

Ingham Holdings I Pty Limited

ACN 162 709 506

Financial Report

For the year ended 25 June 2016

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Directors' report

This Audited General Purpose Financial report for the year ended 25 June 2016 covers the consolidated entity (the Group) comprising Ingham Holdings I Pty Limited (Inghams, the Company) (ACN 162 709 506) and its controlled entities. The Group's functional and presentation currency is Australian dollars (\$), rounded to the nearest thousand.

Directors

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

Director	Date of appointment
Michael McMahon	6 March 2015
Ricky Lau	29 October 2013
Kevin McBain	27 June 2013
Bernard Brookes	29 October 2013

Principal activities

The principal activities of the Group during the year consisted of breeding, growing and processing poultry, stockfeed and ingredients for pet food.

Company Secretary

Ian Brannan

Corporate Structure

Inghams is a company limited by shares that is incorporated and domiciled in Australia. Details of all companies in the Group are outlined in Note 23 to the Financial Statements.

Dividends

No dividends have been paid or declared during the year (2015: \$314,643,000).

Review of operations

The net profit of the Group for the year was \$25,233,000 (2015: \$146,878,000) after income tax expense of \$7,271,000 (2015: \$51,068,000).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the reporting year.

Significant events after the balance date

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

Environmental regulation

The Group is subject to particular and significant environmental regulations. All relevant authorities have been provided with regular updates, and to the best of the directors' knowledge all activities have been undertaken in compliance with or in accordance with a process agreed with the relevant authority.

Shares on issue

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	2016		2015	
		Exercise price	Number of Shares	Exercise price	Number of Shares
27 June 2014	26 June 2019	\$1.00	12,940,000	\$1.00	12,940,000
20 March 2015	19 March 2020	\$0.81	565,125	\$0.81	565,125
17 October 2014	16 October 2019	\$1.13	1,637,000	\$1.13	1,637,000
20 March 2015	19 March 2020	\$0.81	3,088,174	\$0.81	3,088,174
19 June 2015	18 June 2020	\$0.81	1,481,482	\$0.81	1,481,482
3 July 2015	2 July 2018	\$0.81	370,370	-	-
18 September 2015	17 September 2020	\$0.81	444,444	-	-
14 October 2015	13 October 2020	\$1.40	250,000	-	-
2 November 2015	1 November 2020	\$1.40	850,000	-	-
22 December 2015	21 December 2018	\$1.40	2,669,842	-	-
22 December 2015	21 December 2020	\$1.40	1,042,857	-	-
			25,339,294		19,711,781

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

Name of officer	Date granted	Issue price of shares	Number of shares
M P McMahon	22 December 2015	\$1.40	1,250,000
I Brannan	22 December 2015	\$1.40	750,000
J Gray	22 December 2015	\$1.40	200,000

No options were granted to any other directors or officers of the company during the financial year.

Indemnities and insurance of officers and auditors

Indemnities

Ingham's constitution indemnifies each officer of Ingham and its controlled entities against a liability incurred by that person as an officer unless that liability arises out of conduct involving a lack of good faith. The constitution also provides that Ingham may make a payment to an officer or employee (by way of advance, loan or otherwise) for legal costs incurred by them in defending legal proceedings in their capacity as an officer or employee. Ingham has entered into a Deed of Access, Indemnity and Insurance with each director which applies during their term in office and after their resignation (except where a director engages in conduct involving a lack of good faith). Ingham's constitution provides that it may indemnify its auditor against liability incurred in its capacity as the auditor of Ingham and its controlled entities. Ingham has not provided such an indemnity.

Indemnification and insurance of officers

During the reporting period and since the end of the reporting period, the consolidated entity has paid premiums in respect of a contract insuring directors and officers of the consolidated entity in relation to certain liabilities. The insurance policy prohibits disclosure of the nature of the liabilities insured and the premium paid.

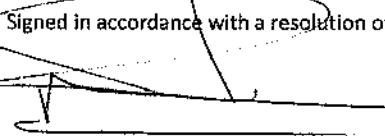
Lead auditor's independence declaration

The lead auditor's independence declaration required under section 307C of the Corporations Act 2001 is included on page 5 of the financial report.

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated under the option available to the Group under ASIC class order 98/100, dated 10 July 1998.

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


Michael McMahon
Executive Director

Sydney

6 October 2016



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

To: the directors of Ingham Holdings I Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 25 June 2016 there have been:

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

KPMG

Greg Boydell
Partner

Sydney
6 October 2016

Ingham Holdings I Pty Limited
Consolidated income statement
For the year ended 25 June 2016

		25 June 2016	27 June 2015
	Notes	\$000	\$000
			Restated ¹
Revenue	4	2,308,652	2,273,758
Other income	6(a)	3,663	195,947
Expenses			
Cost of sales		(1,919,101)	(1,940,027)
Distribution		(136,086)	(140,364)
Selling		(23,409)	(22,634)
Administration		(101,258)	(85,485)
Other	6(c)	(60,819)	(13,136)
Operating profit		71,642	268,059
Finance costs			
Interest income		2,233	2,505
Finance costs		(41,929)	(72,984)
Net finance costs	6(d)	(39,696)	(70,479)
Share of net profit of joint venture accounted for using the equity method	24	558	366
Profit before income tax		32,504	197,946
Income tax expense	7(a)	(7,271)	(51,068)
Profit for the year attributable to:			
Owners of Ingham Holdings I Pty Limited		25,233	146,878
Basic EPS (cents per share)	30	8.18	47.97
Diluted EPS (cents per share)	30	7.91	47.10

1. Refer to note 2 for details.

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

Ingham Holdings I Pty Limited
Consolidated statement of comprehensive income
For the year ended 25 June 2016

	Notes	25 June 2016 \$000	27 June 2015 \$000
Profit for the year		25,233	146,878
<i>Items that may subsequently be reclassified to profit or loss</i>			
Change in fair value of cash flow hedges	21(a)	(5,990)	1,873
Tax on changes in fair value of cash flow hedges	21(a)	1,797	(562)
Exchange differences on translation of foreign operations	21(a)	8,108	(5,306)
Total items that may subsequently be reclassified to profit or loss		3,915	(3,995)
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of land and buildings	21(a)	27,766	-
Tax on revaluation of land and buildings	21(a)	(7,472)	-
Total items that will never be reclassified to profit or loss		20,294	-
Total comprehensive income is attributable to:			
Owners of the Company		49,442	142,883

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

Ingham Holdings I Pty Limited
Consolidated statement of financial position
As at 25 June 2016

