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ASX Release

20 August 2021

Correction Appendix 4E and Dividend Announcement

Ingham's Group Limited (ASX:ING) advises that the ING Appendix 4E Announced on 20 August 2021 has been amended clarifying that the fully franked final dividend declared was 9.0 cents per share (rather than 16.5 cents per share as referred to in the earlier announcement).

The first paragraph on the first page of the Appendix 4E marked up to show the amendment is set out below, and the amended Appendix 4E is attached to this Announcement.

Dividends

The directors have determined that a fully franked final dividend of 9.0 cents ~~16.5cents~~ per share be declared. The dividend was not declared before 26 June 2021 and as such no provision has been recognised. The record date for determining entitlements to the dividend is 15 September 2021.

A fully franked interim dividend of 7.5 cents per share was declared and paid.

The Dividend and Distribution Announcement Appendix 3A will also be amended to indicate that the fully franked final dividend declared is 9.0 cents per share.

This announcement has been authorised by the Inghams Group Limited Company Secretary.

David Matthews

Company Secretary

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Inghams Group Limited

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

Appendix 4E for the year ended 26 June 2021 (FY21)

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Results for announcement to the market

	FY21 $'000	FY20 $'000	Variance $'000	Variance %
Revenue from ordinary activities	2,668,800	2,555,300	113,500	4.4%
Profit for the period after tax from ordinary activities attributable to members	83,300	40,100	43,200	107.7%
Net profit for the period attributable to members	83,300	40,100	43,200	107.7%

Dividends

The directors have determined that a fully franked final dividend of 9.0 cents per share be declared. The dividend was not declared before 26 June 2021 and as such no provision has been recognised. The record date for determining entitlements to the dividend is 15 September 2021.

A fully franked interim dividend of 7.5 cents per share was declared and paid.

Explanatory note on results

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

Net tangible assets backing

Net tangible assets backing at 26 June 2021 was $0.44 per share (27 June 2020: $0.36 per share).

Entities where control has been gained or lost

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

Associates

The Group has a 50% (FY20: 50%) investment in AFB International Pty Limited (AFB). AFB manufactures and markets a leading range of wet and dry palatants, sprayed onto pet food to enhance its palatability. The business has two processing facilities in Somerville (VIC) and Murrarie (QLD) and services Australia and South East Asia with pet food flavours (palatants). The Group's share of AFB's results is not material to the Group's results for the current period or for the previous corresponding period.

Annual General Meeting

The annual general meeting will be held virtually from Ingham's corporate office in NSW commencing at 4 November 2021 at 10AM.

The approximate date the Annual Report will be available is 5 October 2021.

This Appendix 4E should be read in conjunction with the Inghams Group Limited Financial Report for the year ended 26 June 2021.

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Inghams Group Limited

ACN 162 709 506

Financial Report

For the year ended 26 June 2021

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Contents

Directors' report

This audited general purpose financial report for the year ended 26 June 2021 covers the consolidated entity comprising Inghams Group Limited (the Company) (ACN 162 709 506) and its controlled entities ('The Group', 'Ingham's'). The Group's functional and presentation currency is Australian dollars ($), rounded to the nearest hundred thousand.

Directors

The following persons were Directors of Inghams Group Limited during the year and until the date of this report:

Name	Role	Date of appointment	Date of resignation
Peter Bush	Chairman	7 October 2016	
Rob Gordon	Non-Executive Director	11 April 2019	
Michael Ihlein	Non-Executive Director	16 April 2020	
Jim Leighton	CEO & Managing Director	7 January 2019	29 March 2021
Jackie McArthur	Non-Executive Director	18 September 2017	
Helen Nash	Non-Executive Director	16 May 2017	
Linda Bardo Nicholls AO	Non-Executive Director	7 October 2016	
Andrew Reeves	Non-Executive Director	14 January 2019	29 March 2021
Andrew Reeves	CEO & Managing Director	29 March 2021	

Present Director profiles of the Company

Peter Bush (Chairman)

Board Chair and Chair of the Nominations Committee

Peter had a long and successful career in the fast-moving consumer goods (FMCG) industry, holding senior roles with Ampol/Caltex, Arnott's, Reckitt and Coleman, and SC Johnson. He was also formerly Chief Executive Officer of AGB McNair, McDonald's Australia and Schwarzkopf. He ran his own strategic consultancy business for six years with clients including George Patterson Bates, John Singleton Advertising, McDonald's Australia, Qantas and Telstra. He has previously served as a Chairman of Southern Cross Media Group Limited, Mantra Group Limited, Nine Entertainment Holdings Limited and Pacific Brands Limited and a director of Insurance Australia Group Limited.

Andrew Reeves (Managing Director and Chief Executive Officer)

Andrew Reeves was appointed Chief Executive Officer and Managing Director of Ingham's on 29 March 2021.

Andrew has more than 40 years' experience in leadership and governance roles across the food and beverage and agribusiness industries in Australia and internationally. From 2019 to 2021, Andrew was a non-executive director on the Inghams Group Limited Board and was a member of the Board's Finance and Audit Committee, and Risk and Sustainability Committee. He is currently an Independent Non-Executive Director of Keytone Dairy Corporation Limited and was previously the Chief Executive Officer of George Weston Foods, Managing Director and Executive Director of Lion Nathan Limited, Managing Director Australia of Coca-Cola Amatil and Managing Director of The Smith's Snack Food Company.

Rob Gordon (Non-Executive Director)

Member of the Finance & Audit Committee

Rob has nearly 40 years of experience in the FMCG and agribusiness sectors, including over 20 years in Chief Executive Officer and Managing Director roles for companies including Dairy Farmers Limited, Goodman Fielder Limited (Meadow Lea and Consumer Goods divisions) and Viterra Inc. Rob is currently the Chief Executive Officer and a director of Ricegrowers Limited, and a member of the Rabobank Agribusiness Advisory Board. Rob has also served as a non-executive Deputy Chair of the Australian Food and Grocery Council and a member of Gresham Private Equity Advisory Board.

Michael Ihlein (Non-Executive Director)

Chair of the Finance and Audit Committee, Member of the People and Remuneration Committee, Member of the Risk and Sustainability Committee

Michael has significant experience across FMCG and supply chain logistics companies. He held senior roles at Coca-Cola Amatil Limited including Executive Director and Chief Financial Officer as well as Managing Director, Coca-Cola Amatil Poland. Subsequently, he was Executive Director and Chief Financial Officer at Brambles Limited prior to becoming Chief Executive Officer until his retirement. Michael also serves on the Boards of Ampol Limited, Scentre Group Limited and the not-for-profit mentoring organisation Kilfinan Australia. He was formerly a Non-Executive Director of CSR Limited.

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Directors' report (continued)

Present Director profiles of the Company (continued)

Jackie McArthur (Non-Executive Director)

Chair of the Risk and Sustainability Committee, Member of the People and Remuneration Committee

Jackie has more than 20 years' experience in supply chain and logistics roles globally. Jackie was most recently the Managing Director ANZ for the Martin Brower Company, a global logistics solutions provider for quick service restaurants. Prior to that, Jackie was the McDonald's Vice President Supply Chain for Asia, Pacific, Middle East and Africa having also had roles in McDonalds Australia as Senior Vice President Chief Restaurant Support Officer and Vice President Supply Chain Director. Jackie is an Independent Non-Executive Director on the Boards of Qube Holdings and Tassal Group Limited. She was formerly a Non-Executive Director of InvoCare and Blackmores Limited.

Helen Nash (Non-Executive Director)

Chair of the People and Remuneration Committee, Member of the Nominations Committee

Helen has more than 20 years' executive experience across the consumer-packaged goods, media and quick service restaurant industries. Initially trained as a certified management accountant in the UK, Helen then spent more than 15 years in brands and consumer marketing including the role of Chief Marketing Officer for McDonald's Australia and New Zealand. Helen also held the position of Chief Operating Officer for McDonald's Australia where she had strategic, commercial and operational responsibility for the business. Helen is currently an Independent Non-Executive Director of Metcash Limited and Southern Cross Media Limited. She was formerly a Non-Executive Director of Blackmores Limited and Pacific Brands Limited.

Linda Bardo Nicholls AO (Non-Executive Director)

Member of the Finance and Audit Committee, Member of the People and Remuneration Committee, Member of the Risk and Sustainability Committee and Member of the Nominations Committee

Linda has more than 30 years' experience as a senior executive and director in banking, insurance and funds management in Australia, New Zealand and the United States. Linda is Chairman of Japara Healthcare Limited and Melbourne Health, a director of Medibank Private Limited and serves on the Museums Board of Victoria. She has previously served as a Director and Chairman on the Boards of other major Australian listed companies, including Fairfax Limited, and is a Life Fellow of the Australian Institute of Company Directors.

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Directors' report (continued)

Directors' meetings

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

	Directors meetings held	Directors' meetings attended	F&AC meetings held	F&AC meetings attended	P&RC meetings held	P&RC meetings attended	R&SC meetings held	R&SC meetings attended	Noms C meetings held	Noms C meetings attended
P Bush	8	8 (c)	-	3*	-	2*	-	3*	8	8 (c)
R Gordon	8	8	4	4	-	2*	-	1*	-	-
M Ihlein	8	8	4	4 (c)	4	4[4]	1	1[5]	-	-
J Leighton [1]	6	6	-	3*	-	3*	-	3*	-	-
J McArthur	8	8	-	2*	5	5	4	4 (c)	-	6*
H Nash	8	8	-	3*	5	5 (c)	-	3*	8	7
L Bardo Nicholls	8	8	4	4	5	4[3]	4	4	8	7
A Reeves	8	8	3	3[2]	-	5*	3	3[2]	-	-

* Denotes attendance by a Director while not a member of the Committee.
(c) Denotes Chair of the Board or Committee.
(1) Jim Leighton resigned as a CEO & Managing Director as from 29 March 2021.
(2) Andrew Reeves appointed as CEO & Managing Director as from 29 March 2021 and on that date he stepped down as a Committee member of the Finance & Audit and Risk & Sustainability Committees.
(3) Linda Nicholls was on leave of absence due to illness for the People & Remuneration Committee meeting held on 3 June 2021.
(4) Michael Ihlein joined the People & Remuneration Committee on 10 Sep 2020 and he attended one People & Remuneration Committee meeting prior to being appointed to the Committee.
(5) Michael Ihlein joined the Risk & Sustainability Committee on 28 April 2021 and he attended three Risk & Sustainability Committee meetings prior to being appointed to the Committee.

F&AC = Finance & Audit Committee
P&RC = People & Remuneration Committee
R&SC = Risk & Sustainability Committee

Company Secretary

David Matthews, B Econ, LL.B.

David joined Ingham's in November 2015. David has over 30 years' experience as a lawyer with international law firms in Australia and the UK and with large, listed global companies. Prior to joining Ingham's, he was General Counsel and Company Secretary of Fonterra Co-operative Group, Telecom New Zealand's Australian operations, and Arnott's Biscuits/Campbell Soup in the Asia Pacific Region.

Principal activities

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

Corporate Structure

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

Significant changes in the state of affairs

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

Dividends

An interim fully franked dividend of 7.5 cents per share totalling $27.9 million was paid on 8 April 2021 (2020: $27.1m).

Subsequent to the year end, a fully franked dividend of 9.0 cents per share has been declared totalling $33.4 million to be paid on 6 October 2021. The financial effect of this dividend has not been brought to account in these consolidated financial statements and will be recognised in the subsequent financial report.

Directors' report (continued)

Significant events after the balance date

The directors of the Company are not aware of any other matter or circumstance not otherwise dealt within the financial report that significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in the period subsequent to the year ended 26 June 2021.

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.

The Group takes its environmental obligations seriously and has had an environmental policy in place for more than 30 years. The policy provides the framework for a comprehensive management strategy that is integrated with overall business strategy and ensures individual sites are managed in a consistent way to a high standard. In the past decade, sustainability has become a focus for the organisation and is a key business objective, helping identify business improvements and further efficiencies. Ingham's is now recognised as a leader in sustainability and aims to lead the world in the continued adoption of advanced water treatment to reduce water use.

The policy contains a commitment to protecting the environment including:

- Development of an environmental management system integral to overall management;
- Prevention of pollution;
- Product stewardship;
- Water, energy and material conservation;
- Continuous environmental improvement; and
- Working towards sustainability internally and with the supply chain.

It includes requirements for each site to develop and implement a site-specific environmental management plan with the following objectives:

- Compliance with applicable legal and other requirements met;
- Identification of environmental impacts of our activities, products and services;
- Procedures for managing activities with a potential to impact the environment;
- Continuous environmental improvement through setting and reviewing specific objectives and targets; and clear responsibilities and accountability.

It also outlines the annual self-assessment and the periodic independent environmental review processes.

Each site has the required environmental protection licence or resource consent and completes an annual statement of compliance.

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

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Directors' report (continued)

Directors' interests

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

	Ordinary shares	Performance rights
Peter Bush	208,730	–
Michael Ihlein	45,455	–
Jackie McArthur	24,950	–
Helen Nash	29,370	–
Linda Bardo Nicholls, AO	42,048	–
Rob Gordon	15,772	–
Andrew Reeves	12,800	–

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Directors’ report (continued)

Share options

Legacy share option arrangement

A KMP of the Group was granted an interest-free loan in September 2018 to subscribe to shares of Inghams Group Limited. This loan is non-recourse other than to the shares held by that employee, and the proceeds of the loan must be used to buy shares. The arrangement has been accounted for as share options. These options entitle the holder to receive dividends on ordinary shares of the Company, and these dividends are required to be used to repay the loans attached. Shares under this scheme are held in trust for employees by a subsidiary, Ingham 2 Pty Limited. This interest free non-recourse loan to purchase shares in Ingham’s under a legacy arrangement has a balance owing as at 26 June 2021 of A$23,600, with this loan being repaid from dividends from the ordinary shares held. It is expected that this loan will be fully repaid within FY22.

There are no other loans to KMP and no loan arrangements will be offered in the future.

Performance rights

Executive KMP and senior executives are invited annually to participate in a three-year Long-Term Incentive Plan (LTIP), awarded in share rights with these share rights being performance based and only vest if minimum performance hurdles are met. The share rights do not attract voting rights or entitle the holder to receive dividends.

In addition, Executive KMP and certain senior executives have a portion of any actual Short-Term Incentive Plan award deferred into share rights, that are required to be held for a period of 12 months before vesting into shares. No performance conditions exist for these share rights to vest and they are time-based vesting on the completion of the service period.

Share options and rights outstanding at the end of the year have the following expiry dates and exercise prices (where relevant):

		2021		2020	
Grant Date	Expiry Date	Exercise price	Number of rights/options	Exercise price	Number of rights/options
10 June 2021	1 July 2023	–	1,097,339	–	–
15 September 2020	1 July 2021	–	299,654		
17 April 2020	25 June 2022	–	1,448,756	–	1,996,208
02 April 2020	31 December 2022	–	14,410	–	–
01 September 2020	31 July 2023	–	15,031	–	–
06 December 2018	30 June 2021	–	34,860	–	80,095
06 December 2018	30 June 2020	–	–	–	11,260
04 December 2018	30 June 2021	–	506,862	–	506,862
05 November 2018	30 June 2021	–	354,001	–	306,459
07 November 2017	30 June 2020	–	–	–	157,779
22 December 2015	21 December 2020	$1.40	200,000	$1.40	200,000
Share-based payments			**3,970,913**		**3,258,663**

(1) The options for 200,000 shares relate to a KMP interest-free loan granted in September 2018. Based on expected dividend payouts, the option was expected to expire in December 2020 but a balance of A$23,600 remains outstanding as of 26 June 2021. The options will continue to remain outstanding and are expected to vest in FY22 upon final dividend settlements.

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

Name of officer	Date granted	Number of rights
Jonathan Gray	10 June 2021	114,260
Gary Mallett	10 June 2021	128,368
Jonathan Gray	15 September 2020	15,275
Gary Mallett	15 September 2020	13,384
Jim Leighton	15 September 2020	180,377

No options were granted to the directors or officers of the company since the end of the financial year.

Directors' report (continued)

Indemnities and insurance of officers and auditors

Indemnities

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

Indemnification and insurance of officers

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

Lead auditor's independence declaration

The lead auditor's independence declaration required under section 307C of the *Corporation Act 2001* is included on page 59.

Non-audit services

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

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

	$000
Other services (FY21 includes benchmarking data for short term and long term incentive plans for executive remuneration)	35
Other assurance services	8
Total non-audit services	**43**

Rounding of amounts

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

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Directors' report (continued)

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Operating and financial review

Non-IFRS measures

Throughout this report, Ingham's has included certain non-IFRS financial information, including EBITDA. Ingham's believes that these non-IFRS measures provide useful information to recipients for measuring the underlying operating performance of Ingham's.

EBITDA stands for Earnings Before Interest, Tax, Depreciation, and Amortisation. This is calculated throughout the Operating and Financial Review consistent with the segment note to the financial statements from page 77.

Underlying results

The underlying results exclude the profit on sale of assets, impairments and restructuring charges. The above mentioned items have been tax effected to determine an underlying Net Profit after Tax (NPAT) to allow shareholders to make a meaningful comparison of the Group's underlying NPAT performance against prior year.

Underlying results (52 weeks)

Table 1: Underlying results for FY21 compared to underlying results for prior year

Consolidated income statement	FY21 Underlying $000	FY20 Underlying $000	Change $000
Revenue	2,668,800	2,555,300	113,500
Cost of sales	(1,948,600)	(1,891,800)	(56,800)
Gross profit	**720,200**	**663,500**	**56,700**
Distribution expense	(142,200)	(137,900)	(4,300)
Sales, general and administration expense	(130,100)	(116,600)	(13,500)
Share of net profit associate	400	300	100
Other income	400	–	400
EBITDA	**448,700**	**409,300**	**39,400**
Depreciation and amortisation	(265,300)	(263,400)	(1,900)
EBIT	**183,400**	**145,900**	**37,500**
Net interest expense	(65,600)	(68,400)	2,800
Net profit before tax	**117,800**	**77,500**	**40,300**
Income tax expense	(31,100)	(22,400)	(8,700)
Net profit after tax	**86,700**	**55,100**	**31,600**

Group core poultry volume grew 4.2% despite challenging market conditions including intermittent lockdowns, closed international borders and export market disruptions due to Avian Influenza, though not at any Ingham's sites. Group core poultry revenue was up +5.7% while net selling prices grew +1.4% reflecting positive growth across all channels except Export.

Australian core poultry volume grew 3.9% (1H 4.0% / 2H 3.8%) with growth coming from all channels except for export which declined sharply as export markets were closed for the most part of FY21. Australian core poultry revenue grew 5.8% in FY21 with net selling prices growing +1.8% highlighting the elevated prices reflected of high commodity prices.

New Zealand core poultry grew 6.2% (1H 4.2% / 2H 8.3%) with strong 2H growth reflecting the cycling of the Q4 FY20 COVID-19 lockdowns in NZ, while 1H FY21 volume performance of +4.2% was due to the clearance of excess inventory. New Zealand core poultry revenue grew slower at 5.3% in FY21 with net selling prices declining -0.8% as the market progressively sold down excess stock and rebalanced supply across the market.

Feed volume declined -9.1% or -37.1kt, -17.7kt in New Zealand and -19.3kt in Australia. New Zealand was impact by continued favourable pasture conditions impacting the dairy feed business and the sale of Hamilton at the end of Q3. Australia was impacted by lower external feed demand due to COVID-19 and a customer loss. By-products volume grew +5.1% or +5.3kt, with the growth predominantly coming from Australia +6.2kt, while NZ volume declined -0.9kt due to a challenged domestic market.

Cost of sales grew modestly at 3.0% due to improved operational performance and the realisation of continuous improvement initiatives across farming, primary processing and further processing. In addition, the business benefited from the forward purchasing of electricity and initiatives to save water at sites, while the FY21 cost of sales benefited from a $13.6M year on year improvement in the inventory provision. The Gross profit margin % as a result improved 1.0 pp to 27.0% of revenue.

Distribution costs increased 3.9% in the year due to a mix of higher core poultry volumes +4.2% and CPI increases offset by improved route optimisation. Sales, general and administrative costs were up + 10.5% due to higher insurance premiums and legal settlements incurred.

Directors' report (continued)

Operating and financial review (continued)

Depreciation was broadly in line with FY20 due to the delays in completing new projects due to COVID-19 restrictions.

External net interest, excluding AASB 16 interest was up 9.6% due to higher debt balance in 1H FY21.

The effective tax rate (ETR) of 26.4% (2020: 28.9%) was down due to the receipt of an R&D tax credit of $8.5M for the FY19 claim year partially offset by a provision under IFRIC 23 for an uncertain tax matter.

The impact of AASB 16 included in the underlying results above are as follows:

Table 1a: AASB 16

AASB 16	FY21 AASB 16 $000	FY20* AASB 16 $000	Change $000
Cost of sales[1]	(211,800)	(203,100)	(8,700)
Gross profit	**(211,800)**	**(203,100)**	**(8,700)**
Distribution expense[2]	(20,100)	(19,500)	(600)
Sales, general and administration expense[3]	(7,200)	(7,000)	(200)
EBITDA	**(239,100)**	**(229,600)**	**(9,500)**
Depreciation and amortisation	208,900	208,500	400
EBIT	**(30,200)**	**(21,100)**	**(9,100)**
Net interest expense	50,800	54,800	(4,000)
Net loss/(profit) before tax	**20,600**	**33,700**	**(13,100)**
Income tax expense	(6,100)	(10,000)	3,900
Net loss/(profit) after tax	**14,500**	**23,700**	**(9,200)**

*FY20 includes a reallocation from AASB 16 adoption between COGS, Distribution and SG&A
(1) Cost of Sales - reduction of $21.0M to reflect the reclassification of the below
(2) Distribution - increase to reflect the rental adjustment on distribution centres
(3) Sales, general and administration - increase to correctly reflect the rental on office facilities

The AASB 16 impact on the Statutory NPAT reduced $9.2M from FY20 due to:

- The increase in payments of $2.3M related to CPI remeasurements and additions and the non-recurrence of opening balance adjustments to inventory for $6.3M; and
- The reduction in interest expense due to the unwinding of the lease liabilities $4.0M

Table 1b: Underlying Pre AASB 16

Underlying Pre-AASB 16	FY21 Underlying Pre AASB 16 $000	FY20 Underlying Pre AASB 16 $000	Change $000
EBITDA	**209,600**	**179,700**	**29,900**
Net profit after tax	**101,200**	**78,800**	**22,400**

Underlying EBITDA pre AASB 16 was up 16.6% due to a recovering market and the ongoing benefits of operational efficiencies across the entire network outlined above.

Underlying NPAT pre AASB 16 was up 28.4% due a lower effective tax rate 26.9% (2020 29.1%) offset by $1.4M increase in depreciation and a $1.2M increase in external net interest.

COVID-19 and Avian Influenza

Ingham's operated as an 'essential' service provider during the COVID-19 lockdown periods, maintaining supply to our customer base and meeting the surges in demand that followed lockdown announcements. In FY21, the Thomastown Further Processing facility in Victoria was affected by a COVID-19 shutdown, that closed the facility for 12 days from 22 July 2020 to 3 August 2020, which did not have a material impact to the financial performance. There have been no other facilities impacted by COVID-19 lockdowns up to the date of this report.

The Australian export market was partially closed in the FY21 due to a series of outbreaks of Avian Influenza in Victoria. These were not at Ingham's operated farms and the impact to the financials in FY21 was not material as export products have been diverted to other channels domestically.

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Directors’ report (continued)

Operating and financial review (continued)

Statutory results

Table 2: Statutory results for FY21 actual compared to FY20

Consolidated income statement	Statutory FY21 (52 weeks) Actual $000	Statutory FY20 (52 weeks)* Actual $000	Change $000
Revenue	2,668,800	2,555,300	113,500
Cost of sales[1]	(1,948,600)	(1,891,800)	(56,800)
Gross profit	**720,200**	**663,500**	**56,700**
Other income	(100)	500	(600)
Distribution expense[2]	(142,200)	(136,900)	(5,300)
Sales, general and administration expense[3]	(134,400)	(139,600)	5,200
Share of net profit associate	400	300	100
EBITDA	**443,900**	**387,800**	**56,100**
Depreciation and amortisation	(265,300)	(263,400)	(1,900)
EBIT	**178,600**	**124,400**	**54,200**
Net interest expense	(65,600)	(68,300)	2,700
Net profit before tax	**113,000**	**56,100**	**56,900**
Income tax expense	(29,700)	(16,000)	(13,700)
Net profit after tax	**83,300**	**40,100**	**43,200**

*FY20 includes a reallocation from AASB 16 adoption between COGS, Distribution and SG&A
(1) Cost of Sales - reduction of $21.0M to reflect the reclassification of the below
(2) Distribution - increase to reflect the rental adjustment on distribution centres
(3) Sales, general and administration - increase to correctly reflect the rental on office facilities

Statutory results vs prior year actual

Business drivers behind the year on year performance have been described in the underlying results commentary above.

