



INGHAM'S[®]

Heart of the Table



**ANNUAL
REPORT
2017**

Contents

Company Profile	01
Financial Highlights	06
Chairman & CEO's Letter	08
Operational Highlights	10
Business Sustainability	14
Board of Directors	18
Senior Management	19
Directors' Report	20
Auditor's Independence Declaration	45
Consolidated Financial Statements	46
Notes to the Consolidated Financial Statements	51
Directors' Declaration	87
Independent Auditor's Report	88
Shareholder Information	92
Corporate Directory	IBC

OUR HISTORY



WHO WE ARE

Ingham's was founded as a family business in 1918 by Walter Ingham in Liverpool, New South Wales. Since 1953, Walter's sons, Bob and Jack Ingham, expanded the business through a combination of organic growth and acquisitions to become the largest vertically integrated poultry producer across Australia and New Zealand. In 2013, Bob sold the company to TPG before being listed on the stock exchange in November 2016.

Today, Ingham's employs approximately 8,000 people and continues to build on Ingham's proud history of quality and customer service, supplying Australia and New Zealand's major retailers, quick service restaurant operators, food service distributors and wholesalers. Ingham's also holds strong market positions across the Australian and New Zealand stockfeed industries.



EST. 1918



495KT
POULTRY
PRODUCED



565KT
EXTERNAL
STOCKFEED SALES



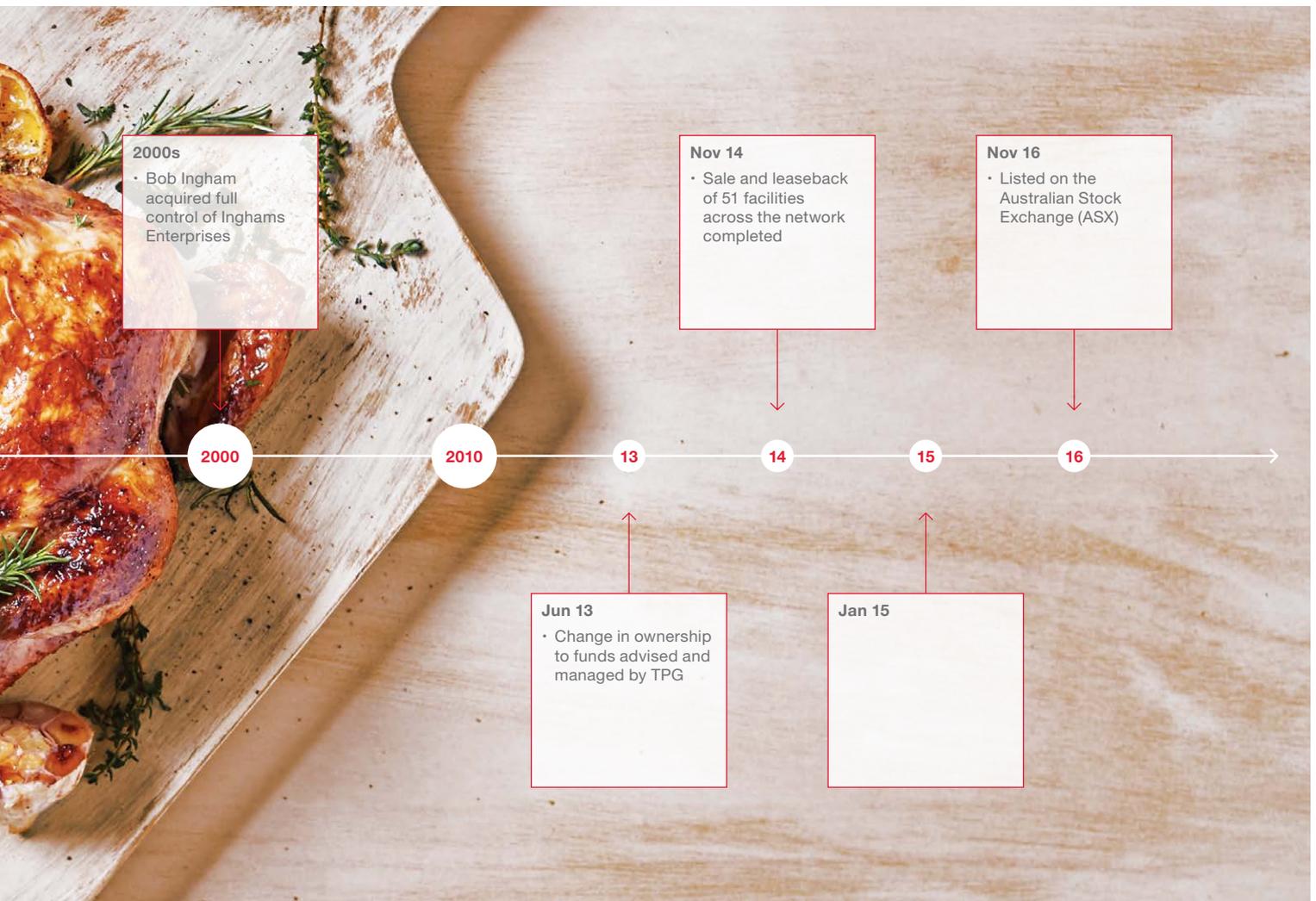
345
FACILITIES
ACROSS ANZ



APPROX.
8,000
EMPLOYEES



#1
PRODUCER
ACROSS ANZ



WHAT WE DO

Ingham's scale and vertically integrated operations span the entire value chain from farming to processing and distribution.

Ingham's two main areas of operations are:

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

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

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

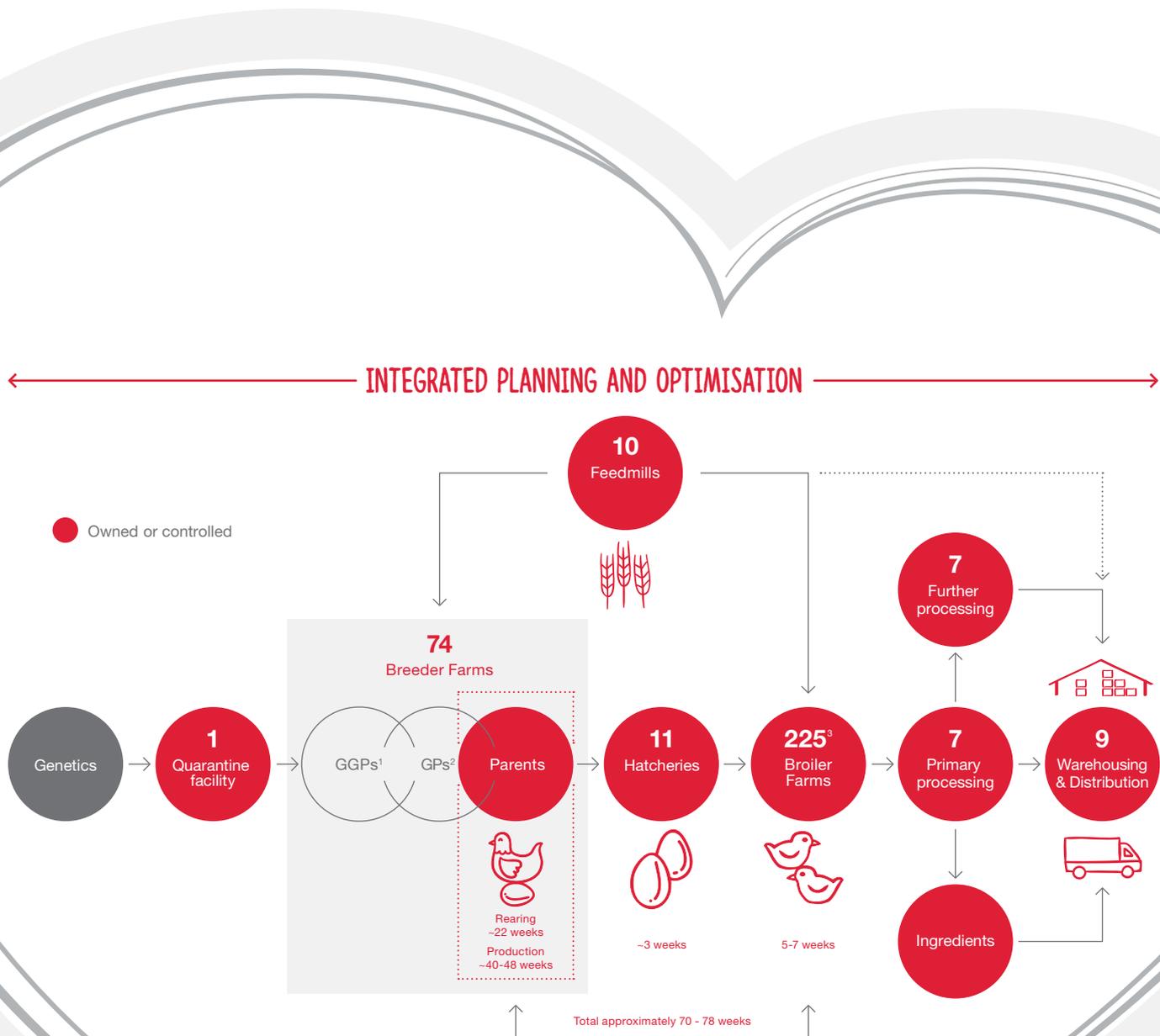


02

PRODUCT OVERVIEW

Primary	Free Range	Value Enhanced	Further Processed	Turkey	Stockfeed	Ingredients
<ul style="list-style-type: none"> Chilled chicken products sold as whole birds or primary cuts Sold in meat chiller and deli 	<ul style="list-style-type: none"> Primary, value-enhanced or further processed products made with free range chicken 	<ul style="list-style-type: none"> Chilled products with additional flavour added through marinating and coatings Sold in the meat chiller and deli 	<ul style="list-style-type: none"> Products that are partially or fully cooked Includes chicken smallgoods Sold in meat chiller and freezer 	<ul style="list-style-type: none"> Primary, value-enhanced and further processed turkey products Includes turkey smallgoods Sold in meat chiller and freezer 	<ul style="list-style-type: none"> Chicken feed (broiler and layer) Turkey feed Duck and quail feed Pig, horse and dairy feed 	<ul style="list-style-type: none"> Edible poultry products (e.g. feet and necks) Palatants, wet pet food, ingredients and protein conversion products Other poultry products

THE HEART OF OUR BUSINESS



¹ Great Grand Parents

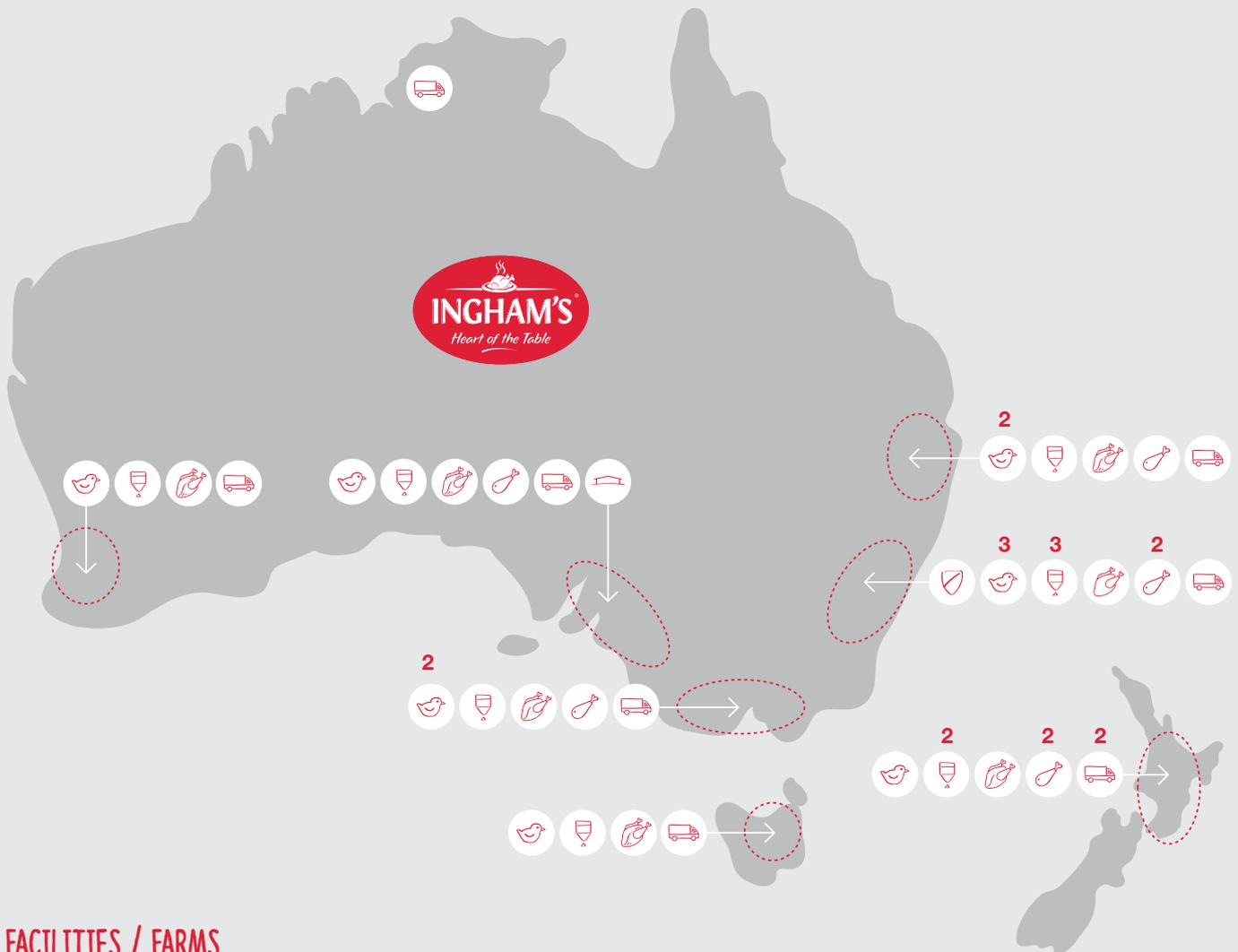
² Grand Parents

³ Includes contracted growers and company owned farms.

OUR NETWORK

Ingham's has an unrivalled network of processing and distribution facilities across Australia and New Zealand, enabling a rapid response to customer demand and efficient management of production volumes.

04



FACILITIES / FARMS

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

OUR VALUES

Ingham's vision is to become a world class food company by delivering high quality products and services to our customers at the lowest cost.

INGHAM'S
Heart of the Table

A WORLD CLASS FOOD COMPANY

HIGH PERFORMING PEOPLE
We aim to outperform

INTEGRITY
Conduct ourselves with the highest ethical standards

CUSTOMER SERVICE
Exceed our customers' expectations

OPERATIONAL EXCELLENCE
Strive for world class operations

SAFETY
Act safe, be safe, stay safe

QUALITY
Deliver quality in all that we do

OUR PURPOSE:
To be at the Heart of Every Table.

FINANCIAL HIGHLIGHTS



CORE POULTRY
VOLUME
GROWTH

8.8%



PRO FORMA
REVENUE
GROWTH

3.3%



PRO FORMA
EBITDA
OF

\$195.0
MILLION



PRO FORMA
NPAT
OF

\$102.0
MILLION



DIVIDEND
PER SHARE
OF

12.1
CENTS



LEVERAGE
RATIO

1.5X



CHAIRMAN & CEO'S LETTER



08

Dear Shareholder

On behalf of the Board of Directors and management team, it is our pleasure to present the Inghams Group Limited annual report for the year ended 1 July 2017.

FY2017 has been a landmark year in Ingham's long and proud history, listing on the Australian Stock Exchange on 7 November 2016.

During this year, we have made solid progress on our strategy and delivered a \$102.0 million net profit after tax, exceeding our prospectus forecast.

Underlying growth in the Australian and New Zealand markets remained strong supported by population growth, the relative affordability of chicken and positive consumer trends.

Our poultry sales volumes were stronger than expected with 8.8¹ percent growth in Australia and 1.1¹ percent in New Zealand after an improved second half.

Ingham's continued to make progress on extending key customers contractual coverage with more than 60 percent of our chicken volumes subject to agreements that include feed cost pass through mechanisms and cost adjustments.

We have also continued the rollout of the Ingham's brand refresh, ensuring that it remains current and reflects the expectations of today's consumers. The refreshed branding and 'Heart of the Table' tagline reflects the importance that Ingham's core customers place on bringing the family together at meal time and the growing significance of poultry in consumers' diets.

Good progress has been made during FY2017 on our transformation program – Project Accelerate – which is improving efficiencies in our operations

through a range of initiatives including investment in automation and labour optimisation initiatives.

Significant investment continues to be made in capacity expansion, with our South Australian hatchery expansion and the majority of our greenfield South Australian breeder farms now commissioned. Work has commenced on a new feedmill in South Australia at Murray Bridge and planning is now being finalised for an expansion of our New Zealand breeder and hatchery network.

We maintain our commitment to animal welfare and environmental sustainability, with continued improvement in areas such as farming practices, water usage and energy management.

¹ Core chicken and turkey products, excluding Ingredients

THE REFRESHED BRANDING AND 'HEART OF THE TABLE' TAGLINE REFLECTS THE IMPORTANCE THAT INGHAM'S CORE CUSTOMERS PLACE ON BRINGING THE FAMILY TOGETHER AT MEAL TIME AND THE GROWING SIGNIFICANCE OF POULTRY IN CONSUMERS' DIETS.



09

DIVIDENDS

In addition to the fully franked interim stub dividend of 2.6 cents per share, the Board is pleased to deliver a fully franked final dividend of 9.5 cents per share, bringing the total fully franked dividend for FY2017 to 12.1 cents per share (70% NPAT).

OUR PEOPLE

We would like to acknowledge the valuable contribution of the Board, management team and all of our people throughout the organisation for their commitment to ensuring the company delivered its prospectus forecasts and continues to establish a strong foundation for future growth through the implementation of a range of projects across our operations.

COMMUNITY

Ingham's has long been a positive contributor to the many local communities in which we operate. We also support The Ingham Institute which carries out medical research into health issues including cancer and mental health. The Institute was established in 2012 in line with Bob Ingham's vision and commitment to community and we are proud to maintain a link with our heritage through support of the Institute.

Next year, Ingham's will celebrate 100 years since foundation. It is an exciting time to be part of this business and a time to reflect on our history and the future.

