

Ingham Holdings II Pty Limited
ABN 41 162 709 579

Annual Report
For the period ended 28 June 2014

Ingham Holdings II Pty Limited
Directors report
for the period ended 28 June 2014

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Ingham Holdings II Pty Limited and the entities it controlled at the end of, or during, the financial period from the date of incorporation, 6 March 2013 to 28 June 2014.

Directors

The following persons were directors of Ingham Holdings II Pty Limited during the financial period from 6 March 2013 and up to the date of this report:

	Date appointed	Date resigned
Simon Edward Harle	6 March 2013	27 June 2013
Ronald Cami	6 March 2013	27 June 2013
John Richard Hexton	27 June 2013	29 October 2013
Kevin Fraser McBain	27 June 2013	
Gregory Patrick Watts	27 June 2013	

Principal activities

The principal continuing activities of the group consisted of breeding, growing, processing, stockfeed, ingredients for pet food and research and development.

Review of operations

The net profit of the group for the period was \$92,383,000 after income tax expense of \$22,911,000.

Significant changes in the state of affairs

Significant changes in the state of affairs of the group, during the financial period, was the acquisition by a subsidiary of Ingham Enterprises Pty Limited, a major Australian poultry company.

Events since the end of the financial period

No matter of circumstance has arisen since 28 June 2014 that has significantly affected, or may significantly affect the group's operations, results on state of affairs, in future financial years.

Likely developments and expected results of operations

There are no material expected developments in the operations of the group.

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.

Shares on issue

Unissued ordinary shares of Ingham Holdings I Pty Limited under a deferred share arrangement at the date of this report are:

Date granted	Expiry date	Issue price of shares	Number of shares
1 July 2013	30 September 2014	\$1	1,328,000
1 July 2013	30 September 2015	\$1	2,656,000
1 July 2013	30 September 2016	\$1	2,656,000
1 July 2013	30 September 2017	\$1	2,656,000
1 July 2013	30 September 2018	\$1	2,656,000
1 July 2013	30 September 2019	\$1	1,328,000
			13,280,000

No shareholder has any right to participate in any other share issue of the company or any other entity.

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Included in the above were shares granted to the following directors and officers of the company and the group who form part of the board during the period:

Name of officer	Date granted	Issue price of shares	Number of shares
K F McBain	1 July 2013	\$1	2,000,000
G P Watts	1 July 2013	\$1	700,000
K Radich	1 July 2013	\$1	700,000

Insurance of officers

During the financial period, a subsidiary paid a premium of \$39,859 to insure the directors and officers of the group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnity of auditors

The group has agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from Ingham Holdings II Pty Limited breach of their agreement. The indemnity stipulates that Ingham Holdings II Pty Limited will meet the full amount of such liabilities including a reasonable amount of legal costs.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding of amounts

The group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.



Kevin Fraser McBain
Director



Gregory Patrick Watts
Director

Liverpool
26 August 2014



Auditor's Independence Declaration

As lead auditor for the audit of Ingham Holdings II Pty Limited for the period ended 28 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Ingham Holdings II Pty Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'D Wiadrowski', written over a light blue horizontal line.

David Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
26 August 2014

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These financial statements are consolidated financial statements for the group consisting of Ingham Holdings II Pty Limited and its subsidiaries. A list of subsidiaries is included in note 25.

The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors on 26 August 2014. The directors have the power to amend and reissue the financial statements.

Ingham Holdings II Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

c/- TPG Capital (Australia) Pty Ltd
Level 31/101 Collins Street
Melbourne Victoria 3000

Ingham Holdings II Pty Limited
Consolidated income statement
For the period ended 28 June 2014

	Notes	2014 \$'000
Revenue from continuing operations		
Sales revenue	4	2,298,878
Other revenue	4	93,912
		<u>2,392,790</u>
Expenses		
Cost of sales		(1,915,377)
Other expenses from ordinary activities		
Distribution		(143,065)
Selling		(23,722)
Administration		(76,712)
Other		(61,343)
Finance costs	5	(57,647)
Share of net profit of joint venture accounted for using the equity method		370
Profit before income tax		<u>115,294</u>
Income tax expense	6	(22,911)
Profit for the period attributable to:		
Owners of Ingham Holdings II Pty Limited		<u><u>92,383</u></u>

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

Ingham Holdings II Pty Limited
Consolidated statement of comprehensive income
For the period ended 28 June 2014

	Notes	2014 \$'000
Profit for the period		92,383
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges	20(a)	(11,847)
Exchange differences on translation of foreign operations	20(a)	16,892
Income tax relating to these items	20(a)	3,563
Other comprehensive income for the period, net of tax		8,608
Total comprehensive income for the period is attributable to:		
Owners of Ingham Holdings II Pty Limited		100,991