In addition, there have been employee restructuring costs of $3.1m in 1H FY21, a legal settlement of $1.2m related to the sale of the Mitavite business in a prior period and a loss on sale of the Hamilton mill of $0.5m. The prior corresponding period included impairment charges of $10.7m relating to the Cleveland Further Processing Facility, $6.7m impairment charge for the Wacol Feedmill Facility and $2.9m for other properties.

Directors' report (continued)

Operating and financial review (continued)

Reconciliations - statutory to underlying

Table 3: Reconciliation of statutory EBITDA to underlying EBITDA

Consolidated EBITDA ($m)	Note	FY21 Actual	FY20 Actual
Statutory revenue		**2,668.8**	**2,555.3**
Underlying revenue		**2,668.8**	**2,555.3**
Statutory EBITDA		**443.9**	**387.8**
Loss/(profit) on sale of assets		0.5	(0.4)
Restructuring	1	4.3	1.6
Impairment	2	–	20.3
Underlying EBITDA		**448.7**	**409.3**
AASB 16		(239.1)	(229.6)
Underlying EBITDA pre AASB 16		**209.6**	**179.7**

Table 4: Reconciliation of underlying NPAT to statutory NPAT

Consolidated NPAT ($m)	Note	FY21 Actual	FY20 Actual
Statutory NPAT		**83.3**	**40.1**
Loss / (Profit) on sale of assets		0.3	(0.3)
Restructuring	1	3.1	1.1
Impairment	2	–	14.2
Underlying NPAT		**86.7**	**55.1**
AASB 16		14.5	23.7
Underlying NPAT pre AASB 16		**101.2**	**78.8**

(1) Removal of restructuring expenses.
(2) Removal of impairment for Cleveland, Wacol and other properties.

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Directors' report (continued)

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Operating and financial review (continued)

Australia

Table 5: Selected statutory financial information for the Australia segment

Consolidated income statement	Actual FY21 $000	Actual FY20 $000	Change $000
Revenue	2,275,200	2,170,100	105,100
EBITDA	371,800	327,800	44,000

Australia revenue (attributed to poultry and by-products) grew by 4.8% in the year, and was underpinned by strong growth from market share gains in Wholesale, elevated demand from COVID-19 restrictions in Retail, promotional uplifts in QSR, and growth in Foodservice offset by reduced volumes on export markets.

Australia did not receive any Government COVID-19 financial support during the year.

New Zealand

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

Consolidated income statement	Actual FY21 $000	Actual FY20 $000	Change $000
Revenue	393,600	385,200	8,400
EBITDA	72,100	60,000	12,100

New Zealand revenue increased 2.2% in the year, attributable to growth in poultry volumes of 6.3%. The volume growth was driven by clearance of excess inventory in H1 offset by lower feed volume driven by lower dairy sales.

Q4 experienced high volume growth against the prior comparative period with the full impact of eased trading restrictions in FY21 compared with level 4 restrictions closing 50% of the available customer channels in Q4 in the prior year.

New Zealand initially received Government COVID-19 financial support during the year in relation to employee leave support and short term absence schemes. A total of NZ $357,000 was received across FY20 and FY21 and a total of NZ $147,000 payments received were returned back to the Government due to employees no longer meeting eligibility requirements.

Directors' report (continued)

Operating and financial review (continued)

Balance Sheet

Table 7: Selected statutory consolidated statement of financial position for the year ended 26 June 2021

Selected consolidated statement of financial position	FY21 $000	FY20 $000	Change $000
Current assets	702,400	690,500	11,900
Non-current assets	1,842,600	1,881,700	(39,100)
Total assets	**2,545,000**	**2,572,200**	**(27,200)**
Current liabilities	703,000	671,700	31,300
Non-current liabilities	1,678,400	1,771,400	(93,000)
Total liabilities	**2,381,400**	**2,443,100**	**(61,700)**
Net assets	**163,600**	**129,100**	**34,500**

Net Assets

Current assets increased largely due to the improvement in cash which increased by $23.9m. The working capital impact of increased receivables of $20.1m is due to stronger sales in the closing months of FY21 against the prior comparative period. This was offset by the reduction in inventories of $20.9m from the June 2020 balance which included the frozen inventory build due to COVID-19.

Non-current asset values have decreased $39.1m largely due to the reduction in the right of use asset for AASB 16 Leases which contributed to a $54.3m decrease (note 12).

Current liabilities increased $31.3m due to an increase in line with the current tax liability of $27.8m.

Non-current liabilities decreased $93.0m due to the wind down of the AASB 16 Lease liability of $40.0m and the repayment of borrowings, net of amortised borrowing costs, of $50.6m (note 2).

These financial statements are prepared on a going concern basis despite the group being in a current net liability position of $0.6m. The Group continues to have positive profit after tax, positive net assets, positive operating cashflow, significant cash on hand and undrawn committed debt facilities. In addition, the bank facility debt is non-current and bank covenants have been met.

Table 8: Consolidated statutory net debt as at 26 June 2021

Net debt as at 26 June 2021	FY21 $000	FY20 $000
Bank loans	(400,000)	(450,000)
Capitalised loan establishment fees included in borrowings	1,700	1,100
Total borrowings	**(398,300)**	**(448,900)**
Less: Cash and cash equivalents	158,100	134,200
Net debt	**(240,200)**	**(314,700)**

Net debt

Net debt has decreased by $74.5m due to improved cash generation from trading activities, lower capital spend and lower dividends paid in the year. The Group's leverage ratio is 1.2x (FY20: 1.8x).

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Directors' report (continued)

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Operating and financial review (continued)

Material business risks

Ingham's is exposed to a range of strategic, financial and operational risks associated with operating a vertically integrated poultry company. Ingham's has an enterprise risk management framework which together with the company's governance framework provides a sound basis for managing material risks. Ingham's has continued to invest to optimise its risk management processes and has implemented new reporting and tools during FY21.

In line with best practice governance guidelines, Ingham's has recently updated the Risk Management Policy reaffirming accountabilities for risk assessment throughout the business. Risk appetite statements have been agreed with the Executive Leadership Team and endorsed by the Board and Risk and Sustainability Committee. Strategic, climate, emerging and material operational risk reports and progress with action plans are regularly reviewed. We treat our risk programs, particularly across safety, food safety and animal welfare, as living documents and updates are used to regularly drive improvement.

The disruption of COVID-19 has had impacts to Ingham's including volatility in consumer demand for poultry products, people safety at our sites and overall performance of the business. Ingham's continues to manage its COVID-19 response via an executive level committee set up in early 2020. The business continues to manage its COVID-19 response via comprehensive site-based plans including team segregation and additional controls where required to safely manage and maintain our workforce as an essential food service.

Importantly, we successfully performed our critical role as an essential services provider despite disruptions associated with the first, second and subsequent waves of COVID-19. We managed to maintain our operations and sustain supply to our customers and in turn, the people of Australia and New Zealand. Recently, Ingham's has also offered employees paid leave to receive their COVID-19 vaccinations. We will continue to monitor and manage our business in response to COVID-19 pandemic impacts, which could have a material impact to Ingham's and the safety of our employees if not managed effectively.

Ingham's management and the Board recognise that climate change risk has become pervasive across all of Ingham's material risks. On this basis, climate change risk has now been incorporated into the Risk & Sustainability Board Committee agenda going forward. For further information, refer to our FY21 Sustainability reporting.

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

Strategic Risks:

Risk	Implication	Mitigating Actions
Unanticipated changes to poultry demand and supply impacting poultry pricing	Any material increase in the supply of chicken in the Australian and New Zealand markets that exceeds the increase in demand could lead to an oversupply of chicken, which may result in reduced prices, negatively affecting Ingham's financial performance. Any material decrease in the supply of chicken in the Australian and New Zealand markets resulting in an inability to service demand could lead to reduced customer service levels, which may result in reduced market share, negatively affecting Ingham's financial performance.	• We participate in a competitive market involving a number of suppliers of chicken products in Australia and New Zealand. • We carefully manage our supply of poultry to match expected demand from our customers. • We leverage our diverse geographic network of poultry production across Australia and New Zealand to efficiently manage the cost of supply. • We supply into the domestic wholesale and into export markets, which serves as a buffer to manage supply excesses.
Import restrictions	Changes to import quarantine conditions in Australia and/or New Zealand that would allow additional forms of poultry to be imported could result in changes to the poultry market that would adversely impact Ingham's financial performance. New Zealand currently relies on imported feed. If imports were restricted, this would raise grain commodities /feed costs in New Zealand and potentially make poultry farming unviable.	• We contribute or respond to research on the topic of poultry food safety and disease. • We participate in discussions with industry forums and government bodies such as Australian Chicken Meat Federation (ACMF) and the Poultry Industry Association of New Zealand (PIANZ).

Directors' report (continued)

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Operating and financial review (continued)

Material business risks (continued)

Risk	Implication	Mitigating Actions
Customer mix	A change in the volume or mix of Ingham's business could negatively impact its operational or commercial performance.	• Ingham's commercial strategy focuses on strengthening core customer relationships, sustainably building new business and diversifying its revenue streams.
Assets stranded geographically or due to new business models/ technology	Ingham's may be locked into long-dated leases that do not align with future operating requirements and/or the economic life of the assets.	• Ingham's base network plan has been developed to more effectively manage the future network. • We are also exploring divest/exit decisions in places that do not align with the overall network plan.

Operational Risks:

Risk	Implication	Mitigating Actions
People safety	Ingham's is subject to inherent operational risks that could potentially result in serious injury or fatality of employees, contractors or members of the public.	• We have a comprehensive Work Health and Safety Management System. This includes our Golden Safety Rules, which help our people identify critical controls that must be in place before undertaking work at Ingham's. • Our Safety for Life program is anchored around four pillars: zero harm culture, risk reduction strategies, safety management system enhancement and improved workers' compensation performance. • Safety measures within our balanced scorecard are used as a performance gate for executives for significant components of our short-term incentive plan.
Business interruption e.g. industrial action, pandemic	Interruption to our operations can be caused by a range of issues including but not limited to natural disaster, supply chain, industrial action and other regulatory incidents, loss of plant, cyber incident or IT system failure and pandemic/epidemic. Business interruptions could impact our operations, our partners and our employees and may cause business and reputational damage as well as significant financial impacts. The disruption of COVID-19 has had impacts to consumer demand for poultry products. In addition, any loss of our operational sites for an extended period of time could have a material financial impact on our business.	• We monitor and respond to threats in the continuity of our operations. • We undertake a range of business continuity exercises to test the ability of our business to respond effectively. • We are in the process of investing in our technology infrastructure and applications and regularly review our IT recovery plans to enhance our offsite back-up and recovery capabilities. • We continue to monitor and manage our business in response to COVID-19 pandemic impacts, which could have a material impact to Ingham's and the safety of our employees if not managed effectively.

Directors' report (continued)

Operating and financial review (continued)

Material business risks (continued)

Risk	Implication	Mitigating Actions
Food safety and disease outbreak	Poor product quality or unsafe products and processes may potentially result in injury, harm or illness to consumers, claims, regulatory impacts and significant reputational damage. Outbreak of an avian disease in Ingham's flocks or within the same geographic regions may affect the use and transportation of the affected stock and disrupt supply causing financial loss. If poultry livestock of Ingham's or a competitor became unsafe or were perceived as being unsafe, reduced demand for poultry products could follow.	• We have a food safety and quality governance framework and dedicated quality and food safety staff across the business to meet both mandatory and internal food safety requirements. • Ingham's holds accreditation to the BRC Global Food Standard, with all sites achieving A or AA ratings. • Ingham's operates a comprehensive HACCP framework across the entire supply chain. • Procedures are in place for how we effectively manage, handle, store, recall and withdraw products. • Our Product Pride program involves quality assurance, training and awareness across the whole supply chain. • Strong biosecurity measures are in place to control the risk of infections on our sites. • We have documented procedures to manage and minimise the impact should an avian disease outbreak occur.
Animal welfare	Poor animal welfare practices or industry activism could result in significant reputational damage for Ingham's and the poultry industry more broadly.	• Our commitment to high animal welfare standards is underpinned by comprehensive programs developed in collaboration with international animal welfare experts, retailers and regulatory authorities. • We hold accreditation with the Royal Society for the Prevention of Cruelty to Animals (RSPCA) in Australia and Society for the Prevention of Cruelty to Animals (SPCA) in New Zealand in line with their Approved Farming Scheme standards. • 100% of Ingham's Australian chicken is certified by RSPCA or Free Range Egg and Poultry Australia (FREPA). All Free Range farms hold an additional accreditation to the FREPA standards.
Drought and grain prices	If grain supply is reduced following a prolonged period of drought, higher grain prices may arise from lower grain production levels resulting in higher input costs for Ingham's. Ingham's may be impacted by limited availability or higher prices for imported products used in feed production.	• Ingham's national production footprint mitigates the risk of concentrated production in one region. In addition, the diversity of grain suppliers across the regions provides access to multiple grain supply chains, further mitigating the risk of grain shortages. • Input costs, including grain price and other commodities, are partially managed through cost pass through arrangements where available. There may be instances where these are not able to be passed through or are delayed and this can contribute to the potential risk of margin erosion. • For imported products, we carefully manage our lead times and use more than one supplier for key ingredients used in feed production.

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Directors' report (continued)

Operating and financial review (continued)

Material business risks (continued)

Risk	Implication	Mitigating Actions
Plant failure	A range of events, including natural disaster, fire, explosion and other force majeure related events, may result in the failure of one of our plants. Our plants include feed mills, primary processing plants, and further processing plants and hatcheries.	• We have a rolling program of regular site inspections of a plant's pressure vessels, boiler, gas supply and fire detection and response. • Ingham's would address any loss of plant using its business continuity plans, disaster recovery and network planning. This would mean that spare capacity is identified at a group level to accommodate the loss of the largest site.
Customer relationships	A sizeable loss of demand, or a missed opportunity to increase our demand, from one of our largest customers could have a significant financial consequence for Ingham's.	• We focus on delivering to customer expectations. • We extend supply contracts to key customers to both mitigate the risk of loss of business and allow for effective network planning. • Ingham's has a centralised customer complaints management process and network-wide tracking and remediation of outcomes arising from customer audits. • Quality assurance teams undertake comprehensive quality assurance testing of products prior to customer approvals.
Information asset failure and cyber	Information assets may fail, including as a result of a cyber attack, resulting in the inability to operate and support critical business processes.	• We have a range of IT and IT security controls within an overarching IT risk management framework. We regularly test our disaster recovery plans and have rolled out a cyber awareness program during the reporting period. • We have a forward-looking strategy to refresh legacy information assets.
Legal, regulatory and governance	Our operations are subject to a range of legal and regulatory matters including work health and safety, food safety, consumer protection, competition and the environment.	• We have a range of policies, procedures and plans to help us manage our legal and regulatory compliance. • Our Code of Conduct sets out the guiding principles for 'doing the right thing' and living up to our Principles of 'open, honest and collaborative'. • We evaluate and respond to legal proceedings and claims, with our response correlated to the potential risk exposure. • We monitor and engage with government and regulatory bodies on policy, regulatory compliance and impacts to the regulatory environment.

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Directors' report (continued)

Operating and financial review (continued)

Strategy and future prospects

The Group's goal is to be the most trusted food company in our market. Our purpose is to "Nourish our World", the world of our people, our products, our partners, our planet and to deliver operational results to ensure fuel for our growth for our investors and stakeholders alike.

This Purpose underpins our strategy and our commitment to making a positive difference by:

- Providing our People with a high-performing, supportive, safe work environment and culture
- Nourishing our consumers and customers with high-quality trusted Products
- Collaborating with our Partners - customers and suppliers - to work in new ways
- Reducing, reusing and recycling to create a better tomorrow for our Planet
- Growing the business and rewarding our shareholders by reinvesting for growth and generating Profit

Our people are guided by our Principles - they are open, honest and collaborative in the way they work.

With a team that is united by a common Purpose and Principles, we are committed to achieving our Ambition to be the most trusted food producer in our market.

As Australia and New Zealand's largest integrated poultry producer, we want to stay true to our Purpose. This is a responsibility that goes beyond just producing high-quality products for our consumers. We know that when we come together and work for a common cause, we can deliver the best possible products, time after time.

Our strategy is to deliver more consistent, predictable and reliance returns and we have developed a set of pillars that set the framework for how we will achieve this.

Our strategic pillars are as follows:

- **Optimise the Core:** deliver asset efficiency with capital discipline; implement and apply a culture of continuous improvement; refine and re-frame our customer relationships; maximise the value of every asset we deploy and every bird we produce.
- **Innovate to Grow:** manage our core new product development and portfolio mix to maximise our margins; build poultry and protein products and brands to deliver growing margins and to offset cost volatility mostly found in commodity products.
- **Invest in the new:** be flexible, disciplined and well capitalised to take advantage of growth opportunities in the plant and animal protein category.

The primary enablers to deliver our strategy are centred on the Consumer, Cost and our Culture.

Our aim is to continue to deliver efficiency in our network and operations as we strive to simplify our business and apply our much-improved integrated business planning model. We are committed to evolving into a consumer centric organisation where we align and support our customers' growth in the poultry category whilst we also invest in new value-added products and categories.

Our culture is a key to our success. We believe in and apply the principles of being open, honest and collaborative in everything we do. We believe that by engaging and growing our people, we will continue to deliver success and strong returns into the future.

Directors' report (continued)

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Letter from the Chair of the People & Remuneration Committee

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present our Remuneration Report for the financial year 2021, which summarises Inghams Group Limited's remuneration strategy and outcomes for Executive Key Management Personnel (Executive KMP) and Non-Executive Directors.

Our year

Ingham's delivered strong financial results in FY21, achieved against stretching targets and in a very volatile pandemic environment. These results would not have been possible without the dedication of all our people and the leadership of our passionate and committed Executive Leadership Team. Our results included:

- Increasing revenue by 4.4% to $2.7 billion
- Increasing Earnings Before Interest Taxes, Depreciation and Amortisation (EBITDA) by 14.4% to $443.9 million
- Increasing Net Profit After Tax by 107.7% to $83.3 million
- Improving Earnings Per Share (basic) by 107.9% to 22.43 cents per share, and
- Increasing Dividends (fully franked) by 17.9% to 16.5 cents per share.

These results were overshadowed by a fatality on 17 May 2021, when one of our people tragically died in a truck incident at our South Australian Bolivar site. The Board and all levels of management have spent (and will continue to spend) considerable time and effort to investigate this incident and introduce further risk mitigants at all of our sites. We are also assisting SafeWork SA with their ongoing investigations (at the time of writing). Without exception, the safety of our people remains our top priority.

We withstood the ongoing impact of COVID-19 by prioritising the health, safety and wellbeing of all of our people, and focusing on building a more constructive culture to drive workforce engagement, efficiency and innovation. Key to our success was setting high expectations both for our leaders' performance and their behaviour in line with our purpose and values. Operating as an essential service providing quality food to our customers, we were able to keep our frontline people employed and we did not receive any JobKeeper payments in Australia. In New Zealand, we did not receive JobKeeper-style payments, however, we did pass on a Government subsidy to our people aged 70+ and also for those who were immune compromised, to support them to stay at home and adhere to the Government guidance.

We appreciate the exceptional efforts of our people as they rapidly adapted to the changing external environment and delivered excellent customer service, strong financial results and improved returns to shareholders in FY21.

Remuneration Outcomes—Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP)

The overall STIP Balanced Scorecard outcome for FY21 was 57.5% against the maximum STIP award. For Executive Key Management Personnel (KMP), their individual final STIP outcome was differentiated by their Individual Multiplier ratings. In line with Ingham's remuneration framework and policies, the fatality at our Bolivar site was treated as a significant safety incident and the safety component of STIP was reduced to 0%. Both the former CEO/MD and the current CEO/MD (as well as Managers directly accountable for the Bolivar site) had further discounts applied to their awards as a result of the fatality because of the leadership responsibility placed upon them for ensuring workplace health and safety. The external investigations into this matter are not complete. Once complete, the Board will consider the findings and the suitability of these actions. Beyond this downward adjustment applied in FY21 to the STIP award, no discretion has been applied to any remuneration outcomes in FY21.

For further information on the STIP outcomes see page 40.

The overall outcome of the FY19-FY21 LTIP was vesting of 13.97% of the award. Of the Earnings Per Share (EPS) tranche, 0% vested. However, as Ingham's was positioned at the 53rd percentile against its comparator group for Total Shareholder Return (TSR), 55.90% of the Relative TSR measure vested. For further information by individual Executive KMP see page 46.

Successful transition to a new Chief Executive Officer and Managing Director

Andrew Reeves succeeded Jim Leighton as Chief Executive Officer and Managing Director (CEO/MD) from 29 March 2021. Jim remained employed until 25 June 2021 to facilitate an orderly handover. Jim was paid three months of his contracted 12-month Total Fixed Remuneration (TFR) termination payment from 29 March to 25 June, with the balance paid at 25 June 2021. The Board determined that Jim be considered as a good leaver. Further details on Jim's termination arrangements, including incentives, can be found on page 47.

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Directors’ report (continued)

Letter from the Chair of the People & Remuneration Committee (continued)

Andrew Reeves’ Total Fixed Remuneration (TFR) at $1.1 million is 27% lower than the former CEO/MD, and his total potential remuneration at $4.4 million is 35% lower. Andrew was eligible for a pro-rata FY21 Short Term Incentive Payment (STIP) award, however, his first Long Term Incentive Payment (LTIP) grant will be the upcoming FY22 LTIP award being put to shareholders for approval at the 2021 Annual General Meeting (AGM). Andrew’s STIP and LTIP maximum opportunity are both 150% of TFR. Andrew’s remuneration package reflects his knowledge, skills and highly relevant experience and was referenced against external benchmarking data to ensure his package is competitive in the market. Further information on Andrew’s remuneration package and how this was determined can be seen on page 35.

Response to the strike against the FY20 Remuneration Report and unapproved FY20 Transformational Incentive Plan (TIP)

The Board of Directors has carefully considered the feedback it received regarding the FY20 Remuneration Report and FY20 TIP structure, both of which were not approved by shareholders at the 2020 AGM. Since receiving the first strike, the Board Chair and I engaged with numerous stakeholders before making changes to the remuneration structure and disclosures within the FY21 report. The following changes aim to address the main concerns within the FY20 Remuneration Report and outcomes:

- The FY20 Transformational Incentive Plan (TIP) has proposed amendments that will be voted on by shareholders at the 2021 AGM. These will reflect the original FY20 LTIP award that was approved by shareholders at the 2019 AGM. More information on this can be found on page 44.
- No one-off bonus awards have been granted to any Executive KMP in FY21.
- No increase to Executive KMP TFR or Board Fees in FY21
- A minimum shareholding requirement to be implemented from FY22 for Non-Executive Directors, Executive KMP and Senior Management.
- A mandatory 12-month equity deferral component introduced into the STIP award for Executive KMP and Senior Management
- Improved transparency and disclosure in a redesigned Remuneration Report to meet shareholder expectations.
- Disclosure of performance measures enhanced and expanded in the STIP Balanced Scorecard and the Individual Multiplier. In addition to the pre-existing underlying pre AASB 16 EBITDA measure (60% weighting) there are now three other measures:
  - A people safety measure (10% weighting) in Total Recordable Injury Frequency Rate (TRIFR),
  - A food safety measure (10% weighting)– CPmKg (Complaints per million kg), and
  - Core Poultry Sales Volume Growth (20% weighting).

  Individual scorecards are also modified by an executive’s achievement against our desired leadership behaviours (Individual Multiplier). This assessment can increase or reduce the overall STIP outcome. The rationale behind incorporating these measures into the STIP Plan is to reward Executive KMP on both the results they deliver (the ‘what’) and the way they deliver them (the ‘how’).
- LTIP targets for the FY22-FY24 LTIP award at grant to be disclosed from the 2021 AGM onwards. This will enhance disclosure and provide shareholders with the ability to vote on the respective resolution with full transparency of the grant and the performance measures at the beginning of the performance period rather than retrospectively.