While we are a business with a long and proud history, we are focused on continuing our growth and investing for the future and we look forward to continuing to build a successful business in the years ahead.

Peter Bush Chairman

Mick McMahon CEO

OPERATIONAL HIGHLIGHTS

This year has seen Ingham's close its first financial year as a publicly listed company.

We continued to make strong progress with our business strategy in FY2017. The group achieved modest growth in revenue as a result of poultry volume growth in both Australia and New Zealand in line with prospectus forecasts.

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



COLLABORATING WITH CUSTOMERS

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

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

This year, we made significant progress on formalising supply relationships with customers including a national agreement to be a major supplier to Woolworths supermarkets until mid-2021. Over 60 percent of our chicken volumes are now subject to agreements that typically include feed cost pass through mechanisms and cost adjustments.

LONG-TERM CUSTOMER RELATIONSHIPS

AUSTRALIA – CUSTOMERS		
Major retailer 1	55 years	
Major QSR customer 1	48 years	Since market entry
Major retailer 2	44 years	
Major QSR customer 2	37 years	
Major retailer 3	30 years	Since market entry
Major retailer 4	15 years	Since market entry
NEW ZEALAND – CUSTOMERS		
Major retailer 1	26 years	Since Ingham's entered New Zealand
Major retailer 2	26 years	Since Ingham's entered New Zealand
Major QSR customer 2	26 years	Since Ingham's entered New Zealand

REFRESHING OUR BRAND

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

This year, we continued to invest in the Ingham's brand through a brand refresh program focussed on enhancing Ingham's brand positioning in line with consumer expectations.

The refreshed branding and 'Heart of the Table' tagline reflects the importance that Ingham's core customers place on bringing the family together at meal time and the growing significance of poultry in consumers' diets.

Our investment in capability and new product development has enabled us to respond to changing consumer preferences including a demand for convenience. During the year we launched an Australian first – Ingham's *Roast in the Bag* – a fresh chicken that can be placed straight in the oven. The launch was supported by a media campaign featuring Ingham's brand ambassador Fast Ed.

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



OPERATIONAL HIGHLIGHTS

INVESTING FOR GROWTH

Ingham's has continued to invest in the capacity, efficiency, capability and sustainability of our network during FY2017.

In South Australia, the expansion of our Murraylands hatchery has been completed and our breeder network expansion is proceeding on schedule. We have also commenced construction of a new feedmill in Murray Bridge and are investing in our New Zealand network where a preferred site has been identified for a greenfield breeder farm.

We also announced an expansion of our operations in Western Australia to meet demand for locally grown produce. As part of the expansion Ingham's will build a new state of the art feedmill at Muchea outside of Perth by 2020 and has launched a sale process for our existing Wanneroo site. A new hatchery will also be developed in WA on a site to be finalised.

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

12



MONARTO BREEDER FARM, SA

IMPLEMENTING PROJECT ACCELERATE

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

The first phase of automation projects in our major Australian primary processing plants was operational in FY2017 and focused on automatic deboning equipment. Further automation initiatives are planned including in New Zealand and our further processing operations, in addition to identified plant 'debottlenecking' initiatives.

In August 2016, we closed our Cardiff primary processing plant in New South Wales after a detailed review of our national supply chain that has seen significant investment committed to larger more efficient processing plants. The closure is now complete and all volumes have been transferred interstate.

In addition, good progress has been made on labour productivity improvements. We renegotiated our enterprise agreements associated with our major processing plants, providing greater flexibility and enabling us to implement our labour optimisation initiatives at the sites. We have also been improving capability in detailed labour planning and management.



BUSINESS SUSTAINABILITY

As a business in the food industry, we recognise the need to conduct our business in a sustainable manner.

OUR JOURNEY

Ingham's is a recognised global industry leader in environmental sustainability, water stewardship and community engagement.

Our sustainability journey began with an environmental management focus in the 1980's, moved to the development of a comprehensive strategy in 2005 and since 2010, our focus has turned to water stewardship and business sustainability.

The company is working harder than ever to ensure all our employees incorporate sustainable practices into their day-to-day decision making and we lead globally in sustainable agriculture, water stewardship and food production.

14 More recently, we have carried out strategic and operational risk assessments and implemented water stewardship programs, ethical sourcing and corporate responsibility initiatives across the business.

Our sustainability strategy underwent a comprehensive review during FY2017 to ensure effective collaboration with all of our stakeholders including our staff, supply chain and customers. New themes were also developed to provide us with a framework for our sustainability journey moving forward.



CONSUMER IMPACT

Ingham's strives to deliver quality products to our customers and consumers by focusing on quality across all parts of the value chain from feed quality to bird husbandry and processing and the sourcing of high quality ingredients.

Our focus on quality is a core value of the business – *Quality in all that we do.*

This year we have strengthened the structure of our site quality teams through the appointment of site quality managers. We have also appointed quality managers for our primary processing and further processing divisions and our New Zealand operations.

Our fully integrated Quality Management System incorporates all aspects of good manufacturing practices, food safety and hazard analysis and critical point programs.

Ingham's also runs Paddock-to-Plate Pathogen Control Programs to control or eliminate foodborne pathogens and participates in the Global Food Safety Initiative.



ANIMAL WELFARE

At Ingham's, we are proud of our leadership position on quality, animal welfare and the ongoing development of our supply chain to meet current and future customer needs.

All our birds are barn-raised, cage-free and grown without the addition of hormones. All of Ingham's Australian meat chickens are raised on farms which are accredited by the Royal Society for the Prevention of Cruelty to Animals (RSPCA) against the Approved Farming Scheme standard. In addition, our Australian free range farms are also accredited by Free Range Accreditation Board (FREPA) against the higher standard of Free Range Egg and Poultry Australia. In New Zealand our free range farms are accredited by the Society for the Prevention of Cruelty to Animals (SPCA).

Ingham's has robust systems in place to manage and monitor the treatment of our birds. All our chicken products are produced without the use of any critically important antibiotics as defined by the World Health Organization (WHO). Antibiotics are used exclusively to prevent and treat disease in chickens and never used for growth promotion. Their use is supervised by our poultry veterinarians and follows the internationally established judicious use principles and is fully compliant with Australian Chicken Meat Federation (ACMF)'s Antibiotic Use Policy. We also engage proactively with animal welfare organisations including the RSPCA and SPCA.

This year, RSPCA and FREPA accreditation was maintained at all farms and operations supplying meat chickens to Ingham's. In addition to our current welfare processes, we also established an internal Animal Welfare Council to oversee the welfare of all of our animals across our network.





CONDUCTING OURSELVES WITH THE HIGHEST ETHICAL STANDARDS



ECONOMIC PERFORMANCE



CONSUMER IMPACT



ANIMAL WELFARE



LABOUR PRACTICES & DECENT WORK



CLIMATE CHANGE ADAPTATION & RESILIENCE



ENVIRONMENTAL PERFORMANCE



ETHICAL SOURCING & SUSTAINABLE PROCUREMENT

BUSINESS SUSTAINABILITY

Our nutrition team works closely with the feed procurement team and other stakeholders to develop cost effective feed formulations that meet bird dietary requirements which vary by bird type and age.

LABOUR PRACTICES & SAFETY

At Ingham's we value integrity and it is therefore very important that we continue to follow ethical labour practices as has been the tradition at Ingham's.

We prefer to employ staff directly and more than 90 percent of our workforce is directly employed. All our wage employees and contract employees are covered by enterprise agreements, individual employment agreements, individual contracts or an award.

Ingham's also has an audit and compliance regime in place to monitor contractor compliance to legislated employment practices and commissions independent audits and assessments.

With a goal of Zero Harm, Ingham's management is focused on ensuring all our employees get home safely at the end of a day's work.

Ingham's operates a comprehensive Work Health & Safety Management System that is driven by our pro-active Safety for Life Program. One of the key initiatives from our Safety for Life Program has been the implementation of our Golden Safety Rules. These comprise of six key risk areas and six non-negotiable critical defences that constitute mandatory standards designed to manage safety risks across the business.

Ingham's holds self-insurance licences in all key jurisdictions in which Ingham's operates.

This year, we reduced our Lost Time Injury Frequency Rate (LTIFR) by 59 percent from 17 to 7. However, with a goal of Zero Harm, we believe that all injuries can be prevented and this year are aiming for a further 30% percent reduction in LTIFR through a consistent focus on safety leadership, processes and continuing to drive a positive safety culture.

This year, our People and Performance team put in place a program to increase Ingham's profile as an employer of choice and implemented a system to measure and recognise performance.

Ingham's acknowledges that diversity is an important part of our business. This year work began on the development of a formal diversity policy and programs for implementation across our business with a launch expected to take place in FY2018.

CLIMATE CHANGE ADAPTATION & RESILIENCE

Climate change presents new and increasing challenges to our business and our people.

At Ingham's we have undertaken a number of projects to better understand and reduce our carbon emissions.

Our detailed carbon footprint and Life Cycle Assessments have enabled us to better understand the risks and opportunities in how we generate greenhouse gases and where we should focus our efforts to reduce our impact.

Our climate change risk assessment work is helping to identify key risks for the business and strategies to manage them. Adaptation in response to challenging climate conditions is ongoing.

ENVIRONMENTAL COMPLIANCE & PERFORMANCE

Ingham's takes its environmental obligations seriously and has had an environmental policy in place for more than 30 years.

Our policy provides the framework for a comprehensive management strategy that ensures each site is managed in a consistent way and to a high standard.

LOST TIME INJURY FREQUENCY RATE (LTIFR)



All Ingham's sites are covered by an environmental protection licence or resource consent where required and complete annual statements of compliance.

We are also subject to the *National Greenhouse and Energy Reporting Act 1997* and report on our energy consumption and greenhouse gas emissions for our Australian operations.

Ingham's is recognised as a sustainability leader and has led the world in the adoption of advanced water treatment to reduce water use.

We have won awards from customers and industry bodies for our work in environmental sustainability.

Our Somerville primary processing plant has gold level certification from the Alliance for Water Stewardship – the first gold certification to be awarded globally. This year we commenced the certification process for our New Zealand Te Aroha primary processing plant.

In November 2016, Ingham's was a finalist in the nationally distinguished Banksia Large Business Sustainability Leadership Awards.



ETHICAL SOURCING & SUSTAINABLE PROCUREMENT

This year Ingham's started work on the development of a sustainable procurement and ethical sourcing strategy.

Our goal is to integrate sustainability into our management plans for each procurement category to ensure that all our suppliers meet our new sustainable specifications and selection criteria.

A risk program has been deployed to assess quality, sustainability, financial, operational and commercial considerations across a broad range of procurement categories to identify ethical sourcing risks. This is the first year in an anticipated 3-5 year project.



CORPORATE SOCIAL RESPONSIBILITY

This year Ingham's developed its first corporate social responsibility (CSR) strategy with a vision *To be at the heart of the community.*

Whilst still in the early stages of implementation, several milestones were achieved this year including the formalisation of a partnership with the Ingham Institute for medical research which was established by the Ingham's family.

In addition, we also established a sustainable procurement program and began engaging with our staff in a more meaningful way in line with Ingham's values (see page 5) which were launched in September 2017.

PARTNERSHIP WITH FOUNDING FAMILY

We are proud partners of the Ingham Institute for Applied Medical Research, an independent not-for-profit founded by Mr Bob Ingham AO and Jack Ingham AO – the sons of Ingham's founder Walter Ingham.

The Institute is a world-class, state-of-the-art precinct for medical research into areas that impact Australians, including cancer, diabetes, mental health and autism.

It is focused on translating discoveries from the laboratory bench to the hospital bedside and into the community with a vision to inspire health and transform care.

We look forward to developing an ongoing partnership with the Institute to enable it to carry on its vital research.

WORLD FIRST
GOLD CERTIFICATION



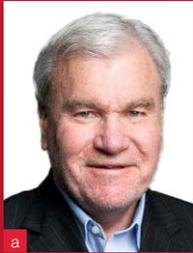
ALLIANCE FOR
WATER STEWARDSHIP



MITCK MCMAHON (CEO) PRESENTING CHEQUE TO JOHN INGHAM (INGHAM INSTITUTE)

PROUD PARTNERS OF THE
INGHAM INSTITUTE FOR
APPLIED MEDICAL RESEARCH

BOARD OF DIRECTORS



a

Peter Bush (a)
Chairman

Peter had a long and successful career in fast-moving consumer goods (FMCG), holding senior roles with SC Johnson, Reckitt & Coleman, Ampol/Caltex and Arnott's and was CEO of AGB McNair and Schwarzkopf. He then ran his own strategic consultancy business for six years with clients including Qantas, Telstra, George Patterson Bates, John Singleton Advertising and McDonald's Australia. In 2003, he became the CEO of McDonald's Australia. Peter is Chairman of Mantra Group Holdings Limited (since 2014) and Chairman of Southern Cross Media Group Limited (since 2015) and was previously Chairman of Pacific Brands Limited, Nine Entertainment Co and NEC Holdings Pty Limited and a director of Insurance Australia Group Limited.



e

Helen Nash (e)
Non-Executive Director

Helen has more than 20 years' brand and marketing experience including a number of senior executive roles with McDonald's Australia and a variety of marketing and FMCG roles in Australia and internationally with IPC Media Ltd and Procter & Gamble. Helen is also a non-executive director of Blackmores Limited, Southern Cross Media Limited and Metcash Limited and a former non-executive director of Pacific Brands Limited.



b

Mick McMahon (b)
Chief Executive Officer

Mick joined Ingham's in January 2015 as Executive Chairman and was subsequently appointed CEO in February 2016. Mick has more than 30 years' operational management experience. He is the former Managing Director, CEO and a board member of Skilled Group. He served as COO at Coles Supermarkets Australia from 2007 to 2009 and Managing Director of Coles Express from 2005 to 2009. Prior to Coles, he spent 19 years with Royal Dutch Shell both in Australia and overseas. Mick is also Chairman of Red Rock Leisure, a private Australian tourism and entertainment venue operator.



f

Joel Thicken (f)
Non-Executive Director

Appointed 18 September 2017.

Joel is TPG Capital's Head of Australia and New Zealand and is a Partner of the firm. Prior to TPG Joel served as a Director at CHAMP Private Equity. He has served as a Director of Accolade Wines and Blue Star Group and was Chairman of Gerard Lighting. Prior to joining CHAMP Joel worked as a Vice President at Dyno Nobel Limited and held strategic and operational positions with Boral Limited in the United States.



c

Jackie McArthur (g)
Non-Executive Director

Appointed 18 September 2017.

Jackie has more than 20 years' experience in supply chain and logistics roles globally. Jackie was most recently the Managing Director ANZ for the Martin-Brower Company, a global logistics solutions provider for quick service restaurants. Prior to that Jackie was the McDonalds Vice President Supply Chain for Asia, Pacific, Middle East and Africa having also had roles in McDonalds Australia as Senior Vice President Chief Restaurant Support Officer and Vice President Supply Chain Director.



g

Ricky Lau (c)
Non-Executive Director

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



d

Linda Bardo Nicholls, AO (d)
Non-Executive Director

Linda has more than 30 years' experience as a senior executive and director in banking, insurance and funds management in Australia, New Zealand and the United States. She is a Chairman of Japara Healthcare and a director of Fairfax Media, Medibank Private, and the Olivia Newton John Cancer Research Institute. Linda was previously Chairman of Healthscope, Chairman of Australia Post, Chairman of Keolis Downer (trading as Yarra Trams) and a director of Pacific Brands, Sigma Pharmaceuticals and St George Bank.



h

Simon Harle (h)
Non-Executive Director

Resigned 18 September 2017.

Simon is a former Partner of TPG based in Melbourne. Prior to joining TPG in 2006, he worked for Credit Suisse in the Investment Banking Division, where he advised on numerous Australian and New Zealand mergers, acquisitions and debt and equity financings. Prior to that, he was with Arthur Andersen Corporate Finance based in Melbourne and London, where he qualified as a chartered accountant. He has played a key role in a number of TPG investments, including Healthscope, Alinta and the recent Cushman & Wakefield transactions.

SENIOR MANAGEMENT

Ingham's has a proven and highly experienced senior management team with extensive domestic and international experience. The team and organisational structure has evolved this year in line with strategy implementation.



KEY MANAGEMENT PERSONNEL

Mick McMahon (a)

Chief Executive Officer

Mick joined Ingham's in January 2015 as Executive Chairman and was subsequently appointed CEO in February 2016. Mick has more than 30 years' operational management experience. He is the former Managing Director, CEO and a board member of Skilled Group. He served as COO at Coles Supermarkets Australia from 2007 to 2009 and Managing Director of Coles Express from 2005 to 2009. Prior to Coles, he spent 19 years with Royal Dutch Shell both in Australia and overseas. Mick is also Chairman of Red Rock Leisure, a private Australian tourism and entertainment venue operator.

Ian Brannan (b)

Chief Financial Officer

Ian joined Ingham's in May 2015 as Chief Financial Officer. Ian has 25 years' senior management experience in public and private companies in Australia, the US and the UK. He has held senior financial roles with Sara Lee Bakery, Arnott's Biscuits and Campbell Soup and most recently was CFO for GWA Group Limited and prior to that Carter Holt Harvey Building Supplies Group. Ian also serves as secretary and director on a number of Ingham's companies.

Janelle Cashin (c)

Chief Operating Officer

Janelle joined Ingham's in 2004 following its acquisition of Chickadee Foods and joined the executive leadership team in 2008. Janelle was appointed Chief Operating Officer in March 2017 and is responsible for Ingham's Australian operations, spanning farming, primary and further processing and supply chain. Janelle has previously been responsible for Ingham's supply chain and further processing operations.

Quinton Hildebrand (d)

Chief Commercial Officer

Quinton joined Ingham's in November 2015 as Operations Excellence Director and was appointed Chief Commercial Officer in March 2017. Quinton brings 23 years' commercial experience in growth relations, manufacturing operations, commodity trading and marketing from South Africa, Europe and Australia. Prior to joining Ingham's Quinton was CEO of Mackay Sugar. Quinton's responsibilities include raw material procurement and nutrition for Ingham's 10 feedmills across Australia and New Zealand, external stockfeed sales, technical services, procurement, major capital projects and strategy.

Jonathan Gray (e)

Sales and Marketing

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

Adrian Revell (f)

New Zealand

Adrian joined Ingham's in 2002. Since June 2011, he has been executive leader of the New Zealand operations, bringing 19 years' experience across the business including engineering and plant management expertise. Adrian is current Chairman of the New Zealand Poultry Industry Association.

