Inghams Group Limited

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

Appendix 4D for the half year; 26 weeks ended 28 December 2019 (1H FY2020)

Results for announcement to the market

	1H20 $000	1H19 $000	Variance $000	Variance
Revenue from ordinary activities	**1,303,500**	1,257,000	46,500	3.7%
Profit for the period after tax from ordinary activities attributable to members*	**26,200**	84,400	(58,200)	(69.0%)

*Please refer to Note 2 Changes in accounting policies for a detailed explanation of the impact on the Group's financial statements due to the adoption of *AASB 16 Leases*.

Dividends

The directors have determined that subsequent to the half year end, a fully franked interim dividend of 7.3 cents per share totalling $27.1m will be paid on 9 April 2020. The dividend was not declared at 28 December 2019 and as such no provision has been recognised. The record date for this interim dividend will be 16 March 2020.

A fully franked final dividend in respect of FY19 of 10.5 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 28 December 2019, the net tangible asset backing per ordinary share was $0.41 per share, (29 December 2018 : $0.50 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% (1H19 : 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 28 December 2019.

Inghams Group Limited

ACN 162 709 506

Interim Financial Report

For the half year ended 28 December 2019

Contents to financial report

Directors' report

The directors of ASX-listed Inghams Group Limited (Inghams or Company) and its controlled entities (the Group), present their report together with the consolidated interim financial report for the half year ended 28 December 2019 (1HFY20).

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	
Rob Gordon	Non-Executive Director	11 April 2019	
Ricky Lau	Non-Executive Director	29 October 2013	
Jim Leighton	CEO & Managing Director	7 January 2019	
Jackie McArthur	Non-Executive Director	18 September 2017	
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	

Operating and financial review

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

1HFY20 net profit after tax (NPAT) of $26.2m was $58.2m unfavourable to prior comparative period (pcp). The movement was due to the following key factors:

• 1HFY19 benefited from $28.1m in net gain on sale of assets, net of restructuring costs, predominantly from the sale of Mitavite business;

• 1HFY20 NPAT decreased $12.8m due to the adoption of *AASB 16 Leases*.

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 7.3 cents per share totalling $27.1m will be paid on 9 April 2020. The dividend was not declared at 28 December 2019 and as such no provision has been recognised. The record date for this interim dividend will be 16 March 2020.

A fully franked final dividend in respect of FY19 of 10.5 cents per share was declared and paid in the period.

Events occurring after balance date

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 28 December 2019.

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 5 and forms part of the Directors’ Report for half year ended 28 December 2019.

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
21 February 2020

Linda Bardo Nicholls AO
Non-Executive Director
Sydney
21 February 2020

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 28 December 2019 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.

KPMG

KPMG

Julie Cleary
Partner

Sydney
21 February 2020

Consolidated income statement

	Notes	28 December 2019 $000	29 December 2018 $000
Revenue	**4**	**1,303,500**	**1,257,000**
Other income/(loss)	**5**	**(600)**	**54,500**
Expenses			
Cost of sales		**(1,084,100)**	(1,026,500)
Distribution		**(78,300)**	(76,800)
Administrative and selling		**(66,400)**	(79,500)
Operating profit		**74,100**	**128,700**
Finance costs			
Finance income		**400**	2,200
Finance costs		**(37,900)**	(11,100)
Net finance costs		**(37,500)**	**(8,900)**
Share of net profit of associates		**200**	-
Profit before income tax		**36,800**	**119,800**
Income tax expense		**(10,600)**	(35,400)
Profit for the period attributable to:			
Owners of Ingham Group Limited		**26,200**	**84,400**
Basic EPS (cents per share)	**10**	**7.05**	22.62
Diluted EPS (cents per share)	**10**	**7.03**	22.08