	Notes	25 June 2016 \$000	27 June 2015 \$000 Restated ¹	28 June 2014 \$000 Restated ¹
ASSETS				
Current assets				
Cash and cash equivalents	8	75,273	96,279	101,565
Trade and other receivables	9	221,268	197,321	206,704
Biological assets	10	115,300	104,200	102,203
Inventories	11	159,639	159,380	177,458
Assets classified as held for sale	12	1,183	4,488	337,417
Derivative financial instruments	18(a)	-	2,691	-
Total current assets		572,663	564,359	925,347
Non-current assets				
Investments accounted for using the equity method	24	1,640	1,489	1,436
Property, plant and equipment	14	372,035	300,254	311,177
Deferred tax assets		-	-	21,589
Total non-current assets		373,675	301,743	334,202
Total assets		946,338	866,102	1,259,549
LIABILITIES				
Current liabilities				
Trade and other payables	15	239,749	219,634	199,759
Borrowings	16	21,160	12,460	16,394
Current tax liability		5,044	18,620	3,870
Provisions	17	93,347	76,074	76,577
Derivative financial instruments	18(a)	7,853	6,179	5,401
Total current liabilities		367,153	332,967	302,001
Non-current liabilities				
Trade and other payables	15	2,715	2,705	2,492
Borrowings	16	520,308	537,836	602,232
Provisions	17	44,148	37,905	33,295
Derivative financial instruments	18(a)	6,454	4,828	4,790
Deferred tax liabilities	7(c)	6,800	5,284	-
Total non-current liabilities		580,425	588,558	642,809
Total liabilities		947,578	921,525	944,810
(Net liabilities)/Net assets		(1,240)	(55,423)	314,739
EQUITY				
Contributed equity	19(a)	107,833	106,533	305,469
Reserves	21(a)	33,379	5,729	9,190
(Accumulated losses)/ Retained earnings		(142,452)	(167,685)	80
(Deficiency of equity)/Total equity		(1,240)	(55,423)	314,739

1. Refer to note 2 for details.

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

Ingham Holdings I Pty Limited
Consolidated statement of changes in equity
For the year ended 25 June 2016

Attributable to owners of
Ingham 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
Notes						
Balance at 28 June 2014		305,469	80	-	9,190	314,739
Profit after income tax		-	146,878	-	-	146,878
Other comprehensive income		-	-	-	(3,995)	(3,995)
Total comprehensive income		-	146,878	-	(3,995)	142,883
Transactions with owners of the Company						
Dividends provided for or paid	20	-	(314,643)	-	-	(314,643)
Contribution of equity	19(b)	1,600	-	-	-	1,600
Capital redemption	19(b)	(200,536)	-	-	-	(200,536)
Employee share scheme	21(a)	-	-	-	534	534
		(198,936)	(314,643)	-	534	(513,045)
Balance at 27 June 2015		106,533	(167,685)	-	5,729	(55,423)
Profit after income tax		-	25,233	-	-	25,233
Other comprehensive income		-	-	20,294	3,915	24,209
Total comprehensive income		-	25,233	20,294	3,915	49,442
Transactions with owners of the Company						
Contribution of equity	19(b)	1,300	-	-	-	1,300
Employee share scheme	21(a)	-	-	-	3,441	3,441
		1,300	-	-	3,441	4,741
Balance at 25 June 2016		107,833	(142,452)	20,294	13,085	(1,240)

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

Ingham Holdings I Pty Limited
Consolidated statement of cash flows
For the year ended 25 June 2016

Notes	25 June 2016 \$000	27 June 2015 \$000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,400,546	2,399,482
Payments to suppliers and employees (inclusive of goods and services tax)	(2,282,626)	(2,253,745)
	117,920	145,737
Interest received	2,233	2,516
Interest and finance charges paid	(36,694)	(40,374)
Income taxes paid	(25,267)	(10,017)
Net cash provided by operating activities	22 58,192	97,862
Cash flows from investing activities		
Payments for property, plant and equipment	(76,846)	(44,401)
Proceeds from sale of property, plant and equipment	106	2,005
Proceeds from sale of assets held for sale	6,500	556,906
Net cash (used in)/ provided by investing activities	(70,240)	514,510
Cash flows from financing activities		
Dividends paid	-	(314,643)
Proceeds from borrowings	-	517,300
Repayment of borrowings	(14,600)	(597,520)
Finance lease payments	-	(21,009)
Repayment of capital	-	(200,537)
Issue of shares	1,300	1,600
Net cash used in financing activities	(13,300)	(614,809)
Net (decrease) in cash and cash equivalents	(25,348)	(2,437)
Cash and cash equivalents at the beginning of the financial year	96,279	101,565
Effects of exchange rate changes on cash and cash equivalents	4,342	(2,849)
Cash and cash equivalents at end of year	8 75,273	96,279

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

1 Corporate information

The financial statements of Ingham Holdings I Pty Limited and its subsidiaries (collectively, the Group) for the year ended 25 June 2016 (comparative period prior year was 27 June 2015) were authorised for issue in accordance with a resolution of the directors' on 22 September 2016. Ingham Holdings I Pty Limited (the Company) is a for profit company limited by shares incorporated in Australia.

Ingham's is a leading integrated poultry producer in Australia and New Zealand, supplying to leading retail, quick service restaurant and food service customers.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). Ingham Holdings I Pty Limited is a for-profit entity for the purpose of preparing the financial statements.

The Group has applied AASB 1 First-time Adoption of International Financial Reporting Standards in the preparation of the financial statements for the year ended 25 June 2016, as the prior period financial statements were prepared under the Australian Accounting Standards-reduced disclosure requirements. There have been no adjustments to the measurement of balances previously reported in the Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the years ended 27 June 2015 and 25 June 2016 as a result of the first time adoption of AASB 1 as the impact has related only to increased financial statement disclosure, being the inclusion of the opening statement of financial position of the comparative period at 28 June 2014.

(i) Historical cost convention

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

- Financial assets and liabilities (including derivative instruments), 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.

(ii) Critical accounting estimates and judgements

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

- Fair value determination of land and buildings – note 14;
- The determination of workers compensation provision – note 17; and
- Fair value of options granted under the long term incentive scheme, as determined at grant date – note 28.