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

Ingham Holdings II Pty Limited
Consolidated statement of financial position
As at 28 June 2014

	Notes	2014 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	7	101,565
Trade and other receivables	8	213,784
Inventories	9	279,661
Assets classified as held for sale	10	337,417
Total current assets		<u>932,427</u>
Non-current assets		
Prepayments	8	21,241
Investments accounted for using the equity method	11	1,436
Property, plant and equipment	12	311,177
Deferred tax assets	13	29,339
Total non-current assets		<u>363,193</u>
Total assets		<u>1,295,620</u>
LIABILITIES		
Current liabilities		
Trade and other payables	14	199,759
Borrowings	15	23,474
Provisions	16	89,367
Derivative financial instruments	17	5,401
Total current liabilities		<u>318,001</u>
Non-current liabilities		
Trade and other payables	14	2,492
Borrowings	15	807,034
Provisions	16	20,505
Derivative financial instruments	17	4,790
Deferred tax liabilities	18	41,225
Total non-current liabilities		<u>876,046</u>
Total liabilities		<u>1,194,047</u>
Net assets		<u>101,573</u>
EQUITY		
Contributed equity	19	-
Other reserves	20(a)	9,190
Retained earnings	20(b)	92,383
Total equity		<u>101,573</u>

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

Ingham Holdings II Pty Limited
Consolidated statement of changes in equity
For the period ended 28 June 2014

		Attributable to owners of Ingham Holdings II Pty Limited			
	Notes	Contributed	Other	Retained	Total
		equity	reserves	earnings	equity
		2014	2014	2014	2014
		\$'000	\$'000	\$'000	\$'000
Profit for the period		-	-	92,383	92,383
Other comprehensive income		-	8,608	-	8,608
Total comprehensive income for the period		-	8,608	92,383	100,991
Transactions with owners in their capacity as owners:					
Employee share scheme					
- value of employee services	20(a)	-	582	-	582
		-	582	-	582
Balance at 28 June 2014		-	9,190	92,383	101,573

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

Ingham Holdings II Pty Limited
Consolidated statement of cash flows
For the period ended 28 June 2014

	Notes	2014 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)		2,395,994
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(2,322,046)</u>
		73,948
Interest and finance charges paid		(48,396)
Income taxes paid		<u>(11,118)</u>
Net cash inflow from operating activities	30	<u>14,434</u>
Cash flows from investing activities		
Payment for acquisition of subsidiary, net of cash acquired		(440,391)
Payments for property, plant and equipment		(37,605)
Proceeds from sale of property, plant and equipment		<u>2,185</u>
Net cash outflow from investing activities		<u>(475,811)</u>
Cash flows from financing activities		
Proceeds from borrowings		617,665
Repayment of borrowings		(460,996)
Finance lease payments		(6,469)
Transactions with controlling entities		<u>408,204</u>
Net cash inflow from financing activities		<u>558,404</u>
Net increase in cash and cash equivalents		97,027
Effects of exchange rate changes on cash and cash equivalents		<u>4,538</u>
Cash and cash equivalents at end 28 June 2014	7	<u>101,565</u>

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

1 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 the period presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Ingham Holdings II Pty Limited and its subsidiaries.

(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*. Ingham Holdings II Pty Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) *Compliance with Australian Accounting Standards – Reduced Disclosure Requirements*

The consolidated financial statements of the Ingham Holdings II Pty Limited group comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB). The financial period covers the period from incorporation on 6 March 2013 to 28 June 2014.

(ii) *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), certain classes of property, plant and equipment and investment property – measured at fair value
- Assets held for sale – measured at fair value less cost of disposal.

(iii) *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 in note 3.

(iv) *Adoption of accounting standards*

As this is the first period of accounts for the group, management has applied all current guidance issued by the Australian Accounting Standards Board and there are no changes or proposed changes to accounting standards to consider.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ingham Holdings II Pty Limited (parent entity) as at 28 June 2014 and the results of all subsidiaries for the period then ended. Inghams Holdings II Pty Limited and its subsidiaries together are referred to in these financial statements as the group.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(g)).

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) *Joint ventures*

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment.

(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 Ingham Holdings II Pty Limited's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(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 the date of that balance sheet
- 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 as a separate component of equity.

(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.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 the associated risks have passed to the carrier or customer.

(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 substantively 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.

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

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

Deferred tax liabilities and assets 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 respectively.

(i) Tax consolidation legislation

Ingham Holdings I Pty Limited, the ultimate Australian controlling entity, and its subsidiaries, including Ingham Holdings II Pty Limited, have implemented the tax consolidation legislation.

