each of the directors are set out in this Annual Report.

During the reporting period, the Board reviewed the performance and effectiveness of the Board, its Committees and individual directors, with the aim of ensuring that individual directors and the Board as a whole, work effectively in meeting their responsibilities. The Board intends to address the recommendations from this comprehensive review during FY2021. This included reviewing any need for existing directors to undertake professional development during the reporting period.

The Company has written agreements in place with its directors setting out the terms of their appointment. Prior to the appointment of a new director, the Company undertakes appropriate checks relevant to a decision on whether or not to elect or re-elect a director and discloses material information to security holders through announcement on the market of material information in relation to directors.

### Diversity

The Company has a diversity policy which includes a requirement that the Board set measurable objectives for diversity, including gender diversity. The Company's current targets for gender diversity are that women should comprise at least 30% (in aggregate) of each of the Company's Board and senior executives. The measurable objective with respect to the Board meets the recommendations applying to Ingham's as an S&P300 company under the 4th edition of the ASX Recommendations.

During the reporting period, women comprised at least 37% of the directors on the Board. Women generally comprise up to 20% of the senior executive. As a 'relevant employer' under the Workplace Gender Equality Act 2012, the Company submitted an annual filing for the latest relevant 12-month period disclosing its Gender Equality Indicators, which can be accessed here in accordance with the 4th edition of the ASX Recommendations: <https://data.wgea.gov.au/organisations/464>

The Company is continuing its commitment to be a workplace that encourages ethnic and cultural diversity with individuals from approximately 90 different countries working throughout the business.

### Executive responsibilities and reviews

Each of Ingham's senior executives, including the CEO & Managing Director, has a written service agreement that clearly sets out his or her role and responsibilities. Goals and objectives of senior executives are set by the CEO & Managing Director who assesses the individual performance of each executive. The performance of each of Ingham's senior executives was evaluated in this way during the reporting period. In addition, the performance of the CEO & Managing Director was reviewed by the Board and the Chairman.

During the reporting period, Jim Leighton as CEO & Managing Director, in consultation with the Board, continued to refresh the senior executive team including the appointments of Gary Mallett as Chief Financial Officer



## CORPORATE GOVERNANCE STATEMENT continued

and Grant Kerswell as Chief People Officer. The Company undertakes appropriate background checks on senior executives, in addition to directors, prior to appointment. Details of the experience of the senior executive are set out in this Annual Report.

### PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

#### Board structure, skills and experience

During FY2020, the Board composition changed with the appointment of a new independent Non-Executive Director and the resignation of a Non-Executive Director. At the end of the reporting period, the Board was comprised of seven Non-Executive Directors, all of whom are independent, and one Executive Director (the CEO & Managing Director). Further discussion on the Board's assessment of independence is set out below.

The Board seeks directors with an appropriate range of skills, knowledge, experience, independence and diversity, and an understanding of, and competence to deal with, current and emerging issues of the business. The table below summarises the key skills of the existing directors and forms the basis of the skills matrix against which existing Non-Executive Directors are assessed, to ensure that the skills and experience of the Board reflect the various areas relevant to Ingham's core capabilities and strategic objectives.

#### SKILLS/EXPERIENCE

ASX listed company non-executive experience	Industry experience in fast moving consumer goods (FMCG)
Senior executive listed company experience	Experience in Australian and New Zealand markets
Financial and accounting experience	Government and government relations experience
Knowledge of risk management practices	Strategic planning experience
Agribusiness experience	Marketing and brand management experience
Executive and Board Experience with major supermarket retailers	Experience with manufacturing operations
Experience with major international quick service restaurant chains	Innovation and new technology experience

Details of the experience, qualifications and length of service of each current director are set out on page 22 to 23 of this Annual Report.

#### Independence of directors

The Board only considers a Director to be independent where he or she is free of any interest, position, association or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgment to bear on issues before the Board, and to act in the best interests of the Company and its shareholders generally. The Company's Board charter sets out guidelines for the purpose of determining independence of directors in accordance with the ASX Recommendations, and has adopted a definition of independence that is based on the definition set out in the ASX Recommendations. The Board will consider the materiality

of any given interest, position, association or relationship on a case-by-case basis and reviews the independence of each director in light of interests disclosed to the Board from time to time.

During the reporting period, the Board considered that each of Peter Bush (Chair), Robert Gordon, Jackie McArthur, Helen Nash<sup>1</sup>, Linda Bardo Nicholls, Andrew Reeves and Michael Ihlein were free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their respective judgment as directors, and were able to fulfil the role of an independent director for the purposes of the 3rd edition of the ASX Recommendations. Ricky Lau (resigned 30 June 2020) was not considered to be an independent director, due to his relationship with a major shareholder, TPG. Due to his position as CEO & Managing Director, Jim Leighton was also not considered to be an independent director. With seven of the current eight directors being independent directors, the Board has a majority of independent directors.

During the current financial year, the Board will transition to assessing independence against the 4th edition of the ASX Recommendations.

#### Nomination Committee and Board education and succession

The Board's Nomination Committee is comprised of three Non-Executive Directors, Peter Bush (Chair), Helen Nash and Linda Bardo Nicholls, all of whom are independent directors. The roles, responsibilities, composition and structure of the Nomination Committee are set out in the Nomination Committee Charter. The Nomination Committee met on a number of occasions during the reporting period, including with other directors, in order to consider the appointment of the new CFO and the new independent director. The number of times the Nomination Committee met throughout the reporting period and individual attendances is set out on page 31 of this Annual Report.

The Company has a program for inducting new directors and provides appropriate opportunities for directors to develop and maintain the skills and knowledge of the company and business needed to effectively perform their role as directors. Directors will continue with a program of site visits across Australia and New Zealand, subject to ongoing COVID-19 travel and site restrictions which at the date of this Statement impact on many of the locations in which the Group's operations are located.

The Board will continue to review its composition with a view to enhancing its base of skills and experience, and to develop succession plans to maintain an appropriate balance of skills, knowledge, experience, independence and diversity on the Board.

### PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

The Company is committed to and strives to act honestly and with integrity in all its dealings and to act ethically and responsibly. It has adopted a Code of Conduct that sets out the Company's commitments, ethical standards and policies and outlines the standards of conduct expected of Ingham's business and people, taking into account the Company's legal and other obligations to its stakeholders. The Company adopted a Whistleblower policy and Anti-Bribery and Anti-Corruption policy during FY2020, in light of the recommendations in the 4th edition of the ASX Recommendations.

A Securities Dealing Policy has been established since listing, which sets out the Company's policy on directors and management buying and selling securities of the Company that are able to be traded on a financial market.

1. Helen Nash is also a Director of Metcash Limited, which is a customer of the Company and therefore a factor relevant to assessing independence as referred to in the 3rd edition of the ASX Recommendations. The Board has considered this relationship, and because the Company's dealings with Metcash are not material to the sales volume, revenue or overall results of the Company, the Board is of the opinion that this role does not compromise the independence of Helen Nash.

## CORPORATE GOVERNANCE STATEMENT continued

### PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

#### Finance and Audit Committee

The Finance and Audit Committee assists the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- the integrity of the Company's financial reporting
- the Company's financial controls and systems
- the Company's relationship with the external auditor and the external audit function generally, and
- the Company's relationship with the internal auditor and the internal audit function generally.

The Finance and Audit Committee is comprised of four Non-Executive Directors, all of whom are independent, being Michael Ihlein (Chair from 8 May 2020), Linda Bardo Nicholls (Chair until 7 May 2020), Rob Gordon and Andrew Reeves. During the reporting period, the Company adopted a charter for the Finance & Audit Committee, after the Audit & Risk Committee was split into the Finance & Audit Committee and the Risk & Sustainability Committee. Prior to the new committee structure, the Audit & Risk Committee was comprised of three Non-Executive Directors, all of whom were independent, being Linda Bardo Nicholls (Chair), Peter Bush and Andrew Reeves.

The Managing Director and Chief Executive Officer, the CFO and the external auditor must attend Committee meetings if requested. The Committee has unrestricted access to management and the auditors, and the right to seek explanations and additional information. The Committee meets with the external auditor without management present. The number of times the Audit & Risk Committee and Finance & Audit Committee met throughout the reporting period and individual attendances is set out on page 31 of this Annual Report.

#### Managing Director and Chief Executive Officer and Chief Financial Officer certifications

For each of the half year and full year results during the reporting period, the Board were provided with s295 Corporations Act declarations by the CEO & Managing Director and CFO that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### External audit

Ingham's external auditor is KPMG. The Company will ensure that the auditor attends the Company's AGM and is available to answer questions from shareholders relevant to the audit and the preparation and content of the auditor's report.

#### Verification

For any periodic report that is not audited or reviewed by an external auditor, including operational, sustainability, risk and corporate governance disclosures in this report, the Company has implemented internal verification processes to validate the statements made and supporting data used.

Ingham's is committed to providing shareholders and external stakeholders with timely and transparent corporate reporting. ASX announcements (other than administrative announcements) during the reporting period were reviewed and approved by Ingham's Disclosure Committee prior to publication.

The Committee comprises the CEO & Managing Director, Chief Financial Officer, Investor Relations Director, and the General Counsel & Company Secretary. During the reporting period, the Chairman joined the Disclosure Committee. Ingham's process to verify the integrity of corporate reports is based on the nature of the relevant report, its subject matter and where it will be published. Generally, the following processes and principles are applied for preparation and verification of its corporate reporting:

- corporate reports are provided by relevant subject matter experts with oversight by relevant senior executives and members of the Disclosure Committee
- all reports are required to be accurate and not misleading, and to comply with applicable legislation or regulations, and
- relevant reports must be authorised for release by the appropriate approver required under Ingham's policy.

The Annual Report, Sustainability Report and Corporate Governance Statement for the reporting period were prepared by the relevant subject matter experts and reviewed and verified by relevant Ingham's executives and senior managers prior to Board approval.

For sustainability disclosures, our current internal verification process includes aggregating external sources for utility data, as well as individual site recording for water and waste, as well as independent real-time interval data for electricity. In addition, greenhouse gas emissions are calculated on an externally administered Envisi platform, which uses the latest emissions factors published by the Australian and New Zealand governments for each region.

### PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company has a Continuous Disclosure Policy for the purposes of complying with its continuous disclosure obligations.

The Continuous Disclosure Policy outlines the processes that the Company implements to ensure compliance with its continuous disclosure obligations, including the establishment of a Disclosure Committee which comprises the CEO & Managing Director, CFO, Investor Relations Director and General Counsel & Company Secretary. The Company releases any new and substantive investor or analyst presentations on the ASX Market Announcement Platform ahead of any such presentation.

The Board receives copies of all material announcements promptly after they have been made.

### PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

#### Communication with shareholders

Ingham's policy is to promote effective two-way communication with shareholders so that they are kept informed of all major developments affecting the state of affairs of the Company. Ingham's also has in place an investor relations program to facilitate communication with investors.

Shareholder communications include half yearly and annual reports, market announcements and media releases, all of which are available in the investor section of the Company website, together with corporate governance information and background information on the Group. Shareholders have the option to receive communications from, and send communications to, the Company and its security registry electronically, to ensure that information is received in a timely manner.



## CORPORATE GOVERNANCE STATEMENT continued

The Company provides the full text of all notices of meetings and explanatory material on its website. The Company also encourages shareholders to provide email addresses so that notices of meetings and explanatory material can be sent to shareholders electronically. The Company encourages participation of shareholders at its AGM each year. All substantive resolutions at meetings of shareholders of the Company are decided by poll.

### PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Company's Risk & Sustainability Committee is responsible for overseeing the Company's risk management system. The Risk & Sustainability Committee Charter sets out the responsibilities of the Committee in relation to risk.

The Risk & Sustainability Committee is comprised of three Non-Executive Directors, all of whom are independent, being Jackie McArthur (Chair), Linda Bardo Nicholls and Andrew Reeves. The number of times the Risk & Sustainability Committee met throughout the reporting period and individual attendances is set out on page 31 of this Annual Report.

#### Evaluation and management of risk

The Board and the Risk & Sustainability Committee monitor and evaluate risks through a variety of existing systems, programs and policies. During the reporting period, the Risk & Sustainability Committee was established as a separate Board committee from the Finance & Audit Committee. The Finance & Audit Committee monitors and evaluates financial risks, while the People & Remuneration Committee monitors and evaluates people risks. The Board and/or Risk & Sustainability Committee also reviews the following areas:

- the Company's risk management and compliance framework
- health, safety, quality and environmental risks
- all other material and emerging risks including but not limited to risks associated with cyber security, brand and reputation, climate change and regulatory matters (but excluding financial and people risks which are the responsibility of the Finance and Audit Committee and People and Remuneration Committee respectively)
- strategic risks facing the Company
- the annual insurance program
- structure and adequacy of business continuity plans, and
- the Company's sustainability strategy and its implementation plans.

The Company's management is responsible for managing strategic, financial and operational risk, and implementing risk mitigation measures, within parameters overseen by the Board and its Committees. Management incorporates risk management into strategic planning and decision making to understand and prioritise the management of material business risks. The Risk & Sustainability Committee review the risk management framework to satisfy itself that it continues to be sound during the reporting period. The Board intends to develop a risk appetite statement and related framework for financial and non-financial risk during FY2021 in line with the 4th edition of the ASX Recommendations.

Ingham's is committed to the long-term sustainability of its operations. The Board understands that Ingham's strategy must be executed in a responsible, ethical and sustainable way. Ingham's Sustainability Strategy is set out on the Company's Website: <https://ingham.com.au/our-purpose/planet/> and sets out the following seven areas, which are considered as key for sustainable performance in the future:

- Animal welfare – bird health, nutrition and welfare
- Climate change adaptation and resilience – water stress, sustainable agriculture, energy supply and cost

- Water stewardship – water management framework, water usage and wastewater treatment
- Sustainable agriculture – safe, high quality agricultural products, environmental protection, improved social and economic conditions for our farmers
- Environmental compliance – regulatory compliance, energy and water use, effluent and waste generation and emissions
- Labour practices and safety – fair treatment of workers, occupational health and safety, gender equity and employment, and
- Sustainable procurement – procurement and sourcing practices and supplier assessment.

Ingham's Risk and Sustainability Committee reviews the Company's risk management framework and key risks, including risks associated with climate change. Key areas of climate change which may affect the Company are associated with water stewardship and energy usage and Ingham's approach to those areas is set out in the Company's Sustainability Strategy <https://ingham.com.au/our-purpose/planet/>. The Board and Risk & Sustainability Committee are continuing to develop the approach to management of climate change risk.

### PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

#### Remuneration Committee

The Company's People & Remuneration Committee assists and advises the Board on remuneration policies and practices for the Board and senior management, including equity based remuneration.

The People & Remuneration Committee is comprised of four Non-Executive Directors, all of whom are independent including the Chair. The directors currently serving on the People & Remuneration Committee are Helen Nash (Chair), Jackie McArthur, Linda Bardo Nicholls and Michael Ihlein. The roles, responsibilities, composition and structure of the People & Remuneration Committee are set out in the People & Remuneration Committee Charter.

The number of times the Remuneration Committee met throughout the reporting period and individual attendances is set out on page 31 of this Annual Report.

#### Director and executive remuneration

The Remuneration Report on page 42 to 58 of this Annual Report sets out details of the Company's policies and practices for remunerating directors and executives. The People & Remuneration Committee oversees these policies and practices to satisfy itself that they align with the Company's Purpose, Values and Principles, and strategic objectives. The Company distinguishes the remuneration of executive directors and executives from that of Non-Executive Directors by offering executives a mix of fixed and incentive remuneration in certain circumstances (e.g. under the Company's short-term incentive plan and long-term incentive plan). Remuneration of Non-Executive Directors is fixed.

The Company does not currently have in place any schemes for retirement benefits, other than superannuation, for Non-Executive Directors.

#### Securities trading policy

The Company's Securities Dealing Policy provides that the Directors, the CEO & Managing Director and other Company executives (each being 'Designated Persons' under the policy) are prohibited from entering into transactions or arrangements with anyone which could have the effect of limiting their exposure to risk relating to an element of their remuneration that has not vested or is held subject to escrow restrictions.

# DIRECTORS' REPORT

For the year ended 27 June 2020

This audited general purpose financial report for the year ended 27 June 2020 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:

<b>DIRECTOR</b>	<b>DATE OF APPOINTMENT</b>	<b>DATE OF RESIGNATION</b>
Peter Bush	7 October 2016	
Rob Gordon	11 April 2019	
Michael Ihlein	16 April 2020	
Ricky Lau	29 October 2013	30 June 2020
Jim Leighton	7 January 2019	
Jackie McArthur	18 September 2017	
Helen Nash	16 May 2017	
Linda Bardo Nicholls AO	7 October 2016	
Andrew Reeves	14 January 2019	

## PRESENT DIRECTOR PROFILES OF THE COMPANY

The profiles of the Board of Directors are included on page 22 to 23.



## DIRECTORS' REPORT continued

### 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' MEETINGS HELD	DIRECTORS' MEETINGS ATTENDED	F&AC MEETINGS HELD	F&AC MEETINGS ATTENDED	P&RC MEETINGS HELD	P&RC MEETINGS ATTENDED	R&SC MEETINGS HELD	R&SC MEETINGS ATTENDED	NC MEETINGS HELD	NC MEETINGS ATTENDED
P Bush <sup>1</sup>	9	8 <sup>(c)</sup>	2 <sup>6</sup>	2	2 <sup>7</sup>	2	–	–	11	11
R Gordon	9	8	3 <sup>6</sup>	3	–	2*	–	1*	–	–
M Ihlein <sup>2</sup>	2	2	2	2 <sup>5(c)</sup>	–	2*	–	2*	–	–
R Lau <sup>3</sup>	9	8	–	4*	–	1*	–	2*	–	–
J Leighton	9	9	–	5*	–	5*	–	3*	–	–
J McArthur	9	9	–	3*	3 <sup>7</sup>	5 <sup>8</sup>	3	3 <sup>(c)</sup>	–	8*
H Nash	9	9	–	4*	5	5 <sup>(c)</sup>	–	–	11	11
L Bardo Nicholls	9	9	5	5	5	5	3	3	11	11
A Reeves	9	9	5	5	–	5*	3	3	–	–

\* Denotes attendance by a Director while not a member of the Committee.

