

# Inghams Group Limited

Inghams Group Limited (ACN: 162 709 506) and its controlled entities

## Appendix 4D for the half year; 26 weeks ended 29 December 2018 (1H FY2019)

### Results for announcement to the market

	1H19 \$000	1H18 \$000	Variance \$000	Variance
Revenue from ordinary activities	1,257,000	1,206,100	50,900	4.2%
Profit for the period after tax from ordinary activities attributable to members	84,400	65,700	18,700	28.5%

### Dividends

The directors have determined that subsequent to the half year end, a fully franked interim dividend of 9.0 cents per share totalling \$34.2m will be paid on 9 April 2019. The dividend was not declared at 29 December 2018 and as such no provision has been recognised. The record date for this interim dividend will be 14 March 2019.

A fully franked final dividend in respect of FY18 of 11.6 cents per share was declared and paid in the period.

Inghams Group Limited does not have a dividend reinvestment plan in operation.

### Net tangible assets backing

At 29 December 2018, the net tangible asset backing per ordinary share was \$0.50 per share, post capital return of \$0.33 per share (30 December 2017 : \$0.65 per share).

### Entities where control has been gained or lost

There were no entities acquired or disposed of during the current period or the previous corresponding period.

### Associates

The Group has a 50% (1H18 : 50%) investment in AFB International Pty Limited. The Group's share of the results of this entity is not material to the Group's results for the period or for the previous corresponding period.

This Appendix 4D should be read in conjunction with the Inghams Group Limited Half Year Financial Report for the half year ended 29 December 2018.

**Inghams Group Limited**  
ACN 162 709 506  
**Interim Financial Report**  
**For the Half year ended 29 December 2018**

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## Directors' report

The directors of ASX-listed Inghams Group Limited (Inghams) and its controlled entities (the Group), present their report together with the consolidated interim financial report for the half year ended 29 December 2018 (1HFY19).

### Principal activities

The principal activities of the Group consist 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 and dairy industries. There were no significant changes in the nature of the Group's principal activities during the period.

### Directors

The following persons were directors of the Group during the period and until the date of this report:

Director	Role	Date of appointment	Date of resignation
Peter Bush	Chairman	7 October 2016	
Ricky Lau	Non-Executive Director	29 October 2013	
Jim Leighton	CEO & Managing Director	7 January 2019	
Jackie McArthur	Non-Executive Director	18 September 2017	
Mick McMahon	Executive Director	6 March 2015	17 October 2018
Helen Nash	Non-Executive Director	16 May 2017	
Linda Bardo Nicholls AO	Non-Executive Director	7 October 2016	
Andrew Reeves	Non-Executive Director	14 January 2019	
Joel Thickins	Non-Executive Director	18 September 2017	31 December 2018

### Present Director profiles of Inghams

#### Peter Bush (Chairman)

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

#### Ricky Lau (Non-Executive Director)

Ricky is 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.

#### Jim Leighton (CEO & Managing Director)

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

## Directors' report (continued)

### Directors (continued)

#### Jackie McArthur (Non-Executive Director)

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

#### Helen Nash (Non-Executive Director)

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

#### Linda Bardo Nicholls AO (Non-Executive Director)

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

#### Andrew Reeves (Non-Executive Director)

Andrew Reeves was appointed as Non-Executive Director to the Inghams Group Board on 14 January 2019. Andrew is a prominent figure within the FMCG industry and has served as CEO and Managing Director for both ASX-listed entities and large-scale multinationals. He has also held senior roles at Lion Nathan and Coca Cola Amatil. Most recently he was CEO of George Weston Foods, a role he held between 2011 and 2016. He currently sits on the boards of Credit Union Australia, Netget Limited and Keytone Dairy.

### Operating and financial review

Financial information in the Operating and Financial Review is based on the consolidated interim financial statements.

1HFY19 net profit after tax (NPAT) of \$84.4 million was \$18.7 million favourable to prior comparative period (pcp). The movement was due to the following key factors:

- 1HFY19 revenue of \$1,257.0 million was \$50.9 million favourable to pcp driven by an increase in core poultry volumes of 3%. Gross margin percentage has risen due to project accelerate initiatives and the ability to pass through input cost increases.
- Operating profit of \$128.7 million was \$35.4 million favourable to pcp predominately due to a net gain on sale of assets of \$53.9m, after restructuring and other one-off costs of \$13.7m.