For more information on the changes implemented, please see page 27.

Incentive Plans – Financial Measures and AASB 16

For FY21, the financial results for Ingham’s have been provided in both a pre AASB 16 and post AASB 16 format and, consistent with prior years, both the FY21 STIP and FY21-FY23 LTIP have financial measures that are based on pre AASB 16 financial outcomes. In FY23, Ingham’s will review its incentive structure to align to post AASB 16 financial results. This change cannot be made earlier due to the substantial complexity in selecting the most appropriate financial measures to make this change and the impact to FY23 STIP and FY23-FY25 LTIP. The Board is undertaking thorough analysis and modelling to ensure that any changes to the performance measures best align with company and shareholder value creation.

Ingham’s will continue to disclose both pre and post AASB 16 financial results in FY22 and consistently both the FY22 STIP and FY22-FY24 LTIP will have financial measures that are based on pre AASB 16 financial outcomes. The Board believes management will be neither advantaged nor disadvantaged by adopting this approach.

Directors' report (continued)

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Letter from the Chair of the People & Remuneration Committee (continued)

Our remuneration strategy supports Ingham's business strategy

The Board is committed to ensuring the remuneration strategy reflects good governance, consultation with key stakeholders, and is transparent in its design to support the business strategy and drive sustainable outperformance for shareholders over the short, medium and long-term. It strongly aligns to shareholder's interests by incorporating significant equity components to encourage executives to behave like owners of the business – focused on sustainable, long-term value creation.

On behalf of the Board, we invite you to read the Report and we look forward to receiving your feedback at the Annual General Meeting (AGM).

Yours faithfully,

Helen Nash
Chair, People & Remuneration Committee

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Directors' report (continued)

Remuneration report - audited

Contents

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Directors' report (continued)

Remuneration report - audited (continued)

1 Remuneration report overview

The Remuneration Report has been audited as required by section 308 (3c) of the *Corporations Act 2001*.

This Report covers Non-Executive Directors and Executive Key Management Personnel (KMP) of Ingham's who are responsible for determining and executing the business strategy. The Executive KMP comprises the Chief Executive Officer/Managing Director (CEO/MD), Chief Financial Officer (CFO) and CEO New Zealand as well as Non-Executive Directors.

Executive KMP are those persons having the authority and responsibility for planning, directing and controlling the activities of Ingham's, directly or indirectly, including any director (whether executive or otherwise) of Ingham's.

The table below outlines the Non-Executive Directors of Ingham's and any movement during FY21.

Name	Position	Term
Non-Executive Directors		
Peter Bush	Non-Executive Chairman	Full financial year
Rob Gordon	Non-Executive Director	Full financial year
Michael Ihlein	Non-Executive Director	Full financial year
Jackie McArthur	Non-Executive Director	Full financial year
Helen Nash	Non-Executive Director	Full financial year
Linda Bardo Nicholls AO	Non-Executive Director	Full financial year
Andrew Reeves	Non-Executive Director	To 29 March 2021

The table below outlines the Executive KMP of Ingham's and any movement during FY21.

Current Executive KMP	Position	Terms as Executive KMP
Executive Director		
Andrew Reeves	Chief Executive Officer/Managing Director	From 29 March 2021
Jim Leighton	Chief Executive Officer/Managing Director	To 29 March 2021
Senior executives		
Jonathan Gray	CEO, NZ	Full financial year
Gary Mallett	Chief Financial Officer	Full financial year

Directors' report (continued)

Remuneration report - audited (continued)

2 Response to shareholder feedback and the first strike of FY20

In FY20, the company received a first strike against the Remuneration Report, and has addressed key items of concern that were raised as follows:

Remuneration Component	Issue Raised	Ingham's Response
Total Fixed Remuneration (TFR)	Quantum of CEO/MD TFR continues to be significantly higher than peers	As announced on 29 March 2021, our new CEO and MD, Andrew Reeves, was appointed after the departure of Jim Leighton. Andrew's TFR is set 27% lower than Jim's previous TFR, and has been determined taking into consideration a number of contributing factors, including a rigorous benchmarking process. Please find more information regarding this on page 35.
STIP Plan	Discretion to waive the STIP gateway and award bonuses	The Board acknowledges the feedback received regarding the outcomes and the application of STIP discretion in FY20. While Board discretion remains an important element of the Board's mandate, discretion will only be applied in a manner that takes into consideration the overall business performance and shareholder experience in a given year.
	Lack of transparency of targets	Ingham's remains committed to ensuring it discloses all performance targets where commercial sensitivity does not prohibit this. The Board has continued to make improvements to the STIP structure in FY21 and beyond, and the levels of disclosure and transparency as seen in this report.
LTIP Plan	Lack of disclosure of performance measures and high quantum of the LTIP plan	For the current LTIP awards in place, the targets will be disclosed retrospectively at the conclusion of the performance period. The Board has, however, committed to disclosing the targets for the LTIP at the time of grant from the 2021 AGM, where the FY22-24 performance measures will be disclosed. This practice will continue for each future LTIP grant, with performance measures to be provided at the time of grant.
FY20 LTIP Plan - TIP	Lack of disclosure regarding the Transformation Incentive Plan (TIP), with a high weighting towards undisclosed strategic objectives	Upon receiving the feedback from investors and proxy advisors following the 2020 AGM, the Board undertook an extensive review of the TIP structure. The Board determined, following this review, to amend the TIP award (which will be subject to shareholder approval at the 2021 AGM) and subsequently reverted to the FY20 LTIP structure, metrics and vesting scales as approved at the 2019 AGM. More details on this structure can be found on page 44.
One-off bonus awards	Substantial one-off bonuses granted during FY20	The Management Recognition Incentive (a legacy FY19 award) and the sign-on bonus were the one-off awards in question, with the Management Recognition Incentive an item that pre-dated FY20. No one-off bonus awards have been granted in FY21. Any approval of one-off awards is at the discretion of the Board. The Board retains discretion to approve one-off awards and only does so in limited circumstances in the best interests of the business and shareholders.
Minimum Shareholding Requirement	No minimum shareholding requirements	The Board has introduced minimum shareholding requirements that need to be satisfied after five years from the latter of either the commencement of this policy or employment with Ingham's, whichever is longer. The quantum required to be held by KMP are as follows: Non-Executive Directors — 100% of Base Director Fees CEO/MD — 100% of TFR Other KMP — 50% of TFR

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Directors' report (continued)

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Remuneration report - audited (continued)

3 How remuneration is governed

A. Remuneration decision making

The Board, People and Remuneration Committee, Executive KMP and Management work together to apply our Remuneration Governance Framework (see below) and ensure our strategy supports sustainable shareholder value. Our Framework is designed to support our purpose, principles, strategy and our long-term approach to creating value for our shareholders, customers and the community.

Ingham's has several policies that govern the framework and promote responsible management and conduct. These policies include a Diversity Policy, Continuous Disclosure Policy and Securities Dealing Policy. Further information is available at: http://investors.Inghams.com.au.

Membership of the Committee during the period 27 June 2020 to 26 June 2021 was comprised of the following four independent NEDs and chaired by an independent NED for the whole year

- Helen Nash — Independent Non-Executive Committee Chair
- Linda Bardo Nicholls AO — Independent Non-Executive Committee Member
- Jackie McArthur — Independent Non-Executive Committee Member
- Michael Ihlein — Independent Non-Executive Committee Member

The Committee's Charter allows the Committee access to specialist external advice about remuneration structure and levels and is utilised periodically to support the remuneration decision-making process.

Directors' report (continued)

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Remuneration report - audited (continued)

3 How remuneration is governed (continued)

Diagram: Remuneration Governance Framework

REMUNERATION REPORT – AUDITED

INGHAM'S BOARD

- Responsible for the remuneration strategy and outcomes for executives and Non-Executive Directors
- Reviews and approves recommendations from the People and Remuneration Committee
- Approves the appointment of Non-Executive Directors

PEOPLE AND REMUNERATION COMMITTEE

- Four Non-Executive Directors, all of whom are independent, including the Chair of the Committee, make recommendations to the Board on remuneration strategy, governance and policy for executives and Non-Executive Directors
- Key responsibilities of the Committee are as follows:
  1. Approve major changes and developments in the remuneration policies and superannuation arrangements for the Group.
  2. Approve the appointment of remuneration consultants for the purposes of the *Corporations Act 2001*.
  3. Take appropriate action to ensure the Committee, Board and management have available to them sufficient information and external advice to ensure informed decision-making regarding remuneration.
  4. Review and recommend to the Board the Remuneration Report prepared in accordance with the *Corporations Act 2001* for inclusion in the annual Directors' Report.
  5. Oversee and recommend to the Board an equitable, consistent and responsible reward approach – including incentive targets for achieving remuneration outcomes – having regard to the performance of Ingham's, the performance of the executives and the general pay environment.

NOMINATION COMMITTEE

- Develops and implements a process to evaluate the performance of Non-Executive Directors
- Leads process to appoint Non-Executive Directors

INDEPENDENT EXTERNAL CONSULTANTS

- Provide external independent advice, information and recommendations relevant to remuneration decisions where required.
- Provided benchmarking data on executive remuneration to the People and Remuneration Committee.
- Advisors do not provide a remuneration recommendation as defined in Section 9B of the *Corporations Act 2001* and Advisors did not provide a remuneration recommendation for FY21.

CEO/MD AND CHIEF PEOPLE OFFICER

Provides information to the People and Remuneration Committee for the Committee to recommend:

1. Incentive targets and outcomes
2. Remuneration Policy
3. Short and long-term incentive participation eligibility
4. Individual remuneration and contractual arrangements for executives

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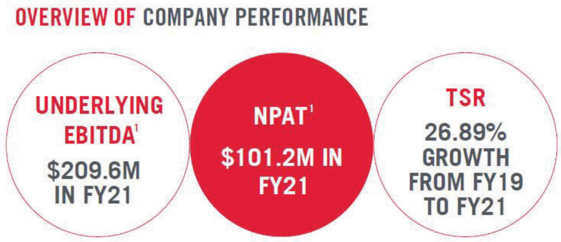
Directors' report (continued)

Remuneration report - audited (continued)

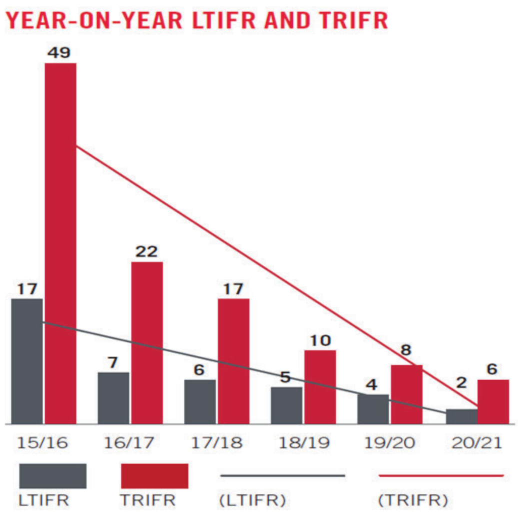
4 Overview of company performance

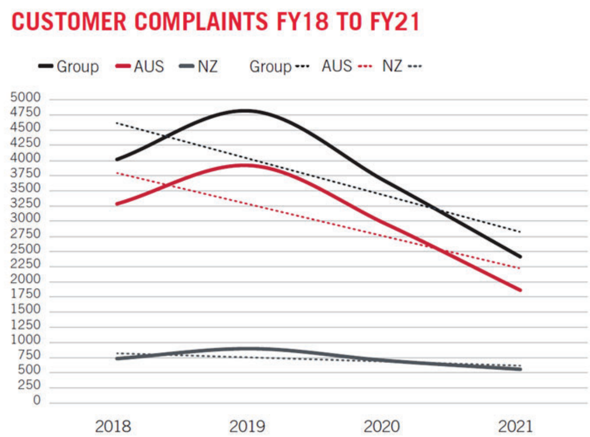


	FY21 Statutory	FY21 Underlying[1]	FY20 Statutory	FY20 Underlying[1]	FY19 Statutory	FY19 Underlying[1]	FY18 Statutory	FY18 Underlying[1]	FY17 Statutory	FY17 Pro forma
Revenue ($'m)	2,668.8	2,668.8	2,555.3	2,555.3	2,489.8	2,487.8	2,373.9	2,341.4	2,373.8	2,383.9
EBITDA ($'m)	443.9	209.6	387.8	179.7	242.2	208.6	212.0	202.7	160.3	195.0
Profit after tax ($'m)	83.3	101.2	40.1	78.8	126.2	103.2	114.6	108.0	59.1	102.0
Dividends per year (cents per share)	16.5	16.5	14.0	14.0	19.5	19.5	21.1	21.1	2.6	2.6
Return of capital (cents per share)	–	–	–	–	33.0	33.0	–	–	–	–
Movement in share price post-IPO (cents per share)[2]	84.0	–	5.0	–	87.0	–	67.0	–	23.0	–

(1) The underlying pre AASB 16 excludes AASB 16 results, the loss on sale of assets and restructuring charges. The above-mentioned items have been tax effected to determine an underlying Net Profit after Tax (NPAT) to allow shareholders to make a meaningful comparison of the Group's underlying NPAT performance against prior year.
(2) Movement in share price is calculated by taking the last price of the current financial year since the initial public offering price of 3.15

Non-financial company performance



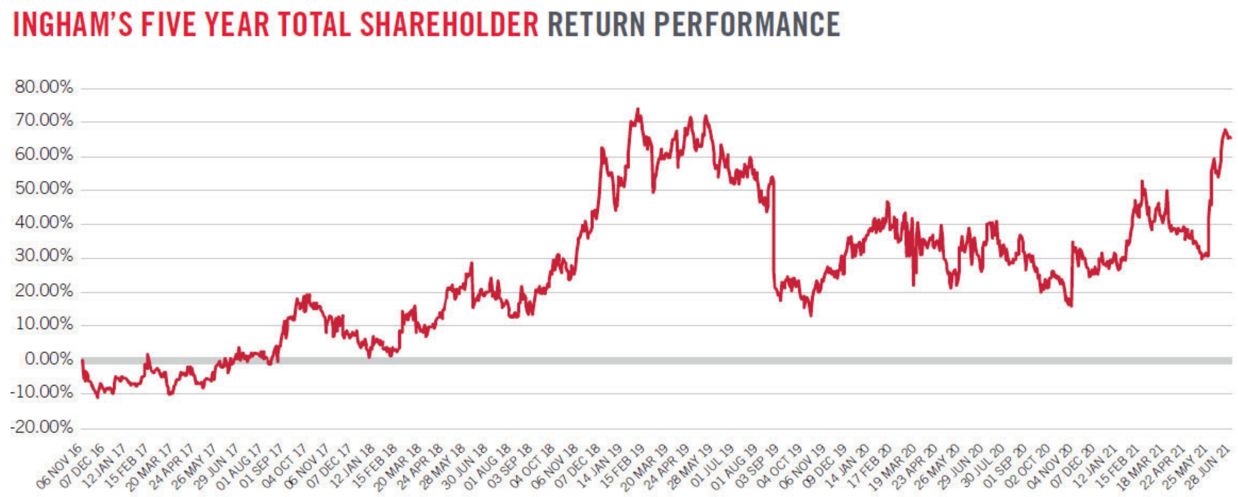


Directors' report (continued)

Remuneration report - audited (continued)

4 Overview of company performance (continued)

Five-year Total Shareholder Return (TSR) Performance



4.1 Actual Remuneration Table (non-statutory)

The remuneration earned by Executive KMPs in FY21 and FY20 are set out below. This information is relevant as it provides shareholders with a view of the remuneration 'paid' to executives in FY21 for performance. This information has not been prepared in accordance with the accounting standards and differs from the statutory tables presented on page 49.

	Year	Fixed remuneration[1] $000	STI[4] $000	Total cash $000	Other short-term benefits[2] $000	LTI vested[3] $000	Long-term benefits $000	Total actual remuneration $000
Chief Executive Officer and Managing Director								
Andrew Reeves[5]	2021	287	–	287	–	–	–	287
	2020		–	–	–	–	–	–
Former Chief Executive Officer and Managing Director								
Jim Leighton	2021	1,561	–	1,561	1,255	–	–	2,816
	2020	1,679	–	1,679	31	–	23	1,733
KMP Senior Executives								
Gary Mallett	2021	610	45	655	–	–	–	655
	2020	430	–	430	100	–	7	537
Jonathan Gray	2021	550	52	602	271	50	–	923
	2020	526	–	526	–	41	1	568
Total Actual 'Paid'	**2021**	**3,008**	**97**	**3,105**	**1,526**	**50**	**–**	**4,681**
Remuneration	**2020**	**2,635**	**–**	**2,635**	**131**	**41**	**31**	**2,838**

(1) Fixed remuneration entitlements include salary, super, annual leave and sick leave entitlements.
(2) Jim Leighton's FY21 other short-term benefits consist of a termination benefit $1,125,000 and relocation and expatriate benefits of $129,503. Jonathan Gray's FY21 benefit reflects a relocation benefit of NZ $281,472 for Jonathan Gray moving to New Zealand urgently at the company's request that includes selling costs and loss in value upon the sale of his Australian home.
(3) LTI vested represents the portion of the grant date fair value of share rights vested. The amount recognised is adjusted to reflect the expected number of instruments that will vest for non-market based performance conditions. No adjustment for non-vesting is made for failure to achieve the relative TSR performance hurdle, as this is taken into account in the fair value at grant date.
(4) STIP paid during the financial year. The amount disclosed for FY21 reflects the STIP paid in FY21 for FY20 performance.
(5) Andrew Reeves' fixed remuneration excludes $121,391 in Board fees and $11,712 in Superannuation for FY21 for the period he served as a non-executive director.

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Directors' report (continued)

Remuneration report - audited (continued)

5 Overview of executive remuneration

A. How we determine executive remuneration policies and structures

The Remuneration Governance Framework is designed to attract, motivate and retain high performing executives. The remuneration for Executives, including Executive KMP, is set on appointment to the role and reviewed annually. We set both fixed and total remuneration by considering a range of factors including experience, capabilities and performance in the role, relevant market data, talent availability and the role's impact. The variable components of Executive remuneration are closely linked to successful execution of strategic objectives, balancing delivery in both the short and long term and linking pay primarily to shareholder interests. The key principles supporting Ingham's remuneration framework are:

Principle	Objective	Application
Competitive Remuneration	Reward Executives competitively for their contributions to Ingham's success, ensuring consistency with shareholder, community and consumer expectations.	• Total remuneration is based on the Executive's capabilities and experience. • Remuneration is benchmarked against appropriate peer companies and independent remuneration data from a variety of sources. • The Board approves recommendations on total remuneration packages.
Performance Driven	Executives are rewarded for achieving business outcomes that support sustainable growth in shareholder wealth only when this is achieved through the expected behaviours.	• Variable rewards are intended to provide a robust link between remuneration outcomes and key drivers of long-term shareholder value. • Variable rewards are designed to motivate strong performance against short-term and long-term performance objectives.
Behaviour Driven	Executives are rewarded for Ingham's performance when the manner in which this performance is achieved is aligned with Ingham's purpose, principles and expected behaviours. Only when we achieve our results through these expected behaviours will Ingham's fully realise its strategic objectives.	• An Individual Multiplier has been applied to the STIP award to ensure the behaviours of each executive are driven to create strong, sustainable performance for both the Company and shareholders. Three key principles form the underlying basis of this behaviour model, requiring executives to be Open, Honest and Collaborative. • All incentive awards are subject to malus and claw-back provisions to ensure that no rewards are received by Executives where the outcomes are materially misaligned with our values, code of conduct or other circumstances detailed on page 55.

B. Our executive remuneration principles, policies and structures

Remuneration Principles

- Contribute to Ingham's key strategic business objectives and desired business outcomes.
- Align the interest of employees with those of shareholders.
- Assist in attracting and retaining employees required to execute the business strategy by providing competitive remuneration and benefits.
- Manage risks in rewarding desired behaviours and balance of short and long-term focus.
- Support Ingham's high performance culture driven by desired leadership behaviours.
- Develop an ownership mindset.
- Be simple, clear and easily understood.

Directors' report (continued)

Remuneration report - audited (continued)

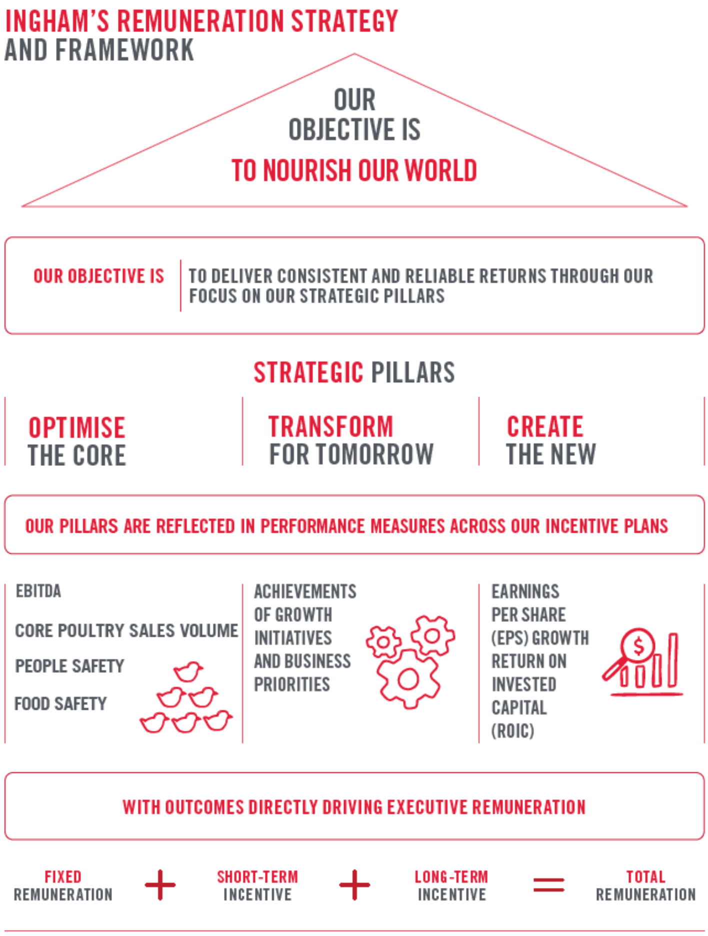
5 Overview of executive remuneration (continued)

B. Our executive remuneration principles, policies and structures (continued)

Ingham's Executive remuneration consists of TFR, short-term incentives (with the deferred component being into rights) and long-term incentives in the form of performance rights.

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

Diagram: Ingham's remuneration strategy and framework



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Directors' report (continued)

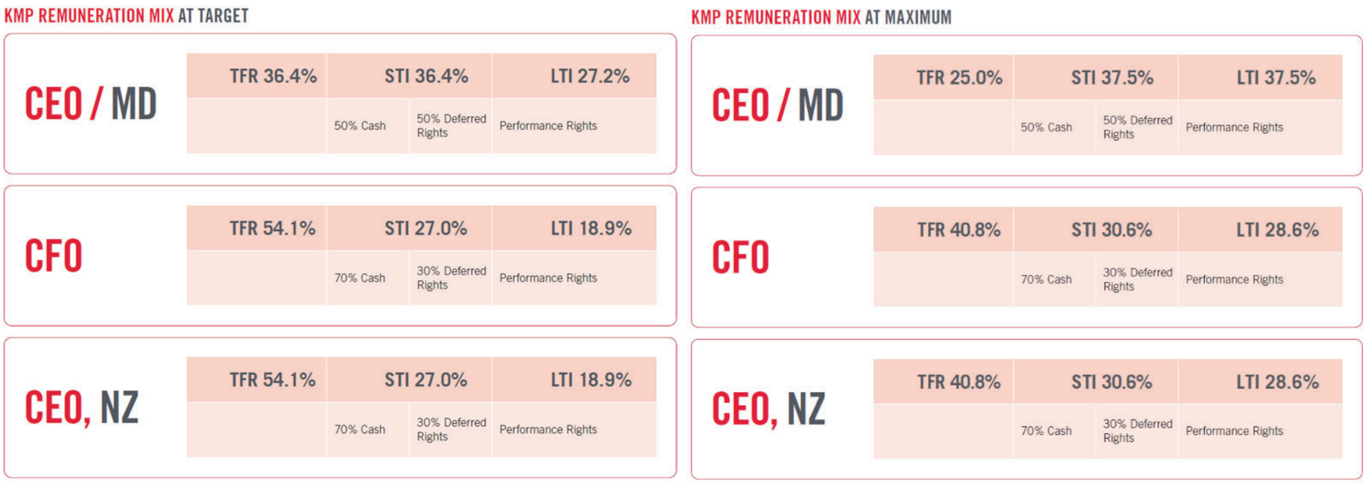
Remuneration report - audited (continued)

5 Overview of executive remuneration (continued)

B. Our executive remuneration principles, policies and structures (continued)

Diagram: Fixed to variable remuneration mix

The graphs below set out the remuneration mix for the CEO/MD and Executives at Ingham's in FY21, illustrating the fixed and variable proportions of remuneration at target and maximum levels.