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

(iii) Comparatives

Certain comparative amounts for the prior period have been reclassified to conform to current period presentations. Such reclassifications had no effect on net income or shareholders' equity and include:

- reclassification of biological assets of \$104,200,000 and \$102,203,000 from inventory in 2015 and 2014 respectively, and
- reclassification of amounts between categories in the Consolidated Income Statement which include:
 - \$8,300,000 from Selling expense to Revenue
 - \$3,708,000 from Other expense to Administration expense
 - \$2,505,000 from Revenue to Net finance costs
 - \$2,288,000 from Selling expense to Cost of goods sold
 - \$249,000 from Revenue to Administration expense
 - \$99,000 from Revenue to Distribution expense

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Adoption of accounting standards

The Group has adopted new and revised Standards and Interpretations issued by the AASB that are relevant to operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations have not had a material impact on the Group for full year ended 25 June 2016. The following Standards, amendments to Standards and Interpretations that are not mandatory for 25 June 2016 reporting and have not been applied by the Group in this Financial Report are set out below:

AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not yet completed its assessment of the potential impact on its consolidated financial statements resulting from the application of AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has completed an initial assessment of the potential impact on its consolidated financial statements resulting from the application of AASB 15 and determined that there is no material impact.

AASB 16 Leases

Early adoption is permitted under certain circumstances. The potential effect of this standard is yet to be determined. AASB 16 is effective for annual reporting periods commencing 1 January 2019. The Group has not yet completed an assessment of the potential impact on its consolidated financial statements.

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

(v) Deficiency of shareholders' equity

The consolidated financial statements of the Group at 25 June 2016 have a deficit of shareholders equity of \$1,240,000. The directors believe that it is appropriate to prepare the financial statements on a going concern basis and the Group will be able to meet its debts and commitments as they fall due for the following reasons:

- The Group has a surplus of current assets over current liabilities of \$196,679,000 at 25 June 2016.
- The Group is well within its banking covenants.
- The Group generated cash from operating activities of \$58,192,000 for the year ended 25 June 2016 and is expected to generate sufficient cash flows in 2017.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries and the results of all subsidiaries for the year ended 25 June 2016.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 Summary of significant accounting policies (continued)

(b) Principle of consolidation (continued)

(i) Subsidiaries (continued)

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(ii) Joint Ventures

Interests in joint ventures in which the Group has right to the net assets of the joint arrangement, are accounted for using the equity method.

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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

Revenue is recognised for the major business activities:

(i) Sale of goods

A sale is recorded when goods have been delivered to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

(ii) Dividends

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

2 Summary of significant accounting policies (continued)

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Tax consolidation legislation

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

Ingham Holdings I Pty Limited and its subsidiaries in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Ingham Holdings I Pty Limited, the ultimate Australian controlling entity, also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated Group.

Assets or liabilities arising under tax funding arrangements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Under the tax funding arrangement the members of the tax consolidated Group compensate Ingham Holdings I Pty Limited for any current tax payable assumed, and are compensated by Ingham Holdings I Pty Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ingham Holdings I Pty Limited.

(f) Leases

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

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

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

2 Summary of significant accounting policies (continued)

(g) Business combinations and goodwill

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

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

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

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

(h) Impairment of assets

Assets are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

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

(k) Biological assets

Biological assets are recognised at cost less accumulated depreciation. The fair value of biological assets cannot be reliably measured, as quoted market prices are not available and it is difficult to estimate the fair value based on the eventual sales price. Depreciation of breeder chickens occurs on an egg-laying basis with the depreciation representing a portion of the egg cost and subsequently the day old broiler cost.

Biological assets are reclassified as inventory once processed.

2 Summary of significant accounting policies (continued)

(l) Inventories

Poultry, feed and other classes of inventories are stated at the lower of cost and net realisable value. Cost comprises all overheads except selling, distribution, general administration and interest. Net realisable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the necessary costs to make the sale.

(m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in note 21(a). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the comprehensive income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps and hedging fixed rate borrowings is recognised in the comprehensive income statement within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in comprehensive income statement within other income or other expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in comprehensive income statement within other income or other expense.

Amounts accumulated in equity are reclassified to the comprehensive income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

2 Summary of significant accounting policies (continued)

(n) Property, plant and equipment

Land and buildings are shown at fair value based on periodic independent valuations, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings and leasehold buildings	5 - 50 years
Plant and equipment	1 - 20 years
Leased plant and equipment	5 - 15 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(o) Assets classified as held for sale

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. Assets are not depreciated or amortised while they are classified as held for sale.

(p) Investments

Investments in subsidiaries and joint venture entities are accounted for at cost. Dividends received from subsidiaries and joint venture entities are recognised in the parent entity's profit, rather than being deducted from the carrying amount of these investments.

(q) Trade and other payables

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

(r) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance income or finance costs.

2 Summary of significant accounting policies (continued)

(r) Interest bearing liabilities (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Workers compensation provisions are determined by actuarial assessment every financial period. The provision represents the expected liability of the entity in relation to each states self-insurance license.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is presented as provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

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

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

(iii) Share-based payments

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

Select key management of the Group have been granted an interest-free loan to subscribe to shares of Ingham Holdings I Pty Limited. This loan is non-recourse other than to the shares held by that employee, and the proceeds of the loan must be used to buy shares. As loans are non-recourse and there are vesting conditions, the arrangement has been accounted for as in substance share options, as required under accounting standards. The shares vest based on earnings and length of service.

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

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(iii) Share-based payments (continued)

The Employee Option Plan is administered by the Ingham 2 Pty Limited Share Trust, which is consolidated in accordance with the principles in note 2(b)(i). When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

(iv) Short term incentive scheme

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

(u) Contributed equity

Ordinary shares are classified as equity.

(v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(w) Good and Services Tax (GST)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

(x) Rounding of amounts

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

(y) Parent entity financial information

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

3 Financial risk management

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

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

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

Fair value hierarchy

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

Fair value inputs are summarised as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following assets and liabilities are measured at fair value:

	Fair value hierarchy	Note	Valuation technique
Derivatives	Level 2	18(a)	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	14	Based on current prices in an active market for similar properties in the same location and condition.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has a policy requiring Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts.

Foreign exchange sensitivity

The Group has some exposure to exchange rate risk as it purchases some of the supplies in foreign currencies.

	Impact on post tax profits		Impact on other components of equity	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
+100 bp variability in exchange rate	28	27	3	751
-100 bp variability in exchange rate	(28)	(27)	(3)	(751)

3 Financial risk management (continued)

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain a significant portion its borrowings at fixed rates using interest rate swaps to achieve this. During the year ending 25 June 2016, the Group's borrowings at variable rate were denominated in Australian Dollars.