OTHER SENIOR MANAGEMENT

Omega Baldonado (g)

People and Performance

Omega joined Ingham's in March 2016 as Group Remuneration Manager and was appointed General Manager People & Performance in June 2017. Omega brings more than 15 years' experience in human resources and learning and development with companies in the IT and telecommunications industry including Unisys and Telstra. Her responsibilities include remuneration, diversity and inclusion, talent management and performance management across Ingham's Australia and New Zealand network.

Julia Seddon (h)

Corporate Affairs

Julia joined Ingham's in 2000 and assumed her current role in March 2017. Julia is responsible for Ingham's investor relations, corporate communications, public affairs, business sustainability and the environment. Prior to this appointment, Julia was Head of Business Sustainability at Ingham's leading its sustainability agenda and managing the company's environmental systems, water stewardship and business risk programs.

Ingham's operates a wider Executive Committee (Excom) which also includes:

Graeme Dillon (*Executive GM, Commercial & Trading*) – 35 years' experience with Ingham's, responsible for Ingham's Feed & Ingredients business operations.

Alan Parnham (*Director of Farming*) – Joined Ingham's in 2017 with extensive international poultry industry experience, most recently in the UK.

Katherine Balding (*Director Technical Services*) – 23 years' experience with Ingham's in a range of technical roles, most recently with responsibility for the critical area of Nutrition.

Les Hadley (*Head of Planning*) – 35 years' experience with Ingham's, responsible for integrated national planning and optimisation.

David Matthews (*General Counsel*) – 30 years' experience as a lawyer with large, listed global companies.

We retain the services of **Philip Wilkinson OBE** who provides a wealth of international and poultry industry experience to the team.

DIRECTORS' REPORT

For the year ended 1 July 2017

This audited general purpose financial report for the year ended 1 July 2017 covers the consolidated entity (The Group) comprising Inghams Group Limited (Ingham's, the Company) (ACN 162 709 506) and its controlled entities. 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 (formerly Ingham Holdings I Pty Limited) during the period and until the date of authorisation of this report:

Director	Date of appointment	Date of resignation
Peter Bush	7 October 2016	
Mick McMahon	6 March 2015	
Linda Bardo Nicholls, AO	7 October 2016	
Simon Harle	7 October 2016	
Ricky Lau	29 October 2013	
Helen Nash	16 May 2017	
Kevin McBain	27 June 2013	7 October 2016
Bernard Brookes	29 October 2013	7 October 2016

PRESENT DIRECTOR PROFILES OF INGHAMS

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

DIRECTORS' MEETINGS

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

	Directors' meeting held	Directors' meetings attended	Audit & risk committee meetings held	Audit & risk committee meetings attended	People & remuneration committee meetings held	People & remuneration committee meetings attended
Peter Bush	10 ^(c)	9	1	1	1	1
Mick McMahon	10	10				
Linda Bardo Nicholls, AO	10	8 *	1 ^(c)	0 *	1	1
Simon Harle	10	10	1	1	1	1
Ricky Lau	10	9				
Helen Nash	3	3	–	–	1 ^(c)	1
Kevin McBain	0 **	–				
Bernard Brookes	0 **	–				

Notes

(c) Designates the chairman of the committee

* Non-attendance due to illness

** Directors resigned prior to listing

The nomination committee, of which Peter Bush is the Chair, did not meet during the year.

COMPANY SECRETARIES

Ian Brannan, ACMA, MBA

Ian joined Ingham's in May 2015 as Chief Financial Officer. Ian has 25 years' senior management experience in public and private companies in Australia, the US and the UK. He has held senior finance roles with Sara Lee Bakery, Arnott's Biscuits, Campbell Soup and Carter Holt Harvey Building Supplies Group and most recently was CFO for GWA Group Limited. Ian serves as secretary and director on a number of Ingham's companies, holds a MBA from Warwick Business School and is an Associate of the Chartered Institute of Management Accountants (ACMA).

David Matthews, BEc, LL.B.

David has 30 years' experience as a lawyer with international law firms in Australia and the UK and with large, listed global companies. Prior to joining Ingham's he was General Counsel and Company Secretary of Fonterra Co-operative Group, Telecom New Zealand's Australian operations, and Arnott's Biscuits / Campbell Soup in the Asia Pacific Region. He has a Bachelor of Economics (BEc) and Bachelor of Laws (LL.B.) from the University of Sydney and is a member of the Law Society of NSW and of the Australian Institute of Company Directors.

CORPORATE STRUCTURE

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

CORPORATE GOVERNANCE STATEMENT

Ingham's 2017 Corporate Governance Statement is available to read at <http://investors.ingham.com.au/Investor-Centre/?page=corporate-governance>.

PRINCIPAL ACTIVITIES

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

DIVIDENDS

An interim dividend of 2.6 cents per share totalling \$9.9 million was paid on 5 April 2017 (2016: \$nil).

Subsequent to the year end a dividend of 9.5 cents per share has been declared totalling \$36.1 million to be paid on 4 October 2017. 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. There are no income tax consequences associated with this dividend.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 7 November 2016, the Group undertook an Initial Public Offering (IPO) on the Australian Securities Exchange. The purpose of the IPO was to:

- Provide the Group with access to capital markets to pursue further growth opportunities;
- Reduce and restructure the Group's existing debt obligations; and
- Allow existing shareholders to realise part of their investment.

As a result of the IPO, the Group:

- Issued new shares realising proceeds of \$156.2 million;
- Expensed IPO related transaction costs of \$28.0 million;
- Repaid existing debt facilities and loans of \$573.5 million and subsequently drew down \$450 million of unsecured borrowings under a new syndicated bank facility;
- Incurred \$4.2 million of remaining expense in respect of pre-IPO Long Term Incentive Plan (LTIP); and
- Expensed capitalised borrowing costs of \$6.5 million.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to the year end a dividend of 9.5 cents per share has been declared totalling \$36.1 million to be paid on 4 October 2017. The financial effect of this dividend has not been brought to account in these consolidated financial statements and will be recognised in subsequent financial reports.

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

DIRECTORS' REPORT

For the year ended 1 July 2017

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.

Ingham's 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.

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

DIRECTORS' INTERESTS

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

	Ordinary shares	Performance rights
Peter Bush	158,730	–
Mick McMahon	3,360,532	476,190
Linda Bardo Nicholls, AO	15,873	–

SHARE OPTIONS

Select employees of the Group have been granted an interest-free loan to subscribe to shares of Inghams Group Limited. This loan is non-recourse other than to the shares held by that employee, and the proceeds of the loan must be used to buy shares. The arrangement has been accounted for as share options. These options entitle the holders to receive dividends on ordinary shares of the Company, and these dividends are required to be used to repay the loans attached. Shares under this scheme are held in trust for employees by a subsidiary, Ingham 2 Pty Limited. All options under this scheme vested upon completion of the IPO during the year, and remain held in trust, escrowed from sale until July 2018.

Performance rights

During the year a new long term incentive program, 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	2017		2016	
		Exercise price	Number of options/rights	Exercise price	Number of options
7 November 2016	7 November 2019	–	1,031,745	–	–
27 June 2014	26 June 2019	–	–	\$1.00	12,940,000
17 October 2014	16 October 2019	–	–	\$1.13	1,637,000
20 March 2015	19 March 2020	\$0.81	565,125	\$0.81	565,125
20 March 2015	19 March 2020	\$0.81	1,786,722	\$0.81	3,088,174
19 June 2015	18 June 2020	\$0.81	812,038	\$0.81	1,481,482
3 July 2015	2 July 2018	\$0.81	370,370	\$0.81	370,370
18 September 2015	17 September 2020	\$0.81	234,444	\$0.81	444,444
14 October 2015	13 October 2020	\$1.40	250,000	\$1.40	250,000
2 November 2015	1 November 2020	\$1.40	730,000	\$1.40	850,000
22 December 2015	21 December 2018	\$1.40	2,669,842	\$1.40	2,669,842
22 December 2015	21 December 2020	\$1.40	820,000	\$1.40	1,042,857
			9,270,286		25,339,294

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

Name of officer	Date granted	Number of rights
Mick McMahon	7 November 2016	476,190
Ian Brannan	7 November 2016	238,095
Janelle Cashin	7 November 2016	79,365
Quinton Hildebrand	7 November 2016	79,365
Jonathan Gray	7 November 2016	79,365
Adrian Revell	7 November 2016	79,365

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 21,879,394 shares previously issued have vested and 13,640,853 of these have been exercised in the year from share options, and remain held in trust by Ingham 2 Pty Limited.

DIRECTORS' REPORT

For the year ended 1 July 2017

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 45.

NON-AUDIT SERVICES

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

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

	\$000
Tax compliance, advisory and other services	137
IPO due diligence services	1,121
	1,258

ROUNDING OF AMOUNTS

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

OPERATING AND FINANCIAL REVIEW

Non-IFRS measures

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

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 60.

Pro forma results (52 weeks)

Pro forma results are provided for the financial year ended 1 July 2017 to allow shareholders to make a meaningful comparison with the pro forma Prospectus and to make an assessment of the Group's performance as a listed company. Pro forma adjustments have been made on a consistent basis with the those made in the Prospectus. A reconciliation of the pro forma results to the statutory results is provided in tables 3 and 4 below.

Table 1: Pro forma results for FY2017 actual compared to forecast*

Consolidated income statement	Pro forma FY17			Pro forma FY16	
	Actual \$000	Prospectus forecast \$000	Change \$000	Actual \$000	Change \$000
Revenue	2,383,900	2,375,000	8,900	2,308,700	75,200
Cost of sales	(1,927,100)	(1,916,600)	(10,500)	(1,886,300)	(40,800)
Gross profit	456,800	458,400	(1,600)	422,400	34,400
Other income	6,900	–	6,900	3,700	3,200
Distribution expense	(141,600)	(144,200)	2,600	(135,700)	(5,900)
Sales, general and administration expense	(127,800)	(124,600)	(3,200)	(123,400)	(4,400)
Share of net profit of associate	700	500	200	500	200
EBITDA	195,000	190,100	4,900	167,500	27,500
Depreciation & amortisation	(41,600)	(42,200)	600	(34,400)	(7,200)
EBIT	153,400	147,900	5,500	133,100	20,300
Net interest expense	(16,300)	(15,400)	(900)	(18,000)	1,700
Net profit before tax	137,100	132,500	4,600	115,100	22,000
Income tax expense	(35,100)	(33,700)	(1,400)	(32,000)	(3,100)
NPAT	102,000	98,800	3,200	83,100	18,900

* FY17 forecast and FY16 Actual as per Ingham's Supplementary Prospectus dated 2 November.

Pro forma results vs forecast and PY actual

Strong growth in poultry volume in Australia, with the underlying growth trend reinforced by retail and QSR (Quick Service Restaurants) customers investing in everyday low prices and increased promotional activity with chicken as the competitive protein in the context of rising red meat prices. Volume growth has been translated through to increased profit despite some of the challenges created by rapid growth in an integrated supply chain.

Other income represents the sale of two non-core properties. This profit has been offset in the year by new restructuring initiatives.

Project Accelerate and other cost out efficiency initiatives continue to deliver margin improvement. Other expenses including Distribution and SG&A are in line with expectations, with volume impacting distribution costs and investment in capability resulting in the 3.5% increase in selling, general and administrative expense compared to prior year.

Depreciation expense has risen due to capital investment in the business on areas such as Project Accelerate and capacity expansion.

DIRECTORS' REPORT

For the year ended 1 July 2017

Statutory results

Table 2: Statutory results for FY17 actual compared to forecast*

Consolidated income statement	Statutory FY17 (53 weeks)			Statutory FY16 (52 weeks)	
	Actual \$000	Forecast \$000	Change \$000	Actual \$000	Change \$000
Revenue	2,426,900	2,419,300	7,600	2,308,700	118,200
Cost of sales	(1,962,800)	(1,951,400)	(11,400)	(1,886,300)	(76,500)
Gross profit	464,100	467,900	(3,800)	422,400	41,700
Other income	10,400	–	10,400	3,700	6,700
Distribution expense	(144,500)	(147,000)	2,500	(135,700)	(8,800)
Sales, general and administration expense	(170,400)	(166,900)	(3,500)	(184,300)	13,900
Share of net profit of associate	700	500	200	500	200
EBITDA	160,300	154,500	5,800	106,600	53,700
Depreciation & amortisation	(42,400)	(43,100)	700	(34,400)	(8,000)
EBIT	117,900	111,400	6,500	72,200	45,700
Net interest expense	(40,700)	(43,200)	2,500	(39,700)	(1,000)
Net profit before tax	77,200	68,200	9,000	32,500	44,700
Income tax expense	(18,100)	(15,500)	(2,600)	(7,300)	(10,800)
Net profit after tax	59,100	52,700	6,400	25,200	33,900

* FY17 Forecast as per Ingham's Supplementary Prospectus dated 2 November. FY16 Actual as per Ingham's Prospectus dated 21 October 2016.

Statutory results vs forecast and PY actual

Business drivers behind the year on year on performance have been described on page 25 from the review of Pro forma results compared to forecast. Items included in the statutory results that are not included in the Pro forma results include:

A 53rd trading week in the FY17 results compared to 52 weeks in FY16.

Other income includes a \$3.5m gain on disposal in respect of insurance recoveries in excess of the book value of destroyed assets. This was recognised in week 53.

Reduction in non-recurring expenses of \$21.3m which in FY16 comprised costs of relocation, site closure and business transformation. FY17 includes \$28m expensed in respect of the IPO and \$6.1m of remaining costs of relocation and transformation.

Increase in interest expense reflective of costs incurred in exit of old finance facilities (\$17.2m), with underlying interest expense based on new capital structure being significantly below costs under the previous capital structure of the Group.

Reconciliations – pro forma to statutory

Table 3: Reconciliation of pro forma EBITDA to statutory EBITDA

Consolidated EBITDA (\$m)		FY17	FY17	FY16
	Note	Actual	Forecast	Actual
Statutory Revenue		2,426.9	2,419.3	2,308.7
Removal of 53rd week	1	(43.0)	(44.3)	–
Pro forma revenue		2,383.9	2,375.0	2,308.7
Statutory EBITDA		160.3	154.5	106.6
Removal of 53rd week	1	(3.8)	(4.3)	–
Removal of transformation and relocation costs	2	6.1	6.4	59.6
Removal of advisory fees	3	1.2	1.0	3.1
Removal of IPO costs	4	28.0	28.9	0.4
Inclusion of listed company costs	5	(1.0)	(0.9)	(2.2)
Removal of legacy LTI scheme	6	4.2	4.5	–
Pro forma EBITDA		195.0	190.1	167.5

Table 4: Reconciliation of pro forma NPAT to statutory net profit after tax

Consolidated NPAT (\$m)		FY17	FY17	FY16
	Note	Actual	Forecast	Actual
Statutory NPAT		59.1	52.7	25.2
Removal of 53rd week	1	(2.2)	(2.3)	–
Removal of transformation and relocation costs	2	4.3	4.5	41.8
Removal of advisory fees	3	0.8	0.7	2.2
Removal of IPO transaction costs	4	19.6	20.2	0.3
Inclusion of listed company costs	5	(0.8)	(0.8)	(1.6)
Removal of legacy LTI scheme	6	4.2	4.5	–
Removal of finance facility exit costs	7	12.5	15.3	–
Change in capital structure	8	4.5	4.0	15.2
Pro forma NPAT		102.0	98.8	83.1

- (1) In FY17, due to the timing of the fiscal year end, the statutory period is a 53 week period. This adjustment removes the 53rd week of results in FY17.
- (2) Costs relate to the closure of the Cardiff, NSW primary processing facility, consultant costs incurred as part of the transformation program that commenced in FY15, and costs of relocating the head office from Liverpool, NSW to North Ryde, NSW.
- (3) Relates to fees for services charged by TPG Entities in respect of the period prior to IPO which have not been incurred following IPO. This adjustment removes the fees attributable to the period prior to IPO.
- (4) Adjustment to remove the costs expensed in connection with the IPO.
- (5) Costs that would have been incurred as a listed public company had Ingham's been listed for the full financial year, with a part year adjustment in FY17 for costs not incurred prior to the IPO, as costs for the period following the IPO are included in the statutory & forecast results for FY17.
- (6) Removal of the share-based payments expense recognised in FY17 in relation to the legacy LTI scheme.
- (7) Removal of the write-off of capitalised establishment costs associated with the previous banking facilities and costs associated with breaking the swaps associated with the previous banking facilities.
- (8) Removal of the finance costs associated with the previous banking facilities and inclusion of the estimated finance costs that would have been incurred in each period, had the post-IPO capital structure been in place from the start of FY16.

DIRECTORS' REPORT

For the year ended 1 July 2017

Australia

Table 5: Selected statutory financial information for the Australia segment

Consolidated income statement	Actual FY17 \$000	Actual FY16 \$000	Change \$000
Revenue	2,058,400	1,981,800	76,600
EBITDA	163,100	129,800	33,300

Australia revenue growth driven by poultry volumes which are up 8.8% on prior year excluding ingredients volumes (13.4% growth for all poultry).

Strong growth presents challenges due to the nature of a vertically integrated supply chain, leading to an increased volume of clearance product which is sold at reduced margins. High processing volumes were accommodated through the existing workforce with overtime and extended hours.

EBITDA growth in the year driven by direct margin improvement from the benefits of Project Accelerate starting to be reflected through the FY17 results, in addition to volume growth.

New Zealand

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

Consolidated income statement	Actual FY17 \$000	Actual FY16 \$000	Change \$000
Revenue	368,500	353,400	15,100
EBITDA	36,700	36,500	200

H2FY17 saw improved trading conditions and performance, largely offsetting a challenging first half. Poultry volumes were flat on prior year limiting revenue improvement.

Dairy feed volumes are showing signs of improvement led by the recovery in milk prices.

Strong free range sales and a commencement of exports have helped offset margin pressure. Further Processed sales continue to grow as a result of promotional activity and new product development. Both factors have driven the improved EBITDA performance compared to the prior year.