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Directors’ report (continued)

Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes

Total Fixed remuneration (TFR)

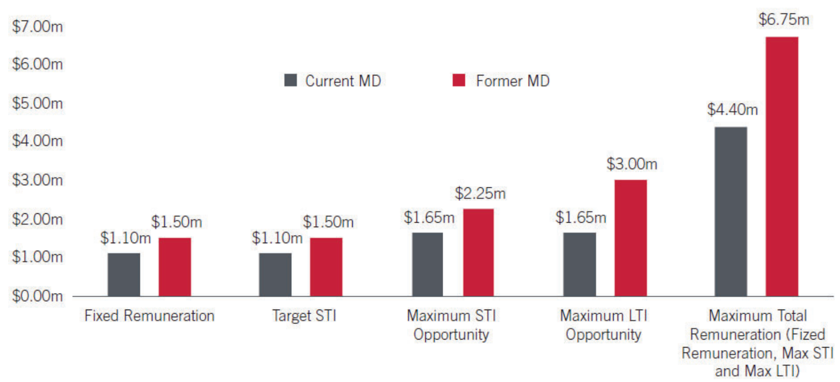
TFR is comprised of base salary, salary sacrificed items and employer superannuation contributions, in line with statutory obligations.

TFR is reviewed annually taking into consideration:

- performance and experience in role
- organisational level
- role and responsibilities
- impact on the business
- commercial outputs
- market benchmarking
- recognition of desired behaviours, and
- risk management.

In FY21, there was a thorough benchmarking process undertaken to assess KMP remuneration. In the lead up to the CEO/MD handover, the Board also sought external benchmarking data on setting the remuneration package for Andrew Reeves, taking into consideration previous feedback from stakeholders on the level of CEO/MD remuneration and the above key inputs. As a result, the new CEO/MD’s remuneration has been positioned well below the former CEO/MD (see below), while also acknowledging the need to position his remuneration at a level commensurate to the level of experience, skillset and knowledge that Andrew brings to Ingham’s.

COMPARISON OF INGHAM’S CURRENT CEO/MD REMUNERATION TO OUR FORMER CEO/MD



Furthermore, the Board determined there would be no increases to TFR for both the CFO and CEO, NZ.

Incumbent	Position	FY20 TFR	FY21 TFR	% Change from FY20 to FY21
Jim Leighton	CEO/MD (to 29 March 2021)	$1,500,000	$1,500,000 (Pro-rata for time in role)(1)	0%
Andrew Reeves	CEO/MD (from 29 March 2021)	N/A	$1,100,000 (Pro-rata for time in role)	N/A
Jonathan Gray	CEO, NZ	$526,000	$549,989(2)	0%
Gary Mallett	CFO	$610,000	$610,000	0%

(1) Jim Leighton served nine months of the year as CEO/MD before his resignation and was paid his TFR on a pro-rata basis up until this time for the period of the full financial year served. There was no increase to Jim’s TFR from FY20 to FY21.
(2) 2021 remuneration is reported in AUD based on the 12-month average historic foreign exchange rates for FY21 being NZD 1.06 (NZD $582,998) Jonathan Gray’s remuneration from FY20 to FY21 remained unchanged in NZD, with any fluctuations year-on-year subject to currency conversion.

Directors' report (continued)

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Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes (continued)

Short Term Incentive Plan (STIP)

The STIP provides the Executive KMP and other senior members of the management team a cash or cash/equity incentive where specific outcomes have been achieved in the financial year. STIP payments are calculated as a percentage of total TFR, as per contractual arrangements and conditional on achieving performance objectives against key financial measures (underlying pre AASB 16 EBITDA and Core Poultry Sales Volume Growth) and two non-financial measures (people and food safety).

Key features of the FY21 STIP

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Objective</td><td>To reward participants for achieving strategic business objectives in a manner consistent with our values, purpose and ambition.</td></tr>
<tr><td>Participants</td><td>Executive KMP and invited senior management</td></tr>
<tr><td>Performance Period</td><td>Financial year ended 26 June 2021.</td></tr>
<tr><td>Opportunity</td><td>
<table>
<tr><th>Executive KMP</th><th>On Target</th><th>Maximum</th></tr>
<tr><td>CEO/MD</td><td>100% of TFR</td><td>150% of TFR</td></tr>
<tr><td>CEO/MD NZ</td><td>50% of TFR</td><td>75% of TFR</td></tr>
<tr><td>CFO</td><td>50% of TFR</td><td>75% of TFR</td></tr>
</table>
</td></tr>
<tr><td>Gate</td><td>For any STIP payment to be made, the financial threshold level of performance (underlying EBITDA pre AASB 16) must be met.</td></tr>
<tr><td>Modifiers</td><td>In the event of a significant people safety or food safety incident (e.g. death, major injury, major loss of plant, consumer recall, etc.) the STIP payout on the safety metrics may be reduced to nil for all participants (20% of total balanced scorecard payout reduced to nil).

Board retains discretion to make further adjustments to STIP payout based on individual accountability.

To ensure any payout remains fully funded, the STIP pool modifier allows STIP payouts to be adjusted to remain within the available pool.</td></tr>
<tr><td>Financial Measures (80% of balanced scorecard)</td><td>Ingham's financial performance is measured by the Group's underlying EBITDA (pre AASB 16) and Core Poultry Sales Volume growth.

Underlying pre AASB 16 EBITDA has been assessed as the most suitable measure of financial performance for the STIP historically due to its expected alignment to the generation of cash earnings for Ingham's and its shareholders. This is now well complemented with the Core Poultry Sales Volume measure that will further enhance the alignment between the growth of our sales volume and shareholder value creation.

Our underlying pre AASB 16 EBITDA (60%) performance is measured at four levels:
<table>
<tr><th></th><th>Full Year Target</th><th>% of Target STIP</th></tr>
<tr><td>Below Threshold</td><td><$190.125m</td><td>0%</td></tr>
<tr><td>Threshold</td><td>$190.125m</td><td>30%</td></tr>
<tr><td>Target</td><td>$195.0m</td><td>100%</td></tr>
<tr><td>Maximum</td><td>$214.5m</td><td>120%</td></tr>
</table>
</td></tr>
</table>

Directors' report (continued)

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Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes (continued)

Our Core Poultry Sales Volume growth (20%) performance is measured at three levels.

	Full Year Target	% of Target STIP
Below Target	<5.3% increase	0%
Target	increase of 5.3%	100%
Maximum	increase of 6.3%	120%

Non-Financial Measures (20% of balanced scorecard)

The Board reviews the performance objectives against non-financial measures as these are key contributors to short-, medium- and long-term sustainable value creation for both the Company and shareholders. The non-financial measures ensure the business prioritises community and consumer expectations for ensuring the safety of our employees and our products and to maintain our reputation as a high-quality food producer.

People Safety

The safety of our people across the business, be it Ingham's employees or contractors, is paramount to ensure we are conducting our business in the most ethical community-focused way. A safe and healthy workplace not only protects workers from injury and illness, it can also lower injury/illness costs, reduce absenteeism and turnover, increase productivity and quality, and raise employee morale.

Our Group TRIFR (total recordable injury frequency rate being the number of lost time injuries requiring treatment by a medical professional per million hours worked) Year-On-Year (YOY) Reduction (10%) performance is measured at two levels.

	Full Year Target	% of Target STIP
Target	7% reduction or a TRIFR of 8.0	100%
Maximum	9% reduction or a TRIFR of 7.0	120%

Food Safety

Complaint reduction is a cross-organisational responsibility; not just quality and operations. Complaints have been selected as the STIP measure being an indicator of direct impact to business performance including legal, reputational and financial implications, and to ensure that all facets of the business contribute to and are invested in a successful outcome.

Our Customer Complaints YOY Reduction (10%) performance is measured at two levels.

	Full Year Target	% of Target STIP
Target	10% reduction or a CPmKg of 6.15	100%
Maximum	15% reduction or a CPmKg of 5.81	120%

Individual Multiplier

This multiplier serves to link an individual's overall performance to the achievement of our group strategic objectives (Balanced Scorecard) by an executive behaving in line with our values, purpose and ambition. Leading the business as a senior executive at Ingham's is about not only an individual's contribution to business performance but also about leading through the right behaviours. Our Leaders behaviour drives our culture and the right behaviours drive enhanced business performance.

Multiplier	
Rating:	% Applied to Balance Scorecard Outcome 0% - 125%

Directors' report (continued)

Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes (continued)

	Straight-line vesting from threshold performance to significant outperformance The Individual Multiplier enables an Executive to achieve the maximum opportunity of the award, as without this, the maximum award an executive can receive is 120% of the target. The multiplier acts in a way that can, however, both increase or decrease the total final award. Any Individual Multiplier below 100% of target will decrease the total award, while the inverse is also true. Two examples of how the multiplier works are provided below: 1. 100/120 scorecard outcome is multiplied by a 125/125 Individual Multiplier outcome. = final outcome of 83% of maximum 2. 100/120 of target scorecard outcome is multiplied by a 75/125 Individual Multiplier outcome. = final outcome of 50% of maximum In both circumstances, the scorecard outcome remains the same, however, the Individual Multiplier determines the final quantum of the STIP award. Any final STIP award is subject to the performance gates, the balanced scorecard outcome and modifiers before taking these calculations into consideration.
Deferral	50% of CEO/MD and 30% of other KMP payouts will be deferred into rights for 12 months subject to a 12-month service condition. The deferred component supports increased share ownership and is a risk management lever to facilitate Malus policy application during the deferral period.
Payment Method	CEO/MD = 50% is paid as cash and the other 50% is awarded as Inghams Group Limited rights. Other KMP = 70% is paid as cash and the other 30% is awarded as Inghams Group Limited rights. Rights are deferred for a period of 12 months from the STIP payment date, 12 September 2021. Following the deferral period, the rights convert into Inghams Group Limited ordinary shares. Deferred rights are grants which are not subject to any further performance conditions except continuous employment. The rights will vest on 12 September 2022 and the fair value on the deferred rights is calculated as the market price of Ingham's shares traded on the ASX on grant date of the deferred rights. The rights carry no voting or dividend rights. Shares once allocated carry the same voting and dividend rights as all other Inghams Group Limited ordinary shares.
Quantum of Rights	The final number of Rights awarded to each participant is calculated by dividing the face value of the deferred portion of their STIP award by the volume weighted average price (VWAP) of Ingham's shares traded on the ASX in the 10 days after 20 August 2021. (i.e. the announcement of Ingham's FY21 annual results.)
Discretion	At all times, the Board may exercise discretion on STIP payments. Discretion will only be applied in a manner that aligns the experience of both the Company and shareholders. Any discretion applied will be disclosed and explained in the Remuneration Report.
Cessation of employment	The following are circumstances where the Rights will be lapsed or forfeited, unless the Board determines otherwise: • where employment ends before the completion of the deferral period, or • where a notice of resignation is given before the completion of the deferral period, even where employment will end after the completion of the deferral period, or • if while during employment it is found that an employee has engaged in any misconduct, or serious breach of policy, or conduct that brings Ingham's into disrepute, including where such conduct is discovered post the ending of employment and prior to the date the shares are awarded, or

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Directors' report (continued)

Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes (continued)

	• any other circumstance which in the Board's judgement warrants the Rights to be lapsed or forfeited. Where an Executive's exit is related to any other reason (e.g. retrenchment, retirement or death), the Executive remains eligible on a pro-rata basis where applicable (unless the Board determines otherwise) to be considered for a STIP award with regard to actual performance against performance measures (as determined by the Board in the ordinary course following the end of the performance period).

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Directors' report (continued)

Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes (continued)

STIP outcomes for FY21

In determining the Executive remuneration outcomes this year and how these outcomes will be delivered, the Board has considered the needs and expectations of various stakeholders, the business performance and the efforts undertaken by management to continue to trade through a year of extraordinary challenge.

FY21 Balanced Scorecard Outcome

Type of performance measure and weighting at target	KMP Performance measure		Targets	FY21 Actual Performance	Scorecard Outcome
Group Financial **80% of balanced scorecard**	Group underlying EBITDA (pre AASB 16) **(60%)**		Threshold = $190.125m Target = $195m Maximum = $214.5m	Group underlying EBITDA (pre AASB 16) = $209.6m	Vesting at 114.97% of the target performance level (due to sliding scale from target to stretch of 100% to 120%) or 95.8% of maximum performance level
	Core Poultry Sales Volume Growth **(20%)**		Target = increase of 5.3% Maximum = increase of 6.3%	Core Poultry Sales Volume Growth of 4.2% was achieved[1] (79.2% of target)	0% outcome against the target and maximum STIP performance levels
Non-Financial Strategic Goals include **20% of balanced scorecard**	Safety	People Safety (TRIFR) **(10%)**	Target = TRIFR of 8.0 Maximum = TRIFR of 7.0	TRIFR of 6.0	Due to significant safety incident both components become zero, ie: 0% outcome against the target and maximum performance level
		Food Safety (Customer Complaints) **(10%)**	Target = CPmKg of 6.15 Maximum = CPmKg of 5.81	Customer complaints or a CPmKg of 4.99	

1. Whilst Ingham's grew by 4.2% and was below the performance threshold of 5.3%, Ingham's still outperformed the industry standard as from FY16 to FY21 the Australian poultry market grew at approximately 2.7% per annum.

Overall FY21 STIP Outcome Calculation

For the KMP detailed below, the Board assessed that the results for both individual performance and behaviours for Andrew Reeves and Jonathan Gray resulted in a 100% out of a maximum of 125% outcome for the Individual Multiplier. Gary Mallett's management of the financial complexities during COVID-19 resulted in very strong financial outcomes for the Company and as a result he received a slightly higher assessment at 110% out of a maximum 125%.

For Jim Leighton's Individual Multiplier outcome, this took into account a number of factors including the significant safety incident that resulted in a further downward discretion applied to his Multiplier due to the responsibility placed upon him for this incident. At the time of Jim's departure and as demonstrated in our FY21 results, he and his leadership team significantly improved the operations of our Company. For these reasons he was assessed for an Individual Multiplier at 50% out of a maximum of 125%.

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Directors' report (continued)

Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes (continued)

Executive KMP	Scorecard Outcome (% of the maximum score)	Individual Multiplier (% of the maximum score)	Overall Individual STIP Outcome (applied against maximum STI)	Overall Individual STIP Outcome as a % of TFR
Jim Leighton	68.985/120 = **57.49%**	50/125[2] = **40%**	57.49% multiplied by 40% = **23.00%**	**34.49% of TFR** awarded out of a **maximum of <u>150%</u> of TFR**
Jonathan Gray	68.985/120 = **57.49%**	100/125 = **80%**	57.49% multiplied by 80% = **45.99%**	**34.49% of TFR** awarded out of a **maximum of <u>75%</u> of TFR**
Gary Mallett	68.985/120 = **57.49%**	110/125 = **88%**	57.49% multiplied by 88% = **50.59%**	**37.94% of TFR** awarded out of a **maximum of <u>75%</u> of TFR**
Andrew Reeves	68.985/120 = **57.49%**	90/125[2] = **72%**	57.49% multiplied by 72% = **41.39%**	**62.09% of TFR[1]** awarded out of a **maximum of <u>150%</u> of TFR**

1. Andrew's STIP award is Pro-rata for time in role from 29 March 2021 to FY21 year end.
2. As detailed in the opening letter from the P&RC Chair, in addition to the 20% safety components reduced to 0% an additional downward discretion was applied to both Jim Leighton and Andrew Reeves, the former and current CEO/MD, due to the responsibility associated with the fatality that occurred at our Bolivar site. This is reflected above in their Individual Multiplier scores that were reduced by a further 10%.

FY21 STIP Awarded

Executive KMP	STI target - $	STI maximum - $	Total STI awarded - $	STIP Cash awarded - $	STIP Rights awarded - $[3]	Forfeit against STI maximum	Forfeited % against STI maximum
Jim Leighton[1]	1,500,000	2,250,000	517,388	517,388	–	1,732,613	77.01%
Jonathan Gray	272,816	409,224	188,202	131,741	56,461	221,022	54.01%
Gary Mallett	305,000	457,500	231,445	162,011	69,433	226,055	49.41%
Andrew Reeves[2]	283,288	424,932	175,884	87,942	87,942	249,048	58.61%

1. Upon termination, Jim's FY21 STIP deferral payment was agreed to be made as a cash payment, subject to the same provisions as deferred rights under the STIP framework as detailed earlier in this report.
2. Andrew's STIP award is pro-rata for time in role from 29 March 2021 to FY21 year end.
3. The estimated number of rights is calculated by dividing the face value of their award by the volume weighted average price (VWAP) of Ingham's shares traded on the ASX in the 10 days after grant date. The number of rights and VWAP will be known subsequent to the grant date in FY22.

Long Term Incentive Plans

FY21-FY23 LTIP Offer

The FY21-FY23 LTIP was approved at the 2020 AGM. The below table outlines the key terms of the Offer:

Eligibility to participate in LTIP Offer	Offers may be made at the Board's discretion to employees of the Inghams Group or any other person the Board determines to be eligible to receive a grant under the Plan

Term	Description

The FY21-23 LTIP Offer has been made to the following current KMP:

– Jonathan Gray (CEO, NZ), (70% of TFR at Maximum)

– Gary Mallett (CFO), (70% of TFR at Maximum)

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Directors' report (continued)

Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes (continued)

<table>
<tr><td></td><td>The former and newly appointed CEO/MDs were both deemed ineligible for an FY21-FY23 LTIP award. Please see Jim Leighton's termination arrangements on page 47 and Andrew Reeve's service agreement on page 47 for more information.</td></tr>
<tr><td>Offers under the Plan</td><td>The LTIP Offer is a grant of performance rights.</td></tr>
<tr><td>Grant of Rights</td><td>A Right entitles the participant to acquire a share for nil consideration at the end of the performance period, subject to meeting specific performance conditions. The Board retains the discretion to make a cash payment to participants on vesting of the Rights in lieu of an allocation of shares.</td></tr>
<tr><td>Quantum of Rights</td><td>The aggregate face value at maximum of the LTIP Offer to all participants (Executive KMP and Senior Management) is $3.65 million.

The final number of Rights awarded to each participant was calculated by dividing the face value of their LTIP award by $3.326, being the volume weighted average price (VWAP) of Ingham's shares traded on the ASX in the 10 days after 21 August 2020. (i.e. the announcement of Ingham's FY20 annual results).</td></tr>
<tr><td>Performance Period</td><td>3 years, from the beginning of FY21 to the end of FY23.</td></tr>
<tr><td>Performance conditions</td><td>Relative TSR (50% of Award)

For this component, the Company's relative TSR will be compared to a comparator group comprising the ASX 200 (excluding companies classified as financial, mining and resources) and vest according to the following schedule:

<table>
<tr><th>Company's relative TSR rank in the comparator group over performance period</th><th>% of Rights that Vest</th></tr>
<tr><td>Less than 50th percentile</td><td>Nil</td></tr>
<tr><td>At 50th percentile (threshold)</td><td>50%</td></tr>
<tr><td>Between 50th and 75th percentile</td><td>Straight line pro rata Vesting between 50% and 100%</td></tr>
<tr><td>At 75th percentile or above</td><td>100%</td></tr>
</table>

Return on invested capital (50% of award)

For this component, the Company's Underlying Return on Invested Capital pre AASB 16 ("ROIC") will be calculated as the equivalent of the pre AASB 16 net operating profit after tax, divided by average invested capital. ROIC for each of the three years forming the performance period will be averaged to provide an overall outcome.

The level of vesting of this component will be determined according to the following schedule:

<table>
<tr><th>Company's ROIC Outcome</th><th>% of Rights that Vest</th></tr>
<tr><td>Less than Threshold target</td><td>Nil</td></tr>
<tr><td>At Threshold target</td><td>50%</td></tr>
<tr><td>Between Threshold and Maximum target</td><td>Straight line pro rata Vesting between 50% and 100%</td></tr>
</table>
</td></tr>
</table>

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Directors' report (continued)

Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes (continued)

	At Maximum target — 100%
Voting and dividend entitlements	Performance rights granted under the LTIP do not carry dividend or voting rights prior to vesting. Shares allocated upon vesting of performance rights carry the same dividend and voting rights as other Ingham's shares.
Re-testing	Performance will not be re-tested if the performance conditions are not satisfied at the end of the performance period. Any Rights that remain unvested at the end of the performance period will lapse immediately.
Restrictions on dealing	The Executive KMP must not sell, transfer, encumber, hedge or otherwise deal with performance rights. The Executive KMP will be free to deal with the shares allocated on vesting of the performance rights, subject to the requirements of Ingham's Securities Dealing Policy at that time.
Change of control	Under the Plan rules and the terms of the LTIP awards, the Board may determine in its absolute discretion that some or all of the Executive KMP's performance rights will vest on a likely change of control.
Clawback	Under the Plan rules and the terms of the LTIP awards, the Board has claw back powers which it may exercise if, among other things: • the Executive KMP has acted fraudulently or dishonestly; • has engaged in gross misconduct, brought Ingham's, the Inghams Group or any Ingham's group company into disrepute or breached their obligations to the Inghams Group; • Ingham's is required by or entitled under law or Ingham's policy to reclaim remuneration from the Executive KMP; • there is a material misstatement or omission in the accounts of an Inghams Group company; or • the Executive KMP's entitlements vest or may vest as a result of the fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the performance rights would not have otherwise vested.
Cessation of employment	If the participant ceases employment for cause or due to their resignation, unless the Board determines otherwise, any unvested Rights will automatically lapse. The Board has the discretion to designate a "good leaver", whereby Rights will not automatically lapse. In all other circumstances, the Rights will be pro-rated (based on the proportion of the performance period that has elapsed) and remain on foot and subject to the original performance conditions, unless the Board exercises a discretion to treat them otherwise.
Fair Value	The fair value of the LTI offer at grant date was determined using an adjusted form of the Black Scholes Model. The weighted average grant date fair value of rights granted in the year was $2.69. The model inputs for performance rights granted during the year ended included: a) Exercise price $Nil (2020: $Nil) b) Share price at grant date $3.71 (2020: $3.39) c) Expected price volatility 33% (2020: 24-28%) d) Expected dividend yield 4.3% (2020: 4.8%) e) Risk-free interest rate 0.014% (2020: 0.23%)

Directors' report (continued)

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6 Executive remuneration framework and outcomes (continued)

FY20-FY22 LTIP Offer – Revised Legacy Item due to proposed amendment from TIP to LTIP

This year, after an extensive review by the Board and engagement with key stakeholders, and as a result of the shareholders not approving the FY20-FY22 TIP award for the CEO/MD at the 2020 AGM, the Board determined that the other participants in TIP who had already been offered their performance rights in this plan would have their rights amended to the terms of the FY20 LTIP that was approved at the 2019 AGM. Under ASX Listing Rule 6.23.4, Ingham's is required to seek shareholder approval for this amendment at the 2021 AGM. If approval is granted, all participants will be under the already approved FY20-FY22 LTIP at the 2019 AGM, with the exception of the former CEO/MD who has agreed to forgo his rights under the EPS growth hurdle (see page 47 for more information).

Should shareholders not approve the proposed amendments, the original FY20 TIP award will remain for Executive KMP and Senior Management that were eligible for this award, other than the former CEO/MD.

