

Inghams Group Limited

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

Appendix 4D for the half year 26 weeks ended 24 December 2016 (1H 17)

Results for announcement to the market

	1H17 \$'000	1H16* \$'000	Variance \$'000	Variance %
Revenue from ordinary activities	1,227,217	1,177,030	50,187	4.2
Profit/(loss) from ordinary activities attributable to members	8,979	19,595	(10,616)	(54.1)
Net profit for the period attributable to members	8,979	19,595	(10,616)	(54.1)

Dividends

The directors have determined that a fully franked interim stub dividend of 2.6 cents per share be declared in relation to profits earned from the period of listing on 7 November 2016 until 24 December 2016. The dividend was not declared at 24 December 2016 and as such no provision has been recognised.

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

Explanatory note on results

For further information refer 'Operating and Financial Review' section within the attached Directors' Report.

* 1H16 represents the 26 weeks ending 26 December 2015.

Net tangible assets backing

At 24 December 2016, the net tangible asset backing per ordinary share was \$0.48 per share (26 December 2015 : \$-0.11 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% (1H16 : 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 Interim Financial Report for Half Year ended 24 December 2016.

**Inghams Group Limited (formerly Inghams Holdings I Pty
Limited)**

ACN 162 709 506

**Interim Consolidated Financial Report
For Half Year Ended 24 December 2016**

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Directors' report

The directors of 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 24 December 2016.

Principal activities

The principal activities of the Group consist of breeding, growing and processing poultry, stockfeed and ingredients for pet food. There were no significant changes in the nature of the Group's 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
Peter Bush	Chairman	7 October 2016
Michael McMahon	Executive Director	6 March 2015
Linda Bardo-Nicholls	Non-executive director	7 October 2016
Simon Harle	Non-executive director	7 October 2016
Ricky Lau	Non-executive director	29 October 2013
Bernard Brookes	Non-executive director	29 October 2013, resigned 7 October 2016
Kevin McBain	Non-executive director	27 June 2013, resigned 7 October 2016

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 Southern Cross Media Group Limited (since 2014) and Executive Chairman of Southern Cross Media Group Limited (since 2015) and was previously Chairman of Public Brands Limited, Nine Entertainment Co and NEC Holdings Pty Limited and a director of Insurance Australia Group Limited.

Linda Bardo-Nicholls (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 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.

Simon Harle (Non-executive director)

Simon is a 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 Australia and New Zealand mergers, acquisitions and debt and equity financings. Prior to that, he was with Arthur Anderson 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.

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.

Directors' report (continued)

Directors (continued)

Michael McMahon (Executive Director)

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 Supermarkets Australia 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.

Operating and financial review

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

H1FY17 net profit after tax (NPAT) of \$9.0 million was \$10.6 million unfavourable to prior comparative period (pcp). The movement was due to the following key factors:

H1FY17 revenue of \$1,227.2 million was \$50.2 million favourable to pcp driven by poultry volumes rising compared to the pcp. Revenue in the New Zealand segment remains comparable with pcp. Growth in gross margin is consistent with revenue growth.

- Operating profit of \$43.0 million was \$3.2 million unfavourable to pcp after the inclusion of \$28.0 million in IPO costs and costs related to finalising the prior long term incentive scheme. Included in the pcp was \$13.5 million transformation costs and \$8.6 million relocation costs.

- Net finance costs of \$32.3 million was \$11.4 million unfavourable to pcp and includes \$18.0 million of costs related to the exit from previous financing arrangements.

Significant changes in the state of affairs

On 7 November 2016, the Group completed an Initial Public Offering (IPO) and was admitted to 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 \$450.0 million of unsecured borrowings under a new syndicated bank facility,
- Incurred \$2.3 million of remaining expense in respect of pre-IPO Long Term Incentive Plan (LTIP); and
- Write-off of capitalised borrowing costs of \$6.5 million.

Dividends

After the balance sheet date, the Group declared an interim dividend for the half year ended 24 December 2016 of 2.6 cents per share, fully franked. The financial effect of this dividend has not been brought to account in the financial statements for the period ended 24 December 2016, and will be recognised in subsequent financial reports.

Directors' report (continued)

Events occurring after balance date

Subsequent to half year end, the directors have declared a fully franked interim dividend of 2.6 cents per share on 15 February 2017 in respect of the period following completion of the IPO.

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 24 December 2016.

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 20 and forms part of the Directors' Report for half year ended 24 December 2016.

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 thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the directors.