F&AC = Finance & Audit Committee

P&RC = People & Remuneration Committee

R&SC = Risk & Sustainability Committee

NC = Nomination Committee

(c) Denotes Chair of the Board or Committee.

(1) Peter Bush was on leave of absence due to illness for the Board Meeting on 8 July 2020.

(2) Michael Ihlein was appointed as a Director on 16 April 2020.

(3) Ricky Lau resigned as a Director on 30 June 2020.

(4) The Audit & Risk Committee restructured from 1 January 2020 with the name of the Committee changing to the Finance & Audit Committee. A new Risk & Sustainability Committee was established from 1 January 2020.

(5) Linda Bardo Nicholls AO stepped down as Chair of the Finance & Audit Committee on 7 May 2020. Michael Ihlein was appointed as Chair of the Finance & Audit Committee from 8 May 2020.

(6) Peter Bush stepped down from the Finance & Audit Committee on 1 January 2020. Rob Gordon joined the Finance & Audit Committee on 1 January 2020.

(7) Peter Bush stepped down from the People & Remuneration Committee on 1 January 2020. Jackie McArthur joined the People & Remuneration Committee on 1 January 2020.

(8) Jackie McArthur attended two People & Remuneration Committee meetings prior to being appointed to the Committee.

## DIRECTORS' REPORT continued

### COMPANY SECRETARY

David Matthews, B Econ, LL.B.

Refer to Senior Management profile on page 25.

### 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 23 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 byproduct categories. Additionally, stockfeed is produced primarily for internal use but also for the poultry, pig and dairy industries.

### DIVIDENDS

An interim dividend of 7.3 cents per share totalling \$27.1 million was paid on 9 April 2020 (2019: \$34.0m).

Subsequent to the year end, a dividend of 6.7 cents per share has been declared totalling \$24.9 million to be paid on 7 October 2020. 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

#### Victorian COVID-19 update

Subsequent to the year end, on 3 August 2020, the Victorian Premier announced Stage 4 lock down measures for meat processing plants in Victoria for six weeks from 11.59pm on Thursday 6 August 2020. The announcement is one of the measures adopted by the Victorian government in order to curb the recent surge in COVID-19 cases. Those restrictions will impact operations at Ingham's two meat processing facilities at Somerville and Thomastown with a 20% reduction (updated reduction announced 6 August 2020) in the workforce at these plants as well as additional safety initiatives. The restrictions do not apply to Group's other assets and facilities. It is too early to quantify the financial impacts of these restrictions. Ingham's temporarily closed Thomastown Further Processing Plant on 22 July 2020 as a result of five employees returning positive test results for COVID-19. Thomastown re-opened on 3 August 2020. The temporary closure of Thomastown has not materially impacted the business results of Inghams Group for FY2021.

### 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.

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' REPORT continued

### 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	–
Michael Ihlein	–	–
Jim Leighton	93,721	1,260,645
Jackie McArthur	19,126	–
Helen Nash	29,370	–
Linda Bardo Nicholls, AO	32,947	–
Rob Gordon	15,772	–
Andrew Reeves	7,800	–

### SHARE OPTIONS

A KMP of the Group has 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 holder 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	2020		2019	
		EXERCISE PRICE	NUMBER OF PRICE OPTIONS/ RIGHTS	EXERCISE PRICE	NUMBER OF OPTIONS/ RIGHTS
17 April 2020	25 June 2022	–	1,996,208	–	–
6 December 2018	30 June 2021	–	80,095	–	107,491
6 December 2018	30 June 2020	–	11,260	–	46,437
6 December 2018	7 November 2019	–	–	–	63,303
4 December 2018	30 June 2021	–	506,862	–	506,862
5 November 2018	30 June 2021	–	306,459	–	584,656
7 November 2017	30 June 2020	–	157,779	–	700,340
6 November 2016	7 November 2019	–	–	–	1,004,662
22 December 2015	21 December 2020	\$1.40	200,000	\$1.40	300,000
			<b>3,258,663</b>		<b>3,313,751</b>

## DIRECTORS' REPORT continued

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	17 April 2020	703,868
Jonathan Gray	17 April 2020	118,927
Gary Mallett	17 April 2020	133,579

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.

## 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 59.

## 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 Finance & Audit Committee.

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

	\$000
Other services (FY20 includes benchmarking data for short term and long term incentive plans for executive remuneration)	130
Other assurance services	8
Taxation services	21
	<b>159</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. 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 73.

### Underlying results pre AASB 16

The underlying results pre AASB 16 exclude the profit on sale of assets, impairments, restructuring charges, finance exit costs, the impact of AASB 16 and trading performance from divested operations. The above mentioned items have been tax effected to determine an underlying Net Profit after Tax (NPAT) to allow shareholders to make a meaningful comparison of the Group's underlying NPAT performance against prior year.



## DIRECTORS' REPORT continued

### Underlying results pre AASB 16 (52 weeks)

**Table 1: Underlying results pre AASB 16 for FY20 compared to underlying results for prior year**

CONSOLIDATED INCOME STATEMENT	FY20 UNDERLYING \$000	FY19 UNDERLYING \$000	CHANGE \$000
Revenue	2,555,300	2,478,800	76,500
Cost of sales	(2,094,900)	(1,998,600)	(96,300)
Gross profit	460,400	480,200	(19,800)
Distribution expense	(157,400)	(150,600)	(6,800)
Sales, general and administration expense	(123,600)	(121,200)	(2,400)
Share of net profit of associate	300	200	100
EBITDA	179,700	208,600	(28,900)
Depreciation & amortisation	(54,900)	(46,800)	(8,100)
EBIT	124,800	161,800	(37,000)
Net interest expense	(13,600)	(15,700)	2,100
Net profit before tax	111,200	146,100	(34,900)
Income tax expense	(32,400)	(42,900)	10,500
<b>NPAT</b>	<b>78,800</b>	<b>103,200</b>	<b>(24,400)</b>

Group core poultry volume increased +3.3% despite an uncertain trading environment, Australia grew +4.3% offset by -2.0% in New Zealand. Australia had solid +4.7% growth to the end of 1H FY20, increasing to in Q3 but softening in Q4 as the impact of level 3 COVID-19 restrictions reached the Food Service, QSR and Wholesale channels.

The New Zealand year started slowly with +0.9% growth due to the continuation of the broiler network rebuild. Q3 growth was offset by a sharp fall in demand as the full impact of the level 4 COVID-19 restrictions closed 50% of the customer channels in April, somewhat recovering in May and June.

The decline in gross profit is mostly attributable to 1H FY20 as operational challenges in Australia were seen in Q1, 2H FY20 performance improved relative to 1H despite the COVID-19 restrictions and gross margin related costs.

Distribution expense increased 4.5% in the year due to a mix of higher core poultry volumes +3.3% and CPI increases. Sales, general and administration were largely in line with FY19. Depreciation has risen due to the multi-year capital investment program.

## DIRECTORS' REPORT continued

### Statutory results

**Table 2: Statutory results for FY20 actual compared to FY19**

CONSOLIDATED INCOME STATEMENT	STATUTORY FY20 (52 WEEKS)	STATUTORY FY19 (52 WEEKS)	CHANGE \$000
	ACTUAL \$000	ACTUAL \$000	
Revenue	2,555,300	2,489,800	65,500
Cost of sales	(1,870,800)	(2,006,000)	135,200
Gross profit	684,500	483,800	200,700
Other income	500	49,700	(49,200)
Distribution expense	(156,400)	(151,000)	(5,400)
Sales, general and administration expense	(141,100)	(140,500)	(600)
Share of net profit of associate	300	200	100
EBITDA	387,800	242,200	145,600
Depreciation & amortisation	(263,400)	(46,800)	(216,600)
EBIT	124,400	195,400	(71,000)
Net interest expense	(68,300)	(16,300)	(52,000)
Net profit before tax	56,100	179,100	(123,000)
Income tax expense	(16,000)	(52,900)	36,900
<b>Net profit after tax</b>	<b>40,100</b>	<b>126,200</b>	<b>(86,100)</b>

#### STATUTORY RESULTS VS PRIOR YEAR ACTUAL

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

In addition, there has been an impairment charge of \$10.7m relating to the Cleveland Further Processing Facility, \$6.7m impairment charge for the Wacol Feedmill Facility and \$2.9m for other properties. This is classified in sales, general and administration expense. The prior corresponding period included restructuring expenses of \$18.3m relating to the Further Processing network optimisation, farming exits and redundancies.

The transition to AASB 16 *Leases* resulted in an increase in the FY20 EBITDA of \$229.6m to reflect the removal of operating lease expenses offset by a depreciation increase of \$208.5m, an interest charge of \$54.8m and a tax offset of \$10.0m to reflect the deferred tax effect of AASB 16 *Leases*. The overall impact of AASB 16 *Leases* resulted in a decrease in NPAT of \$23.7m.

FY19 also included \$51.4m related to the Mitavite profit on sale in other income offset by some smaller losses on sale of other properties.

### Reconciliations – statutory to underlying

**Table 3: Reconciliation of statutory EBITDA to underlying EBITDA**

CONSOLIDATED EBITDA (\$M)	NOTE	FY20 ACTUAL	FY19 ACTUAL
<b>Statutory Revenue</b>		<b>2,555.3</b>	<b>2,489.8</b>
<b>Underlying revenue</b>		<b>2,555.3</b>	<b>2,478.8</b>
<b>Statutory EBITDA</b>		<b>387.8</b>	<b>242.2</b>
Profit on sale of assets	1	(0.4)	(49.7)
Restructuring	2	1.6	18.3
Impairment	3	20.3	–
Mitavite	4	–	(2.2)
AASB 16	5	(229.6)	–
<b>Underlying EBITDA</b>		<b>179.7</b>	<b>208.6</b>



## DIRECTORS' REPORT continued

**Table 4: Reconciliation of underlying NPAT to statutory NPAT**

CONSOLIDATED NPAT (\$M)	NOTE	FY20 ACTUAL	FY19 ACTUAL
<b>Statutory NPAT</b>		<b>40.1</b>	<b>126.2</b>
Profit on sale of assets	1	(0.3)	(34.9)
Restructuring	2	1.1	12.8
Impairment	3	14.2	–
Mitavite	4	–	(1.5)
AASB 16	5	23.7	–
Finance exit costs	6	–	0.6
<b>Underlying NPAT</b>		<b>78.8</b>	<b>103.2</b>

(1) FY19 relates to the profit on sale of Mitavite and Cardiff offset by loss on sale of Maldon and Mile End.

(2) Removal of restructuring expenses.

(3) Removal of impairment for Cleveland, Wacol and other properties.

(4) Removal of Mitavite operating results.

(5) Removal of AASB 16 *Leases* impact (refer to Note 2 for further detail).

(6) 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 FY20 \$000	ACTUAL FY19 \$000	CHANGE \$000
Revenue	2,170,100	2,109,400	60,700
EBITDA	327,800	213,100	114,700

Australian revenue (attributable to poultry, feed and byproducts) grew 2.9% in the year, and was underpinned by strong growth in wholesale and increased demand for further processed products in the QSR and Food Service channels.

Australia did not receive any Government COVID-19 financial support.

The increase in EBITDA was due to the implementation of AASB 16 *Leases* which increased Australia's EBITDA by \$197.7m.

### New Zealand

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

CONSOLIDATED INCOME STATEMENT	ACTUAL FY20 \$000	ACTUAL FY19 \$000	CHANGE \$000
Revenue	385,200	380,400	4,800
EBITDA	60,000	29,100	30,900

New Zealand revenue increased 1.3% 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.

Growth in New Zealand was suppressed by the Level 4 COVID-19 restrictions across in April. As restrictions eased throughout May demand slowly recovered as customer channels reopened.

During Q4 New Zealand was paid AUD\$0.2m in Government COVID-19 leave support. Employees qualified for the support if they, or a person they have been in contact with, were tested positive and had to remain isolated, were returning from overseas or were immune-compromised.

EBITDA increased by \$31.9m following the implementation of AASB 16 *Leases*.

## DIRECTORS' REPORT continued

### Balance sheet

**Table 7: Selected statutory consolidated statement of financial position for the year ended 27 June 2020**

SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	FY20 \$000	FY19 \$000	CHANGE \$000
Current assets	690,500	661,400	29,100
Non-current assets	1,881,700	420,200	1,461,500
<b>Total assets</b>	<b>2,572,200</b>	<b>1,081,600</b>	<b>1,490,600</b>
Current liabilities	671,700	469,600	202,100
Non-current liabilities	1,771,400	447,500	1,323,900
<b>Total liabilities</b>	<b>2,443,100</b>	<b>917,100</b>	<b>1,526,000</b>
<b>Net assets</b>	<b>129,100</b>	<b>164,500</b>	<b>(35,400)</b>

#### NET ASSETS

Current assets increased largely due to the increase in inventories (an increase of \$50.3m, note 10) due to additional stock build-up in H2 from subdued demand from COVID-19 across Foodservice, Quick Service Restaurants and Wholesale.

Non-current asset values have increased significantly following the implementation of AASB 16 *Leases* which contributed to a \$1.43b increase (note 13).

Current liabilities increased due to an increase in lease liabilities of \$185.2m (note 2) and inventory procurement trade payables of \$27.0m (note 14).

Non-current liabilities increased significantly following implementation of AASB 16 *Leases* which increased non-current lease liabilities by \$1.29b (note 2).

**Table 8: Consolidated statutory net debt as at 27 June 2020**

NET DEBT AS AT 27 JUNE 2020	FY20 \$000	FY19 \$000
Bank loans	(450,000)	(400,000)
Capitalised loan establishment fees included in borrowings	1,100	1,700
<b>Total borrowings</b>	<b>(448,900)</b>	<b>(398,300)</b>
Less: Cash and cash equivalents	134,200	134,500
<b>Net debt</b>	<b>(314,700)</b>	<b>(263,800)</b>

#### NET DEBT

Net debt has increased by \$50.9m due to an increase in working capital through inventories. The Group's leverage ratio is 1.8x.

The COVID-19 restrictions imposed in Q4 suppressed demand and closed some channels, resulting in a \$48.2m increase in frozen meat and frozen finished goods inventory. This outcome was unavoidable as the poultry bird setting cycle of 13 weeks was not able to be amended within the quarter.

## DIRECTORS' REPORT continued

### Material business risks

Ingham's is exposed to a range of strategic, financial and operational risks associated with operating a vertically integrated poultry company. Ingham's has an enterprise risk management framework which together with corporate governance of its most material risks, provides a sound basis for managing material risks.

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

#### Strategic Risks:

RISK	MANAGEMENT
<p><b>Changes in poultry demand and supply impacting poultry pricing</b></p> <p>Any material increase in the supply of chicken in the Australian and New Zealand markets that exceeds the increase in demand could lead to an oversupply of chicken, which may result in reduced prices, negatively affecting Ingham's financial performance.</p>	<ul style="list-style-type: none"> <li>• We participate in a competitive market involving a number of suppliers of chicken products in Australia and New Zealand.</li> <li>• We carefully manage our poultry flock numbers to match expected demand with our customers.</li> <li>• We leverage our diverse geographic network of poultry production across Australia and New Zealand to efficiently manage the cost of supply.</li> <li>• We supply into the domestic wholesale and export markets which both serve as an outlet for supply excesses.</li> </ul>
<p><b>Import restrictions</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• We contribute or respond to research on the topic of poultry food safety and disease.</li> <li>• We participate in discussions with industry forums and government bodies.</li> </ul>

#### Financial Risks:

RISK	MANAGEMENT
<p><b>Liquidity</b></p> <p>Liquidity levels may fall to critical levels if Ingham's financial performance declines resulting in the withdrawal or unavailability of funding and/or failure to meet financial covenants.</p>	<ul style="list-style-type: none"> <li>• We have an annual operating performance plan able to service debt levels.</li> <li>• Monitoring and detection controls include weekly and monthly monitoring of trading performance, capital spend and working capital movements.</li> <li>• Close relationships and regular covenant compliance reporting to lenders, and to the Board.</li> </ul>