The Group's borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

As at the end of the reporting period, the Group had the following interest rate swap contracts outstanding:

	Notional principle amount	Interest rate
	2016 \$000	2015 \$000
Interest rate swap	366,000	410,000 2.7% to 3.7%

The contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis.

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

	Impact on post tax profits		Impact on other components of equity	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
+100 bp variability in interest rate	(3,639)	(3,621)	5,843	8,269
-100 bp variability in interest rate	3,639	3,621	(6,050)	(8,634)

(iii) Commodity Price

The Group's exposure to commodity price risk arises from commercial transactions required for the operations of the business, however exposure is not considered significant. To manage its commodity price risk the Group enters into forward contracts to purchase grain. This is performed through monitoring movements in price. As at 25 June 2016, the Group had \$2,190,000 of commodity contracts for the delivery in the next financial year. 10% movement in the commodity price will not have material impact on profits.

(b) Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions and the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group has a credit policy which provides guidelines for the management of credit risk. The guideline provides for the manner in which the credit risk of customers is assessed and the use of credit ratings and other information in order to set appropriate account limits. Customers that do not meet minimum credit criteria are required to pay up front. Customers who fail to meet their account terms are reviewed for continuing credit worthiness.

The maximum exposure to credit risk at the reporting date is the carrying amount of accounts receivable. For some trade receivables the Group may obtain security in the form of credit insurance. Revenues from five key customers accounted for 55% to 60% of revenue for the year ended 25 June 2016 (2015: 55% to 60%) relating to both operating segments.

3 Financial risk management (continued)

(b) Credit risk (continued)

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held deposits of \$575,000 (2015: \$75,096,000) on 30 day and 60 day terms which are readily available to generate cash inflows for managing liquidity risk.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the Group's undrawn re-drawable term cash advance facility below) and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios.

The Group had access to the following borrowing facilities at the end of the reporting period:

	2016		2015	
	\$000	\$000	\$000	\$000
	Drawn	Available	Drawn	Available
Floating rate				
Expiring within one year	23,300	1,913	14,600	7,738
Expiring beyond one year	525,452	86,938	545,120	91,339
	548,752	88,851	559,720	99,077

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

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 25 June 2016. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

	Carrying value	Contractual cash flows	Less than 1 year	1 year to 5 years
	\$000	\$000	\$000	\$000
2015				
Interest bearing liabilities	(550,296)	(559,720)	(14,600)	(545,120)
Trade payables	(222,339)	(222,339)	(219,634)	(2,705)
Derivative financial liabilities	(11,007)	(11,007)	(6,179)	(4,828)
	(783,642)	(793,066)	(240,413)	(552,653)
2016				
Interest bearing liabilities	(541,468)	(548,752)	(23,300)	(525,452)
Trade payables	(242,464)	(242,464)	(239,749)	(2,715)
Derivative financial liabilities	(14,307)	(14,307)	(7,853)	(6,454)
	(798,239)	(805,523)	(270,902)	(534,621)

4 Revenue

	2016 \$000	2015 \$000 Restated
<i>Sale of goods</i>		
Poultry	2,013,673	1,959,497
Feed	293,122	312,318
	2,306,795	2,271,815
<i>Other revenue</i>		
Dividends	10	8
Rent	1,847	1,935
	1,857	1,943
	2,308,652	2,273,758

5 Segment information

Description of segments

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

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Chairman (the chief operating decision makers) 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 Executive chairman monitors 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 arm's length basis and inter segment revenue is generated from royalty charge for the services provided by the Australian operation.

5 Segment information (continued)

	Australia \$000	New Zealand \$000	Consolidated \$000
2015 (Restated)			
Revenue			
Segment revenue	1,916,814	356,944	2,273,758
Other income	6,965	66	7,031
Inter segment revenue	18,864	(18,864)	-
	1,942,643	338,146	2,280,789
Adjusted operating expenses ¹	(1,852,767)	(302,451)	(2,155,218)
Share of net profit of associates	366	-	366
EBITDA before significant items	90,242	35,695	125,937
Depreciation & amortisation	(27,720)	(5,572)	(33,292)
Segment result	62,522	30,123	92,645
Significant items and other	6(a), 6(c)	(416)	175,780
EBIT	238,718	29,707	268,425
Net finance cost			(70,479)
Profit before tax			197,946
Tax expense			(51,068)
Profit after tax			146,878
Total non-current assets	244,358	57,385	301,743
Total assets	727,329	138,773	866,102
Total liabilities	(850,969)	(70,556)	(921,525)
Capital expenditure	37,186	6,926	44,112
Non-cash items	(189,032)	1,423	(187,609)
2016			
Revenue			
Segment revenue	1,955,254	353,398	2,308,652
Other income	3,663	-	3,663
Inter segment revenue	22,925	(22,925)	-
	1,981,842	330,473	2,312,315
Adjusted operating expenses ¹	(1,852,615)	(293,944)	(2,146,559)
Share of net profit of associates	558	-	558
EBITDA before significant items	129,785	36,529	166,314
Depreciation & amortisation	(27,838)	(5,457)	(33,295)
Segment result	101,947	31,072	133,019
Significant items and other	6(a), 6(c)	-	(60,819)
EBIT	41,128	31,072	72,200
Net finance cost			(39,696)
Profit before tax			32,504
Tax expense			(7,271)
Profit after tax			25,233
Total non-current assets	310,616	63,059	373,675
Total assets	802,523	143,815	946,338
Total liabilities	883,009	64,569	947,578
Capital expenditure	71,097	5,149	76,246
Non-cash items	29,611	1,153	30,764

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

6 Other Income and Expenses

2016
\$000
2015
\$000
Restated

(a) Other Income

Significant items

Net gain on sale of property

-	188,916
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Other items

Net gain on disposal of assets held for sale

3,285 6,592

Other

378 439

3,663 7,031

3,663 195,947

(b) Expenses

Employee benefits expenses

Employee benefits expense

543,098 502,456

Defined super contributions

36,401 35,886

Share based payment expense

3,441 534

582,940 538,876

Impairment losses

Trade receivables

794 478

Inventories

3,112 6,571

Rental expense related to operating leases

60,743 46,874

Net loss on disposal of property, plant and equipment

129 147

Net loss on sale of piggery business

- 377

(c) Other

Significant items

Transformation costs

19,338 13,136

Relocation of head office

25,388 -

Site closure costs

14,910 -

59,636 13,136

Other

1,183 -

60,819 13,136

Transformation costs

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

Relocation of Head Office

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

Site closure costs

On 8 June 2016 the business announced the planned closure of the Cardiff processing plant resulting in employee termination costs, supplier contract obligations and asset impairments.