Ingham Holdings II Pty 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, Ingham Holdings I Pty 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 Ingham Holdings I Pty Limited for any current tax payable assumed, and are compensated by Ingham Holdings I Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ingham Holdings I Pty Limited.

1 Summary of significant accounting policies (continued)

(f) Leases

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

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

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

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the consideration transferred and the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in consolidated income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated income statement.

1 Summary of significant accounting policies (continued)

(h) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement within an average of 40 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

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

(k) 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.

1 Summary of significant accounting policies (continued)

(I) 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. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in 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.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations 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:

- Buildings and leasehold buildings	5-50 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. Assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

(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.

1 Summary of significant accounting policies (continued)

(p) Trade and other payables

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

(q) Borrowings

Borrowings are initially recognised at fair value. 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.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset 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.

(s) 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 states self-insurance licence.

1 Summary of significant accounting policies (continued)

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled 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 and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled 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 government 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 twelve months after the reporting date, 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 the Long Term Management Incentive Plan.

Select key management of the group have been granted an interest-free loan to subscribe to shares of Ingham Holdings I Pty 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 is vesting conditions, the arrangement has been accounted for as share options, as required under accounting standards. The shares vest based on earnings and length of service.

The fair value of shares granted under the Ingham Long Term Management Incentive Plan is recognised as an employee benefits expense with a corresponding increase in equity. 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 conditions.

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.

(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.

1 Summary of significant accounting policies (continued)

(u) Contributed equity

Ordinary shares are classified as equity.

(v) 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.

(w) Goods 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 balance sheet.

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.

(x) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) Parent entity financial information

The financial information for the parent entity, Ingham Holdings II Pty Limited, has been prepared on the same basis as the consolidated financial statements.

2 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency 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. 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 hedging purposes, i.e. not as trading or other 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.

Risk management is carried out by a 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.

(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.

(ii) 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. The group policy is to maintain at least 75% of its borrowings at fixed rate using interest rate swaps to achieve this. During the period ending 28 June 2014, the group's borrowings at variable rate were denominated in Australian Dollars.

As at the end of the reporting period, the group had the following variable rate borrowings and interest rate swap contracts outstanding:

	Weighted average Interest rate	28 June 2014 Balance
	%	\$'000
Bank loans	6.8130	592,920
Interest rate swaps (notional principal amount)	7.7699	(475,000)
Net exposure to cash flow interest rate risk		<u>117,920</u>

2 Financial risk management (continued)

(a) Market risk (continued)

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

The group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(v) Commodity Price

The group's exposure to commodity price risk arises from commercial transactions required for the operations of the business. To manage its commodity price risk the group enters into forward contracts to purchase grain. This is performed through monitoring movements in price.

(b) Credit risk

Credit risk is 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 guidelines provide 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.

(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 \$75,000,000 on 30 day 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:

	2014 \$'000
Floating rate	
-Expiring within one year (bank overdraft)	7,511
-Expiring beyond one year (cash advance facility)	92,489
	100,000

The bank overdraft facilities may be drawn at any time. The re-drawable term cash advance facility may be drawn at any time. These facilities are available until the earlier of the date which is 30 days before termination date of the facilities agreement or the commitments are cancelled in full.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that the directors believe to be reasonable under the circumstances.

(i) Taxes

The Australian Taxation Office is currently undertaking a risk review of the previous tax consolidation that occurred during January 2009. Ingham Holdings I Pty Limited tax consolidated group is indemnified against any liability arising from this review.

The landholder duty payable in respect of assets acquired in June 2013 remains unresolved with a number of state revenue authorities. The Company is liaising with these authorities to resolve the matter. The Company is indemnified against any liability arising above the amount provided for in the financial statements.

(ii) Held-for-sale assets

The group follows the guidance in AASB 5 *Non-current assets held for sale and discontinued operations* to determine when an asset is classified as held for sale. This determination requires judgement. In making this judgement, the directors evaluate, among other factors, whether the sale is highly probable and if it will be completed within 1 year from date of classification. In addition, at present, the directors believe that the fair value less costs to sell off assets in this category is higher than the current value, and as such no impairment is required through this reclassification.

