



Annual Report
2017

Lunchtime.



FAMILY DINNER

Tegel Turkey Roast



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This Annual Report is dated 21 July 2017 and is signed on behalf of the Board of Tegel Group Holdings Limited by David Jackson, Chairman and Phil Hand, CEO.

A handwritten signature in black ink, appearing to read 'D Jackson'.

David Jackson
Chairman

A handwritten signature in black ink, appearing to read 'P Hand'.

Phil Hand
CEO

MORNING *snack* _____
LUNCH *to go* _____
AFTERNOON *bites* _____
after **SCHOOL** *snack* _____
KIDS' *favourites* _____
pre **TRAINING** *boost* _____
DINNER *easy* _____
BARBEQUE *yum!* _____
delicious **CHICKEN** _____
TURKEY *too!* _____
SAUSAGES *and more* _____
NZ's **FAVOURITE** SINCE 1961.

THANKS TO: OUR PEOPLE, ENVIRONMENT, FOOD AND HOW WE DO BUSINESS.

CEO and Chairman's Report



David Jackson
CHAIRMAN

Phil Hand
CHIEF EXECUTIVE OFFICER

Overview

Tegel's first year as a listed company on the NZX and as a foreign exempt listing on the ASX has been a significant milestone for the company, and we have been relentless in our efforts to drive our strategy and achieve our goals.

It has been a year when we have needed to recognise the changing dynamics in our home market of New Zealand. These have required us to be nimble and to work hard to maximise the advantages of Tegel's strong local knowledge, long standing customer relationships, and unique vertically integrated supply chain. These factors, along with significant investment in our facilities to improve efficiency and the ongoing investment in our brand will protect and strengthen Tegel's sustainable competitive advantage.

We are proud to report that in FY17 Tegel raised and processed more birds than ever before, producing a record volume of close to 100,000 tonnes, an increase of 7.1% from FY16. Revenue continued to increase, exceeding \$600 million for the first time. Underlying EBITDA was slightly ahead of FY16 at \$75.6 million and Net Profit After Tax was \$34.2 million, an increase of 202.8% boosted by the reduction in net finance costs following listing. While these results were solid, we were very disappointed that despite the best efforts of everyone in the business, we did not achieve our original PFI forecast due to the competitive pricing challenges in the New Zealand market.

There have however been many positive achievements throughout the year. We increased our leading domestic market share by 2%¹. This was driven by the refresh of the Tegel brand; a significant piece of work that was completed during the year and which is continuing to deliver results. Market share growth was also assisted by the volume and quality of new products to market, with 29 innovative new products developed and launched during the year. We are seeing positive results from a number of these including our value added meal solutions range and a strong increase in demand for free range products across categories.

We have also achieved wins internationally. Tegel's frozen free range value-added products will soon, for the first time, be available throughout Australia in one of the country's major supermarket chains. Some of these new products have been developed specifically for the Australian market, and it is exciting to see the potential for Tegel to drive growth in this important category for Australian shoppers.

¹ Aztec Retail scan data April 2017 and management estimates for non-retail channels.

Growth.

In highlights from our other export markets, we saw strong growth in demand from the Pacific Islands and we successfully entered the Philippines, a new market, where we have secured our first sales. We also achieved new market access into Bahrain. In the United Arab Emirates, we now have a second major supermarket stocking Tegel branded products, capturing another tier of the market.

Tegel is part of a dynamic, growing industry, which New Zealanders can be proud of. New Zealand is well regarded internationally as a premium food producing country, and is recognised as providing great tasting, safe and secure food. Tegel's international brand positioning 'Pure New Zealand Premium Chicken' builds on the New Zealand provenance story.

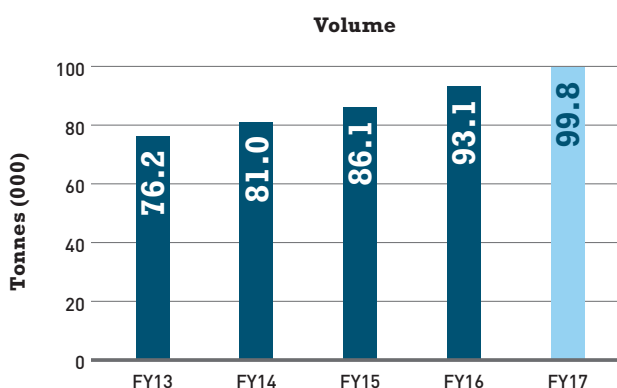
To help ensure we are well positioned for future growth, we have been very focused on delivering our capital investment programme throughout the year. We have continued to invest in agricultural and processing assets that support sales growth and deliver efficiency gains, and it has been very satisfying to see new automation equipment commissioned and delivering benefits so quickly.

Outlook

FY17 has been a challenging year, but Tegel has delivered a strong result. The business and balance sheet are in good shape and we are looking ahead to continued future growth.

This growth is predicated on strong business fundamentals, a growing demand for poultry domestically and internationally, innovation and new product development, customer relationships, efficiency in operations and Tegel's brand strength.

We are taking a long term view with a focus on manageable, sustainable growth. This can mean bypassing short term benefits in favour of longer term growth. In Australia, for example, we remain focused on our long term strategy to drive increasing amounts of value-added product into the market to expand our customer base.



Looking ahead, we see benefits in moving our products and customers further up the value chain, both domestically and in a number of our export markets. This means using our expertise and manufacturing assets to extract maximum value from every bird farmed and processed. We must also retain the ability to compete as a low cost manufacturer of commodity products, and we are investing capital to ensure Tegel can continue to operate efficiently across both of these areas of opportunity.

We continue to recognise and invest in our people. The leaders of our business have an unrivalled depth of industry experience and we are proud of our gender diversity, with women comprising 45% of our total workforce. This is a strong position, particularly in the agriculture and manufacturing sectors. We recognise we still have work to do to improve gender diversity at the company governance level.

Health and Safety continues to be an area of focus across the business, and we are pleased to report a reduction in LTIFR (Lost Time Injury Frequency Rate) to 8.7 per million hours in FY17. Tegel is committed to ensuring that every employee has a safe and healthy work environment. This focus, along with personal responsibility and accountability, is contributing to a strong and positive safety culture.

There are many people who have contributed to the business's results in the last 12 months, and we would like to recognise all of them for their commitment, hard work, and support. We want to thank our 2,300 dedicated Tegel team members and our farmers for their efforts and hard work throughout the year. On behalf of the board we extend our thanks to former Chairman James Ogden for his service to the company. We would also like to extend our appreciation and thanks to our fellow directors for their work, and to our shareholders, customers and suppliers for their support. We look forward to working with you in FY18 to build on the growth we have achieved this year.

David Jackson
Chairman

Phil Hand
Chief Executive Officer

People.

Passionate people, powerful teams. At Tegel we are individually accountable and collectively responsible. We nurture talent, develop people and our leaders trust, respect and inspire. Tegel is committed to being an inclusive workplace that embraces and values diversity. We ensure we have a safe and healthy working environment and we engage and monitor employee satisfaction to ensure that Tegel is a place where people want to work. We are active partners in the communities in which we operate, with ongoing engagement with our neighbours, regulators, local supply chain and wider community groups. We solicit feedback and encourage collaboration.



Environment.

We do the right thing for our environment. To achieve business success we depend on our planet's resources. Our value chain spans feedmills, hatcheries, farms, processing plants, distribution centres and offices, all of which require resources including water, energy and packaging, and we produce a variety of waste. We are committed to pursuing best practice in our use of raw materials and resources. We aim to minimise waste and divert it from unsustainable disposal. New facilities incorporate sustainable building design and engineering.



Food.

We love food. Tegel is a successful food company and we are New Zealand's favourite chicken company. Our purpose at Tegel is to help families eat well everyday. People enjoy our quality poultry products in many parts of the world. Our chickens have no added hormones, are cage-free and our animal welfare practices are internationally recognised.



Business.

We strive to continually improve. We have big ideas, take action and execute successfully. Our business relies on responsible procurement, regulatory compliance and effective governance. We partner with our customers to help drive growth for both parties. We flourish on the skills, dedication and flair of our teams operating as leaders in the poultry industry.



ABOUT TEGEL

PROUDLY NEW ZEALAND'S FAVOURITE

At Tegel we are proud of our heritage of helping people eat well every day. We have been part of New Zealanders' lives for more than 55 years.

We have a leading market position anchored by a trusted brand and we are New Zealand's largest poultry processor, processing just over half of all the country's poultry.

Tegel is part of a growing industry that continues to show favourable dynamics here and overseas, including growing consumption, affordability, and an increasing share of the 'protein plate'. Trends such as health and nutrition, versatility, convenience, environmental concerns and quality are increasingly part of consumer decision-making.

We have vertically integrated operations from feed procurement and feedmilling, to breeders, hatcheries, farms, processing facilities, and distribution, all underpinned by our technology and expertise. This gives us a competitive advantage because we control all stages of production, can guarantee the quality of our products, and are able to continually strive for efficiencies.

Tegel produces high quality poultry products that are 100% New Zealand-raised, cage-free, with no added hormones. This is supported by New Zealand's strong biosecurity controls. These factors enhance our ability to grow our international presence.

Tegel's export markets include Australia, the Pacific Islands, the United Arab Emirates, Hong Kong and the Philippines.

Our products are well recognised and range from fresh core goods to frozen value-added, dairy deli and hot cooked products. We supply supermarkets, Quick Service Restaurants and Foodservice, both domestically and internationally.

We are farmers raising and processing poultry with care, providing safe, high-quality and great-tasting food to our customers in New Zealand and around the world.

**TEGEL PRODUCES
HIGH QUALITY POULTRY
PRODUCTS THAT ARE 100%
NEW ZEALAND-RAISED,
CAGE-FREE, WITH NO ADDED
HORMONES AND ARE NOT
GENETICALLY MODIFIED.**

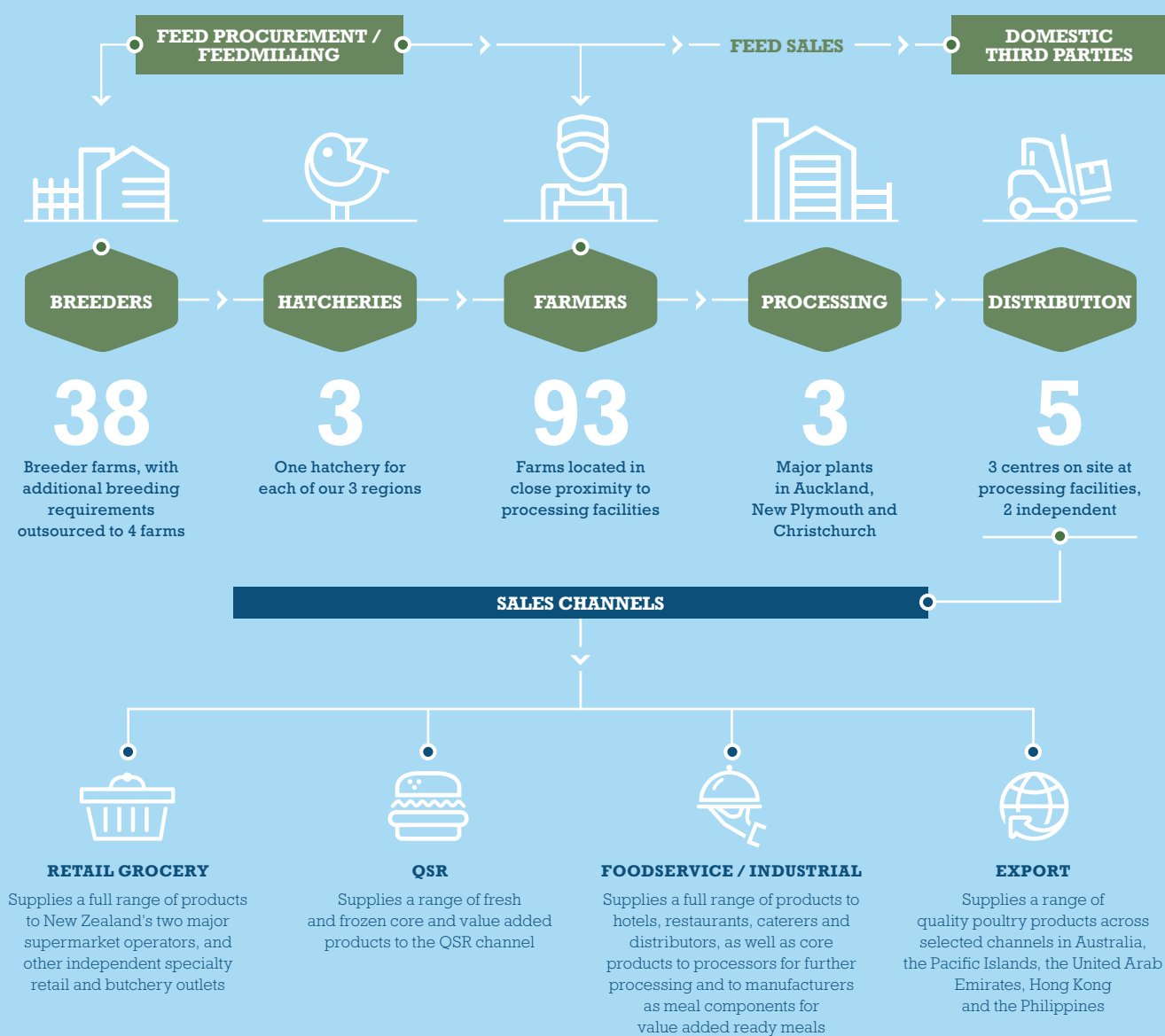
WEEKEND LUNCH

Tegel Free Range
Crunchy Burgers





Tegel's vertically integrated business model aims to ensure efficiency and control at all stages of production, as well as the delivery of high quality product to customers.



WHERE WE ARE

STRATEGIC LOCATIONS

3



Facilities

Hatchery, feedmill, breeder farms, grower farms, processing and distribution

Processing

55m

Birds per year

Upper North Island
AUCKLAND

Lower North Island
NEW PLYMOUTH

South Island
CHRISTCHURCH

Fielding
Distribution*
Wellington
Processing*

* Outside of its three main geographic regions, Tegel operates a small leased distribution facility in Feilding to further service the lower North Island, and operates a processing facility in Wellington which produces various poultry, turkey, beef and other smallgoods products

KEY MARKETS

6



1

NEW ZEALAND

Market leader with 52%¹ market share, serving all channels with core, further processed and value added products

2

AUSTRALIA

Partnering Retail, QSR and Industrial customers with further processed and value added products

3

PACIFIC REGION

Serving 13 countries with products into Retail, QSR and Foodservice channels

4

PHILIPPINES

Partnering with major QSR customer

5

HONG KONG

Partnering leading Supermarket and Foodservice customers with Cage Free and Free Range products

6

UNITED ARAB EMIRATES

Partnering leading Supermarket and Foodservice customers with a range of over 50 Cage Free and Free Range products

Strategy

Creating long term shareholder value through maintaining our leading domestic position and continued growth and development of export markets.



DOMESTIC

FOCUS ON:

Volume growth,
market growth,
category growth,
new product development
and brand

Increase sales of value added products to satisfy evolving consumer preferences



EXPORT

Expand existing markets through new channels, products and customers

Enter new markets

Build brand “100% Pure NZ Premium Chicken”

Crow market for high value convenient meal solutions, including free range



HAPPY KIDS!

Tegel Free Range Panko & Quinoa Crumbed Chicken Tenders



FOCUS AREAS



2,300+

People nationwide

People.

At Tegel we are committed to providing a safe workplace for every employee. Our national Environment Health and Safety (EHS) team supports all of the company's sites across the full range of environmental management and workplace health and safety.

Before the Health and Safety at Work Act 2015 became law in April 2016, we reviewed our policies, procedures and practices in relation to the new Act. Our findings helped define our Safety Action Plan for the next three years.

This plan outlines how we proactively manage risk to protect our people and our business. We focus on developing a strong independent safety culture, reducing recordable injuries, improving employee engagement, increasing visibility of health & safety risk, and ensuring a consistent approach to how we manage and reduce that risk.

In FY17 we focused on improvements in our performance indicators, site-based improvement projects, risk management and employee engagement.

We also successfully introduced SIMPLIFY! tools that have significantly improved hazard reporting by employees.

We elected and trained an extra 65 health and safety representatives, bringing our total to 107.

We have introduced Leadership Safety Walk cards to provide a tool for management to initiate safety conversations, and we introduced tracking and reporting of incidents requiring first aid, medical treatment and near-hit incidents.

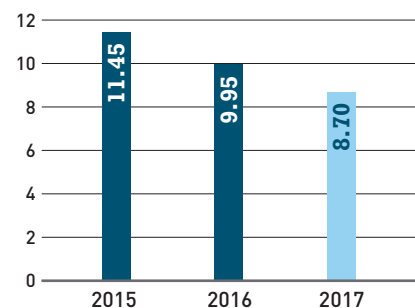
Our key leading performance indicator is the EHS monthly score. This positive performance indicator tracks key actions to manage safety at a department level. The score encompasses training, workplace observations and completion of safety action plans. This year we reviewed and improved the score criteria to simplify it and to focus more on behaviours.

We have a variety of ways to engage with our employees including regular safety meetings, quarterly management safety updates, team meetings, performance discussions and company newsletters.

HEALTH & SAFETY 2017

LTIFR

(lost time injury frequency rate) per million hours





65



ADDITIONAL elected Health and Safety Representatives, bringing our total to 107.