(d) Finance Costs

Interest income

(2,233) (2,505)

Interest expenses

39,789 43,386

Amortisation of deferred finance costs

2,140 29,598

39,696 70,479

7 Income tax expense

2016
\$000 2015
\$000

(a) Income tax expense

Current tax	10,584	59,360
Deferred tax	(4,266)	(4,000)
Adjustments for current tax of prior periods	953	(4,292)
	7,271	51,068

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

Profit from continuing operations before income tax expense	32,504	197,946
Tax at the Australian tax rate of 30% (2015 - 30%)	9,751	59,384
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Non-deductible expenses	2,674	766
R&D tax offset	(430)	(155)
Revaluation of inventory tax base in associate	(66)	(110)
Reassessment of income losses	-	3,110
Other	-	(1,092)
	11,930	61,903
Net tax differential and legislative adjustment of overseas operations	(5,016)	(5,985)
Difference in overseas tax rates	(596)	(558)
Adjustments for current tax of prior periods	953	(4,292)
Income tax expense	7,271	51,068

(c) Deferred taxes

The movements in deferred tax balances for the Group are shown in the tables below:

	Opening Balance \$000	Loss utilised current year \$000	Charged to income \$000	Charged to Equity \$000	Exchange differences \$000	Closing balance \$000
Consolidated 2015						
Tax losses	33,475	(30,365)	(3,110)	-	-	-
Doubtful debts	111	-	(2)	-	-	109
Employee benefits	24,210	-	(476)	-	(63)	23,671
Cash flow hedges	3,057	-	-	(562)	-	2,495
Other accruals	1,961	-	(315)	-	(14)	1,632
Property, plant and equipment	(6,463)	-	8,577	-	54	2,168
Inventories	(34,637)	-	(799)	-	77	(35,359)
Borrowing costs	(125)	-	125	-	-	-
Net deferred tax assets/(liabilities)	21,589	(30,365)	4,000	(562)	54	(5,284)
Consolidated 2016						
Doubtful debts	109	-	(78)	-	-	31
Employee benefits	23,671	-	(91)	-	111	23,691
Cash flow hedges	2,495	-	-	1,797	-	4,292
Other accruals	1,632	-	1,907	-	20	3,559
Provisions	-	-	7,430	-	-	7,430
Property, plant and equipment	2,168	-	(1,556)	(7,472)	(97)	(6,957)
Inventories	(35,359)	-	(3,346)	-	(141)	(38,846)
Net deferred tax assets/(liabilities)	(5,284)	-	4,266	(5,675)	(107)	(6,800)

8 Cash and cash equivalents

	2016 \$000	2015 \$000
Cash at bank and on hand	74,698	3,122
Short-term deposits	575	93,157
	75,273	96,279

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

9 Trade and other receivables

	2016 \$000	2015 \$000
Trade receivables	211,472	189,781
Allowance for doubtful debt	(104)	(363)
	211,368	189,418
Other receivables	4,135	4,326
Prepayments	5,765	3,577
	221,268	197,321

Movement in the allowance for doubtful debt:

Balance at 27 June 2015	(363)	(411)
Impairment expense recognised during the year	(794)	(478)
Receivables written off during the year as uncollectible	1,056	524
Foreign exchange	(3)	2
Balance at 25 June 2016	(104)	(363)

The Group has considered the collectability and recoverability of trade receivables. An allowance for doubtful debts is recognised for the specific irrecoverable trade receivable amounts. The ageing of trade receivable is outlined below:

	2016 \$000	2015 \$000
Current	161,772	143,678
1 to 30	48,230	43,865
31 to 60	682	614
61 to 90	188	353
90+	496	908
Impaired	104	363
	211,472	189,781

(a) Fair value of trade and other receivables

Due to the short-term nature of current receivables, their carrying amount is assumed to approximate their fair value.

10 Biological assets

	2016 \$000	2015 \$000 Restated
Breeder	38,460	31,631
Broiler	65,017	62,169
Eggs	11,823	10,400
	115,300	104,200

The Group is exposed to a number of risks relating to its biological assets:

(i) *Regulatory and environmental risk*

The Group is subject to laws and regulations in the countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

(ii) *Climate and other risks*

The Group's biological assets are exposed to the risk of damage from climactic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections. The Group is also insured against natural disasters.

11 Inventories

	2016 \$000	2015 \$000 Restated
Processed poultry	99,947	106,767
Feed	42,820	43,003
Other	22,512	20,465
	165,279	170,235
Net realisable value adjustment	(5,640)	(10,855)
	159,639	159,380

Other inventories include medication, packaging and consumables.

12 Assets classified as held for sale

	2016 \$000	2015 \$000
Assets classified as held for sale	1,183	4,488

The carrying amount of assets classified as held for sale in 2016 represents poultry land which is surplus to business requirements and is actively being marketed for sale.