The table below outlines the key terms of the FY20-FY22 LTIP Offer under the LTIP where these key details differ from the FY21-FY23 LTIP grant:

Term	Description
Eligibility to participate in LTIP Offer	Offers may be made at the Board's discretion to employees of the Inghams Group or any other person that the Board determines to be eligible to receive a Grant under the Plan The FY20-FY22 LTIP Offer has been made to the following current and former KMP: • Jim Leighton (former CEO/MD, see pages 35 and 47 for further information on Jim's amended offer upon termination – originally 200% of TFR at Maximum amended to 50% of TFR) • Jonathan Gray (CEO, NZ), (70% of TFR at Maximum) • Gary Mallett (CFO), (70% of TFR at Maximum)
Offers under the Plan	The LTIP Offer is a grant of performance rights
Quantum of Rights	The aggregate face value, at maximum, of the LTIP Offer to all participants (Executive KMP and Senior Management) is $4.245 million. Jim Leighton was granted Rights with a maximum face value of $750,000 equivalent to 50% of TFR. Other participating members of senior management were granted Rights with a cumulative face value of $3.495 million. The final number of Rights awarded to each participant was calculated by dividing the face value of their LTIP award by $3.19662 being the volume weighted average price (VWAP) of Ingham's shares traded on the ASX in the 10 days after 27 August 2019. (i.e. the announcement of Ingham's FY20 annual results).
Performance Period	3 years, from the beginning of FY20 to the end of FY22
Performance conditions	Rights granted as part of the LTIP Offer will vest at the end of the performance period, subject to meeting the performance conditions. The performance conditions are: • 75% of the Rights are subject to a performance condition based on Ingham's absolute Earnings Per Share (EPS) over the performance period (EPS Component); and • The remaining 25% of the Rights are subject to a relative total shareholder return (TSR) performance condition, measured over the performance period (TSR Component). Ingham's relative TSR will be benchmarked against an appropriate comparator group of companies within the S&P/ASX200 index excluding financing, mining and real estate sectors. **EPS Component** • For any Rights in the EPS Component to vest, a threshold target must be achieved (as set out below). The percentage of Rights comprising the EPS Component that vest, if

Directors' report (continued)

Remuneration report - audited (continued)

6 Executive remuneration framework and outcomes (continued)

any, will be determined over the performance period by reference to the following vesting schedule:

Ingham's EPS over the performance period	% of Rights that vest
Less than threshold	Nil
Equal to threshold	50%
Greater than threshold up to maximum target	Straight line pro rata vesting between 50% and 100%
At or above maximum target	100%[1]

- Threshold and maximum targets will be set annually by the Board at the start of each financial year, with vesting of the EPS Component based on achievement against these targets over the three-year performance period. The EPS targets will be disclosed retrospectively at the end of the performance period.

TSR Component

- The percentage of Rights comprising the TSR Component that vest, if any, will be based on Ingham's TSR ranking over the performance period, as set out in the following vesting schedule:

Ingham's TSR rank in the Relevant Comparator Group	% of Rights that vest
Less than 50th percentile	Nil
At 50th percentile (threshold performance)	50%
Between 50th and 75th percentile	Straight line pro rata vesting between 50% and 100%
At 75th percentile or above	100%

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Directors' report (continued)

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6 Executive remuneration framework and outcomes (continued)

LTIP Outcomes during FY21

Performance against LTIP measures

LTIP vesting outcomes

The FY19-FY21 LTIP scheme vested on 30 June 2021. The EPS performance was below threshold and resulted in all EPS-based rights lapsing. The TSR performance was at the 53rd Percentile, which resulted in 55.90% of the TSR-based rights vesting.

The total amount that vested is 13.97% of total rights granted.

The details of the outcomes against the relative TSR hurdles is set out below.

Relative TSR Hurdle:

Company's TSR rank in the relevant comparator group	% of rights that vest
Less than 50th percentile	Nil
At 50th percentile	50%
Between 50th and 75th percentile	Straight line pro-rata vesting between 50% and 100%
At 75th percentile	100%
Outcome:	
TSR percentile rank at the 53rd percentile	55.90% vesting

The following outcome applies:

Executive KMP	LTIP Rights Granted	LTIP Rights Vested	LTIP Rights Forfeited
Jim Leighton	506,862	70,809	436,053
Jonathan Gray	121,957	17,037	104,920

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Directors' report (continued)

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7 Other Key Information

Executive Employment Agreements

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

Executive KMP	Position	Contract duration	Notice Period	Termination payments applicable
Jim Leighton	CEO/MD (Former)	Unlimited	12 months	Up to 12 months fully paid
Andrew Reeves	CEO/MD	Unlimited	12 months	Up to 12 months fully paid
Jonathan Gray	CEO, NZ	Unlimited	6 months	Up to 6 months fully paid
Gary Mallett	CFO	Unlimited	6 months	Up to 6 months fully paid

Termination Arrangements for former CEO/MD, Jim Leighton

As previously announced, Jim returned to the US for personal reasons beyond his control. During his tenure, Jim and his team significantly improved the operations of the Company and we thank Jim for his dedication and contribution to Ingham's. The Board determined that Jim would be treated as a good leaver.

In order to facilitate an orderly handover, Jim Leighton remained with the company until the end of the financial year. As a result, he remained eligible to receive a full entitlement to the FY21 STIP and the FY19 LTIP awards as he was employed for the full performance period.

Any STIP awards previously deferred that are yet to vest continue with the original service period unchanged upon termination. Jim will be receiving the full entitlement to each award that was deferred as per our good leaver approach and with vesting dates unchanged. This applies to the FY19 Management Recognition Incentive and the FY20 & FY21 STIP awards.

Recognising shareholder feedback on proposed changes to Ingham's LTIP arrangements where the proposed FY20 TIP plan was not approved at the 2020 AGM, Ingham's determined the FY20 LTIP provided to Jim was to be granted on the terms originally approved by Ingham's shareholders at the company's 2019 AGM. However, the LTIP award for FY20 will only relate to the total shareholder return (TSR) component of the original proposed award (being 25% of its original face value) and will also be pro-rated on cessation of Jim's employment (based on the portion of the performance period served). The award will be subject to testing at the end of the performance period, in June 2022. Jim will not be eligible to receive an LTIP award for FY21.

Loans to Key Management Personnel – Legacy item

Jonathan Gray received a NZ $350,000 non-interest bearing loan in September 2018 in conjunction with his urgent relocation to New Zealand to take up the New Zealand CEO role at a critical time. Jonathan Gray fully repaid to Ingham's the NZ $350,000 relocation loan on 7 October 2020.

Jonathan Gray was also offered an interest free non-recourse loan to purchase shares in Ingham's under a legacy arrangement in September 2018 with a balance owing as at 26 June 2021 of A$23,600, with this loan being repaid from dividends from the ordinary shares held. It is expected that this loan will be fully repaid within FY22.

There are no other loans to KMP.

Directors' report (continued)

Remuneration report - audited (continued)

8 Overview of non-executive director remuneration

The details of fees paid to Non-Executive Directors in FY21 are outlined in section 7 of this Remuneration Report. Non-Executive Directors' fees were fixed, and they did not receive any performance-based remuneration.

The table below outlines the fee structure for Non-Executive Directors in FY21 (inclusive of superannuation as applicable). The annual aggregate fee pool for Non-Executive Directors is capped at $2.0m. Board and committee fees inclusive of statutory superannuation contributions are included in this aggregate fee pool.

Board fees		FY21
Chairman		$350,000 (no additional committee fees)
Non-Executive Director		$140,000
Committee fees		
Finance & Audit	Chair	$20,000
People & Remuneration	Chair	$20,000
Risk & Sustainability	Chair	$20,000
Nomination	Chair	–
Committee Fees	Membership per committee	$10,000

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Directors’ report (continued)

Remuneration report - audited (continued)

9 Statutory and share-based reporting

A. Director & Executive KMP remuneration for the year ended 26 June 2021

The following tables of Director & Executive KMP remuneration has been prepared in accordance with accounting standards and the *Corporations Act 200*1 requirements, for the period from 27 June 2020 to 26 June 2021. Share-based payments are calculated as deferred STIP and LTIP awards.

		Short-term benefits				Long-term/ post-employment benefits			Share-based payments			
	Year	Salary and fees $000	STI bonus $000	Monetary and Other Benefits[1] $000	Deferred Cash $000	Superannuation $000	Long service leave $000	Termination benefits $000	Performance Rights $000	Deferred benefits[4 8] $000	Total remuneration $000	Performance related $000
Non-Executive Directors[2]												
Peter Bush	2021	328	–	–	–	22	–	–	–	–	350	–
	2020	329	–	–	–	21	–	–	–	–	350	–
Rob Gordon	2021	137	–	–	–	13	–	–	–	–	150	–
	2020	132	–	–	–	13	–	–	–	–	145	–
Michael Ihlein	2021	171	–	–	–	–	–	–	–	–	171	–
	2020	30	–	–	–	2	–	–	–	–	32	–
Jackie McArthur	2021	162	–	–	–	15	–	–	–	–	177	–
	2020	146	–	–	–	14	–	–	–	–	160	–
Helen Nash	2021	161	–	–	–	7	–	–	–	–	168	–
	2020	158	–	–	–	7	–	–	–	–	165	–
Linda Bardo Nicholls, AO	2021	155	–	–	–	15	–	–	–	–	170	–
	2020	162	–	–	–	7	–	–	–	–	169	–
Andrew Reeves	2021	–	–	–	–	–	–	–	–	–	–	–
	2020	146	–	–	–	14	–	–	–	–	160	–
Sub-total Non-Executive	**2021**	**1,114**	**–**	**–**	**–**	**72**	**–**	**–**	**–**	**–**	**1,186**	**–**
Directors' Remuneration	**2020**	**1,103**	**–**	**–**	**–**	**78**	**–**	**–**	**–**	**–**	**1,181**	**–**
Chief Executive Officer												
Andrew Reeves	2021	422[3]	88	–	–	17[5]	4	–	–	44	575	132
Former Chief Executive Officer												
Jim Leighton	2021	1,478	259	182	258	22	(29)	1,125	(746)[6]	541[7]	3,090	312
	2020	1,658	–	14	–	21	23	–	809	394	2,919	1,203
Sub-total Directors'	**2021**	**1,900**	**347**	**182**	**258**	**39**	**(25)**	**1,125**	**(746)**	**585**	**3,665**	**444**
Actual Remuneration	**2020**	**1,658**	**–**	**14**	**–**	**21**	**23**	**–**	**809**	**394**	**2,919**	**1,203**
KMP Senior Executives												
Gary Mallett	2021	588	162	–	–	22	9	–	312	54	1,147	528
	2020	416	44	100	–	14	8	–	30	18	630	92
Jonathan Gray	2021	512	132	271	–	38	6	–	120	84	1,163	336
	2020	508	51	–	–	38	1	–	20	48	666	119
Total Executives	**2021**	**1,100**	**294**	**271**	**–**	**60**	**15**	**–**	**432**	**138**	**2,310**	**864**
Remuneration	**2020**	**924**	**95**	**100**	**–**	**52**	**9**	**–**	**50**	**66**	**1,296**	**211**
Total Directors' and Executive	**2021**	**4,114**	**641**	**453**	**258**	**171**	**(10)**	**1,125**	**(314)**	**723**	**7,161**	**1,308**
Officers' Remuneration	**2020**	**3,685**	**95**	**114**	**–**	**151**	**32**	**–**	**859**	**460**	**5,396**	**1,414**

(1) Monetary benefits represents relocation payments for the CEO, a sign on bonus for the CFO and a payment of NZD $281,472 was made in FY21 for Jonathan Gray moving to New Zealand urgently at the Company’s request that includes selling costs and loss in value upon the sale of his Australian home. Other benefits include a company provided motor vehicle for the CEO valued at $19,143.

(2) Andrew Reeves, Jackie McArthur and Helen Nash also received remuneration for special Board projects in FY21. This work ceased in March for Andrew upon appointment to the role of CEO/MD, and in mid-April for the other directors.

(3) Andrew Reeves’ salary and fees include $121,391 in Board fees for FY21 for the period he served as a non-executive director.

(4) Deferred benefits include deferred equity incentives and the FY19 Management Recognition Incentive (see note 8).

(5) Andrew Reeves’ Superannuation includes $11,712 in FY21 for the period he served as a non-executive director.

(6) The reversal of performance right expenses for Jim Leighton relates to the EPS portion of the FY19 LTIP award which did not vest. The FY20 LTIP was granted only on the TSR portion and the estimated EPS component which was also reversed.

(7) The deferred benefits for Jim Leighton includes $300,000 on deferred equity portion of FY20 STIP award and $241,544 on the FY19 Management Recognition Incentive.

(8) As disclosed in FY20, Jim Leighton was awarded 93,721 restricted shares with a value of $400,000 and Jonathan Gray was awarded 24,474 restricted shares with a value of $103,940 as part of the FY19 Management Recognition Incentive plan. For Jim, the number of shares purchased was based on a VWAP of $4.268 and for Jonathon this was based on a VWAP of $4.247. The VWAP for both was calculated on the relevant dates they commenced in their roles in November 2018 through to 29 June 2019. The shares were sourced on-market and are being held in escrow until 15 December 2022.

Directors' report (continued)

Remuneration report - audited (continued)

9 Statutory and share-based reporting (continued)

B. Rights awarded, vested and lapsed during the year

The table below discloses the number of rights granted, vested or lapsed during the year. Rights do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date.

		No. of rights awarded during the year	Award date	Fair value per right at grant date ($)	Vesting date	Value of rights granted during the year ($000)	No. rights vested during the year	No. rights lapsed/ forfeited during the year
Jim Leighton	FY21	–	4 Dec 2018[1]	3.06	30 Jun 2021	–	–	(436,053)
		–	6 Dec 2018[1,2]	3.29	30 Jun 2021	–	–	(49,915)
		–	17 Apr 2020[1]	2.57	25 Jun 2022	–	–	(547,452)
		180,377	15 Sep 2020[3]	3.33	1 Jul 2021	600	–	–
Jonathan Gray	FY21	–	4 Nov 2017[1]	2.80	30 Jun 2020	–	22,914	–
		–	6 Dec 2018[1,2]	3.21	30 Jun 2020	–	2,618	–
		–	5 Nov 2018[1]	3.06	30 Jun 2021	–	–	(95,513)
		–	6 Dec 2018[1,2]	3.29	30 Jun 2021	–	–	(9,407)
		15,275	15 Sep 2020[3]	3.33	1 Jul 2021	51	–	–
		114,260	10 Jun 2021[4]	2.69	1 Jul 2023	307	–	–
Gary Mallett	FY21	128,368	10 Jun 2021[4]	2.69	1 Jul 2023	345	–	–
		13,384	15 Sep 2020[3]	3.33	1 Jul 2021	45	–	–

(1) The fair value of the LTI offer at grant date was determined using an adjusted form of the Black Scholes Model. Fair value on performance rights is a weighted average of rights values under the EPS and TSR portion of the awards.
(2) These rights relate to the top up grants to Executive KMP as a result of the capital return carried out. These were approved at the EGM on 6 December 2018, and vest progressively the end of FY19 to the end of FY21 in line with the underlying grants that were topped up
(3) Deferred rights were granted on 15 September 2020 subsequent to the calculation of the volume weighted average price of Ingham's shares traded on the ASX, 10 days after 21 August 2020. The fair value of the deferred rights is calculated as the market price of Ingham's shares traded on the ASX on grant date of the deferred rights.
(4) The fair value of the LTI offer at grant date was determined using an adjusted form of the Black Scholes Model. Fair value on performance rights is a weighted average of rights values under the ROIC and TSR portion of the awards.

C. Options and Performance rights holdings of Directors and KMP

	Balance 30 June 2020	Granted as remuneration	Options/ rights exercised	Net change other[1]	Balance 26 June 2021	Options Outstanding as at 26 June 2021 Exercisable	Not Exercisable
Jim Leighton	1,260,645	180,377	–	(1,033,420)	407,602	–	–
Jonathan Gray	466,416	129,535	–	(130,452)	465,499	–	200,000
Gary Mallett	133,579	141,752	–	–	275,331	–	–
Total	**1,860,640**	**451,664**	**–**	**(1,163,872)**	**1,148,432**	**–**	**200,000**

(1) Represents shares vested during the period and forfeited rights

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Directors' report (continued)

Remuneration report - audited (continued)

9 Statutory and share-based reporting (continued)

D.Shareholdings of Directors and KMP

	Balance 27 June 2020	Granted as remuneration	On exercise of rights/options	Net change other	Balance 26 June 2021	Balance 26 June 2021 (inclusive of vested treasury shares)
Non-Executive Directors						
Peter Bush	158,730	–	–	50,000	208,730	208,730
Rob Gordon	15,772	–	–	–	15,772	15,772
Michael Ihlein	–	–	–	45,455	45,455	45,455
Jackie McArthur	19,126	–	–	5,824	24,950	24,950
Helen Nash	29,370	–	–	–	29,370	29,370
Linda Bardo Nicholls, AO	32,947	–	–	9,101	42,048	42,048
Chief Executive Officer						
Andrew Reeves	7,800	–	–	5,000	12,800	12,800
Jim Leighton	–	–	–	–	–	–
Senior Executives						
Gary Mallett	–	–	–	–	–	–
Jonathan Gray	166,325	25,532	–	(25,532)	166,325	366,325
Total	**430,070**	**25,532**	–	**89,848**	**545,450**	**745,450**

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

Peter Bush
Chairman

Michael Ihlein
Non-Executive Director

Sydney
20 August 2021

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Corporate Governance Statement

This statement summarises the Corporate Governance framework, policies and practices of Inghams Group Limited (ACN 162 709 506) (Ingham's or the Company) for the financial year ended on 26 June 2021 ('reporting period') in accordance with the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). This Corporate Governance Statement has been approved by the Ingham's Board.

Ingham's Board and Committee Charters and the key corporate governance policies referred to in this statement are available in the investor Centre (Corporate Governance tab) of the Company website:

http://investors.inghams.com.au/ Investor Centre/?page=corporate governance.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Responsibilities

The Board is responsible for the overall governance of Ingham's including overseeing and appraising Ingham's strategies, policies, performance, and reporting to shareholders. In accordance with the Board Charter, the Board sets, reviews and monitors compliance with the Company's values, strategies, policies and performance, and ensures that shareholders are kept informed of the Group's performance and any major developments affecting its state of affairs.

The Company's purpose, values and principles form the basis for Ingham's culture and are disclosed on the Company website. The Board Charter sets out the Board's role, powers and duties and establishes the functions reserved for the Board and those which are delegated to management. The Charter is available on the Company website: https://investors.inghams.com.au/Investor-Centre/?page=corporate-governance.

The Board's responsibilities as set out in the Board Charter include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of the CEO & Managing Director;
- contributing to and approving management's development of corporate strategy, setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management and internal control, and ethical and legal compliance;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting; and
- developing and reviewing corporate governance principles and policies.

The Board delegates authority to the CEO & Managing Director for the day-to-day operations of the Company, its subsidiaries and their respective operations. The Company Secretary is accountable to the Board through the Chair for the proper functioning of the Board.

Board Reviews and Appointments

The Board regularly reviews the performance and effectiveness of the Board, its Committees and individual directors, with the aim of ensuring that individual directors, Board Committees, and the Board as a whole, work effectively in meeting their responsibilities.

The Company has written agreements in place with its directors setting out the terms of their appointment. Prior to the appointment of a new director, the Company arranges for appropriate checks to be undertaken relevant to a decision on whether to elect a director. Material information is disclosed to security holders through a number of channels, including via the Notice of Meeting, and the Directors' Resumés and other information contained in this report.

Inclusion and Diversity

The Company has an Inclusion and Diversity policy, which includes a requirement that the Board set measurable objectives for diversity, including gender diversity. The Company's current targets for gender diversity are that women should comprise at least 30 per cent (in aggregate) of each of the Company's Board and senior leaders within Ingham's management. The measurable objective with respect to the Board meets the recommendations applying to Ingham's as an S&P300 company under the 4th edition of the ASX Recommendations.

During the reporting period, women comprised three of the seven directors on the Board. Women generally comprise up to 21 per cent of senior leaders at Ingham's and 41 per cent of our people across Australia and New Zealand. As a 'relevant employer' under the Workplace Gender Equality Act 2012, the Company is on track to submit its annual filing to the Workplace Gender Equality

Corporate Governance Statement (continued)

Agency ("WGEA") by 11 August 2021 for the 12-month period ending 31 March 2021, which will disclose its current Gender Equality Indicators. When published, the report can be accessed in accordance with the 4th edition of the ASX Recommendations at: https://data.wgea.gov.au/organisations/464.

The Company is continuing its commitment to be a workplace that encourages ethnic and cultural diversity with individuals from approximately 90 different countries working throughout the business.

Executive responsibilities and reviews

Each member of the Executive Leadership Team, including the CEO & Managing Director, has a written service agreement that clearly sets out their role and responsibilities. Goals and objectives of senior executives are aligned to Ingham's strategic objectives. The performance of each of Ingham's senior executives is evaluated during the reporting period, and the performance of the CEO & Managing Director is reviewed by the Board and the Chairman. During the reporting period Mr Andrew Reeves was appointed to the role of CEO & Managing Director following the resignation of Mr Jim Leighton as announced to the ASX on 29 March 2021.

The Company undertakes appropriate background checks on senior executives prior to appointment. Details of the experience of the Executive Leadership Team are set out in this report.

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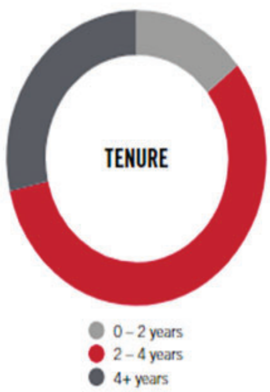
Corporate Governance Statement (continued)

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board currently comprises six independent Non-Executive Directors and one Executive Director (being the CEO & Managing Director). The Chair of the Board, Peter Bush, is an independent Non-Executive Director.

The Board seeks directors with an appropriate range of skills, knowledge, experience, independence and diversity, and an understanding of, and competence to deal with, current and emerging issues of the business. The table below summarises the key skills of the existing directors and forms the basis of the skills matrix against which existing Non-Executive Directors are assessed, to ensure that the skills and experience of the Board reflect the various areas relevant to Ingham's core capabilities and strategic objectives.

SKILLS / EXPERIENCE	Specialist ●	Experienced ●	Developing ●
ASX listed company experience	●●●●●●●	FMCG experience	●●●●●●●
Senior exec listed company experience	●●●●●●●	Government relations	●●●●●●●
Financial and accounting experience	●●●●●●●	Experience in Aust and NZ	●●●●●●●
Knowledge of risk management	●●●●●●●	Strategic planning experience	●●●●●●●
Agri business experience	●●●●●●●	Marketing and brand management experience	●●●●●●●
Exec/Board experience with major supermarkets	●●●●●●●	Experience with manufacturing operations	●●●●●●●
QSR experience	●●●●●●●	Innovation and new technology experience	●●●●●●●



Details of the experience, qualifications and length of service of each current director are set out on page 4 to 5 of this report.

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Corporate Governance Statement (continued)

Independence of directors

The Board only considers a Director to be independent where he or she is free of any interest, position, association or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgment to bear on issues before the Board, and to act in the best interests of the Company and its shareholders generally. The Company's Board charter sets out guidelines for the purpose of determining independence of directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on the definition set out in the ASX Recommendations. The Board will consider the materiality of any given interest, position, association or relationship on a case-by-case basis and reviews the independence of each director in light of interests disclosed to the Board from time-to-time. During the reporting period, the Board considered that each of Peter Bush (Chair), Robert Gordon, Jackie McArthur, Helen Nash[1], Linda Bardo Nicholls AO and Michael Ihlein were free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their respective judgment as directors, and were able to fulfil the role of an independent director for the purposes of the 4th edition of the ASX Recommendations.

Nomination Committee and Board education and succession

The Board's Nomination Committee is comprised of three Non-Executive Directors, Peter Bush (Chair), Helen Nash and Linda Bardo Nicholls AO, all of whom are independent directors. The roles, responsibilities, composition and structure of the Nomination Committee are set out in the Nomination Committee Charter.

The Nomination Committee assists the Board with the selection and appointment of Directors. The Committee met on a number of occasions during the reporting period, including with other directors, in order to consider the appointment of Andrew Reeves as CEO & Managing Director. The number of times the Nomination Committee met throughout the reporting period and individual attendance is set out elsewhere in this report.

The Board has a program for inducting new directors and considers ongoing professional development for directors to maintain the skills and knowledge needed to effectively perform their role as directors.