Balance sheet

Table 7: Selected statutory consolidated statement of financial position for the year ended 1 July 2017

Selected consolidated statement of financial position	FY17 \$000	FY16 \$000	Change \$000
Current assets	698,300	572,700	125,600
Non-current assets	375,100	373,700	1,400
Total assets	1,073,400	946,400	127,000
Current liabilities	357,900	367,200	(9,300)
Non-current liabilities	499,000	580,400	(81,400)
Total liabilities	856,900	947,600	(90,700)
Net assets	216,500	(1,200)	217,700

Net assets

The Group has strengthened its balance sheet following the capital raised by the IPO (\$154.2m) and the profits generated in FY17 (\$59.1m).

Effective working capital management has led to an improved working capital position, as reflected in the strong closing cash balance at 1 July 2017. Trade receivables days has fallen, while inventory holdings remain comparable year-on-year. Current assets are also inclusive of \$46.4m of held for sale assets to be sold in FY18.

Non-current asset values have remained stable in the year as capital additions (inclusive of insurance re-instatements) of \$101.2m have been offset by transfers into assets held for sale, and depreciation charged in the year.

Table 8: Consolidated statutory net debt as at 1 July 2017

Net debt as at 1 July 2017	FY17 \$000	FY16 \$000
Bank loans	(450,000)	(548,800)
Capitalised loan establishment fees included in borrowings	1,400	7,300
Total borrowings	(448,600)	(541,500)
Less: Cash and cash equivalents	149,000	75,300
Net debt	(299,600)	(466,200)

Net debt

The financial position of the Group has strengthened substantially following the completion of the IPO which has resulted in total bank loan liabilities falling by \$98.8m. The improved cash position is a result of improved working capital management, and has seen net debt fall by \$166.6m to \$299.6m. The Group's leverage ratio has fallen to 1.5 times.

Material business risks

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

- Import restrictions:** Changes to import quarantine conditions in Australia and/or New Zealand that would allow additional forms of poultry to be imported could result in changes to the poultry market that would adversely impact Ingham's financial performance.
- Food safety and disease outbreak:** If products of Ingham's or a competitor became unsafe or were to be perceived as unsafe, reduced demand for Ingham's products or for poultry products as an industry could follow. Food safety costs can lead to significant costs being incurred for recalls or other operations to address such issues, in addition to compensation, penalties or liability claims which could be incurred. Outbreak of avian disease(s) occurring in Ingham's flock or in geographic areas in which Ingham's operates could lead to restriction on the use or transportation of affected poultry. Such disruption to supply, in addition to the other events identified here could have an adverse effect on Ingham's financial performance.
- Supply chain disruption:** Failure of a parent stock supplier, poor animal husbandry practices, poor feed quality or outbreak of disease could all cause a significant reduction in the volume or quality of Ingham's parent stock, limiting the Group's ability to supply sufficient volumes of product. Disruption to the supply chain such as time critical delays, failure or dispute with key suppliers or other events of disruption could have a material adverse impact on the Group's financial performance.
- Regulatory factors:** Ingham's requires a range of licences, permits and accreditations/certifications relating to food standards, animal welfare, workers compensation and the environment in order to continue operating successfully. Inability to secure or retain these regulatory approvals, or amendments or revoking of these approvals could have an adverse effect on Ingham's financial performance. Ongoing compliance with laws and regulations in the countries in which Ingham's operates, and ability to comply with changes to these laws and regulations are material to Ingham's business. Failure to do so would have a material adverse impact on Ingham's.
- Transformation projects:** Project Accelerate involves material capital investment and is expected to deliver cost savings and efficiencies to the business in future periods. Delays in the project or cost overruns, in addition to realised results differing from estimates, may negatively impact Ingham's financial performance compared to management's forecasts.

DIRECTORS' REPORT

For the year ended 1 July 2017

- **Material increase in input costs:** There have been recent actual and forecast increases in a number of input costs such as utilities and commodities, ie grains and legumes. While Ingham's has a range of cost pass through arrangements in place with customers, especially in respect of feed prices, there may be instances where Ingham's is not able to pass through, or is delayed from passing through, increases in these costs to customers, resulting in the potential risk of margin erosion.

Strategy and future prospects

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

- **Quality in all that we do:** Remains the focus of our production processes, product development and customer interactions. Ingham's continues to look outside Australasia and leverage international best practice including recruitment of staff and executives.
- **High performance culture:** Investment commenced in FY17 will continue in enhancing skills and capability across the workforce.
- **Delivering for our customers:** Focussed on extending further supply contracts with key customers to ensure we deliver to customer expectations and can plan to do so accordingly over extended periods.
- **Improve returns and invest for future growth:** South Australian feedmill sale and leaseback process completed in June 2017, alongside property sales in FY17 and properties to be sold in FY18, will allow for the deployment of capital in pursuit of growth objectives. First phase automation projects optimised in Primary Processing plants producing yield improvements alongside progress on labour efficiencies and procurement. A strategic review of the stockfeed operation has also commenced and the business will continue to look to optimise the further processing network and pursue longer term export opportunities.
- **World class operations & build capability:** Hatchery and breeder expansions in South Australia have been completed along with automation projects now operational in Primary Processing and Further Processing facilities. Work continues on capacity expansion in both Australia and New Zealand together with the continued review towards optimising the network. A preferred site is being reviewed for a greenfield New Zealand hatchery. Construction has commenced on the new feed mill in South Australia and a new distribution centre in Queensland which is scheduled to be operational in H2 FY18. Investment will continue in enhancing skills and capability across the workforce.

LETTER FROM THE CHAIRMAN OF THE PEOPLE & REMUNERATION COMMITTEE

Dear Shareholder,

On behalf of the Board of Directors of Ingham's, I am pleased to present our Remuneration Report for 2017. This report provides a summary of Ingham's remuneration strategy, arrangements and outcomes for the Chief Executive Officer (CEO), direct reports of the CEO (Senior Executives) and Non-Executive Directors.

During the 2017 financial year, Ingham's successfully listed on the Australian Stock Exchange (ASX), completing the journey embarked on when Ingham's was acquired by TPG Capital in 2014. The remuneration of the CEO and Senior Executives reflects the significant change from private equity to listed company ownership. The remuneration and bonuses of the CEO and Senior Executives were set and approved by the Board at the commencement of the financial year, with the successful completion of the IPO as a key strategic objective. The IPO was officially completed on 7 November 2016 when Ingham's was admitted to the Official List of the ASX. Bonuses linked to the IPO were paid during the 2017 year and are included in the remuneration table presented from page 42. The bonuses reflect the one-off IPO event and reward the efforts of the CEO and Senior Executives who were instrumental in meeting the objectives of the previous majority shareholder. The bonuses were settled with a combination of shares and cash to continue to align executives' interests with those of shareholders.

Given the one-off nature of an IPO listing, the IPO linked incentives will not re-occur. All incentive arrangements were disclosed in the Ingham's Prospectus lodged with ASIC on 21 October 2016, to ensure transparency with existing and potential future investors through the IPO process.

The completion of the IPO also triggered vesting of a number of legacy long term incentive plans, awarded to select individuals in the years prior to the IPO. The grant date fair value of these awards that vested from the IPO is detailed on page 41, and is reflected in the movements in options and shares held by key management personnel on pages 43 to 44.

Bonuses for Key Management Personnel including the CEO, not linked to the IPO, were 'at target' due to 'at target' delivery of all relevant KPIs in line with the Prospectus (refer to page 40). It is noted that the 'stretch' element of bonuses, if achieved in future years, is self-funded, so any bonuses earned above the 'at target' levels would be paid from incremental earnings and not reduce distributable earnings.

As part of Ingham's transformation, the Senior Executive team underwent a restructure to reflect the new context of a public company. Mick McMahon was appointed Chief Executive Officer and Managing Director, Janelle Cashin was appointed Chief Operating Officer and Quinton Hildebrand was appointed Chief Commercial Officer.

Throughout this transitional year, management:

- Delivered on the Group strategy to grow the business – pro forma (52 week) volume growth of 5.4%, proforma EBITDA growth of 16.4% and pro forma NPAT growth of 22.7%, all ahead of Prospectus forecasts;
- Delivered Project Accelerate initiatives – focussing on automation, procurement, labour efficiency and closure of the Cardiff primary processing plant;
- Delivered a capital investment program focussing on capacity and efficiency – commissioned South Australian hatchery and breeder network expansions, South Australian feed mill and New Zealand hatchery on track;
- Continued progress in extending key customer contractual coverage – extending our national agreement as the majority supplier of poultry products to Woolworths supermarkets in Australia until mid-2021;
- Delivered investment in capability – spanning operations, category, marketing and new product development; and
- Delivered responsible financial management resulting in strong net operating cash inflows of \$170.0 million and net debt of \$299.6 million (a reduction of \$118.6 million since listing).

Ingham's delivered total shareholders' return (TSR) of 7.8% for post-IPO FY17, EPS accretion of 107% on a statutory basis, and will deliver dividends of 12.1 cents in respect of FY17 post-IPO pro forma earnings at a payout ratio of 70%.

DIRECTORS' REPORT

For the year ended 1 July 2017

Key outcomes on FY17 remuneration

- (1) The new roles and positions in the Senior Executive team included changes to their Fixed Remuneration. Details are included in the remuneration table presented on page 42;
- (2) To better align with shareholders' interests, a financial gateway was introduced in the Short Term Incentive (STI) Plan ensuring STI payments were only awarded upon reaching the minimum target threshold;
- (3) STI bonuses for Key Management Personnel including the CEO, were 'at target' due to 'at target' delivery of all relevant KPIs in line with the Prospectus. Refer to page 36 for details of the STI bonuses; and
- (4) Senior Executives entered into a 3 year Long Term Incentive (LTI) scheme based upon Earnings per share (EPS) and Total shareholder return (TSR) targets. No awards in relation to this scheme have vested in the year, or will vest until November 2019 at the earliest. The details of this scheme are included from page 37.

Future changes to remuneration being considered

- (1) To further align senior executive's interests with shareholder interests, the Ingham's STI Plan for FY18 will introduce a gateway consisting of non-financial measures of safety, quality and reputation. By measuring non-financial indicators, it encourages our senior executives to focus on the underlying drivers of financial performance; and
- (2) An FY18 LTIP scheme is currently under consideration with the expectation it will be approved by September 2017.

Yours faithfully,



Helen Nash

Chairman, People and Remuneration Committee

REMUNERATION REPORT (AUDITED)

Contents

- 1 Remuneration report overview
- 2 How remuneration is governed
- 3 Overview of executive remuneration
- 4 Overview of non-executive director remuneration
- 5 Overview of company performance
- 6 Performance and executive remuneration outcomes in FY17
- 7 Statutory and share based reporting

1 Remuneration report overview

This report covers the key management personnel (KMP) of Ingham's who are responsible for determining and executing the business strategy. This includes both the Executive KMP (the CEO, CFO and certain heads of business units who are part of the Executive Committee) as well as Non-Executive Directors.

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

The table below outlines the KMP of Ingham's and their movement during FY17:

Name	Position	Terms as KMP
Non-executive directors		
Peter Bush	Non-Executive Chairman	From 7 October 2016
Linda Bardo Nicholls, AO	Non-Executive Director	From 7 October 2016
Simon Harle	Non-Executive Director	From 7 October 2016
Ricky Lau	Non-Executive Director	Full financial year
Helen Nash	Non-Executive Director	From 16 May 2017
Bernard Brookes	Non-Executive Director (former)	To 7 October 2016
Executive directors		
Mick McMahon	Chief Executive Officer (CEO)	Full financial year
Kevin McBain	Director (former)	To 7 October 2016
Senior executives		
Ian Brannan	Chief Financial Officer (CFO)	Full financial year
Janelle Cashin	Chief Operating Officer (COO)	Full financial year
Quinton Hildebrand	Chief Commercial Officer (CCO)	Full financial year
Jonathan Gray	Sales & Marketing Director	Full financial year
Adrian Revell	Managing Director – New Zealand	Full financial year

2 How remuneration is governed

A. Remuneration decision making

The Board, People and Remuneration Committee and management work together to apply our remuneration principles and ensure our strategy supports sustainable shareholder value. The composition of the People & Remuneration Committee is set out on page 20 of this financial report.

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

DIRECTORS' REPORT

For the year ended 1 July 2017

REMUNERATION REPORT (AUDITED)

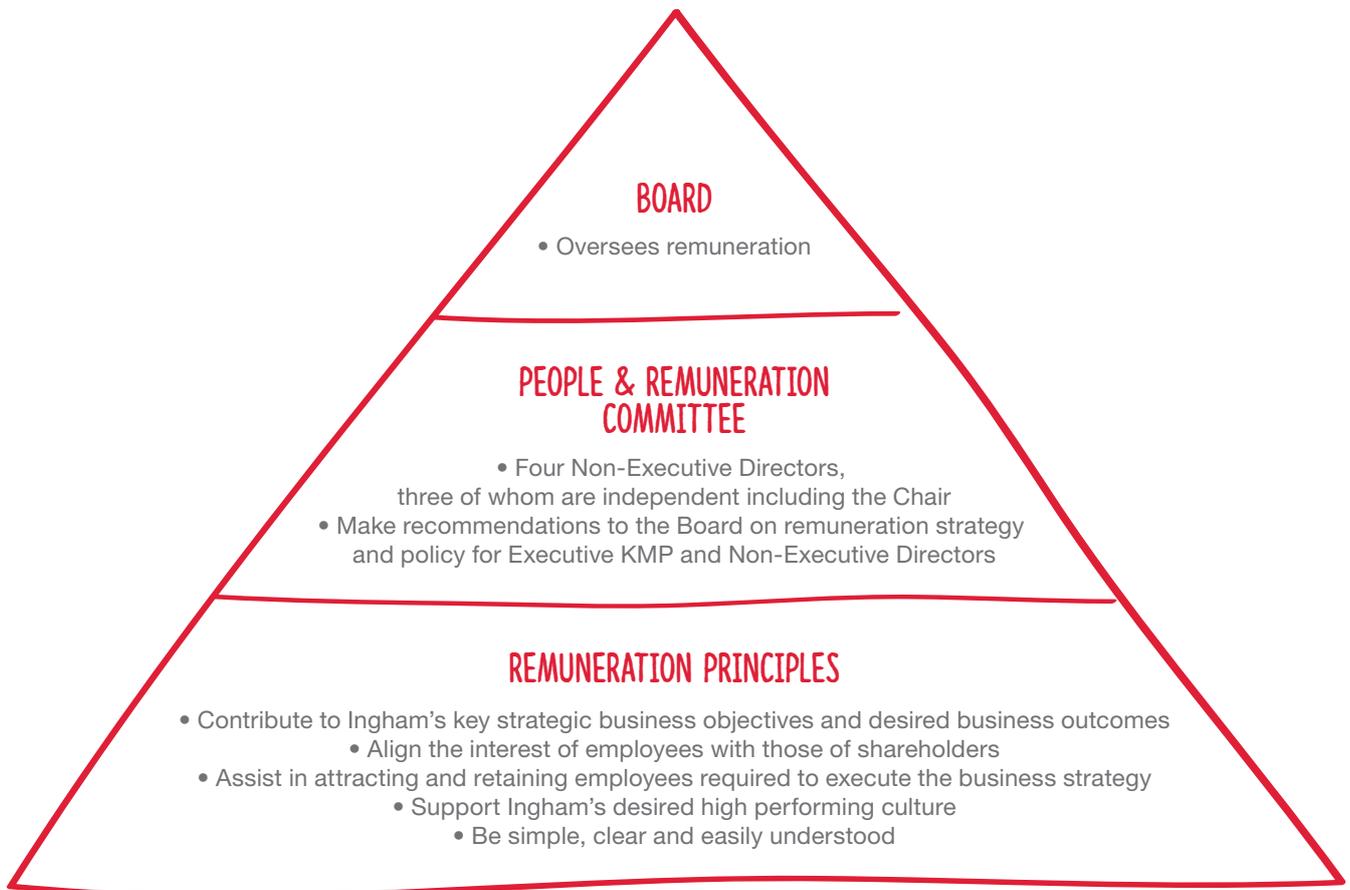
2 How remuneration is governed (continued)

A. Remuneration decision making (continued)

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

No consultants were engaged in the year to provide recommendations in respect of KMP remuneration.

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



3 Overview of executive remuneration

A. How we determine executive remuneration policies and structures

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

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

REMUNERATION REPORT (AUDITED)

B. Our executive remuneration policies and structures

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

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

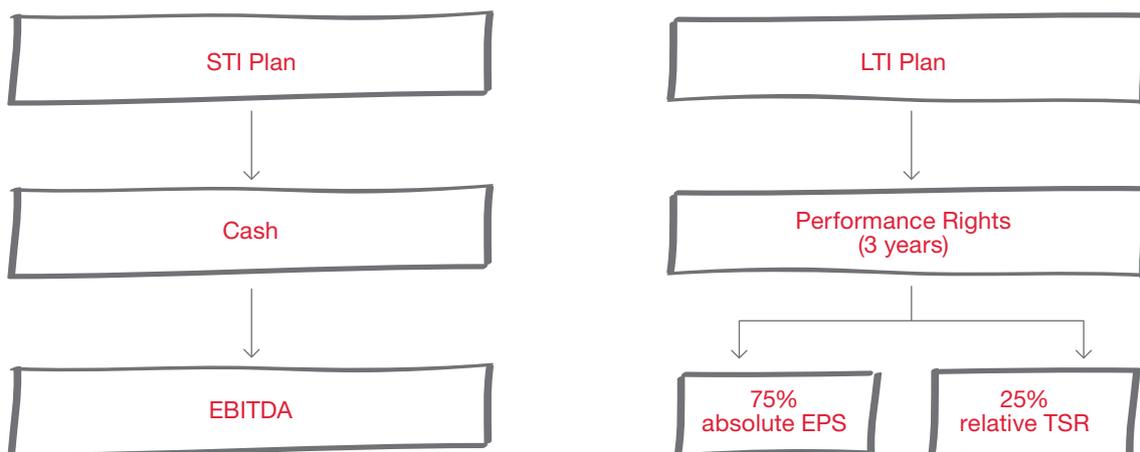
Non-Executive Directors do not have a variable performance related component to their remuneration, hence none of their remuneration is at risk.