13 Investments accounted for using the equity method

	2016 \$000	2015 \$000
Interest in joint arrangements (note 24)	1,640	1,489

14 Property, plant and equipment

	Freehold Land \$000	Freehold Buildings \$000	Leasehold Buildings \$000	Plant and Equipment \$000	Leased Plant and equipment \$000	Capital work in progress \$000	Total \$000
2015							
Cost							
Opening Balance	60,388	27,488	1,996	242,175	9,080	20,334	361,461
Additions	-	-	-	-	-	44,401	44,401
Transfers	5	1,078	3,171	47,011	270	(51,535)	-
Assets held for sale	(2,004)	1,267	100	119	-	-	(518)
Disposals	(10,458)	(4,857)	(22)	(6,635)	-	-	(21,972)
Exchange difference	(89)	(397)	(233)	(11,647)	-	(42)	(12,408)
Closing Balance	47,842	24,579	5,012	271,023	9,350	13,158	370,964
Accumulated Depreciation							
Opening Balance	-	(1,298)	(118)	(46,345)	(2,523)	-	(50,284)
Depreciation charge	-	(797)	(301)	(30,202)	(1,992)	-	(33,292)
Assets held for sale	-	(104)	38	(53)	-	-	(119)
Disposals	-	-	752	2,104	-	-	2,856
Exchange difference	-	43	53	10,033	-	-	10,129
Closing Balance	-	(2,156)	424	(64,463)	(4,515)	-	(70,710)
Total carrying amount	47,842	22,423	5,436	206,560	4,835	13,158	300,254
2016							
Cost							
Opening Balance	47,842	24,579	5,012	271,023	9,350	13,158	370,964
Additions	-	-	-	-	599	76,247	76,846
Transfers	516	-	2,027	46,467	-	(49,010)	-
Assets held for sale	-	411	-	(121)	-	-	290
Revaluation	19,289	5,114	-	-	-	-	24,403
Disposals	-	-	-	(333)	-	-	(333)
Exchange difference	243	690	437	4,131	-	75	5,576
Closing Balance	67,890	30,794	7,476	321,167	9,949	40,470	477,746
Accumulated Depreciation							
Opening Balance	-	(2,156)	424	(64,463)	(4,515)	-	(70,710)
Depreciation charge	-	(514)	(306)	(31,123)	(1,352)	-	(33,295)
Assets held for sale	-	-	-	24	-	-	24
Impairment	-	(968)	-	(1,601)	-	-	(2,569)
Revaluation write back	-	2,181	-	-	-	-	2,181
Disposals	-	-	-	204	-	-	204
Exchange difference	-	751	(825)	(1,472)	-	-	(1,546)
Closing Balance	-	(706)	(707)	(98,431)	(5,867)	-	(105,711)
Total carrying amount	67,890	30,088	6,769	222,736	4,082	40,470	372,035

(a) Valuations of land and buildings

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. An independent valuation was performed during the year and asset values were adjusted as at 25 June 2016. Had the land and building not been adjusted, the carrying value would have been \$26.6 million less as at 25 June 2016.

(b) Assets pledged as security

Refer to note 16(b) for information on assets pledged as security by the Group.

15 Trade and other payables

	2016			2015		
	Current \$000	Non-Current \$000	Total \$000	Current \$000	Non-Current \$000	Total \$000
Trade payables	216,513	2,715	219,228	198,372	-	198,372
Other payables	23,236	-	23,236	21,262	2,705	23,967
	239,749	2,715	242,464	219,634	2,705	222,339

(a) Fair value of trade and other payables

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

16 Interest bearing liabilities

(a) Interest bearing loans

	Carrying amount		Principal amount drawn		Interest rate	Maturity
	2016 \$000	2015 \$000	2016 \$000	2015 \$000		
Secured loan						
Tranche A	111,185	125,106	112,800	127,400	Floating	Note 16(b)
Tranche B	390,331	388,870	396,000	396,000	Floating	Note 16(b)
Unsecured loan	39,952	36,320	39,952	36,320	10%	Note 16(c)
	541,468	550,296	548,752	559,720		

Secured loans are classified as non-current, except for \$21,160,000 (2015: \$12,460,000) that is due and payable in the next twelve months from statement of financial position date.

(b) Secured liabilities and assets pledged as security

Bank loans are secured by first mortgages over the Group's freehold land and buildings and assets classified held for sale. The carrying amounts of assets pledged as security for current and non-current borrowings are \$932,903,000 (2015: \$880,125,000) which represents total assets of the Group adjusted for leasehold properties and excluding insurance entities.

Secured loans have a maturity date, the earliest to occur of the following:

- (a) TPG ceases to directly or indirectly control more than 50% of the shares representing the economic ownership of Ingham Enterprises Pty Limited, a subsidiary of Ingham Holdings I Pty Limited, or
- (b) If Ingham Holdings I Pty Limited were to list shares on the stock exchange which does not constitute a change of control (as above), repayment of borrowings outstanding up to, but not exceeding 100% of the proceeds of such listing is required, or
- (c) The date that is five years after the completion date (21 November 2019).

(c) Unsecured loan

Loan bears interest at 10% per annum and has a maturity date, the earliest to occur of the following:

- (a) TPG ceases to directly or indirectly control more than 50% of the shares representing the economic ownership of Ingham Enterprises Pty Limited, a subsidiary of Ingham Holdings I Pty Limited, or
- (b) The date that is six years after the completion date (27 June 2013).

(d) Fair value

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

17 Provisions

	2016			2015		
	Current \$000	Non-Current \$000	Total \$000	Current \$000	Non-Current \$000	Total \$000
Workers compensation provision						
Queensland	2,463	3,996	6,459	1,466	4,891	6,357
New South Wales	1,270	3,929	5,199	1,416	4,294	5,710
South Australia	2,733	2,883	5,616	1,214	3,564	4,778
Victoria	1,424	3,480	4,904	1,770	3,931	5,701
Western Australia	826	127	953	1,011	431	1,442
Tasmania	227	268	495	228	313	541
	8,943	14,683	23,626	7,105	17,424	24,529
Employee benefits	61,197	19,349	80,546	68,969	11,131	80,100
Make good provision	-	9,949	9,949	-	9,350	9,350
Onerous provision	6,213	-	6,213	-	-	-
Restructuring provision	16,911	-	16,911	-	-	-
Other provision	83	167	250	-	-	-
	84,404	29,465	113,869	68,969	20,481	89,450
	93,347	44,148	137,495	76,074	37,905	113,979

(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.

(b) Make good provision

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

(c) Restructuring provision

Provisions for restructuring are recognised when a detailed formal plan has been approved and either commenced or a valid expectation has been raised to those persons affected. The provision is based on expenditure to be incurred which is directly caused by the restructuring and does not include costs associated with ongoing activities. The adequacy of the provision is reviewed regularly and adjusted if required. Revisions in the estimated amount of a restructuring provision are reported in the period in which the revision in the estimate occurs.

(d) Onerous provision

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

17 Provisions (continued)

(e) Movements

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

	Workers Compensation \$000	Make good \$000	Onerous provision \$000	Restructuring \$000	Other \$000	Total \$000
Balance at 28 June 2014	19,028	9,080	-	-	-	28,108
Received from WorkCover Queensland on assumption of liabilities	6,997	-	-	-	-	6,997
Charged to profit or loss	9,579	270	-	-	-	9,849
Amounts used during the period	(11,075)	-	-	-	-	(11,075)
Balance at 27 June 2015	24,529	9,350	-	-	-	33,879
Charged to profit or loss	10,506	599	6,213	16,911	20	34,249
Amounts used during the period	(11,409)	-	-	-	-	(11,409)
Balance at 25 June 2016	23,626	9,949	6,213	16,911	20	56,719