Peter Bush
Chairman
North Ryde, Sydney
15 February 2017



Michael McMahon
Executive Director
North Ryde, Sydney
15 February 2017



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 for the half-year ended 24 December 2016 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

Greg Boydell
Partner

KPMG Sydney
15 February 2017

Inghams Group Limited (formerly Inghams Holdings I Pty Limited)
Consolidated income statement
Half year ended 24 December 2016

Consolidated income statement

	Notes	24 December 2016 \$000	26 December 2015 \$000
Revenue	2	1,227,217	1,177,030
Other income		399	3,381
Expenses			
Cost of sales		(1,013,717)	(982,061)
Distribution		(70,613)	(69,405)
Administrative and selling		(65,557)	(57,395)
Other	3(a)	(34,768)	(25,420)
Operating profit		42,961	46,130
Finance costs			
Interest income		460	1,097
Finance costs		(32,764)	(21,976)
Net finance costs	3(b)	(32,304)	(20,879)
Share of profit of associates		205	302
Profit before income tax		10,862	25,553
Income tax expense		(1,883)	(5,958)
Profit for the period attributable to: Owners of Inghams Group Limited		8,979	19,595
EPS (cents per share)		2.77	6.36
Diluted EPS (cents per share)		2.64	6.18

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

Inghams Group Limited (formerly Inghams Holdings I Pty Limited)
Consolidated statement of comprehensive income
Half year ended 24 December 2016

Consolidated statement of comprehensive income

	24 December 2016 \$000	26 December 2015 \$000
Profit for the period	<u>8,979</u>	<u>19,595</u>
<i>Items that may subsequently be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges	15,966	(3,217)
Tax on changes in fair value of cash flow hedges	(4,790)	965
Exchange differences on translation of foreign operations	412	1,222
Total items that may subsequently be reclassified to profit or loss	<u>11,588</u>	<u>(1,030)</u>
Total comprehensive income is attributable to:		
Owners of Inghams Group Limited	<u>20,567</u>	<u>18,565</u>

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

Consolidated statement of financial position

	Notes	24 December 2016 \$000	25 June 2016 \$000
ASSETS			
Current assets			
Cash and cash equivalents		48,902	75,273
Trade and other receivables		270,945	221,268
Biological assets		112,075	115,300
Inventories		144,474	159,639
Assets classified as held for sale		-	1,183
Derivative financial instruments		723	-
Total current assets		577,119	572,663
Non-current assets			
Investments accounted for using the equity method		1,845	1,640
Property, plant and equipment		419,720	372,035
Derivative financial instruments		1,470	-
Total non-current assets		423,035	373,675
Total assets		1,000,154	946,338
LIABILITIES			
Current liabilities			
Trade and other payables		251,600	239,749
Borrowings	5	-	21,160
Current tax liability		883	5,044
Provisions	6	68,402	93,347
Derivative financial instruments		577	7,853
Total current liabilities		321,462	367,153
Non-current liabilities			
Trade and other payables		2,715	2,715
Borrowings	5	448,257	520,308
Provisions	6	46,008	44,148
Derivative financial instruments		-	6,454
Deferred tax liabilities		6,240	6,800
Total non-current liabilities		503,220	580,425
Total liabilities		824,682	947,578
Net assets / (liabilities)		175,472	(1,240)
EQUITY			
Contributed equity	7(a)	261,693	107,833
Reserves		47,252	33,379
Accumulated losses		(133,473)	(142,452)
Total equity/(Deficiency of equity)		175,472	(1,240)

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

Inghams Group Limited (formerly Inghams Holdings I Pty Limited)
Consolidated statement of changes in equity
Half year ended 24 December 2016

Consolidated statement of changes in equity

	Attributable to owners of Inghams Group Limited (formerly Inghams Holdings I Pty Limited)				
	Contributed Equity \$000	Retained earnings/ Accumulated Losses \$000	Asset revaluation reserve \$000	Other reserves \$000	Total Equity / (Deficiency of equity) \$000
Balance at 25 June 2016	107,833	(142,452)	20,294	13,085	(1,240)
Profit after income tax	-	8,979	-	-	8,979
Other comprehensive income	-	-	-	11,588	11,588
Total comprehensive income	-	8,979	-	11,588	20,567
Transactions with owners of the Company					
Issue of ordinary shares net of transaction costs	153,860	-	-	-	153,860
Equity settled shares	-	-	-	2,285	2,285
	153,860	-	-	2,285	156,145
Balance at 24 December 2016	261,693	(133,473)	20,294	26,958	175,472
Balance at 27 June 2015					
	106,533	(167,685)	-	5,729	(55,423)
Profit after income tax	-	19,595	-	-	19,595
Other comprehensive income	-	-	-	(1,030)	(1,030)
Total comprehensive income	-	19,595	-	(1,030)	18,565
Transactions with owners of the Company					
Issue of ordinary shares net of transaction costs	1,300	-	-	-	1,300
Equity settled shares	-	-	-	1,720	1,720
	1,300	-	-	1,720	3,020
Balance at 26 December 2015	107,833	(148,090)	-	6,419	(33,838)