The graphs below set out the remuneration mix for the CEO and other Executive KMP at Ingham's in FY17, illustrating the fixed and variable proportions of remuneration at target and maximum levels:

FIXED REMUNERATION

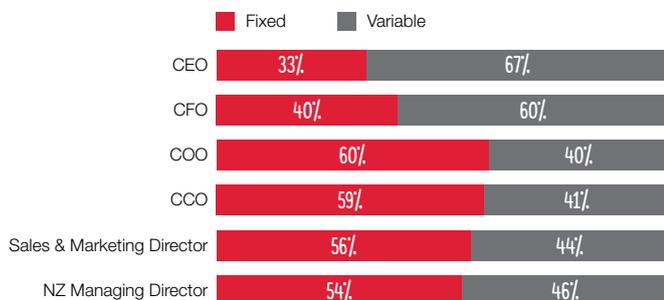


VARIABLE REMUNERATION

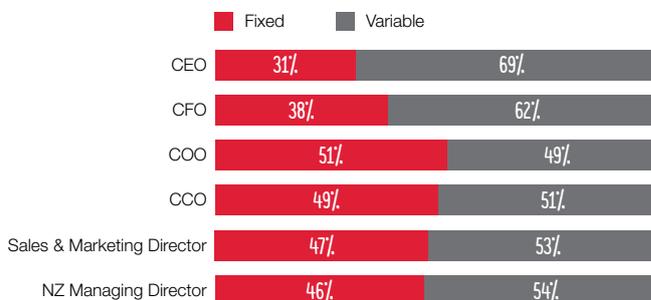


35

ON TARGET REM MIX



REM MIX AT MAXIMUM REWARD



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
- Organisational level
- Role and responsibilities
- Impact on the business
- Commercial outputs; and
- Market benchmarking

DIRECTORS' REPORT

For the year ended 1 July 2017

REMUNERATION REPORT (AUDITED)

2 How remuneration is governed (continued)

C. Elements of remuneration (continued)

Short Term Incentive (STI) Plan

STI provides the Executive KMP and other senior members of the management team a cash incentive where specific outcomes have been achieved in the financial year. STI payments are calculated as a percentage of base salary or fixed remuneration as per contractual arrangements and conditional on achieving the organisational performance target.

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

The following table outlines the key features of the FY17 STI Plan, granted to the Executive KMP on 21 November 2016:

Objective	To reward participants for achieving strategic business objectives aligned to prospectus forecasts for FY17.		
Participants	All Executives and selected senior management		
Performance Period	Financial year ending 1 July 2017		
Opportunity	Executive KMP	On Target	Stretch
	CEO	100% of Fixed Remuneration	125% of Fixed Remuneration
	CFO	50% of Fixed Remuneration	62.5% of Fixed Remuneration
	COO, CCO	35% of Base Salary	70% of Base Salary
	Sales & Marketing Director, Managing Director – NZ	35% of Base Salary	70% of Base Salary
Performance Measures	EBITDA performance is measured at three levels:		
		Full Year Target	
	Threshold	\$190.1 million	
	Target	\$195.0 million	
	Stretch	\$200.0 million	
	<ul style="list-style-type: none"> • A straight-line method operates between threshold and target, and between target and stretch • FY17 payments were determined on 52 week financial year pro-forma EBITDA as assessed by the Board in its sole discretion 		
Payment Method	Participants receive a cash payment following the end of the performance year.		

Legacy Long Term Incentive (LTI) Plan (pre-IPO) and voluntary escrow arrangements

At the time of the IPO, pre-IPO shareholders entered a voluntary escrow deed with Ingham's that prevents them from dealing with their escrowed shares during the applicable escrow period. The restriction on dealing is broadly defined and includes among other things, selling, assigning, transferring or otherwise disposing of any interest in the shares, encumbering or granting a security interest over the shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the shares or agreeing to do any of those things.

Shares held by members of the management team are escrowed until 4.30pm on the date on which Ingham's full-year annual results for FY18 are announced to the ASX (except for shares purchased by Mick McMahon and Ian Brannan using their IPO bonuses, which are escrowed until 7 November 2018).

REMUNERATION REPORT (AUDITED)

Inghams Group Limited Equity Incentive Plan (LTI Offer)

The table below outlines the key terms of the FY17 LTI Offer under the Plan:

Term	Description
Eligibility to participate in LTI Offer	<ul style="list-style-type: none"> Offers may be made at the Board's discretion to employees of the Ingham's Group or any other person that the Board determines to be eligible to receive a grant under the Plan The 2017 LTI Offer has been made to the following Ingham's KMP Executives: <ul style="list-style-type: none"> Mick McMahon (Chief Executive Officer) Ian Brannan (Chief Financial Officer) Janelle Cashin (Chief Operating Officer) Quinton Hildebrand (Chief Commercial Officer) Jonathan Gray (Sales & Marketing Director) Adrian Revell (Managing Director – NZ)
Offers under the Plan	<ul style="list-style-type: none"> The LTI Offer is a grant of performance rights
Grant of Rights	<ul style="list-style-type: none"> 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.
Quantum of Rights	<p>The face value of the LTI Offer is \$3.25 million.</p> <p>Mick McMahon was granted Rights with a face value of \$1.5 million. Other participating members of senior management were granted Rights with a cumulative face value of \$1.75 million.</p> <p>The final number of Rights awarded to each participant was calculated by dividing the dollar value of their LTI opportunity by the Final Listing Price of \$3.15.</p>
Performance period	<p>The performance period commenced on 7 November 2016 (date of ASX listing) and ends on 30 June 2019.</p>
Performance conditions	<ul style="list-style-type: none"> Rights granted as part of the LTI Offer will vest at the end of the performance period, subject to meeting the performance conditions. The performance conditions are: <ul style="list-style-type: none"> 75% of the Rights are subject to a performance condition based on Ingham's absolute EPS over the performance period (EPS Component); and The remaining 25% of the Rights are subject to a relative total shareholder return (TSR) performance condition, measured over the performance period (TSR Component). Ingham's relative TSR will be compared to a comparator group comprising the ASX 200 (excluding companies classified as financial, mining and resources).

37

DIRECTORS' REPORT

For the year ended 1 July 2017

REMUNERATION REPORT (AUDITED)

2 How remuneration is governed (continued)

C. Elements of remuneration (continued)

Term	Description																				
Performance conditions / continued	<p>EPS Component</p> <ul style="list-style-type: none"> For any Rights in the EPS Component to vest, a threshold target must be achieved (as set out below). The percentage of Rights comprising the EPS Component that vest, if any, will be determined over the performance period by reference to the following vesting schedule: <table border="1"> <thead> <tr> <th>Ingham's EPS over the performance period</th> <th>% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than threshold</td> <td>Nil</td> </tr> <tr> <td>Equal to threshold</td> <td>50%</td> </tr> <tr> <td>Greater than threshold up to maximum target</td> <td>Straight line pro rata vesting between 50% and 100%</td> </tr> <tr> <td>At or above maximum target</td> <td>100%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Threshold and maximum targets will be set annually by the Board at the start of each financial year, with vesting of the EPS Component based on achievement against these targets over the 3 year performance period. For FY17, the threshold was based on the pro forma FY17 52 week forecast NPAT (\$98.8m) and the maximum set at 25% pro forma NPAT growth. <p>TSR Component</p> <ul style="list-style-type: none"> The percentage of Rights comprising the TSR Component that vest, if any, will be based on Ingham's TSR ranking over the performance period, as set out in the following vesting schedule: <table border="1"> <thead> <tr> <th>Ingham's TSR rank in the Relevant Comparator Group</th> <th>% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>Nil</td> </tr> <tr> <td>At 50th percentile (threshold performance)</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Straight line pro rata vesting between 50% and 100%</td> </tr> <tr> <td>At 75th percentile or above</td> <td>100%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Performance will not be re-tested if the performance conditions are not satisfied at the end of the performance period. Any Rights that remain unvested at the end of the performance period will lapse immediately. 	Ingham's EPS over the performance period	% of Rights that vest	Less than threshold	Nil	Equal to threshold	50%	Greater than threshold up to maximum target	Straight line pro rata vesting between 50% and 100%	At or above maximum target	100%	Ingham's TSR rank in the Relevant Comparator Group	% of Rights that vest	Less than 50th percentile	Nil	At 50th percentile (threshold performance)	50%	Between 50th and 75th percentile	Straight line pro rata vesting between 50% and 100%	At 75th percentile or above	100%
Ingham's EPS over the performance period	% of Rights that vest																				
Less than threshold	Nil																				
Equal to threshold	50%																				
Greater than threshold up to maximum target	Straight line pro rata vesting between 50% and 100%																				
At or above maximum target	100%																				
Ingham's TSR rank in the Relevant Comparator Group	% of Rights that vest																				
Less than 50th percentile	Nil																				
At 50th percentile (threshold performance)	50%																				
Between 50th and 75th percentile	Straight line pro rata vesting between 50% and 100%																				
At 75th percentile or above	100%																				
Voting and dividend entitlements	The Rights granted under the LTI Offer do not carry dividend or voting rights prior to vesting. Shares allocated upon vesting of Rights carry the same dividend and voting rights as other Shares.																				
Restrictions on dealing	<p>Participants must not sell, transfer, encumber, hedge or otherwise deal with the Rights comprising the LTI Offer unless the Board allows it or the dealing is required by law.</p> <p>Participants will be free to deal with the Shares allocated on vesting of the Rights comprising the LTI Offer, subject to the requirements of the Ingham's Securities Dealing Policy.</p>																				
Cessation of employment	<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>																				

REMUNERATION REPORT (AUDITED)

Term	Description
Clawback and preventing inappropriate benefits	<p>Under the Plan rules and the terms of the LTI Offer, the Board has clawback powers which it may exercise, including among other things:</p> <ul style="list-style-type: none"> The participant has acted fraudulently or dishonestly, has engaged in gross misconduct, brought Ingham's, the Ingham's Group or any Inghams' Group company into disrepute or 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; There is a material misstatement or omission in the accounts of an Ingham's Group company; or 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.

Executive employment agreements

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

Executive KMP	Position	Contract duration	Notice Period	Termination payments applicable
Mick McMahon	CEO	Unlimited	12 months	12 months fully paid
Ian Brannan	CFO	Unlimited	12 months	12 months fully paid
Janelle Cashin	COO	Unlimited	12 months (individual's notice) / 9 months (Ingham's notice)	12 months fully paid
Quinton Hildebrand	CCO	Unlimited	6 months	6 months fully paid
Jonathan Gray	Sales & Marketing Director	Unlimited	6 months	6 months fully paid
Adrian Revell	Managing Director – NZ	Unlimited	6 months (individual's notice) / 9 months (Ingham's notice)	Applicable notice period fully paid

39

4 Overview of non-executive director remuneration

The details of fees paid to Non-Executive Directors in FY17 are outlined in section 7 of this Remuneration Report. Non-Executive Directors' fees were fixed and they did not receive any performance based remuneration. Directors who resigned during the year were remunerated under a previous structure and their remuneration is detailed in the statutory remuneration tables in this Remuneration Report.

The table below outlines the fee structure for Non-Executive Directors in FY17 (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. FY17 fees are pro-rated based on service commencing on the later of date of appointment or the date of listing (7 November 2016).

Board fees		\$
Chairman		350,000 (inclusive of committee fees)
Non-executive Director		140,000
Committee fees		\$
Audit and Risk	Chair	20,000
People and Remuneration	Chair	20,000
Nomination	Chair	–

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

DIRECTORS' REPORT

For the year ended 1 July 2017

REMUNERATION REPORT (AUDITED)

5 Overview of company performance

Since the Company was not a disclosing entity during or prior to the financial year ended 1 July 2017, the relationship between remuneration policy and Group performance is only assessed for the current financial year and the two years prior.

	FY17 Actual	FY17 Pro forma	FY16 Actual	FY16 Pro forma	FY15 Actual	FY15 Pro forma
Revenue (\$'m)	2,426.9	2,383.9	2,308.7	2,308.7	2,273.8	2,271.9
EBITDA (\$'m)	160.3	195.0	106.6	167.5	301.7	114.5
Profit after tax (\$'m)	59.1	102.0	25.2	83.1	146.9	51.7
Dividends per year (cents per share)	2.6	2.6	–	–	98	98
Return of capital (cents per share)	–	–	–	–	63	63
Movement in share price post-IPO (cents per share)	23	23	n/a	n/a	n/a	n/a

6 Performance and executive remuneration outcomes in FY17

A. Performance against STI measures

Performance against FY17 STI Plan

'At target' Performance against EBITDA as identified under the STI Plan resulted in each Executive KMP earning an 'at target' incentive payment as follows:

Executive KMP	STI target – \$	STI target	Maximum STI	STI portion earned – \$	Forfeit against STI maximum
Mick McMahon	1,500,000	100%	125%	1,500,000	375,000
Ian Brannan	375,000	50%	62.5%	375,000	93,750
Janelle Cashin	239,726	35%	70%	239,726	239,726
Quinton Hildebrand	207,762	35%	70%	207,762	207,762
Jonathan Gray	166,210	35%	70%	166,210	166,210
Adrian Revell	145,489	35%	70%	145,489	145,489

All STI portions earned are to be paid shortly after the end of the reporting period.

B. Performance against LTI measures

LTI vesting outcomes

Pre-IPO LTI schemes vested upon Ingham's IPO, completed on 7 November 2016. Under this, 10,819,656 options for Directors and Executive KMP vested as detailed in section 7(b) of this Remuneration Report.

REMUNERATION REPORT (AUDITED)

C. Actual remuneration earned by key management personnel

The actual remuneration earned by KMP in FY17 is set out below. This information is considered to be relevant as it provides shareholders with a view of the remuneration actually paid to executives for performance in FY17 and the value of LTIs that vested during the period, some of which remain under escrow post-IPO. This differs from the remuneration details prepared in accordance with statutory obligations and accounting standards on page 42 of this report, as those details include the values of performance rights that have been awarded, but which may or may not vest. No amounts were forfeited in the year as a result of failure to meet service and/or performance conditions.

	Fixed remuneration \$000	STI ⁽¹⁾ \$000	IPO Bonus ⁽²⁾ \$000	Total Cash \$000	Other short term benefits \$000	LTI vested ⁽³⁾ \$000	Long term benefits ⁽⁴⁾ \$000	Total actual remuneration earned \$000
Non-Executive Directors								
Peter Bush	228	–	–	228	–	200	–	428
Linda Bardo Nicholls, AO	104	–	–	104	–	–	–	104
Simon Harle	–	–	–	–	–	–	–	–
Ricky Lau	–	–	–	–	–	–	–	–
Helen Nash	21	–	–	21	–	–	–	21
Bernard Brookes	35	–	–	35	–	–	–	35
Sub-total Non-Executive Directors' Actual Remuneration	388	–	–	388	–	200	–	588
Executive Directors								
Mick McMahon	1,403	1,250	6,000	8,653	–	2,960	28	11,641
Kevin McBain	50	–	–	50	–	270	–	320
Sub-total Directors' Actual Remuneration	1,841	1,250	6,000	9,091	–	3,430	28	12,549
Senior Executives								
Ian Brannan	764	375	2,000	3,139	–	1,493	11	4,643
Janelle Cashin	654	161	–	815	8	94	87	1,004
Quinton Hildebrand	618	127	–	745	–	221	10	976
Jonathan Gray	505	144	–	649	–	125	9	783
Adrian Revell	430	145	–	575	–	95	5	675
Sub-total Senior Executives' Actual Remuneration	2,971	952	2,000	5,923	8	2,028	122	8,081
Total Actual Remuneration	4,812	2,202	8,000	15,014	8	5,458	150	20,630

(1) STI paid during the financial year. The amount disclosed for FY17 reflects the STI paid in FY17 for FY16 performance.

(2) One-off bonuses granted upon successful completion of Ingham's IPO.

(3) At grant date fair value of LTI that vested during the financial year, inclusive of shares granted to Peter Bush for nil consideration upon acceptance of the position of Chairman.

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

DIRECTORS' REPORT

For the year ended 1 July 2017

REMUNERATION REPORT (AUDITED)

7 Statutory and share-based reporting

A. Director & Executive KMP remuneration for the year ended 1 July 2017

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 26 June 2016 to 1 July 2017. Performance related remuneration is calculated as; FY17 STI bonus, IPO bonus and share options share based payment expense.