**Leading Indicator
– Monthly EHS Score**

The EHS monthly score is a positive performance indicator that tracks key actions to manage EHS at a department level. This includes training, workplace observations and driving the completion of actions to improve safety.

Our target is to consistently reach at least 95% completion against the EHS score criteria, and we are making good progress towards achieving this across the business.



This year we successfully introduced SIMPLIFY! tools which have significantly improved hazard reporting by employees."

FOCUS AREAS



LIGHT FOOTPRINT

Poultry meat production has a significantly smaller environmental footprint than other types of meat protein. It is an environmentally efficient protein when considering such factors as greenhouse gas emissions, feed, and water usage. At Tegel we aim to strengthen these credentials through the way we operate our business.

Environment.

Energy

One key area of focus at Tegel is energy – every part of our business needs it. We use it for transport, equipment, cooling and heating, cooking and lighting across all of our farms, hatcheries, feedmills, processing sites and offices. We use a variety of energy sources – predominantly electricity and mains gas on our processing sites, LPG and electricity on farms.

HENDERSON PROCESSING

50%

ENERGY SAVINGS

A transition to custom designed LED lighting across the processing areas has resulted in over 50% energy savings from lighting.

While we are fortunate and proud to live in a country with a high level of renewable electricity generation, we recognise our responsibility to ensure the most effective use of energy in our facilities. This means working towards minimising our contribution to greenhouse gas emissions and ultimately lowering the cost to the business. To help us achieve the best results we can we have teamed up with the Energy Efficiency and Conservation Authority (EECA), and their team of energy experts and mentors is helping us focus our efforts. Having begun audits of our facilities and started data collection, we have developed a draft Energy Strategy and convened an Energy Steering Group to maintain momentum. Within this framework we will be looking at opportunities to make significant improvements in our energy performance. For example, a project at our Henderson processing site saw a change from fluorescent tube and metal-halide lighting to custom-designed LED lighting across the processing areas. This has resulted in more than 50% energy savings from lighting and a projected annual energy saving of 497,000kwh.



HEALTHY CHICKENS

New Zealand has world-class conditions for raising poultry. This is just as well, because raising healthy chickens and turkeys is very important to us here at Tegel.

**100%
NEW ZEALAND
RAISED**

**NO ADDED
HORMONES**

CAGE FREE

Waste management

While our SIMPLIFY! regime is helping us minimise waste at source, we are also focusing on the best outcome for waste at the end of our processes.

At Tegel's Upper North Island processing plant we divert as much waste from landfill as possible, in particular dirty plastic, which makes up about 70% of all landfilled waste. For a number of years we have worked closely with our waste contractor EnviroWaste to find a way to recycle this material. The commissioning of a plastics wash plant in Auckland in 2015 has enabled us to do this. The first challenge to capturing recyclable plastics was achieving effective separation at source, which we did in a number of ways.

Our processing staff are pivotal to the success of any changes and initiatives. A nominated group was a key part of the project team that designed the collection of waste within the plant, helped roll out information and training and, with endless enthusiasm, implemented the changes to ensure genuine early gains. The team:

- Replaced all wheelie bins, enclosed bins and black bin liners with transparent, colour-coded bin liners in simple, moveable frames or wall-mounted frames
- Developed bold, pictorial signs and labels to ensure the purpose of each bin was clear
- Installed hand presses in processing areas to allow greater efficiencies in the collection and storage of waste
- Acquired a high-density cardboard baler to improve onsite management of cardboard and reduce the amount going to general waste.

Once plastics are tied into clean or dirty bales they are taken to the purpose-built waste facility for storage and collection. Early indications are that we can reduce our waste to landfill by up to 40%.



REDUCING WASTE

Early indications are that we can reduce our waste to landfill by up to 40%.



FOCUS AREAS



HELPING FAMILIES EAT WELL EVERY DAY

Food.

At Tegel we love food. And we're pleased to report that in FY17, more people than ever before enjoyed the different products we produce. Tegel chicken continues to be valued by shoppers and consumers, and we are seeing increased consumption both in New Zealand and overseas.

In FY17 we launched our new brand design and an extensive range of new products. This is delivering results, with Tegel enjoying the highest brand awareness of all poultry brands among New Zealand consumers. About two-thirds of shoppers say Tegel is their first choice or a high consideration of poultry brands to buy.¹

New Zealanders consume more poultry than all other major meat proteins combined. Poultry consumption is 53% of all major meat proteins² and is growing by 4-5% year on year. As people eat more chicken than ever before, Tegel is well positioned to benefit from these favourable market conditions.

We have worked hard to increase the visibility of messages such as 'cage-free', 'no added hormones', and 'raised in New Zealand', and this, combined with the launch of new free range products is resonating with shoppers and increasing positive perceptions of the Tegel brand.

The make-up of households is changing and so is the way people shop and prepare food. What consumers demand from their food is also increasing. Convenience and quality are key elements, whether it's snacking on-the go, or preparing a family meal after work. To meet these changing needs, this year we developed and launched a number of free range value-added products, such as Tegel Free Range Meal Maker, into major New Zealand supermarkets. We are seeing increasing demand for free range products across all categories, with sales of free range product increasing by 28% from FY16, and contributing a quarter of our total sales growth.

For the first time Tegel frozen free range value added products will be available throughout Australia in one of the major supermarket chains. The range includes a mix of existing and new products such as Tegel Free Range Salt & Pepper Morsels, Tegel Free Range Panko & Quinoa Tenders, and Tegel Free Range Extra Crunchy Burgers. This launch will stimulate growth in a significant category for Australian shoppers.

Worldwide poultry consumption has grown faster than other common forms of meat protein, with poultry now the most consumed meat globally. This is partly due to population growth, but also reflects the versatility of chicken in different cuisines across consumption channels in many countries, and its broad cultural and religious acceptance.

Looking ahead, our international growth is underpinned by factors including favourable poultry consumption trends and consumers increasingly seeking safe, secure sources of food with trusted provenance.

New Zealand is well regarded internationally as a premium food-producing country, and is recognised as providing great-tasting, safe and secure food. Tegel's international brand positioning 'Pure New Zealand Premium Chicken' builds on the New Zealand provenance story. Our brand is brought to life through targeted messaging on the pack, advertising, store demonstrations and tastings, encouraging everyone to "Taste the Pure New Zealand difference".

Shoppers in Dubai love Tegel chicken so much that our sales through major high-end retailer Spinneys have increased 23% compared to FY16. New Zealand farmed chicken and turkey products continue to be high on consumers' shopping lists when they are looking for safe, healthy and tasty meal and snack options.

At Tegel we have a strong history of product innovation. We have a dedicated research and development team working in partnership with customers to develop exciting new products and packaging to meet the needs of consumers in both local and international markets. Innovative value-added products continue to drive incremental sales for the business. An example of this is the launch of the Tegel Quick Cook range into the fresh meat

¹ Tegel Brand Tracker Research, March 2017, PSL Research

² OECD – FAO Agricultural Outlook 2016-2025, published July 2016, stats.oecd.org

TEGEL QUICK COOK**\$30M****ESTIMATED ANNUAL
RETAIL SALES****TEGEL FRESH VALUE ADDED****24%****SALES INCREASE ON FY16**

cabinets in New Zealand supermarkets. This range has created a new retail sub-category, and is meeting the needs of New Zealand shoppers wanting a tasty dinner option that is quick to prepare. The launch of Tegel Quick Cook is estimated to generate retail sales of more than \$30 million annually. We also saw strong growth in Tegel fresh value-added products such as kebabs and butterflied whole birds, with sales increasing by 24% compared to FY16.

The redesign of the Tegel brand, advertising and innovation created in FY17 form the foundation of growth into FY18 and beyond. We are focused on increasing international sales through growth in our existing export markets, establishing ourselves in new channels such as food service, and entering new offshore markets with strategic partners.

Tegel continues the focus on ensuring that people are able to enjoy our food throughout the world. We are approaching this with a long-term focus and a structured framework for sustainable growth.

**FUSS-FREE
DINNER**Tegel Cordon Bleu
Chicken Breast**FOOD FOR
FRIENDS
& FAMILY**

FOCUS AREAS



HOW WE DO BUSINESS

Business.

SIMPLIFY!

In 2015, Tegel introduced into the business an ethos we call **SIMPLIFY!** Our goal is to embrace continuous improvement, align it with our core values and link it across our entire organisation to achieve overall operational excellence. We seek to drive our culture, people engagement, health and safety, quality, and our cost effectiveness.

SIMPLIFY! is always looking for a better way at Tegel by: giving structure and visibility to what we do, ensuring we do things the same way across the business, and providing the opportunity to make a difference in how we work and the results we get.

Through SIMPLIFY! our employees are involved in building a rich, integrated set of tools and practices that help guide our people on a day-to-day basis to deliver better results.

Our workforce is empowered to identify hazards, quality issues, recognise team-mates' achievements and to put forward improvement ideas. We are encouraged to always find a better way, through effective collaboration across all functions and departments. This allows us to both SIMPLIFY! and innovate.

To track our progress, we developed an audit tool called the Maturity Model, which has three pillars: sustainability, competitiveness and growth. We set the best-practice standards in each of these pillars.

To identify issues or opportunities we introduced SIMPLIFY! early observation cards that are available in hard copy and online, and are categorised into the following:

- ThinkSafe: Green card for managing a hazard
- WorkSafe: Blue card for great behaviours
- Quality: Pink card for managing quality / compliance issues
- Ideas: Gold improvement idea card

Any employee at our processing plants, feedmills, hatcheries and distribution centres can fill out the cards, giving everyone the chance to have their say in improving their environment and moving the business forward.

During the year we took action to improve aspects of our business and as at the end of April 2017 we had closed a total of 9,262 worksafe, quality, thinksafe and improvement idea cards for SIMPLIFY! initiatives identified in our processing plants alone.

We also acted to reduce risks in order to reduce the potential for accidents.

The SIMPLIFY! tools were integrated into business as usual during the year. The results from year one keep building in years two, three and beyond. Building on from the success achieved so far, we will continue our rollout of SIMPLIFY! into our farms, laboratories and head office.



SIMPLIFY!

SIMPLIFY! in the South Island Hatchery

In our South Island cook plant the High Care Zone team reviewed process flows as part of the initial rollout of SIMPLIFY! in this area. The team had the idea of installing a conveyor between the shredding machine and packing station to provide a balanced production process. This would not only make the process more efficient but also removed a manual lifting step that required two staff to lift a 35kg meat bin to the production work height. The implementation has improved labour efficiency in the process by 20%, reduced floor waste and has eliminated the manual lifting of a staggering 650 tonnes of product per year.

SIMPLIFY! in Lower North Island Engineering

In our Lower North Island processing plant, our primary team used video analysis and a technique exploring cause and effect to find the reasons for our main processing line downtime. The problem was found to be our Easy Loader (the system which loads crates into the plant), which was then redesigned. This has improved uptime by more than 150 hours year on year. The SIMPLIFY! tools have also ensured we sustained the process improvement.

SIMPLIFY! in Upper North Island Feedmill

In our Upper North Island feedmill, following a SIMPLIFY! brainstorming session, we created a new report indicating the amount of downtime in each of the batching and pelleting manufacturing processes and highlighting when the feedmill was not being used to its full capacity. This data was captured on our Tegel SIM board and was configured into an email to the team. Through enhanced visual management, the team then completed a work around, maximising use of the plant with the added benefit of creating cost savings.

Financial Highlights and Overview

SOLID FINANCIAL PERFORMANCE AND DELIVERING ON STRATEGY.

RECORD POULTRY VOLUMES (TONNES)

99,806

FY16: 93,149

RECORD REVENUE

\$614M

FY16: \$582.4M

UNDERLYING EBITDA¹

\$75.6M

FY16: \$74.9M

NET PROFIT AFTER TAX

\$34.2M

FY16: \$11.3M

CASHFLOW FROM OPERATING ACTIVITIES

\$45.6M

FY16: \$46.4M

FY17 TOTAL DIVIDENDS DECLARED

7.55¢ PER SHARE



Volume growth delivered in the domestic market, brand refresh completed, 29 new products launched



Secured wider range of Tegel branded products in the Australian retail channel, on shelf from Q2 FY18

¹ Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation. Underlying EBITDA is a non-GAAP profit measure. Tegel uses Underlying EBITDA as a measure of operating performance. Underlying EBITDA excludes the effects of certain IFRS fair value adjustments and items that are of a non-recurring nature. It has been calculated on a consistent basis with the "Pro forma EBITDA" presented in the PFI. A reconciliation of Underlying EBITDA to net profit after income tax is provided in note 2.1 of the financial statements.

Summary Financials

NZD million	FY2017 53 weeks	FY2016 52 weeks	Variance \$m	Variance %	FY2017 PFI ¹ 53 weeks
Revenue	614.0	582.4	31.6	5.4%	637.0
Cost of goods sold (COGS)	(468.9)	(434.9)	(34.0)	(7.8%)	(473.9)
Gross profit	145.1	147.4	(2.3)	(1.6%)	163.1
Gross profit %	23.6%	25.3%			25.6%
Expenses¹	(69.5)	(72.5)	3.0	3.7%	(75.7)
Underlying EBITDA²	75.6	74.9	0.7	0.8%	87.4 ³
Net profit after income tax	34.2	11.3	22.9	202.8%	44.0 ⁴
Final Dividend (cents per share)	4.10				
Total Dividend (cents per share)	7.55				

1 Total distribution, administration and other expenses excluding amortisation, depreciation and non-underlying expenses as shown in note 2.1 of the financial statements.

2 Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation. Underlying EBITDA is a non-GAAP profit measure. Tegel uses Underlying EBITDA as a measure of operating performance. Underlying EBITDA excludes the effects of certain IFRS fair value adjustments and items that are of a non-recurring nature. It has been calculated on a consistent basis with the "Pro forma EBITDA" presented in the PFI. A reconciliation of Underlying EBITDA to net profit after income tax is provided in note 2.1 of the financial statements.

3 Underlying EBITDA was revised on 15 December 2016 to a range of between \$75 and \$85 million.

4 NPAT was revised on 15 December 2016 to a range of between \$33 and \$41 million.

Tegel is pleased to report its annual result for its first year as a listed company, achieving a strong result and record profit. Net profit after tax (NPAT) for the 53 weeks ended 30 April 2017 (FY17) of \$34.2 million was ahead of the 52 weeks ended 24 April 2016 (FY16) by \$22.9 million. Meanwhile Underlying EBITDA was solid at \$75.6 million for the year. Both metrics were within the revised guidance range provided in December 2016. The Company delivered 7.1% volume growth to report its highest ever volumes at 99,806 tonnes for FY17 and delivered 5.4% growth on record revenue of \$614.0 million. However softer domestic pricing during the year resulted in Tegel missing its original PFI targets for FY17.

Dividend policy

Tegel's Board approved a fully imputed final dividend of 4.10 cents per share payable on 27 July 2017, taking the total dividends for the year to 7.55 cents per share. The dividend policy remains unchanged and is to pay between 60% and 75% of NPAT excluding the expense relating to the non-cash amortisation of customer contracts.

FAMILY FAVOURITE

Tegel Free Range
Roast in the Bag



Financial Overview

Poultry Volume Tonnes	FY2017 53 weeks	FY2016 52 weeks	Variance Tonnes	Variance %	FY2017 PFI 53 weeks
Domestic Poultry	82,777	77,182	5,595	7.2%	83,431
Export Poultry	17,029	15,967	1,062	6.7%	17,074
Total Poultry Volume	99,806	93,149	6,657	7.1%	100,505

Revenue NZD million	FY2017 53 weeks	FY2016 52 weeks	Variance \$	Variance %	FY2017 PFI 53 weeks
Domestic Poultry	457.8	432.5	25.3	5.9%	477.9
Export Poultry	103.0	101.9	1.1	1.1%	107.7
Other Revenue ¹	53.2	48.0	5.2	10.7%	51.4
Total Revenue	614.0	582.4	31.6	5.4%	637.0

1 Other revenue includes sales of eggs, day-old chicks, feed and offal. Smallgoods were previously classified as Other revenue but are now classified into Domestic poultry and Export poultry for all periods. PFI comparatives have been restated on a consistent basis.

Record poultry volumes of close to 100,000 tonnes were 7.1% higher than FY16. Total revenue for FY17 was \$614.0 million, \$31.6 million or 5.4% ahead of FY16. Revenue growth continues to be driven by growing demand for poultry as a meat protein in New Zealand and globally. Underlying poultry consumption continues to increase, driven by population growth and share of plate gains.

In the domestic market the Tegel brand refresh and launch of 29 new products supported revenue growth of 5.9% to \$457.8 million. Tegel grew its domestic market share by 2% to 52%⁵ in the year mainly through contract wins. Export revenue grew \$1.1 million, 1.1% from \$101.9 million to \$103.0 million. Export sales were strong in the Pacific Islands while in the UAE, Tegel added an additional supermarket chain providing the opportunity for a greater range of Tegel products in store. In Australia, Tegel continued its approach to diversify across channels. A wider range of Tegel branded products will soon be on shelf in the Australian retail channel. This is an exciting development in the diversification of the Australian business. First orders to the Philippines were delivered in FY17 and the Company has gained market access to Bahrain.

Animal health, welfare and nutrition are a primary focus of Tegel's agricultural operations. During FY17 a new breeder farm in Christchurch was completed and its first birds have been placed. Construction of a new broiler farm has commenced near Christchurch and the Company has plans to expand the hatchery in New Plymouth in FY18. Technology developments continue with improved data from chicken sheds, for example, weight tracking for production planning. As consumer preferences evolve, Tegel is focused on satisfying those changes and will continue to convert to free range farms.