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

Consolidated statement of cash flows

	Notes	24 December 2016 \$000	26 December 2015 \$000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,222,255	1,188,377
Payments to suppliers and employees (inclusive of goods and services tax)		(1,178,078)	(1,134,617)
		<u>44,177</u>	<u>53,760</u>
Interest received		460	1,097
Income taxes paid		(9,487)	(20,743)
Net cash provided by operating activities		<u>35,150</u>	<u>34,114</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	17
Payments for property, plant and equipment		(68,283)	(31,283)
Proceeds from sale of assets held for sale		1,100	6,500
Net cash flows used in investing activities		<u>(67,183)</u>	<u>(24,766)</u>
Cash flows from financing activities			
Proceeds from borrowings		470,000	1,141
Repayment of borrowings		(573,459)	(5,000)
Proceeds from issue of shares		156,202	1,301
IPO transaction costs		(24,859)	-
Proceeds from repayment of management loan		2,142	-
Interest and finance charges paid		(24,546)	(19,218)
Net cash flows provided by/(used in) financing activities		<u>5,480</u>	<u>(21,776)</u>
Net (decrease) in cash and cash equivalents		<u>(26,553)</u>	<u>(12,428)</u>
Cash and cash equivalents at the beginning of the financial year		75,273	96,279
Effects of exchange rate changes on cash and cash equivalents		182	229
Cash and cash equivalents at end of period		<u>48,902</u>	<u>84,080</u>

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

Notes to the consolidated financial statements

1. General

(a) Basis of preparation and statement of compliance

This is the interim consolidated 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 24 December (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 consist of breeding, growing and processing poultry, stockfeed and ingredients for pet food. There were no significant changes in the nature of the Group's activities during the period.

This interim consolidated financial report is:

- to be read in conjunction with the annual report of the Group for the year ending 25 June 2016 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;
 - Assets held for sale - measured at the lower of cost and fair value less cost of disposal; and
- presented in Australian dollars, which is the functional currency of Inghams, with all values rounded to the nearest 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 consolidated financial report was authorised for issue by the directors of Inghams on 15 February 2017.

(b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Group and the results of all subsidiaries for the half year ended 24 December 2016.

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 consolidated interim 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 land and buildings - note 1(d);
- The determination of workers compensation provision - note 6

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

Notes to the consolidated financial statements (continued)

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 25 June 2016.

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.

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 5.

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.

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 2	Based on current prices in an active market for similar properties in the same location and condition.

Notes to the consolidated financial statements (continued)

1. General (continued)

(e) Significant accounting policies

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

2. Revenue

	Dec 2016 \$000	Dec 2015 \$000
<i>Sale of goods</i>		
Poultry	1,076,759	1,022,986
Feed	149,610	153,091
	<u>1,226,369</u>	<u>1,176,077</u>
Other revenue	848	953
	<u>1,227,217</u>	<u>1,177,030</u>

3. Expenses

(a) Other

Significant items

Transformation costs	1,602	13,492
Relocation of head office	1,747	8,616
Initial public offering transaction costs	27,951	-
Pre-IPO long term incentive plan	2,285	1,720
Monitoring fees paid to former ultimate parent entity	1,183	1,592
	<u>34,768</u>	<u>25,420</u>

Transformation costs

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

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.

(b) Net finance costs

Interest Income	(460)	(1,097)
Interest and borrowing costs	14,763	20,906
Amortisation / Write off of borrowing costs*	7,346	1,070
Interest rate swap break costs **	10,655	-
Net Finance costs	<u>32,304</u>	<u>20,879</u>

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

** Break costs due to refinancing debt.

Notes to the consolidated financial statements (continued)

4. 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 (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 monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

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

Segment performance is evaluated based on earnings before interest, tax and depreciation ("EBITDA") and significant items.

	Australia Dec 2016 \$000	New Zealand Dec 2016 \$000	Consolidated Dec 2016 \$000
Segment revenue	1,041,455	185,762	1,227,217
Segment result	78,527	17,706	96,233
Depreciation and amortisation			(18,299)
Significant Items			(34,768)
Profit before interest and tax			43,166
Net Finance Costs			(32,304)
Profit before tax			10,862
	Australia Dec 2015 \$000	New Zealand Dec 2015 \$000	Consolidated Dec 2015 \$000
Segment revenue	991,522	185,508	1,177,030
Segment result	69,584	18,797	88,381
Depreciation and amortisation			(16,529)
Significant Items			(25,420)
Profit before interest and tax			46,432
Net Finance Costs			(20,879)
Profit before tax			25,553

Notes to the consolidated financial statements (continued)