(iii) Business combination - Identifiable net assets

The group followed the guidance in AASB 3 *Business combination* to determine the net identifiable assets on acquisition of Ingham Enterprises Pty Limited. The directors specifically used its judgement and made assumptions that were mainly based on market conditions in the valuation of property, plant and equipment. It obtained independent valuations to assist in this process.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

	2014 \$'000
4 Revenue	
From operations	
<i>Sales revenue</i>	
Sale of goods	2,298,878
<i>Other revenue</i>	
Fair value adjustment	90,130
Interest	1,464
Dividends	8
Rent	2,310
	93,912
	2,392,790
Fair value adjustment on loans from related party will reverse over the term of the loan (see note 15).	
5 Expenses	
Profit before income tax includes the following specific expenses:	
<i>Employee benefits expenses</i>	
Employee benefits expense	538,888
Employee benefits expense related to acquisition	9,100
Total employee benefits expenses	547,988
<i>Depreciation</i>	
Buildings	4,253
Plant and equipment	38,579
Plant and equipment under finance leases	2,523
Total depreciation	45,355
<i>Finance costs</i>	
Expensed	50,567
Amortisation of deferred finance costs	7,080
Total finance costs	57,647
Net loss on disposal of property, plant and equipment	143
Rental expense relating to operating leases	14,392
<i>Impairment losses – financial assets</i>	
Trade receivables	204
Inventories	5,011
Acquisition costs	49,206
Monitoring fee paid to ultimate parent entity	3,033
Share-based payments	582

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

2014
\$'000

6 Income tax expense

(a) Income tax expense:

Current tax	(16,895)
Deferred tax	39,628
Adjustments for current tax of prior periods (applicable to NZ only)	178
	<u>22,911</u>

Deferred income tax (revenue) expense included in income tax expense comprises:

Increase in deferred tax assets (note 13)	(1,887)
Increase in deferred tax liabilities (note 18)	41,513
	<u>39,626</u>

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

Profit from continuing operations before income tax expense	<u>115,294</u>
Tax at the Australian tax rate of 30%	34,588
Tax effect of amounts which are not deductible taxable in calculating taxable income:	
Non-deductible fair value on related party loans with tax consolidation group	(27,039)
Non-deductible expenses	2,536
Share of net profit of joint venture	(112)
	<u>9,973</u>
Difference in overseas tax rates	(2,161)
Adjustments for current tax of prior periods (applicable NZ only)	178
Income tax expense applicable to continuing activities	<u>7,990</u>
Income tax expense applicable to acquisition of subsidiaries	
Non-deductible acquisition costs	14,921
Income tax expense	<u>22,911</u>

(c) Tax expense (income) relating to items of other comprehensive income:

Cash flow hedges	<u>3,563</u>
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Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

7 Cash and cash equivalents

2014
\$'000

Current assets

Cash at bank and in hand
Deposit at call

3,818
97,747

101,565

(a) Classification as cash equivalents

Term deposits are presented as cash equivalents as they have a maturity of less than three months from the date of acquisition.

8 Trade and other receivables

	Current	Non-Current	Total
	2014	2014	2014
	\$'000	\$'000	\$'000
Trade receivables	196,367	-	196,367
Provision for impairment of receivables	(411)	-	(411)
	195,956	-	195,956
Other receivables	10,436	-	10,436
Prepayments	7,392	21,241	28,633
	213,784	21,241	235,025

(a) Prepayments

These amounts arise from transactions that are paid in advance and amortised over future periods. These amounts include finance costs for secured loans to be amortised over the life of the loan.

(b) Fair value of trade and other receivables

Due to the short-term nature of current receivables, their carrying amount is assumed to approximate their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

2014
\$'000

9 Inventories

Poultry	203,930
Feed	50,074
Other	32,165
	286,169
Provision for impairment of inventories	(6,508)
	279,661

Inventories on hand include processed poultry. Sale of poultry to outside parties occur at all stages and consequently it is not possible to identify any part of inventories as 'work in progress'. Other inventories include eggs, medication, packaging and sundry inventories.

10 Assets classified as held for sale

Assets classified as held for sale	337,417
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In March 2014, the directors decided to sell a portfolio of properties conditional upon a lease back arrangement for a minimum 20 years. The sale is expected to be completed by the end of December 2014. The nature of the leases will be considered operating.

11 Investments accounted for using the equity method

Interest in joint venture (note 27)	1,436
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Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

12 Property, plant and equipment

	Freehold land 2014 \$'000	Freehold buildings 2014 \$'000	Leasehold buildings 2014 \$'000	Plant and equipment 2014 \$'000	Leasehold properties 2014 \$'000	Total 2014 \$'000
Period ended 28 June 2014						
Business combination acquisition	202,065	186,331	8,334	234,704	15,280	646,714
Exchange differences	1,635	5,014	179	5,130	-	11,958
Additions	106	3,696	-	33,803	-	37,605
Assets classified as held for sale	(142,414)	(161,569)	(6,365)	(20,869)	(6,200)	(337,417)
Disposals	(1,004)	(918)	-	(406)	-	(2,328)
Depreciation charge	-	(3,982)	(271)	(38,579)	(2,523)	(45,355)
Closing net book amount	60,388	28,572	1,877	213,783	6,557	311,177
At 28 June 2014						
Cost or fair value	60,388	29,870	1,995	260,128	9,080	361,461
Accumulated depreciation	-	(1,298)	(118)	(46,345)	(2,523)	(50,284)
Net book amount	60,388	28,572	1,877	213,783	6,557	311,177

(a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction.