Gross profit for the financial year was \$145.1 million compared to \$147.4 million in the comparative period. The gross profit margin decreased from 25.3% to 23.6% in FY17 primarily as a result of softer pricing in the domestic market.

Expenses continued to be well controlled within the business at 4.1% lower than FY16. Annual cost saving contribution initiatives amounted to \$12 million savings during the year. These related to capital expenditure, SIMPLIFY! (lean manufacturing principles) initiatives, procurement and cost to serve savings.

Net Profit after Tax was \$34.2 million. This was \$22.9 million higher than the prior year mainly as a result of the change in capital structure. In FY16, the business incurred net finance costs of \$28.0 million while in FY17, these were reduced to \$6.0 million.

Tegel revised its Underlying EBITDA to a range of between \$75 and \$85 million and NPAT to a range of between \$33 and \$41 million on 15 December 2016. Whilst the full year metrics were within the revised guidance ranges, the results were below the original PFI targets. As signalled, the results were affected by softer domestic pricing. Volumes of 99,806 tonnes were broadly consistent with PFI of 100,505 tonnes, however revenue of \$614.0 million was \$23.0 million or 5.0% below the original PFI. Continued cost control and efficiency gains partially offset the pricing impact and resulted in Gross Profit being \$18.0 million lower than originally forecast.

5 Aztec Retail scan data April 2017 and management estimates for non-retail channels.

Balance Sheet

The Group's balance sheet is in a position to facilitate further growth opportunities for the business with significant headroom on covenants. The inventory balance increased by 3.1% to \$84.9 million as at 30 April 2017 supporting increased volumes and higher sales. Working capital of \$81.5 million was \$3.1 million higher than 24 April 2016 as a result of lower levels of trade and other payables offset in part by lower trade and other receivables due to timing of receipts.

Planned plant investments for FY17 were completed on time and on budget. Tegel invested in a breeder farm in Christchurch to expand capacity and additional automation in New Plymouth with an automated breast deboner, an auto-cut machine (ACM) and nine-piece cut up machinery. With the strong payback of the capital expenditure in New Plymouth, Tegel brought forward the investment in the Henderson plant installing an automated breast deboner. Tegel continues to explore initiatives to drive efficiencies throughout its operations.

Tegel's IPO at the beginning of the financial year resulted in \$284 million of capital raised with repayment of borrowings of \$130 million. The Company negotiated new arrangements for its borrowing facilities which includes a facility of \$120 million and a working capital facility of \$40 million. These expire in November 2018.

Cash flows

Overall cash flows were strong for the year with an increase in cash of \$9.4 million. Operating cash flows of \$45.6 million were stable. Increased receipts from customers were partially offset by increased supplier payments, higher employee payments and the payment of expenses related to the listing. Investment in property, plant and equipment was \$5.8 million above forecast due to the investment in automation equipment being brought forward into the FY17 year. Net cash outflows from financing activities of \$6.0 million include the balance sheet restructure following the listing, the payment of the FY17 interim dividend which was \$12.3 million and interest payments of \$4.4 million which decreased from \$22.4 million due to lower levels of debt.

Looking ahead

Tegel continues to deliver on its key strategic objectives. In the domestic market it is expected that poultry consumption growth will continue at approximately 4 - 5% per annum driven by population growth and increasing consumption per capita due to lower relative price to other proteins and trends towards healthy eating. Free range expansion is expected to continue. Further new products will come to market in FY18 supported by investment in technology. The brand refresh launched in FY17 will continue in FY18 with a comprehensive communications campaign to drive growth for Tegel.

In its export markets, Tegel continues to drive growth through new products, existing customers, new customers and sales through additional channels. This will continue to diversify exposure across channels and provide stability of sales. Positive export earnings momentum will be supported by a wider range of Tegel branded products that will soon be on shelf in the Australian retail channel.

Tegel continues to make excellent progress on cost and efficiency initiatives through the SIMPLIFY! project and the Company will benefit from these annualised savings.

Treasury outlook

To secure input costs, the Company hedges its exposure to certain commodities and foreign exchange risks denominated in US dollars. The Company also uses foreign exchange contracts to hedge revenue from export sales denominated in Australian dollars. All foreign exchange forward contracts and commodity contracts are executed in accordance with the Board-approved FX Hedging and Commodity Risk Treasury Policies. As at 30 April 2017, 89% of US dollar raw material purchase requirements and 77% of forecast Australian dollar receipts were hedged for FY18.

Outlook

Looking ahead to FY2018, based on the current market conditions, holding domestic market share, with continued domestic consumption growth of 4-5% and continuing exports, overall, Tegel expects to deliver an increase in Underlying EBITDA on FY2017.

Board of Directors



David Jackson
CHAIRMAN

Having been appointed to Tegel's Board in March 2016, David was appointed Chairman on 5 May 2017 following the resignation of James Ogden. He is a member of the Audit and Risk Committee and the Governance and Remuneration Committee.

David brings a strong financial and corporate governance skill set to the Tegel Board. During his more than 30 year professional career with EY, David gained experience in Asia, the UK, U.S.A. and South America. Working with major national and international companies for over 30 years, David has developed his extensive experience in corporate governance, capital structures, reporting requirements, audit and risk management.

In addition to Tegel, David is an independent director of Fonterra Co-operative Group Limited and Mitre 10 (New Zealand) Limited.

David's previous directorships include Nuplex Industries Limited, The New Zealand Refining Company Limited, Pumpkin Patch Limited and Mediaworks Limited. David is a former New Zealand Chairman and Senior Audit Partner of EY. David holds an MCom (Hons), is a Fellow of the Chartered Accountants Australia and New Zealand and a Fellow of the Institute of Directors.



Phil Hand
MANAGING DIRECTOR

Phil was appointed CEO of Tegel in February 2014 and appointed a director of Tegel in March 2014.

Phil has spent his career in the food industry. Joining Tegel in December 2007, Phil was initially General Manager of Operations where he was responsible for the processing plants and supply chain to customer. This role also assumed responsibility for Employee Health and Safety, Technical and Compliance for the company.

His extensive experience in operations includes over 27 years in senior management roles.

Prior to joining Tegel, Phil was Managing Director of Goodman Fielder Baking New Zealand, a market leader in bread and related products in New Zealand. Phil was previously Operations and Supply Chain Director for Goodman Fielder Fresh and has held various other management and operational roles across a broad range of food industries.

Phil holds a Diploma in Dairy Technology and a Diploma in Business Administration. He is currently Chairman of industry association PIANZ and is a member of the Institute of Directors.



Tang Kok Yew
NON-EXECUTIVE DIRECTOR

Mr. Tang was appointed to Tegel's Board in July 2011.

He is the founding Chairman and Managing Partner of Affinity Equity Partners following its spin-off from UBS Capital in 2004. Affinity is a leading regional private equity firm in Asia Pacific. Prior to that, Mr. Tang was the Asia-Pacific Chairman of UBS Capital (the private equity arm of UBS) since 1999. Before he joined UBS Capital, he was the Chief Executive for Investment Banking, East Asia at Union Bank of Switzerland in 1995. Following the merger of Union Bank of Switzerland and Swiss Bank Corporation to form UBS, Mr. Tang became Chief Executive, Hong Kong, of UBS Group and Asia Regional Head of Investment Banking for UBS Investment Bank. Mr. Tang also served in a number of senior roles over 20 years in the Banque Indosuez Group and Chase Manhattan Bank in Hong Kong and Malaysia.

Mr. Tang holds a Bachelor of Economics (Accounting) with First Class Honours.



Brett Sutton
NON-EXECUTIVE DIRECTOR

Brett was appointed to Tegel's Board in December 2010. He is a member of the Audit and Risk Committee and the Governance and Remuneration Committee.

Brett is a Partner at Affinity Equity Partners, which he joined in 2004. Prior to Affinity, he was in the Investment Banking Division of UBS in Australia working across a wide range of industries. Brett began his career with Ernst & Young, where he worked on a range of M&A advisory and business due diligence transactions focused on the banking and financial services industry. During his career he has worked across Singapore, New York, Australia and New Zealand.

In addition to Tegel, Brett is a director of Live Entertainment Holdings Pty Limited and Velocity Frequent Flyer Pty Limited. Brett is a Qualified Chartered Accountant in Australia and holds a Bachelor of Commerce in Accounting and Finance.



George Adams
INDEPENDENT NON-EXECUTIVE DIRECTOR

George joined the Tegel Board in March 2016. He is the Chairman of the Governance and Remuneration Committee and was appointed Chairman of the Audit and Risk Committee on 5 May 2017.

With over 25 years international experience in the consumer goods and telecommunications industries, George brings to the Board a strong background in occupational health and safety. He has held senior financial, commercial and technology roles in large multi-national businesses located throughout New Zealand, Europe, Eastern Europe and Africa.

George was previously Managing Director of Coca-Cola Amatil New Zealand & Fiji, a role he held for 10 years. During this time George also chaired the New Zealand Food and Grocery Council.

Prior to moving to New Zealand in 2003, George was Financial Controller of British Telecom Northern Ireland and Group Financial Director of Dublin-based bottling company Molino Beverages. George is also currently Chairman of Mix Cosmetics, Apollo Foods Limited, Insightful Mobility Limited, Nexus Foams Limited, the Business Leaders Health and Safety Forum and the Occupational Health Advisory Board.

George is a Fellow of the Institute of Chartered Accountants in Ireland and holds a Diploma in Foundation Studies in Accounting (Hons), a Diploma in Company Direction and a Diploma in Computing in Accounting.



James Ogden
FORMER CHAIRMAN

Until his resignation from the Board, James was Chairman and a member of the Governance and Remuneration Committee. James was appointed to Tegel's Board in March 2016 and resigned in May 2017.

Senior Management



Austin
Laurenson

Evelyn
Davis

John
Russell

Edward
Campion

Phil
Hand

Martin
Baker

Peter
McHugh

Christine
Cash

David
Taylor

Tegel is led by a highly experienced senior management team, with an unrivalled depth of industry knowledge and experience.

Tegel's senior management team comprises the following:

Phil Hand

CHIEF EXECUTIVE OFFICER (CEO)

Refer to 'Board of Directors' for Phil's biography. All senior executives report directly to the Chief Executive Officer.

Peter McHugh

CHIEF FINANCIAL OFFICER

Peter was appointed CFO of Tegel in December 2014. As CFO, Peter is responsible for all finance, legal, company secretarial and information technology functions. Peter is an experienced financial and accounting professional, having had over 25 years of experience in accounting professional services, corporate finance and senior management roles.

Peter is a Chartered Accountant and member of the Institute of Directors.

Christine Cash

GENERAL MANAGER SALES AND MARKETING

Christine joined Tegel in 1995 and brings 20 years of experience across Tegel to her current role as General Manager Sales and Marketing, which she began in March 2014. Prior to that, she was General Manager Export (2011-2014).

Christine's current role involves providing leadership of the sales, marketing and product development functions, both domestically and internationally.

Evelyn Davis

GENERAL MANAGER HUMAN RESOURCES

Evelyn joined Tegel in 2008 in her current role as General Manager Human Resources and has been responsible for the ongoing development, implementation and execution of Tegel's national safety and human resources strategy.

Evelyn is an experienced human resources professional with over 20 years of direct human resources experience, primarily in the food sector at McDonald's Restaurants New Zealand.

David Taylor

**GENERAL MANAGER
REGIONAL OPERATIONS
(UPPER NORTH ISLAND – AUCKLAND)**

David joined Tegel in 2003 as the New Plymouth Processing Manager, before transitioning into more senior management roles, including his current role as General Manager Regional Operations (Upper North Island), which he has held since March 2014.

David is responsible for the overall budgetary and operational performance of the Upper North Island (excluding sales). As part of that, David is responsible for the management and development of Tegel's facilities (including the feedmill, broiler and breeder facilities, hatchery, and processing plants) and distribution of product in the Upper North Island. David is responsible for the majority of further processed products.

Martin Baker

**GENERAL MANAGER
REGIONAL OPERATIONS
(LOWER NORTH ISLAND – NEW PLYMOUTH)**

Martin joined Tegel in 2004 as the National Operational Risk Manager. He was promoted to the role of Site Manager (New Plymouth Processing) in 2006 and continues to hold this position in addition to his current role as General Manager Regional Operations (Lower North Island), which he has held since March 2014.

Martin is responsible for the overall budgetary and operational performance of the Lower North Island (excluding sales). As part of that, Martin is responsible for the management and development of all of Tegel's facilities (including the feedmill, broiler and breeder facilities, hatchery, and processing plants) and distribution of product in the Lower North Island. Martin is responsible for the majority of Tegel's sausage production.

Edward Campion

**GENERAL MANAGER
REGIONAL OPERATIONS
(SOUTH ISLAND – CHRISTCHURCH)**

Ed joined Tegel in 2002 as a Livestock Planner, before transitioning into management roles, including his current role as General Manager Regional Operations (South Island – Christchurch), which he has held since March 2014.

Ed is responsible for the overall budgetary and operational performance of the South Island (excluding sales). As part of that, Ed is responsible for the management and development of all of Tegel's facilities (including the feedmill, broiler and breeder facilities, hatchery, rendering and processing plants and smokehouse) and distribution of product in the South Island. Ed is responsible for all of Tegel's turkey and smoked products.

John Russell

**GENERAL MANAGER
AGRICULTURE AND SUPPLY**

John joined Tegel in 1995 and held a number of roles in food safety, logistics, and planning before taking on the challenge of Tegel's commodity procurement in 2006. John was promoted to Feeds Business Manager before moving to his current role in 2014.

John's current role is focused on leading overall agriculture performance and involves providing leadership and management of agriculture logistics, planning and procurement, planning and risk, commercial operations, livestock performance and animal nutrition.

Austin Laurenson

**GENERAL MANAGER
BUSINESS IMPROVEMENT**

Austin joined Tegel as General Manager Business Improvement in April 2015 from New Zealand Steel, where he was Vice President of the Supply Chain.

Prior to New Zealand Steel, Austin worked at the Fonterra Co-operative Group first as the Group Customer Service Development Manager and later as the Customer Supply Chain Manager for its offshore regional operating companies and global food service.

At Tegel, Austin's role is focused on providing leadership across national projects, Group technical services, sales and operations planning, business planning and integration, Group procurement and Group logistics.



FAMILY FAVOURITE
Tegel Herb Schnitzel

Consolidated Financial Statements

— As at 30 April 2017

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Directors' Statement

The Board of Directors are pleased to present the consolidated financial statements for Tegel Group Holdings Limited, and the auditors' report, for the year ended 30 April 2017.

The Directors present financial statements for each financial year which fairly present the financial position of the Group and its financial performance and cash flows for that period.

The Directors consider the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Board of Directors of Tegel Group Holdings Limited authorised these financial statements presented on pages 34 to 63 for issue on 27 June 2017.

For and on behalf of the Board.



David Jackson
Chairman



Phil Hand
Chief Executive Officer

To the shareholders of Tegel Group Holdings Limited

The consolidated financial statements comprise:

- the balance sheet as at 30 April 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include the significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Tegel Group Holdings Limited (the Company), including the companies it controlled at 30 April 2017 (the Group), present fairly, in all material respects, the financial position of the Group as at 30 April 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of tax compliance and advisory and treasury policy advice. The provision of these other services has not impaired our independence as auditor of the Group.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall group materiality: \$2.4 million, which represents 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above \$239,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have identified one key audit matter being the fair value measurement of the biological assets

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The audit of the group entities was conducted by the New Zealand audit team.



Independent auditor's report (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Biological assets (fair value measurement)</p> <p>Biological assets are measured at fair value in accordance with the relevant accounting standards.</p> <p>Biological assets are transferred to inventory at fair value less estimated costs to sell at date of harvest. As described in note 3.3 to the consolidated financial statements, management estimations and judgements are required in determining the fair value of biological assets as unobservable inputs are used.</p> <p>Key inputs to the model used in determining fair value include:</p> <ul style="list-style-type: none"> • Price achieved in market for feed, eggs and day old chicks • Age of birds, feed conversion rates and mortality • Eggs produced • Quantity of birds and eggs on hand. <p>Given the magnitude of biological assets of \$32,872,000, as disclosed in note 3.3 in the financial statements, complexity of the calculations and significant management estimation and judgement involved, we have focused our audit on calculation of the fair value.</p>	<p>We have obtained an understanding of the processes and controls adopted by management to determine the fair value of biological assets and inventory valuation at the point of harvest.</p> <p>We have re-performed the calculation of the fair value less cost to sell of the biological assets agreeing key inputs to the calculations and critically assessing the significant assumptions made, which included:</p> <ul style="list-style-type: none"> • Agreeing price achieved for feed, eggs and day old chicks against historical transactions • Agreeing age of birds, feed conversion rates and mortality rates against historical data • Eggs produced were agreed to the actual average eggs produced as reported by the breeder farms • Quantity of birds and eggs on hand were tested against a sample of third party and Tegel operated farms confirmations of the quantity of birds and eggs on hand. In addition, we tested the operating effectiveness of controls over the existence and input of biological assets quantities from the farm records to the system. <p>No matters arose from undertaking the above procedures.</p>

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are 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 ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Leo Foliaki.

For and on behalf of:

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in a dark grey or black ink.