### Significant changes in the state of affairs

There were no significant changes in the nature of the Group's activities during the period.

## Directors' report (continued)

### Dividends

The directors have determined that subsequent to the half year end, a fully franked interim dividend of 9.0 cents per share totalling \$34.2m will be paid on 9 April 2019. The dividend was not declared at 29 December 2018 and as such no provision has been recognised. The record date for this interim dividend will be 14 March 2019.

A fully franked final dividend in respect of FY18 of 11.6 cents per share was declared and paid in the period.

### Events occurring after balance date

Subsequent to half year end, the directors have declared a fully franked interim dividend of 9.0 cents per share on 28 February 2019.

The directors of the Company are not aware of any other matter or circumstance not otherwise dealt with in the financial report that significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in the period subsequent to the half year ended 29 December 2018.

### Lead auditor's independence declaration

A copy of the lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of the Directors' Report for half year ended 29 December 2018.

### Rounding

The Company is a kind referred to in *Australian Securities & Investments Commission (ASIC) Corporations Instrument 2016/191* dated 1 April 2016, and in accordance with that Instrument all financial information presented in Australian dollars has been rounded to the nearest hundred thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the directors.



Peter Bush  
Chairman  
Sydney  
28 February 2019



Linda Bardo Nicholls AO  
Non-Executive Director  
Sydney  
28 February 2019



# 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 review of Inghams Group Limited for the half-year ended 29 December 2018 there have been:

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

A handwritten signature in black ink, appearing to read 'G Boydell', written in a cursive style.

KPMG

A handwritten signature in black ink, appearing to read 'G Boydell', written in a cursive style.

Greg Boydell  
Partner

KPMG Sydney  
28 February 2019

## Consolidated income statement

	Notes	29 December 2018 \$000	30 December 2017 \$000
<b>Revenue</b>	<b>3</b>	<b>1,257,000</b>	<b>1,206,100</b>
<b>Other income</b>	<b>4</b>	<b>54,500</b>	<b>14,100</b>
<b>Expenses</b>			
Cost of sales		(1,026,500)	(981,800)
Distribution		(76,800)	(72,300)
Administrative and selling		(79,500)	(72,800)
<b>Operating profit</b>		<b>128,700</b>	<b>93,300</b>
<b>Finance costs</b>			
Finance income		2,200	1,000
Finance costs		(11,100)	(9,100)
<b>Net finance costs</b>		<b>(8,900)</b>	<b>(8,100)</b>
Share of net profit of associates		-	100
<b>Profit before income tax</b>		<b>119,800</b>	<b>85,300</b>
Income tax expense		(35,400)	(19,600)
<b>Profit for the period attributable to: Owners of Ingham Group Limited</b>		<b>84,400</b>	<b>65,700</b>
Basic EPS (cents per share)		<b>22.62</b>	17.66
Diluted EPS (cents per share)		<b>22.08</b>	17.49

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

## Consolidated statement of comprehensive income

	29 December 2018	30 December 2017
	\$000	\$000
<b>Profit for the period</b>	<b>84,400</b>	<b>65,700</b>
Changes in the fair value of cash flow hedges	(1,700)	1,300
Tax on changes in fair value of cash flow hedges	500	(400)
<b>Total items that have subsequently been reclassified to profit or loss</b>	<b>(1,200)</b>	900
Exchange differences on translation of foreign operations	5,600	(6,500)
Changes in the fair value of cash flow hedges	(900)	100
Tax on changes in fair value of cash flow hedges	300	-
<b>Total items that may subsequently be reclassified to profit or loss</b>	<b>5,000</b>	(6,400)
<b>Total comprehensive income is attributable to:</b>		
<b>Owners of Inghams Group Limited</b>	<b>88,200</b>	<b>60,200</b>