The Board will continue to review its composition with a view to enhancing its base of skills and experience, and to develop succession plans to maintain an appropriate balance of skills, knowledge, experience, independence and diversity on the Board.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

The Company is committed to act with honesty and integrity, and ethically in all its dealings. It has adopted a Code of Conduct that underpins the Company's commitments, ethical standards and policies and outlines the standards of conduct expected of Ingham's business and people, taking into account the Company's legal and other obligations to its stakeholders.

The Company has an Anti-Bribery and Anti-Corruption Policy and a Whistle-Blower Policy, which outline the Company commitment to prevent fraud, bribery and corruption and provide a mechanism for individuals to report concerns regarding potentially improper practices or behaviours. The Board is advised of all material breaches of those Polices and the Code of Conduct.

Copies of the policies are available on the Company website: https://investors.inghams.com.au/Investor-Centre/?page=corporate-governance

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Finance & Audit Committee

The Finance & Audit Committee (F&AC) assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to:

- the integrity of the Company's financial reporting;
- the Company's financial controls and systems; and
- the Company's relationship with each of the external auditor and internal auditor, and the external and internal audit functions generally.

The F&AC Charter sets out the roles, responsibilities, composition and structure of the Committee.

[1] Helen Nash is also a Director of Metcash Limited, which is a customer of the Company and therefore a factor relevant to assessing independence. The Board has considered this relationship, and because the Company's dealings with Metcash are not material to the sales volume, revenue or overall results of the Company, the Board is of the opinion that this role does not compromise the independence of Helen Nash.

Corporate Governance Statement (continued)

The F&AC is comprised of three Non-Executive Directors, all of whom are independent, being Michael Ihlein (Chair) Linda Bardo Nicholls AO and Rob Gordon. Andrew Reeves was a member of the Committee until his appointment as CEO & Managing Director on 29 March 2021.

The CEO & Managing Director, the Chief Financial Officer (CFO), the external auditor and internal auditor must attend Committee meetings if requested. The Committee has unrestricted access to management and the auditors, and the right to seek explanations and additional information. The Committee meets with the external auditor and the internal auditor without management present. The number of times the F&AC met throughout the reporting period and individual attendance is set out elsewhere in this report.

CEO & Managing Director and Chief Financial Officer certifications

In accordance with section 295A of the Corporations Act 2001, the CEO & Managing Director and the CFO have provided assurances to the Board for each of the half year and full year results, that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External Audit

Ingham's external auditor is KPMG. The Company will ensure that the auditor attends the Company's Annual General Meeting (AGM) and is available to answer questions from shareholders relevant to the audit and the preparation and content of the auditor's report.

Internal Audit

The Internal Audit function provides independent and objective assurance on the adequacy and effectiveness of the Group's systems for risk management, internal control and governance, along with recommendations to improve the efficiency and effectiveness of Ingham's internal control systems and processes. The Internal Auditor reports to the Board through the F&AC on Ingham's compliance against its governance framework and policies, and has direct access to the Chairman of the F&AC. The Internal auditor oversees the implementation of Ingham's risk framework across the organisation, and generally provides the F&AC with reports and information relevant to assisting the Committee with discharging its responsibilities.

Verification

Ingham's is committed to providing shareholders and external stakeholders with timely and transparent corporate reporting. For any periodic report that is not audited or reviewed by an external auditor, including disclosures in this report on operations, sustainability, risk and corporate governance, the Company has implemented internal verification processes to validate the statements made and supporting the data used. ASX announcements (other than administrative announcements) during the reporting period were reviewed and approved prior to publication by the Ingham's Board and/or its Disclosure Committee comprising the Chairman, CEO & Managing Director, CFO and General Counsel & Company Secretary.

Ingham's process to verify the integrity of corporate reports is based on the nature of the relevant report, its subject matter and where it will be published. Generally, the following processes and principles are applied for preparation and verification of its corporate reporting:

- corporate reports are provided by relevant subject matter experts with oversight by relevant senior executives;
- all reports are required to be accurate and not misleading, and to comply with applicable legislation or regulation; and
- relevant reports must be authorised for release by any appropriate approver required under Ingham's policy.

The Annual Report for the reporting period, which includes the Remuneration Report, Sustainability Report and Corporate Governance Statement, were prepared by the relevant subject matter experts and reviewed and verified by relevant Ingham's executives and senior managers prior to Board approval.

For sustainability disclosures, our current internal verification process includes aggregating external sources for utility data, individual site recording for water and waste for a small number of sites, as well as independent real-time interval data for electricity. In addition, greenhouse gas emissions are calculated on an externally administered Envizi platform, which uses the latest emissions factors published by the Australian and New Zealand governments for each region.

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Corporate Governance Statement (continued)

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PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company has a Continuous Disclosure Policy for the purposes of complying with its continuous disclosure obligations. The Policy outlines the processes that the Company implements to ensure compliance with its continuous disclosure obligations, including the role of the Disclosure Committee. The Company releases any new and substantive investor or analyst presentations on the ASX Market Announcement Platform ahead of any such presentation.

Directors are provided copies of all material announcements promptly after they have been made.

A copy of the Continuous Disclosure Policy is available on the Company website: https://investors.inghams.com.au/Investor-Centre/?page=corporate-governance

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Communication with shareholders

Ingham's investor relations program aims to promote effective two way communication with investors and market analysts so that they are kept informed of all major developments affecting the state-of-affairs of the Company. In addition, Ingham's values the opportunity to hear investors' and analysts' views and concerns and, where appropriate, distils and communicates those views to the Board.

Shareholder communications include half yearly and annual reports, market announcements and media releases, all of which are available in the investor Centre of the Company website, together with corporate governance information and background information on the Group. Shareholders have the option to receive communications from, and send communications to, the Company and its security registry electronically, to ensure that information is received in a timely manner.

The Company provides the full text of all notices of meetings and explanatory material on its website. The Company also encourages shareholders to provide email addresses so that notices of meetings and explanatory material can be sent to shareholders electronically. The Company encourages participation of shareholders at its AGM each year. All substantive resolutions at meetings of shareholders of the Company are decided by poll.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk & Sustainability Committee

The Company's Risk & Sustainability Committee (R&SC) is responsible for overseeing the Company's risk management system. The R&SC Charter sets out the responsibilities of the Committee in relation to risk. The R&SC is comprised of three Non-Executive Directors, all of whom are independent, being Jackie McArthur (Chair), Linda Bardo Nicholls AO and Michael Ihlein. Andrew Reeves was a member of the Committee until his appointment as CEO & Managing Director on 29 March 2021. The number of times the R&SC met throughout the reporting period and individual attendance is set out elsewhere in this report.

Evaluate and manage risk

The Board and the Risk & Sustainability Committee monitor and evaluate risks through a variety of existing systems, programs and policies. The Finance & Audit Committee monitors and evaluates financial risks, while the People & Remuneration Committee monitors and evaluates people risks. The Board and/or Risk & Sustainability Committee also reviews the following areas:

- the Company's risk management and compliance framework;
- health, safety, quality and environmental risks;
- all other material and emerging risks including but not limited to risks associated with cyber security, brand and reputation, climate change and regulatory matters (but excluding financial and people risks which are the responsibility of the Finance & Audit Committee and People & Remuneration Committee respectively);
- strategic risks facing the Company;
- the annual insurance program;
- structure and adequacy of business continuity plans; and
- the Company's sustainability strategy and its implementation plans.

The Company's management is responsible for managing strategic, financial and operational risk, and implementing risk mitigation measures, within parameters overseen by the Board and its Committees. Management incorporates risk management into strategic planning and decision making to understand and prioritise the management of material business risks. The R&SC reviews key risks within the Company's risk management framework to ensure Ingham's strategy is executed in a responsible, ethical and sustainable way.

Corporate Governance Statement (continued)

Ingham's Sustainability Strategy is available on the Company website and addresses the areas considered key for sustainable performance, including animal welfare, climate change, water stewardship, sustainable agriculture, environmental compliance, people and safety, and procurement.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

People & Remuneration Committee

The Company's People & Remuneration Committee (P&RC) assists and advises the Board on remuneration policies and practices for the Board and senior management, including equity-based remuneration.

The P&RC is comprised of four Non-Executive Directors, all of whom are independent including the Chair. The directors currently serving on the P&RC are Helen Nash (Chair), Jackie McArthur, Linda Bardo Nicholls AO and Michael Ihlein. The roles, responsibilities, composition and structure of the P&RC are set out in the P&RC Charter.

The number of times the P&RC met throughout the reporting period and individual attendance is set out elsewhere in this report.

Director and executive remuneration

The Remuneration Report on page 25 to 51 of this report details the Company's policies and practices for remunerating directors and executives. The Company distinguishes the remuneration of executive directors and executives from that of Non-Executive Directors by offering executives a mix of fixed and at-risk remuneration through the Company's short-term and long-term incentive plans. These plans are designed to enable Ingham's to realise its strategic objectives by rewarding sustainable performance and behaviour that is aligned to our purpose and values.

Non-Executive Director's remuneration is fixed and includes superannuation. It does not include any retirement benefits.

Securities trading policy

The Company's Securities Dealing Policy includes terms which provide that the Directors, the CEO & Managing Director and other Company executives (each being 'Designated Persons' under the Policy) are prohibited from entering into transactions or arrangements with anyone which could have the effect of limiting their exposure to risk relating to an element of their remuneration that has not vested or is held subject to escrow restrictions.

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

To the Directors of Inghams Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Inghams Group Limited for the financial year ended 26 June 2021 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

Julie Cleary
Partner

Sydney
20 August 2021

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Financial Statements

Consolidated income statement

For the year ended 26 June 2021

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	Notes	52 weeks ended 26 June 2021 $000	52 weeks ended 27 June 2020 $000
Revenue	3	2,668,800	2,555,300
Other income/(loss)	4(a)	(100)	500
Expenses			
Cost of sales		(2,182,000)	(2,121,900)
Distribution		(164,100)	(157,400)
Administration and selling		(144,400)	(152,400)
Operating profit		**178,200**	**124,100**
Finance income and costs			
Finance income		400	800
Finance costs		(66,000)	(69,100)
Net finance costs	4(c)	**(65,600)**	**(68,300)**
Share of net profit of associate	24	400	300
Profit before income tax		**113,000**	**56,100**
Income tax expense	5(a)	(29,700)	(16,000)
Profit for the year attributable to: Owners of Inghams Group Limited		**83,300**	**40,100**
Basic EPS (cents per share)	27	22.43	10.79
Diluted EPS (cents per share)	27	22.35	10.77

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

Financial Statements

Consolidated statement of comprehensive income

For the year ended 26 June 2021

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	Notes	52 weeks ended 26 June 2021 $000	52 weeks ended 27 June 2020 $000
Profit for the year		**83,300**	**40,100**
Other comprehensive income			
Items that have been reclassified to profit or loss			
Changes in the fair value of cash flow hedges		4,600	6,600
Tax on changes in fair value of cash flow hedges		(1,300)	(2,000)
Total items that have subsequently been reclassified to profit or loss		**3,300**	**4,600**
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	19(a)	(500)	(3,000)
Changes in the fair value of cash flow hedges	19(a)	2,200	(9,000)
Tax on changes in fair value of cash flow hedges	19(a)	(700)	2,700
Total items that may subsequently be reclassified to profit or loss		**1,000**	**(9,300)**
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings reclassified to assets held for sale		(2,200)	(1,200)
Tax on revaluation of land and buildings		700	300
Total items that will not be reclassified to profit or loss		**(1,500)**	**(900)**
Total comprehensive income for the year, attributable to:			
Owners of Inghams Group Limited		**86,100**	**34,500**

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

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Financial Statements

Consolidated statement of financial position

As at 26 June 2021

	Notes	26 June 2021 $000	27 June 2020 $000
ASSETS			
Current assets			
Cash and cash equivalents	6	158,100	134,200
Trade and other receivables	7	222,700	202,600
Biological assets	8	121,800	120,700
Inventories	9	196,100	217,000
Assets classified as held for sale	10	3,700	12,300
Current tax receivable		–	3,700
Total current assets		**702,400**	**690,500**
Non-current assets			
Property, plant and equipment	11	457,900	450,300
Investments accounted for using the equity method	24	2,100	1,900
Receivables		–	300
Right-of-use assets	12	1,374,900	1,429,200
Deferred tax asset	5(c)	7,700	–
Total non-current assets		**1,842,600**	**1,881,700**
Total assets		**2,545,000**	**2,572,200**
LIABILITIES			
Current liabilities			
Trade and other payables	13	396,600	402,900
Current tax liability		27,800	–
Provisions	15	92,900	79,600
Derivative financial instruments	16	1,500	4,000
Lease liabilities		184,200	185,200
Total current liabilities		**703,000**	**671,700**
Non-current liabilities			
Trade and other payables	13	4,000	3,500
Borrowings	14	398,300	448,900
Provisions	15	26,200	23,900
Derivative financial instruments	16	1,800	3,600
Deferred tax liabilities	5(c)	–	4,400
Lease liabilities		1,248,100	1,287,100
Total non-current liabilities		**1,678,400**	**1,771,400**
Total liabilities		**2,381,400**	**2,443,100**
Net assets		**163,600**	**129,100**
Equity			
Contributed equity	17(a)	108,100	109,200
Reserves	19(a)	30,800	25,700
Retained earnings/(accumulated losses)		24,700	(5,800)
Total equity		**163,600**	**129,100**

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

Financial Statements

Consolidated statement of changes in equity

For the year ended 26 June 2021

		Attributable to owners of Inghams Group Limited				
	Notes	Contributed Equity $000	Retained Earnings /(Accumulated losses) $000	Asset revaluation reserve $000	Other reserves $000	Total Equity $000
Balance at 29 June 2019		**109,100**	**20,300**	**11,400**	**23,700**	**164,500**
Profit for the year		–	40,100	–	–	40,100
Other comprehensive income	19(a)	–	–	(900)	(4,700)	(5,600)
Total comprehensive income		**–**	**40,100**	**(900)**	**(4,700)**	**34,500**
Transactions with owners of the Company						
Dividends provided for or paid	18	100	(66,200)	–	–	(66,100)
Share based payment expense	19(a)	–	–	–	(400)	(400)
Settlement of share plan		–	–	–	(3,400)	(3,400)
		100	(66,200)	–	(3,800)	(69,900)
Balance at 27 June 2020		**109,200**	**(5,800)**	**10,500**	**15,200**	**129,100**
Balance at 27 June 2020		**109,200**	**(5,800)**	**10,500**	**15,200**	**129,100**
Profit for the year		–	83,300	–	–	83,300
Other comprehensive income	19(a)	–	–	(1,500)	4,300	2,800
Total comprehensive income		**–**	**83,300**	**(1,500)**	**4,300**	**86,100**
Transactions with owners of the Company						
Dividends provided for or paid	18	–	(52,800)	–	–	(52,800)
Settlement of share plan		(1,700)	–	–	–	(1,700)
Share based payment expense	19(a)	–	–	–	2,900	2,900
Transfer of shares for settlement of share plan		600	–	–	(600)	–
		(1,100)	(52,800)	–	2,300	(51,600)
Balance at 26 June 2021		**108,100**	**24,700**	**9,000**	**21,800**	**163,600**

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

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Financial Statements

Consolidated statement of cash flows

For the year ended 26 June 2021

	Notes	52 weeks ended 26 June 2021 $000	52 weeks ended 27 June 2020 $000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,662,200	2,547,200
Payments to suppliers and employees (inclusive of GST)		(2,211,800)	(2,157,400)
		450,400	**389,800**
Interest received		400	800
Income taxes paid		(10,900)	(46,100)
Net cash provided by operating activities	21	**439,900**	**344,500**
Cash flows from investing activities			
Capital expenditure		(66,300)	(86,700)
Proceeds from sale of assets held for sale		10,700	9,500
Dividends received from investments		200	200
Net cash used in investing activities		**(55,400)**	**(77,000)**
Cash flows from financing activities			
Settlement of share plan		(1,700)	(3,400)
Proceeds from borrowings		–	50,000
Repayment of borrowings		(50,000)	–
Dividends paid		(52,800)	(66,100)
Lease payments - principal		(192,300)	(177,700)
Lease payments - interest		(50,800)	(54,800)
Interest and finance charges paid		(12,900)	(14,900)
Net cash used in financing activities		**(360,500)**	**(266,900)**
Net increase in cash and cash equivalents		**24,000**	**600**
Cash and cash equivalents at the beginning of the financial year		134,200	134,500
Effects of exchange rate changes on cash and cash equivalents		(100)	(900)
Cash and cash equivalents at end of year	6	**158,100**	**134,200**

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

Notes to the consolidated financial statements

1 Corporate information

The financial statements of Inghams Group Limited and its subsidiaries (collectively, the Group) for the 52 weeks ended 26 June 2021 (comparative period was 52 weeks ended 27 June 2020) were authorised for issue in accordance with a resolution of the directors on 20 August 2021. Inghams Group Limited (the Company) is a for-profit company limited by shares incorporated in Australia.

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

Level 4
1 Julius Avenue
North Ryde
NSW 2113 Australia

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

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Notes to the consolidated financial statements (continued)

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2 Summary of significant accounting policies

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

(a) Basis of preparation

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

These financial statements are prepared on a going concern basis despite the group being in a current net liability position of $0.6m. The Group continues to have positive profit after tax, positive net assets, positive operating cashflow, significant cash on hand and undrawn committed debt facilities. In addition, the bank facility debt is non-current, bank covenants have been met and there has not been a requirement for additional capital raisings to support liquidity. The business is categorised as an essential service and continues to operate during COVID-19 restrictions.

(i) Historical cost convention

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

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

(ii) Critical accounting estimates and judgements

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

- Fair value determination of freehold land and buildings - note 11;
- The determination of workers compensation provision - note 15;
- Fair value of options granted under the long term incentive scheme, as determined at grant date - note 20;
- Carrying value of assets - note 11 & 12;
- Inventory obsolescence provision - note 9; and
- IFRIC 23 – uncertain tax provisions - note 5.

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

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) 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 following amended Standards and Interpretations are not yet effective and have not had a material impact on the Group in the current period:

- COVID-19-Related Rent Concessions (Amendment to AASB 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to AASB 137)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to AASB 16)
- Reference to the Conceptual Framework (Amendments to AASB 3)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)
- Classification of Liabilities as Current or Non-current (Amendments to AASB 101)
- AASB 17 Insurance Contracts and amendments to AASB 17 Insurance Contracts

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Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

(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 26 June 2021.

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The acquisition method of accounting is used to account for business combinations by the Group.

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

(ii) Joint Ventures

The Group's interests in equity-accounted investees comprise interests in a joint venture. Interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transaction 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 have 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.

Sale of goods

A sale is recorded when goods have been dispatched to a customer pursuant to a sales order and control of the goods has passed to the carrier or customer.

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Notes to the consolidated financial statements (continued)

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2 Summary of significant accounting policies (continued)

(e) Income tax

(i) Income tax treatment

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a 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.

(ii) Tax consolidation legislation

Inghams Group Limited, the ultimate Australian controlling entity, and its subsidiaries, have implemented the tax consolidation legislation.

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

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

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term and highly liquid investments with maturities of three months or less from inception date, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) 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.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is calculated using an expected credit losses provision matrix. The provision matrix is based on the Group's historical observed default rates, adjusted for forward looking estimates. The historical observed default rates are updated to reflect current and forecast credit conditions on each reporting date. Provisions for specific receivables are recognised in addition to the general provision originating from the expected credit losses matrix.

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

(i) 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.

(j) 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 costs necessary to make the sale.

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Notes to the consolidated financial statements (continued)

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2 Summary of significant accounting policies (continued)

(k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- FVOCI - debt investment;
- FVOCI - equity investment;
- FVTPL.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This category generally applies to all derivative financial assets. For more information on derivative financial instruments, refer to note 16.

Loans and receivables

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- Its contractual terms give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

This category generally applies to trade and other receivables. For more information on receivables, refer to note 7.

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset; or

  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as measured at amortised cost, FVTPL or as derivatives designated as hedging instruments in an effective hedge, as appropriate. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such as initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest

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Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

(i) Fair value hedges

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

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

(l) Derivatives and hedging activities (continued)

included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

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

The Group may also enter into derivative contracts in order to hedge the translation of results of its New Zealand business. As this result is an uncertain amount at the date the derivative is entered into, it is not eligible for designation as a hedging instrument under Australian Accounting Standards, and as such any applicable contracts are measured at fair value through profit or loss, with gains or losses being recognised in profit or loss in the period incurred.

(m) Property, plant and equipment

Freehold land and buildings are shown at fair value based on formal periodic valuations (with sufficient regularity to ensure materially accurate valuations reflected) by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

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

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

Freehold land and buildings and leasehold buildings	3 - 50 years
Plant and equipment	1 - 20 years
Leased plant and equipment	5 - 15 years

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

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

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

(n) Leases

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

(i) Lease Liability

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

(n) Leases (continued)

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

(ii) Right-of-use asset

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

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

(iii) Depreciation expense

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

(iv) Extension and termination options

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

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

Management's assessment is that lease options cannot be reasonably certain and are therefore excluded in the calculation of the lease liability.

Contract Growers have a set expiry date after which the lease continues indefinitely until either party gives 12 months' notice to terminate. As Ingham's continues to review the company's strategic objectives, Chicken Contract Growers will move to more performance-based agreements in the future. Turkey Contract Growers have had fixed term agreements renewed for another 2 years, after which a move to a more performance-based agreement will be revisited.

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

(v) Practical expedients applied

The Group has used the following practical expedients permitted by the standard:

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

(vi) Leases exempt from recognition under AASB 16 Leases

All short term leases (less than 12 months), low value or performance based leases are not recognised under *AASB 16 Leases*. These leases continue to be recognised in the Profit & Loss as an operating lease expense.

(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.

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Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

(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 other income or finance costs.

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

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

(s) Provisions

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

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

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

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non monetary benefits and annual 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 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.

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Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

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 executives and select key management under Long Term Incentive Plans.

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

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

(iv) Short term incentive scheme

The Group recognises a certain liability and expense for bonuses based on a formula that takes into consideration financial and non financial outcomes of the Group.

(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 amounts contained in the financial report have been rounded to the nearest hundred thousand dollars (where rounding is applicable) where noted ($000), or in certain cases, the nearest dollar, under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies.

(y) Parent entity

The financial information for the parent entity, Inghams Group Limited, has been prepared on the same basis as the consolidated financial statements.

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Notes to the consolidated financial statements (continued)

3 Segment information

Description of segments

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

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

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

One customer generated revenues in excess of 10% of Group revenue (2020: One).

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

	Australia 2021 $000	New Zealand 2021 $000	Consolidated 2021 $000
Poultry	2,134,400	329,700	2,464,100
Feed	140,800	63,900	204,700
Total revenue from contracts with customers	**2,275,200**	**393,600**	**2,668,800**
Other income/(loss)	200	(300)	(100)
Inter segment revenue/(expense)	9,500	(9,500)	–
	2,284,900	**383,800**	**2,668,700**
Adjusted operating expenses*	(1,913,500)	(311,700)	(2,225,200)
Share of net profit of associate	400	–	400
EBITDA	**371,800**	**72,100**	**443,900**
Depreciation and amortisation			(265,300)
EBIT			**178,600**
Net finance costs			(65,600)
Profit before tax			**113,000**

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

	Australia 2021 $000	New Zealand 2021 $000	Consolidated 2021 $000
Total capital expenditure	55,900	12,900	68,800
Total property, plant and equipment	387,200	70,700	457,900
Total impairment losses (trade receivables and inventory)	7,400	(500)	6,900

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Notes to the consolidated financial statements (continued)

3 Segment information (continued)

	Australia 2020 $000	New Zealand 2020 $000	Consolidated 2020 $000
Poultry	2,018,400	313,700	2,332,100
Feed	151,700	71,500	223,200
Total revenue from contracts with customers	**2,170,100**	**385,200**	**2,555,300**
Other income/(loss)	500	–	500
Inter segment revenue/(expense)	15,500	(15,500)	–
	2,186,100	**369,700**	**2,555,800**
Adjusted operating expenses*	(1,858,600)	(309,700)	(2,168,300)
Share of net profit of associate	300	–	300
EBITDA	**327,800**	**60,000**	**387,800**
Depreciation and amortisation			(263,400)
EBIT			**124,400**
Net finance costs			(68,300)
Profit before tax			**56,100**

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

	Australia 2020 $000	New Zealand 2020 $000	Consolidated 2020 $000
Total capital expenditure	92,200	3,500	95,700
Total property, plant and equipment	383,800	66,500	450,300
Total impairment losses (trade receivables and inventory)	19,000	2,000	21,000
Total impairment losses (non-current assets)*	20,300	–	20,300

* Relates to the impairment of Cleveland, Wacol and other properties.