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

Consolidated statement of comprehensive income

	Notes	28 December 2019 $000	29 December 2018 $000
Profit for the period		**26,200**	**84,400**
Changes in the fair value of cash flow hedges		**-**	(1,700)
Tax on changes in fair value of cash flow hedges		**-**	500
Total items subsequently reclassified to profit or loss		**-**	**(1,200)**
Exchange differences on translation of foreign operations		**(700)**	5,600
Changes in the fair value of cash flow hedges		**(900)**	(900)
Tax on changes in fair value of cash flow hedges		**300**	300
Total items that may subsequently be reclassified to profit or loss		**(1,300)**	**5,000**
Revaluation of land and buildings net of tax		**(900)**	-
Total items that will not be reclassified to profit or loss		**(900)**	**-**
Total comprehensive income is attributable to:			
Owners of Inghams Group Limited		**24,000**	**88,200**

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

Consolidated statement of financial position

	Notes	28 December 2019 $000	29 June 2019 $000
ASSETS			
Current assets			
Cash and cash equivalents		**75,200**	134,500
Trade and other receivables		**264,100**	214,600
Biological assets		**122,200**	124,200
Inventories		**154,400**	166,700
Assets classified as held for sale	6	**27,700**	21,400
Total current assets		**643,600**	**661,400**
Non-current assets			
Right of use asset	2	**1,585,400**	-
Property, plant and equipment		**428,200**	418,400
Investments accounted for using the equity method		**1,800**	1,800
Total non-current assets		**2,015,400**	**420,200**
Total assets		**2,659,000**	**1,081,600**
LIABILITIES			
Current liabilities			
Trade and other payables	11	**384,100**	360,700
Current tax liability		**2,700**	21,400
Provisions		**79,900**	84,400
Derivative financial instruments		**4,400**	3,100
Lease liabilities	2	**94,200**	-
Total current liabilities		**565,300**	**469,600**
Non-current liabilities			
Trade and other payables		**3,400**	10,600
Borrowings		**398,600**	398,300
Provisions		**20,700**	23,900
Derivative financial instruments		**3,500**	4,300
Deferred tax liabilities		**9,000**	10,400
Lease liabilities	2	**1,513,600**	-
Total non-current liabilities		**1,948,800**	**447,500**
Total liabilities		**2,514,100**	**917,100**
Net assets		**144,900**	**164,500**
EQUITY			
Contributed equity	7	**109,100**	109,100
Reserves		**28,400**	35,100
Retained earnings		**7,400**	20,300
Total equity		**144,900**	**164,500**

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**
Balance at 30 June 2019	**109,100**	**20,300**	**11,400**	**23,700**	**164,500**
Profit for the period	**-**	**26,200**	**-**	**-**	**26,200**
Other comprehensive income	**-**	**-**	**-**	**(1,300)**	**(1,300)**
Transfer to retained earnings	**-**	**-**	**(900)**	**-**	**(900)**
Total comprehensive income	-	**26,200**	**(900)**	**(1,300)**	**24,000**
Transactions with owners of the Company					
Dividends provided for or paid	**-**	**(39,100)**	**-**	**-**	**(39,100)**
Amounts paid for shares	**-**	**-**	**-**	**(3,400)**	**(3,400)**
Share based payment expense	**-**	**-**	**-**	**(1,100)**	**(1,100)**
	-	**(39,100)**	**-**	**(4,500)**	**(43,600)**
Balance at 28 December 2019	**109,100**	**7,400**	**10,500**	**17,900**	**144,900**
Opening Balance	**263,600**	**(27,500)**	**4,800**	**20,100**	**261,000**
AASB9 Adoption*	-	(800)	-	-	**(800)**
Balance at 1 July 2018	**263,600**	**(28,300)**	**4,800**	**20,100**	**260,200**
Profit for the period	-	84,400	-	-	84,400
Other comprehensive income	-	-	-	3,800	3,800
Transfer to retained earnings	-	200	(200)	-	-
Total comprehensive income	**-**	**84,600**	**(200)**	**3,800**	**88,200**
Transactions with owners of the Company					
Dividends provided for or paid	-	(44,100)	-	-	(44,100)
Amounts paid for shares	5,800	-	-	-	5,800
Share based payment expense	-	-	-	1,300	1,300
Capital Return	(125,500)	-	-	-	(125,500)
	(119,700)	**(44,100)**	**-**	**1,300**	**(162,500)**
Balance at 29 December 2018	**143,900**	**12,200**	**4,600**	**25,200**	**185,900**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
**AASB9 change relates to an increase in the provision for doubtful debts as a result of adopting this standard.*