Chartered Accountants
27 June 2017

Auckland

Statement of Comprehensive Income

For the year ended 30 April 2017

	Notes	2017 \$'000	2016 \$'000
Revenue		613,978	582,361
Cost of sales		(468,922)	(434,925)
Gross profit		145,056	147,436
Expenses	6.2		
Distribution		(53,173)	(50,479)
Administration		(37,595)	(48,280)
Other		(392)	(3,998)
Finance income		132	229
Finance costs		(6,150)	(28,204)
Profit before income tax		47,878	16,704
Income tax expense	6.1	(13,633)	(5,393)
Profit for the year attributable to shareholders of the parent	2.1	34,245	11,311
Other comprehensive income:			
<i>Items that will be subsequently reclassified to profit and loss</i>			
Cash flow hedges, net of tax		3,342	(5,004)
Other comprehensive income for the year, net of tax		3,342	(5,004)
Total comprehensive income for the year		37,587	6,307
Basic earnings per share (cents)	5.4	9.78	13.42
Diluted earnings per share (cents)	5.4	9.76	13.42

These statements should be read in conjunction with the notes to these financial statements.

Balance Sheet

As at 30 April 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		13,406	4,002
Trade and other receivables	3.4	63,258	78,064
Inventories	3.1	84,864	82,338
Derivative financial instruments	7.7	1,635	386
Biological assets	3.3	32,872	31,517
Deferred IPO costs	1.4 (b)	–	12,246
Total current assets		196,035	208,553
Non-current assets			
Property, plant and equipment	4.1	163,663	151,351
Receivables		329	352
Intangible assets	4.2	333,608	335,393
Total non-current assets		497,600	487,096
Total assets		693,635	695,649
LIABILITIES			
Current liabilities			
Tax payable		3,113	1,036
Derivative financial instruments	7.7	1,978	5,629
Trade and other payables	3.2	66,600	81,977
Borrowings	5.1	–	130,000
Other payables	1.4 (c)	–	21,754
Total current liabilities		71,691	240,396
Non-current liabilities			
Deferred tax liabilities	6.1	19,833	18,393
Borrowings	5.1	120,000	123,000
Total non-current liabilities		139,833	141,393
Total liabilities		211,524	381,789
Net assets		482,111	313,860
EQUITY			
Issued capital	5.2	427,121	284,423
Reserves	5.3	438	(3,149)
Retained earnings		54,552	32,586
Total equity		482,111	313,860

These statements should be read in conjunction with the notes to these financial statements.

Statement of Changes in Equity

For the year ended 30 April 2017

	Issued capital \$'000 (Note 5.2)	Reserves \$'000 (Note 5.3)	Retained earnings \$'000	Total equity \$'000
Balance at 26 April 2015	265,337	1,855	21,275	288,467
Profit for the year	–	–	11,311	11,311
Other comprehensive income for the year, net of tax	–	(5,004)	–	(5,004)
Total comprehensive income	–	(5,004)	11,311	6,307
Issue of shares during the year	19,086	–	–	19,086
Balance at 24 April 2016	284,423	(3,149)	32,586	313,860
Profit for the year	–	–	34,245	34,245
Other comprehensive income for the year, net of tax	–	3,342	–	3,342
Total comprehensive income	–	3,342	34,245	37,587
Movement in fair value of share based payments reserve	–	245	–	245
Shares redeemed during the year	(264,158)	–	–	(264,158)
Issue of shares during the year net of issue costs	406,856	–	–	406,856
Dividends paid	–	–	(12,279)	(12,279)
Supplementary dividends paid	–	–	(431)	(431)
Foreign investor tax credit	–	–	431	431
	142,698	245	(12,279)	130,664
Balance at 30 April 2017	427,121	438	54,552	482,111

These statements should be read in conjunction with the notes to these financial statements.

Statement of Cash Flows

For the year ended 30 April 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers		626,245	578,187
Net GST received / (paid)		2,340	(1,439)
Income tax paid		(11,416)	(7,192)
Payments to suppliers		(423,030)	(393,995)
Payments to employees		(144,417)	(129,142)
Other operating expenses related to listing		(4,145)	—
Net cash inflow from operating activities	3.5	45,577	46,419
Cash flows from investing activities			
Payments for property, plant and equipment		(28,795)	(25,040)
Payments for intangibles		(1,427)	(1,260)
Proceeds from sale of property, plant and equipment		65	101
Decrease /(increase) in other non current assets		23	(352)
Net cash outflow from investing activities		(30,134)	(26,551)
Cash flows from financing activities			
Proceeds from borrowings		—	264,000
Issue of ordinary shares		418,577	19,086
Redemption of redeemable shares		(264,158)	—
Repayment of principal on borrowings		(133,000)	(265,469)
Payment of interest and financing costs		(4,433)	(22,365)
Payment of interest capitalised to loan		—	(22,107)
Payment of costs related to listing		(10,746)	(975)
Payment of dividends		(12,279)	—
Net cash outflow from financing activities		(6,039)	(27,830)
Net increase / (decrease) in cash and cash equivalents		9,404	(7,962)
Cash and cash equivalents at the beginning of the financial year		4,002	11,964
Cash and cash equivalents at end of year		13,406	4,002

These statements should be read in conjunction with the notes to these financial statements.

Notes to the financial statements

As at 30 April 2017

1 BASIS OF PREPARATION

1.1 General information

Tegel Group Holdings Limited (the Company) and its subsidiaries (together the Group) is a fully integrated poultry producer, involved in the breeding, hatching, processing, marketing and distribution of poultry products.

These financial statements are the consolidated financial statements and incorporate the assets, liabilities and results of Tegel Group Holdings Limited and its subsidiaries Ross Group Enterprises Limited, Tegel Foods Limited, and Tegel International Services Limited. These subsidiary companies are all 100% owned by the Company and incorporated in New Zealand.

1.2 Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Statutory base

Tegel Group Holdings Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993 and listed on the Stock Exchange in New Zealand and Australia, and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The financial statements have been rounded to the nearest one thousand New Zealand dollars. The Group divides its financial year into weekly periods. The 2017 full year results are for 53 weeks (2016: 52 weeks).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

Changes in accounting policies and adoption of new and amended standards

There have been no changes in accounting policies or new standards adopted that have had a material impact on the financial statements during the year.

1.3 Critical accounting judgements, estimates and assumptions

Accounting Policy

Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS 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.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting estimates and judgements have been made:

(a) Reviewing the carrying value of goodwill, trademarks and customer relationships.
Note 4.2 provides information about the impairment testing of goodwill and trademarks.

(b) Biological assets

Judgements have been made in relation to the Group's biological assets as disclosed in Note 3.3.

1.4 Initial Public Offer (IPO)

On 3 May 2016, the Company listed on the New Zealand and Australian stock exchanges. The listing resulted in 270 million shares being issued and the redemption of all of the redeemable shares held by Tegel's existing shareholders. The comparison to the prospective financial statements is shown in note 8.

Proceeds of \$283.9 million were raised pursuant to the public offer and in accordance with the product disclosure statement dated 31 March 2016.

The proceeds were applied by the Group as follows:

Finalised	Estimated	Note	
\$129.4 million	\$129.4 million	5.2	To repay existing shareholders for the redemption of all redeemable shares of \$264.16 million reduced by their subscription for new shares of \$134.73 million.
\$130 million	\$130 million	5.1	To repay \$130 million external borrowings.
\$23.0 million	\$23.3 million		To pay all costs related to the IPO accrued at balance date. This includes deferred IPO costs, and listing costs and management bonus expensed to the profit and loss in 2016.
\$1.5 million	\$1.2 million		Retained by the Group.
\$283.9 million	\$283.9 million		Gross proceeds

The table below outlines the effects of the IPO on the consolidated balance sheet as at 24 April 2016:

	Notes	2016 \$'000	IPO \$'000	Post IPO \$'000
ASSETS				
Current assets	(b)	208,553	(12,246)	196,307
Non-current assets		487,096	–	487,096
Total assets		695,649	(12,246)	683,403
LIABILITIES				
Current liabilities	(c)	240,396	(153,268)	87,128
Non-current liabilities	(d)	141,393	(1,528)	139,865
Total liabilities		381,789	(154,796)	226,993
Net assets		313,860	142,550	456,410
Equity	(a)	313,860	142,550	456,410

(a) \$142.6 million increase in equity	Equity has increased due to the issue of shares to new shareholders of \$283.9 million and the issue of shares to existing shareholders of \$134.7 million totalling \$418.6 million. This has been reduced by deferred listing costs attributable to equity that were accrued at balance date of \$12.2 million, less a reduction to this estimate of \$0.5 million and by the repayment of all redeemable shares of \$264.2 million. Additional expenses of \$0.1 million have been expensed during 2017 as an adjustment to accrued listing costs.
(b) \$12.2 million decrease in current assets	Listing costs attributable to equity held in deferred costs at balance date of \$12.2 million have been netted against the equity raised from the listing. The finalised costs were \$0.5 million less than the estimate.
(c) \$153.3 million decrease in current liabilities	\$130 million was used to reduce external borrowings as described below. Accrued payables of \$21.8 million and trade payables of \$1.5 million were paid totalling \$23.3 million being the payment of all costs related to the IPO accrued at balance date reduced by \$0.4 million for the adjustment to estimates.
(d) \$1.6 million decrease in non-current liabilities	Working capital in bank borrowings was reduced by the remaining \$1.6 million proceeds retained by the Group.

Notes to the financial statements (continued)

As at 30 April 2017

2 PERFORMANCE

2.1 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's senior management team.

The Group operates in one industry, being the manufacture and sale of poultry products. Management makes resource allocation decisions based on expected cash flows and results of the Group's operations as a whole and the Group therefore has one segment.

A key performance measure reviewed by management is underlying earnings before interest, tax, depreciation, amortisation, fair value adjustments to biological assets and share based payments, and unrealised gains and losses on foreign exchange (underlying EBITDA). This is adjusted for significant one off items.

Revenues of approximately 42% (2016: 41%) are derived from two customers with greater than 10% of revenue.

	2017 \$'000	2016 \$'000
Underlying EBITDA	75,558	74,943
Unrealised (losses) / gains on foreign exchange revaluations	(418)	87
Fair value adjustment to biological assets	(32)	536
Share based payments	(245)	–
Settlement of historical insurance claims and other legal costs	(654)	(425)
Listing costs	(147)	(3,998)
Loss on the disposal of property, plant and equipment	(146)	(49)
Kaikoura earthquake costs	(535)	–
Management bonus	–	(8,000)
Corporate governance structural changes due to IPO	–	(53)
EBITDA	73,381	63,041
Depreciation	(16,273)	(15,109)
Amortisation	(3,212)	(3,253)
Net finance costs	(6,018)	(27,975)
Profit before tax	47,878	16,704
Income tax expense	(13,633)	(5,393)
Profit after tax	34,245	11,311

Accounting policy

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of Goods and Services Tax, rebates and discounts

Revenue from the sale of goods including feed and biological assets is recognised in profit and loss when the significant risks and rewards have been transferred to the buyers. No revenue is recognised if there are significant uncertainties regarding recoverability.

The Group sells to many different countries with all sales originating from New Zealand.

	2017 \$'000	2016 \$'000
Revenue		
Domestic	511,023	480,412
Export	102,955	101,949
Total revenue	613,978	582,361

3 WORKING CAPITAL

3.1 Inventories

Accounting Policy

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and production overheads necessary to bring the inventories into their present location and condition. Biological assets are transferred to inventory at fair value less estimated costs to sell at the date of harvest. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

	2017 \$'000	2016 \$'000
Raw materials	29,159	29,864
Finished goods	50,012	48,261
Spare parts and consumables	5,693	4,213
	84,864	82,338

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to \$464.8 million (2016: \$431.8 million).

Raw materials of \$12.3 million (2016: \$9.8 million) have been pledged as security for trade payables. The remaining inventory is secured under bank borrowings.

3.2 Trade and other payables

Accounting Policy

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

Supplier payables relate to balances with third parties for the supply of commodities. In exchange for a fee these payables have payment terms that are more favourable than the Group's standard payment terms. The third parties hold security over the goods until paid.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave to be settled within 12 months of the reporting date are recognised in 'employee benefits' in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The Group's net obligation in respect of long service leave is the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods.

	2017 \$'000	2016 \$'000
Trade payables	29,970	48,360
Supplier payables	16,755	9,384
Amounts due to related parties	–	90
Accruals and other payables	5,475	6,382
Employee benefits	14,400	17,761
	66,600	81,977

Due to the nature of the trade and other payables their carrying value is assumed to approximate their fair value.

Notes to the financial statements (continued)

As at 30 April 2017

3 WORKING CAPITAL (CONTINUED)

3.3 Biological assets

Accounting Policy

Biological assets include live broiler chicken and turkey birds, breeding stock and hatching eggs. These are measured at fair value less estimated point of sales costs at reporting dates. Fair value is determined based on market prices or where market prices are not available, fair value is estimated based on market prices of the output produced, by reference to sector benchmarks. Changes to fair value are recognised in cost of sales in profit and loss. Biological assets are transferred to inventory at fair value less estimated costs to sell at the date of harvest.

Assets in this category are classified as current assets if the expected life of the asset is less than 12 months.

	2017 \$'000	2016 \$'000
Opening carrying value at 24 April 2016	31,517	30,327
Gain / (loss) arising from changes in fair value less estimated point of sale costs	20,070	18,012
Increase due to purchases	271,590	258,250
Decreases attributable to sales	(20,333)	(19,271)
Decreases due to harvest	(269,972)	(255,801)
Closing carrying value at 30 April 2017	32,872	31,517

Biological assets are measured at fair value which is determined by using unobservable inputs and is categorised as level 3 as described in note 7.6.

Determining fair value

Management estimations and judgements are required in determining the fair value of biological assets which is assessed with reference to the net realisable value of assets based on estimated pre-tax cashflows as at reporting date and making use of assumptions existing at that date. The determination of fair value is based on management's assessment using available data which includes the following specific inputs:

- price achieved in active markets for feed, eggs and day old chicks;
- age of birds, feed conversion rates and mortality rates;
- eggs produced;
- quantity of birds and eggs on hand.

Risks

Feed is a significant component of biological assets and the Group is exposed to financial risks arising from changes in feed commodity prices. These risks are managed through an established process whereby the various conditions which influence commodity prices are monitored on an ongoing basis. The Group uses various methods to manage this risk including the procurement of raw materials on fixed price purchase contracts and the use of foreign exchange contracts to hedge foreign currency exposure.

3.4 Trade and other receivables

Accounting Policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability 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 established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the amount the Group expects to collect. The movement in the provision during the period is recognised in 'Administration expenses' in profit and loss.

	2017 \$'000	2016 \$'000
Trade receivables	61,287	76,603
Provision for doubtful receivables	(976)	(1,271)
Other debtors	2,101	1,312
Prepayments and other	846	1,420
	63,258	78,064

(a) Past due more than 3 months

As at 30 April 2017 trade receivables of \$2.1 million (2016: \$0.8 million) were past due but not impaired. These relate to a number of independent customers where there is no recent history of default or for which terms have subsequently been renegotiated and it is expected that these amounts will be received.

Trade receivables of \$1.0 million (2016: \$1.3 million) were individually assessed for impairment. Payment arrangements have been negotiated to recover the debt and a provision of \$1.0 million (2016: \$1.3 million) has been recognised for the portion of the debt that has been assessed to be at risk. During the previous financial year, \$3.3 million of historical trade receivables treated as impaired in 2015, were written off using the provision for doubtful receivables.

(b) Bad and doubtful trade receivables

The Group has recognised an (addback) / expense of (\$0.3 million) (2016: \$0.04 million) in respect of bad and doubtful trade receivables during the year ended 30 April 2017.

	2017 \$'000	2016 \$'000
Movement in provision		
Debts written off	43	3,599
Decrease / (Increase) in provision	252	(40)
Net decrease / (increase) in provision for doubtful receivables	295	3,559

(c) Fair value

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

3.5 Reconciliation of profit after income tax to net cash inflow from operating activities**Accounting Policy**

Cash and cash equivalents are considered to be cash on hand, bank current accounts, cash on deposit and bank overdrafts. Cash flows are shown exclusive of Goods and Services Tax (GST). Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity and financing costs.

	2017 \$'000	2016 \$'000
Profit for the year	34,245	11,311
Adjusted for		
Depreciation	16,273	15,109
Amortisation	3,212	3,253
Share based payments	245	—
Amortised finance costs	—	3,928
Interest capitalised to loan	—	4,172
Decrease / (increase) in fair value of biological assets and inventory	32	(536)
Loss on disposal of property, plant and equipment	146	49
Movements in working capital due to derivatives	(257)	870
Other amounts not involving cash flows	107	127
Impact of changes in working capital items		
Decrease / (increase) in debtors and prepayments	14,805	(4,190)
(Decrease) / increase in creditors and provisions	(15,377)	5,064
Increase in inventories	(2,526)	(22,909)
Decrease / (increase) in deferred IPO costs	12,246	(12,246)
(Decrease) / increase in provisions and other current liabilities	(21,754)	21,754
Increase / (decrease) in current tax liabilities	2,077	(1,485)
Increase in biological assets	(1,355)	(1,191)
Less items classified as financing activities:		
Payment of costs related to listing and subsequently netted in equity	(975)	975
Interest paid / financing transaction costs classified as financing	4,433	22,365
Net cash inflow from operating activities	45,577	46,419

Notes to the financial statements (continued)

As at 30 April 2017

4 LONG TERM ASSETS

4.1 Property, plant and equipment

Accounting Policy

All property, plant and equipment are stated at historical cost less depreciation and impairment where applicable. Historical cost includes expenditure that is directly attributable to the acquisition of the items and may include the cost of materials, direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

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. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation of property, plant and equipment is charged on a straight-line basis so as to write off the cost of the assets over their expected useful life. The following estimated lives have been used:

- Buildings 40 years
- Plant and equipment 3 – 30 years
- Motor vehicles 3 – 6 years

Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. 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 flows (cash generating units). The residual lives are reviewed at each year end for appropriateness.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss in Other income or Administration expenses respectively.