5. Borrowings

	Carrying amount		Principal amount drawn		Interest rate	Maturity
	Dec 2016 \$000	Jun 2016 \$000	Dec 2016 \$000	Jun 2016 \$000		
Secured liabilities						
Tranche A	-	111,185	-	112,800	Floating*	November 2019
Tranche B	-	390,331	-	396,000	Floating*	November 2019
Unsecured liabilities						
Tranche A	248,967	-	250,000	-	Floating*	November 2019
Tranche B	169,290	-	170,000	-	Floating*	November 2020
Tranche C	30,000	-	30,000	-	Floating*	November 2019
Loan	-	39,952	-	39,952	10%	June 2019
	448,257	541,468	450,000	548,752		

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

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, transaction costs associated with the IPO and fund working capital. As a result of the of the refinance, \$6.5 million of borrowing costs previously capitalised were written off to the Consolidated Income Statement (refer to note 3).

6. Provisions

	Dec 2016			Jun 2016		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Workers compensation	6,230	16,530	22,760	8,943	14,683	23,626
Employee benefits	56,573	19,362	75,935	61,196	19,349	80,545
Make good	-	9,949	9,949	-	9,949	9,949
Onerous contracts	4,141	-	4,141	6,213	-	6,213
Restructuring	1,289	-	1,289	16,912	-	16,912
Other	169	167	336	83	167	250
	68,402	46,008	114,410	93,347	44,148	137,495

(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 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.

Notes to the consolidated financial statements (continued)

7. Equity

Contributed equity

(a) Share capital

	Dec 2016 Shares	Dec 2016 \$000	Jun 2016 Shares	Jun 2016 \$000
Ordinary shares issued	380,243,196	261,693	334,115,281	107,833
		<u>261,693</u>		<u>107,833</u>

(b) Movements in ordinary shares

	Shares	\$000
Balance at 25 June 2016	334,115,281	107,833
Shares issued, net of transaction costs	49,587,815	153,860
Share buyback	(3,459,900)	-
Balance at 24 December 2016	<u>380,243,196</u>	<u>261,693</u>

8. Dividends

(a) Ordinary shares

The Directors propose that an interim dividend of 2.6 cents per ordinary share be declared on 15 February 2017, and be paid in April 2017. The proposed FY17 interim dividend will be fully franked for Australian tax purposes.

	Dec 2016 \$000	Jun 2016 \$000
Amount of Australian franking credits available to the shareholders of Ingham Holdings Pty Limited	<u>44,368</u>	<u>43,438</u>

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

9. Contingent liabilities

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 6.

Notes to the consolidated financial statements (continued)

10. 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 2016 \$000	Dec 2015 \$000
Earnings		
Earnings used in calculating basic and diluted earnings per share attributable to the equity holders of the parents	8,979	19,595
Number of ordinary shares	Number of shares 000	000
Weighted average number of ordinary shares used in the calculation of basic EPS	324,251	308,310
Dilutive effect of share options	15,380	8,750
Weighted average number of ordinary shares used in the calculation of diluted EPS	339,631	317,060
 EPS (cents per share)	 2.77	 6.36
Diluted EPS (cents per share)	2.64	6.18

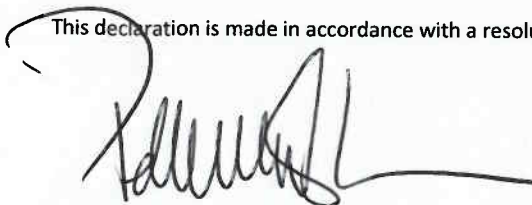
11. Events after the reporting period

Subsequent to half year end, the directors have declared an interim dividend of 2.6 cents per share on 15 February 2017. 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 24 December 2016.

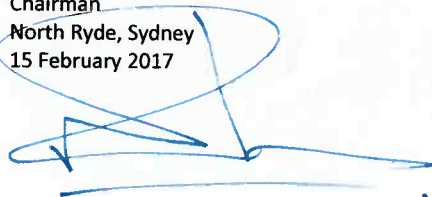
Directors' declaration

1. In the opinion of the directors of Inghams Group Limited (the Company):
 - (a) the consolidated financial statements 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 24 December 2016 and of its performance for the half-year on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Peter Bush
Chairman
North Ryde, Sydney
15 February 2017



Michael McMahon
Executive Director
North Ryde, Sydney
15 February 2017

Independent Auditor's Review Report

To the shareholders of Inghams Group Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying Half-year 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 **Half-year Financial Report** of Inghams Group Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the **Group's** financial position as at 24 December 2016 and of its performance for the half-year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- the consolidated statement of financial position as at 24 December 2016;
- 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 1 to 11 comprising a summary of significant accounting policies and other explanatory information; and
- 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.

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
- for 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 Half-year 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 Half-year 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 24 December 2016 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 Half-year 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.

Independence

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



KPMG



Greg Boydell
Partner

KPMG Sydney
15 February 2017