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

## Consolidated statement of financial position

	Notes	29 December 2018 \$000	30 Jun 2018 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		163,600	273,700
Trade and other receivables		257,700	197,300
Biological assets		121,000	117,900
Inventories		158,400	145,900
Assets classified as held for sale	5	25,500	16,500
Derivative financial instruments		-	3,300
<b>Total current assets</b>		<b>726,200</b>	<b>754,600</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method		1,800	1,800
Property, plant and equipment		383,700	384,300
<b>Total non-current assets</b>		<b>385,500</b>	<b>386,100</b>
<b>Total assets</b>		<b>1,111,700</b>	<b>1,140,700</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		371,200	313,100
Current tax liability		29,100	21,000
Provisions	7	88,500	90,300
Derivative financial instruments		800	500
<b>Total current liabilities</b>		<b>489,600</b>	<b>424,900</b>
<b>Non-current liabilities</b>			
Trade and other payables		2,700	2,500
Borrowings	6	398,100	419,100
Provisions	7	24,800	24,100
Derivative financial instruments		800	-
Deferred tax liabilities		9,800	9,100
<b>Total non-current liabilities</b>		<b>436,200</b>	<b>454,800</b>
<b>Total liabilities</b>		<b>925,800</b>	<b>879,700</b>
<b>Net assets</b>		<b>185,900</b>	261,000
<b>EQUITY</b>			
Contributed equity	8	143,900	263,600
Reserves		29,800	24,900
Retained earnings/(accumulated losses)		12,200	(27,500)
<b>Total equity</b>		<b>185,900</b>	<b>261,000</b>

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

## Consolidated statement of changes in equity

	Attributable to owners of Inghams Group Limited				
	Contributed Equity \$000	Retained earnings/ Accumulated Losses \$000	Asset revaluation reserve \$000	Other reserves \$000	Total Equity \$000
<b>Opening Balance</b>	263,600	(27,500)	4,800	20,100	261,000
AASB9 Adoption*	-	(800)	-	-	(800)
<b>Balance at 1 July 2018</b>	<b>263,600</b>	<b>(28,300)</b>	<b>4,800</b>	<b>20,100</b>	<b>260,200</b>
Profit for the period	-	84,400	-	-	84,400
Other comprehensive income	-	-	-	3,800	3,800
Transfer to retained earnings	-	200	(200)	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>84,600</b>	<b>(200)</b>	<b>3,800</b>	<b>88,200</b>
<b>Transactions with owners of the Company</b>					
Dividends provided for or paid	-	(44,100)	-	-	(44,100)
Amounts paid for escrowed shares	5,800	-	-	-	5,800
Share based payment expense	-	-	-	1,300	1,300
Capital Return	(125,500)	-	-	-	(125,500)
	<b>(119,700)</b>	<b>(44,100)</b>	<b>-</b>	<b>1,300</b>	<b>(162,500)</b>
<b>Balance at 29 December 2018</b>	<b>143,900</b>	<b>12,200</b>	<b>4,600</b>	<b>25,200</b>	<b>185,900</b>
<b>Balance at 1 July 2017</b>	262,000	(88,500)	16,700	26,300	216,500
Profit for the period	-	65,700	-	-	65,700
Other comprehensive income	-	-	-	(5,500)	(5,500)
Transfer to retained earnings	-	8,100	(8,100)	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>73,800</b>	<b>(8,100)</b>	<b>(5,500)</b>	<b>60,200</b>
<b>Transactions with owners of the Company</b>					
Dividends provided for or paid	-	(36,100)	-	-	(36,100)
Amounts paid for escrowed shares	800	-	-	-	800
Share based payment expense	-	-	-	1,000	1,000
	<b>800</b>	<b>(36,100)</b>	<b>-</b>	<b>1,000</b>	<b>(34,300)</b>
<b>Balance at 30 December 2017</b>	<b>262,800</b>	<b>(50,800)</b>	<b>8,600</b>	<b>21,800</b>	<b>242,400</b>

\* AASB9 change relates to an increase in the provision for doubtful debts as a result of adopting this standard.

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

## Consolidated statement of cash flows

	Notes	29 December 2018 \$000	30 December 2017 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,244,500	1,226,100
Payments to suppliers and employees (inclusive of GST)		<u>(1,149,200)</u>	<u>(1,097,700)</u>
		<b>95,300</b>	<b>128,400</b>
Interest received		2,300	1,000
Income taxes paid		<u>(26,400)</u>	<u>(12,900)</u>
<b>Net cash provided by operating activities</b>		<b>71,200</b>	<b>116,500</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(27,000)	(21,200)
Property purchases		(39,100)	-
3rd party capital expenditure recovered		6,500	-
Proceeds from sale of assets held for sale		75,600	53,700
Proceeds from sale of property, plant and equipment		<u>-</u>	<u>3,300</u>
<b>Net cash flows provided by investing activities</b>		<b>16,000</b>	<b>35,800</b>
<b>Cash flows from financing activities</b>			
Dividends paid	9	(43,300)	(35,300)
Repayment of borrowings		(20,000)	(30,000)
Repayment of capital		(124,500)	-
Interest and finance charges paid		<u>(11,100)</u>	<u>(8,700)</u>
<b>Net cash flows used in financing activities</b>		<b>(198,900)</b>	<b>(74,000)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(111,700)</b>	78,300
Cash and cash equivalents at the beginning of the financial year		273,700	149,000
Effects of exchange rate changes on cash and cash equivalents		<u>1,600</u>	<u>(1,800)</u>
<b>Cash and cash equivalents at end of period</b>		<b>163,600</b>	<b>225,500</b>