Consolidated statement of cash flows

	Notes	28 December 2019 $000	29 December 2018 $000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**1,234,900**	1,244,500
Payments to suppliers and employees (inclusive of GST)		**(1,064,500)**	(1,149,200)
		170,400	**95,300**
Interest received		**400**	2,300
Income taxes paid		**(29,500)**	(26,400)
Net cash provided by operating activities		**141,300**	**71,200**
Cash flows from investing activities			
Capital expenditure (inclusive of third party spend)		**(40,500)**	(27,000)
Property purchases		**-**	(39,100)
Third party capital expenditure recovered		**-**	6,500
Proceeds from sale of assets held for sale		**7,400**	75,600
Dividends received from investments		**200**	-
Net cash flows (used in)/provided by investing activities		**(32,900)**	**16,000**
Cash flows from financing activities			
Dividends paid		**(39,000)**	(43,300)
Repayment of borrowings		**-**	(20,000)
Proceeds from issue of shares		**100**	-
Repayment of capital		**-**	(124,500)
Amounts paid for shares		**(3,400)**	-
Lease payments - principal		**(87,200)**	-
Lease payments - interest		**(30,600)**	-
Interest and finance charges paid		**(7,500)**	(11,100)
Net cash flows used in financing activities		**(167,600)**	**(198,900)**
Net (decrease) in cash and cash equivalents		**(59,200)**	(111,700)
Cash and cash equivalents at the beginning of the financial year		**134,500**	273,700
Effects of exchange rate changes on cash and cash equivalents		**(100)**	1,600
Cash and cash equivalents at end of period		**75,200**	**163,600**

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 or Company) and its controlled entities (the Group) and the Group's interest in equity accounted investments, for the 26 week period ended 28 December 2019 (the half year).

This interim financial report is:

- to be read in conjunction with the annual report of the Group for the year ended 29 June 2019 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.

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year. *AASB 16 Leases* became applicable from 01 January 2019 and the Group has changed its accounting policies effective 30 June 2019. Please refer to Note 2 for detailed disclosures regarding impact of this standard and the new accounting policies.

The interim financial report was authorised for issue by the directors of Inghams on 21 February 2020.

2 Changes in accounting policies

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

(a) Impact on the financial statements

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

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

(i) Lease liability

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;

Notes to the interim financial report (continued)

2 Changes in accounting policies (continued)

(a) Impact on the financial statements

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

(ii) Right-of-use asset

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

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

(iii) Depreciation expense

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

Depreciation relating to Contract Growers, Equipment and Property Leases will be recognised as depreciation expense in the Statutory Results reported in Note 3 Segment Information.

(iv) Extension and termination options

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

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

Lease options cannot be reasonably certain and are therefore excluded in the calculation of the lease liability.

Contract Growers have a set expiry date after which the lease continues indefinitely until either party gives 12 months' notice to terminate. In addition to the termination date, 12 months is included on all contract growers unless it is reasonably certain the lease will be exited earlier.

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

(v) Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Payments associated with short-term leases and leases of low-value assets. These are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment where the total individual lease payments are less than A$10,000.