	Short-term benefits			IPO bonus (cash) \$000	Post-employment Super-annuation \$000	Long-term benefits Long service leave \$000	Share-based payments		Termination payments \$000	Total Remuneration \$000	Performance related \$000
	Salary & fees \$000	FY17 STI bonus \$000	Non-monetary \$000				Share options (equity settled) \$000	Shares \$000			
Non-Executive Directors											
Peter Bush	215	–	–	–	13	–	–	200	–	428	–
Linda Bardo Nicholls, AO	95	–	–	–	9	–	–	–	–	104	–
Simon Harle	–	–	–	–	–	–	–	–	–	–	–
Helen Nash	19	–	–	–	2	–	–	–	–	21	–
Ricky Lau	–	–	–	–	–	–	–	–	–	–	–
Bernard Brookes	32	–	–	–	3	–	–	–	–	35	–
Sub-total non-executive directors' remuneration	361	–	–	–	27	–	–	200	–	588	–
Executive Director											
Mick McMahon	1,383	1,500	–	6,000	20	28	1,711	–	–	10,642	9,211
Kevin McBain	46	–	–	–	4	–	90	–	–	140	90
Total directors' remuneration	1,790	1,500	–	6,000	51	28	1,801	200	–	11,370	9,301
Senior executives											
Ian Brannan	744	375	–	2,000	20	11	862	–	–	4,012	3,237
Janelle Cashin	634	240	8	–	20	87	69	–	–	1,058	309
Quinton Hildebrand	598	208	–	–	20	10	148	–	–	984	356
Jonathan Gray	485	166	–	–	20	9	97	–	–	777	263
Adrian Revell	399	146	–	–	31	5	70	–	–	651	216
Total senior executives' remuneration	2,860	1,135	8	2,000	111	122	1,246	–	–	7,482	4,381
Total directors' and executives' remuneration	4,650	2,635	8	8,000	162	150	3,047	200	–	18,852	13,682

REMUNERATION REPORT (AUDITED)

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. options vested during year	No. options lapsed during year
Kevin McBain	–	–	–	–	–	2,000,000	–
Mick McMahon	476,190	7 November 2016	2.48	7 November 2019	1,181	4,338,174	–
Ian Brannan	238,095	7 November 2016	2.48	7 November 2019	590	2,231,482	–
Janelle Cashin	79,365	7 November 2016	2.48	7 November 2019	197	700,000	–
Quinton Hildebrand	79,365	7 November 2016	2.48	7 November 2019	197	450,000	–
Jonathan Gray	79,365	7 November 2016	2.48	7 November 2019	197	400,000	–
Adrian Revell	79,365	7 November 2016	2.48	7 November 2019	197	700,000	–

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

C. Shares issued on exercise of options

	Shares issued No.	Average paid per share \$
1 July 2017		
Mick McMahon	1,301,452	0.81
Kevin McBain	2,000,000	1.00
Ian Brannan	669,444	0.81
Janelle Cashin	700,000	1.00
Quinton Hildebrand	–	–
Jonathan Gray	120,000	1.00
Adrian Revell	210,000	1.00

D. Option/Performance rights holdings of Directors and KMP

	Balance 26 June 2016	Granted as remuneration	Options exercised	Net change Other	Vested at 1 July 2017		
					Balance 1 July 2017	Exercisable	Not exercisable
Mick McMahon	4,338,174	476,190	(1,301,452)	–	3,512,912	3,036,722	–
Kevin McBain	2,000,000	–	(2,000,000)	–	–	–	–
Ian Brannan	2,231,482	238,095	(669,444)	–	1,800,133	1,562,038	–
Janelle Cashin	700,000	79,365	(700,000)	–	79,365	–	–
Quinton Hildebrand	450,000	79,365	–	–	529,365	450,000	–
Jonathan Gray	400,000	79,365	(120,000)	–	359,365	280,000	–
Adrian Revell	700,000	79,365	(210,000)	–	569,365	490,000	–
Total	10,819,656	1,031,745	(5,000,896)	–	6,850,505	5,818,760	–

DIRECTORS' REPORT

For the year ended 1 July 2017

REMUNERATION REPORT (AUDITED)

7 Statutory and share-based reporting (continued)

E. Shareholdings of Directors and KMP

	Balance 26 June 2016	Granted as remuneration	On exercise of options	Net change Other	Balance 1 July 2017	Balance 1 July 2017 (inclusive of vested treasury shares)
NEDs						
Peter Bush	–	–	–	158,730	158,730	158,730
Linda Bardo Nicholls, AO	–	–	–	15,873	15,873	15,873
Simon Harle	–	–	–	–	–	–
Ricky Lau	–	–	–	–	–	–
Helen Nash	–	–	–	–	–	–
Bernard Brookes	1,000,000	–	–	(750,000)	250,000	250,000
Executive directors						
Mick McMahon	617,284	–	1,301,452	(1,594,926)	323,810	3,360,532
Kevin McBain	3,000,000	–	2,000,000	(5,000,000)	–	–
Senior executives						
Ian Brannan	617,284	–	669,444	(1,124,824)	161,904	1,723,942
Janelle Cashin	100,000	–	700,000	(240,000)	560,000	560,000
Quinton Hildebrand	–	–	–	–	–	450,000
Jonathan Gray	–	–	120,000	(120,000)	–	280,000
Adrian Revell	200,000	–	210,000	(410,000)	–	490,000
Total	5,534,568	–	5,000,896	(9,065,147)	1,470,317	7,289,077

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



Peter Bush
Chairman

North Ryde, Sydney
22 August 2017



Linda Bardo Nicholls, AO
Non-executive director

AUDITOR'S INDEPENDENCE DECLARATION



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

To the Directors of Inghams Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Inghams Group Limited for the financial period ended 1 July 2017 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.

KPMG

Greg Boydell
Partner
Sydney
22 August 2017

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

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED INCOME STATEMENT

For the year ended 1 July 2017

	<i>Notes</i>	53 weeks ended 1 July 2017 \$000	52 weeks ended 25 June 2016 \$000
Revenue	4	2,426,900	2,308,700
Other income	5(a)	10,400	3,600
Expenses			
Cost of sales		(1,998,900)	(1,919,100)
Distribution		(145,000)	(136,100)
Administration and selling		(136,700)	(124,700)
Other	5(c)	(39,500)	(60,800)
Operating profit		117,200	71,600
Finance income and costs			
Finance income		1,100	2,200
Finance costs		(41,800)	(41,900)
Net finance costs	5(d)	(40,700)	(39,700)
Share of net profit associates	24	700	600
Profit before income tax		77,200	32,500
Income tax expense	6(a)	(18,100)	(7,300)
Profit for the year attributable to: Owners of Inghams Group Limited		59,100	25,200
Basic EPS (cents per share)	27	16.93	8.18
Diluted EPS (cents per share)	27	16.57	7.91

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 1 July 2017

	<i>Notes</i>	1 July 2017 \$000	25 June 2016 \$000
Profit for the year		59,100	25,200
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges		14,300	–
Tax on changes in fair value of cash flow hedges		(4,300)	–
Total items that have subsequently been reclassified to profit or loss		10,000	–
Exchange differences on translation of foreign operations	19(a)	(200)	8,100
Changes in the fair value of cash flow hedges		(1,700)	(6,000)
Tax on changes in fair value of cash flow hedges		500	1,800
Total items that may subsequently be reclassified to profit or loss		(1,400)	3,900
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of land and buildings		–	27,800
Tax on revaluation of land and buildings		–	(7,500)
Total items that will never be reclassified to profit or loss		–	20,300
Total comprehensive income for the year, attributable to: Owners of Inghams Group Limited		67,700	49,400

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 1 July 2017

	Notes	1 July 2017 \$000	25 June 2016 \$000
ASSETS			
Current assets			
Cash and cash equivalents	7	149,000	75,300
Trade and other receivables	8	230,400	221,300
Biological assets	9	114,600	115,300
Inventories	10	157,800	159,600
Assets classified as held for sale	11	46,400	1,200
Derivative financial instruments		100	–
Total current assets		698,300	572,700
Non-current assets			
Investments accounted for using the equity method	24	2,000	1,600
Property, plant and equipment	12	372,800	372,100
Derivative financial instruments	16	300	–
Total non-current assets		375,100	373,700
Total assets		1,073,400	946,400
LIABILITIES			
Current liabilities			
Trade and other payables	13	270,300	239,800
Borrowings	14	–	21,200
Current tax liability		8,100	5,000
Provisions	15	77,300	93,300
Derivative financial instruments		2,200	7,900
Total current liabilities		357,900	367,200
Non-current liabilities			
Trade and other payables	13	2,000	2,700
Borrowings	14	448,600	520,300
Provisions	15	37,200	44,100
Derivative financial instruments	16	–	6,500
Deferred tax liabilities	6(c)	11,200	6,800
Total non-current liabilities		499,000	580,400
Total liabilities		856,900	947,600
Net assets/(net liabilities)		216,500	(1,200)
EQUITY			
Contributed equity	17(a)	262,000	107,800
Reserves	19(a)	43,000	33,400
Accumulated losses		(88,500)	(142,400)
Total equity/(deficiency of equity)		216,500	(1,200)

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 1 July 2017

Attributable to owners of
Inghams Group Limited (formerly Ingham Holdings I Pty Limited)

	Notes	Contributed Equity \$000	Accumulated losses \$000	Asset revaluation reserve \$000	Other reserves \$000	Total Equity / (Deficiency of equity) \$000
Balance at 27 June 2015		106,500	(167,600)	–	5,800	(55,300)
Profit for the year		–	25,200	–	–	25,200
Other comprehensive income	19(a)	–	–	20,300	3,900	24,200
Total comprehensive income		–	25,200	20,300	3,900	49,400
Transactions with owners of the Company						
Contribution of equity	17	1,300	–	–	–	1,300
Share based payment expense	19(a)	–	–	–	3,400	3,400
		1,300	–	–	3,400	4,700
Balance at 25 June 2016		107,800	(142,400)	20,300	13,100	(1,200)
Profit for the year		–	59,100	–	–	59,100
Other comprehensive income	19(a)	–	–	–	8,600	8,600
Transfer to retained earnings	19(a)	–	3,600	(3,600)	–	–
Total comprehensive income		–	62,700	(3,600)	8,600	67,700
Transactions with owners of the Company						
Reversal of dividend rights forfeit		–	1,100	–	–	1,100
Issue of ordinary shares net of transaction costs	17	154,200	–	–	–	154,200
Dividends provided for or paid	18	–	(9,900)	–	–	(9,900)
Share based payment expense	19(a)	–	–	–	4,600	4,600
		154,200	(8,800)	–	4,600	150,000
Balance at 1 July 2017		262,000	(88,500)	16,700	26,300	216,500

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 1 July 2017

	<i>Notes</i>	53 weeks ended 1 July 2017 \$000	52 weeks ended 25 June 2016 \$000 Restated*
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,508,800	2,400,500
Payments to suppliers and employees (inclusive of goods and services tax)		(2,327,400)	(2,282,500)
		181,400	118,000
Interest received		1,100	2,200
Income taxes paid		(12,500)	(25,300)
Net cash generated from operating activities	21	170,000	94,900
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		–	100
Payments for property, plant and equipment		(96,700)	(76,800)
Proceeds from sale of assets held for sale		20,700	6,500
Net cash (used in) investing activities		(76,000)	(70,200)
Cash flows from financing activities			
Proceeds from borrowings		470,000	–
Repayment of borrowings		(573,500)	(14,600)
Dividends paid		(9,700)	–
Proceeds from issue of shares		156,200	1,300
IPO transaction costs		(34,400)	–
Proceeds from re-payment of management loans		2,300	–
Interest and finance charges paid		(31,200)	(36,700)
Net cash used in from financing activities		(20,300)	(50,000)
Net increase/(decrease) in cash and cash equivalents		73,700	(25,300)
Cash and cash equivalents at the beginning of the financial year		75,300	96,300
Effects of exchange rate changes on cash and cash equivalents		–	4,300
Cash and cash equivalents at end of year	7	149,000	75,300

* Refer to note 2 for details.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

1 CORPORATE INFORMATION

The financial statements of Inghams Group Limited (formerly Ingham Holdings I Pty Limited) and its subsidiaries (collectively, the Group) for the 53 week year ended 1 July 2017 (comparative period was 52 weeks ended 25 June 2016) were authorised for issue in accordance with a resolution of the directors on 22 August 2017. Inghams Group Limited (the Company) is a for-profit company limited by shares incorporated in 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 ingredient categories. Additionally stockfeed is produced primarily for internal use but also for the poultry, pig, dairy and equine industries.

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

Level 4
1 Julius Avenue
North Ryde NSW 2113
Australia

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(i) Historical cost convention

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

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

(ii) Critical accounting estimates and judgements

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

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

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

(iii) Comparatives

The Group has reclassified amounts between categories in the consolidated statement of cash flows and associated changes to the reconciliation of profit after tax as per note 21, being the classification of interest and finance charges paid as a financing activity (from operating activity), as this best represents the nature of these cash flows.

(iv) Adoption of accounting standards

The Group has adopted new and revised Standards and Interpretations issued by the AASB that are relevant to operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations have not had a material impact on the Group for full year ended 1 July 2017. The following Standards, amendments to Standards and Interpretations that are not mandatory for 1 July 2017 reporting and have not been applied by the Group in this Financial Report are set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

(a) Basis of preparation (continued)

(iv) Adoption of accounting standards (continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace *AASB 139 Financial Instruments: Recognition and Measurement*. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit and loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held for trading) in other comprehensive income (OCI). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal due to the current hedging strategy of the Group permitting hedge accounting under existing accounting standards, and the absence of significant historical impairments from credit risk.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. This standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal, or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted against revenue. For goods,

the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative qualitative disclosure is required to enable users to understand the contracts from customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018, and while the impact of its adoption is initially expected not to have a material effect on the financial statements, due to the lack of performance obligations or rights associated with sales transactions that span multiple reporting periods, a full review of this is in progress.

AASB 16 Leases

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

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries and the results of all subsidiaries for the year ended 1 July 2017.

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 (refer to note 2(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.

(ii) Joint Ventures

The Group's interests in equity-accounted investees comprise interests in a joint venture. Interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

(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.

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

2 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) Leases

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

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

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

(g) Business combinations and goodwill

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.

(h) 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.

(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 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.

(j) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off 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) 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.

(l) 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.

(m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

(m) Financial instruments (continued)

(i) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Derecognition

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

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

(ii) Financial liabilities

Initial recognition and measurement

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

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

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

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.

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

(i) Fair value hedges

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

(o) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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 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 and accumulating sick leave is presented as provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

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

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

(iii) Share-based payments

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

The fair value of shares granted under Long Term Management Incentive Plans are recognised as an employee benefits expense with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the shares. The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting condition.

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

(iv) Short term incentive scheme

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

(v) Contributed equity

Ordinary shares are classified as equity.

(w) 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.

(x) 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.

(y) 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.

(z) Parent entity financial information

The financial information for the parent entity, Inghams Group Limited (formerly Ingham Holdings I Pty Limited), has been prepared on the same basis as the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

3 SEGMENT INFORMATION

Description of segments

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

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

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

One customer generated revenues in excess of 10% of Group revenue (2016: one).

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

2017	Australia \$000	New Zealand \$000	Consolidated \$000
Revenue			
Segment revenue	2,058,400	368,500	2,426,900
Other income	10,400	–	10,400
Inter segment revenue / expense	21,800	(21,800)	–
	2,090,600	346,700	2,437,300
Adjusted operating expenses*	(1,928,200)	(310,000)	(2,238,200)
Share of net profit of associates (Note 24)	700	–	700
EBITDA	163,100	36,700	199,800
Depreciation and amortisation			(42,400)
EBIT			157,400
Significant items and other			(39,500)
PBIT			117,900
Net finance costs			(40,700)
Profit before tax			77,200
Tax expense			(18,100)
Profit after tax			59,100

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

	Australia \$000s	New Zealand \$000	Consolidated \$000
Capital expenditure	93,600	7,600	101,200
Total property, plant and equipment	308,400	64,400	372,800
Total impairment losses	7,400	100	7,500

2016	Australia \$000	New Zealand \$000	Consolidated \$000
Revenue			
Segment revenue	1,955,300	353,400	2,308,700
Other income	3,600	–	3,600
Inter segment revenue/expense	22,900	(22,900)	–
	1,981,800	330,500	2,312,300
Adjusted operating expenses*	(1,852,600)	(294,000)	(2,146,600)
Share of net profit of associates (Note 24)	600	–	600
EBITDA	129,800	36,500	166,300
Depreciation and amortisation			(33,300)
EBIT			133,000
Significant items and other			(60,800)
PBIT			72,200
Net finance costs			(39,700)
Profit before tax			32,500
Tax expense			(7,300)
Profit after tax			25,200

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

	Australia \$000s	New Zealand \$000	Consolidated \$000
Capital expenditure	71,700	5,100	76,800
Total property, plant and equipment	309,000	63,100	372,100
Total impairment losses	3,900	–	3,900

4 REVENUE

	2017 \$000	2016 \$000
<i>Sale of goods</i>		
Poultry	2,138,700	2,013,700
Feed	286,900	293,100
	2,425,600	2,306,800
<i>Other revenue</i>		
Other revenue	1,300	1,900
	2,426,900	2,308,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

5 OTHER INCOME AND EXPENSES

(a) Other Income

	2017 \$000	2016 \$000
Other items		
Net gain on disposal of assets held for sale	6,900	3,300
Other	3,500	300
	10,400	3,600

Net gains on property sold and leased back have been recognised in full in the year. Future rentals for leased back properties are at market rates and as such no adjustment to the gain in the year of disposal is required. Leased back properties have lease periods of 3-20 years with various renewal options available to the Group as defined in the sale and leaseback agreements. The properties are required to be used for their current purposes being a hatchery and a feedmill.

(b) Expenses

<i>Employee benefits expenses</i>		
Employee benefits expense	562,300	543,100
Defined super contributions	37,700	36,400
Share-based payment expense	4,600	3,400
	604,600	582,900
<i>Impairment losses</i>		
Trade receivables	1,600	800
Inventories	5,900	3,100

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

Rental expense related to operating leases	77,100	60,700
Net loss on disposal of property, plant and equipment	–	100

(c) Other

Significant items		
Transformation costs	4,400	19,300
Relocation of head office	1,700	25,400
Site closure costs	–	14,900
Initial Public Offering (IPO) transaction costs	28,000	–
Pre – IPO LTIP	4,200	–
Monitoring fees paid to former ultimate parent entity	1,200	1,200
	39,500	60,800

Transformation costs

Transformation costs relate primarily to consultant costs incurred relating to realignment of strategy and processes.

Relocation of Head Office

Ingham's relocated its corporate head office from Liverpool to North Ryde resulting in costs related to employee redundancies and lease obligations.

Site closure costs

On 3 June 2016 the business announced the planned closure of the Cardiff processing plant resulting in employee termination costs, supplier contract obligations and asset impairments.

Initial public offering transaction costs

Costs incurred to complete the IPO transaction, including legal, accounting and advisor fees, consultant costs and executive bonuses of \$8.0m paid to key management personnel.

(d) Finance income and costs

	2017 \$000	2016 \$000
Interest Income	(1,100)	(2,200)
Interest and borrowing costs	23,800	39,800
Amortisation / Write off of borrowing costs*	7,300	2,100
Interest rate swap break costs **	10,700	–
	40,700	39,700

* Includes \$6.5m which relates to expensing of capitalised borrowing costs associated with the re-financing of existing debt due to IPO transaction.