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

## Notes to the interim financial report

### 1 General

#### (a) Basis of preparation and statement of compliance

This is the interim financial report for Inghams Group Limited (Inghams) and its controlled entities (the Group) and the Group's interest in equity accounted investments, for the 26 week period ended 29 December 2018 (the half year). Inghams is a for-profit entity limited by shares, incorporated and domiciled in Australia for the purposes of preparing the consolidated interim financial statements.

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 and dairy industries. There were no significant changes in the nature of the Group's activities during the period.

This interim financial report is:

- to be read in conjunction with the annual report of the Group for the year ended 30 June 2018 and any public announcements made by the Company during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*, and the Australian Securities Exchange listing rules;
- a general purpose financial report,
- prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*,
- prepared under the historical cost convention except for the following:
  - Financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment measured at fair value; and
  - Assets held for sale - measured at the lower of cost and fair value less cost of disposal.
- presented in Australian dollars, which is the functional currency of Inghams, with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with *ASIC Corporations Instrument 2016/191* dated 1 April 2016.

These financial statements do not include all the information required for a complete set of annual financial statements. The interim financial report was authorised for issue by the directors of Inghams on 28 February 2018.

#### (b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Group and the results of all controlled entities for the half year ended 29 December 2018.

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.

#### (c) Use of judgements and estimates

The preparation of the interim financial report 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 land and buildings - note 1(d); and
- The determination of workers compensation provision - note 7

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

## Notes to the interim financial report (continued)

### 1 General (continued)

#### (d) Financial Risk Management

The Group's approach to financial risk management is consistent with that disclosed in the Group's annual financial statements for the year ended 30 June 2018.

The Group's borrowings are held at amortised cost, with their fair values best approximated to the principal amount drawn down as disclosed in note 6.

##### *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 significant inputs are not based on observable market data, the instrument is included in level 3.

The following assets and liabilities are measured at fair value:

	Fair value hierarchy	Valuation technique
Derivatives	Level 2	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	Based on current prices in an active market for similar properties in the same location and condition.

The Group's land and buildings are carried at fair value and were last revalued at 25 June 2016. The directors believe that the carrying values are not materially different from the fair values of these assets at balance date. A revaluation will be carried out in 2H FY19.

At interim reporting date, derivative financial instruments and land & buildings continue to be carried at fair value, and trade receivables & payables carrying values continue to approximate their fair value due to their short-term nature.

#### (e) Significant accounting policies

The principal accounting policies adopted in the presentation of these interim financial report have been consistently applied by each entity in the Group to all the periods presented, unless otherwise stated.

From 1 July 2018 the Group adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. There has been an increase in the provision for doubtful debts as a result of the adoption of AASB 9. There are no material impacts to the interim financial report as a result of the adoption of AASB 15.

## Notes to the interim financial report (continued)

### 2 Segment information

#### Description of segments

The Group'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 Chief Executive Officer 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 Chief Executive Officer and the senior leadership team monitor the operating results of its 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 and depreciation ("EBITDA") and significant items. Inter-segment pricing is determined on an arms length basis and inter-segment revenue is generated from a royalty charge for the services provided by the Australian operation.

Allocation of assets and liabilities are not separately identified in internal reporting so are not disclosed in the note.