18 Derivative financial instruments

(a) Derivatives

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

	2016			2015		
	Current \$000	Non-Current \$000	Total \$000	Current \$000	Non-Current \$000	Total \$000
Interest rate swap contracts						
Cash flow hedges	(5,660)	(6,454)	(12,114)	(6,179)	(4,828)	(11,007)
Forward foreign exchange contracts						
Cash flow hedges	(2,193)	-	(2,193)	2,691	-	2,691
	(7,853)	(6,454)	(14,307)	(3,488)	(4,828)	(8,316)

Classification of derivatives

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

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

19 Equity

Contributed equity

	2016 Shares	2015 Shares	2016 \$000	2015 \$000
(a) Share capital				
Ordinary shares issued	334,115,281	327,038,914	107,833	106,533
Total equity			107,833	106,533

	Shares	\$000
(b) Movements in ordinary shares		
Balance at 28 June 2014	305,469,109	305,469
Capital redemption	-	(200,536)
Shares issued	21,569,805	1,600
Balance at 27 June 2015	327,038,914	106,533
Shares issued	7,076,367	1,300
Balance at 25 June 2016	334,115,281	107,833

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and to share the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(d) Treasury shares

Treasury shares outstanding of 25,339,294 are shares in Ingham Holdings I Pty Limited that are held in trust by Ingham 2 Pty Limited, a subsidiary, for the purpose of issuing shares under the employee share scheme. Information relating to the Ingham Long Term Management Incentive Plan, including details of shares issued, exercised and lapsed during the financial period and outstanding at the end of the reporting period, is set out in note 30.

20 Dividends

(a) Ordinary shares

	2016 \$000	2015 \$000
Unfranked dividends paid in prior year of 98 cents per fully paid share	-	314,643

(b) Imputation credits

	2016 \$000	2015 \$000
Amount of Australian franking credits available to the shareholders of Ingham Holdings Pty Limited	43,438	24,499

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

21 Reserves

	2016 \$000	2015 \$000
(a) Other reserves		
Asset revaluation reserve	20,294	-
Foreign currency translation reserve	11,821	3,713
Cash flow hedge reserve	(10,015)	(5,822)
Share-based payments reserve	4,557	1,116
Acquisition reserve	6,722	6,722
	33,379	5,729
Movements:		
<i>Asset revaluation reserve</i>		
Balance at beginning of financial period	-	-
Revaluation gain	27,766	-
Deferred tax	(7,472)	-
Balance at end of the period	20,294	-
<i>Foreign currency translation reserve</i>		
Balance at beginning of financial period	3,713	9,019
Currency translation differences arising during the period	8,108	(5,306)
Balance at end of the period	11,821	3,713
<i>Cash flow hedges reserve</i>		
Balance at beginning of financial period	(5,822)	(7,133)
Revaluation - gross	(5,990)	1,873
Deferred tax	1,797	(562)
Balance at end of the period	(10,015)	(5,822)
<i>Share-based payments reserve</i>		
Balance at beginning of financial period	1,116	582
Option and deferred share plan expense	3,441	534
Balance at end of the period	4,557	1,116
<i>Acquisition reserves</i>		
Balance at beginning and end of the period	6,722	6,722

(b) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 2(n). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Foreign currency translation

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

(iii) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 2(m). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(iv) Share-based payments

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

(v) Acquisition reserve

The acquisition reserve is used to recognise balances relating to business combinations.

22 Cash flow information

	2016	2015
	\$000	\$000
Reconciliation of profit after income tax		
Profit after tax for the period	25,233	146,878
Depreciation	33,295	33,292
Non-cash employee benefits expense – share based payment	3,441	534
Net loss on sale of non-current assets	22	147
Net gain on sale of assets held for sale	(3,285)	(195,508)
Loss on sale of piggery business	-	377
Share of net profit of joint venture (net of dividend received)	(151)	(53)
Finance Costs	5,772	32,899
Impairment of property, plant & equipment	2,569	-
Devaluation of property, plant & equipment	1,183	-
Change in:		
(Increase)/decrease in trade and other receivables	(23,946)	9,383
(Increase)/decrease in biological assets	(11,100)	14,127
(Increase)/decrease in inventories	(260)	1,997
Increase in trade and other payables	19,900	8,527
(Decrease)/increase in provision for income taxes payable	(13,752)	14,790
(Decrease)/increase in deferred tax liabilities	(4,245)	26,365
Increase in other provisions	23,516	4,107
Net cash provided by operating activities	58,192	97,862

23 Related party disclosures

Group structure and corporate information

(a) Parent entity

Name	Type	Place of incorporation	Ownership interest	
			2016	2015
TPG	Ultimate controlling entity	United States	97%	97%

The registered office and principle place of business of Ingham Holdings I Pty Limited is:

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

(b) Subsidiaries

The consolidated financial statements include the financial statements of Ingham Holdings I Pty Limited and its subsidiaries as follows:

Name of entity	Country of incorporation	Equity holding	
		2016 %	2015 %
Directly controlled by Ingham Holdings I Pty Limited Ingham Holdings II Pty Limited	Australia	100	100
Directly controlled by Ingham Holdings II Pty Limited Ingham Holdings III Pty Limited (a)	Australia	100	100
Directly controlled by Ingham Holdings III Pty Limited Adams Bidco Pty Limited (a)	Australia	100	100
Directly controlled by Adam Bidco Pty Limited Ingham Enterprises Pty Limited (a)	Australia	100	100
Directly controlled by Ingham Enterprises Pty Limited Inghams Enterprises Pty Limited (a)	Australia	100	100
Ingham Finco Pty Limited (b)	Australia	100	100
Ingham 2 Pty Limited (b)	Australia	100	100
Directly controlled by Inghams Enterprises Pty Limited Agnidla Pty Limited (b)	Australia	100	100
Aleko Pty Limited (b)	Australia	100	100
Inghams Enterprises (NZ) Pty Limited (a)	Australia	100	100
Inghams Property Management Pty Limited (b)	Australia	100	100
Ovoid Insurance Limited	Bermuda	100	100
Ovoid Insurance Pty Limited (b)	Australia	100	100
Directly controlled by Agnidla Pty Limited Inadnam Pty Limited (b)	Australia	100	100
Directly controlled by Inghams Enterprises (NZ) Pty Limited Harvey Farms Pty Limited	New Zealand	100	100

- (a) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.
- (b) These subsidiaries are not audited as they are small proprietary companies which are not required to prepare audited financial statements.