Notes to the interim financial report (continued)

2 Changes in accounting policies (continued)

(b) Adjustments recognised on adoption of AASB 16

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

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

	2019 $000
Operating lease commitments disclosed as at 29 June 2019	**1,228,900**
Discounted using the lessee's incremental borrowing rate as at the date of initial application	**904,300**
(Less): low-value leases recognised on a straight-line basis as expense	**(740)**
Add: adjustments as a result of a different treatment under AASB 16*	**788,140**
Lease liability recognised as at 30 June 2019	**1,691,700**
Current lease liabilities	**179,000**
Non-current lease liabilities	**1,512,700**
	1,691,700

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

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted for any related assets and liabilities relating to that lease recognised on the balance sheet as at 29 June 2019.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 $000
Land and building	**878,700**
Contract growers	**792,200**
Equipment	**18,000**
Motor vehicles	**1,100**
Total right-of-use assets	**1,690,000**

The change in accounting policy affected the following items in the balance sheet on 30 June 2019:

Notes to the interim financial report (continued)

2 Changes in accounting policies (continued)

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

$'000	As reported 29 June 2019	Derecognise AASB 117 balances	Recognise AASB 16 balances	Opening balance 30 June 2019
Right of use assets	-	-	1,690,000	1,690,000
Current Lease liabilities	-	-	179,000	179,000
Non-current Lease liabilities	-	-	1,512,700	1,512,700
Trade and other receivables	214,600	(12,100)	-	202,500
Current Trade and other payables	360,700	(300)	-	360,400
Current Provisions	84,400	(3,100)	-	81,300
Non-Current Provisions	23,900	(2,900)	-	21,000
Non-current Trade and other payables	10,600	(7,600)	-	3,000

There was no impact on retained earnings on 30 June 2019.

(c) Impact on 28 December 2019

(i) Impact on segment disclosures and earnings

EBITDA, segment assets and segment liabilities for 28 December 2019 have increased as a result of the change in accounting policy.

The table below represents the impact on operating segments as a result of change in accounting policy:

	Australia Dec 2019 $000	New Zealand Dec 2019 $000	Consolidated Dec 2019 $000
	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)
EBITDA	**104,100**	**13,700**	**117,800**
Depreciation and amortisation	**93,300**	**12,200**	**105,500**
Finance costs	**28,000**	**2,600**	**30,600**
Income tax expense	**(5,200)**	**(300)**	**(5,500)**
Net profit after tax	**(12,000)**	**(800)**	**(12,800)**
Total assets (ii)	**1,429,000**	**156,400**	**1,585,400**
Total liabilities	**1,450,500**	**157,300**	**1,607,800**
Current lease liabilities	82,500	11,700	94,200
Non-current lease liabilities	1,368,000	145,600	1,513,600

(ii) Right-of-use asset

Land and Building	**782,700**	**61,000**	**843,700**
Contract Growers Equipment	**633,900**	**94,300**	**728,200**
Motor vehicles	**12,300**	**500**	**12,800**
Total right-of-use assets	**100**	**600**	**700**
	1,429,000	**156,400**	**1,585,400**

Notes to the interim financial report (continued)

2 Changes in accounting policies (continued)

(c) Impact on 28 December 2019

(iii) Inventory and Biological assets

Following adoption of *AASB 16 Leases*, the Group has changed its accounting policy for valuing inventory and biological assets. Where applicable the Group now excludes the interest component in lease payments whilst accounting for costs of conversion in producing inventory and biological assets. The interest component is charged to the Income Statement as incurred. This change resulted in a $1.3m decrement to the Group’s inventories and biological assets as at 28 December 2019.

3 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, depreciation and amortisation (“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 2019 $000	Dec 2019 $000	Dec 2019 $000
Poultry revenue	1,023,500	161,000	1,184,500
Feed	79,500	39,500	119,000
Other Income/(loss)	(600)	-	(600)
Inter segment revenue/expense	8,900	(8,900)	-
	1,111,300	191,600	1,302,900
Adjusted operating expenses*	(937,100)	(160,700)	(1,097,800)
Share of net profit of associate	200	-	200
EBITDA	174,400	30,900	205,300
Depreciation and amortisation			(131,000)
EBIT			74,300
Net finance costs			(37,500)
Profit before tax			36,800

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

Notes to the interim financial report (continued)