	2014 \$'000
Buildings	2,381
Plant and equipment	17,953
	<u>20,334</u>

(b) Valuations of land and buildings

The valuation basis of 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.

(c) Assets pledged as security

Refer to note 15 for information on assets pledged as security by the group.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

13 Deferred tax assets

2014
\$'000

The balance comprises temporary differences attributable to:

Employee benefits	24,210
Accruals	1,820
Cash flow hedges	3,057
Doubtful debts	111
Other	141
	<u>29,339</u>

Movements:

	Tax losses 2014 \$'000	Doubtful debts 2014 \$'000	Employee benefits 2014 \$'000	Cash flow hedges 2014 \$'000	Other accruals 2014 \$'000	Total 2014 \$'000
Acquired through business combination	3,909	105	23,492	(506)	639	27,639
(Charged)/credited						
-to profit or loss	-	5	573	-	1,309	1,887
-to other comprehensive income	-	-	-	3,563	-	3,563
Transfer tax losses to Ingham Holdings I Pty Limited	(3,909)	-	-	-	-	(3,909)
Exchange differences	-	1	145	-	13	159
Carrying amount at 28 June 2014	-	111	24,210	3,057	1,961	29,339

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

14 Trade and other payables

	Current 2014 \$'000	Non-Current 2014 \$'000	Total 2014 \$'000
Trade payables	171,958	-	171,958
Other payables	27,801	2,492	30,293
	<u>199,759</u>	<u>2,492</u>	<u>202,251</u>

(a) Risk exposure

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

15 Borrowings

	Current 2014 \$'000	Non-Current 2014 \$'000	Total 2014 \$'000
<i>Secured</i>			
Bank loans	17,500	575,420	592,920
Lease liabilities (note 22)	710	1,785	2,495
Total secured borrowings	<u>18,210</u>	<u>577,205</u>	<u>595,415</u>
<i>Unsecured</i>			
Related parties (note 23)	-	216,579	216,579
Other loans	5,264	13,250	18,514
Total unsecured borrowings	<u>5,264</u>	<u>229,829</u>	<u>235,093</u>
Total borrowings	<u>23,474</u>	<u>807,034</u>	<u>830,508</u>

(a) Secured liabilities and assets pledged as security

Bank loans are secured by first mortgages over the group's freehold land and buildings and assets classified held for sale. The carrying amounts of assets pledged as security for current and non-current borrowings are \$1,259,688,000, which represent total assets of the group adjusted for leasehold properties and excluding insurance entities.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

(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.

For related parties, the amount reflects the fair value as this loan is non-interest bearing with a repayment date 10 years from date of drawdown (27 June 2013).

Ingham Holdings II Pty Limited
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16 Provisions

	Current 2014 \$'000	Non-Current 2014 \$'000	Total 2014 \$'000
Workers compensation provision			
New South Wales	6,542	-	6,542
South Australia	5,209	-	5,209
Victoria	4,472	-	4,472
Western Australia	2,431	-	2,431
Tasmania	374	-	374
	<u>19,028</u>	<u>-</u>	<u>19,028</u>
Employee benefits	70,339	11,425	81,764
Make good provision	-	9,080	9,080
	<u>89,367</u>	<u>20,505</u>	<u>109,872</u>

(a) Workers compensation

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

(b) Make good provision

Inghams Enterprises Pty Limited is required to restore the 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 any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(c) Movements in provisions

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

	Workers Compensation 2014 \$'000	Make good provisions 2014 \$'000	Total 2014 \$'000
Acquired through business combination	20,793	9,080	29,873
Charged/(credited) to profit or loss			
-additional provisions recognised	7,014	-	7,014
Amounts used during the period	<u>(8,779)</u>	<u>-</u>	<u>(8,779)</u>
Carrying amount at 28 June 2014	<u>19,028</u>	<u>9,080</u>	<u>28,108</u>

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

17 Derivative financial instruments

(a) Derivatives

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The group has the following derivative financial instruments:

	Current	Non-Current	Total
	2014	2014	2014
	\$'000	\$'000	\$'000
Interest rate swap contracts – cash flow hedges	4,666	4,790	9,456
Forward foreign exchange contracts – cash flow hedges	735	-	735
	5,401	4,790	10,191

(i) 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 1(i). 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.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