## DIRECTORS' REPORT continued

### Operational Risks:

RISK	MANAGEMENT
<p><b>People safety</b> We prioritise the safety and health of our People and Partners. We strive for Zero Harm and are committed to sending our People and Partners home safely at the end of each work day.</p>	<ul style="list-style-type: none"> <li>• We have a comprehensive Work Health and Safety Management System. This includes our Golden Safety Rules, which help our people identify critical controls that must be in place before undertaking work at Ingham's.</li> <li>• Our Safety for Life program is anchored around four pillars: zero harm culture, risk reduction strategies, safety management system enhancement and improved workers' compensation performance.</li> <li>• Safety measures within our balanced scorecard are used as a performance gate for executives for payouts under our short-term incentive plan.</li> </ul>
<p><b>Food safety and disease outbreak</b> Poor product quality or unsafe products and processes may potentially result in injury, harm or illness to consumers, claims, regulatory impacts and significant reputational damage.</p> <p>Outbreak of an avian disease in Ingham's flocks or within the same geographic regions may affect the use and transportation of the affected stock and disrupt supply causing financial loss.</p>	<ul style="list-style-type: none"> <li>• We have a food safety and quality governance framework and dedicated quality and food safety staff across the business to meet both mandatory and internal food safety requirements.</li> <li>• Procedures are in place in how we effectively manage, handle, store, recall and withdraw products.</li> <li>• Our Product Pride program involves quality assurance, training and awareness across the whole supply chain.</li> <li>• High biosecurity measures are in place to control the risk of infections on our sites.</li> <li>• We have documented procedures to manage and minimise the impact should an avian disease outbreak occur.</li> </ul>
<p><b>Animal welfare</b> Poor animal welfare practices or industry activism could result in significant reputational damage for Ingham's and the poultry industry more broadly.</p>	<ul style="list-style-type: none"> <li>• Our commitment to high animal welfare standards is underpinned by comprehensive programs developed in collaboration with international animal welfare experts, retailers and regulatory authorities.</li> <li>• We hold accreditation with the Royal Society for the Prevention of Cruelty to Animals (RSPCA) in Australian and Society for the Prevention of Cruelty to Animals (SPCA) in New Zealand in line with the Approved Farming Scheme standards.</li> </ul>
<p><b>Drought</b> If grain supply is reduced following a prolonged period of drought, higher grain prices may arise from lower grain production levels resulting in higher input costs for Ingham's.</p>	<ul style="list-style-type: none"> <li>• Ingham's national production footprint mitigates the risk of concentrated production in one region. In addition the diversity of grain suppliers across the regions provides access to multiple grain supply chains, further mitigating the risk of grain shortages.</li> <li>• Input costs, including grain price and other commodities, are managed through cost pass through arrangements where available. There may be instances where these are not able to be passed through or are delayed and this can contribute to the potential risk of margin erosion.</li> </ul>
<p><b>Plant failure</b> A range of events, including natural disaster, fire, explosion and other force majeure related events, may result in the failure of one of our plants. Our plants include feed mills, primary processing plants and further processing plants.</p>	<ul style="list-style-type: none"> <li>• We have a rolling program of regular site inspection of a plant's pressure vessels, boiler, gas supply and fire detection and response.</li> <li>• Ingham's would address any loss of plant using its business continuity plans, disaster recovery and network planning. This would mean that spare capacity is identified at a group level to accommodate the loss of the largest site.</li> </ul>
<p><b>Customer relationships</b> A sizeable loss of demand, or a missed opportunity to increase our demand, from one of our largest customers could have a significant financial consequence for Ingham's.</p>	<ul style="list-style-type: none"> <li>• We focus on delivering to customer expectations.</li> <li>• We extend supply contracts to key customers to both mitigate the risk of loss of business and allow for effective network planning.</li> <li>• Ingham's has a centralised customer complaints management process and network-wide tracking and remediation of outcomes arising from customer audits.</li> <li>• Quality assurance teams undertake comprehensive quality assurance testing of products prior to customer approvals.</li> </ul>
<p><b>Information asset failure and cyber</b> Information assets may fail, including as a result of a cyber attack, resulting in the inability to operate and support critical business processes.</p>	<ul style="list-style-type: none"> <li>• We have a range of IT and IT security controls within an overarching IT risk management framework. We regularly test our disaster recovery plans and are in the process of rolling out a cyber awareness program.</li> <li>• We have a forward-looking strategy to refresh legacy information assets.</li> </ul>

## DIRECTORS' REPORT continued

RISK	MANAGEMENT
<p><b>Legal, regulatory and governance</b> Our operations are subject to a range of legal and regulatory requirements regarding matters including work health and safety, food safety, consumer protection, competition and the environment.</p> <p>We monitor and engage with government and regulatory bodies on policy, regulatory compliance and impacts to the regulatory environment.</p>	<ul style="list-style-type: none"> <li>• We have a range of policies, procedures and plans to help us manage our legal and regulatory compliance.</li> <li>• Our Code of Conduct sets out the guiding principles for 'doing the right thing' and living up to our Principles of being 'open, honest and collaborative'.</li> <li>• We evaluate and respond to legal proceedings and claims, with our response correlated to the potential risk exposure.</li> <li>• We monitor and engage with government and regulatory bodies on policy, regulatory compliance and impacts to the regulatory environment.</li> </ul>
<p><b>Business interruption</b> Interruption to our operations can be caused by range of issues including but not limited to natural disaster, supply chain, industrial action and other regulatory incidents, loss of plant, cyber incident or IT system failure and pandemic/epidemic. Business interruptions could impact our operations, our partners and our employees and may cause business and reputational damage as well as significant financial impacts.</p>	<ul style="list-style-type: none"> <li>• We monitor and respond to threats in the continuity of our operations.</li> <li>• We undertake a range of business continuity exercises to test the ability of our business to respond effectively.</li> <li>• We are in the process of investing in our technology infrastructure and applications and regularly review our IT recovery plans to enhance our offsite back-up and recovery capabilities.</li> <li>• We continue to monitor, scenario plan and manage our business in line with COVID-19 pandemic impacts, which could have a material financial impact on our business, particularly relating to any response in Australia and New Zealand that could materially affect demand for poultry products in retail and wholesale markets.</li> </ul>

### Strategy and future prospects

The Group's goal is to be the most trusted food company in our market. Our purpose is to "Nourish our World", the world of our people, our products, our partners, our planet and to deliver operational results to ensure fuel for our growth for our investors and stakeholders alike.

This Purpose underpins our strategy and our commitment to making a positive difference by:

- Providing our People with a high-performing, supportive, safe work environment and culture
- Nourishing our consumers and customers with high-quality trusted Products
- Collaborating with our Partners – customers and suppliers – to work in new ways
- Reducing, reusing and recycling to create a better tomorrow for our Planet
- Growing the business and rewarding our shareholders by reinvesting for growth and generating Profit Our people are guided by our Principles – they are open, honest and collaborative in the way they work.

With a team that is united by a common Purpose and Principles, we are committed to achieve our Ambition to be the most trusted food producer in our market.

As Australia and New Zealand's largest integrated poultry producer, we want to stay true to our Purpose. This is a responsibility that goes beyond just producing high-quality products for our consumers. We know that when we come together and work for a common cause, we can deliver the best possible products, time after time.

Our strategy is to deliver more consistent, predictable and reliance returns and we have developed a set of pillars that set the framework for how we will achieve this.

Our strategic pillars are as follows:

- **Optimise the Core:** deliver asset efficiency with capital discipline; implement and apply a culture of continuous improvement; refine and re-frame our customer relationships; maximise the value of every asset we deploy and every bird we produce.
- **Innovate to Grow:** manage our core new product development and portfolio mix to maximise our margins; build poultry and protein products and brands to deliver growing margins and to offset cost volatility mostly found in commodity products.
- **Invest in the new:** be flexible, disciplined and well capitalised to take advantage of growth opportunities in the plant and animal protein category.

The primary enablers to deliver our strategy are centred on the Consumer, Cost and our Culture.

Our aim is to continue to deliver efficiency in our network and operations as we strive to simplify our business and apply our much improved integrated business planning model. We are committed to evolving into a consumer centric organisation where we align and support our customers growth in the poultry category whilst we also invest in new value-added products and categories.

Our culture is a key to our success. We believe in and apply the principals of being open, honest and collaborative in everything we do. We believe that by engaging and growing our people, we will continue to deliver success and strong returns into the future.

## DIRECTORS' REPORT continued

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

Dear Shareholder,

I am pleased to present our Remuneration Report for 2020, which summarises Ingham's remuneration strategy and outcomes for Executive Key Management Personnel (Executive KMP) and Non-Executive Directors.

The Board would like to commend the management team for their significant efforts to trade through the many challenges faced this financial year which enabled Ingham's to continue to operate profitably and deliver essential services to our customers. These challenges included the ongoing drought in Australia and its impact on the cost of feed, bushfires across Australia which led to the evacuation and temporary shutdown of two of our facilities, and the ongoing COVID-19 pandemic which continues to impact the way we live and work.

#### FY20 performance

Our financial performance has been relatively resilient. Prior to implementing social distancing requirements across Australia and New Zealand, the business was on track to deliver our FY20 results in line with market consensus at the time of our half year results.

Despite the many challenges, we have been able to deliver Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of \$179.7m AUD and a dividend declared for the year of 14.0 cents per share to shareholders. This has been achieved through a focus on:

- Reducing costs and focusing on the key efficiency indicators within our operations to improve the underlying capacity and performance of our business;
- Supporting and growing existing and new sales channels, including exports, to minimise the effect of the channels that were significantly impacted by the pandemic restrictions; and
- Proactively planning and executing our responses to the COVID-19 pandemic and the impacts of the restrictions on the economy, our employees, our consumers, customers and supply chain.

#### Our framework

The Remuneration Framework is designed to attract, motivate and retain high performing executives. Additional governance and rigour has been applied to Ingham's remuneration framework to support our 2020-2025 strategy.

The variable components of remuneration are closely linked to successful execution of strategic objectives, balancing delivery in both the short and long-term and linking pay to shareholder, community and customer interests.

The Short-Term Incentive Plan (STIP) was refreshed for FY20. The key changes were:

- FY20 STIP payment qualification was dependent on having an active 'Success Profile' (performance and development plan) that aligns individual performance to business objectives for STIP participants.
- The introduction of a behaviour moderator to the reward framework through the 'Success Profile', to reinforce that achieving good results is not just about 'what' is achieved but equally, 'how' they are achieved.
- The introduction of modifiers to the STIP payment pool in response to a significant safety event or fatality as well as lead and lag indicators on food quality and people safety.

The Long-Term Incentive Plan (LTIP) for FY20 was redesigned to align with both strategic and financial objectives and renamed the Transformational Incentive Plan (TIP) for FY20. This involved dividing the plan into two components:

- 50 per cent related to achieving strategic objectives using measures and targets on culture, cost management and consumer elements, and
- 50 per cent related to market objectives including achieving cumulative EBITDA and Total Shareholder Return (TSR) targets.

Further details on the TIP are included on pages 50 to 52 of the report.

#### Remuneration outcomes for FY20

The Board remains focused on ensuring there is a robust and rigorous process in place to determine individual and company-wide remuneration outcomes. Significant oversight and judgement are applied to ensure the remuneration outcomes are balanced. In determining the Executive KMP remuneration outcomes this year and how these outcomes will be delivered, the Board has considered the needs and expectations of various stakeholders, the business performance and underlying improvements as well as the wider economic challenges.



## DIRECTORS' REPORT continued

The Board took the following factors into consideration:

- The financial performance reflected Management's focus on key business transformation initiatives, including the focus on operational efficiency and capital light investments to increase capacity and lower costs. These initiatives, along with a focus on improved customer engagement, led to a relatively resilient financial performance despite the negative impact of drought and high grain prices.
- At half-year EBITDA was on track to meet Target performance, as recognised by market consensus.
- A significant safety incident occurred within the year.

After consideration, the Board determined the following outcomes:

- No KMP were awarded fixed remuneration increases in FY20.
- Whilst the financial performance was below target, when consideration was given to both underlying performance improvements and the significant headwinds associated with the COVID-19 pandemic (including higher costs and increased inventory provision), in the Board's judgement a STIP payment was warranted – albeit based on a reduced pool capped at 45%.
- The Chief Executive Officer and Managing Director (CEO/MD) was awarded 40% of Target STIP with the entire award converted to performance rights, deferred for 12 months. The remaining Executive KMP were awarded 40% and 45% of Target STIP, respectively, with 50% of the award paid as cash and the remaining 50% converted to performance rights, also deferred for 12 months. See page 54 for further details of the STIP outcomes. This approach further supports our commitment to ensuring alignment between Executive and shareholder interests.
- The FY18 LTIP partially vested. The Earnings Per Share (EPS) component did not vest and the TSR component vested at 90.5 per cent, see page 54 for further details.

There are no planned fixed remuneration increases for KMP for FY21 and remuneration increases for all other salaried employees for FY21 have been deferred until the trading environment becomes more certain.

### Key appointments during FY20

As outlined in our report for FY19, we completed the rejuvenation of our leadership team with the commencement of our Chief Financial Officer (CFO), Gary Mallett, on 15 October 2019.

We appointed Michael Ihlein to the Board on 16 April 2020. Mike brings extensive experience in Executive and Board leadership with prominent Australian and international businesses and is Chair of the Finance and Audit Committee. As previously announced, Ricky Lau retired from the Board on 30 June 2020.

### Non-Executive Director Remuneration

From 1 January 2020, we introduced fees of \$10,000 per annum for participation as Committee Members. There were no other changes to the Chairman, Non-Executive Director or Committee Chair fees.

### Future Remuneration Changes

The global economic uncertainty caused by the ongoing pandemic makes it very challenging to set remuneration parameters that are fair, meaningful and relevant for Executives, while seeking to ensure that any resulting outcomes reflect the shareholders' and broader stakeholders' views. The Board and Management have agreed, in light of the pandemic and the challenges, to defer the setting of remuneration targets until late 2020.

For FY21, the overarching principles of the Company's current remuneration approach will be maintained; although a deferral component for STIP for Executives is planned for introduction from FY21 onwards (only the CEO/MD has a current deferral component).

The Board anticipates that it will need to exercise appropriate judgement to ensure that the targets are fair between Management and shareholders. Any decisions made prior to the Annual General Meeting (AGM) will be confirmed at that time.

On behalf of the Board, we invite you to read the Report and we look forward to receiving your feedback at the Annual General Meeting (AGM).

Yours faithfully,



Helen Nash  
Chair, People and Remuneration Committee

## DIRECTORS' REPORT continued

### REMUNERATION REPORT (AUDITED)

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 FY20
7. Statutory and share based reporting

#### 1 Remuneration report overview

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 (KMP) 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 Non-Executive Directors.

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

The table below outlines the Non-Executive Directors of Ingham's and any movement during FY20.

NAME	POSITION	TERM
<b>Non-Executive Directors</b>		
Peter Bush	Non-Executive Chairman	Full financial year
Rob Gordon	Non-Executive Director	Full financial year
Mike Ihlein	Non-Executive Director	From 16 April 2020
Ricky Lau <sup>1</sup>	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	Full financial year

(1) Ricky Lau resigned from the Ingham's Board effective 30 June 2020.

## DIRECTORS' REPORT continued

### REMUNERATION REPORT (AUDITED)

#### 1 Remuneration report overview (continued)

The table below outlines the Executive KMP of Ingham's and any movement during FY20.

CURRENT KMP	POSITION	TERMS AS KMP
<b>Executive Director</b>		
Jim Leighton	Chief Executive Officer/Managing Director	Full financial year
<b>Senior executives</b>		
Jonathan Gray	Chief Executive Officer, New Zealand	Full financial year
Gary Mallett	Chief Financial Officer	From 15 October 2019

#### 2 How remuneration is governed

##### A. REMUNERATION DECISION MAKING

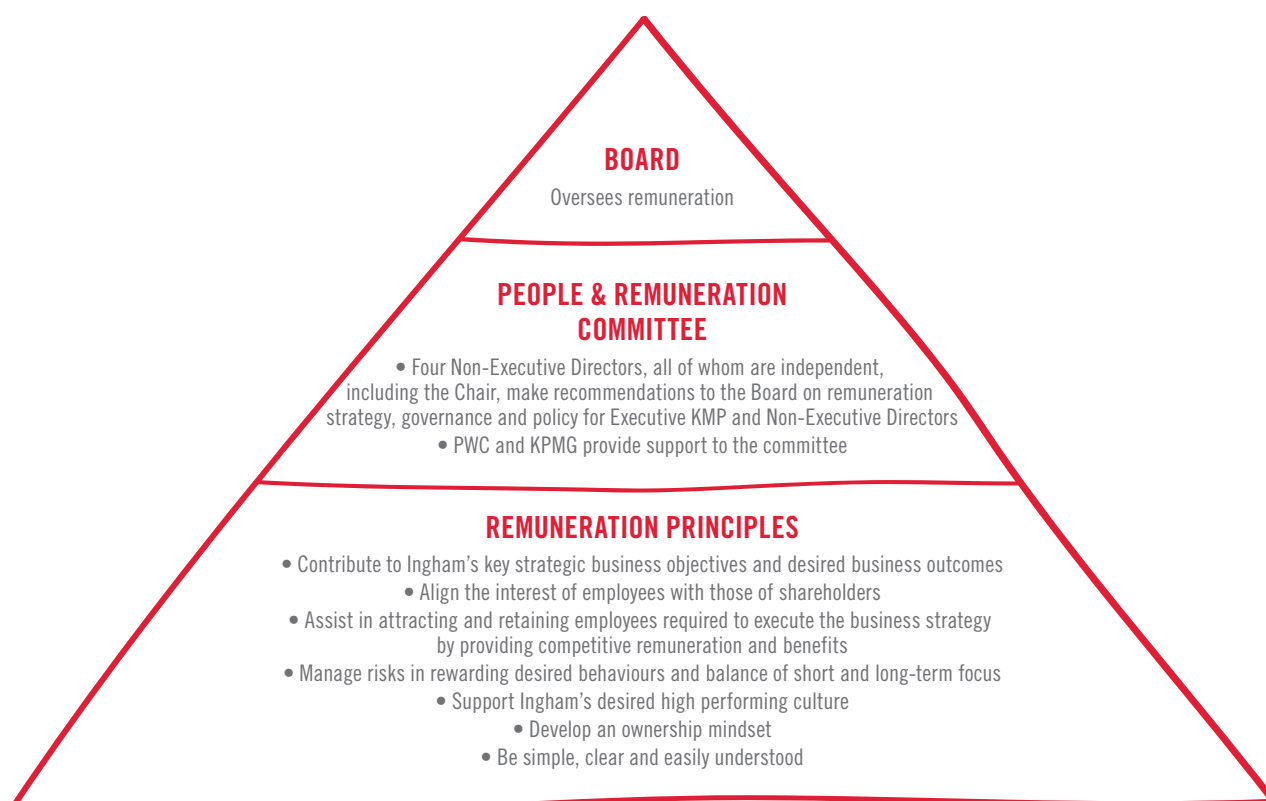
The Board, People and Remuneration Committee, Executive KMP and Management work together to apply our Remuneration Governance Framework (see below) and ensure our strategy supports sustainable shareholder value. Our Framework is designed to support our Purpose, Principles, Strategy and our long-term approach to creating value for our shareholders, customers and the community.

Ingham's has several policies that strongly govern the framework and promote responsible management and conduct. These policies include a Diversity Policy, Continuous Disclosure Policy and Securities Dealing Policy. 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 and is utilised periodically to support the remuneration decision making process.

During FY20, the Committee engaged KPMG (\$130,300) and PWC (\$12,000) to provide benchmarking data on Executive Management and Non-Executive Director remuneration. The People and Remuneration Committee Chair and the Board were satisfied the information received was independent and free from undue influence. No remuneration recommendations for the purposes of the Corporations Act were provided. We are confident the provisions enable appropriate Board discretion to ensure we only reward where it is appropriate to do so.