	Capital work in progress \$'000	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
At 26 April 2015						
Cost	10,759	9,035	26,951	140,594	522	187,861
Accumulated depreciation	–	–	(2,515)	(43,452)	(324)	(46,291)
Net book amount	10,759	9,035	24,436	97,142	198	141,570
Year ending 24 April 2016						
Opening net book amount	10,759	9,035	24,436	97,142	198	141,570
Additions	25,040	–	–	–	–	25,040
Transfer of work in progress	(29,808)	–	10,085	19,619	104	–
Disposals	–	–	–	(149)	(1)	(150)
Depreciation charge	–	–	(1,421)	(13,616)	(72)	(15,109)
Closing net book amount	5,991	9,035	33,100	102,996	229	151,351
At 24 April 2016						
Cost	5,991	9,035	37,049	158,831	611	211,517
Accumulated depreciation	–	–	(3,949)	(55,835)	(382)	(60,166)
Net book amount	5,991	9,035	33,100	102,996	229	151,351
Year ending 30 April 2017						
Opening net book amount	5,991	9,035	33,100	102,996	229	151,351
Additions	28,796	–	–	–	–	28,796
Transfer of work in progress	(27,155)	53	4,332	22,727	43	–
Disposals	–	–	–	(211)	–	(211)
Depreciation charge	–	–	(1,682)	(14,521)	(70)	(16,273)
Closing net book amount	7,632	9,088	35,750	110,991	202	163,663
At 30 April 2017						
Cost	7,632	9,088	41,381	180,829	654	239,584
Accumulated depreciation	–	–	(5,631)	(69,838)	(452)	(75,921)
Net book amount	7,632	9,088	35,750	110,991	202	163,663

4.2 Intangible assets

Accounting Policy

(i) Goodwill

Goodwill represents the excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit and loss.

Goodwill is not amortised but is tested for impairment annually or immediately if events or changes in circumstances indicate that there might be an impairment and is carried at cost less accumulated impairment losses.

(ii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The Customer relationships have a finite useful life, assessed as 25 years, and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method over the expected life of the customer relationship and classified within Administration expenses.

(iii) Brands

Separately acquired trademarks and licences are shown at historical cost and represent the value of brands acquired. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks are not amortised. Instead trademarks are tested for impairment annually, or immediately if events or changes in circumstances indicate that there might be impairment, and are carried at cost less accumulated impairment losses. Trademarks are considered to have an indefinite useful life due to the unique nature of the brand in the New Zealand market.

(iv) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

(v) Other intangibles

Other intangibles are payments made in the course of business that are capitalised over the term of the agreement to which they relate. This ranges from 5 to 7 years. These costs are amortised over this same term.

Notes to the financial statements (continued)

As at 30 April 2017

4 LONG TERM ASSETS (CONTINUED)

4.2 Intangible assets (continued)

	Goodwill \$'000	Customer Relationships \$'000	Trademarks \$'000	Computer software \$'000	Other intangible assets \$'000	Total \$'000
At 26 April 2015						
Cost	254,578	56,900	33,500	7,756	1,904	354,638
Accumulated amortisation	–	(9,104)	–	(6,697)	(1,451)	(17,252)
Net book amount	254,578	47,796	33,500	1,059	453	337,386
Year ending 24 April 2016						
Opening net book amount	254,578	47,796	33,500	1,059	453	337,386
Additions	–	–	–	1,260	–	1,260
Amortisation charge	–	(2,276)	–	(727)	(250)	(3,253)
Closing net book amount	254,578	45,520	33,500	1,592	203	335,393
At 24 April 2016						
Cost	254,578	56,900	33,500	9,017	983	354,978
Accumulated amortisation	–	(11,380)	–	(7,425)	(780)	(19,585)
Net book amount	254,578	45,520	33,500	1,592	203	335,393
Year ending 30 April 2017						
Opening net book amount	254,578	45,520	33,500	1,592	203	335,393
Additions	–	–	–	1,127	300	1,427
Amortisation charge	–	(2,276)	–	(512)	(424)	(3,212)
Closing net book amount	254,578	43,244	33,500	2,207	79	333,608
At 30 April 2017						
Cost	254,578	56,900	33,500	10,143	1,283	356,404
Accumulated amortisation	–	(13,656)	–	(7,936)	(1,204)	(22,796)
Net book amount	254,578	43,244	33,500	2,207	79	333,608

Impairment tests for goodwill and trademarks

Management has undertaken an impairment review and have concluded that the goodwill and trademarks are not impaired based on the current and future expected trading performance of the Group.

The recoverable amounts of goodwill and trademarks have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial projections approved by management covering a five year period. Cash flows beyond the five period are extrapolated using estimated growth rates of 3%.

The key assumptions used for the value-in-use calculations are as follows:

	2017	2016
EBITDA growth rate	4%	6%
Discount rate	8.8%	9.3%

Management believe that any reasonable change in the key assumptions used in the calculation would not cause the carrying amount of goodwill or trademarks to exceed recoverable amounts.

4.3 Commitments

Accounting Policy

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment which are classified as operating leases as the lessor has retained substantially all the risks and rewards of ownership.

(a) Operating lease commitments

Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor.

	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	23,876	22,589
Later than one year but not later than five years	75,268	67,853
Later than five years	104,884	112,279
	204,028	202,721

(b) Other commitments for expenditure

	2017 \$'000	2016 \$'000
Raw material purchasing commitments are as follows:		
Within one year	76,716	88,081

The Group has contracts with growers which require certain minimum standards to be met. The next renewal date for approximately 60% of these contracts is 30 April 2018 with the renewal date for the remaining contracts between 5 and 25 years. The amount committed to be paid within the next year is \$18.6 million.

(c) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2017 \$'000	2016 \$'000
Property, plant and equipment and intangibles	8,985	4,457

(d) Letter of credit

	2017 \$'000	2016 \$'000
Letters of credit issued as at reporting date for purchase of capital items due for delivery after balance date	2,090	—

Notes to the financial statements (continued)

As at 30 April 2017

5 BORROWINGS AND EQUITY

5.1 Borrowings

Accounting Policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest method. 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 balance sheet date and there is no intention to repay within 12 months.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

	2017 \$'000	2016 \$'000
Secured		
Current		
Bank borrowings at amortised cost	–	130,000
Non current		
Bank borrowings at amortised cost	120,000	123,000
Total interest bearing liabilities	120,000	253,000

The banking arrangements include a working capital facility which is included within bank borrowings above.

	2017 \$'000	2016 \$'000
Bank loan facilities		
Working capital facilities	40,000	40,000
Unused at balance date	40,000	37,000

On 3 May 2016, amended banking arrangements were put in place with a net reduction in borrowings of \$130.0 million. The new arrangements are a facility of \$120.0 million and a working capital facility of \$40.0 million with both expiring in November 2018.

Interest is calculated at the BKBM floating base rate plus a margin.

The borrowings are subject to borrowing covenant arrangements. The Group has complied with all covenants during the year.

Bank borrowings are secured over the assets of the Group. The carrying value of borrowings is assumed to approximate the fair value.

The loans of the Group incurred interest at rates from 3.2% to 4.9% (2016: 5.6% to 15%).

5.2 Share capital

	Number on issue			Value		
	Ordinary shares '000	Redeemable shares '000	Total '000	Ordinary shares \$'000	Redeemable shares \$'000	Total \$'000
Share Capital						
At 26 April 2015	11,442	253,895	265,337	11,442	253,895	265,337
Issue of shares	823	18,263	19,086	823	18,263	19,086
Subdivision of shares	73,591	–	73,591	–	–	–
At 24 April 2016	85,856	272,158	358,014	12,265	272,158	284,423
Issue of shares	270,050		270,050	406,856		406,856
Redemption of shares	–	(272,158)	(272,158)	8,000	(272,158)	(264,158)
At 30 April 2017	355,906	–	355,906	427,121	–	427,121

Ordinary shares

As at 30 April 2017, ordinary shares comprised 355,906,183 (2016: 85,856,337) authorised issued and fully paid shares in Tegel Group Holdings Limited. Each share carries one voting right.

Redeemable shares

All 272,157,915 redeemable shares held by Tegel's existing shareholders were redeemed on 3 May 2016. Refer to note 1.4.

Initial public offering

On 3 May 2016 the company listed on the New Zealand and Australian stock exchanges. The listing resulted in the issue of 270,049,846 shares at an issue price of \$1.55 per share less issue related costs. Refer to note 1.4.

5.3 Reserves

	2017 \$'000	2016 \$'000
Reserves		
Hedge reserve	193	(3,148)
Share based payments reserve	245	–
	438	(3,148)

Hedge reserve

The hedging reserve is used to record gains or losses on cash flow hedge instruments, as described in Note 7.7. Hedged gains or losses are recognised in the profit and loss in the period in which the income or expense associated with the underlying transaction occurs.

The total amount of cash flow hedges reclassified from equity and included in profit or (loss) before tax for the period is (\$5.7 million) (2016: \$9.6 million).

Share based payments reserve

The share based payments reserve is used to recognise the fair value of performance rights granted but not yet vested under the long term incentive plan. Amounts are transferred to share capital when the vested performance share rights are exercised by the employee. Refer to note 6.4.

5.4 Earnings per share

Earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares on issue during the year. Diluted earnings per share assumes conversion of all dilutive potential ordinary shares in determining the weighted average number of ordinary shares on issue.

	2017 \$'000	2016 \$'000
Profit attributable to shareholders	34,245	11,311
Weighted average number of ordinary shares for basic earnings per share	350,083	84,292
Effect of dilutive ordinary shares:		
– Performance rights	879	–
Weighted average number of ordinary shares for diluted earnings per share	350,962	84,292
Basic earnings per share (cents)	9.78	13.42
Diluted earnings per share (cents)	9.76	13.42

5.5 Dividends paid

Dividends are recognised as a liability in the Group's financial statements in the period in which they are declared by the Board.

	2017		2016	
	\$'000	Cents per share	\$'000	Cents per share
Dividends paid during the year				
2017 interim dividend	12,279	3.45	–	–
Dividends declared after balance date				
2017 Final dividend	14,592	4.10	–	–

The 2017 interim and final dividends paid and declared, are fully imputed.

Notes to the financial statements (continued)

As at 30 April 2017

6 OTHER

6.1 Taxation

Accounting Policy

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognised, 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 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

	2017 \$'000	2016 \$'000
(a) Income tax expense		
Current tax		
Current tax on profits for the year	14,058	5,601
(Over) / under provided in prior years	(567)	107
Total current tax	13,491	5,708
Deferred tax		
Origination and reversal of temporary differences	(538)	(97)
(Over) / under provided in prior years	680	(218)
Total deferred tax benefit through profit and loss	142	(315)
Income tax expense	13,633	5,393
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	47,878	16,704
Tax calculated at domestic tax rate applicable to profits at 28%	13,406	4,677
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expenses	105	1,189
Revaluation of fair value of biological assets	9	(150)
Sundry items including (over) / under provided in prior years	113	(323)
Income tax expense	13,633	5,393

(c) Deferred tax liabilities

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Provisions for doubtful debts, inventory and employee benefits	(678)	(1,175)
Property, plant and equipment	8,327	8,046
Cash flow hedge reserve	76	(1,224)
Customer relationships	12,108	12,746
Net deferred tax liabilities	19,833	18,393
Movements in deferred tax:		
Opening balance	18,393	20,616
Charged / (credited) to the income statement		
Provisions for doubtful debts, inventory and employee benefits	497	769
Property, plant and equipment	281	(447)
Customer relationships	(638)	(637)
	140	(315)
Charged / (credited) directly to equity		
Cash flow hedge reserve	1,300	(1,908)
Closing balance	19,833	18,393

(d) Imputation credit account

The amount of imputation credits at balance date available for future distribution is set out below:

	2017 \$'000	2016 \$'000
Closing balance	10,616	12,468

Certain Group subsidiary companies and the parent form a consolidated group for income tax purposes. The Group imputation credit account reported above is for this tax group and is available to shareholders either directly or indirectly through their shareholding in the parent company.

6.2 Expenses

	2017 \$'000	2016 \$'000
Profit before income tax includes the following specific expenses:		
Operating lease payments	28,331	26,354
<i>Employee benefits</i>		
Wages, salaries and other employment costs	135,914	140,982
Directors' fees	382	181
Contributions to defined contribution superannuation plans	3,864	3,657
Share based payments expense	245	—
	140,405	144,820
<i>Other significant items</i>		
Listing costs	147	3,998

Notes to the financial statements (continued)

As at 30 April 2017

6 OTHER (CONTINUED)

6.3 Fees paid to auditors

	2017 \$'000	2016 \$'000
During the year the following fees were paid or payable for services provided by the auditor of the Group.		
Audit of financial statements		
Statutory audit and review of financial statement	253	280
Other services		
Tax compliance and advisory services	167	299
Other services	27	17
Total other services	194	316
IPO Services		
IPO investment statement and prospectus assurance services and other IPO related costs	–	1,301
Total remuneration for services	447	1,894

6.4 Share based payments

The Group established an equity settled share based incentive plan for senior managers and eligible employees (LTI Plan) on 20 April 2016. The plan is designed to attract and retain senior managers within the business and to align the interests of management with shareholders' interests.

Under the LTI Plan, participants are granted performance rights. Each performance right gives the participant the right to acquire one ordinary share, subject to meeting vesting conditions set by the Board. The Board has absolute discretion to invite employees or contractors of the Group to participate in the LTI Plan and to set the terms and conditions of the performance rights to be granted, consideration for the grant (if any) and the vesting conditions attached to those performance rights.

The fair value of performance rights granted is recognised as an employee expense in the income statement with a corresponding increase in the share based payments reserve. The fair value is measured at grant date and spread over the vesting period. The fair value of the performance rights granted is independently assessed, taking into account the terms and conditions upon which the performance rights were granted. When performance rights are exercised the amount in the share based payments reserve relating to those performance rights is transferred to share capital. When any vested performance rights lapse, upon unexercised performance rights reaching maturity, the amount in the share based payments reserve relating to those performance rights is transferred to share capital, or to retained earnings if the performance rights lapse due to market conditions not being met.

During the year, the Board approved an initial grant of performance rights. The number of performance rights was determined by dividing the grant value by the fair value of the performance rights. Participants did not pay any consideration for the performance rights and once they vest, participants will not pay any issue price when they elect to acquire ordinary shares in exchange for their vested performance rights.

Vesting of performance rights on issue is conditional on Tegel's total shareholder return over the vesting period being positive, ranking above the 50th percentile of total shareholders returns for companies in the S&P/NZX50 and the participant remaining employed by the Group at the time of vesting. The vesting period ends after the announcement of the Group's financial results for the 2019 financial year.

The number of performance rights that will vest will be calculated on a straight line basis where the Group's total shareholder return ranks between the 50th and 75th percentile, and all of the performance rights will vest where the Group's total shareholder return ranks 75th percentile or above. Once vested, the performance rights remain exercisable for a period of six months.

	Share price at grant date	Number of performance rights	
	\$	2017 000	2016 000
Opening balance		–	–
Granted during the year	1.63	894	–
Closing balance		894	–

The fair value of the performance rights granted during the year was \$0.8 million and was determined taking into account a range of factors including share price at grant date and expected price volatility.

Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2017 \$'000	2016 \$'000
Expenses for equity settled share based payment transactions	245	–

6.5 Related party transactions

(a) Parent entities

The ultimate Parent entity within the Group is Tegel Group Holdings Limited (incorporated in New Zealand) of which 45.0% (2016: 87.3%) of the ordinary shares are owned by Claris Investments Pte. Limited as at balance date.

(b) Key management personnel compensation

The key management are the management who have the greatest authority for the strategic direction and operational management of the Group. Directors fees and payments to the senior management team are included below:

	2017 \$'000	2016 \$'000
Short term employee benefits	3,346	12,052
Payments to Directors ¹	382	260
Contributions to defined contribution superannuation plans	127	116
Share based payments expense	245	–
	4,100	12,428

¹ Prior year payments to directors include directors fees post appointment on 30 March 2016 and payments for work completed for the listing of the Group prior to appointment as directors.

(c) Transactions with related parties

The following transactions occurred with related parties:

	2017 \$'000	2016 \$'000
<i>Balances with related parties:</i>		
Current payable to Affinity Equity Partners	–	(90)
	–	(90)

(i) Affinity Equity Partners advises Claris Investments Pte. Limited and as such is considered a related party. During the year various expenses totalling \$0.06 million (2016:\$0.3 million) including travel costs were incurred by Affinity Equity Partners on behalf of Tegel Group Holdings Limited. These have been on charged to the Group.

(ii) During the year, redeemable shares held by Senior Management were fully redeemed. New ordinary shares were issued by the Company to Senior Management which were subscribed for in cash and acquired on the same terms and conditions that applied to other shareholders.

(iii) During the year, redeemable shares held by Claris Investment Pte. Limited were fully redeemed. New ordinary shares were issued by the Company to Claris Investment Pte. Limited which were subscribed for in cash and acquired on the same terms and conditions that applied to other shareholders.

(iv) Directors of the group control 0.3% of the voting shares of the company at balance date.

6.6 Contingencies

As at 30 April 2017 the Group had no contingent liabilities or assets.