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Notes to the consolidated financial statements (continued)

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4 Other income and expenses

(a) Other income and expenses

	2021 $000	2020 $000
Net (loss)/gain on disposal of assets held for sale	(500)	400
Rent and other income	400	100
Other items	**(100)**	**500**

(b) Expenses

	2021 $000	2020 $000
Employee benefits expense		
Employee benefits expense	561,800	565,000
Defined super contributions	42,400	42,200
Share-based payment (benefit)/expense	2,900	(400)
Employee benefits expense	**607,100**	**606,800**
Impairment losses		
Trade receivables	400	400
Inventories	6,500	20,600
Impairment losses (non-current assets)[1]	–	20,300
Impairment losses	**6,900**	**41,300**

(1) Relates to the impairment of Cleveland, Wacol and other properties.

Impairment losses on trade receivables, includes amounts written off and amounts provided for, both are recognised within administration and selling expenses. Impairment losses on inventories includes the amounts written off and amounts provided for, both are recognised within cost of sales.

(c) Finance income and costs

	2021 $000	2020 $000
Lease financing interest expense	50,800	54,800
Interest and borrowing costs	14,600	13,700
Amortisation of borrowing costs	600	600
Interest income	(400)	(800)
Finance income and costs	**65,600**	**68,300**

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Notes to the consolidated financial statements (continued)

5 Income tax expense

(a) Income tax expense

	2021 $000	2020 $000
Current tax	45,500	22,000
Deferred tax	(13,700)	(5,600)
Adjustments for current tax of prior periods	(2,100)	(400)
Income tax expense	**29,700**	**16,000**

Included within the Group's current tax provision and adjustments for prior tax periods in note 5(a), is management's estimation of potential amounts to finalise an uncertain tax matter under IFRIC 23. The uncertain tax treatment relates to the interpretation of how applicable tax legislation and recent interpretations apply to the Group's past arrangements. Due to the uncertainty involved, there is a possibility that the outcome of the tax review is different from the amount currently recognised. Management has estimated the amount based on reasonably possible outcomes of current tax liabilities. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. Also included is a R&D tax credit for $8.5M relating to prior tax periods.

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

Profit from continuing operations before income tax expense	113,000	56,100
Tax at the Australian tax rate of 30% (2020 - 30%)	33,900	16,900
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	(700)	(300)
R&D tax offset	(700)	(600)
Revaluation of inventory tax base in associate	(100)	(100)
	32,400	**15,900**
Net tax differential and legislative adjustment of overseas operations	–	900
Difference in overseas tax rates	(600)	(400)
Adjustments for current tax of prior periods	(2,100)	(400)
Income tax expense	**29,700**	**16,000**

(c) Deferred taxes

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

	Opening balance $000	Charged to income $000	Charged to equity $000	Closing balance $000
2021				
Doubtful debts	700	(100)	–	600
Employee benefits	23,100	2,200	–	25,300
Inventories	(42,500)	1,100	–	(41,400)
Other accruals	3,000	3,200	–	6,200
Property, plant and equipment	(5,700)	(200)	–	(5,900)
AASB 16 - Leases	10,000	10,300	–	20,300
Provisions	3,200	(1,600)	–	1,600
Cash flow hedges	2,300	300	(1,600)	1,000
IPO related expenditure	1,500	(1,500)	–	–
Net deferred tax (liabilities)/assets	**(4,400)**	**13,700**	**(1,600)**	**7,700**

Notes to the consolidated financial statements (continued)

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5 Income tax expense (continued)

2020

Doubtful debts	600	100	–	700
Employee benefits	22,300	800	–	23,100
Inventories	(38,100)	(4,400)	–	(42,500)
Other accruals	1,400	1,600	–	3,000
Property, plant and equipment	(8,300)	2,900	(300)	(5,700)
Provisions	6,500	(3,300)	–	3,200
AASB 16 - Leases	–	10,000	–	10,000
Cash flow hedges	2,200	(600)	700	2,300
IPO related expenditure	3,000	(1,500)	–	1,500
Net deferred tax (liabilities)/assets	**(10,400)**	**5,600**	**400**	**(4,400)**

(d) IFRIC 23

As at June 2021, the Group has an uncertain tax matter relating to the technical interpretation and application of legislation which remains unclear. As a result, the Group has assessed and recognised a provision in accordance with IFRIC 23 as a weighted average provision, based on the probability of a range of outcomes using the expected value approach.

6 Cash and cash equivalents

	2021 $000	2020 $000
Cash at bank and on hand	157,700	133,800
Short-term deposits	400	400
Cash and cash equivalents	**158,100**	**134,200**

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

Notes to the consolidated financial statements (continued)

7 Trade and other receivables

	2021 $000	2020 $000
Trade receivables	215,100	196,900
Provision for doubtful debts	(2,000)	(2,300)
Net trade receivables	**213,100**	**194,600**
Other receivables	6,100	4,200
Prepayments	3,500	3,800
Trade and other receivables	**222,700**	**202,600**

Movement in the provision for doubtful debts:		
At start of period	(2,300)	(2,300)
Impairment expense recognised during the year	(400)	(400)
Receivables written off during the year as uncollectable	700	400
Balance at end of period	**(2,000)**	**(2,300)**

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

The Group has considered the collectability and recoverability of trade receivables. A provision for doubtful debts is calculated using an expected credit losses provision matrix. The provision matrix is based on the Group's historical observed default rates, adjusted for forward looking estimates. The historical observed default rates are updated to reflect current and forecast credit conditions on each reporting date. Provisions for specific receivables are recognised in addition to the general provision originating from the expected credit losses matrix.

The current uncertainties surrounding the COVID-19 environment presents challenges forecasting expected future credit losses. Ingham's continues to execute a variety of different credit management strategies to mitigate credit risk and collect cash.

	2021 $000	2020 $000
Current	208,900	181,700
1 to 30	3,500	5,400
31 to 60	600	2,600
61 to 90	100	1,500
90+	–	3,400
Impaired (provision for doubtful debts)	2,000	2,300
Trade receivables	**215,100**	**196,900**

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Notes to the consolidated financial statements (continued)

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8 Biological assets

	2021 $000	2020 $000
Breeder	37,500	39,500
Broiler	71,700	68,700
Eggs	12,600	12,500
Biological assets	**121,800**	**120,700**

All movements in the value of biological asset classes are due to purchases and consumption in the ordinary course of business.

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

(i) Regulatory and environmental risk

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

(ii) Climate and other risks

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

9 Inventories

	2021 $000	2020 $000
Processed Poultry	116,200	146,200
Feed	55,600	47,300
Other	34,900	38,300
Inventories (gross)	**206,700**	**231,800**
Inventory obsolescence provision	(10,600)	(14,800)
Inventories	**196,100**	**217,000**

Inventory is assessed for excess or slow moving stock, stock sold below net realisable selling price and other indicators of obsolescence in calculating inventory obsolescence provision. Other inventories include medication, packaging and consumables.

10 Assets classified as held for sale

	2021 $000	2020 $000
Assets classified as held for sale	3,700	12,300

The carrying amount of assets classified as held for sale in 2021 represents land and building assets currently marketed for sale in Bungonia NSW with an expected settlement date of 10 September 2021. The carrying amount of assets classified as held for sale in 2020 represents land and building assets previously marked for sale in Hamilton, NZ, which was settled on 26 March 2021.

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Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

	Freehold land $000	Freehold buildings $000	Leasehold buildings $000	Plant and equipment $000	Capital work in progress $000	Total $000
2021						
Cost						
Opening balance	27,300	24,600	12,100	590,100	64,900	719,000
Additions	–	–	2,500	–	66,300	68,800
Transfers	–	–	–	75,800	(75,800)	–
Assets held for sale	(1,300)	(2,200)	–	(300)	–	(3,800)
Disposals/Impairment	–	–	–	(1,400)	–	(1,400)
Exchange differences	–	–	–	4,600	–	4,600
Closing balance	**26,000**	**22,400**	**14,600**	**668,800**	**55,400**	**787,200**
Accumulated Depreciation						
Opening balance	–	(1,800)	(3,200)	(263,700)	–	(268,700)
Depreciation charge	–	(700)	(2,400)	(53,200)	–	(56,300)
Assets held for sale	–	100	–	–	–	100
Disposals	–	–	–	400	–	400
Exchange differences	–	(100)	–	(4,700)	–	(4,800)
Closing balance	**–**	**(2,500)**	**(5,600)**	**(321,200)**	**–**	**(329,300)**
Net book value	**26,000**	**19,900**	**9,000**	**347,600**	**55,400**	**457,900**
2020						
Cost						
Opening balance	30,100	27,100	12,100	544,000	33,400	646,700
Additions	–	–	–	–	95,700	95,700
Transfers	–	2,700	–	61,300	(64,000)	–
Assets held for sale	(2,500)	(2,900)	–	(5,300)	–	(10,700)
Disposals	–	(2,100)	–	(4,000)	–	(6,100)
Exchange differences	(300)	(200)	–	(5,900)	(200)	(6,600)
Closing balance	**27,300**	**24,600**	**12,100**	**590,100**	**64,900**	**719,000**
Accumulated Depreciation						
Opening balance	–	(900)	(2,400)	(225,000)	–	(228,300)
Depreciation charge	–	(1,100)	(800)	(52,900)	–	(54,800)
Disposals	–	200	–	9,400	–	9,600
Exchange differences	–	–	–	4,800	–	4,800
Closing balance	**–**	**(1,800)**	**(3,200)**	**(263,700)**	**–**	**(268,700)**
Net book value	**27,300**	**22,800**	**8,900**	**326,400**	**64,900**	**450,300**

The valuation basis of freehold land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. In the intervening years, management will assess the reasonableness of the carrying value of Land and Buildings and make any necessary adjustments to carrying values for identified impairments.

Notes to the consolidated financial statements (continued)

12 Right-of-use assets

	Land and Building $000	Contract Growers $000	Equipment and Motor Vehicle $000	Total $000
2021				
Balance at 27 June 2020	**814,600**	**601,600**	**13,000**	**1,429,200**
Additions	–	9,200	–	9,200
Re-measurements(1)	80,300	39,100	1,800	121,200
Depreciation	(67,500)	(133,900)	(7,500)	(208,900)
Modification(2)	25,000	–	–	25,000
Net foreign currency movement	(400)	(400)	–	(800)
Balance at 26 June 2021	**852,000**	**515,600**	**7,300**	**1,374,900**

(1) Re-measurements during the year include change in lease term assumptions, CPI increases, term extension from options exercised and additional lease space taken up under existing contractual terms.
(2) Modifications during the year are due to contract renewals, variations in price and extensions of contracts across Australia and New Zealand.

	Land and Building $000	Contract Growers $000	Equipment and Motor Vehicle $000	Total $000
2020				
Balance at 30 June 2019	878,700	792,200	19,100	1,690,000
Additions	–	34,900	4,300	39,200
Re-measurements*	16,900	(97,000)	–	(80,100)
Depreciation	(69,400)	(128,700)	(10,400)	(208,500)
Impairment charge	(10,700)	–	–	(10,700)
Modification	(1,000)	–	–	(1,000)
Net foreign currency movement	100	200	–	300
Balance at 27 June 2020	**814,600**	**601,600**	**13,000**	**1,429,200**

* CPI increases to underlying lease payments during FY20. Lease terms on contract growers have been set to contract expiry as the strategic objective is that the Contract Growers will move to performance-based agreements. The prior assumption included a 1 year extension for all Contract Growers.

	2021 $000	2020 $000
Variable lease payments not included in the measurement of lease liabilities	96,800	89,000
Expenses relating to low value leases	4,000	1,200
Total	**100,800**	**90,200**

The total cashflow payments related to leases in FY21 was $343,900,000 (FY20: $322,700,000).

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Notes to the consolidated financial statements (continued)

13 Trade and other payables

	2021 Current $000	2021 Non-Current $000	2021 Total $000	2020 Current $000	2020 Non-Current $000	2020 Total $000
Trade payables	256,200	4,000	260,200	257,600	3,500	261,100
Inventory procurement trade payable	110,000	–	110,000	121,700	–	121,700
Other payables	30,400	–	30,400	23,600	–	23,600
Trade and other payables	**396,600**	**4,000**	**400,600**	**402,900**	**3,500**	**406,400**

The Group has an inventory procurement trade payable with a third party financial institution, which is interest bearing. Trade bills of exchange are paid by the financial institution direct to the supplier and the Group settles the payable on extended payment terms. The amount utilised and recorded within trade and other payables at 26 June 2021 was $110.0m (27 June 2020: $121.7m).

14 Borrowings

(a) Interest bearing loans

	Carrying amount 2021 $000	Carrying amount 2020 $000	Principal amount drawn 2021 $000	Principal amount drawn 2020 $000	Interest rate	Maturity
Unsecured liabilities						
Tranche A	199,200	199,500	200,000	200,000	Floating rate [a]	November 2023[b]
Tranche B	199,100	199,400	200,000	200,000	Floating rate [a]	November 2024[c]
Tranche C	–	50,000	–	50,000	Floating rate [a]	November 2023[b]
Borrowings	**398,300**	**448,900**	**400,000**	**450,000**		

(a) Floating rates are at Bank Bill Swap Rate plus a predetermined margin. The Group has entered into hedging of the floating interest rate, as further described in note 23. The Group has an additional undrawn facility under Tranche C of $138.0m.
(b) Term expiry has changed from November 2021 to November 2023.
(c) Term expiry has changed from November 2022 to November 2024.

(b) Fair value

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

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Notes to the consolidated financial statements (continued)

15 Provisions

	2021			2020		
	Current $000	Non-Current $000	Total $000	Current $000	Non-Current $000	Total $000
Workers compensation	10,300	16,600	26,900	7,600	16,700	24,300
Employee benefits	77,500	6,600	84,100	71,900	6,200	78,100
Make good	1,000	3,000	4,000	–	1,000	1,000
Restructuring	–	–	–	100	–	100
Other provisions	4,100	–	4,100	–	–	–
Provisions	**92,900**	**26,200**	**119,100**	**79,600**	**23,900**	**103,500**

(a) Employee benefits

NZ Holidays Act

Certain recent court decisions, not involving Ingham's, regarding the correct application of various employee entitlements in New Zealand have an impact on Ingham's. The Group has assessed and estimated the financial impact and recognised a provision in the financial statements as at 26 June 2021.

Ingham's is committed to ensuring its people are paid in accordance with their employment arrangements and the law and continues to monitor its practices, systems and processes.

(b) Workers compensation

Workers compensation provisions are determined by actuarial assessment by Mr William Szuch Bsc, BA, MBA, FIA, FIAA Principal 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.

(c) Make good provision

The Group is required to restore certain leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove leasehold improvements.

(d) 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.

Notes to the consolidated financial statements (continued)

15 Provisions (continued)

(e) Movements

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

	Workers Compensation $000	Make good provisions $000	Onerous provision $000	Restructuring $000	Other $000	Total $000
Balance at 29 June 2019	23,200	2,000	4,400	2,800	1,600	34,000
Reclassified under AASB 16	–	–	(4,400)	–	(1,600)	(6,000)
Balance at 29 June 2019	23,200	2,000	–	2,800	–	28,000
Charged to profit or loss	12,200	1,300	–	3,600	–	17,100
Amounts used during the period	(11,100)	(2,300)	–	(6,300)	–	(19,700)
Balance at 27 June 2020	**24,300**	**1,000**	**–**	**100**	**–**	**25,400**
Balance at 27 June 2020	**24,300**	**1,000**	**–**	**100**	**–**	**25,400**
Charged to profit or loss	13,200	3,100	–	–	4,100	20,400
Amounts used during the period	(10,600)	(100)	–	(100)	–	(10,800)
Balance at 26 June 2021	**26,900**	**4,000**	**–**	**–**	**4,100**	**35,000**

16 Derivative financial instruments

The Group has the following derivative financial instruments:

	2021			2020		
	Current $000	Non-Current $000	Total $000	Current $000	Non-Current $000	Total $000
Interest rate swap contracts						
- Cash flow hedges (liability)	(2,000)	(1,800)	(3,800)	(4,000)	(3,600)	(7,600)
- Cash flow hedges (asset)	500	–	500	–	–	–
Derivative financial instruments	**(1,500)**	**(1,800)**	**(3,300)**	**(4,000)**	**(3,600)**	**(7,600)**

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(l). 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.

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Notes to the consolidated financial statements (continued)

17 Equity

Contributed equity

(a) Share capital

	2021 Shares	2020 Shares	2021 $000	2020 $000
Ordinary shares issued	371,679,601	371,679,601	108,100	109,200

(b) Movements in ordinary shares

	Shares	$000
Balance at 29 June 2019	**371,679,601**	**109,100**
Amounts paid for shares under escrow	–	100
Balance at 27 June 2020	**371,679,601**	**109,200**
Balance at 27 June 2020	**371,679,601**	**109,200**
Amounts paid for treasury shares	–	(1,100)
Balance at 26 June 2021	**371,679,601**	**108,100**

(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 503,361 shares (FY20: 200,000) are shares in Inghams Group Limited that are held in trust by Ingham 2 Pty Limited, a subsidiary, and Pacific Life Custodians Pty Limited for the purpose of issuing shares under the employee share scheme. Information relating to the Ingham's Long Term Incentive Plan, including details of shares issued, exercised and lapsed during the financial period and outstanding at the end of the reporting period, is set out in note 20.

18 Dividends

(a) Ordinary shares

	2021 $000	2020 $000
Dividends paid	52,800	66,200

The directors propose that a final dividend of 9.0 cents per ordinary share be declared on 20 August 2021, and be paid on 6 October 2021. The proposed FY21 final dividend will be fully franked for Australian tax purposes. The financial effect of this dividend has not been brought to account in these consolidated financial statements and will be recognised in subsequent financial reports.

(b) Franking credits

	2021 $000	2020 $000
Amount of Australian franking credits available for subsequent periods to the shareholders of Inghams Group Limited	19,500	34,100

The ability to utilise the franking credits is dependent upon the ability to declare dividends in the future included in the above line. Franking credits of $16.3m (2020: $16.3m) are only available to be used under very limited and specific circumstances.

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Notes to the consolidated financial statements (continued)

19 Reserves

(a) Other reserves

	2021 $000	2020 $000
Asset revaluation reserve	9,000	10,500
Foreign currency translation reserve	10,500	11,000
Cash flow hedge reserve	(1,500)	(6,300)
Share-based payments reserve	12,800	10,500
Other reserves	**30,800**	**25,700**
Movements:		
Asset revaluation reserve		
Balance at beginning of financial period	10,500	11,400
Revaluation of land and buildings reclassified to assets held for sale	(2,200)	(1,200)
Deferred tax	700	300
Balance at end of the financial year	**9,000**	**10,500**
Foreign currency translation reserve		
Balance at beginning of financial period	11,000	14,000
Currency translation differences arising during the period	(500)	(3,000)
Balance at end of the financial year	**10,500**	**11,000**
Cash flow hedge reserve		
Balance at beginning of financial period	(6,300)	(4,600)
Balance reclassified to profit and loss in period	3,300	4,600
Revaluation - gross	2,200	(9,000)
Deferred tax	(700)	2,700
Balance at end of the financial year	**(1,500)**	**(6,300)**
Share-based payments reserve		
Balance at beginning of financial period	10,500	14,300
Share based payment expense	2,900	(400)
Settlement of share plan	(600)	(3,400)
Balance at end of the financial year	**12,800**	**10,500**

(b) Nature and purpose of other reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 11. The balance 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. Upon sale of the asset, the balance relating to that asset is transferred to retained earnings.

(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(l). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(iv) Share-based payments

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

Notes to the consolidated financial statements (continued)

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20 Share-based payments

Ingham's Employees Share Plan

Executive KMP and senior executives are invited annually to participate in a three-year Long-Term Incentive Plan (LTIP), awarded in share rights with these share rights being performance based and only vest if minimum performance hurdles are met. The share rights do not attract voting rights or entitle the holder to receive dividends.

In addition, Executive KMP and certain senior executives have a portion of any actual Short-Term Incentive Plan award deferred into share rights, that are required to be held for a period of 12 months before vesting into shares. No performance conditions exist for these share rights to vest, they are time-based vesting on the completion of the service period.

A KMP of the Group was granted an interest-free loan in September 2018 to subscribe to shares of Inghams Group Limited. This loan is non-recourse other than to the shares held by that employee, and the proceeds of the loan must be used to buy shares. The arrangement has been accounted for as share options. These options entitle the holder to receive dividends on ordinary shares of the Company, and these dividends are required to be used to repay the loans attached. Shares under this scheme are held in trust for employees by a subsidiary, Ingham 2 Pty Limited. This interest free non-recourse loan to purchase shares in Ingham's under a legacy arrangement has a balance owing as at 26 June 2021 of A$23,600, with this loan being repaid from dividends from the ordinary shares held. It is expected that this loan will be fully repaid within FY22. There are no other loans to KMP, and no loan arrangements will be offered in the future. No options were issued during the year or were held by employees at the end of FY21.

Share rights outstanding at the end of the year have the following expiry dates:

		2021		2020	
Grant Date	Expiry Date	Exercise price	Number of rights/options	Exercise price	Number of rights/options
10 June 2021	1 July 2023	–	1,097,339	–	–
15 September 2020	1 July 2021	–	299,654	–	–
17 April 2020	25 June 2022	–	1,448,756	–	1,996,208
02 April 2020	31 December 2022 (1)	–	14,410	–	–
01 September 2020	31 July 2023 (1)	–	15,031	–	–
06 December 2018	30 June 2021	–	34,860	–	80,095
06 December 2018	30 June 2020	–	–	–	11,260
04 December 2018	30 June 2021	–	506,862	–	506,862
05 November 2018	30 June 2021	–	354,001	–	306,459
07 November 2017	30 June 2020	–	–	–	157,779
22 December 2015	21 December 2020(2)	$1.40	200,000	$1.40	200,000
Share-based payments			**3,970,913**		**3,258,663**

(1) Retention Share Rights awarded on service based vesting only to key senior managers. The number of rights was calculated by dividing the face value of their award by $3.326, being the volume weighted average share price (VWAP) of Ingham's shares traded on the ASX in the 10 days after 21 August 2020.
(2) The options for 200,000 shares relate to a KMP interest-free loan in September 2018. Based on expected dividend payouts, the option was expected to expire in December 2020 but a balance of A$23,600 remaining outstanding as of 26 June 2021. The options will continue to remain outstanding and is expected to vest in FY22 upon final dividend settlements.

STI Offer

The STIP provides the Executive KMP and other senior members of the management team a cash or cash/equity incentive where specific outcomes have been achieved in the financial year. STIP payments are calculated as a percentage of total TFR, as per contractual arrangements and conditional on achieving performance objectives against key financial measures (underlying pre AASB 16 EBITDA and Core Poultry Sales Volume Growth) and two vital non-financial measures (people and food safety).

STI restricted shares were measured based on the Board approved fixed dollar outcome for the financial year. The number of rights was calculated by dividing the face value of their award by $3.326, being the volume weighted average price (VWAP) of Ingham's shares traded on the ASX in the 10 days after 21 August 2020.

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Notes to the consolidated financial statements (continued)

20 Share-based payments (continued)

Long Term Incentive Plans

FY21-FY23 LTIP Offer

The FY21-FY23 LTIP was approved at the 2020 AGM, with the below table clearly outlining the key terms of the Offer:

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Eligibility to participate in LTIP Offer</td><td>Offers may be made at the Board’s discretion to employees of the Inghams Group or any other person the Board determines to be eligible to receive a grant under the Plan

The FY21-23 LTIP Offer has been made to the following current KMP:

– Jonathan Gray (CEO, NZ), (70% of TFR at Maximum)

– Gary Mallett (CFO), (70% of TFR at Maximum)

The former and newly appointed CEO/MDs were both deemed ineligible for an FY21-FY23 LTIP award. Please see Jim Leighton’s termination arrangements on page 47 and Andrew Reeves’s service agreement on page 47 for more information.</td></tr>
<tr><td>Offers under the Plan</td><td>The LTIP Offer is a grant of performance rights.</td></tr>
<tr><td>Grant of Rights</td><td>A Right entitles the participant to acquire a share for nil consideration at the end of the performance period, subject to meeting specific performance conditions. The Board retains the discretion to make a cash payment to participants on vesting of the Rights in lieu of an allocation of shares.</td></tr>
<tr><td>Quantum of Rights</td><td>The aggregate face value at maximum of the LTIP Offer to all participants (Executive KMP and Senior Management) is $3.65 million.