##### Diagram: Remuneration Governance Framework





## DIRECTORS' REPORT continued

### REMUNERATION REPORT (AUDITED)

#### 3 Overview of executive remuneration

##### A. HOW WE DETERMINE EXECUTIVE REMUNERATION POLICIES AND STRUCTURES

The Remuneration Governance Framework is designed to attract, motivate and retain high performing executives. The remuneration for Executives, including KMP Executives, is set on appointment to the role and regularly reviewed. We set both fixed and total remuneration by considering a range of factors including experience, capabilities and performance in the role, relevant market data, talent availability and the role's impact. The variable components of Executive remuneration are closely linked to successful execution of strategic objectives, balancing delivery in both the short and long-term and linking 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, ensuring consistency with shareholder, community and consumer expectations	<ul style="list-style-type: none"> <li>Total remuneration is based on the Executive's capabilities and experience</li> <li>Remuneration is benchmarked against appropriate peer companies and independent remuneration data from a variety of sources</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 objectives</li> </ul>

##### B. OUR EXECUTIVE REMUNERATION POLICIES AND STRUCTURES

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

Ingham's Executive 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 Executives at Ingham's in FY20, illustrating the fixed and variable proportions of remuneration at target and maximum levels.

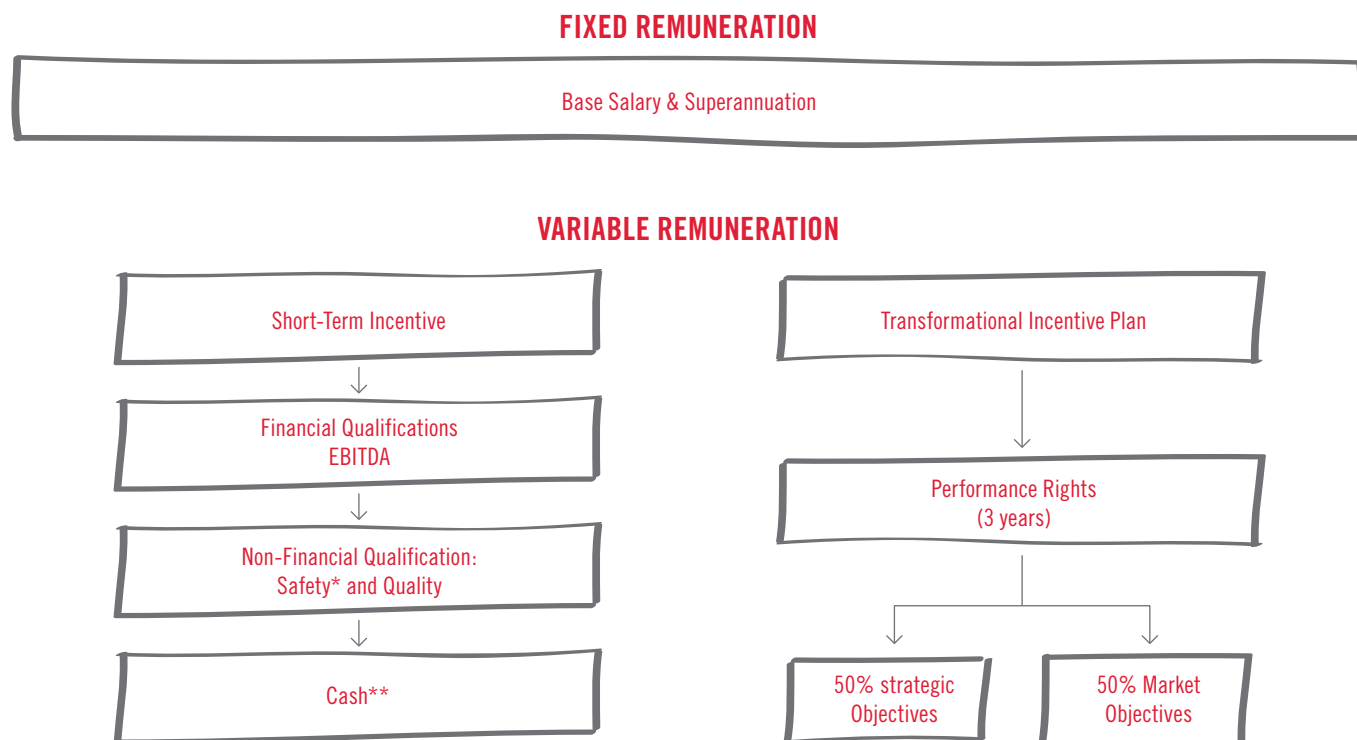
DIRECTORS' REPORT continued

**REMUNERATION REPORT (AUDITED)**

**3 Overview of executive remuneration (continued)**

**B. OUR EXECUTIVE REMUNERATION POLICIES AND STRUCTURES (CONTINUED)**

**Diagram: Ingham's remuneration structure**

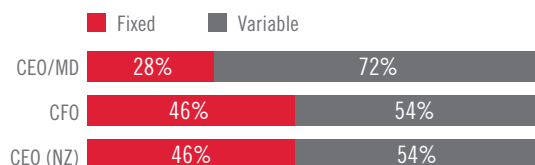


\* Safety includes an overall safety modifier in the event of a serious safety incident.

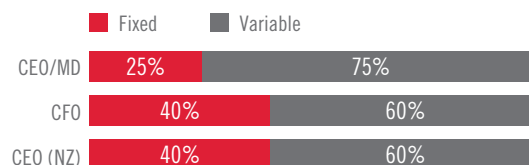
\*\* The CEO/MD STIP award has 50% paid as cash with the other 50% applied to purchase Inghams Group Limited shares and held in escrow for a period of three (3) years.

**Diagram: Fixed to variable remuneration mix**

**KMP TARGET REMUNERATION**



**KMP MAXIMUM REMUNERATION**



## DIRECTORS' REPORT continued

### 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
- risk management; and
- applicable international implications, including school fees, health insurance subsidies and fluctuations in foreign exchange rates.

###### SHORT TERM INCENTIVE PLAN (STIP)

The STIP 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. STIP 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 financial performance target (EBITDA). See **Table 2** below for key features.

New processes were introduced during FY20 to improve the alignment of objective delivery throughout the organisation through the introduction of improved performance planning using our Success Profile approach, as well as improved Operational Scorecards. All FY20 STIP participants were required to have an active 'Success Profile and Scorecards to be able to participate in FY20.

Through the introduction of Success Profiles, we implemented a behaviour moderator to our STIP framework reinforcing that achieving good results at Ingham's is not just about 'what' is achieved but equally, 'how' each person goes about achieving their results and modelling our principles and behaviours.

The Board introduced a modifier in relation to quality and safety performance, which can modify the STIP payment pool in response to factors affecting food quality and people safety. The Board has set a scorecard in this area, using a combination of lead and lag targets to regularly review performance and achievement. A further gateway was introduced in the event that the organisation had a significant safety event to ensure this was appropriately reflected in our leader's remuneration.

Currently, only the CEO/MD has a deferral in place for STIP. We plan to introduce a deferral component for all Executives from FY21 onwards.



## DIRECTORS' REPORT continued

### REMUNERATION REPORT (AUDITED)

#### 3 Overview of executive remuneration (continued)

##### C. ELEMENTS OF REMUNERATION (CONTINUED)

Table 2: Key features of the FY20 STIP

TERM	DESCRIPTION												
<b>Objective</b>	To reward participants for achieving strategic business objectives aligned to forecasts for FY20.												
<b>Participants</b>	Executive KMP and invited senior management.												
<b>Performance Period</b>	Financial year ended 27 June 2020.												
<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</td> <td>100% of Fixed Remuneration</td> <td>150% of Fixed Remuneration</td> </tr> <tr> <td>CEO NZ</td> <td>50% Base Salary</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> </tbody> </table>	EXECUTIVE KMP	ON TARGET	STRETCH	CEO/MD	100% of Fixed Remuneration	150% of Fixed Remuneration	CEO NZ	50% Base Salary	75% of Base Salary	CFO	50% of Base Salary	75% of Base Salary
EXECUTIVE KMP	ON TARGET	STRETCH											
CEO/MD	100% of Fixed Remuneration	150% of Fixed Remuneration											
CEO NZ	50% Base Salary	75% of Base Salary											
CFO	50% of Base Salary	75% of Base Salary											
<b>Non-Financial Measures</b>	<p>The Board reviews the performance objectives against non-financial measures of individual performance ratings, 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>In addition, in the case of a significant safety event, STIP payments are capped at an average of 50%, unless the Board exercises discretion.</p>												
<b>Financial Measures</b>	<p>Ingham's financial performance is measured by the Group's underlying EBITDA. Underlying 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.</p> <p>Our underlying EBITDA performance is measured at two levels:</p> <table border="1"> <thead> <tr> <th></th> <th>FULL YEAR TARGET</th> </tr> </thead> <tbody> <tr> <td>Target</td> <td>\$190.0 million</td> </tr> <tr> <td>Stretch</td> <td>\$210.0 million</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>No STIP is payable if the EBITDA target is missed unless the Board exercises discretion.</li> <li>A straight-line method operates between target and stretch.</li> <li>FY20 payments were determined on 52-week financial year EBITDA.</li> </ul>		FULL YEAR TARGET	Target	\$190.0 million	Stretch	\$210.0 million						
	FULL YEAR TARGET												
Target	\$190.0 million												
Stretch	\$210.0 million												
<b>Payment Method</b>	<p>Participants receive a cash payment following the end of the performance year, except for 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>												
<b>Discretion</b>	At all times the Board may exercise discretion in regard to STIP payments.												

##### A. STIP CALCULATION

To the extent that gates are achieved, the size of the STIP payment pool will be further impacted as a result of performance against four key indicators in both group safety and group quality. This calculation can modify the pool size to be anywhere between 0% and 110% of the total on target pool depending on performance.

## DIRECTORS' REPORT continued

### REMUNERATION REPORT (AUDITED)

#### 3 Overview of executive remuneration (continued)

##### B. STIP OUTCOMES FOR FY20

In determining the Executive remuneration outcomes this year and how these outcomes will be delivered, the Board has considered the needs and expectations of various stakeholders, the business performance and the efforts undertaken by management to continue to trade through a year of extraordinary challenge.

Specifically, the Board took a range of factors into consideration:

- Whilst the financial performance was ultimately below Target, the performance was relatively resilient with FY20 results broadly in line with consensus, reflecting management's focus on key business transformation initiatives, including the focus on operational efficiency and capital light investments to increase capacity and lower costs. These initiatives underpinned our financial performance, despite the negative impact of drought and high grain prices and the higher costs and increased inventory provision associated with the COVID-19 pandemic.
- At half-year EBITDA was on track to meet Target performance, as recognised by market consensus.
- The dividend to shareholders is in line with the lower end of market consensus.
- To minimise the impact of COVID-19, the management team took early, proactive and industry-leading steps to introduce measures that protected the wellbeing of its employees and the viability of operations. This included significant rationalisation of the products produced and re-engineering of processes to facilitate social distancing, enhanced hygiene and greater personal protection measures.
- The business took significant steps to reduce costs, by deferring, delaying or cancelling non-essential spending and through focusing on the key efficiency indicators within our operations. Materially, no redundancies or stand-downs occurred during FY20 as a result of COVID-19 and no government subsidies (i.e. JobKeeper) were sought or applied.
- The lockdown restrictions severely impacted a number of sales channels. Management continued its focus on identifying new or expanded sales channels, including export markets, whilst strengthening its retail channels.
- The quality and safety scorecard metrics, introduced with the FY20 STIP, were achieved at or above target, however, a significant safety event occurred at one of the business' facilities leading to a serious injury to an employee at the Tahmoor turkey processing facility.
- The EBITDA Target outcome was not achieved and FY20 STIP did not include a Threshold EBITDA target.

After consideration of these factors the Board exercised its judgment to award STIP, however reduced the available pool to 45% of the Target pool. KMP were awarded between 40-45% of their Target STIP.

##### LONG TERM INCENTIVE PLANS

###### *FY18 AND FY19 LTIP*

The FY18 and FY19 LTIP offers were made to the members of the Ingham's executive team. 75% of the offer is subject to Ingham's EPS performance and 25% is subject to a relative TSR performance condition. The offer is tested at the end of the performance period, being FY20 and FY21 respectively.

For the FY18 LTIP, the EPS components have been calculated and will not vest. The relative TSR percentile rank was 70.25%, 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, but including Real Estate Investment Trusts. This comparator group was established at 1 July 2017 and did not take into account new entrants, or those that have departed the S&P/ASX 200 since 1 July 2017. The FY18 LTIP vesting outcomes are explained further in section 6B.

##### LONG TERM INCENTIVE PLANS

###### *FY20 LTI (TIP) OFFER*

This year, a new long-term incentive plan – Transformation Incentive Plan (TIP) – was introduced replacing the previous existing Long-Term Incentive Plan (LTIP). These changes were made to align with our 2020-2025 strategy focusing on delivering an engaging and motivating reward for critical senior talent.

## DIRECTORS' REPORT continued

### REMUNERATION REPORT (AUDITED)

#### 3 Overview of executive remuneration (continued)

##### B. STIP OUTCOMES FOR FY20 (CONTINUED)

The table below outlines the key terms of the FY20 LTI Offer under the Transformational Incentive Plan (TIP):

##### 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 Inghams Group or any other person that the Board determines to be eligible to receive a grant under the Plan.</li> <li>The TIP 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> <li>– Gary Mallett (CFO)</li> </ul> </li> </ul>
<b>Offers under the Plan</b>	<ul style="list-style-type: none"> <li>The TIP 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 aggregate face value of the TIP Offer to all participants (Executives and Senior Management) is \$6.4 million.</p> <ul style="list-style-type: none"> <li>Jim Leighton was granted Rights with a maximum face value of \$2.25 million. Other participating members of senior management were granted Rights with a cumulative face value of \$4.1 million.</li> <li>The final number of Rights awarded to each participant was calculated by dividing the face value of their TIP award by \$3.19662, being the volume weighted average price (VWAP) of Ingham's shares traded on the ASX in the 10 days after 27 August 2019. (i.e. the announcement of Ingham's FY19 annual results.)</li> </ul>
<b>Performance period</b>	The performance period commenced on 17 April 2020 and ends on 25 June 2022.
<b>Performance conditions</b>	<p>Rights granted as part of the TIP 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>50% of the Rights are subject to a performance condition based on strategic objectives relating to culture development, cost management and consumer goals; and</li> <li>50% of the Rights are subject to a performance condition based on market objectives relating to underlying cumulative EBITDA and absolute TSR goals.</li> </ul>
<b>Voting and dividend entitlements</b>	The Rights granted under the TIP 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 TIP Offer unless the Board allows, 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 TIP 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.</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 TIP 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 Inghams Group or any Inghams Group company into disrepute, breached their obligations to the Inghams 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 Inghams 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>



## DIRECTORS' REPORT continued

## REMUNERATION REPORT (AUDITED)

## 3 Overview of executive remuneration (continued)

## EXECUTIVE EMPLOYMENT AGREEMENTS

## A. TIP EXPLANATION

The table below summarises each of the measures and their weighting for FY20.

TRANSFORMATION INCENTIVE PLAN FY20			
GATEWAYS			
Tenure		Actively employed for entire period up to and including payment.	
Individual Performance		Individual Performance overall rating at "meets expectations" or above for the entire period of the plan on a participants Success Profile.	
OBJECTIVE TYPE	OVERALL WEIGHT	COMPONENT DESCRIPTION	COMPONENT WEIGHTING
Strategic Objectives	50%	<b>Culture:</b> The Culture element assesses progress against a baseline measurement, using the Human Synergistics Organisational Culture Inventory tool. This element is weighted at 15% of performance rights for Target achievement (10% at Threshold; 20% at Stretch achievement; with any outcome below Threshold at nil).	15%
		<b>Cost:</b> The Cost element assesses progress in reducing operational costs by measuring our improvement in net margin before selling and general administration costs. This element is weighted at 20% of performance rights for Target achievement (15% at Threshold; 25% at Stretch achievement; with any outcome below Threshold at nil).	20%
		<b>Consumer:</b> The Consumer element assesses our progress in building brand awareness, through measuring increases in revenue from branded products. This element is weighted at 15% of performance rights for Target achievement (10% at Threshold; 20% at Stretch achievement; with any outcome below Threshold at nil).	15%
Market Objectives	50%	<b>Cumulative EBITDA:</b> The Cumulative EBITDA element assesses achievement against targets for underlying EBITDA over 3 years. This element is weighted at 25% of performance rights for Target achievement (20% at Threshold; 30% at Stretch achievement; with any outcome below Threshold at nil).	25%
		<b>Total Shareholder Return:</b> The TSR element assesses achievement against targets for absolute TSR over 3 years. This element is weighted at 25% of performance rights for Target achievement (20% at Threshold; 30% at Stretch achievement; with any outcome below Threshold at nil).	25%

## 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, expiring November 2022	12 months	Up to 12 months fully paid
Jonathan Gray	CEO, NZ	Unlimited	6 months	Up to 6 months fully paid
Gary Mallett	CFO	Unlimited	6 months	Up to 6 months fully paid

## MANAGEMENT RECOGNITION INCENTIVE

As advised in the FY19 Remuneration Report, the Board approved a Management Recognition Incentive for Jim Leighton and Jonathan Gray by way of a one-off additional equity award. Jim Leighton was awarded 93,721 restricted shares with a value of \$400,000. Jonathan Gray was awarded 24,474 restricted shares with a value of \$103,940. For Jim, the number of shares purchased was based on a VWAP of \$4.268 and for Jonathon this was based on a VWAP of \$4.247. The VWAP for both was calculated on the relevant dates they commenced in their roles in November 2018 through to 29 June 2019. The shares were sourced on-market and are being held in escrow until 15 December 2022.

## 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 in regard to his transfer to New Zealand and is to be repaid upon sale of his former residence in Australia. Should the sale not take place prior to December 2023, the agreement will be reviewed. 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 zero per cent interest represents a benefit.