6.7 Significant events after balance date

On 27 June 2017 the Board approved the payment of a fully imputed 2017 final dividend of \$14,592,154 (4.10 cents per share) to be paid on 27 July 2017. In addition, a supplementary dividend totalling approximately \$476,593 (0.72 cents per share) was also approved for eligible non-resident shareholders.

Notes to the financial statements (continued)

As at 30 April 2017

6 OTHER (CONTINUED)

6.8 Other accounting policies

(a) Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

(c) Goods and Services Tax (GST)

The income statement and the statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(d) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(e) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 30 April 2017 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

NZ IFRS 16: *Leases*

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'.

The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

NZ IFRS 15: *Revenue from contracts with customers*

NZ IFRS 15, 'Revenue from contracts with customers' establishes the framework for revenue recognition. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.

The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Group.

NZ IFRS 9: *Financial instruments*

NZ IFRS 9, 'Financial instruments' replaces NZ IAS 39 'Financial Instruments: Recognition and measurement'. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and introduced a new impairment model.

The group intends to adopt NZ IFRS 9 on its effective date and is currently assessing its full impact. The standard is not expected to significantly impact the Group.

Notes to the financial statements (continued)

As at 30 April 2017

7 FINANCIAL RISK MANAGEMENT

7.1 Financial instruments by category

Accounting Policy

Offsetting financial instruments

Financial instruments and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously.

The Group's activities expose it to a variety of material financial risks including currency, interest rate, credit, and liquidity risks. 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. The Group uses different methods to measure and mitigate different types of risk to which it is exposed. Risk management is carried out under policies approved by the Board of Directors and executive management. The financial instruments are classified in the following way:

Financial instruments	Classification	Explanation
Derivatives	Fair value through profit and loss	These instruments are used to hedge currency movements and changes to interest rates.
Cash and cash equivalents	Loans and receivables and liabilities held at amortised cost. The carrying amount is considered a reasonable approximation of fair value due to their nature and the impact of discounting not being significant.	These relate to the normal operating needs of the business and the day-to-day operations.
Trade and other receivables		
Trade and other payables		
Borrowings		

7.2 Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to receivables from customers. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are acceptable.

If wholesale customers are independently rated, their ratings are used. Otherwise, if there is no independent rating, credit risk of customers is managed by credit checking procedures and the application of and adherence to credit limits. The Group uses several tools to mitigate upfront risk including the use of independent credit ratings, credit references, past experience, financial reviews and obtaining security assets.

The maximum credit risk on cash and cash equivalents, trade and other receivables and derivative financial instruments is best represented by their carrying amounts.

7.3 Market risk

(i) Cash flow and fair value interest rate risk

The Group's 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. The Group manages its cash flow interest rate risk within the parameters of its banking facility agreements, including the use of Board approved instruments such as interest rate swaps.

(ii) Foreign exchange risk

Foreign exchange risk arises when future operational transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Forward contracts are the key instrument used to manage foreign exchange risk although other derivatives approved by the Board may be used from time to time.

The Group's material exposure during the reporting period was to USD and AUD denominated grain and other animal feed imports, and AUD denominated export sales.

(iii) Summarised sensitivity analysis

As cash balances are not subject to foreign exchange risk, these have been excluded from this analysis. Interest rate risk and foreign exchange risk assumptions have been made on estimated changes in the market.

Interest rate risk

At 30 April 2017 if market interest rates had been 1% higher/lower with all other variables held constant, post tax profit for the year would have been \$0.9 million (2016: \$1.5 million) lower/higher mainly as a result of higher/lower interest expense on floating borrowings.

Foreign exchange risk

At 30 April 2017 if foreign exchange rates had been 10% higher with all other variables held constant, equity would have been \$2.0 million (2016: \$5.0 million) lower as a result of a change in fair value of derivatives designated as cash flow hedges.

At 30 April 2017 if foreign exchange rates had been 10% lower with all other variables held constant, equity would have been \$2.5 million (2016: \$6.4 million) higher as a result of an increase in fair value of derivatives designated as cash flow hedges.

7.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to pay debts when they fall due.

The Group was in compliance with all of its banking facility agreements as at 30 April 2017.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are calculated using estimated cash outflows. Interest rate swaps cash outflows have been calculated using the forward interest rates applicable at the reporting date.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
30 April 2017						
Trade payables	66,600	–	–	–	66,600	66,600
Interest Bearing Liabilities	4,128	2,126	120,000	–	126,254	120,000
Interest rate swaps	–	–	–	–	–	–
Forward foreign exchange contracts inflow	(91,894)	–	–	–	(91,894)	–
Forward foreign exchange contracts outflow	93,882	–	–	–	93,882	–
Net Forward foreign exchange contracts	1,988	–	–	–	1,988	1,978
Total	72,716	2,126	120,000	–	194,842	188,578
24 April 2016						
Trade payables	81,977	–	–	–	81,977	81,977
Interest Bearing Liabilities	134,560	4,560	125,349	–	264,468	253,000
Interest rate swaps	–	–	–	–	–	–
Forward foreign exchange contracts inflow	(165,391)	–	–	–	(165,391)	–
Forward foreign exchange contracts outflow	171,053	–	–	–	171,053	–
Net Forward foreign exchange contracts	5,663	–	–	–	5,663	5,629
Total	222,199	4,560	125,349	–	352,107	340,605

7.5 Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern and to maintain an optimal capital structure, so that they can continue to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or apply cash reserves to reduce debt.

The Group monitors capital, being the total equity of the group in conjunction with the financial undertakings pursuant to its debt financing agreements. These financial undertakings include an Interest Cover Ratio, Senior Leverage Ratio and Debt Service Cover Ratio. The Group ensures that it operates within the parameters of these financial undertakings at all times.

Notes to the financial statements (continued)

As at 30 April 2017

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

7.6 Fair value estimation

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

The following table presents the Group's assets and liabilities that are measured at fair value by level of fair value measurement hierarchy.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated				
At 30 April 2017				
ASSETS				
Biological assets			32,872	32,872
Derivatives used for hedging	–	1,635	–	1,635
Total assets	–	1,635	32,872	34,507
LIABILITIES				
Derivatives used for hedging	–	1,978	–	1,978
Total Liabilities	–	1,978	–	1,978
At 24 April 2016				
ASSETS				
Biological assets			31,517	31,517
Derivatives used for hedging	–	386	–	386
Total assets	–	386	31,517	31,903
LIABILITIES				
Derivatives used for hedging	–	5,629	–	5,629
Total Liabilities	–	5,629	–	5,629

Financial instruments and biological assets are categorised based on the following fair value measurement hierarchy:

Level 1

Level 1 includes instruments where fair value measurement is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The Group has no financial instruments measured at fair value in level 1.

Level 2

Level 2 includes instruments where fair value measurement is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is derived from prices).

Financial instruments measured at fair value included in level 2 comprise derivatives used for hedging. The fair value of derivatives that are not traded in an active market is determined by valuation techniques. All significant inputs used to fair value derivatives used for trading are observable and therefore these instruments are included at level 2.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates.

The fair value of forward exchange contracts is calculated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Level 3

Level 3 includes instruments where fair value measurement is based on unobservable inputs.

The Group only has biological assets measured at fair value in level 3.

7.7 Derivatives

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss 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; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the 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.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss.

Amounts accumulated in equity are recycled to profit and loss in the periods when the hedged item will affect profit and loss (for instance when the forecast purchase or sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit and loss.

	2017 \$'000	2016 \$'000
Current assets		
Forward foreign exchange contracts – cash flow hedges	1,635	386
Total derivative financial instrument assets	1,635	386
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	1,978	5,629
Total derivative financial instrument liabilities	1,978	5,629
Net derivative financial instrument assets/(liabilities)	(343)	(5,243)

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies.

(i) Forward exchange contracts – cash flow hedges

The Group operations are primarily domestic but also involve international purchases and exports. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase United States dollars, Australian dollars and Euros and to sell Australian dollars.

These contracts are hedging highly probable forecasted purchases and sales for future financial years. The contracts are timed to mature when payments for major purchases including grain shipments are scheduled to be made and when sales receipts are expected to be received.

During the period ended 30 April 2017, all hedges were fully effective.

Notes to the financial statements (continued)

As at 30 April 2017

8 COMPARISON TO PROSPECTIVE FINANCIAL STATEMENTS

8.1 Prospective statement of comprehensive income

For the year ended 30 April 2017

	Actual 2017 \$'000	Prospective 2017 \$'000
Revenue	613,978	636,975
Cost of sales	(468,922)	(473,919)
Gross profit	145,056	163,056
	23.6%	25.6%
Expenses		
Distribution	(53,173)	(54,006)
Administration ¹	(35,564)	(38,531)
Other ¹	(2,423)	(2,276)
Finance income	132	–
Finance costs	(6,150)	(7,061)
Profit before income tax	47,878	61,182
Income tax expense	(13,633)	(17,215)
Profit for the year attributable to shareholders of the parent	34,245	43,967
Other comprehensive income:		
<i>Items that will be subsequently reclassified to profit and loss</i>		
Cash flow hedges, net of tax	3,342	–
Other comprehensive income for the year, net of tax	3,342	–
Total comprehensive income for the year	37,587	43,967
Calculation of EBITDA:		
Profit for the year	34,245	43,967
Income tax expense	13,633	17,215
Net finance costs	6,018	7,061
Depreciation and amortisation	19,485	19,178
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	73,381	87,421

¹ Administration and other expenses current year actuals have been reclassified where necessary, to conform with the presentation of the prospective financial information to enable a fair comparison.

Explanation of variances

Revenue is lower than forecast due to competitive domestic pricing during the year. Gross profit was below forecast due to lower sales volume offset in part by improved efficiencies. Distribution and administration expenses were lower than forecast as a result efficiencies achieved during the year.

Movement in reserves is due to the mark to market value of derivatives being lower than the Prospective Financial Information (PFI).

8.2 Prospective balance sheet

As at 30 April 2017

	Actual 2017 \$'000	Prospective 2017 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	13,406	23,038
Trade and other receivables ¹	68,951	86,953
Inventories ¹	79,171	86,896
Derivative financial instruments	1,635	–
Biological assets	32,872	34,756
Deferred IPO costs	–	–
Total current assets	196,035	231,643
Non-current assets		
Property, plant and equipment	163,663	158,507
Receivables	329	–
Intangible assets	333,608	333,203
Total non-current assets	497,600	491,711
Total assets	693,635	723,354
LIABILITIES		
Current liabilities		
Tax payable	3,113	6,151
Derivative financial instruments	1,978	–
Trade and other payables	66,600	88,991
Total current liabilities	71,691	95,142
Non-current liabilities		
Deferred tax liabilities	19,833	16,682
Borrowings	120,000	120,013
Total non-current liabilities	139,833	136,695
Total liabilities	211,524	231,836
Net assets	482,111	491,518
EQUITY		
Issued capital	427,366	428,560
Reserves	193	–
Retained earnings	54,552	62,958
Total equity	482,111	491,518

¹ Trade and other receivables, inventory, issued capital and reserves current year actuals have been reclassified where necessary, to conform with the presentation of the prospective financial information to enable a fair comparison.

Explanation of variances

Cash was lower than forecast due to the cash effect of reduced sales, higher than forecast spend on capital projects partially offset by favourable timing of payments and cash receipts. Trade and other receivables were lower than forecast due to higher than forecast cash receipts. Inventories were lower than forecast due to timing of raw material shipments and a reduction in finished goods. Tax payable was lower due to lower than forecast net profit.

Trade and other payables were lower than forecast due to timing of cash payments. Derivative financial instruments were revalued at year end.

Notes to the financial statements (continued)

As at 30 April 2017

8 COMPARISON TO PROSPECTIVE FINANCIAL STATEMENTS (CONTINUED)

8.3 Prospective statement of changes in equity

For the year ended 30 April 2017

	Actual 2017 \$'000	Prospective 2017 \$'000
Total equity		
Balance at beginning of year	313,860	315,685
Issue of shares during the year	142,698	144,137
Movement in fair value of share based payments reserve	245	–
Other comprehensive income for the year, net of tax	3,342	–
Profit for the year	34,245	43,967
Dividends paid	(12,279)	(12,271)
Balance at end of year	482,111	491,518
Equity breakdown by component		
Issued capital ¹	427,366	428,560
Reserves ¹	193	–
Retained earnings	54,552	62,958
Total equity	482,111	491,518

¹ Issued capital and reserves current year actuals have been reclassified where necessary, to conform with the presentation of the prospective financial information to enable a fair comparison.

Explanation of variances

Equity was impacted by the recognition of fair value movements in respect of cashflow hedge accounted foreign exchange contracts and the lower profit achieved for the forecast period.

8.4 Prospective statement of cash flows

For the year ended 30 April 2017

	Actual 2017 \$'000	Prospective 2017 \$'000
Cash flows from operating activities		
Receipts from customers	626,245	639,909
Net GST collected	2,340	442
Net income tax (paid) / received	(11,416)	(14,879)
Payments to suppliers	(423,030)	(427,261)
Payments to employees ¹	(136,417)	(131,176)
Other operating expenses ¹	(12,145)	(11,950)
Net cash inflow from operating activities	45,577	55,085
Cash flows from investing activities		
Payments for property, plant and equipment	(28,795)	(23,013)
Payments for intangibles	(1,427)	(1,000)
Proceeds from sale of property, plant and equipment	65	–
Increase in other non current assets	23	–
Net cash (outflow) / inflow from investing activities	(30,134)	(24,013)
Cash flows from financing activities		
Proceeds from borrowings ¹	117,000	118,113
Issue of ordinary shares net of redemption of redeemable shares ¹	154,419	156,549
Repayment of principal on borrowings ¹	(250,000)	(250,000)
Payment of interest and financing costs	(4,433)	(8,213)
Payment of costs related to listing	(10,746)	(12,712)
Payment of dividends	(12,279)	(12,271)
Net cash outflow from financing activities	(6,039)	(8,534)
Net increase / (decrease) in cash and cash equivalents	9,404	22,538
Cash and cash equivalents at the beginning of the financial year	4,002	500
Cash and cash equivalents at end of year	13,406	23,038

¹ Payments to employees, other operating expenses, proceeds from borrowings, repayment of principal on borrowings and issue of ordinary shares current year actuals have been reclassified where necessary, to conform with the presentation of the prospective financial information to enable a fair comparison.

Explanation of variances

Lower than forecast sales and additional capital spend have been offset in part by lower costs, lower tax payments, and the improved timing of payments from forecast.

Corporate Governance

The Board and management of Tegel are committed to ensuring that Tegel maintains corporate governance practices in line with current best practice and adheres to the highest ethical standards.

Tegel listed on the New Zealand stock exchange (NZX Main Board) and on the Australian Securities Exchange (ASX) as an ASX Foreign Exempt Listing on 3 May 2016. As an ASX Foreign Exempt Listing, Tegel must comply with the NZX Listing Rules (other than as waived by NZX) and with the ASX Listing Rules to the extent specified in ASX Listing Rule 1.15.

Corporate governance principles and guidelines have been introduced in both New Zealand and Australia. These include the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition) (which Tegel is not required to comply with as an ASX Foreign Exempt Listing), the New Zealand Stock Exchange Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code, and the Financial Markets Authority Handbook 'Corporate Governance in New Zealand Principles and Guidelines' (collectively, the 'Principles').

Tegel has performed a review of its corporate governance practices against the NZX Corporate Governance Code published May 2017. Tegel's corporate governance practices are consistent with the new code, except that Tegel does not currently have a formalised Takeover Protocol. The Board has commenced work on this, which it expects to complete in the first half of FY18.

Tegel has adopted charters and policies that document its governance practices. The Board considers that the Company's corporate governance practices and procedures substantially reflect the Principles. In this Corporate Governance Statement we report on how the Company has followed the recommendations set out in the Principles.

The full content of the Company's corporate governance policies can be found on the corporate governance section of the Company's website – investors.tegel.co.nz

ETHICAL STANDARDS

Code of Conduct

The Board recognises that high ethical standards and behaviours are central to good corporate governance and has implemented a Code of Conduct to guide the behaviour of its directors, senior managers and employees. Tegel's Code of Conduct establishes the framework by which directors and staff of Tegel are expected to conduct their professional lives by facilitating behaviour and decision-making that meets Tegel's business goals and is consistent with Tegel's values, policies and legal obligations. Tegel's Code of Conduct is available on Tegel's website and the intranet and forms part of the induction process for new employees. Tegel encourages staff to report any concerns they have about compliance with the Code of Conduct, Tegel policies or legal obligations.

The Code of Conduct addresses:

- Conflicts of interest;
- Confidentiality;
- Behaviours and responsibilities;
- Proper use of Tegel property and information;
- Compliance with laws and Tegel policies; and
- Reporting issues regarding breaches of the Code, legal obligations or other Tegel policies.

Securities Trading Policy and Guidelines

The Company is committed to complying with legal and statutory requirements with respect to ensuring directors and employees do not (and do not advise or encourage others to) trade Tegel shares while in possession of inside information.

Tegel's Securities Trading Policy and Guidelines (Securities Trading Policy) applies to all directors, officers and employees of Tegel and its subsidiaries. This Policy seeks to ensure that any such person who holds undisclosed price sensitive information does not:

- Trade in Tegel securities;
- Advise or encourage others to trade or hold Tegel shares; and/or
- Pass that price sensitive information onto others.

The Policy sets out additional rules, which includes the requirement for certain, restricted persons to seek the Company's consent before trading and prescribes certain periods during which trading is not permitted.