18 Deferred tax liabilities

2014
\$'000

The balance comprises temporary differences attributable to:

Property, plant and equipment	6,463
Borrowing costs	125
Inventories	34,637
Total deferred tax liabilities	<u>41,225</u>
Deferred tax liabilities expected to be settled within 12 months	43,182
Deferred tax liabilities expected to be settled after more than 12 months	(1,957)
Net deferred tax liabilities	<u>41,225</u>

Movements:

	Property, plant and equipment 2014 \$'000	Borrowing costs 2014 \$'000	Inventories 2014 \$'000	Total 2014 \$'000
Acquired through business combination	167	(576)	(210)	(619)
Charged/(credited)				
-to profit or loss	6,110	35,068	335	41,513
Exchange differences	186	145	-	331
Carrying amount at 28 June 2014	<u>6,463</u>	<u>34,637</u>	<u>125</u>	<u>41,225</u>

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
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19 Contributed equity

(a) Share capital

	2014 Shares	2014
Ordinary shares Fully paid	1	\$1

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	2014
6 March 2013	Share issue	1	\$1	\$1

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and 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.

(c) Employee shares scheme

Information relating to the Ingham Long Term Management 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 29.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

20 Other reserves and retained earnings

	2014 \$'000
(a) Other reserves	
Foreign currency translation	9,019
Cash flow hedges	(7,133)
Share-based payments	582
Acquisition reserves	6,722
	<u>9,190</u>
Movements:	
<i>Foreign currency translation reserve</i>	
Business combination acquisition	(7,873)
Currency translation differences arising during the period	16,892
Balance 28 June 2014	<u>9,019</u>
<i>Cash flow hedges reserve</i>	
Business combination acquisition	1,151
Revaluation – gross	(11,847)
Deferred tax	3,563
Balance 28 June 2014	<u>(7,133)</u>
<i>Share-based payments reserve</i>	
Option and deferred share plan expense	582
Balance 28 June 2014	<u>582</u>
<i>Acquisition reserves</i>	
Business combination acquisition	6,722
Balance 28 June 2014	<u>6,722</u>
(b) Retained earnings	
Movements in retained earnings were as follows:	
Net profit for the period	92,383
Balance 28 June 2014	<u>92,383</u>

20 Other reserves and retained earnings (continued)

(c) Nature and purpose of other reserves

(i) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(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.

(ii) 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 1(l). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(iii) Share-based payments

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

21 Contingencies

**2014
\$'000**

Details and estimates of maximum amounts of contingent liabilities are as follows:

Secured guarantees in respect of bank guarantees for supply of services supporting normal business activities of the consolidated entity

38,894

Less: workers compensation claims costs provided for in the consolidated financial statements

(19,028)
19,866

Inghams Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

22 Commitments

(a) Capital commitments

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

	2014 \$'000
Property, plant and equipment	16,542

(b) Lease commitments

(i) Non-cancellable operating leases

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

	2014 \$'000
Within one year	13,403
Later than one year but not later than five years	27,789
Later than five years	23,769
	64,961

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

Within one year	864
Later than one year but not later than five years	1,943
Later than five years	-
Minimum lease payments	2,807
Less: Future finance charges	(312)
Total lease liabilities	2,495

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

23 Related party transactions

(a) Parent entities

Name	Type	Place of incorporation	Ownership interest 2014
Ingham Holdings I Pty Limited	Immediate and ultimate Australian parent entity	Australia	100%
TPG	Ultimate controlling entity	United States	100%

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Key management personnel compensation

	2014 \$'000
Short term employee benefits	15,049
Share based payments	431
	<u>15,480</u>

(d) Transactions with other related parties

The following transactions occurred with related parties:

Other transactions

Monitoring fees and acquisition costs paid to ultimate parent entity	<u>20,377</u>
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(e) Loans from related parties

Loan with Ingham Holdings I Pty Limited	<u>216,579</u>
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This loan is non-interest bearing with a repayment date 10 years from the date of drawdown(27 June 2013), and including fair value adjustment.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

24 Business combination

(a) Summary of acquisition

On 27 June 2013 a subsidiary of the parent entity acquired 100% of the issued share capital of Ingham Enterprises Pty Limited. Details of the purchase consideration, the net assets acquired are as follows:

	2014 \$'000
Purchase consideration (refer to (b) below):	
Cash paid	443,884
Deferred consideration	30,000
Total purchase consideration	<u>473,884</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

Cash	3,493
Trade and other receivables	301,846
Current tax receivable	561
Inventories	264,635
Property, plant and equipment	646,714
Deferred tax asset	27,639
Derivative financial instruments	1,645
Investments	1,441
Trade payables	(197,374)
Borrowings	(464,974)
Provisions	(109,128)
Current tax liability	(3,233)
Deferred tax liability	619
Net assets acquired	<u>473,884</u>

(i) Acquired trade receivables

The fair value of acquired trade receivables is \$188,905,000. The gross contractual amount for trade receivables due is \$189,258,000, of which \$353,000 is expected to be uncollectible.