## DIRECTORS' REPORT continued

### REMUNERATION REPORT (AUDITED)

#### 4 Overview of non-executive director remuneration

The details of fees paid to Non-Executive Directors in FY20 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 FY20 (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		FY20
Chairman		\$350,000 (no additional committee fees)
Non-Executive Director		\$140,000
COMMITTEE FEES		
Finance & Audit	Chair	\$20,000
People & Remuneration	Chair	\$20,000
Risk & Sustainability	Chair	\$20,000
Nomination	Chair	–
Committee Fees	Membership per committee	\$10,000

#### 5 Overview of company performance

	FY20 ACTUAL	FY20 UNDERLYING	FY19 ACTUAL	FY19 UNDERLYING	FY18 ACTUAL	FY18 UNDERLYING	FY17 ACTUAL	FY17 PRO FORMA	FY16 ACTUAL	FY16 PRO FORMA
Revenue (\$'m)	2,555.3	2,555.3	2,489.8	2,478.8	2,373.9	2,341.4	2,373.8	2,383.9	2,308.7	2,308.7
EBITDA (\$'m)	387.8	179.7	242.2	208.6	212.0	202.7	160.3	195.0	106.6	167.5
Profit after tax (\$'m)	40.1	78.8	126.2	103.2	114.6	108.0	59.1	102.0	25.2	83.1
Dividends per year (cents per share)	14.0	14.0	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)	5.0	–	87.0	–	67.0	–	23.0	–	n/a	n/a

## DIRECTORS' REPORT continued

### REMUNERATION REPORT (AUDITED)

#### 6 Performance and executive remuneration outcomes in FY20

##### A. PERFORMANCE AGAINST STI MEASURES PERFORMANCE AGAINST FY20 STIP

'Target' performance against EBITDA, as identified under the FY20 STIP, was not met during the period. Target was \$190 million for underlying EBITDA, versus actual underlying EBITDA of \$179.7 million. This outcome reflected the higher costs and increased inventory provision associated with the COVID-19 pandemic. Target performance against the non-financial KPIs was met. A significant safety event occurred.

The Board exercised its judgment and approved an available STIP pool of 45 per cent of the target pool. For Jim Leighton, the STIP award was 40 per cent of Target, for Jonathan Gray the STIP award was 40 per cent of Target and for Gary Mallett the STIP award was 45 per cent of Target. The Board further determined that for Jim Leighton, the entire STIP award should be converted to performance rights, deferred for 12 months. For the remaining Executive KMP, the Board determined that 50 per cent of the STIP award should be paid as cash and the remaining 50 per cent of the STIP award be converted to performance rights, deferred for 12 months.

EXECUTIVE KMP	STI TARGET – \$	STI TARGET	MAXIMUM STI	STI PORTION EARNED – \$	FORFEIT AGAINST STI MAXIMUM	FORFEITED % AGAINST STI MAXIMUM
Jim Leighton	1,500,000	100%	150%	600,000	1,650,000	73.33%
Jonathan Gray	254,043	50%	75%	101,617	279,448	73.33%
Gary Mallett	197,869	50%	75%	89,041	207,763	70%

The Short-Term Incentive for Gary Mallett was pro-rated from his date of commencement of 15 October 2019.

##### B. PERFORMANCE AGAINST LTI MEASURES

###### LTI VESTING OUTCOMES

The FY18 LTI scheme vested on 30 June 2020. The EPS performance was below threshold and resulted in all EPS-based rights lapsing. The TSR performance was between the 50th and 75th percentile, which resulted in 90.5% of the TSR-based rights vesting.

The details of the outcomes against the relative TSR hurdles is set out below.

#### Relative TSR Hurdle:

COMPANY'S TSR RANK IN THE RELEVANT COMPARATOR GROUP	% OF RIGHTS THAT VEST
Less than 50th percentile	Nil
At 50th percentile	50%
Between 50th and 75th percentile	Straight line pro-rata vesting between 50% and 100%
At 75th percentile	100%
Outcome:	
TSR percentile rank of 70.25%	90.5% vesting



## DIRECTORS' REPORT continued

## REMUNERATION REPORT (AUDITED)

## 6 Performance and executive remuneration outcomes in FY20 (continued)

## C. ACTUAL REMUNERATION EARNED BY KEY MANAGEMENT PERSONNEL

The remuneration earned by Director, Executive and KMPs in FY20 and FY19 are set out below. This information is relevant as it provides shareholders with a view of the remuneration 'paid' to executives in FY20 for performance.

		FIXED REMUNERATION \$000	STI <sup>1</sup> \$000	TOTAL CASH \$000	OTHER SHORT-TERM BENEFITS <sup>2</sup> \$000	LTI VESTED <sup>3</sup> \$000	LONG-TERM BENEFITS <sup>4</sup> \$000	TOTAL ACTUAL REMUNERATION \$000
<b>Non-Executive Directors<sup>5</sup></b>								
Peter Bush	2020	350	–	350	–	–	–	350
	2019	350	–	350	–	–	–	350
Rob Gordon	2020	145	–	145	–	–	–	145
	2019	31	–	31	–	–	–	31
Mike Ihlein	2020	33	–	33	–	–	–	33
	2019	–	–	–	–	–	–	–
Ricky Lau	2020	–	–	–	–	–	–	–
	2019	–	–	–	–	–	–	–
Jackie McArthur	2020	160	–	160	–	–	–	160
	2019	140	–	140	–	–	–	140
Helen Nash	2020	165	–	165	–	–	–	165
	2019	160	–	160	–	–	–	160
Linda Bardo Nicholls, AO	2020	169	–	169	–	–	–	169
	2019	160	–	160	–	–	–	160
Andrew Reeves	2020	160	–	160	–	–	–	160
	2019	58	–	58	–	–	–	58
<b>Sub-total Non-Executive Directors' Actual Remuneration</b>	2020	1,182	–	1,182	–	–	–	1,182
	2019	899	–	899	–	–	–	899
<b>Chief Executive Officer</b>								
Jim Leighton	2020	1,679	–	1,679	31	–	23	1,733
	2019	951	–	951	53	–	6	1,010
<b>Former Chief Executive Officer</b>								
Mick McMahon	2019	572	1,500	2,072	–	1,149	(79)	3,142
<b>Sub-total Directors' Actual Remuneration</b>	2020	2,861	–	2,861	31	–	23	2,915
	2019	2,422	1,500	3,922	53	1,149	(73)	5,051
<b>KMP Senior Executives</b>								
Gary Mallett	2020	430	–	430	100	–	7	537
	2019	–	–	–	–	–	–	–
Jonathan Gray	2020	526	–	526	–	41	1	568
	2019	535	237	772	86	221	(24)	1,055
<b>Former KMP Senior Executives</b>								
Ian Brannan	2019	737	375	1,112	–	663	12	1,787
Janelle Cashin	2019	651	343	994	–	221	11	1,226
Quinton Hildebrand	2019	852	297	1,149	–	221	(26)	1,344
Adrian Revell	2019	144	203	347	–	221	2	570
<b>Sub-total KMP Senior Executives' Actual Remuneration</b>	2020	956	–	956	100	41	8	1,105
	2019	2,919	1,455	4,374	86	1,547	(25)	5,982
<b>Total Actual 'Paid' Remuneration</b>	2020	3,817	–	3,817	131	41	31	4,020
	2019	5,341	2,955	8,296	139	2,696	(98)	11,033

(1) STI paid during the financial year. The amount disclosed for FY20 reflects the STI paid in FY20 for FY19 performance.

(2) Other short-term benefits provided to the CEO/MD include adjustments for health insurance premiums, the use of a company provided motor vehicle and relocation expenses.

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

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

(5) Andrew Reeves, Peter Bush, Jackie McArthur and Helen Nash also received remuneration for special projects in FY20.

## DIRECTORS' REPORT continued

## REMUNERATION REPORT (AUDITED)

## 7 Statutory and share-based reporting

## A. DIRECTOR &amp; EXECUTIVE KMP REMUNERATION FOR THE YEAR ENDED 27 JUNE 2020

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 30 June 2019 to 27 June 2020. Performance related remuneration is calculated as FY20 STI bonus and share options share based payment expense.

YEAR	SHORT-TERM BENEFITS			LONG-TERM/ POST-EMPLOYMENT BENEFITS			SHARE-BASED PAYMENTS			TOTAL REMUN- ERATION \$000	PERFOR- MANCE RELATED \$000	
	SALARY AND FEES \$000	STI BONUS \$000	OTHER <sup>1</sup> \$000	RELO- CATION EXPENSES \$000	SUPERAN- NUATION \$000	LONG SERVICE LEAVE \$000	TERMI- NATION BENEFITS \$000	SHARE OPTION (EQUITY SETTLED) \$000	SHARES \$000			
<b>Non-Executive Directors</b>												
Peter Bush	2020	329	–	–	–	21	–	–	–	–	350	–
	2019	330	–	–	–	20	–	–	–	–	350	–
Rob Gordon	2020	132	–	–	–	13	–	–	–	–	145	–
	2019	28	–	–	–	3	–	–	–	–	31	–
Mike Ihlein	2020	30	–	–	–	2	–	–	–	–	32	–
	2019	–	–	–	–	–	–	–	–	–	–	–
Ricky Lau	2020	–	–	–	–	–	–	–	–	–	–	–
	2019	–	–	–	–	–	–	–	–	–	–	–
Jackie McArthur	2020	146	–	–	–	14	–	–	–	–	160	–
	2019	128	–	–	–	12	–	–	–	–	140	–
Helen Nash	2020	158	–	–	–	7	–	–	–	–	165	–
	2019	146	–	–	–	14	–	–	–	–	160	–
Linda Bardo Nicholls, AO	2020	162	–	–	–	7	–	–	–	–	169	–
	2019	146	–	–	–	14	–	–	–	–	160	–
Andrew Reeves	2020	146	–	–	–	14	–	–	–	–	160	–
	2019	53	–	–	–	5	–	–	–	–	58	–
<b>Subtotal Non-Executive Directors' Remuneration</b>	2020	1,103	–	–	–	78	–	–	–	–	1,181	–
	2019	831	–	–	–	68	–	–	–	–	899	–
<b>Chief Executive Officer</b>												
Jim Leighton	2020	1,658	–	14	–	21	23	–	809	394	2,919	1,203
	2019	937	–	–	53	14	6	–	383	64	1,457	447
<b>Former Chief Executive Officer</b>												
Mick McMahon	2019	381	–	–	–	7	(79)	224	715	–	1,248	715
<b>Sub-total Directors' Actual Remuneration</b>	2020	1,658	–	14	–	21	23	–	809	394	2,919	1,203
	2019	1,318	–	–	53	21	(73)	224	1,098	64	2,705	1,162
<b>KMP Senior Executives</b>												
Jonathan Gray	2020	508	51	–	–	38	1	–	20	48	666	119
	2019	504	–	–	86	32	(24)	–	320	23	941	343
Gary Mallett	2020	416	44	100	–	14	8	–	30	18	630	92
<b>Former KMP Senior Executives</b>												
Ian Brannan	2019	716	–	–	–	20	12	–	196	–	944	196
Janelle Cashin	2019	653	–	–	–	20	11	–	(2)	–	682	(2)
Quinton Hildebrand	2019	830	–	–	–	22	(26)	1,125	11	–	1,962	11
Adrian Revell	2019	133	–	–	–	10	2	–	215	–	360	215
<b>Total Executives Remuneration</b>	2020	924	95	100	–	52	9	–	50	66	1,296	211
	2019	2,836	–	–	86	104	(25)	1,125	740	23	4,889	763
<b>Total Directors' and Executive Officers' Remuneration</b>	2020	3,685	95	114	–	151	32	–	859	460	5,396	1,414
	2019	4,985	–	–	139	193	(98)	1,349	1,838	87	8,493	1,925

(1) Other represents a company provided motor vehicle for the CEO and a sign on bonus for the CFO.

## DIRECTORS' REPORT continued

## 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 (\$)¹	VESTING DATE	VALUE OF RIGHTS GRANTED DURING THE YEAR (\$000)	NO. RIGHTS VESTED DURING THE YEAR	NO. RIGHTS LAPSED/ FORFEITED DURING THE YEAR
Jim Leighton	FY20	703,868	17 April 2020	3.20	25 June 2022	2,252	–	–
	FY19	506,862	4 December 2018	3.06	30 June 2021	1,866	–	–
		49,915	6 December 2018	Note 2	Note 2	164	–	–
Jonathan Gray	FY20	118,927	17 April 2020	3.20	25 June 2022	381	25,532	(87,315)
	FY19	111,023	5 November 2018	3.06	30 June 2021	409	86,325	(2,327)
		30,694	6 December 2018	Note 2	Note 2	100	–	–
Gary Mallett	FY20	133,579	17 April 2020	3.20	25 June 2022	427	–	–
	FY19	–	–	–	–	–	–	–

(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

	SHARES ISSUED NO.	AVERAGE PAID PER SHARE \$
<b>27 JUNE 2020</b>		
Jim Leighton	–	–
Jonathan Gray	–	–
Gary Mallett	–	–

## D. OPTION/PERFORMANCE RIGHTS HOLDINGS OF DIRECTORS AND KMP

	BALANCE 30 JUNE 2019	GRANTED AS REMUNERATION	OPTIONS/ RIGHTS EXERCISED	NET CHANGE OTHER¹	BALANCE 27 JUNE 2020	VESTED AT 27 JUNE 2020	
						EXERCISABLE	NOT EXERCISABLE
Jim Leighton	556,777	703,868	–	–	1,260,645	–	–
Jonathan Gray	521,129	118,927	(86,325)	(87,315)	466,416	25,532	200,000
Gary Mallett	–	133,579	–	–	133,579	–	–
<b>Total</b>	<b>1,077,906</b>	<b>956,374</b>	<b>(86,325)</b>	<b>(87,315)</b>	<b>1,860,640</b>	<b>25,532</b>	<b>200,000</b>

(1) Represents treasury share movements and forfeited rights.



## DIRECTORS' REPORT continued

## REMUNERATION REPORT (AUDITED)

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

## E. SHAREHOLDINGS OF DIRECTORS AND KMP

	BALANCE 30 JUNE 2019	GRANTED AS REMUNERATION	ON EXERCISE OF RIGHTS/OPTIONS	NET CHANGE OTHER	BALANCE 27 JUNE 2020	BALANCE 27 JUNE 2020 (INCLUSIVE OF VESTED TREASURY SHARES)
<b>Non-Executive Directors</b>						
Peter Bush	158,730	—	—	—	158,730	158,730
Rob Gordon	—	—	—	15,772	15,772	15,772
Mike Ihlein	—	—	—	—	—	—
Ricky Lau <sup>1</sup>	—	—	—	—	—	—
Jackie McArthur	17,264	—	—	1,862	19,126	19,126
Helen Nash	14,003	—	—	15,367	29,370	29,370
Linda Bardo Nicholls, AO	30,519	—	—	2,428	32,947	32,947
Andrew Reeves	—	—	—	7,800	7,800	7,800
<b>Chief Executive Officer</b>						
Jim Leighton	—	—	—	—	—	—
<b>Senior executives</b>						
Jonathan Gray	—	—	86,325	80,000	166,325	366,325
Gary Mallett	—	—	—	—	—	—
<b>Total</b>	<b>220,516</b>	<b>—</b>	<b>86,325</b>	<b>123,229</b>	<b>430,070</b>	<b>630,070</b>

(1) A related TPG entity of these directors sold 37,167,960 shares during the year.

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



**Peter Bush**  
Chairman

Sydney  
21 August 2020



**Michael Ihlein**  
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 27 June 2020 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 stylized signature of the KPMG logo, written in a cursive, handwritten style.

KPMG

A handwritten signature in cursive script, appearing to read 'Julie Cleary'.

Julie Cleary  
*Partner*

Sydney  
21 August 2020

# CONSOLIDATED INCOME STATEMENT

For the year ended 27 June 2020

	NOTES	52 WEEKS ENDED 27 JUNE 2020 \$'000	52 WEEKS ENDED 29 JUNE 2019 \$'000
<b>Revenue</b>		2,555,300	2,489,800
<b>Other income</b>	5(a)	500	49,700
<b>Expenses</b>			
Cost of sales		(2,121,900)	(2,047,400)
Distribution		(157,400)	(152,000)
Administration and selling		(152,400)	(144,900)
<b>Operating profit</b>		<b>124,100</b>	<b>195,200</b>
<b>Finance income and costs</b>			
Finance income		800	3,400
Finance costs		(69,100)	(19,700)
<b>Net finance costs</b>	5(c)	(68,300)	(16,300)
Share of net profit associate	25	300	200
<b>Profit before income tax</b>		<b>56,100</b>	<b>179,100</b>
Income tax expense	6(a)	(16,000)	(52,900)
<b>Profit for the year attributable to: Owners of Inghams Group Limited</b>		<b>40,100</b>	<b>126,200</b>
Basic EPS (cents per share)	28	10.79	33.79
Diluted EPS (cents per share)	28	10.77	33.22

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 27 June 2020

	NOTES	52 WEEKS ENDED 27 JUNE 2020 \$000	52 WEEKS ENDED 29 JUNE 2019 \$000
<b>Profit for the year</b>		40,100	126,200
<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		6,600	(1,700)
Tax on changes in fair value of cash flow hedges		(2,000)	500
<b>Total items that have subsequently been reclassified to profit or loss</b>		4,600	(1,200)
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations	20(a)	(3,000)	6,300
Changes in the fair value of cash flow hedges	20(a)	(9,000)	(6,600)
Tax on changes in fair value of cash flow hedges	20(a)	2,700	2,000
<b>Total items that may subsequently be reclassified to profit or loss</b>		(9,300)	1,700
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of land and buildings		(1,200)	8,100
Tax on revaluation of land and buildings		300	(1,000)
<b>Total items that will not be reclassified to profit or loss</b>		(900)	7,100
<b>Total comprehensive income for the year, attributable to: Owners of Inghams Group Limited</b>		<b>34,500</b>	<b>133,800</b>