** Break costs due to refinancing debt.

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

Current tax	15,700	10,600
Deferred tax	2,500	(4,300)
Adjustments for current tax of prior periods	(100)	1,000
	18,100	7,300

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

Profit from continuing operations before income tax expense	77,200	32,500
Tax at the Australian tax rate of 30% (2016 – 30%)	23,200	9,800
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	1,700	2,600
R&D tax offset	(300)	(400)
Revaluation of inventory tax base in associate	(300)	(100)
	24,300	11,900
Net tax differential and legislative adjustment of overseas operations	(5,600)	(5,000)
Difference in overseas tax rates	(500)	(600)
Adjustments for current tax of prior periods	(100)	1,000
Income tax expense	18,100	7,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

6 INCOME TAX EXPENSE (CONTINUED)

(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	Exchange differences \$000	Closing balance \$000
2017					
Doubtful debts	–	400	–	–	400
Employee benefits	23,700	(1,200)	–	–	22,500
Cash flow hedges	4,300	–	(3,800)	–	500
IPO related expenditure	–	3,900	1,900	–	5,800
Other accruals	3,600	(200)	–	–	3,400
Provisions	7,400	(6,000)	–	–	1,400
Property, plant and equipment	(7,000)	(300)	–	–	(7,300)
Inventories	(38,800)	900	–	–	(37,900)
Net deferred tax liabilities	(6,800)	(2,500)	(1,900)	–	(11,200)

	Opening Balance \$000	Charged to income \$000	Charged to equity \$000	Exchange differences \$000	Closing balance \$000
2016					
Doubtful debts	100	(100)	–	–	–
Employee benefits	23,700	(100)	–	100	23,700
Cash flow hedges	2,500	–	1,800	–	4,300
Other accruals	1,600	2,000	–	–	3,600
Provisions	–	7,400	–	–	7,400
Property, plant and equipment	2,200	(1,600)	(7,500)	(100)	(7,000)
Inventories	(35,400)	(3,300)	–	(100)	(38,800)
Net deferred tax (liabilities)/assets	(5,300)	4,300	(5,700)	(100)	(6,800)

7 CASH AND CASH EQUIVALENTS

	2017 \$000	2016 \$000
Current assets		
Cash at bank and on hand	148,400	74,700
Short-term deposits	600	600
	149,000	75,300

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

8 TRADE AND OTHER RECEIVABLES

	2017 \$000	2016 \$000
Trade receivables	205,200	211,500
Allowance for doubtful debts	(1,400)	(100)
	203,800	211,400
Other receivables	12,300	4,100
Prepayments	14,300	5,800
	230,400	221,300

Movement in the allowance for doubtful debts:

At start of period	(100)	(400)
Impairment expense recognised during the year	(1,600)	(800)
Receivables written off during the year as uncollectible	300	1,100
Balance at end of period	(1,400)	(100)

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. An allowance for doubtful debt is recognised for the specific irrecoverable trade receivable amounts. The ageing of trade receivable is outlined below:

Current	190,900	161,800
1 to 30	9,400	48,200
31 to 60	1,700	700
61 to 90	1,100	200
90+	700	500
Impaired	1,400	100
	205,200	211,500

9 BIOLOGICAL ASSETS

Breeder	40,100	38,500
Broiler	63,100	65,000
Eggs	11,400	11,800
	114,600	115,300

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

10 INVENTORIES

	2017 \$000	2016 \$000
Processed Poultry	103,300	99,900
Feed	35,700	42,800
Other	24,600	22,500
	163,600	165,200
Net realisable value adjustment	(5,800)	(5,600)
	157,800	159,600

Other inventories include medication, packaging and consumables.

11 ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale	46,400	1,200
------------------------------------	--------	-------

The carrying amount of assets classified as held for sale in 2017 represents poultry assets currently marketed for sale in Leppington, NSW and Wanneroo, WA, where the operations will be relocated due to business needs. The carrying amount of assets classified as held for sale in 2016 represented poultry land which was surplus to business requirements.

66

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$000	Freehold Buildings \$000	Leasehold buildings \$000	Plant and equipment \$000	Leased plant and equipment \$000	Capital work in progress \$000	Total \$000
2016							
Cost							
Opening balance	47,800	24,600	5,000	271,000	9,400	13,200	371,000
Additions	–	–	–	–	600	76,200	76,800
Transfers	500	–	2,000	46,500	–	(49,000)	–
Assets held for sale	–	400	–	(100)	–	–	300
Revaluation	19,300	5,100	–	–	–	–	24,400
Disposals	–	–	–	(300)	–	–	(300)
Exchange differences	300	700	500	4,100	(100)	100	5,600
Closing Balance	67,900	30,800	7,500	321,200	9,900	40,500	477,800
Accumulated Depreciation							
Opening balance	–	(2,200)	400	(64,500)	(4,400)	–	(70,700)
Depreciation charge	–	(500)	(300)	(31,100)	(1,400)	–	(33,300)
Impairment	–	(1,000)	–	(1,600)	–	–	(2,600)
Revaluation write back	–	2,200	–	–	–	–	2,200
Disposals	–	–	–	200	–	–	200
Exchange differences	–	800	(800)	(1,500)	–	–	(1,500)
Net book amount	–	(700)	(700)	(98,500)	(5,800)	–	(105,700)
Total carrying amount	67,900	30,100	6,800	222,700	4,100	40,500	372,100

	Freehold land \$000	Freehold Buildings \$000	Leasehold buildings \$000	Plant and equipment \$000	Leased plant and equipment \$000	Capital work in progress \$000	Total \$000
2017							
Cost							
Opening balance	67,900	30,800	7,500	321,200	9,900	40,500	477,800
Additions	–	–	–	3,700	–	97,500	101,200
Transfers	1,000	2,200	–	87,700	–	(90,900)	–
Assets held for sale	(44,800)	(11,000)	–	(4,200)	–	–	(60,000)
Disposals	–	–	–	(300)	–	–	(300)
Exchange differences	–	–	–	(200)	–	–	(200)
Closing Balance	24,100	22,000	7,500	407,900	9,900	47,100	518,500
Accumulated Depreciation							
Opening balance	–	(700)	(700)	(98,500)	(5,800)	–	(105,700)
Depreciation charge	–	(600)	(400)	(39,700)	(1,700)	–	(42,400)
Assets held for sale	–	1,100	–	1,200	–	–	2,300
Disposals	–	–	–	100	–	–	100
Net book amount	–	(200)	(1,100)	(136,900)	(7,500)	–	(145,700)
Total carrying amount	24,100	21,800	6,400	271,000	2,400	47,100	372,800

The valuation basis of freehold land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. An independent valuation was performed during the prior year and asset values were adjusted as at 25 June 2016 and are still relevant so no revaluation has been considered necessary in the current year. Had the land and buildings not been historically revalued, the carrying value of freehold land and buildings would have been \$5.0m less at 1 July 2017 (2016: \$26.6m less).

13 TRADE AND OTHER PAYABLES

	2017			2016		
	Current \$000	Non-Current \$000	Total \$000	Current \$000	Non-Current \$000	Total \$000
Trade payables	230,300	2,000	232,300	216,500	2,700	219,200
Factored trade payables	17,100	–	17,100	–	–	–
Other payables	22,900	–	22,900	23,300	–	23,300
	270,300	2,000	272,300	239,800	2,700	242,500

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

14 BORROWINGS

(a) Interest bearing loans

	Carrying amount		Principal amount drawn		Interest rate	Maturity
	2017 \$000	2016 \$000	2017 \$000	2016 \$000		
Secured liabilities						
Tranche A	–	111,200	–	112,800	Floating*	N/A
Tranche B	–	390,300	–	396,000	Floating*	N/A
Unsecured liabilities						
Tranche A	249,200	–	250,000	–	Floating*	November 2019
Tranche B	169,400	–	170,000	–	Floating*	November 2020
Tranche C	30,000	–	30,000	–	Floating*	November 2019
Loan	–	40,000	–	40,000	10%	N/A
	448,600	541,500	450,000	548,800		

* 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 from page 80.

In November 2016, the Group refinanced its loan facility with a domestic bank syndicate for the provision of debt financing of up to \$545.0 million (in aggregate), comprising three senior unsecured facilities (Syndicated Facility Agreement). Funding provided under the new Syndicated Facility Agreement was partly used to repay the Group's existing loan facilities of \$570.3 million and associated derivative transactions, transactions costs associated with the IPO and to fund working capital. As a result of the refinance, \$6.5 million of borrowing costs previously capitalised were written off to the Consolidated Income Statement (refer to Note 5(d)).

(b) Fair value

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

15 PROVISIONS

	2017			2016		
	Current \$000	Non-Current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Workers compensation						
Queensland	1,600	4,600	6,200	2,500	4,000	6,500
New South Wales	1,200	4,200	5,400	1,300	3,900	5,200
South Australia	1,500	3,000	4,500	2,700	2,900	5,600
Victoria	1,700	4,400	6,100	1,400	3,500	4,900
Western Australia	700	1,000	1,700	800	100	900
Tasmania	100	100	200	200	300	500
	6,800	17,300	24,100	8,900	14,700	23,600
Employee benefits	66,100	10,000	76,100	61,200	19,300	80,500
Make good provision	–	9,900	9,900	–	9,900	9,900
Onerous provision	1,800	–	1,800	6,200	–	6,200
Restructuring provision	2,600	–	2,600	16,900	–	16,900
Other provisions	–	–	–	100	200	300
	70,500	19,900	90,400	84,400	29,400	113,800
	77,300	37,200	114,500	93,300	44,100	137,400

69

(a) Workers compensation

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

(b) Make good provision

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

(c) 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.

(d) Onerous provision

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

15 PROVISIONS (CONTINUED)

(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
Balance at 28 June 2015	24,500	9,400	–	–	–	33,900
Charged to profit or loss	10,500	500	6,200	16,900	300	34,400
Amounts used during the period	(11,400)	–	–	–	–	(11,400)
Balance at 25 June 2016	23,600	9,900	6,200	16,900	300	56,900
Balance at 25 June 2016	23,600	9,900	6,200	16,900	300	56,900
Charged to profit or loss	17,400	–	–	2,400	–	19,800
Amounts used during the period	(16,900)	–	(4,400)	(16,700)	(300)	(38,300)
Balance at 1 July 2017	24,100	9,900	1,800	2,600	–	38,400

16 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	2017			2016		
	Current \$000	Non-Current \$000	Total \$000	Current \$000	Non-Current \$000	Total \$000
Interest rate swap contracts						
– Cash flow hedges (asset)	–	300	300	–	–	–
– Cash flow hedges (liability)	(700)	–	(700)	(5,700)	(6,500)	(12,200)
Forward foreign exchange contracts						
– Cash flow hedges (asset)	100	–	100	–	–	–
– Cash flow hedges (liability)	(1,500)	–	(1,500)	(2,200)	–	(2,200)
	(2,100)	300	(1,800)	(7,900)	(6,500)	(14,400)

Classification of derivatives

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

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

17 EQUITY

Contributed equity

(a) Share capital

	2017 Shares	2016 Shares	2017 \$000	2016 \$000
Ordinary shares issued	380,243,196	334,115,281	262,000	107,800

(b) Movements in ordinary shares

	Shares	\$000
Balance at 28 June 2015	327,038,914	106,500
Shares issued, net of transaction costs	7,076,367	1,300
Balance at 25 June 2016	334,115,281	107,800
Shares issued, net of transaction costs	49,587,815	154,200
Share buyback	(3,459,900)	–
Balance at 1 July 2017	380,243,196	262,000

Transaction costs of \$6.4 million, after tax, were charged to share capital during FY17.

(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 8,238,541 shares (2016: 25,339,294) are shares in Inghams Group Limited that are held in trust by Ingham 2 Pty Limited, a subsidiary, for the purpose of issuing shares under the employee share scheme. Information relating to the Ingham's Long Term Incentive Plan, including details of shares issued, exercised and lapsed during the financial period and outstanding at the end of the reporting period, is set out in note 20.

18 DIVIDENDS

(a) Ordinary shares

	2017 \$000	2016 \$000
Fully franked interim dividend paid in year of 2.6 cents per share	9,900	–

The directors propose that a final dividend of 9.5 cents per ordinary share be declared on 21 August 2017, and be paid on 4 October 2017. The proposed FY17 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	32,400	43,400
--	--------	--------

The ability to utilise the franking credits is dependent upon the ability to declare dividends in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

19 RESERVES

(a) Other reserves

	2017 \$000	2016 \$000
Asset revaluation reserve	16,700	20,300
Foreign currency translation reserve	11,600	11,800
Cash flow hedge reserve	(1,200)	(10,000)
Share-based payments reserve	9,200	4,600
Acquisition reserve	6,700	6,700
	43,000	33,400
Movements:		
Asset revaluation reserve		
Balance at beginning of financial period	20,300	–
Revaluation gain	–	27,800
Deferred tax	–	(7,500)
Transfer to retained earnings	(3,600)	–
Balance at end of the period	16,700	20,300
Foreign currency translation reserve		
Balance at beginning of financial period	11,800	3,700
Currency translation differences arising during the period	(200)	8,100
Balance at end of financial period	11,600	11,800
Cash flow hedges reserve		
Balance at beginning of financial period	(10,000)	(5,800)
Balance reclassified to profit and loss in period	10,000	–
Revaluation – gross	(1,700)	(6,000)
Deferred tax	500	1,800
Balance at end of financial period	(1,200)	(10,000)
Share-based payment reserve		
Balance at beginning of financial period	4,600	1,200
Share based payment expense	4,600	3,400
Balance at end of the period	9,200	4,600
Acquisition reserves		
Balance at beginning and end of the period	6,700	6,700
Balance at end of financial year	6,700	6,700

(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.

(ii) Foreign currency translation

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

(iii) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 2(n). 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.

(v) Acquisition reserve

The acquisition reserve is used to recognise pre-acquisition foreign currency translation gains not eliminated through the recognition of the business combination in accordance with Australian Accounting Standards.

20 SHARE-BASED PAYMENTS

Ingham's Employees Share Plan (Pre-IPO)

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 dividend 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.

Shares under this scheme are held in trust for employees by a subsidiary, Ingham 2 Pty Limited. All options under this scheme vested upon completion of the IPO in the year, and remained held in trust, escrowed from sale.

Set out below summarises options granted under the scheme:

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	2017		2016	
		Exercise price	Number of options	Exercise price	Number of options
27 June 2014	26 June 2019	–	–	\$1.00	12,940,000
17 October 2014	16 October 2019	–	–	\$1.13	1,637,000
20 March 2015	19 March 2020	\$0.81	565,125	\$0.81	565,125
20 March 2015	19 March 2020	\$0.81	1,786,722	\$0.81	3,088,174
19 June 2015	18 June 2020	\$0.81	812,038	\$0.81	1,481,482
3 July 2015	2 July 2018	\$0.81	370,370	\$0.81	370,370
18 September 2015	17 September 2020	\$0.81	234,444	\$0.81	444,444
14 October 2015	13 October 2020	\$1.40	250,000	\$1.40	250,000
2 November 2015	1 November 2020	\$1.40	730,000	\$1.40	850,000
22 December 2015	21 December 2018	\$1.40	2,669,842	\$1.40	2,669,842
22 December 2015	21 December 2020	\$1.40	820,000	\$1.40	1,042,857
			8,238,541		25,339,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

20 SHARE-BASED PAYMENTS (CONTINUED)

The number of in substance share options granted during the year was nil (2016: 5,627,513). 5,627,513 (2016: nil) in substance share options vested during the year, none were exercised, forfeited or expired (2016: nil).

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

Long Term Incentive Plan for FY17 (LTI Offer)

The table below outlines the key terms of the FY17 LTI Offer under the Plan:

Term	Description
Eligibility to participate in LTI Offer	<ul style="list-style-type: none"> Offers may be made at the Board's discretion to employees of the Ingham's Group or any other person that the Board determines to be eligible to receive a grant under the Plan The 2017 LTI Offer has been made to the following Ingham's KMP Executives: <ul style="list-style-type: none"> Mick McMahon (Chief Executive Officer) Ian Brannan (Chief Financial Officer) Janelle Cashin (Chief Operating Officer) Quinton Hildebrand (Chief Commercial Officer) Jonathan Gray (Sales and Marketing Director) Adrian Revell (Managing Director – New Zealand)
Offers under the Plan	<ul style="list-style-type: none"> The LTI Offer is a grant of performance rights (Rights)
Grant of Rights	<ul style="list-style-type: none"> 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.
Quantum of Rights	<p>The face value of the LTI Offer is \$3.25 million.</p> <p>Mick McMahon was granted Rights with a face value of \$1.5 million. Other participating members of senior management were granted Rights with a cumulative face value of \$1.75 million.</p> <p>The final number of Rights awarded to each participant was calculated by dividing the dollar value of their LTI opportunity by the Final Listing Price of \$3.15.</p>
Performance Period	<p>The performance period commenced on 7 November 2016 (date of ASX listing) and ends on 30 June 2019.</p>
Performance conditions	<ul style="list-style-type: none"> Rights granted as part of the LTI Offer will vest at the end of the performance period, subject to meeting the performance conditions. The performance conditions are: <ul style="list-style-type: none"> 75% of the Rights are subject to a performance condition based on Ingham's absolute EPS over the performance period (EPS Component); and The remaining 25% of the Rights are subject to a relative total shareholder return (TSR) performance condition, measured over the performance period (TSR Component). Ingham's relative TSR will be compared to a comparator group comprising the ASX 200 (excluding companies classified as financial, mining and resources).

Term	Description																				
Performance conditions / continued	<p>EPS Component</p> <ul style="list-style-type: none"> For any Rights in the EPS Component to vest, a threshold target must be achieved (as set out below). The percentage of Rights comprising the EPS Component that vest, if any, will be determined over the performance period by reference to the following vesting schedule: <table border="1"> <thead> <tr> <th>Ingham's EPS over the performance period</th> <th>% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than threshold target</td> <td>Nil</td> </tr> <tr> <td>Equal to threshold target</td> <td>50%</td> </tr> <tr> <td>Greater than threshold target up to maximum target</td> <td>Straight line pro rata vesting between 50% and 100%</td> </tr> <tr> <td>At or above maximum target</td> <td>100%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Threshold and maximum targets will be set annually by the Board at the start of each financial year, with vesting of the EPS Component based on achievement against these targets over the 3 year performance period. For FY17, the threshold was based on the Pro Forma FY17 52 Week Forecast for NPAT (\$98.8m) and the maximum set at 25% pro forma NPAT growth. <p>TSR Component</p> <ul style="list-style-type: none"> The percentage of Rights comprising the TSR Component that vest, if any, will be based on Ingham's TSR ranking over the performance period, as set out in the following vesting schedule: <table border="1"> <thead> <tr> <th>Ingham's TSR rank in the Relevant Comparator Group</th> <th>% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>Nil</td> </tr> <tr> <td>At 50th percentile (threshold performance)</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Straight line pro rata vesting between 50% and 100%</td> </tr> <tr> <td>At 75th percentile or above</td> <td>100%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Performance will not be re-tested if the performance conditions are not satisfied at the end of the performance period. Any Rights that remain unvested at the end of the performance period will lapse immediately. 	Ingham's EPS over the performance period	% of Rights that vest	Less than threshold target	Nil	Equal to threshold target	50%	Greater than threshold target up to maximum target	Straight line pro rata vesting between 50% and 100%	At or above maximum target	100%	Ingham's TSR rank in the Relevant Comparator Group	% of Rights that vest	Less than 50th percentile	Nil	At 50th percentile (threshold performance)	50%	Between 50th and 75th percentile	Straight line pro rata vesting between 50% and 100%	At 75th percentile or above	100%
Ingham's EPS over the performance period	% of Rights that vest																				
Less than threshold target	Nil																				
Equal to threshold target	50%																				
Greater than threshold target up to maximum target	Straight line pro rata vesting between 50% and 100%																				
At or above maximum target	100%																				
Ingham's TSR rank in the Relevant Comparator Group	% of Rights that vest																				
Less than 50th percentile	Nil																				
At 50th percentile (threshold performance)	50%																				
Between 50th and 75th percentile	Straight line pro rata vesting between 50% and 100%																				
At 75th percentile or above	100%																				
Voting and dividend entitlements	The Rights granted under the LTI Offer do not carry dividend or voting rights prior to vesting. Shares allocated upon vesting of Rights carry the same dividend and voting rights as other Shares.																				
Restrictions on dealing	<p>Participants must not sell, transfer, encumber, hedge or otherwise deal with the Rights comprising the LTI Offer unless the Board allows it or the dealing is required by law.</p> <p>Participants will be free to deal with the Shares allocated on vesting of the Rights comprising the LTI Offer, subject to the requirements of the Ingham's Securities Dealing Policy.</p>																				
Cessation of employment	<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>																				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

20 SHARE-BASED PAYMENTS (CONTINUED)

Long Term Incentive Plan for FY17 (LTI Offer) (continued)

Term	Description
Clawback and preventing inappropriate benefits	<p>Under the Plan rules and the terms of the LTI Offer, the Board has clawback powers which it may exercise, among other things:</p> <ul style="list-style-type: none"> • The participant has acted fraudulently or dishonestly, has engaged in gross misconduct, brought Ingham's, the Ingham's Group or any Inghams' Group company into disrepute or 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; • There is a material misstatement or omission in the accounts of an Ingham's Group company; or • 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.