(ii) Revenue and profit contribution

The acquired business contributed revenues of \$2,298,878,000 and net profit of \$55,922,000 to the group for the period from 23 June 2013 to 28 June 2014. If the acquisition had occurred on 6 March 2013, consolidated revenue and profit for the period ended 28 June 2014, would have been \$2,980,015,000 and \$66,560,000 respectively.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

24 Business combination (continued)

(b) Purchase consideration – cash outflow

	2014 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	443,884
Less: cash acquired	(3,493)
Outflow of cash – investing activities	<u>440,391</u>

(c) Acquisition – related costs

Acquisition costs of \$49,206,000 are included in other expenses in profit and loss and in operating cash flows in the statement of cash flows.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

25 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of Incorporation	Equity holding 2014 %
Directly controlled by Ingham Holdings II Pty Limited Ingham Holdings III Pty Limited (a)	Australia	100
Directly controlled by Ingham Holdings III Pty Limited Adams Bidco Pty Limited (a)	Australia	100
Directly controlled by Adam Bidco Pty Limited Ingham Enterprises Pty Limited (a)	Australia	100
Directly controlled by Ingham Enterprises Pty Limited Inghams Enterprises Pty Limited (a)	Australia	100
Ingham Finco Pty Limited (b)	Australia	100
Ingham 2 Pty Limited (b)	Australia	100
Directly controlled by Inghams Enterprises Pty Limited Agnidla Pty Limited (b)	Australia	100
Aleko Pty Limited (b)	Australia	100
Inghams Enterprises (NZ) Pty Limited (a)	Australia	100
Inghams Property Management Pty Limited (b)	Australia	100
Ovoid Insurance Limited	Bermuda	100
Ovoid Insurance Pty Ltd (b)	Australia	100
Directly controlled by Agnidla Pty Limited: Inadnam Pty Limited (b)	Australia	100
Directly controlled by Inghams Enterprises (NZ) Pty Limited: Harvey Farms Pty Limited	New Zealand	100

(a) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

(b) These subsidiaries are not audited as they are small proprietary companies which are not required to prepare audited financial statements, refer to note 26.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

26 Deed of cross guarantee

Ingham Holdings II Pty Limited and all of the subsidiaries shown as (a) in note 25 are parties to a deed of cross guarantee 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 Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

The companies shown as (a) in note 25 represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Ingham Holdings II Pty 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 28 June 2014 of the closed group.

	2014 \$'000
<i>Consolidated income statement</i>	
Revenue from continuing operating	
Sales revenue	2,298,878
Other revenue	93,695
	<u>2,392,573</u>
Expenses	
Cost of sales	(1,916,170)
Other expenses from ordinary activities	
Distribution	(143,065)
Selling	(23,722)
Administration	(76,657)
Other	(61,343)
Finance costs	(57,647)
Profit before income tax	<u>113,969</u>
Income tax expense	(22,674)
Profit for the period	<u>91,295</u>
<i>Consolidated statement of comprehensive income</i>	
Profit for the period	<u>91,295</u>
Other comprehensive income	
<i>Items that may be reclassified to profit or loss</i>	
Changes in the fair value of cash flow hedges	(11,847)
Exchange differences on translation of foreign operations	16,892
Income tax relating to these items	3,563
Other comprehensive income for the period, net of tax	<u>8,608</u>
Total comprehensive income for the period	<u>99,903</u>

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

26 Deed of cross guarantee (continued)

	2014 \$'000
<i>Summary of movements in consolidated retained earnings</i>	
Profit for the period	91,295
Balance 28 June 2014	<u>91,295</u>
(b) Consolidated balance sheet	
Set out below is a consolidated balance sheet as at 28 June 2014 of the closed group	
Current assets	
Cash and cash equivalents	99,675
Trade and other receivables	232,255
Inventories	279,660
Assets classified as held for sale	336,815
Total current assets	<u>948,405</u>
Non-current assets	
Prepayments	21,241
Investments accounted for using the equity method	936
Property, plant and equipment	322,102
Deferred tax assets	29,339
Total non-current assets	<u>373,618</u>
Total assets	<u>1,322,023</u>
Current liabilities	
Trade and other payables	228,492
Borrowings	23,474
Provisions	89,367
Derivative financial instruments	5,401
Total current liabilities	<u>346,734</u>
Non-current liabilities	
Borrowings	807,012
Provisions	20,505
Derivative financial instruments	4,789
Deferred tax liabilities	42,498
Total non-current liabilities	<u>874,804</u>
Total liabilities	<u>1,221,538</u>
Net assets	<u>100,485</u>
Equity	
Contributed equity	-
Reserves	9,190
Retained earnings	91,295
Total equity	<u>100,485</u>

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

27 Interests in joint ventures

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 1(b), is set out below.