Compliance with the Securities Trading Policy is monitored through the consent process, education and via notification by Tegel's share registrar when any director or senior manager trades in Tegel securities. All trading by directors and senior managers (as defined by the Financial Markets Conduct Act 2013) is required to be reported to NZX and recorded in Tegel's securities trading registers.

In addition to the restrictions outlined above, directors and the senior managers who held or acquired shares in Tegel at the time of listing entered into escrow arrangements with Tegel. Under these arrangements, each escrowed shareholder agreed not to sell or otherwise dispose of any of the escrowed shares until the first business day after Tegel's preliminary announcement had been released in respect of its financial results for the year ending 30 April 2017. Claris Investments Pte. Limited (Claris) also entered into escrow arrangements with Tegel. Under these arrangements Claris was able to dispose of up to 50% of its shares prior to this date if the volume weighted average price of shares on any 10 consecutive NZX trading days following the date on which Tegel announced its results for the half-year ending 23 October 2016 was at least 20% higher than the price at which the shares were allotted under the Initial Public Offer.

These restrictions no longer apply and therefore the escrowed shares can be sold.

The total percentage of shares that were subject to the escrow arrangements was 45.8% of the total number of ordinary shares in Tegel. In total there were 163,095,431 ordinary shares subject to voluntary escrow.

Tegel's Securities Trading Policy is available on the Company's website.

BOARD OF DIRECTORS

Role of the Board

The Board is the ultimate decision-making body of the Company.

It is tasked with setting the tone that determines the Company's relationship with shareholders and all stakeholders. The Board sets the strategic direction of the Company and selects the Chief Executive Officer whom it delegates to operate the business. The Board oversees the Senior Management Team and ultimately monitors performance of the Company on behalf of all shareholders. The Board is responsible for the corporate governance of the Company.

The Board has adopted a Board Charter that regulates internal Board procedures and describes the Board's specific role and responsibilities. The Board delegates the day-to-day affairs and responsibilities of the Company to the Senior Management Team under the leadership of the Chief Executive Officer. The Chief Executive Officer has, in some cases, formally delegated certain authorities to his direct reports within set limits. The Board regularly monitors and reviews management's performance in the execution of its delegated responsibilities.

The Board met for eight regularly scheduled meetings during the year ending 30 April 2017. The Board intends to meet no less than seven times during the period ending 29 April 2018.

Board attendance

Director	Number of meetings attended
David Jackson	8/8
Tang Kok Yew	7/8
Phil Hand	8/8
Brett Sutton	8/8
George Adams	7/8
James Ogden	8/8

Denominator indicates the total number of meetings held during the period ended 30 April 2017.

Board Membership, Size and Composition

The NZX Listing Rules state that the number of directors must not be fewer than three and a Board must have at least two independent directors. Subject to this limitation, and in accordance with the provisions of Tegel's constitution and the Board Charter, which prescribe a maximum of eight directors, the size of the Board is determined by the Board from time to time.

As at 30 April 2017, the Board comprised six directors, an independent non-executive Chairman (James Ogden), two independent non-executive directors (David Jackson and George Adams), two non-independent non-executive directors (Tang Kok Yew and Brett Sutton – both representatives of the majority shareholder, Claris Investments Pte. Limited), and one executive director (Phil Hand).

On 5 May 2017 independent non-executive Chairman James Ogden resigned from the Board and independent non-executive director David Jackson was appointed Chairman. Tegel has commenced the search for a new independent non-executive director. A biography of each current director is set out on pages 24 to 25 of this Annual Report.

The Board has delegated to the Governance and Remuneration Committee the responsibility for recommending candidates to be nominated as directors. When recommending candidates to act as director, the Committee will take into account factors as it deems appropriate, including the diversity of background, experience and qualifications of the candidate. When appointing directors, the Board undertakes appropriate background checks.

As Tegel operates in specialised markets, the Board believes that it is important to have directors with a broad range of experience and skills, both locally and internationally, that are appropriate to meet its objectives. The skills and experience of individual directors is set out in the directors profiles on pages 24 to 25.

Independence of Directors

The factors the Company takes into account when assessing the independence of its directors are set out in the NZX Listing Rules and ASX Best Practice Corporate Governance Recommendations.

Generally, a director is considered to be independent if that director is not an executive of Tegel and if the director has no direct or indirect interest or relationship that could reasonably influence, in a material way, the director's decisions in relation to Tegel.

The Board will review any determination it makes on a director's independence on becoming aware of any new information that may affect that director's independence. For this purpose, directors are required to ensure they immediately advise Tegel of any new or changed relationship that may affect their independence or result in a conflict of interest.

The Board supports the separation of the role of Chairman and Chief Executive Officer. The Chairman is required to be an independent director. The Chairman's role is to manage and provide leadership to the Board and to facilitate the Board's interface with senior executives including the Chief Executive Officer. The current Chairman, David Jackson, was appointed on 5 May 2017 and is an independent, non-executive director.

Board Appointment, Training and Evaluation

At the time of appointment, a director is introduced to the business through a specifically tailored induction programme, including site visits. Upon appointment, each new director receives a copy of Tegel's Corporate Governance Manual (comprising all of Tegel's core governance documents). All directors are regularly updated on relevant industry and Company issues and are expected to undertake training to remain current on how to best perform their duties as directors of Tegel.

All directors have access to senior management to discuss issues or obtain information on specific areas or items to be considered at the Board meeting or other areas they consider appropriate. The Board, Board committees and each director have the right to seek independent professional advice at Tegel's expense to assist them in carrying out their responsibilities.

The Board has implemented a policy in relation to the performance evaluation of the Board, the Board's committees, individual directors and senior executives. The first performance evaluation of the Board has taken place during the year ending 30 April 2017, in accordance with the Company's governance documents. The evaluation revealed a well co-ordinated and effectively functioning board.

The procedure for the appointment and removal of directors is ultimately governed by the Company's constitution. A director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy. Any shareholder holding 15% or more of the shares in the Company is entitled to appoint one or more directors in accordance with the Company's constitution.

Every director appointed by the Board must submit himself or herself for reappointment by shareholders at the next annual meeting following his or her appointment. Directors are subject to the rotation requirements set out in the NZX Listing Rules.

Conflicts of Interest

The Board is conscious of its obligations to ensure that directors avoid conflicts of interest (both real and perceived) between their duty to Tegel and their other interests. Accordingly, the Board has adopted a comprehensive Conflicts of Interest Policy to ensure that directors conduct themselves impartially at all times and that any conflicts of interest are identified, disclosed and impartially managed. Tegel maintains an interests register in which relevant disclosures of interest and securities dealings by the directors are recorded.

Corporate Governance (continued)

Company Secretary

The Company Secretary, Peter McHugh, is directly accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board.

BOARD COMMITTEES

The Board uses committees to deal with issues requiring detailed consideration, thereby enhancing the efficiency and effectiveness of the Board. However, the Board retains ultimate responsibility for the functions of its committees and determines each committee's roles and responsibilities. The current committees of the Board are:

- Audit and Risk Committee; and
- Governance and Remuneration Committee.

The Governance and Remuneration Committee carries out the function of a nominations committee on behalf of the Board. Details of the roles and responsibilities of these committees are described in their respective charters and summarised below. The Committee Charters are available on Tegel's website.

Audit and Risk Committee

The primary function of the Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities relating to the Company's:

- Risk management and internal control framework;
- Financial reporting and auditing processes;
- Tax and treasury management; and
- Legislative and regulatory compliance.

In particular, the Audit and Risk Committee oversees the financial reporting process to ensure the balance, transparency and integrity of published financial statements.

The Audit and Risk Committee was constituted on 3 May 2016 (immediately prior to listing) and held four meetings during the period ended 30 April 2017. The Committee intends to hold at least three meetings during the period ending 29 April 2018.

Under the Audit and Risk Committee Charter, the Committee must be comprised of a minimum of three members who are each a non-executive director, the majority of whom are also independent directors and at least one director with an accounting or financial background. Further the Chairman of the Committee is required to be independent and not be the Chairman of the Board.

The current members of the Committee are George Adams (Chair) and David Jackson (both independent) and Brett Sutton. All members are non-executive directors. David Jackson was the Chairman of the Committee until 5 May 2017. George Adams was appointed Chairman of the Committee on the same day.

Audit and Risk Committee attendance

Director	Number of meetings attended
David Jackson	4/4
George Adams	3/4
Brett Sutton	4/4
James Ogden ¹	4/4

Denominator indicates the total number of meetings held during the period ended 30 April 2017.

¹ James Ogden attended all Audit and Risk Committee meetings as Chairman of the Board, ex officio.

Governance and Remuneration Committee

The primary function of the Governance and Remuneration Committee's role is to assist the Board by:

- Overseeing remuneration policies and practice;
- Overseeing management succession planning and, governance practices at Tegel;
- Considering the composition of the Board; and
- Recommending candidates to fill Board vacancies as and when they arise; and
- Overseeing governance practices at Tegel.

The Committee held four meetings during the year ended 30 April 2017. The Committee intends to hold at least three meetings during the period ending 29 April 2018.

Under the Governance and Remuneration Committee Charter, the Committee must be comprised of a minimum of three members, a majority of whom are independent directors and at least one director with listed company experience.

The current members of the Committee are George Adams (Chair) and David Jackson (both independent) and Brett Sutton. Independent director James Ogden was a member of the Committee until 5 May 2017. Independent director David Jackson joined the committee on 5 May 2017.

Governance and Remuneration Committee attendance

Director	Number of meetings attended
George Adams	3/4
James Ogden	4/4
Brett Sutton	4/4

Denominator indicates the total number of meetings held during the period ended 30 April 2017.

Board Sub-Committee

From time to time, the Board may constitute an ad-hoc committee to deal with a particular issue that requires specialised knowledge and experience.

A Board Sub-Committee comprised of the Chairman, the Chairman of the Audit Committee, Brett Sutton (non-executive Director) and the Chief Executive Officer was formed on two occasions. The purpose of the Board Sub-Committee was to approve adjustments made to the accounts and results release documentation, following meetings of the Audit and Risk Committee and Board, and to approve the release of the final accounts and related documentation at the full-year and half-year, respectively.

REPORTING AND DISCLOSURE

Financial Reporting

The Board is responsible for ensuring the integrity of its financial reporting. As noted above under 'Board Committees', the Audit and Risk Committee closely monitors financial reporting risks in relation to the preparation of the financial statements. The Audit and Risk Committee, with the assistance of management, works to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. As part of this process, the Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board that, to the best of their knowledge, the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with the relevant accounting standards and those reports are founded on a sound system of risk management and internal control, which is operating effectively.

Continuous Disclosure Policy

Tegel is committed to the promotion of investor confidence by ensuring that the trading of Company shares takes place in an efficient, competitive and informed market. The Company's Continuous Disclosure Policy establishes the Company's policies for meeting the continuous disclosure requirements of the NZX Main Board. A copy of the Continuous Disclosure Policy is available on the Company's website.

REMUNERATION

Non-Executive Director Remuneration

The maximum total monetary sum payable by the Company by way of non-executive directors' fees (in their capacity as directors of Tegel or any of its subsidiaries) is \$600,000 per annum, as approved by shareholders in advance of listing. The fees for non-executive directors vary depending on their duties, including for committee work, as detailed in the table below. The total pool of director fees has been fixed at the amount specified above to allow for the appointment of new non-executive directors or replacement of non-executive directors in the event that the existing non-independent, non-executive directors were to resign at any time in the future.

Non-executive directors do not take a portion of their remuneration under an equity security plan but directors may hold shares in the Company, details of which are set out in the Director Independence and Interests Disclosures section.

The non-executive directors are entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings or otherwise in connection with Tegel's business. No retirement allowances will be paid to the non-executive directors on their retirement.

Non-executive directors received the following directors' fees, remuneration and other benefits from the Company in the period ended 30 April 2017:

Name of director	Director Fees	Remuneration & Governance Committee Fees	Audit & Risk Committee Fees	Total
David Jackson	90,000	–	15,000	105,000
Tang Kok Yew	–	–	–	–
Brett Sutton	–	–	–	–
George Adams	90,000	10,000	7,000	107,000
James Ogden ¹	170,000	–	–	170,000
TOTAL	350,000	10,000	22,000	382,000

¹ James Ogden resigned on 5 May 2017.

Corporate Governance (continued)

Executive Director Remuneration

Phil Hand receives remuneration and other benefits in his role as CEO. He does not receive any additional remuneration in his capacity as a director. Phil Hand received remuneration (inclusive of the value of benefits) during, and in respect of, the period ended 30 April 2017 of \$768,096. Phil Hand was granted 333,333 performance rights under a long-term incentive plan (LTI Plan) in May 2016 – see Senior Manager and Employee Remuneration below for details on the LTI Plan.

Each year, key performance objectives are set for the CEO, which are approved by the full Board. The Board annually reviews and evaluates the performance of the CEO against those objectives.

Senior Manager and Employee Remuneration

The remuneration policy for senior management is designed to attract, reward and retain high quality employees who will enable the Company to achieve its short and long term objectives.

The remuneration packages of senior management consist of a combination of fixed remuneration, a variable at-risk cash-based short-term incentive bonus (if pre-determined Company and individual performance objectives are met) and a discretionary long-term incentive component. Each year a review is carried out to benchmark salaries with market increases and adjustments are made accordingly.

Tegel has implemented a long-term incentive for senior managers and eligible employees (LTI Plan). This is designed to attract and retain senior managers within the business and to align the interests of management with shareholders' interests.

Under the LTI Plan, participants are granted performance rights. Each performance right gives the participant the right to acquire one ordinary share, subject to meeting vesting conditions set by the Board. The Board has an absolute discretion to invite employees or contractors of the Tegel Group to participate in the LTI Plan and to set the terms and conditions of the performance rights at the time they are granted, including the number of performance rights to be granted, consideration for the grant (if any) and the vesting conditions attached to those performance rights.

The Board approved an initial grant of performance rights in May 2016, having the grant value set out in the PDS. No further performance rights were granted during the year. The number of performance rights has been determined by the Board by dividing the grant value by the fair value of the performance rights. Participants do not pay any consideration for the performance rights and once they vest, participants will not pay any issue price when they elect to acquire ordinary shares in exchange for their vested performance rights.

Vesting of performance rights on issue is conditional on meeting a performance hurdle relating to Tegel's total shareholder return over the vesting period (ending after Tegel announces its financial results for the 2019 financial year) being positive and ranking above the 50th percentile of total shareholder returns for companies in the S&P / NZX50; and the participant remaining employed by the Group at the time of vesting. The number of performance rights that will vest will be calculated on a straight line basis where Tegel's total shareholder return ranks between the 50th and 75th percentile, and all of the performance rights will

vest where Tegel's total shareholder return ranks 75th percentile or above.

The Governance and Remuneration Committee is responsible for overseeing the remuneration and performance assessments of the Company's senior management team upon the recommendation of the CEO of the Company. The performance of senior executives is reviewed regularly by the CEO who meets with each senior executive to discuss their performance, as measured against key performance targets (both financial and non-financial) previously established and agreed with that executive. During the year ended 30 April 2017, performance reviews took place in accordance with that process.

The number of employees or former employees of the Group who, not being directors of Tegel, received remuneration and any other benefits in their capacity as employees in respect of FY2017 that in value was or exceeded \$100,000 per annum was as follows:

Remuneration bracket	Number of employees
\$100,000 – \$110,000	29
\$110,001 – \$120,000	24
\$120,001 – \$130,000	13
\$130,001 – \$140,000	10
\$140,001 – \$150,000	11
\$150,001 – \$160,000	9
\$160,001 – \$170,000	7
\$170,001 – \$180,000	4
\$180,001 – \$190,000	2
\$190,001 – \$200,000	2
\$200,001 – \$210,000	2
\$210,001 – \$220,000	1
\$220,001 – \$230,000	2
\$230,001 – \$240,000	2
\$240,001 – \$250,000	1
\$250,001 – \$260,000	4
\$260,001 – \$270,000	2
\$270,001 – \$280,000	2
\$280,001 – \$290,000	2
\$290,001 – \$300,000	2
\$300,001 – \$310,000	2
\$310,001 – \$320,000	2
\$320,001 – \$330,000	2
\$330,001 – \$340,000	2
\$340,001 – \$350,000	2
\$350,001 – \$360,000	2
\$360,001 – \$370,000	2
\$370,001 – \$380,000	2
\$380,001 – \$390,000	2
\$390,001 – \$400,000	2
\$400,001 – \$410,000	2
\$410,001 – \$420,000	2
\$420,001 – \$430,000	2
\$430,001 – \$440,000	2
Total	125

* The table includes base salaries, short-term incentives and vested or exercised long-term incentives. The table does not include: long-term incentives that have been granted and have not yet vested. Where the individual is a KiwiSaver member, contributions of up to 4% of gross earnings towards that individual's KiwiSaver scheme are included in the above table. Where the individual works in Australia contributions of 9.5% of gross earnings towards Australian Superannuation are included in the above table. The remuneration of those employees paid outside of New Zealand has been converted into New Zealand dollars. No employee appointed as a director of a subsidiary company of Tegel receives any remuneration or other benefits for acting in this capacity.

DIVERSITY

The Board is committed to having an inclusive workplace that embraces and values diversity while always upholding the principle of meritocracy. The Board recognises that building diversity across Tegel will contribute to the achievement of its corporate objectives (including optimising financial performance in a competitive labour market) and will enhance its reputation.