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



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 27 June 2020

	NOTES	27 JUNE 2020 \$'000	29 JUNE 2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	134,200	134,500
Trade and other receivables	8	202,600	214,600
Biological assets	9	120,700	124,200
Inventories	10	217,000	166,700
Assets classified as held for sale	11	12,300	21,400
Current tax receivable		3,700	–
<b>Total current assets</b>		<b>690,500</b>	<b>661,400</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	450,300	418,400
Investments accounted for using the equity method	25	1,900	1,800
Receivables		300	–
Right-of-use assets	13	1,429,200	–
<b>Total non-current assets</b>		<b>1,881,700</b>	<b>420,200</b>
<b>Total assets</b>		<b>2,572,200</b>	<b>1,081,600</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	402,900	360,700
Current tax liability		–	21,400
Provisions	16	79,600	84,400
Derivative financial instruments	17	4,000	3,100
Lease liabilities	2	185,200	–
<b>Total current liabilities</b>		<b>671,700</b>	<b>469,600</b>
<b>Non-current liabilities</b>			
Trade and other payables	14	3,500	10,600
Borrowings	15	448,900	398,300
Provisions	16	23,900	23,900
Derivative financial instruments	17	3,600	4,300
Deferred tax liabilities	6(c)	4,400	10,400
Lease liabilities	2	1,287,100	–
<b>Total non-current liabilities</b>		<b>1,771,400</b>	<b>447,500</b>
<b>Total liabilities</b>		<b>2,443,100</b>	<b>917,100</b>
<b>Net assets</b>		<b>129,100</b>	<b>164,500</b>
<b>EQUITY</b>			
Contributed equity	18(a)	109,200	109,100
Reserves	20(a)	25,700	35,100
(Accumulated losses)/retained earnings		(5,800)	20,300
<b>Total equity</b>		<b>129,100</b>	<b>164,500</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 27 June 2020

	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 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 (restated*)</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		–	–	7,100	500	7,600
Transfer to retained earnings	20(a)	–	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	18	(125,500)	–	–	–	(125,500)
Share Buyback	18	(36,400)	–	–	–	(36,400)
Dividends provided for or paid	19	–	(78,100)	–	–	(78,100)
Amounts paid for shares	18	7,400	–	–	–	7,400
Share based payment expense	20(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>
<b>Balance at 30 June 2019</b>		<b>109,100</b>	<b>20,300</b>	<b>11,400</b>	<b>23,700</b>	<b>164,500</b>
Profit for the year		–	40,100	–	–	40,100
Other comprehensive income	20(a)	–	–	(900)	(4,700)	(5,600)
<b>Total comprehensive income</b>		<b>–</b>	<b>40,100</b>	<b>(900)</b>	<b>(4,700)</b>	<b>34,500</b>
<b>Transactions with owners of the Company</b>						
Dividends provided for or paid	19	100	(66,200)	–	–	(66,100)
Settlement of share plan	18	–	–	–	(3,400)	(3,400)
Share based payment expense	20(a)	–	–	–	(400)	(400)
		<b>100</b>	<b>(66,200)</b>	<b>–</b>	<b>(3,800)</b>	<b>(69,900)</b>
<b>Balance at 27 June 2020</b>		<b>109,200</b>	<b>(5,800)</b>	<b>10,500</b>	<b>15,200</b>	<b>129,100</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 27 June 2020

	NOTES	52 WEEKS ENDED 27 JUNE 2020 \$'000	52 WEEKS ENDED 29 JUNE 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		2,547,200	2,559,000
Payments to suppliers and employees (inclusive of GST)		(2,157,400)	(2,349,100)
		<b>389,800</b>	<b>209,900</b>
Interest received		800	3,400
Lease incentives		–	8,000
Income taxes paid		(46,100)	(50,900)
<b>Net cash generated from operating activities</b>	22	<b>344,500</b>	<b>170,400</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(86,700)	(67,100)
Property purchases		–	(39,100)
Proceeds from sale of assets held for sale		9,500	82,100
Dividends received from investments		200	–
Deposit paid on new projects		–	(9,000)
<b>Net cash from investing activities</b>		<b>(77,000)</b>	<b>(33,100)</b>
<b>Cash flows from financing activities</b>			
Settlement of share plan		(3,400)	–
Proceeds from borrowings		50,000	–
Repayment of borrowings		–	(20,000)
Dividends paid		(66,100)	(77,100)
Repayment of capital		–	(124,500)
Share buyback		–	(36,400)
Lease payments – principal		(177,700)	–
Lease payments – interest		(54,800)	–
Interest and finance charges paid		(14,900)	(20,200)
<b>Net cash from financing activities</b>		<b>(266,900)</b>	<b>(278,200)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		600	(140,900)
Cash and cash equivalents at the beginning of the financial year		134,500	273,700
Effects of exchange rate changes on cash and cash equivalents		(900)	1,700
<b>Cash and cash equivalents at end of year</b>	7	<b>134,200</b>	<b>134,500</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 27 June 2020

## 1 CORPORATE INFORMATION

The financial statements of Inghams Group Limited and its subsidiaries (collectively, the Group) for the 52 week year ended 27 June 2020 (comparative period was 52 weeks ended 29 June 2019) were authorised for issue in accordance with a resolution of the directors on 21 August 2020. 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, pig and dairy industries.

## 2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 30 June 2019.

### (a) Impact on the financial statements

The Group has applied AASB 16 using the modified retrospective approach from 30 June 2019 and has not restated comparatives for the 29 June 2019 reporting period, as permitted under the specific transitional provisions in the standard. Reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 30 June 2019.

From 30 June 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### (I) LEASE LIABILITY

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

#### (II) RIGHT-OF-USE ASSETS

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

#### (III) DEPRECIATION EXPENSE

Depreciation is calculated on a straight-lined basis on the right-of-use asset over the term of each lease. In line with Group's policy of classifying expenses by function, depreciation is included within the elements of Operating Profit as appropriate.

Depreciation relating to Contract Growers, Equipment and Property Leases will be recognised as depreciation expense in the Statutory Results reported in Note 4 Segment Information.

#### (IV) EXTENSION AND TERMINATION OPTIONS

Land and building lease agreements are typically entered for fixed periods of 5 to 10 years, with some leases for periods of 30 years. Extension and termination options are included in a number of these leases across the Group.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Management's assessment is that lease options cannot be reasonably certain and are therefore excluded in the calculation of the lease liability.

Contract Growers have a set expiry date after which the lease continues indefinitely until either party gives 12 months' notice to terminate. As Ingham's continues to review the company's strategic objectives, Contract Growers will move to performance-based agreements in future.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

#### (V) PRACTICAL EXPEDIENTS APPLIED

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise IT equipment and small items of office equipment where the total individual lease payments are less than A\$10,000.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (a) Impact on the financial statements (continued)

##### (VI) LEASES EXEMPT FROM RECOGNITION UNDER AASB 16 LEASES

All short-term leases (less than 12 months), low value or performance based leases are not recognised under AASB 16 *Leases*. These leases continue to be recognised in the Profit & Loss as an operating lease expense.

#### (b) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 30 June 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 30 June 2019 was 3.6%.

Lease liabilities recognised in the Consolidated statement of financial position at the date of initial application:

	2020 \$000
Operating lease commitments disclosed as at 29 June 2019	1,228,900
Discounted using the lessee's incremental borrowing rate of at the date of initial application	904,300
(Less): low-value leases recognised on a straight-line basis as expense	(740)
Add: adjustments as a result of a different treatment under AASB 16*	788,140
<b>Lease liability recognised as at 30 June 2019</b>	<b>1,691,700</b>

\* Under AASB 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration. Given, the contract growers include a fixed component on payments for specified term, they are now included as leases on adoption of the standard.

\$'000	AS REPORTED 29 JUNE 2019	DERECOGNISE AASB 117 BALANCES	RECOGNISE AASB 16 BALANCES	OPENING BALANCE 30 JUNE 2019
Right-of-use assets	–	–	1,690,000	1,690,000
Current Lease liabilities	–	–	179,000	179,000
Non-current Lease liabilities	–	–	1,512,700	1,512,700
Trade and other receivables	214,600	(12,100)	–	202,500
Current Trade and other payables	360,700	(300)	–	360,400
Current Provisions	84,400	(3,100)	–	81,300
Non-Current Provisions	23,900	(2,900)	–	21,000
Non-current Trade and other payables	10,600	(7,600)	–	3,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) Impact on 27 June 2020

##### (I) IMPACT ON SEGMENT DISCLOSURES AND EARNINGS

EBITDA, segment assets and segment liabilities for 27 June 2020 have increased as a result of the change in accounting standards due to the adoption of AASB 16.

The table below represents the impact on operating segments as a result of the adoption of AASB 16:

	AUSTRALIA JUN 2020 \$000	NEW ZEALAND JUN 2020 \$000	CONSOLIDATED JUN 2020 \$000
	INCREASE/ (DECREASE)	INCREASE/ (DECREASE)	INCREASE/ (DECREASE)
<b>Adjustment to EBITDA</b>	197,700	31,900	229,600
Depreciation and amortisation	178,400	30,100	208,500
Finance costs	48,700	6,100	54,800
Income tax expense	(9,400)	(600)	(10,000)
<b>Earnings after tax</b>	(20,000)	(3,700)	(23,700)
<b>Total assets (ii), (iii)</b>	1,251,800	177,400	1,429,200
<b>Total liabilities</b>	1,291,800	180,500	1,472,300
Current lease liabilities	156,600	28,600	185,200
Non-current lease liabilities	1,135,200	151,900	1,287,100

##### (II) INVENTORY AND BIOLOGICAL ASSETS

Following adoption of AASB 16 *Leases*, the Group has changed its accounting policy for valuing inventory and biological assets. Where applicable the Group capitalised the depreciation on right-of-use assets in the costs of conversion in producing inventory and biological assets.

### 3 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.

#### (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).

These financial statements are prepared on a going concern basis. The Group continues to have positive profit after tax, positive net assets and current assets, positive operating cashflow, significant cash on hand and undrawn committed debt facilities. In addition, the bank facility debt is non-current, bank covenants have been met and there has not been a requirement for additional capital raisings to support liquidity. The business is categorised as an essential service and continues to operate during COVID-19 restrictions.

##### (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 16;
- Fair value of options granted under the long-term incentive scheme, as determined at grant date – note 21;
- Carrying value of assets – note 12 & 13; and
- Inventory obsolescence provision – note 10.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### (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 following amended standards and interpretations are not yet effective and have not had a material impact on the Group in the current period:

- Amendments to References to Conceptual Framework in AASB Standards
- Definition of a Business (Amendments to AASB 3)
- Definition of Material (Amendments to AASB 101 and AASB 8)

#### (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 27 June 2020.

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 Other Comprehensive Income 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.

#### (d) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) 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. 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.

#### (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.

#### (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.

Collectibility 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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, 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 17.

###### 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.

###### 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 17. Movements in the hedging reserve in shareholders' equity are shown in note 20(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (I) Derivatives and hedging activities (continued)

##### (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.

#### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

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 state's 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

### 4 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 (2019: one).

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

	AUSTRALIA	NEW ZEALAND	CONSOLIDATED
	JUN 2020 \$000	JUN 2020 \$000	JUN 2020 \$000
Poultry	2,018,400	313,700	2,332,100
Feed	151,700	71,500	223,200
Total revenue from contracts with customers	2,170,100	385,200	2,555,300
Other Income/(loss)	500	–	500
Inter segment revenue/expense	15,500	(15,500)	–
	2,186,100	369,700	2,555,800
Operating expenses*	(1,858,600)	(309,700)	(2,168,300)
Share of net profit of associate	300	–	300
<b>EBITDA</b>	<b>327,800</b>	<b>60,000</b>	<b>387,800</b>
Depreciation and amortisation			(263,400)
<b>EBIT</b>			<b>124,400</b>
Net finance costs			(68,300)
<b>Profit before tax</b>			<b>56,100</b>

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

#### (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 continued

### 4 SEGMENT INFORMATION (CONTINUED)

#### Description of segments (continued)

	AUSTRALIA \$000	NEW ZEALAND \$000	CONSOLIDATED \$000
Capital expenditure	92,200	3,500	95,700
Property, plant and equipment	383,800	66,500	450,300
Impairment losses (trade receivables and inventory)	19,000	2,000	21,000
Impairment losses (Non-current assets)*	20,300	–	20,300

\* Relates to the impairment of Cleveland, Wacol and other properties.

	AUSTRALIA JUN 2019 \$000	NEW ZEALAND JUN 2019 \$000	CONSOLIDATED JUN 2019 \$000
Poultry	1,946,200	310,500	2,256,700
Feed	163,200	69,900	233,100
Total revenue from contracts with customers	2,109,400	380,400	2,489,800
Other Income/(loss)	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
Capital expenditure	66,100	10,300	76,400
Property, plant and equipment	338,600	79,800	418,400
Impairment losses (trade receivables and inventory)	12,900	100	13,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

**5 OTHER INCOME AND EXPENSES****(a) Other Income**

	2020 \$000	2019 \$000
<i>Other items</i>		
Net gain on disposal of assets held for sale*	400	49,700
Rent	100	–
<b>Other items</b>	<b>500</b>	<b>49,700</b>

\* Inclusive of profit on sale of Mitavite of \$51.1m in FY19.

**(b) Expenses**

<i>Employee benefits expenses</i>		
Employee benefits expense	565,000	555,700
Defined super contributions	42,200	38,300
Share-based payment (benefit)/expense	(400)	3,100
<b>Employee benefits expenses</b>	<b>606,800</b>	<b>597,100</b>
<i>Impairment losses</i>		
Trade receivables	400	200
Inventories	20,600	12,800
<b>Impairment losses</b>	<b>21,000</b>	<b>13,000</b>

Impairment losses on trade receivables, includes amounts written off and amounts provided for, both are recognised within administration and selling expenses. Impairment losses on inventories includes the amounts written off and amounts provided for, both are recognised within cost of sales.

**(c) Finance income and costs**

	2020 \$000	2019 \$000
Interest income	(800)	(3,400)
Interest and borrowing costs	13,700	18,400
Amortisation/Write off of borrowing costs	600	300
One-off financing costs	–	1,000
Lease financing interest expense	54,800	–
<b>Finance income and costs</b>	<b>68,300</b>	<b>16,300</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

**6 INCOME TAX EXPENSE****(a) Income tax expense**

	2020 \$'000	2019 \$'000
Current tax	22,000	51,400
Deferred tax	(5,600)	1,500
Adjustments for current tax of prior periods	(400)	–
<b>Income tax expense</b>	<b>16,000</b>	<b>52,900</b>

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

Profit from continuing operations before income tax expense	56,100	179,100
Tax at the Australian tax rate of 30% (2019 – 30%)	16,900	53,700
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	(300)	300
R&D tax offset	(600)	(400)
Revaluation of inventory tax base in associate	(100)	–
	15,900	53,600
Net tax differential and legislative adjustment of overseas operations	900	1,200
Difference in overseas tax rates	(400)	(800)
Adjustments for current tax of prior periods	(400)	(1,100)
<b>Income tax expense</b>	<b>16,000</b>	<b>52,900</b>

**(c) Deferred taxes**

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

	OPENING BALANCE \$'000	CHARGED TO INCOME \$'000	CHARGED TO EQUITY \$'000	CLOSING BALANCE \$'000
<b>2020</b>				
Doubtful debts	600	100	–	700
Employee benefits	22,300	800	–	23,100
Cash flow hedges	2,200	(600)	700	2,300
Other accruals	1,400	1,600	–	3,000
Provisions	6,500	(3,300)	–	3,200
Property, plant and equipment	(8,300)	2,900	(300)	(5,700)
Inventories	(38,100)	(4,400)	–	(42,500)
IPO related expenditure	3,000	(1,500)	–	1,500
AASB 16 Leases	–	10,000	–	10,000
<b>Net deferred tax (liabilities)/assets</b>	<b>(10,400)</b>	<b>5,600</b>	<b>400</b>	<b>(4,400)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

**6 INCOME TAX EXPENSE (CONTINUED)****(c) Deferred taxes** (continued)

	OPENING BALANCE \$000	CHARGED TO INCOME \$000	CHARGED TO EQUITY \$000	CLOSING BALANCE \$000
<b>2019</b>				
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>(10,400)</b>

**7 CASH AND CASH EQUIVALENTS**

	2020 \$000	2019 \$000
Cash at bank and on hand	133,800	119,100
Short-term deposits	400	15,400
<b>Cash and cash equivalents</b>	<b>134,200</b>	<b>134,500</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 8 TRADE AND OTHER RECEIVABLES

	2020 \$000	2019 \$000
Trade receivables	196,900	181,100
Provision for doubtful debts	(2,300)	(2,300)
Net trade receivables	194,600	178,800
Other receivables	4,200	6,700
Prepayments	3,800	29,100
<b>Trade and other receivables</b>	<b>202,600</b>	<b>214,600</b>
Movement in the provision for doubtful debts:		
<b>At start of period</b>	(2,300)	(1,500)
AASB 9 Adoption	–	(800)
Impairment expense recognised during the year	(400)	(200)
Receivables written off during the year as uncollectable	400	200
<b>Balance at end of period</b>	<b>(2,300)</b>	<b>(2,300)</b>

Trade and other receivables at 30 June 2019 had been reduced by \$12.1m as a result of the adoption of AASB 16 *Leases*, refer to note 2.

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

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.

The current uncertainties surrounding the COVID-19 environment presents challenges forecasting expected future credit losses. Ingham's continues to execute a variety of different credit management strategies to mitigate credit risk and collect cash. These strategies were effective during the level 3 and level 4 shutdowns, and where based on customer channel risk.

	2020 \$000	2019 \$000
Current	181,700	169,700
1 to 30	5,400	6,700
31 to 60	2,600	600
61 to 90	1,500	300
90+	3,400	1,500
Impaired (provision for doubtful debts)	2,300	2,300
<b>Trade receivables</b>	<b>196,900</b>	<b>181,100</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 9 BIOLOGICAL ASSETS

	2020 \$000	2019 \$000
Breeder	39,500	42,400
Broiler	68,700	68,300
Eggs	12,500	13,500
<b>Biological assets</b>	<b>120,700</b>	<b>124,200</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

	2020 \$000	2019 \$000
Processed Poultry	146,200	98,000
Feed	47,300	40,500
Other	38,300	33,700
Inventories (gross)	231,800	172,200
Inventory obsolescence provision	(14,800)	(5,500)
<b>Inventories</b>	<b>217,000</b>	<b>166,700</b>

Inventories have increased \$50.3m due to additional stock build-up in H2 from subdued demand from COVID-19 across Foodservice, Quick Service Restaurants and Wholesale.

Strict COVID-19 restrictions in place in Q4 suppressed demand and closed some channels completely, resulting in a \$48.2m increase in frozen meat and frozen finished goods inventory. As a result, the provision for inventory obsolescence has increased by \$9.3m valuing the frozen meat inventory at its net realisable value.