	Australia	New Zealand	Consolidated
	Dec 2018	Dec 2018	Dec 2018
	\$000	\$000	\$000
Poultry revenue	978,000	153,000	1,131,000
Feed revenue	86,300	39,700	126,000
Other Income	54,500	-	54,500
Inter segment revenue/expense	9,300	(9,300)	-
	<u>1,128,100</u>	<u>183,400</u>	<u>1,311,500</u>
Adjusted operating expenses*	(990,300)	(169,200)	(1,159,500)
<b>EBITDA</b>	<b>137,800</b>	<b>14,200</b>	<b>152,000</b>
Depreciation and amortisation			<u>(23,300)</u>
<b>Operating Profit</b>			<b>128,700</b>
Net finance costs			<u>(8,900)</u>
<b>Profit before tax</b>			<b>119,800</b>

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

## Notes to the interim financial report (continued)

### 2 Segment information (continued)

	Australia Dec 2017 \$000	New Zealand Dec 2017 \$000	Consolidated Dec 2017 \$000
Poultry	919,800	152,300	1,072,100
Feed	95,200	38,800	134,000
Other Income	14,100	-	14,100
Inter segment revenue/expense	9,500	(9,500)	-
	<u>1,038,600</u>	<u>181,600</u>	<u>1,220,200</u>
Adjusted operating expenses*	(944,400)	(159,700)	(1,104,100)
Share of net profit of associate	100	-	100
<b>EBITDA</b>	<u>94,300</u>	<u>21,900</u>	<u>116,200</u>
Depreciation and amortisation			(22,800)
<b>Operating Profit</b>			<u>93,400</u>
Net finance costs			(8,100)
<b>Profit before tax</b>			<u>85,300</u>

\* - Adjusted operating expense include cost of sales, distribution, selling and administration, excluding depreciation and amortisation, and significant items.

### 3 Revenue

	29 Dec 2018			30 Dec 2017		
	Australia \$000	New Zealand \$000	Total \$000	Australia \$000	New Zealand \$000	Total \$000
Poultry	978,000	153,000	1,131,000	919,800	152,300	1,072,100
Feed	86,300	39,700	126,000	95,200	38,800	134,000
	<u>1,064,300</u>	<u>192,700</u>	<u>1,257,000</u>	<u>1,015,000</u>	<u>191,100</u>	<u>1,206,100</u>

### 4 Other income

	29 Dec 2018 \$000	30 Dec 2017 \$000
Net gain on disposal of assets held for sale	2,400	14,100
Net gain on disposal of Mitavite	51,500	-
Rent	600	-
	<u>54,500</u>	<u>14,100</u>

### 5 Assets classified as held for sale

	29 Dec 2018 \$000	30 Jun 2018 \$000
Assets classified as held for sale	<u>25,500</u>	<u>16,500</u>

The carrying amount of assets classified as held for sale at 29 December 2018 represents poultry land and buildings currently marketed for sale in Wacol, Maldon and East Kurrajong, and a storage facility in Cardiff.

## Notes to the interim financial report (continued)

### 6 Borrowings

	Carrying amount		Principal amount drawn		Interest rate	Maturity
	29 Dec 2018	30 Jun 2018	29 Dec 2018	30 Jun 2018		
	\$000	\$000	\$000	\$000		
<b>Unsecured liabilities</b>						
Tranche A	-	249,500	-	250,000	Floating*	November 2019
Tranche B	-	169,600	-	170,000	Floating*	November 2020
Tranche A	<b>199,000</b>	-	<b>200,000</b>	-	Floating*	November 2021
Tranche B	<b>199,100</b>	-	<b>200,000</b>	-	Floating*	November 2022
	<b>398,100</b>	<b>419,100</b>	<b>400,000</b>	<b>420,000</b>		

\* Floating rates are at Bank Bill Swap Rate plus a predetermined margin.

#### Fair value

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

### 7 Provisions

	29 Dec 2018			30 Jun 2018		
	Current	Non-current	Total	Current	Non-current	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Workers compensation	7,200	16,300	23,500	7,100	17,600	24,700
Annual leave and long service leave	68,500	5,400	73,900	68,500	5,500	74,000
Make good	2,900	-	2,900	5,800	1,000	6,800
Onerous contracts	1,600	3,100	4,700	-	-	-
Restructuring	6,700	-	6,700	7,400	-	7,400
Other provisions	1,600	-	1,600	1,500	-	1,500
	<b>88,500</b>	<b>24,800</b>	<b>113,300</b>	<b>90,300</b>	<b>24,100</b>	<b>114,400</b>

#### Workers compensation

Workers compensation provisions are determined by actuarial assessment by Mr William Szuch Bsc, BA, MBA, FIA. FIAA Principle of WSA Financial Consulting Pty Limited and Mr Bruce Harris, BEng(Hons) FIAA Consultant of am actuaries, considering the liability for reported claims still outstanding, settled claims that may be reopened in the future, claims incurred but not reported as at balance date and a provision for future expenses, adjustments for claims cost escalation and investment earnings on the claims provision. The most recent valuation was performed at 29 December 2018.