On 2 May 2016 Tegel adopted a Diversity Policy and is committed to achieving diversity in the skills, attributes and experience of its Board members, management and staff across a broad range of criteria (including, but not limited to, gender, race, ethnicity, disability, age, sexual orientation, gender identity, marital or family status, religious or cultural background and more). Tegel has a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experiences. The Company works to ensure that its selection processes for recruitment and employee development opportunities are free from bias and are based on merit.

The Board as a whole is responsible for overseeing and implementing the Diversity Policy.

The respective numbers and proportions of men and women at various levels within the Tegel workforce as at 24 April 2016 and 30 April 2017 are set out in the table below:

	Female				Male			
	2017		2016		2017		2016	
	Number	%	Number	%	Number	%	Number	%
Directors	0	0	0	0	6	100	6	100
Senior executives ¹	2	22	2	22	7	78	7	78
Senior employees ²	21	33	25	36	42	67	45	64
Overall workforce	977	45	1,020	45	1,214	55	1,263	55

1 Senior executives are considered to be the CEO and his direct reports (Senior Management Team). Note that CEO, Phil Hand, is included in the number of directors and senior executives reported.

2 Senior managers who report to senior executives.

For the year ended 30 April 2017, the total company gender split was 55% male and 45% female and was consistent with the prior year. During the year, Tegel implemented a system to collect ethnicity data across its entire workforce.

Corporate Governance (continued)

RISK MANAGEMENT

Tegel has designed and implemented a risk framework for the oversight and management of financial and non-financial business risks, as well as related internal compliance systems that are designed to:

- Optimise the return to, and protect the interests of, stakeholders;
- Safeguard the Company's assets and maintain its reputation;
- Improve the Company's operating performance;
- Fulfill the Company's strategic objectives; and
- Manage the risks associated with the business.

The Board ultimately has responsibility for internal compliance and internal control processes. The Audit and Risk Committee, in conjunction with management, regularly reports to the Board on the effectiveness of the company's management of its material business risks and whether the risk management framework and systems of internal compliance and control are operating effectively and efficiently in all material respects.

The Company does not have a dedicated internal auditor, instead internal controls are managed on a day-to-day basis by the finance team, with oversight from the Audit and Risk Committee.

Compliance with internal controls is reviewed annually by Tegel's auditors.

Health and Safety

The Board and management are committed to promoting a safe and healthy working environment for everyone working in, or interacting with, Tegel's business. Tegel has adopted a proactive health and safety risk strategy and programme of work, including adopting a Health and Safety Policy to ensure Tegel remains compliant with its health and safety obligations. "Think Safe, Work Safe" is the safety message at the forefront of Tegel's risk management culture.

Tegel's Health and Safety Policy requires Tegel people to endeavour to take all reasonably practicable steps to provide a working environment that promotes health and safety, while minimising the potential for any risk, personal injury, ill health or damage. Strict controls in health and safety and risk management are maintained at processing facilities and plants are inspected regularly by the Ministry for Primary Industries, government authorities and customers. Tegel is proud of its strong health and safety record, with a Lost-Time Injury Frequency Rate of 1.74 (2016: 2.0) per 200,000 hours worked in the financial year ended 30 April 2017.

AUDITOR INDEPENDENCE

Tegel's Audit and Risk Committee Charter and Auditor Independence Policy requires the external auditor to be independent. The Policy recognises the importance of facilitating frank dialogue between the Audit and Risk Committee, the auditor and management. The Audit and Risk Committee Charter requires that the audit partner is rotated after a maximum of five years.

The Audit and Risk Committee Charter requires the Committee to facilitate the continuing independence of the external auditor by assessing the external auditor's independence and qualifications, and overseeing and monitoring its performance. This involves monitoring all aspects of the external audit, including the appointment of the auditor, the nature and scope of its audit, and reviewing the auditor's service delivery plan.

In carrying out these responsibilities the Audit and Risk Committee meets regularly with the auditor without executive directors or management present.

The auditor is restricted in the non-audit work it may perform. In the last financial year, the audit firm has undertaken specific non-audit work. None of that non-audit work is considered to have compromised (or be seen to have compromised) the independence of the auditor. For further details on the audit and non-audit fees paid and work undertaken during the period, refer to note 6.3 of the financial statements.

SHAREHOLDER RELATIONS

Tegel is committed to maintaining a full and open dialogue with its shareholders and has adopted a Shareholder Communications Policy to promote effective two-way communication with shareholders and encourage effective participation at general meetings of the Company.

The aim of the Company's communications programme is to provide shareholders with information about the Company and to enable shareholders to actively engage with the Company and exercise their rights as shareholders in an informed manner. The Company facilitates communication with shareholders through written and electronic communications, and by facilitating shareholder access to directors, management and the Company's auditors.

The Company provides shareholders with communication through the following channels:

- The investor section of the Company's website;
- The annual report;
- The interim report;
- The annual shareholders' meeting;
- Regular disclosures on Company performance and news via the NZX and ASX online disclosure platforms; and
- Disclosure of presentations provided to analysts and investors during regular briefings.

The Company's website is an important part of the Company's communications programme. Included on the website is a range of information relevant to shareholders and others concerning the operation of the Company and its subsidiaries, including information about the Company and its history, biographies of the Company's directors, the Company's constitution, Board Charter (and the charters of the various subcommittees) and other corporate governance policies of the Company.

Shareholders may, at any time, direct questions or requests for information to directors or management through the Company's website or by contacting the Company's investor relations team, the contact details for whom are available on the Company's website.

The Company provides shareholders with the option to receive communications from, and send communications to, the Company and its share registrar electronically. A large number of Tegel shareholders have elected to receive electronic communications.

Annual Shareholders' Meeting

Tegel's 2017 Annual Shareholders' Meeting will be held in Auckland on 7 September 2017. Shareholders will be given an opportunity at the meeting to ask questions and comment on relevant matters. In addition, the auditor, PricewaterhouseCoopers, will be available to answer any questions about its audit report.

A Notice of Meeting will be sent to shareholders in advance of the meeting.

Share Register

Tegel's share register is audited annually for accuracy.

DIRECTOR INDEPENDENCE AND INTEREST DISCLOSURES

Interests Register

Directors have given general notices disclosing interests pursuant to section 140(2) of the Companies Act 1993. Those interests (or changes to interests) notified and recorded in Tegel's Interests Register as at 30 April 2017 are set out below.

Director	Entity	Relationship
David Jackson	Fonterra Co-operative Group Limited	Director
	Mitre 10 Holdings Limited and subsidiaries	Director
	Nuplex Industries Limited	Resigned as Director
Tang Kok Yew	UTAC Holdings Limited and subsidiaries	Chairman
	Live Entertainment Holdings Pty Limited and subsidiaries	Chairman
	Velocity Frequent Flyer Holdco Pty Limited and subsidiaries	Director
Brett Sutton	Live Entertainment Holdings Pty Limited and subsidiaries	Director
	Velocity Frequent Flyer Holdco Pty Limited and subsidiaries	Director
George Adams	Apollo Foods Limited	Executive Chairman and Shareholder
	Apollo Brands Limited	Director
	Mars Manufacturing Limited	Director
	Insightful Mobility Limited	Chairman/Shareholder
	Nexus Foams Limited	Chairman
	Nexus Foams (Thailand) Limited	Director
	Bell Tea & Coffee Limited	Resigned as Chairman/Shareholder
	Mix Global Holdings Limited	Chairman
James Ogden (resigned 5 May 2017)	Alliance Group Limited	Director
	Ogden Consulting Limited	Director/Shareholder
	Petone Investments Limited	Director/Shareholder
	Summerset Group Holdings Limited	Director
	The Warehouse Group Limited	Director
	The Warehouse Financial Services Limited and subsidiaries	Director
	Vista Group International Limited	Director

Each of the Directors is also a Director of TGHLENZ Limited.

Corporate Governance (continued)

In accordance with Section 148(2) of the Companies Act 1993, directors disclosed the following acquisitions or disposals of relevant interests in Tegel ordinary shares and other equity securities during the financial year ended 30 April 2017:

Name	Date of Acquisition/ Disposal	Number of Ordinary Shares Acquired/(Disposed)	Nature of Relevant Interest	Consideration per share
David Jackson	4 May 2016	32,260	Beneficial Owner	\$1.55 ¹
	19 December 2016	25,000	Beneficial Owner	\$1.34 ²
Phil Hand	4 May 2016	625,059	Legal and Beneficial Owner	\$1.55 ¹
	3 February 2017	20,000	Legal and Beneficial Owner	\$1.35 ²
George Adams	4 May 2016	32,258	Legal and Beneficial Owner	\$1.55 ¹
James Ogden	4 May 2016	161,500	Legal and Beneficial Owner	\$1.55 ¹
	4 May 2016	5,000	Legal owner	\$1.55 ¹

¹ Acquired at IPO.

² Acquired on market.

As at 30 April 2017, directors had a relevant interest (as defined in the Financial Markets Conduct Act 2013) in Tegel ordinary shares and other equity securities as follows:

Name	Beneficial interest	Non-beneficial interest
David Jackson	57,260	—
Phil Hand ¹	645,059	—
Tang Kok Yew	—	—
Brett Sutton	—	—
George Adams	32,258	—
James Ogden	161,500	5,000

¹ In addition, Phil Hand has a beneficial interest in 333,333 performance rights under the Tegel LTI plan.

There were 355,906,183 ordinary shares on issue as at 30 April 2017.

Indemnification and Insurance of Directors

For the purposes of section 162 of the Companies Act 1993, the company has arranged insurance (including run-off insurance) for directors of Tegel, in relation to any act or omission in their capacity as directors and in respect of prospectus liability insurance. Deeds of indemnity are also in place with each director.

SHAREHOLDINGS

Shareholder Information

As at 31 May 2017 there were 355,906,183 Tegel Group Holdings Limited ordinary shares on issue, each conferring on the registered holder the right to vote on any resolution at a meeting of shareholders, held as follows:

Size of shareholding	Number of shareholders	Number of ordinary shares	Percentage of issued capital
1 to 999	179	89,499	0.0%
1,000 to 4,999	1,263	3,387,374	1.0%
5,000 to 9,999	826	5,488,963	1.5%
10,000 to 49,999	1,196	23,047,994	6.5%
50,000 to 99,999	143	9,413,682	2.6%
100,000 and over	105	314,478,671	88.4%
		355,906,183	100.00%

As at 31 May 2017 there were no shareholders holding between 1 and 199 ordinary shares (a minimum holding under the NZX listing rules) and 24 shareholders holding less than a marketable share parcel of A\$500 (under the ASX listing rules).

As at 31 May 2017, there were nine individuals holding 893,650 performance rights to acquire shares issued by Tegel under its employee long-term incentive scheme. The performance rights carry no voting rights.

There is currently no on-market buy-back of the Company's ordinary shares.

Set out below are details of the shareholders having the 20 largest holdings of ordinary shares in Tegel as at 31 May 2017:

Shareholder	Number of ordinary shares	Percentage
1 Claris Investments Pte. Limited	160,157,782	45.00%
2 Citicorp Nominees Pty Limited	18,720,794	5.26%
3 JP Morgan Nominees Australia Limited	15,000,181	4.21%
4 ANZ Wholesale Australasian Share Fund	10,852,862	3.05%
5 FNZ Custodians Limited	10,654,794	2.99%
6 Accident Compensation Corporation	8,085,000	2.27%
7 HSBC Custody Nominees (Australia) Limited	7,828,246	2.20%
8 JBWere (NZ) Nominees Limited	5,207,165	1.46%
9 Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	5,128,674	1.44%
10 HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	4,657,243	1.31%
11 Custodial Services Limited <A/C 3>	4,410,945	1.24%
12 Citibank Nominees (New Zealand) Limited	4,005,133	1.13%
13 JP Morgan Chase Bank	3,807,724	1.07%
14 BNP Paribas Nominees Pty Ltd	3,200,999	0.90%
15 BNP Paribas Nominees (NZ) Limited <COGN40>	3,188,380	0.90%
16 National Nominees Limited	3,089,211	0.87%
17 BNP Paribas Nominees (NZ) Limited	2,901,218	0.82%
18 Custodial Services Limited <A/C 4>	2,510,840	0.71%
19 Forsyth Barr Custodians Limited	2,287,428	0.64%
20 HSBC Nominees (New Zealand) Limited	2,193,931	0.62%

Corporate Governance (continued)

Subsidiary Company Directors

The following persons were directors of Tegel's subsidiaries during the year ended 30 April 2017:

Subsidiary	Directors	Director who retired during the year
Ross Group Enterprises Limited	Phil Hand	Brett Sutton ¹
	Peter McHugh ¹	
Tegel Foods Limited	Phil Hand	Brett Sutton ¹
	Peter McHugh ¹	
Tegel International Services Limited	Phil Hand	Brett Sutton ¹
	Peter McHugh ¹	

¹ Brett Sutton resigned as a director on 3 May 2016 and Peter McHugh was appointed as a director on the same day.

There were no entries made in the subsidiary company interests registers during the financial period.

Substantial Product Holders

The following persons were substantial product holders in Tegel as at 30 April 2017, according to notices given to Tegel, in respect of the number of quoted voting products noted below:

Substantial Product Holder	Total number of ordinary shares in respect of which a relevant interest is held	Percentage held in class that the relevant interest represents
Claris Investments Pte. Limited	160,157,782	45.00%
Commonwealth Bank of Australia	34,516,135	9.70%

As at 30 April 2017, Tegel Group Holdings Limited was also a substantial product holder due to having an interest in 163,095,431 ordinary shares (representing 45.83% of total ordinary shares on issue) that were subject to voluntary escrow arrangements whereby the respective shareholders agreed not to sell or otherwise dispose of their shares until the first business day after Tegel's preliminary announcement was released in respect of its financial results for the year ending 30 April 2017. Refer to the Securities Trading Policy and Guidelines on page 64 for further details.

DIVIDEND POLICY

The payment of a dividend by Tegel is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of Tegel, future funding requirements, capital management initiatives, taxation considerations (including the level of imputation credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Tegel and any other factors the Board may consider relevant. Dividends will only be declared if Tegel meets appropriate solvency requirements.

Having regard to the factors outlined above, it is the Board's current intention to target a dividend payout ratio in the range of 60% to 75% of annual NPAT excluding the expense relating to the non-cash amortisation of customer contracts.

No assurances or guarantees can be given by any person, including the Board, about payment of any dividend and the level of imputation on any such dividend.

NZX WAIVER

On 31 March 2016, immediately prior to listing on the NZX Main Board, NZX Regulation granted Tegel a waiver from NZX Listing Rule 3.1.1, for a period of three business days from the date of allotment on NZX, to the extent that rule required Tegel to have in place a Constitution that contained the content requirements set out in that rule (the Waiver). The Waiver meant that the existing constitution of Tegel (which did not contain the content requirements set out in NZX Listing Rule 3.1.1 (the Existing Constitution)) could stay in place until Tegel's new Constitution was adopted on allotment of shares under the IPO Offer. The new Constitution which was effective from 4 May 2016 contains the content requirements set out in NZX Listing Rule 3.1.1. You can find a copy of the Waiver and the new Constitution at investors.tegel.co.nz.

STOCK EXCHANGE LISTINGS

The Company's shares were listed on the NZX Main Board and ASX on 3 May 2016.

None of the NZX, the ASX or the Financial Markets Authority has taken any disciplinary action against Tegel during the financial year ending 30 April 2017.

DONATIONS

Tegel made no donations during the financial reporting period.

CREDIT RATING

Tegel does not currently have an external credit rating status.

Glossary

Affinity Equity Partners	Affinity Equity Partners Limited and its affiliates
ASX	Australian Securities Exchange
CEO	Chief Executive Officer
CFO	Chief Financial Officer
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FCR	Feed Conversion Ratio
FMCG	Fast Moving Consumer Goods
FY	Financial Year
GAAP	New Zealand Generally Accepted Accounting Practice
Group	Tegel Group Holdings Limited and its subsidiaries
IPO	Initial Public Offering
LTI Plan	Long term incentive plan
NPAT	Net Profit after Tax
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZX	New Zealand Stock Exchange
PDS	Product Disclosure Statement dated 31 March 2016 as published by Tegel
PFI	Prospective Financial Information contained in the Tegel Registered Product Disclosure Statement dated 31 March 2016
QSR	Quick Service Restaurant
Tegel / Company	Tegel Group Holdings Limited



DELICIOUS!

Tegel Free Range
Meal Maker
Cracked Pepper
Shredded Chicken

Corporate Directory

Key Financial Reporting Dates

FY2016 Annual Reporting Period

52 weeks: 27 April 2015 to 24 April 2016

FY2017 Annual Reporting Period

53 weeks: 25 April 2016 to 30 April 2017

FY2018 Annual Reporting Period

52 weeks: 1 May 2017 to 29 April 2018

Board of Directors

David Jackson (Chairman)

Phil Hand (Chief Executive Officer)

Tang Kok Yew

Brett Sutton

George Adams

Auditor

PricewaterhouseCoopers

188 Quay Street

Auckland

Lawyers

Minter Ellison Rudd Watts

Lumley Centre

88 Shortland St

Auckland 1010

Tegel Group Holdings Limited

Ticker: TGH

Dual listed on the NZX and ASX

NZ company number: 3233930

ARB number: 611 273 539

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Australia

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enquiry@computershare.co.nz

Website

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investors.tegel.co.nz



Future Annual Reports

We would like to remind shareholders that they have the option of receiving their Annual Report electronically and would encourage shareholders to take up this option to allow faster delivery of this document to you, provide an environmentally friendly document and reduce the costs to the Group.

This annual report can be accessed online at
investors.tegel.co.nz