3 Segment information (continued)

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

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

4 Revenue

	28 Dec 2019			29 Dec 2018		
	Australia $000	**New Zealand $000**	**Total $000**	**Australia $000**	**New Zealand $000**	**Total $000**
Poultry	**1,023,500**	**161,000**	**1,184,500**	978,000	153,000	1,131,000
Feed	**79,500**	**39,500**	**119,000**	86,300	39,700	126,000
	1,103,000	**200,500**	**1,303,500**	**1,064,300**	**192,700**	**1,257,000**

5 Other income/(loss)

	28 Dec 2019 $000	**29 Dec 2018 $000**
Net (loss)/gain on disposal of assets held for sale	**(700)**	53,900
Rent	**100**	600
	(600)	54,500

6 Assets classified as held for sale

	28 Dec 2019 $000	**29 June 2019 $000**
Assets classified as held for sale	**27,700**	**21,400**

The carrying amount represents properties currently marketed for sale by the Group.

Notes to the interim financial report (continued)

7 Equity

(a) Share capital

	28 Dec 2019 Shares	28 Dec 2019 $000	30 June 2019 Shares	30 June 2019 $000
Ordinary shares issued	**371,679,601**	**109,100**	371,679,601	109,100
		109,100		109,100

(b) Movements in ordinary shares

	Shares	$000
Balance at 30 June 2018	**380,243,196**	**263,600**
Amounts paid for shares under escrow	-	5,800
Capital return	-	(125,500)
Balance at 29 December 2018	**380,243,196**	**143,900**
Balance at 30 June 2019	371,679,601	109,100
Balance at 28 December 2019	**371,679,601**	**109,100**

8 Dividends

(a) Ordinary shares

The directors have determined that subsequent to the half year end, a fully franked interim dividend of 7.3 cents per share totalling $27.1m will be paid on 9 April 2020. The dividend was not declared at 28 December 2019 and as such no provision has been recognised. The record date for this interim dividend will be 16 March 2020.

A fully franked final dividend in respect of FY19 of 10.5 cents per share was declared and paid in the period.

(b) Franking credits

	28 Dec 2019 $000	29 Dec 2018 $000
Amount of Australian franking credits available to the shareholders of Inghams Group Limited	**35,500**	**21,800**

The ability to utilise the franking credits is dependent upon the ability to declare dividends in the future.
$16.0m (2019: $16.0m) of franking credits are only available to be used under certain specific circumstances.

9 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.

Notes to the interim financial report (continued)

10 Earnings per share (EPS)

Basic EPS is calculated by dividing net 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:

Earnings	**Dec 2019 $000**	**Dec 2018 $000**
Earnings used in calculating basic and diluted earnings per share attributable to the equity holders of the parents	**26,200**	84,400
	Number of shares	
Number of ordinary shares	**000**	**000**
Weighted average number of ordinary shares used in the calculation of basic EPS	**371,500**	373,200
Dilutive effect of share options	**1,400**	9,000
Weighted average number of ordinary shares used in the calculation of diluted EPS	**372,900**	**382,200**
Basic EPS (cents per share)	**7.05**	22.62
Diluted EPS (cents per share)	**7.03**	22.08

11 Trade and other payables (current)

The Group has an inventory procurement trade payable with a third party financial institution, which is interest bearing. Trade bills of exchange are paid by the financial institution direct to the supplier and the Group settles the payable on extended payment terms. The amount utilised and recorded within trade and other payables at 28 December 2019 was $97.8m; 29 June 2019: $94.7m; 29 December 2018 was $68.4m.

12 Events after the reporting period

The directors of the Group are not aware of any other matter or circumstance not otherwise dealt within 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 28 December 2019.

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 6 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 28 December 2019 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
21 February 2020

Linda Bardo Nicholls AO
Non-Executive Director
Sydney
21 February 2020

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 28 December 2019 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:

- Consolidated statement of financial position as at 28 December 2019;
- 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
- The 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 26 weeks ended 28 December 2019.

Responsibilities of the Directors for the Half-Year Financial Report

The Directors of the Company are responsible for:

- The preparation of the Half-Year 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 Half-Year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-Year 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 28 December 2019 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 an 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*.

KPMG

KPMG

Julie Cleary
Partner

Sydney
21 February 2020