#### Onerous contracts

Onerous contracts provisions relate to the further processing network optimisation at the Cleveland site.

## Notes to the interim financial report (continued)

### 8 Equity

#### (a) Share capital

	29 Dec 2018 Shares	29 Dec 2018 \$000	30 Jun 2018 Shares	30 Jun 2018 \$000
Ordinary shares issued	380,243,196	143,900	380,243,196	263,600
		<u>143,900</u>		<u>263,600</u>

#### (b) Movements in ordinary shares

	Shares	\$000
<b>Balance at 1 July 2017</b>	<b>380,243,196</b>	<b>262,000</b>
Amounts paid for shares under escrow	-	800
<b>Balance at 30 December 2017</b>	<b>380,243,196</b>	<b>262,800</b>
<b>Balance at 30 Jun 2018</b>	<b>380,243,196</b>	<b>263,600</b>
Amounts paid for shares under escrow	-	5,800
Capital return	-	(125,500)
<b>Balance at 29 December 2018</b>	<b>380,243,196</b>	<b>143,900</b>

### 9 Dividends

#### (a) Ordinary shares

During the period, a fully franked final dividend in respect of FY18 of 11.6 cents per share was declared and paid.

The Directors propose that an interim dividend of 9.0 cents per ordinary share be declared on 28 February 2019, and be paid on 9 April 2019. The proposed FY19 interim dividend will be fully franked for Australian tax purposes.

#### (b) Franking credits

	29 Dec 2018 \$000	30 Dec 2017 \$000
Amount of Australian franking credits available to the shareholders of Inghams Group Limited	<u>21,800</u>	<u>24,400</u>

The ability to utilise the franking credits is dependent upon the ability to declare dividends in the future. \$16.0m (2018: \$16.0m) of franking credits are only available to be used under certain specific circumstances.

### 10 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 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 7.

## Notes to the interim financial report (continued)

### 11 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 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:

	Dec 2018	Dec 2017
<b>Earnings</b>	<b>\$000</b>	<b>\$000</b>
Earnings used in calculating basic and diluted earnings per share attributable to the equity holders of the parents	<b>84,400</b>	65,700
	<b>Number of shares</b>	
<b>Number of ordinary shares</b>	<b>000</b>	<b>000</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	<b>373,200</b>	371,900
Dilutive effect of share options	<b>9,000</b>	3,600
Weighted average number of ordinary shares used in the calculation of diluted EPS	<b>382,200</b>	375,500
Basic EPS (cents per share)	<b>22.62</b>	17.66
Diluted EPS (cents per share)	<b>22.08</b>	17.49

### 12 Events after the reporting period

Subsequent to half year end, the directors have declared an interim dividend of 9.0 cents per share on 28 February 2019.

The directors of the Group are not aware of any other matter or circumstance not otherwise dealt with in the financial report that significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in the period subsequent to the half year ended 29 December 2018.

## Directors' declaration

1. In the opinion of the directors of Inghams Group Limited (the Company):
  - (a) the consolidated interim financial report and notes set out on pages 7 to 18 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 29 December 2018 and of its performance for the half-year ended on that date; and
    - (ii) complying with Australian Accounting Standard *AASB134 Interim Financial Reporting* and the *Corporations Regulations 2001*.
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Peter Bush  
Chairman  
Sydney  
28 February 2019



Linda Bardo Nicholls AO  
Non-Executive Director  
Sydney  
28 February 2019



# Independent Auditor's Review Report

To the shareholders of Inghams Group Limited

## Conclusion

We have reviewed the accompanying **Interim Financial Report** of Inghams Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Inghams Group Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 29 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises the:

- Consolidated statement of financial position as at 29 December 2018;
- Consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date;
- Notes comprising a summary of significant accounting policies and other explanatory information; and
- Directors' Declaration.

The **Group** comprises Inghams Group Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year. The **half-year** is the 26 weeks ended 29 December 2018.

## Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.



## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 29 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Inghams Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

A handwritten signature in black ink, appearing to read 'G Boydell', written in a cursive style.

KPMG

A handwritten signature in black ink, appearing to read 'G Boydell', written in a cursive style.

Greg Boydell

Partner

Sydney

28 February 2019