Other inventories include medication, packaging and consumables.

### 11 ASSETS CLASSIFIED AS HELD FOR SALE

	2020 \$000	2019 \$000
Assets classified as held for sale	12,300	21,400

The carrying amount of assets classified as held for sale in FY20 represents a property currently marketed for sale in NZ. The carrying amount of assets classified as held for sale in FY19 represented East Kurrajong, NSW that has been sold and Wacol, QLD that was returned to Property, Plant and Equipment now that it is no longer being marketed for sale.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 12 PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND \$'000	FREEHOLD BUILDINGS \$'000	LEASEHOLD BUILDINGS \$'000	PLANT AND EQUIPMENT \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
<b>2019</b>						
<b>Cost</b>						
Opening balance	24,200	22,700	11,800	487,000	28,200	573,900
Additions	–	–	–	300	76,400	76,700
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)
Property purchases	9,400	4,200	–	100	–	13,700
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>544,000</b>	<b>33,400</b>	<b>646,700</b>
<b>Accumulated Depreciation</b>						
Opening balance	–	(900)	(1,600)	(187,100)	–	(189,600)
Depreciation charge	–	(1,000)	(800)	(45,000)	–	(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)
Closing Balance	–	(900)	(2,400)	(225,000)	–	(228,300)
<b>Net Book Value</b>	<b>30,100</b>	<b>26,200</b>	<b>9,700</b>	<b>319,000</b>	<b>33,400</b>	<b>418,400</b>
<b>2020</b>						
<b>Cost</b>						
Opening balance	30,100	27,100	12,100	544,000	33,400	646,700
Additions	–	–	–	–	95,700	95,700
Transfers	–	2,700	–	61,300	(64,000)	–
Assets held for sale	(2,500)	(2,900)	–	(5,300)	–	(10,700)
Disposals/Impairment	–	(2,100)	–	(4,000)	–	(6,100)
Exchange differences	(300)	(200)	–	(5,900)	(200)	(6,600)
<b>Closing Balance</b>	<b>27,300</b>	<b>24,600</b>	<b>12,100</b>	<b>590,100</b>	<b>64,900</b>	<b>719,000</b>
<b>Accumulated Depreciation</b>						
Opening balance	–	(900)	(2,400)	(225,000)	–	(228,300)
Depreciation charge	–	(1,100)	(800)	(52,900)	–	(54,800)
Disposals	–	200	–	9,400	–	9,600
Exchange differences	–	–	–	4,800	–	4,800
Closing Balance	–	(1,800)	(3,200)	(263,700)	–	(268,700)
<b>Net Book Value</b>	<b>27,300</b>	<b>22,800</b>	<b>8,900</b>	<b>326,400</b>	<b>64,900</b>	<b>450,300</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. In the interim years, management will assess the reasonableness of the carrying value of Land and Buildings and make any necessary adjustments to carrying values for identified impairments. In June 20 a desktop analysis was undertaken and due to the industrial and agricultural nature of the properties it was determined that the carrying values remained unchanged.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 13 RIGHT-OF-USE ASSETS

	LAND AND BUILDING \$000	CONTRACT GROWERS \$000	EQUIPMENT AND MOTOR VEHICLE \$000	TOTAL \$000
<b>2020</b>				
Balance at 30 June 2019	878,700	792,200	19,100	1,690,000
Additions	–	34,900	4,300	39,200
Re-measurements*	16,900	(97,000)	–	(80,100)
Depreciation	(69,400)	(128,700)	(10,400)	(208,500)
Impairment charge**	(10,700)	–	–	(10,700)
Modification	(1,000)	–	–	(1,000)
Net foreign currency movement	100	200	–	300
<b>Balance at 27 June 2020</b>	<b>814,600</b>	<b>601,600</b>	<b>13,000</b>	<b>1,429,200</b>

\* CPI increases to underlying lease payments during FY20. Lease terms on contract growers have been set to contract expiry as the strategic objective is that the Contract Growers will move to performance-based agreements. The prior assumption included a 1 year extension for all Contract Growers.

\*\* Impairment of Cleveland right-of-use asset was due to the facility no being longer used. At 27 June 2020, the right-of-use asset has a carrying value of \$nil.

	27 JUNE 2020 \$000
Variable lease payments not included in the measurement of lease liabilities	89,000
Expenses relating to low value leases	1,200
<b>Right-of-use assets</b>	<b>90,200</b>

The total cash outflow related to leases in FY20 was \$322,700,000.

## 14 TRADE AND OTHER PAYABLES

	2020			2019		
	CURRENT \$000	NON-CURRENT \$000	TOTAL \$000	CURRENT \$000	NON-CURRENT \$000	TOTAL \$000
Trade payables	257,600	3,500	261,100	244,900	10,600	255,500
Inventory procurement trade payable	121,700	–	121,700	94,700	–	94,700
Other payables	23,600	–	23,600	21,100	–	21,100
<b>Trade and other payables</b>	<b>402,900</b>	<b>3,500</b>	<b>406,400</b>	<b>360,700</b>	<b>10,600</b>	<b>371,300</b>

Trade and other payables have been reduced by \$7.9m as a result of the adoption of AASB 16 *Leases* at 30 June 2019, refer to Note 2.

The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short-term nature.

The Group has an inventory procurement trade payable with a third-party financial institution, which is interest bearing. Trade bills of exchange are paid by the financial institution direct to the supplier and the Group settles the payable on extended payment terms. The amount utilised and recorded within trade and other payables at 27 June 2020 was \$121.7m (29 June 2019: \$94.7m).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

**15 BORROWINGS****(a) Interest bearing loans**

	CARRYING AMOUNT		PRINCIPAL AMOUNT DRAWN		INTEREST RATE	MATURITY
	2020 \$000	2019 \$000	2020 \$000	2019 \$000		
<b>Unsecured liabilities</b>						
Tranche A	199,500	199,100	200,000	200,000	Floating*	November 2021
Tranche B	199,400	199,200	200,000	200,000	Floating*	November 2022
Tranche C	50,000	–	50,000	–	Floating*	November 2021
<b>Borrowings</b>	<b>448,900</b>	<b>398,300</b>	<b>450,000</b>	<b>400,000</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 24. The Group has an additional undrawn facility under Tranche C of \$88m.

**(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.

**16 PROVISIONS**

	2020			2019		
	CURRENT \$000	NON-CURRENT \$000	TOTAL \$000	CURRENT \$000	NON-CURRENT \$000	TOTAL \$000
<b>Workers compensation</b>						
Queensland	1,900	3,700	5,600	1,700	3,200	4,900
New South Wales	1,300	3,500	4,800	1,300	3,400	4,700
South Australia	1,800	2,600	4,400	2,000	2,700	4,700
Victoria	1,500	5,500	7,000	2,500	4,800	7,300
Western Australia	1,000	1,300	2,300	800	700	1,500
Tasmania	100	100	200	–	100	100
	7,600	16,700	24,300	8,300	14,900	23,200
Employee benefits	71,900	6,200	78,100	68,800	5,500	74,300
Make good	–	1,000	1,000	1,400	600	2,000
Onerous contracts	–	–	–	1,500	2,900	4,400
Restructuring	100	–	100	2,800	–	2,800
Other provisions	–	–	–	1,600	–	1,600
	72,000	7,200	79,200	76,100	9,000	85,100
<b>Provisions</b>	<b>79,600</b>	<b>23,900</b>	<b>103,500</b>	<b>84,400</b>	<b>23,900</b>	<b>108,300</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 16 PROVISIONS (CONTINUED)

#### (a) Employee benefits

Certain recent Court decisions, not involving Ingham's, regarding the correct application of various employee entitlements may have a financial impact on the Group. The Group does not consider the majority of the principles relating to these Court decisions directly apply to the Group's employment arrangements. No provision has therefore been recognised in relation to these matters at 27 June 2020.

Ingham's is committed to ensuring its people are paid in accordance with their employment arrangements and the law and continues to monitor its practices, systems and processes.

#### (b) 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.

#### (c) 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.

#### (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) 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 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>
<b>Balance at 29 June 2019</b>	23,200	2,000	4,400	2,800	1,600	34,000
Reclassified under AASB 16	–	–	(4,400)	–	(1,600)	(6,000)
Balance at 30 June 2019	23,200	2,000	–	2,800	–	28,000
Charged to profit or loss	12,200	1,300	–	3,600	–	17,100
Amounts used during the period	(11,100)	(2,300)	–	(6,300)	–	(19,700)
<b>Balance at 27 June 2020</b>	<b>24,300</b>	<b>1,000</b>	<b>–</b>	<b>100</b>	<b>–</b>	<b>25,400</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 17 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	2020			2019		
	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)	(4,000)	(3,600)	(7,600)	(2,100)	(4,300)	(6,400)
<b>Forward foreign exchange contracts</b>						
– Cash flow hedges (liability)	–	–	–	(1,000)	–	(1,000)
<b>Derivative financial instruments</b>	<b>(4,000)</b>	<b>(3,600)</b>	<b>(7,600)</b>	<b>(3,100)</b>	<b>(4,300)</b>	<b>(7,400)</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 3(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.

### 18 CONTRIBUTED EQUITY

#### (a) Share capital

	2020 SHARES	2019 SHARES	2020 \$000	2019 \$000
Ordinary shares issued	371,679,601	371,679,601	109,200	109,100

#### (b) Movements in ordinary shares

	SHARES	\$000
<b>Balance at 1 July 2018</b>	380,243,196	263,600
Amounts paid for shares under escrow	–	7,400
Capital return	–	(125,500)
Share buyback/share capital issue	(8,563,595)	(36,400)
<b>Balance at 29 June 2019</b>	<b>371,679,601</b>	<b>109,100</b>
Amounts paid for shares under escrow	–	100
<b>Balance at 27 June 2020</b>	<b>371,679,601</b>	<b>109,200</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 18 CONTRIBUTED EQUITY (CONTINUED)

#### (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.

#### (d) Treasury shares

Treasury shares outstanding of 200,000 shares (2019: 300,000) 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 21.

### 19 DIVIDENDS

#### (a) Ordinary shares

	2020 \$000	2019 \$000
Dividends paid or provided for	66,200	78,100

The directors propose that a final dividend of 6.7 cents per ordinary share be declared on 21 August 2020, and be paid on 7 October 2020. The proposed FY20 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	34,100	28,400
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The ability to utilise the franking credits is dependent upon the ability to declare dividends in the future included in the above line. Franking credits of \$16.3m (2019: \$16.3m) are only available to be used under certain specific circumstances.

### 20 RESERVES

#### (a) Other reserves

	2020 \$000	2019 \$000
Asset revaluation reserve	10,500	11,400
Foreign currency translation reserve	11,000	14,000
Cash flow hedge reserve	(6,300)	(4,600)
Share-based payments reserve	10,500	14,300
<b>Other reserves</b>	<b>25,700</b>	<b>35,100</b>
<b>Movements:</b>		
<i>Asset revaluation reserve</i>		
Balance at beginning of financial period	11,400	4,800
Revaluation	(1,200)	8,100
Deferred tax	300	(1,000)
Transfer to retained earnings	–	(500)
<b>Balance at end of the financial year</b>	<b>10,500</b>	<b>11,400</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

**20 RESERVES (CONTINUED)****(a) Other reserves (continued)**

	2020 \$000	2019 \$000
<i>Foreign currency translation reserve</i>		
Balance at beginning of financial period	14,000	7,700
Currency translation differences arising during the period	(3,000)	6,300
<b>Balance at end of the financial year</b>	<b>11,000</b>	<b>14,000</b>
<i>Cash flow hedges reserve</i>		
Balance at beginning of financial period	(4,600)	1,200
Balance reclassified to profit and loss in period	4,600	(1,200)
Revaluation – gross	(9,000)	(6,600)
Deferred tax	2,700	2,000
<b>Balance at end of the financial year</b>	<b>(6,300)</b>	<b>(4,600)</b>
<i>Share-based payment reserve</i>		
Balance at beginning of financial period	14,300	11,200
Share based payment expense	(400)	3,100
Settlement of share plan	(3,400)	–
<b>Balance at end of the financial year</b>	<b>10,500</b>	<b>14,300</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 3(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 3(l). 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

**21 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	2020		2019	
		EXERCISE PRICE	NUMBER OF RIGHTS/ OPTIONS	EXERCISE PRICE	NUMBER OF RIGHTS/ OPTIONS
17 April 2020	25 June 2022	–	1,996,208	–	–
6 December 2018	30 June 2021	–	80,095	–	107,491
6 December 2018	30 June 2020	–	11,260	–	46,437
6 December 2018	7 November 2019	–	–	–	63,303
4 December 2018	30 June 2021	–	506,862	–	506,862
5 November 2018	30 June 2021	–	306,459	–	584,656
7 November 2017	30 June 2020	–	157,779	–	700,340
6 November 2016	7 November 2019	–	–	–	1,004,662
22 December 2015	21 December 2020	\$1.40	200,000	\$1.40	300,000
<b>Share-based payments</b>			<b>3,258,663</b>		<b>3,313,751</b>

The number of in substance share options granted during the year was Nil (2019: Nil). No shares (2019: Nil) in substance share options vested during the year, none were exercised and none were forfeited or expired (2019: nil).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 21 SHARE-BASED PAYMENTS (CONTINUED)

#### FY20 LTI (TIP) Offer

The table below outlines the key terms of the FY20 LTI Offer under the Transformational Incentive Plan (TIP):

TERM	DESCRIPTION
<b>Eligibility to participate in TIP Offer</b>	<ul style="list-style-type: none"> <li>Offers may be made at the Board's discretion to employees of the Inghams Group or any other person that the Board determines to be eligible to receive a grant under the Plan.</li> <li>The TIP Offer has been made to the following Executive KMP: <ul style="list-style-type: none"> <li>– Jim Leighton (CEO/MD)</li> <li>– Jonathan Gray (CEO, NZ)</li> <li>– Gary Mallett (CFO) (current)</li> </ul> </li> </ul>
<b>Offers under the Plan</b>	<ul style="list-style-type: none"> <li>The TIP 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 aggregate face value of the TIP Offer to all participants (Executives and Senior Management) is \$6.4 million.</p> <ul style="list-style-type: none"> <li>Jim Leighton was granted Rights with a maximum face value of \$2.25 million. Other participating members of senior management were granted Rights with a cumulative face value of \$4.1 million.</li> <li>The final number of Rights awarded to each participant was calculated by dividing the face value of their TIP award by \$3.19662, being the volume weighted average price (VWAP) of Ingham's shares traded on the ASX in the 10 days after 27 August 2019. (i.e. the announcement of Ingham's FY19 annual results.)</li> </ul>
<b>Performance Period</b>	The performance period commenced on 17 April 2020 and ends on 25 June 2022.
<b>Performance conditions</b>	<p>Rights granted as part of the TIP 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>50% of the Rights are subject to a performance condition based on strategic objectives relating to culture development, cost management and consumer goals; and</li> <li>50% of the Rights are subject to a performance condition based on market objectives relating to underlying cumulative EBITDA and absolute TSR goals.</li> </ul>
<b>Voting and dividend entitlements</b>	The Rights granted under the TIP 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 TIP Offer unless the Board allows, 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 TIP 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.</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 TIP Offer, the Board has claw back 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 Inghams Group or any Inghams Group company into disrepute, breached their obligations to the Inghams 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 Inghams 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 continued

### 21 SHARE-BASED PAYMENTS (CONTINUED)

#### FY20 LTI (TIP) 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 (2019: \$nil)
- (b) Share price at grant date \$3.39 (2019: \$3.89)
- (c) Expected price volatility 24-28% (2019: 32-42%)
- (d) Expected dividend yield 4.8% (2019: 7.6%)
- (e) Risk-free interest rate 0.23% (2019: 1.91%)

GRANT DATE	EXPIRY DATE	2020 NUMBER OF RIGHTS	2019 NUMBER OF RIGHTS
17 April 2020	25 June 2022	1,996,208	–
6 December 2018	7 November 2019	–	63,303
6 December 2018	30 June 2020	11,260	46,437
6 December 2018	30 June 2021	80,095	107,491
4 December 2018	30 June 2021	506,862	506,862
5 November 2018	30 June 2021	306,459	584,656
7 November 2017	30 June 2020	157,779	700,340
6 November 2016	7 November 2019	–	1,004,662

### 22 CASH FLOW INFORMATION

	2020 \$000	2019 \$000
<b>Reconciliation of profit after income tax</b>		
Profit after tax for the period	40,100	126,200
Depreciation	263,400	46,800
Non-cash employee benefits expense – share based payment	(400)	3,100
Impairment of assets	20,300	–
Net gain on sales of assets	(400)	(49,700)
Finance costs	69,100	19,700
Amortisation of lease incentive	–	100
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(9,400)	(15,900)
(Increase)/decrease in biological assets	3,500	(6,300)
(Increase)/decrease in inventories	(54,000)	(22,600)
Increase/(decrease) in trade and other payables	43,000	62,700
(Decrease)/increase in provision for income taxes payable	(25,200)	500
(Decrease)/increase in deferred tax liabilities	(5,900)	1,400
Increase/(decrease) in other provisions	200	(5,800)
(Increase)/decrease in financial assets and liabilities at fair value through profit or loss	200	10,200
<b>Net cash provided by operating activities</b>	<b>344,500</b>	<b>170,400</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

**23 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	
		2020 %	2019 %
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
The Free Ranger (formerly 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
Inadam Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Inghams (NZ) No 2 Limited	New Zealand	100	–
Harvey Farms Pty Limited	New Zealand	–	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 31.

**(c) Key management personnel compensation**

	2020 \$000	2019 \$000
Short-term employee benefits	3,894	6,666
Other long-term employee benefits	183	(98)
Share based payments	1,319	1,925
<b>Key management personnel compensation</b>	<b>5,396</b>	<b>8,493</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 continued

### 23 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 37,167,960 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 in regard to his transfer to New Zealand and is to be repaid upon sale of his former residence in Australia. Should the sale not take place prior to December 2023, the agreement will be reviewed. 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 zero per cent interest represents a benefit.