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 \$2.48.

The model inputs for performance rights (2016: options) granted during the year ended included:

- (a) Exercise price \$nil (2016: \$1.40)
- (b) Share price at grant date \$3.15 (2016: \$2.00 to \$2.50)
- (c) Expected price volatility 35-45% (2016: 30%)
- (d) Expected dividend yield 6% (2016: NIL)
- (e) Risk-free interest rate 1.70% (2016: between 1.50 to 2.25%)

Grant Date	Expiry Date	2017 Number of rights	2016 Number of rights
7 November 2016	7 November 2019	1,031,745	–

Other share transactions

In addition, Peter Bush was awarded \$200,000 of shares at the IPO Offer Price of \$3.15 for nil consideration for accepting the role of Board Chairman.

21 CASH FLOW INFORMATION

	2017 \$000	2016 \$000 Restated*
Reconciliation of profit after income tax		
Profit after tax for the period	59,100	25,200
Depreciation	42,400	33,300
Non-cash employee benefits expense – share based payment	4,600	3,400
Net gain on sales of assets	(10,400)	(3,300)
Share of net profit of joint venture (net of dividend received)	(400)	(200)
Finance costs	41,800	42,600
Impairment of property, plant & equipment	–	2,600
Devaluation of property, plant & equipment	–	1,200
Effect of taxation on items recognised directly in equity	(1,900)	–
PPE disposal costs	(1,300)	–
IPO costs expensed	28,000	–
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(9,100)	(23,900)
(Increase)/decrease in biological assets	700	(11,100)
(Increase)/decrease in inventories	1,800	(300)
Increase/(decrease) in trade and other payables	30,100	19,900
(Decrease)/increase in provision for income taxes payable	3,100	(13,800)
(Decrease)/increase in deferred tax liabilities	4,400	(4,200)
Increase/(decrease) in other provisions	(22,900)	23,500
Net cash provided by operating activities	170,000	94,900

* Refer to note 2 for details.

22 RELATED PARTY DISCLOSURES

Group structure

(a) Former parent entity

Name	Type	Place of Incorporation	Ownership interest	
			2017	2016
TPG	Former ultimate controlling entity	United States	47%	97%

TPG ceased to be the parent entity and ultimate controlling party of the Group on 11 November 2016 following the successful IPO of the Group. From this time the ultimate controlling party of the Group is Inghams Group Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

22 RELATED PARTY DISCLOSURES (CONTINUED)

(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	
		2017 %	2016 %
Ingham Holdings II Pty Limited ^{(a), (c)}	Australia	100	100
Ingham Holdings III Pty Limited ^{(a), (c)}	Australia	100	100
Adams Bidco Pty Limited ^{(a), (c)}	Australia	100	100
Ingham Enterprises Pty Limited ^{(a), (c)}	Australia	100	100
Inghams Enterprises Pty Limited ^{(a), (c)}	Australia	100	100
Ingham Finco Pty Limited ^(b)	Australia	100	100
Ingham 2 Pty Limited ^(b)	Australia	100	100
Agnidla Pty Limited ^{(b), (c)}	Australia	100	100
Aleko Pty Limited ^{(b), (c)}	Australia	100	100
Inghams Enterprises (NZ) Pty Limited ^{(a), (c)}	Australia	100	100
Inghams Property Management Pty Limited ^{(b), (c)}	Australia	100	100
Ovoid Insurance Limited	Bermuda	100	100
Ovoid Insurance Pty Limited ^(b)	Australia	100	100
Inadnam Pty Limited ^{(b), (c)}	Australia	100	100
Harvey Farms Pty Limited	New Zealand	100	100

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

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

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

(c) Key management personnel compensation

	2017 \$000	2016 \$000
Short-term employee benefits	15,455	6,085
Other long-term employee benefits	150	74
Share based payments	3,247	2,235
Termination benefits	–	609
	18,852	9,003

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.

(d) Transactions with other related parties

The following transactions occurred with related parties:

<i>Other transactions</i>		
Monitoring fees paid to former ultimate parent entity	1,183	3,110

23 FINANCIAL RISK MANAGEMENT

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

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

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

Fair value hierarchy

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

Fair value inputs are summarised as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair value inputs are summarised as follows:

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

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

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(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	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
+100 bp variability in exchange rate	200	–	1,400	800
–100 bp variability in exchange rate	(200)	–	(1,400)	(800)

(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 ending 1 July 2017, 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
	2017 \$000	2016 \$000	2017 \$000
Interest rate swap	210,000	366,000	3.5% to 4.5%

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

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	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
+100 bp variability in interest rate	(1,900)	(3,600)	3,800	5,800
–100 bp variability in interest rate	1,900	3,600	(4,000)	(6,100)

(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 at 1 July 2017, the Group had \$243,600,000 (2016: \$248,400,000) of commodity contracts for the delivery in the next financial year. 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 1 July 2017.

(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 60% of revenue for the year ended 1 July 2017 (2016: 55% to 60%) relating to both operating segments.

Individual receivables which are known to be uncollectible 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 \$600,000 (2016: \$600,000) on 30 day and 60 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:

	2017		2016	
	\$000 Drawn	\$000 Available	\$000 Drawn	\$000 Available
Floating rate				
Expiring within one year	17,100	182,900	23,300	1,900
Expiring beyond one year	450,000	78,100	525,500	86,900
	467,100	261,000	548,800	88,800

The Group has access to re-drawable term cash advance facilities which 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.

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 1 July 2017. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (continued)

	Carrying value \$000	Contractual cash flows \$000	Less than 1 year \$000	1 year to 5 years \$000
2017				
Trade payables	255,200	255,200	253,200	2,000
Factored trade payables	17,100	17,100	17,100	–
Derivative financial liabilities	2,200	2,200	2,200	–
Interest bearing liabilities	448,600	450,000	–	450,000
	723,100	724,500	272,500	452,000
2016				
Trade payables	242,500	242,500	239,700	2,700
Derivative financial liabilities	14,300	14,300	7,900	6,500
Interest bearing liabilities	541,500	548,800	23,300	525,500
	798,300	805,600	270,900	534,700

24 INTERESTS IN JOINT ARRANGEMENTS

82

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

Name of principal activity	Ownership interest		Carrying value of investment	
	2017 %	2016 %	2017 \$000	2016 \$000
AFB International Pty Limited				
Pet food manufacture	50	50	2,000	1,600
Movement in investment in joint arrangements:			2017 \$000	2016 \$000
Opening balance			1,600	1,500
Add: share of net profit of joint venture			700	500
Less: dividend received from joint venture			(300)	(400)
Closing balance			2,000	1,600

During the year the Group sold goods and services to AFB International Pty Limited to the value of \$6,061,781 (2016: \$6,026,857). At balance date the amount owed from AFB International Pty Limited to the Group is \$1,711,696 (2016: \$790,141). Outstanding balances are unsecured and on normal commercial terms and conditions.

25 CONTINGENCIES

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

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

No provision has been made in the consolidated financial statements in respect of these contingencies, however provisions for self-insured risks, which includes liabilities relating to workers' compensation claims, have been recognised in the Consolidated Statement of Financial Position at the reporting date, refer Note 15.

26 COMMITMENTS

(a) Capital commitments

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

	2017 \$000	2016 \$000
Property, plant and equipment	21,300	53,100

In addition, the Group is committed to \$44,700,000 of expenditure on capital projects which are funded by third parties through contractual arrangements. The Group will recover expenditure from these parties within 3 months of expenditure being incurred.

(b) Lease commitments

Non-cancellable operating leases

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

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

	2017 \$000	2016 \$000
Within one year	81,300	72,400
Later than one year but not later than five years	280,500	251,300
Later than five years	749,900	734,000
	1,111,700	1,057,700

27 EARNINGS PER SHARE (EPS)

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

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

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

Earnings	2017 \$000	2016 \$000
Profit attributable to ordinary equity holders for calculating basic and diluted EPS calculations	59,100	25,200

	Number of shares	
Number of ordinary shares	000	000
Weighted average number of ordinary shares used in the calculation of basic EPS	349,100	308,500
Dilutive effect of share options	7,600	10,700
Weighted average number of ordinary shares for diluted EPS	356,700	319,200
Basic EPS (cents per share)	16.93	8.18
Diluted EPS (cents per share)	16.57	7.91

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

28 REMUNERATION OF AUDITORS

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

	2017 \$000	2016 \$000
KPMG		
<i>Amounts received or due and receivable by KPMG for:</i>		
Audit and review of financial statements	769	700
Tax compliance, advisory and other services	137	175
IPO due diligence services	1,121	410
Total amount paid or payable to auditors	2,027	1,285

29 PARENT ENTITY FINANCIAL INFORMATION

Summary financial information

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

	2017 \$000	2016 \$000
Statement of financial position		
Non-current assets	621,300	59,200
Total assets	621,300	59,200
Current liabilities	8,000	5,300
Non-current liabilities	448,600	40,000
Total liabilities	456,600	45,300
Net assets	164,700	13,900
Equity		
Contributed equity	262,000	107,800
Accumulated losses	(97,000)	(94,000)
Other reserves	(300)	–
	164,700	13,800
Profit/(loss) for the year	5,800	(2,500)
Total comprehensive income	5,500	(2,500)

The parent entity does not have any commitments or contingent liabilities as at 1 July 2017.

30 DEED OF CROSS GUARANTEE

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

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

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

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

Set out below is a condensed consolidated income statement, consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the period ended 1 July 2017 of the closed group.

	2017 \$000
<i>Consolidated income statement</i>	
Revenue from continuing operations	
Sales revenue	2,426,900
Expenses	
Expenses from ordinary activities	(2,350,100)
Profit before income tax	76,800
Income tax expense	(18,100)
Profit for the period	58,700
<i>Consolidated statement of comprehensive income</i>	
Profit for the period	58,700
Other comprehensive income	
Changes in the fair value of cash flow hedges	8,800
Exchange differences on translation of foreign operations	(200)
Other comprehensive income for the period, net of tax	8,600
Total comprehensive income for the period	67,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 1 July 2017

30 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 1 July 2017 of the closed group.

	2017 \$000
Biological assets	114,600
Trade and other receivables	230,400
Inventories	157,800
Assets classified as held for sale	46,400
Derivative financial instruments	100
Cash and cash equivalents	146,100
Total current assets	695,400
Derivatives financial instruments	300
Property, plant and equipment	372,800
Equity accounted investments	2,000
Total non-current assets	375,100
Total assets	1,070,500
Trade and other payables	269,600
Provisions	77,300
Derivative financial instruments	2,200
Current tax liability	8,100
Related party payables	10,000
Total current liabilities	367,200
Borrowings	448,600
Provisions	37,200
Deferred tax liabilities	11,200
Total non-current liabilities	497,000
Total liabilities	864,200
Net assets	206,300
Equity	
Contributed equity	262,000
Other reserves	41,500
(Accumulated losses)/Retained earnings	(97,200)
Total equity	206,300

31 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year end a dividend of 9.5 cents per share has been declared totalling \$36.1 million to be paid on 4 October 2017. The financial effect of this dividend has not been brought to account in these consolidated financial statements and will be recognised in subsequent financial reports.

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

DIRECTORS' DECLARATION

1. In the opinion of the directors:
 - (a) The consolidated financial statements and notes set out on pages 46 to 86 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 1 July 2017 and of its performance for the financial year ended on that date, and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b); and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe the Company the Group entities identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Corporations (Wholly Owned Companies) Instrument 2016/285.
3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer, for the financial year ended 1 July 2017.
4. The directors draw attention to note 2(a) to the 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

North Ryde, Sydney
22 August 2017



Linda Bardo Nicholls, AO
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 1 July 2017 and of its financial performance for the period ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Consolidated statement of financial position as at 1 July 2017;
- Consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 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 period-end or from time to time during the financial period.

The **Period** is the 53 weeks ended on 1 July 2017.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

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

Accounting for rebates and trade allowances – (sales revenue, which is net of trade allowances and rebates, amounts to \$2,426.9 million)

Refer to Note 4 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Revenue is recognised at the fair value of the consideration received or receivable and is net of returns, trade allowances, rebates and amounts collected on behalf of third parties.</p> <p>The accounting for trade allowances and rebates is a key audit matter due to the:</p> <ul style="list-style-type: none"> • 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; and • Differing settlement terms for customers which leads to complexity in checking the accruals at balance date across the portfolio. <p>The accrual at balance date is based on sales activity and relevant rebate and trade allowance rates/conditions of customers, for the time period since the last payment date to balance date.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Considering the appropriateness of the Group's accounting policies regarding revenue recognition, trade allowances and rebates against the requirement of the 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 period; • 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 period 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 period end, for evaluation of the accrual existence and quantum.

INDEPENDENT AUDITOR'S REPORT



Other Information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 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_files/ar2.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Inghams Group Limited for the period ended 1 July 2017, 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 33 to 44 of the Directors' Report for the period ended 1 July 2017.

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

KPMG
Sydney, 22 August 2017

Greg Boydell
Partner

SHAREHOLDER INFORMATION

As at 1 September 2017

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 1 September 2017)

Rank	Name of Shareholder	Number of Shares	% of Issued Capital
1	TPG Asia SF V Pte. Ltd.	79,475,810	20.90
2	TPG Asia VI SF Pte. Ltd.	66,110,880	17.39
3	J P Morgan Nominees Australia Limited	55,194,159	14.52
4	HSBC Custody Nominees (Australia) Limited	34,445,366	9.06
5	TPG Adams Co-Invest L.P.	33,240,975	8.74
6	Citicorp Nominees Pty Limited	8,353,667	2.20
7	BNP Paribas Nominees Pty Ltd	7,114,093	1.87
8	National Nominees Limited	5,402,917	1.42
9	BNP Paribas Noms Pty Ltd	5,230,617	1.38
10	Bond Street Custodians Limited (Macq High Conv Fund) & Bond Street Custodians Limited	5,144,653	1.35
11	Seymour Group Pty Ltd	3,745,714	0.99
12	Ingham 2 Pty Limited <Mick McMahon A/C>	3,036,722	0.80
13	CS Third Nominees Pty Limited	2,586,137	0.68
14	Ingham 2 Pty Limited <Ian Brannan A/C>	1,562,038	0.41
15	Bond Street Custodians Ltd	1,196,068	0.31
16	Buttonwood Nominees Pty Ltd	1,169,036	0.31
17	The Walter And Eliza Hall Institute Of Medical Research	946,190	0.25
18	HSBC Custody Nominees (Australia) Limited – A/C 2	768,275	0.20
19	Ingham 2 Pty Limited <Janelle Cashin A/C>	560,000	0.15
20	Navigator Australia Ltd	518,481	0.14

Distribution of Holdings (as at 1 September 2017)

Range	Number of Holders	Number of Shares	% of Issued Capital
100,001 and over	76	328,155,939	86.30
10,001 to 100,000	1,237	28,208,385	7.42
5,001 to 10,000	1,604	11,885,120	3.13
1,001 to 5,000	4,157	10,826,519	2.85
1 to 1,000	1,762	1,167,233	0.31
Total	8,836	380,243,196	100.00

There are no shareholders holding less than a marketable parcel of shares (as at 1 September 2017).

Substantial Shareholders (as Disclosed in Substantial Holder Notices given to the Company as at 1 September 2017)

Shareholder	Number of Shares	% of Issued Capital
TPG Capital	178,827,665	47.03%
AustralianSuper	48,100,665	12.65%
Mondrian Investment Partners	28,504,996	7.50%
Macquarie Asset Management	22,998,054	6.04%

ESCROW SHARES

As at 1 September 2017, the shares subject to voluntary escrow arrangements are:

Number of Shares	Escrow End Date	Early Release Date and Conditions (if Applicable)
11,827,401	4.30pm on the date on which Ingham's full year FY18 annual results are announced to ASX (due on or before 31 August 2018)	Nil
485,714	7 November 2018	Nil

UNQUOTED SECURITIES

As at 1 September 2017, there were 1,031,745 performance rights over unissued shares of Inghams Group Limited, as described on page 23 of the Directors' Report. These performance rights are held by 6 members of management and Directors of the Company. All of the 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 380,243,196 issued shares in the Company are ordinary shares, held by 8,836 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.



this page has been left blank intentionally

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Peter Bush (Chairman)
Mick McMahon (CEO)
Joel Thickens
Ricky Lau
Linda Bardo Nicholls, AO
Helen Nash
Jackie McArthur

COMPANY SECRETARY

David Matthews
Ian Brannan

REGISTERED OFFICE

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

AUDITOR

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

SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000

Telephone: 1800 177 747
+61 2 8280 7390

Email: registrars@linkmarketservices.com.au

STOCK EXCHANGE

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

CORPORATE WEBSITE

www.inghams.com.au