Name and principal activity	Ownership Interest 2014	Carrying value Of investment 2014 \$'000
AFB International Pty Limited		
Pet food manufacture	50%	1,436

28 Parent entity financial information

(a) Summary financial information

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

	2014 \$'000
Balance Sheet	
Non-current assets	207,916
Total assets	207,916
Non-current liabilities	207,916
Total liabilities	207,916
Net assets	-
Equity	
Contributed equity	-
Retained earnings	-
Profit or loss for the period	-
Total comprehensive income	-

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

29 Share based payments

Select key management of the group have been granted an interest-free loan to subscribe to shares of Ingham Holdings I Pty 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. 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.

Participation in the Plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Unissued ordinary shares of Ingham Holdings I Pty Limited under deferred shares at the date of this report are:

Date granted	Expiry Date	Issue Price of shares	Number of shares
1 July 2013	30 September 2014	\$1	1,328,000
1 July 2013	30 September 2015	\$1	2,656,000
1 July 2013	30 September 2016	\$1	2,656,000
1 July 2013	30 September 2017	\$1	2,656,000
1 July 2013	30 September 2018	\$1	2,656,000
1 July 2013	30 September 2019	\$1	1,328,000
			13,280,000

The weighted average fair value of shares granted during the period using the Black-Scholes valuation method is \$0.32 per share.

The significant inputs into the model were weighted average share price of \$1 at the grant date, exercise price of \$1, volatility of 34.54%, dividend yield of 0%, an expected vested period of five years and an annual risk-free interest rate of 3.17%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

2014
\$'000

30 Cash flow information

(a) Reconciliation of profit after income tax to net cash inflow from operating activities.

Profit for the period	92,383
Depreciation	45,355
Non-cash employee benefits expense – share based payment	582
Fair value adjustment on loan from related party	(90,130)
Dividend and interest income	(1,245)
Loss on sale of non-current assets	143
Share of net profit of joint venture	(370)
Change in operating assets and liabilities, net of effects from purchase of controlled entity	
Increase in trade other receivables and prepayments	(7,309)
Increase in inventories	(15,026)
Decrease in deferred tax assets	1,682
Increase in trade payables	4,878
Decrease in provision for income taxes payable	(2,446)
Increase in deferred tax liabilities	13,510
Decrease in other provisions	(27,573)
Net cash inflow from operating activities	<u>14,434</u>

31 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.

(a) PricewaterhouseCoopers Australia

(i) Audit and other assurance services	
Audit and review of financial statements	737,345
Other services performed	21,400
Total remuneration for audit and other assurance services	<u>758,745</u>
(ii) Taxation services	
Tax compliance service	353,100
Tax advice on transactions	48,000
Total remuneration for taxation services	<u>401,100</u>

(b) Network firms of PricewaterhouseCoopers Australia

(i) Taxation services	
Tax compliance services	22,326
Total remuneration for taxation services	<u>22,326</u>

(c) Non PricewaterhouseCoopers audit firms

(i) Other services	
Other services performed	350,029
Total remuneration for other services	<u>350,029</u>
Total auditors remuneration	<u>1532,200</u>

32 Events occurring after the reporting period

During July and August 2014 \$63,044,000 of properties were sold for \$63,526,000 and leased back under long term lease arrangements.

Ingham Holdings II Pty Limited
Notes to the consolidated financial statements
As at 28 June 2014

In the directors' opinion:

- (a) The financial statements and notes set out on pages 6 to 47 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standard, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) Giving a true and fair view of the consolidated entity's financial position as at 28 June 2014 and of its performance for the financial period ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 26.

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



Kevin Fraser McBain
Director



Gregory Patrick Watts
Director

Liverpool
26 August 2014



Independent auditor's report to the members of Ingham Holdings II Pty Limited

Report on the financial report

We have audited the accompanying financial report of Ingham Holdings II Pty Limited (the company), which comprises the statement of financial position as at 28 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended 28 June 2014, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Ingham Holdings II Pty Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at period's end or from time to time during the financial period.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion, the financial report of Ingham Holdings II Pty Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 28 June 2014 and of its performance for the period ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in blue ink that reads "D Wiadrowski".

David Wiadrowski
Partner

Sydney
26 August 2014