### 24 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	17	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 24 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	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
+100 bp variability in exchange rate	700	300	1,400	1,400
-100 bp variability in exchange rate	(700)	(300)	(1,400)	(1,400)

##### (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 27 June 2020, 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	
	2020 \$000	2019 \$000	2020	2019
Interest rate swap	200,000	200,000	3.0% to 4.0%	3.0% to 4.0%

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.

##### 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	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
+100 bp variability in interest rate	(1,400)	(1,900)	2,500	3,800
-100 bp variability in interest rate	2,000	1,900	(2,500)	(3,900)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 24 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (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 27 June 2020.

#### (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 27 June 2020 (2019: 55% to 65%) 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 \$400,000 (2019: \$15,400,000) 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.

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

	2020		2019	
	\$000 DRAWN	\$000 AVAILABLE	\$000 DRAWN	\$000 AVAILABLE
Floating rate				
Expiring beyond one year	450,000	88,000	400,000	125,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

**24 FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Liquidity risk (continued)**

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 27 June 2020. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

	CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	LESS THAN 1 YEAR \$000	1 YEAR TO 5 YEARS \$000	MORE THAN 5 YEARS \$000
<b>2020</b>					
Trade payables	261,100	261,100	257,600	3,500	–
Inventory procurement trade payables	121,700	121,700	121,700	–	–
Other payables	23,600	23,600	23,600	–	–
Derivative financial liabilities	7,600	7,600	4,000	3,600	–
Interest bearing liabilities	448,900	450,000	–	450,000	–
Lease liabilities	1,472,300	1,872,500	231,800	813,900	826,800
	<b>2,335,200</b>	<b>2,736,500</b>	<b>638,700</b>	<b>1,271,000</b>	<b>826,800</b>
<b>2019</b>					
Trade payables	255,400	255,400	244,800	10,600	–
Inventory procurement 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>	<b>–</b>

**25 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 3(b), is set out below.

NAME OF PRINCIPAL ACTIVITY	OWNERSHIP INTEREST		CARRYING VALUE OF INVESTMENT	
	2020 %	2019 %	2020 \$000	2019 \$000
AFB International Pty Limited				
Pet food manufacture	50	50	1,900	1,800
<b>MOVEMENT IN INVESTMENT IN JOINT ARRANGEMENTS:</b>			<b>2020 \$000</b>	<b>2019 \$000</b>
Opening balance			1,800	1,800
Add: share of net profit of joint venture			300	200
Less: dividend received from joint venture			(200)	(200)
<b>Closing balance</b>			<b>1,900</b>	<b>1,800</b>

During the year the Group sold goods and services to AFB International Pty Limited to the value of \$4,822,429 (2019: \$5,209,863). At balance date the amount owed from AFB International Pty Limited to the Group is \$346,584 (2019: \$560,066). Outstanding balances are unsecured and on normal commercial terms and conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 26 CONTINGENT LIABILITIES

#### Workers' Compensation

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.

### 27 COMMITMENTS

#### Capital commitments

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

	2020 \$000	2019 \$000
Property, plant and equipment	15,900	19,300

### 28 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:

	2020 \$000	2019 \$000
<b>Earnings</b>		
Profit attributable to ordinary equity holders for calculating basic and diluted EPS calculations	40,100	126,200
	NUMBER OF SHARES	
	'000	'000
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares used in the calculation of basic EPS	371,500	373,400
Dilutive effect of share options	800	6,500
Weighted average number of ordinary shares for diluted EPS	372,300	379,900
Basic EPS (cents per share)	10.79	33.79
Diluted EPS (cents per share)	10.77	33.22



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 29 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.

	2020 \$000	2019 \$000
<i>Amounts received or due and receivable by KPMG for:</i>		
Audit and review of financial statements	753	795
Other services (FY20 includes benchmarking data for short term and long term incentive plans for executive remuneration)	130	20
Other assurance services	8	12
Taxation services	21	58
<b>Total amount paid or payable to auditors</b>	<b>912</b>	<b>885</b>

### 30 PARENT ENTITY FINANCIAL INFORMATION

#### Summary financial information

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

	2020 \$000	2019 \$000
<b>Statement of financial position</b>		
Current assets	3,600	–
Non-current assets	469,500	417,900
<b>Total assets</b>	<b>473,100</b>	<b>417,900</b>
Current liabilities	4,600	18,700
Non-current liabilities	452,500	402,700
<b>Total liabilities</b>	<b>457,100</b>	<b>421,400</b>
<b>Net assets/(liabilities)</b>	<b>16,000</b>	<b>(3,500)</b>
<b>Equity</b>		
Contributed equity	109,200	109,100
Accumulated losses	(92,900)	(113,600)
Other reserves	(300)	1,000
	<b>16,000</b>	<b>(3,500)</b>
<b>Profit for the year</b>	<b>86,800</b>	<b>66,300</b>
<b>Total comprehensive income</b>	<b>86,800</b>	<b>66,300</b>

The parent entity continues to be a going concern despite the net current liability, 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 27 June 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 31 DEED OF CROSS GUARANTEE

Inghams Group Limited and all of the subsidiaries shown as (c) in note 23 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 23 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 27 June 2020 of the closed group.

	2020 \$000
<i>Consolidated income statement</i>	
<b>Revenue from continuing operations</b>	
Revenue	2,555,800
<b>Expenses</b>	
Expenses from ordinary activities	(2,499,700)
<b>Profit before income tax</b>	56,100
Income tax expense	(16,000)
<b>Profit for the period</b>	<b>40,100</b>
<i>Consolidated statement of comprehensive income</i>	
<b>Profit for the period</b>	40,100
<b>Total comprehensive income for the period</b>	<b>40,100</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

**31 DEED OF CROSS GUARANTEE (CONTINUED)****(b) Consolidated balance sheet**

Set out below is a consolidated balance sheet as at 27 June 2020 of the closed group.

	<b>2020 \$'000</b>
Cash and cash equivalents	129,800
Trade and other receivables	202,600
Biological assets	120,700
Inventories	217,000
Assets classified as held for sale	12,300
Current tax receivable	3,700
<b>Total current assets</b>	<b>686,100</b>
Property, plant and equipment	450,300
Equity accounted investments	1,900
Receivables	300
Right-of-use assets	1,429,200
<b>Total non-current assets</b>	<b>1,881,700</b>
<b>Total assets</b>	<b>2,567,800</b>
Trade and other payables	402,300
Provisions	79,600
Derivative financial instruments	4,000
Related party payables	10,300
Lease liabilities	185,200
<b>Total current liabilities</b>	<b>681,400</b>
Borrowings	448,900
Provisions	23,900
Deferred tax liabilities	4,400
Derivative financial instruments	3,600
Lease liabilities	1,287,100
<b>Total non-current liabilities</b>	<b>1,767,900</b>
<b>Total liabilities</b>	<b>2,449,300</b>
<b>Net assets</b>	<b>118,500</b>
<b>Equity</b>	
Contributed equity	(104,500)
Other reserves	(24,900)
Retained earnings	10,900
<b>Total equity</b>	<b>(118,500)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 32 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year end a dividend of 6.7 cents per share has been declared on 21 August 2020 totalling \$24.9m. 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.

#### **Victorian COVID-19 update**

Subsequent to the year end, on 3 August 2020, the Victorian Premier announced Stage 4 lock down measures for meat processing plants in Victoria for six weeks from 11.59pm on Thursday 6 August 2020. The announcement is one of the measures adopted by the Victorian government in order to curb the recent surge in COVID-19 cases. Those restrictions will impact operations at Ingham's two meat processing facilities at Somerville and Thomastown with a 20% reduction (updated reduction announced 6 August 2020) in the workforce at these plants as well as additional safety initiatives. The restrictions do not apply to Group's other assets and facilities. It is too early to quantify the financial impacts of these restrictions. Ingham's temporarily closed Thomastown Further Processing Plant on 22 July 2020 as a result of five employees returning positive test results for COVID-19. Thomastown re-opened on 3 August 2020. The temporary closure of Thomastown has not materially impacted the business results of Inghams Group for FY2021.

# DIRECTORS' DECLARATION

1. In the opinion of the directors:
  - (a) The consolidated financial statements and notes set out on pages 60 to 99 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 27 June 2020 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 3(a); 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 and the Group entities identified in note 31 will be able to meet any obligations or liabilities to which they are and 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 27 June 2020.
4. The directors draw attention to note 3(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**  
Chairman

Sydney  
21 August 2020



**Michael Ihlein**  
Non-Executive Director



# 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 27 June 2020 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 27 June 2020;
- 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 27 June 2020.

#### 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 (including Independence Standards)* (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.

## INDEPENDENT AUDITOR'S REPORT continued



### Key Audit Matters

The **Key Audit Matters** we identified are:

- Accounting for rebates and trade allowances
- Adoption of AASB 16 Leases

**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 period.

These matters were 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 these matter

### Accounting for rebates and trade allowances – (sales revenue, which is net of trade allowances and rebates, amounts to \$2,555.3 million)

Refer to Note 4 to the Financial Report

#### The key audit matter

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.

The accounting for trade allowances and rebates is a key audit matter due to the:

- Significance of trade allowances and rebates to the financial report;
- 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;
- Variety of customer-specific contractual arrangements for trade allowances and rebates, increasing the audit effort to address these specific conditions;
- Differing settlement terms for customers which leads to complexity in checking the accruals at balance date across the portfolio; and
- Impact of COVID-19 on the recognition and amortisation of prepaid rebates.

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.

#### How the matter was addressed in our audit

Our procedures included:

- Considering the appropriateness of the Group's accounting policies regarding revenue recognition, trade allowances and rebates against the requirement of the Australian Accounting Standards;
- Testing the Group's controls over the agreement, monitoring and calculation of trade allowances and rebates;
- Checking a sample, by customer category, of rebates and trade allowances to signed customer contractual terms;
- Comparing the amount of the trade allowances and rebates by customer category as a percentage of gross revenue to the prior year;
- 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;
- 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
- 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.

## INDEPENDENT AUDITOR'S REPORT continued


**AASB 16 Leases – (right of use assets, lease liabilities, interest and amortisation amount to \$1,429.2 million and \$1,472.3 million respectively)**

Refer to Notes 2, 13 and 24 to the Financial Report

**The key audit matter**

AASB 16 Leases ("AASB 16") is complex with specific lease-features driving different accounting outcomes, increasing the need for interpretation and judgement.

AASB 16 leases is a key audit matter due to the:

- Significance of the right of use assets and lease liabilities to the financial report
- Complexity resulting from the standard being adopted in the current period. The Group were required to determine interpretations for these new and complex accounting requirements for the first time in the year, including new accounting policies. Interpreting and applying a new standard to existing businesses and practices is more challenging with an untested standard and little precedent.
- Number of leases the Group has, including the individual nature of the lease agreements used to estimate the lease liability and right-of-use asset. A focus for us was the completeness of the lease population and the accuracy of multiple and varied inputs which may drive different accounting outcomes, including key dates, fixed and variable rent payments, renewal options and incentives.
- Complexity of the modelling performed. The Group developed an AASB 16 lease calculation model, which is largely manual and complex, and therefore is at greater risk for potential error and inconsistent application.

The most significant areas of judgement we focussed on was in assessing the Group's:

- Renewal options contained within leases. Assessing the Group's determination of whether it is reasonably certain renewal options will be exercised impacts the measurement of the lease, therefore is critical to the accuracy of the accounting.

**How the matter was addressed in our audit**

Our procedures included:

- We considered the appropriateness of the Group's new accounting policies against the requirements of the accounting standard and our understanding of the business and industry practice.
- We obtained an understanding of the Group's new processes used to calculate the lease liability, right-of-use asset, deferred tax asset, depreciation and interest expense, and retained earnings adjustment.
- We assessed the completeness of the Group's leases taking into consideration the modified retrospective transition approach and practical expedients adopted by the Group by:
  - Inspecting a sample of lease agreements entered into by the Group and comparing these to the Group's listing of leases;
  - Performing inquiries of management;
  - Checking the Group's listing of leases to the items included in the operating lease commitments disclosure in the prior year's financial report; and
  - Inspecting relevant expense accounts for routine payments during the year to identify the existence of leases not included in the Group's listing of leases.
- We read a sample of contracts, including the grower contracts. We compared the relevant features of the underlying contracts to the definition of a lease in the accounting standards to assess the accounting treatment recognised by the Group. We compared the Group's inputs in the AASB 16 lease calculation model, such as, key dates, fixed and variable rent payments, renewal options and incentives, for consistency to the relevant terms of a sample of underlying signed lease agreements.
- We evaluated the Group's assessment of lease renewal options based on the Group's strategic direction including inquiries with operational management.

## INDEPENDENT AUDITOR'S REPORT continued



- Grower contractual arrangements and the features of the underlying grower contracts against the definition of a lease under the accounting standards.
- Incremental borrowing rates determined by the Group. These are meant to reflect the Group's entity specific credit risk and vary based on each lease term.

We involved our senior audit team members in assessing these areas, along with debt advisory specialists and modelling specialists.

- Working together with our debt advisory specialists, we independently developed a series of point estimates for the incremental borrowing rates applied to the leases using the corporate yield curve, adjusted by risk factors specific to the Group, the industry it operates in, and each lease term. We compared it to the incremental borrowing rates used by the Group.
- Working together with our modelling specialists, we assessed the integrity of the Group's AASB 16 lease calculation model used, including the accuracy of the underlying calculation formulas. Additionally we have independently recalculated the lease liability, right of use asset and retained earnings adjustment for a sample of leases using the evidence we obtained from our procedures above. We compared the recalculated amounts against the amounts recorded by the Group.
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

## INDEPENDENT AUDITOR'S REPORT continued



### 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 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 and Company'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 and Company 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.



## INDEPENDENT AUDITOR'S REPORT continued

**Report on the Remuneration Report****Opinion**

In our opinion, the Remuneration Report of Inghams Group Limited for the year ended 27 June 2020, 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 44 to 58 of the Directors' report for the year ended 27 June 2020.

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  
21 August 2020

# SHAREHOLDER INFORMATION

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

## TWENTY LARGEST REGISTERED SHAREHOLDERS (AS AT 20 AUGUST 2020)

RANK	NAME	NUMBER OF SHARES	% ISSUED CAPITAL
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	116,703,020	31.40
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	75,684,213	20.36
3	CITICORP NOMINEES PTY LIMITED	46,976,913	12.64
4	TPG ASIA SF V PTE LTD	16,292,556	4.38
5	TPG ASIA VI SF PTE. LTD.	13,552,743	3.65
6	NATIONAL NOMINEES LIMITED	13,056,630	3.51
7	BNP PARIBAS NOMS PTY LTD	9,728,895	2.62
8	TPG ADAMS CO-INVEST L.P	6,814,406	1.83
9	BNP PARIBAS NOMINEES PTY LTD	6,659,382	1.79
10	BKI INVESTMENT COMPANY LIMITED	1,855,000	0.50
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,277,840	0.34
12	MASFEN SECURITIES LIMITED	1,016,000	0.27
13	AMP LIFE LIMITED	923,839	0.25
14	CITICORP NOMINEES PTY LIMITED	881,221	0.24
15	BNP PARIBAS NOMS(NZ) LTD	773,678	0.21
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	631,607	0.17
17	INVIA CUSTODIAN PTY LIMITED	626,000	0.17
18	MAYURA PTY LTD & DE BRUIN SECURITIES PTY LTD	500,000	0.13
19	MASFEN SECURITIES LIMITED	484,000	0.13
20	BNP PARIBAS NOMINEES PTY LTD	457,205	0.12

## DISTRIBUTION OF HOLDINGS (AS AT 20 AUGUST 2020)

RANGE	NUMBER OF HOLDERS	NUMBER OF SHARES	% OF ISSUED CAPITAL
100,001 and Over	57	321,308,278	86.45
10,001 to 100,000	1,128	26,455,294	7.12
5,001 to 10,000	1,520	11,435,470	3.08
1,001 to 5,000	4,202	11,041,909	2.97
1 to 1,000	2,575	1,438,650	0.39
<b>Total</b>	<b>9,482</b>	<b>371,679,601</b>	<b>100.00</b>

There are 257 shareholders holding less than a marketable parcel of shares (as at 20 August 2020).

## SHAREHOLDER INFORMATION continued

### SUBSTANTIAL SHAREHOLDERS (AS DISCLOSED IN SUBSTANTIAL HOLDER NOTICES GIVEN TO THE COMPANY AS AT 20 AUGUST 2020)

SHAREHOLDER	NUMBER OF SHARES	% OF ISSUED CAPITAL
TPG Capital	36,659,705	9.86%
FMR LLC	30,250,263	8.14%
Franklin Resources, Inc and its affiliates	29,433,688	7.92%
Mondrian Investment Partners Limited	28,067,889	7.55%
Sumitomo Mitsui Trust Holdings	28,013,408	7.54%
Credit Suisse Holdings (Australia) Limited	24,677,805	6.64%
UBS Group AG and its related bodies corporate	23,474,683	6.32%
AustralianSuper Pty Ltd	21,475,492	5.78%
Mitsubishi UFJ Financial Group, Inc.	19,601,080	5.27%

### ESCROW SHARES

As at 20 August 2020, 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
118,195	December 2022	Nil

### UNQUOTED SECURITIES

As at 20 August 2020, the total number of rights outstanding equalled 3,258,663 remained over unissued shares of Inghams Group Limited, as described in the Directors' Report on page 33. These performance rights are predominantly held by 28 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 9,482 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 INFORMATION

**ACN 162 709 506**

## **DIRECTORS**

Peter Bush  
Rob Gordon  
Michael Ihlein  
Ricky Lau (resigned 30 June 2020)  
Jim Leighton  
Jackie McArthur  
Helen Nash  
Linda Bardo Nicholls AO  
Andrew Reeves

## **COMPANY SECRETARY**

David Matthews

## **REGISTERED OFFICE AND PRINCIPLE PLACE OF BUSINESS**

Level 4  
1 Julius Avenue  
North Ryde NSW 2113  
Australia

Telephone: 02 9826 4444  
Website: [www.ingham.com.au](http://www.ingham.com.au)

## **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 or +61 2 8280 7390  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

## **AUSTRALIAN SECURITIES EXCHANGE**

ASX code: ING

## **CORPORATE WEBSITE**

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