23 Related party disclosures (continued)

Related party transactions

(c) Key management personnel compensation

	2016 \$000	2015 \$000
Short-term employee benefits	6,085	5,387
Other long-term employee benefits	74	35
Share based payments	2,235	250
Termination benefits	609	-
	9,003	5,672

(d) Transactions with other related parties

The following transactions occurred with related parties:

Other transactions

Monitoring fees/monitoring fees and acquisitions costs paid to ultimate parent entity	3,110	3,110
Dividend paid to ultimate parent entity	-	292,557
Capital return to ultimate parent entity	-	200,212
	3,110	495,879

24 Interests in joint arrangements

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

Name and principal activity

	Owners interest		Carrying value of investment	
	2016 %	2015 %	2016 \$000	2015 \$000
AFB International Pty Limited				
Pet food manufacture	50	50	1,640	1,489

Movement in investment in joint arrangements:

	2016 \$000	2015 \$000
Opening balance	1,489	1,436
Add: share of net profit of joint venture	558	366
Less: dividend received from joint venture	(407)	(313)
Closing balance	1,640	1,489

25 Contingencies

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

	2016 \$000	2015 \$000
Secured guarantees in respect of bank guarantees for supply of services supporting normal business activities of the consolidated entity	51,152	46,318

26 Commitments

(a) Capital commitments

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

	2016 \$000	2015 \$000
Property, plant and equipment	53,078	22,246

(b) Lease commitments

Non-cancellable operating leases

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

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

	2016 \$000	2015 \$000
Within one year	72,437	67,138
Later than one year but not later than five years	251,331	249,211
Later than five years	733,957	803,534
	1,057,725	1,119,883

27 Remuneration of auditors

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

	2016 \$000	2015 \$000
PricewaterhouseCoopers		
Audit and review of financial statements	-	881
Tax compliance	-	848
Other services	-	578
Total amount paid or payable to auditors	-	2,307
KPMG		
Audit and review of financial statements	600	-
Tax compliance, advisory and other services	685	-
Total amount paid or payable to auditors	1,285	-

28 Share-based payments

Select key management of the Group have been granted an interest-free loan to subscribe to shares of Ingham Holdings I Pty Limited. This loan is non-recourse other than to the shares held by that employee, and the proceeds of the loan must be used to buy shares. As the only recourse on the loans is the shares and there are vesting conditions, the arrangement has been accounted for as share options, as required under accounting standards. The shares vest based on earnings and length of service as follows:

- (a) Performance based - which only vest if certain performance standards are met
- (b) Time based - will vest on each anniversary of the transaction close date.

Shares under this scheme are held in trust for employees by a subsidiary, Ingham 2 Pty Limited.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	2016		2015	
		Exercise price	Number of Shares	Exercise price	Number of Shares
27 June 2014	26 June 2019	\$1.00	12,940,000	\$1.00	12,940,000
20 March 2015	19 March 2020	\$0.81	565,125	\$0.81	565,125
17 October 2014	16 October 2019	\$1.13	1,637,000	\$1.13	1,637,000
20 March 2015	19 March 2020	\$0.81	3,088,174	\$0.81	3,088,174
19 June 2015	18 June 2020	\$0.81	1,481,482	\$0.81	1,481,482
3 July 2015	2 July 2018	\$0.81	370,370	-	-
18 September 2015	17 September 2020	\$0.81	444,444	-	-
14 October 2015	13 October 2020	\$1.40	250,000	-	-
2 November 2015	1 November 2020	\$1.40	850,000	-	-
22 December 2015	21 December 2018	\$1.40	2,669,842	-	-
22 December 2015	21 December 2020	\$1.40	1,042,857	-	-
			25,339,294		19,711,781

The number of in substance share options granted during the year were 5,627,513. No in substance share options were exercised, forfeited or expired during the year.

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

The model inputs for options granted during the year ended included:

- (a) Exercise price \$1.40 to \$1.40 (2015 \$1.13)
- (b) Share price at grant date \$2.00 to \$2.50 (2015 \$1.13)
- (c) Expected price volatility 30% (2015 30%)
- (d) Expected dividend yield NIL (2015 NIL)
- (e) Risk-free interest rate ranging between 1.50% to 2.25% (2015 between 1.90% to 2.75%)

29 Parent entity financial information

(a) Summary financial information

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

	2016 \$000	2015 \$000
Statement of financial position		
Current assets	59,164	73,984
Current liabilities	(5,346)	(22,603)
Non-current liabilities	(39,952)	(36,320)
Total Liabilities	(45,298)	(58,923)
Net assets	13,866	15,061
Equity		
Contributed equity	107,833	106,533
Accumulated losses	(93,967)	(91,472)
	13,866	15,061
(Loss) / Profit for the year	(2,495)	315,474
Total comprehensive income	(2,495)	315,474

The parent entity does not have any commitments or contingent liabilities as at 25 June 2016.

30 Earnings per share (EPS)

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

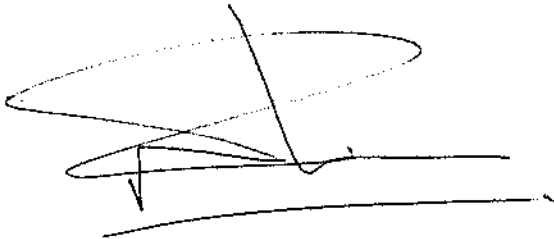
Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the Parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares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

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

	2016 \$000	2015 \$000
Earnings		
Earnings used in calculating basic and diluted earnings per share attributable to the equity holders of the parent	25,233	146,878
Number of ordinary shares		
	000	000
Weighted average number of ordinary shares used in the calculation of basic EPS	308,546	305,187
Dilutive effect of share options	10,537	5,645
Weighted average number of ordinary shares used in the calculation of diluted EPS	319,083	311,832
EPS (cents per share)	8.18	47.97
Diluted EPS (cents per share)	7.91	47.10

1. In the opinion of the directors of Ingham Holdings I Pty Limited (the Company):
 - (a) the consolidated financial statements and notes set out on pages 6 to 40 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Group's financial position as at 25 June 2016 and of its performance for the financial year ended on that date, and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors draw attention to note 2(a) to consolidated financial statements, which includes a statement of compliance with international financial reporting standards.

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

A handwritten signature in black ink, appearing to be 'Michael McMahon', written over a horizontal line.

Michael McMahon
Executive Director

Sydney
6 October 2016



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

Report on the financial report

We have audited the accompanying financial report of Ingham Holdings I Pty Limited (the company), which comprises the consolidated statement of financial position as at 25 June 2016, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101

Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the Group's financial position as at 25 June 2016 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

Greg Boydell
Partner

Sydney
6 October 2016