The final number of Rights awarded to each participant was calculated by dividing the face value of their LTIP award by $3.326, being the volume weighted average price (VWAP) of Ingham’s shares traded on the ASX in the 10 days after 21 August 2020. (i.e. the announcement of Ingham’s FY20 annual results.)</td></tr>
<tr><td>Performance Period</td><td>3 years, from the beginning of FY21 to the end of FY23.</td></tr>
<tr><td>Performance conditions</td><td>Relative TSR (50% of Award)

For this component, the Company’s relative TSR will be compared to a comparator group comprising the ASX 200 (excluding companies classified as financial, mining and resources) and vest according to the following schedule:

<table>
<tr><th>Company’s relative TSR rank in the comparator group over performance period</th><th>% of Rights that Vest</th></tr>
<tr><td>Less than 50th percentile</td><td>Nil</td></tr>
<tr><td>At 50th percentile (threshold)</td><td>50%</td></tr>
<tr><td>Between 50th and 75th percentile</td><td>Straight line pro rata Vesting between 50% and 100%</td></tr>
<tr><td>At 75th percentile or above</td><td>100%</td></tr>
</table>

Return on invested capital (50% of award)

For this component, the Company’s Underlying Return on Invested Capital pre AASB 16 (“ROIC”) will be calculated as the equivalent of the pre AASB 16 net operating profit after tax, divided by average invested capital. ROIC for each of the three years forming the performance period will be averaged to provide an overall outcome.</td></tr>
</table>

Notes to the consolidated financial statements (continued)

20 Share-based payments (continued)

<table>
<tr><td></td><td>The level of vesting of this component will be determined according to the following schedule:
<table>
<tr><th>Company’s ROIC Outcome</th><th>% of Rights that Vest</th></tr>
<tr><td>Less than Threshold target</td><td>Nil</td></tr>
<tr><td>At Threshold target</td><td>50%</td></tr>
<tr><td>Between Threshold and Maximum target</td><td>Straight line pro rata Vesting between 50% and 100%</td></tr>
<tr><td>At Maximum target</td><td>100%</td></tr>
</table>
</td></tr>
<tr><td>Voting and dividend entitlements</td><td>Performance rights granted under the LTIP do not carry dividend or voting rights prior to vesting. Shares allocated upon vesting of performance rights carry the same dividend and voting rights as other Ingham’s shares.</td></tr>
<tr><td>Re-testing</td><td>Performance will not be re-tested if the performance conditions are not satisfied at the end of the performance period. Any Rights that remain unvested at the end of the performance period will lapse immediately.</td></tr>
<tr><td>Restrictions on dealing</td><td>The Executive KMP must not sell, transfer, encumber, hedge or otherwise deal with performance rights. The Executive KMP will be free to deal with the shares allocated on vesting of the performance rights, subject to the requirements of Ingham’s Securities Dealing Policy at that time.</td></tr>
<tr><td>Change of control</td><td>Under the Plan rules and the terms of the LTIP awards, the Board may determine in its absolute discretion that some or all of the Executive KMP’s performance rights will vest on a likely change of control.</td></tr>
<tr><td>Clawback</td><td>Under the Plan rules and the terms of the LTIP awards, the Board has claw back powers which it may exercise if, among other things:

the Executive KMP has acted fraudulently or dishonestly;
has engaged in gross misconduct, brought Ingham’s, the Inghams Group or any Ingham’s group company into disrepute or breached their obligations to the Inghams Group;
Ingham’s is required by or entitled under law or Ingham’s policy to reclaim remuneration from the Executive KMP;
there is a material misstatement or omission in the accounts of an Inghams Group company; or
the Executive KMP’s entitlements vest or may vest as a result of the fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the performance rights would not have otherwise vested.

</td></tr>
<tr><td>Cessation of employment</td><td>If the participant ceases employment for cause or due to their resignation, unless the Board determines otherwise, any unvested Rights will automatically lapse. The Board has the discretion to designate a "good leaver”, whereby Rights will not automatically lapse.

In all other circumstances, the Rights will be pro-rated (based on the proportion of the performance period that has elapsed) and remain on foot and subject to the original performance conditions, unless the Board exercises a discretion to treat them otherwise.</td></tr>
</table>

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Notes to the consolidated financial statements (continued)

20 Share-based payments (continued)

The fair value of the LTI offer at grant date was determined using an adjusted form of the Black Scholes Model. The weighted average grant date fair value of rights granted in the year was $2.69.

The model inputs for performance rights granted during the year ended included:

(a) Exercise price $Nil (2020: $Nil)
(b) Share price at grant date $3.71 (2020: $3.39)
(c) Expected price volatility 33% (2020: 24-28%)
(d) Expected dividend yield 4.3% (2020: 4.8%)
(e) Risk-free interest rate 0.014% (2020: 0.23%)

Grant Date	Expiry Date	2021 Number of rights	2020 Number of rights
10 June 2021	1 July 2023	1,097,339	–
17 April 2020	25 June 2022	1,448,756	1,996,208
6 December 2018	30 June 2020	–	11,260
6 December 2018	30 June 2021	34,860	80,095
4 December 2018	30 June 2021	506,862	506,862
5 November 2018	30 June 2021	354,001	306,459
7 November 2017	30 June 2020	–	157,779

21 Cash flow information

	2021 $000	2020 $000
Reconciliation of profit after income tax		
Profit after tax for the period	83,300	40,100
Depreciation	265,300	263,400
Finance costs	66,000	69,100
Share Based Payment Expense	2,900	(400)
Share of Profit - Associate	(400)	–
Impairment of assets	–	20,300
Net loss or (gain) on sales of assets	500	(400)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(20,100)	(9,400)
(Increase)/decrease in biological assets	(1,100)	3,500
(Increase)/decrease in inventories	20,900	(54,000)
Increase/(decrease) in trade and other payables	(6,400)	43,000
Increase/(decrease) in provision for income taxes payable	31,500	(25,200)
Increase/(decrease) in deferred tax asset/liabilities	(13,800)	(5,900)
Increase/(decrease) in other provisions	11,300	200
(Increase)/decrease in financial assets and liabilities at fair value through profit or loss	–	200
Net cash provided by operating activities	**439,900**	**344,500**

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Notes to the consolidated financial statements (continued)

22 Related party disclosures

Group Structure

(a) Parent entity

The ultimate parent entity of the group is Inghams Group Limited.

(b) Subsidiaries

The consolidated financial statements include the financial statements of Inghams Group Limited and its subsidiaries as follows:

		Equity Holding	
Name of entity	Country of incorporation	2021 %	2020 %
Ingham Holdings II Pty Limited (a), (c)	Australia	100	100
Ingham Holdings III Pty Limited (a), (c)	Australia	100	100
Adams Bidco Pty Limited (a), (c)	Australia	100	100
Ingham Enterprises Pty Limited (a), (c)	Australia	100	100
Inghams Enterprises Pty Limited (a), (c)	Australia	100	100
The Free Ranger (formerly Ingham Finco Pty Limited) (b)	Australia	100	100
Ingham 2 Pty Limited (b)	Australia	100	100
Agnidla Pty Limited (b), (c)	Australia	100	100
Aleko Pty Limited (b), (c)	Australia	100	100
Inghams Enterprises (NZ) Pty Limited (a), (c)	Australia	100	100
Inghams Property Management Pty Limited (b), (c)	Australia	100	100
Ovoid Insurance Limited	Bermuda	100	100
Ovoid Insurance Pty Limited (b)	Australia	100	100
Inadam Pty Limited (b), (c)	Australia	100	100
Inghams (NZ) No 2 Limited	New Zealand	100	100

(a) These subsidiaries have been granted relief from the necessity to prepare financial reports under the option available to the Company under ASIC Corporations (Wholly Owned Companies) Instrument 2016/785.
(b) These subsidiaries are not audited as they are small proprietary companies which are not required to prepare audited financial statements under ASIC Corporations (Audit Relief) Instrument 2016/784.
(c) These subsidiaries, along with Inghams Group Limited, form the Deed of Cross Guarantee Group described further from Note 30.

(c) Key management personnel compensation

	2021 $000	2020 $000
Short-term employee benefits	5,208	3,894
Other long-term employee benefits	419	183
Share based payments	409	1,319
Termination payments	1,125	–
Key management personnel compensation	**7,161**	**5,396**

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report.

No director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

(d) Transactions with other related parties

The following transactions occurred with related parties:

Jonathan Gray received a NZ $350,000 non-interest bearing loan in September 2018 in conjunction with his urgent relocation to New Zealand to take up the New Zealand CEO role at a critical time. Jonathan Gray fully repaid to Ingham's the NZ $350,000 relocation loan on 7 October 2020.

Jonathan Gray received an interest free non-recourse loan to purchase shares in Ingham's under a legacy arrangement with a balance owing as at 26 June 2021 of A $23,600, with this loan being repaid from dividends from the ordinary shares held. It is expected that this loan will be fully repaid within FY22.

There are no other loans to KMP and no loan arrangements will be offered in the future.

Notes to the consolidated financial statements (continued)

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23 Financial risk management

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

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

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

Fair value hierarchy

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

Fair value inputs are summarised as follows:

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

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

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

Fair value inputs are summarised as follows:

	Fair value hierarchy	Note	Valuation technique
Derivatives	Level 2	16	Calculated as the present value of estimated future cash flows using a market based yield curve sourced from available market data quoted for all major interest rates.
Property, Plant & Equipment	Level 3	11	Based on current prices in an active market for similar properties in the same location and condition.

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

Management has a policy requiring Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts. Additionally, the Group will look to manage the translation exposure to foreign denominated profits through the use of derivatives such as forward contracts.

Notes to the consolidated financial statements (continued)

23 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange sensitivity

The Group has some exposure to exchange rate risk as it purchases some of the supplies in foreign currencies and has a subsidiary with a New Zealand dollar (NZD) functional currency. The exposure to other currencies is collectively immaterial and as such the Group's foreign currency exposure is material in respect of NZD.

	Impact on post tax profits		Impact on other components of equity	
	2021 $000	2020 $000	2021 $000	2020 $000
+100 bp variability in exchange rate	100	700	1,400	1,400
-100 bp variability in exchange rate	(100)	(700)	(1,400)	(1,400)

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates, expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. Group policy is to maintain at least 50% of its term borrowings at fixed rate using interest rate swaps to achieve this. During the year ended 26 June 2021, 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 principal amount		Interest rate	
	2021 $000	2020 $000	2021 $000	2020 $000
Interest rate swap	200,000	200,000	2.0% to 3.0%	3.0% to 4.0%

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

Sensitivity

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

	Impact on post tax profits		Impact on other components of equity	
	2021 $000	2020 $000	2021 $000	2020 $000
+100 bp variability in exchange rate	(2,100)	(1,400)	3,800	2,500
-100 bp variability in exchange rate	2,100	2,000	(3,900)	(2,500)

(iv) Commodity Price

The Group's exposure to commodity price risk arises from commercial transactions required for the operations of the business, however exposure is not considered significant. To manage its commodity price risk the Group enters into forward contracts to purchase grain. This is performed through monitoring movements in price. As these are forward contracts for items to be used in the ordinary course of business, no derivative asset or liability is recognised at year end, and a such a 10% movement in commodity prices at year end would not impact reported profit for the year ended 26 June 2021.

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Notes to the consolidated financial statements (continued)

23 Financial risk management (continued)

(b) Credit risk

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

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the accounts receivable. For some trade receivables the Group may obtain security in the form of credit insurance. Revenues from five key customers accounted for 55% to 65% of revenue for the year ended 26 June 2021 (2020: 55% to 65%) relating to both operating segments.

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The Group considers receivables to be in default when 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 reasonable 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.

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Notes to the consolidated financial statements (continued)

23 Financial risk management (continued)

(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.

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

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

	2021		2020	
	$000 Drawn	$000 Available	$000 Drawn	$000 Available
Floating rate				
Expiring beyond one year	400,000	138,000	450,000	88,000

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 26 June 2021. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

	Carrying value $000	Contractual cash flows $000	Less than 1 year $000	1 year to 5 years $000	More than 5 years $000
2021					
Trade payables	260,200	260,200	256,200	4,000	–
Inventory procurement trade payables	110,000	110,000	110,000	–	–
Other payables	30,400	30,400	30,400	–	–
Derivative financial liabilities	3,300	3,300	1,500	1,800	–
Interest bearing liabilities	398,300	400,000	–	400,000	–
Lease liabilities	1,432,300	1,839,500	234,000	756,200	849,300
	2,234,500	**2,643,400**	**632,100**	**1,162,000**	**849,300**
2020					
Trade payables	261,100	261,100	257,600	3,500	–
Inventory procurement trade payables	121,700	121,700	121,700	–	–
Other payables	23,600	23,600	23,600	–	–
Derivative financial liabilities	7,600	7,600	4,000	3,600	–
Interest bearing liabilities	448,900	450,000	–	450,000	–
Lease liabilities	1,472,300	1,872,500	231,800	813,900	826,800
	2,335,200	**2,736,500**	**638,700**	**1,271,000**	**826,800**

Notes to the consolidated financial statements (continued)

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24 Interest 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 and 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.

	Ownership interest		Carrying value of investment	
	2021	2020	2021	2020
	%	%	$000	$000
AFB International Pty Limited				
Pet food manufacture	50	50	2,100	1,900
Movement in investment in joint arrangements:				
Opening balance			1,900	1,800
Add: share of net profit of joint venture			400	300
Less: dividend received from joint venture			(200)	(200)
Closing balance			**2,100**	**1,900**

During the year the Group sold goods and services to AFB International Pty Limited to the value of $4,796,329 (2020: $4,822,429). At balance date the amount owed from AFB International Pty Limited to the Group is $323,459 (2020: $346,584). Outstanding balances are unsecured and on normal commercial terms and conditions.

25 Contingent liabilities

Workers Compensation

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

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

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

Workplace incidents

SafeWork NSW and SA are currently investigating two workplace incidents that occurred at Tahmoor and Bolivar. As at reporting date, Ingham's has not received an indication that SafeWork intends to charge Ingham's with any offence.

26 Commitments

Capital commitments

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

	2021 $000	2020 $000
Property, plant and equipment	12,400	15,900

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Notes to the consolidated financial statements (continued)

27 Earnings per share

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 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:

	2021 $000	2020 $000
Earnings		
Profit attributable to ordinary equity holders for calculating basic and diluted EPS calculations	83,300	40,100

	Number of shares	
Number of ordinary shares	'000	'000
Weighted average number of ordinary shares used in the calculation of basic EPS	371,400	371,500
Dilutive effect of share options	1,300	800
Weighted average number of ordinary shares for diluted EPS	**372,700**	**372,300**
Basic EPS (cents per share)	22.43	10.79
Diluted EPS (cents per share)	22.35	10.77

28 Remuneration of auditors

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

	2021 $000	2020 $000
Amounts received or due and receivable by KPMG for:		
Audit and review of financial statements	807	753
Other services*	35	130
Other assurance services	8	8
Taxation services	–	21
Total amount paid or payable to auditors	**850**	**912**

* FY21 and FY20 includes benchmarking data for short term and long term incentive plans for executive remuneration

Notes to the consolidated financial statements (continued)

29 Parent entity financial information

Summary financial information

	2021 $000	2020 $000
Current assets	–	3,600
Non-current assets	472,200	469,500
Total assets	**472,200**	**473,100**
Current liabilities	25,400	4,600
Non-current liabilities	400,100	452,500
Total liabilities	**425,500**	**457,100**
Net assets/(liabilities)	**46,700**	**16,000**
Equity		
Contributed equity	108,100	109,200
Accumulated profit/(losses)	(67,100)	(92,900)
Cash flow hedge reserve	(1,800)	(5,300)
Share-based payments reserve	7,500	5,000
	46,700	**16,000**
Profit for the year	78,600	86,800
Total comprehensive income	78,600	86,800

The parent entity continues to be a going concern despite the net current liability, as the Group has a Deed of Cross Guarantee in place, along with undrawn funding lines.

The parent entity does not have any commitments or contingent liabilities as at 26 June 2021.

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Notes to the consolidated financial statements (continued)

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30 Deed of cross guarantee

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

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

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

The companies shown as (c) in note 22 represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Inghams Group Limited, they also represent the 'extended closed group'.

Set out below is a condensed consolidated income statement, consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the period ended 26 June 2021 of the closed group.

	2021 $000	2020 $000
Consolidated income statement		
Revenue from continuing operations		
Revenue	2,668,800	2,555,800
Expenses		
Expenses from ordinary activities	(2,555,800)	(2,499,700)
Profit before income tax	**113,000**	**56,100**
Income tax expense	(29,700)	(16,000)
Profit for the year	**83,300**	**40,100**
Consolidated statement of comprehensive income		
Profit for the year	83,300	40,100
Total comprehensive income for the year	**86,100**	**34,500**

Notes to the consolidated financial statements (continued)

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30 Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet of the closed group.

	2021 $000	2020 $000
Cash and cash equivalents	153,300	129,800
Trade and other receivables	222,700	202,600
Biological assets	121,800	120,700
Inventories	196,100	217,000
Assets classified as held for sale	3,700	12,300
Current tax receivable	–	3,700
Total current assets	**697,600**	**686,100**
Property, plant and equipment	457,900	450,300
Equity accounted investments	2,100	1,900
Receivables	–	300
Right-of-use assets	1,371,300	1,429,200
Deferred tax assets	7,700	–
Total non-current assets	**1,839,000**	**1,881,700**
Total assets	**2,536,600**	**2,567,800**
Trade and other payables	396,100	402,300
Provisions	92,900	79,600
Derivative financial instruments	1,500	4,000
Related party payables	10,100	10,300
Lease liabilities	183,900	185,200
Current tax payable	27,800	–
Total current liabilities	**712,300**	**681,400**
Borrowings	398,300	448,900
Provisions	26,200	23,900
Derivative financial instruments	1,800	3,600
Deferred tax liabilities	–	4,400
Lease liabilities	1,244,800	1,287,100
Total non-current liabilities	**1,671,100**	**1,767,900**
Total liabilities	**2,383,400**	**2,449,300**
Net assets	**153,200**	**118,500**
Equity		
Contributed equity	(103,400)	(104,500)
Other reserves	(30,300)	(24,900)
Retained earnings	(19,500)	10,900
Total equity	**(153,200)**	**(118,500)**

31 Events after the reporting period

Subsequent to the year end a dividend of 9.0 cents per share has been declared on 20 August 2021 totalling $33.4m. The financial effect of this dividend has not been brought to account in these consolidated financial statements and will be recognised in subsequent financial reports.

Directors' declaration

1. In the opinion of the directors:

   (a) the consolidated financial statements and notes set out on pages 60 to 104 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 26 June 2021 and of its performance for the financial year ended on that date, and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe the Company and the Group entities identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Corporations (Wholly Owned Companies) Instrument 2016/285.

3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer, for the financial year ended 26 June 2021.

4. 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.

Peter Bush
Chairman

Michael Ihlein
Non-Executive Director

Sydney
20 August 2021

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Independent Auditor's Report

To the shareholders of Inghams Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Inghams Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 26 June 2021 and of its financial performance for the ***year*** ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 26 June 2021;
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

The ***Year*** is the 52 week period ended on 26 June 2021.

Basis for opinion

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

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

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

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Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Accounting for rebates and trade allowances
- Accounting for AASB 16 Leases

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

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matter

Accounting for rebates and trade allowances – (sales revenue, which is net of trade allowances and rebates, amounts to $2,668.8million)

Refer to Notes 2(d) and 3 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group's policy is revenue is recognised at the fair value of the consideration received or receivable and is net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The accounting for trade allowances and rebates is a key audit matter due to the: • Significance of trade allowances and rebates to the financial report; • Number of categories of customers including retail, quick service restaurants and foodservice, which attract different trade allowances and rebate terms. This requires our evaluation to be performed across these categories; • Variety of customer-specific contractual arrangements for trade allowances and rebates, increasing the audit effort to address these specific conditions; and • Differing settlement terms for customers which leads to complexity in checking the accruals at balance date across the portfolio. The rebate accrual at balance date is based on sales activity and relevant rebate and trade allowance rates/conditions of customers, for the time period since the last payment date to balance date.	Our procedures included: • Considering the appropriateness of the Group's accounting policies regarding revenue recognition, trade allowances and rebates against the requirement of the Australian Accounting Standards; • Testing the Group's key controls over management's approval, monitoring, and calculation of trade allowances and rebates; • Checking a sample, by customer category, of rebates and trade allowances to signed customer contractual terms; • Comparing the amount of the trade allowances and rebates by customer category as a percentage of gross revenue to the prior year, adjusted for customer approved changes to specific trading and settlement terms; • Calculating an expected rebate accrual by customer based on specific customer trading and settlement terms and comparing this to the Group's recognised balance date rebate accrual for a sample of significant customers by customer category; • Assessing, on a sample basis, the accuracy of prior year rebate accrual estimates to inform our evaluation of the Group's current balance date accruals; • Comparing a sample of rebate claims or correspondence received since balance date to accruals recognised at year end, for evaluation of the accrual existence and quantum; and

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	• Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

Accounting for A*ASB 16 Leases* – (right of use assets, lease liabilities, interest and amortisation amount to $1,374.9 million and $1,432.3 million respectively)

Refer to Notes 2(n), 12 and 23 to the Financial Report

The key audit matter	How the matter was addressed in our audit
AASB 16 Leases ("AASB 16") is complex with specific lease-features driving different accounting outcomes, increasing the need for interpretation and judgement. AASB 16 leases is a key audit matter due to the: • Significance of the right of use assets and lease liabilities to the financial report. • Number of leases the Group has, including the individual nature of the lease agreements used to estimate the lease liability and right-of-use asset. A focus for us was the accuracy of multiple and varied inputs which may drive different accounting outcomes, including key dates, fixed and variable rent payments, renewal options and incentives. • Migration of the lease accounting from the Group developed AASB 16 lease calculation models, to a software solution, increasing the risk of error from incomplete or inaccurate migration of data. The most significant areas of judgement we focussed on was in assessing the Group's: • Renewal options contained within leases. Assessing the Group's determination of whether it is reasonably certain renewal options will be exercised impacts the measurement of the lease, therefore is critical to the accuracy of the accounting. • Grower contractual arrangements and the features of the underlying grower contracts against the definition of a lease under the accounting standards.	Our procedures included: • Considering the appropriateness of the Group's accounting policies against the requirements of the accounting standard and our understanding of the business and industry practice. • Obtaining an understanding of the Group's processes used to calculate the lease liability, right-of-use asset, depreciation, and interest expense. • Reading a sample of contracts, including the grower contracts. We compared the relevant features of the underlying contracts to the definition of a lease in the accounting standards to assess the accounting treatment recognised by the Group. We compared the Group's inputs in the AASB 16 lease calculation models, such as, key dates, fixed and variable rent payments, renewal options and incentives, for consistency to the relevant terms of a sample of underlying signed lease agreements. • Evaluating the Group's assessment of lease renewal options based on the Group's strategic direction and inquiries with operational management. • Independently developing a series of point estimates for the incremental borrowing rates applied to the leases using the corporate yield curve, adjusted by risk factors specific to the Group, the industry it operates in, and each lease term. We compared it to the incremental borrowing rates used by the Group. • Checking the leases in the Group lease models for inclusion in the Group's software solution. For a sample of leases from the Group lease models, comparing the lease inputs, right of use assets and lease liability to the software solution. • Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

• Incremental borrowing rates determined by the Group. These are meant to reflect the Group's entity specific credit risk and vary based on each lease term. We involved our senior audit team members in assessing these areas.	

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Inghams Group Limited for the year ended 26 June 2021, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 25 to 51 of the Directors' report for the year ended 26 June 2021.

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

KPMG

Julie Cleary

Partner

Sydney

20 August 2021

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Corporate Directory

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Rob Gordon
Michael Ihlein
Jackie McArthur
Helen Nash
Linda Bardo Nicholls AO
Andrew Reeves

Company Secretary

David Matthews

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