NEW ZEALAND'S FAVOURITE

TEGEL | ANNUAL REPORT 2016

TEGEL, part of
NEW ZEALANDERS'
lives since **1961**

FEATURED TEGEL CHICKEN PRODUCT:
Tegel Whole Chicken

This Annual Report is dated 21 July 2016 and is signed on behalf of the Board of Tegel Group Holdings Limited by James Ogden, Chairman and Phil Hand, CEO.

James Ogden
Chairman

Phil Hand
CEO

WE ARE FARMERS, RAISING AND PROCESSING POULTRY WITH CARE

PROVIDING GOOD FOOD TO OUR CUSTOMERS IN NEW ZEALAND AND AROUND THE WORLD

TEGEL IS NEW ZEALAND'S FAVOURITE

FEATURED TEGEL CHICKEN PRODUCT:
Tegel Peri Peri Butterfly Chicken

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RECORD REVENUE

$582.4M

55

YEARS OF BUSINESS

2,300

Employees

87.6

9.1% ▲

THOUSAND TONNES OF CHICKEN SOLD

First Tegel Branded
Free Range
Products Launched

MAY 2016
Listed on the

NZX / ASX

KEY HIGHLIGHTS 2016

EXPORT

17.5%

TOTAL REVENUE

$74.9M

Underlying **EBITDA**

#1

Poultry Brand in New Zealand

HOW THE TEGEL BUSINESS OPERATES

Tegel is New Zealand's leading poultry processor and has been a part of New Zealanders' lives since 1961.

Tegel processes approximately half of New Zealand's poultry and also manufactures and markets a range of sausages and other processed meat products.

Tegel has a leading domestic market position and an established and growing export business. International markets, including Australia, the Pacific Islands, the United Arab Emirates (UAE) and Hong Kong, are supplied with a range of premium quality products, from fresh traypacked prime cuts, to frozen further processed tempura battered nuggets.

The Tegel brand is New Zealand's leading poultry brand and is number one across all branded poultry product categories in New Zealand's major supermarkets. In addition, Tegel has developed a premium international brand, 'Pure New Zealand Premium Chicken', supporting and promoting New Zealand's clean, green image as a premium quality food producing nation.

Tegel produces a range of products across its core business (e.g. fresh and frozen whole chickens, fillets and portions), and value added convenience products (e.g. fresh value added, cooked and smoked smallgoods and frozen further processed products). These products are sold through three key sales channels domestically and in selected channels in international markets.

Tegel has built strong relationships with its customers by consistently providing them with high quality poultry products and investing in consumer research and category growth initiatives. Tegel has a nationwide chilled and frozen distribution network, which enables intraday delivery to its customers across the North Island and South Island of New Zealand.

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 products to customers.

FEATURED TEGEL CHICKEN PRODUCT:
Tegel Tempura Battered Chicken Nuggets

01. FEEDMILLING

02. BREEDING

03. HATCHING

04. FARMING

05. PROCESSING

06. DISTRIBUTION

CEO & CHAIRMAN'S REPORT

James Ogden CHAIRMAN

Phil Hand CHIEF EXECUTIVE OFFICER

Overview

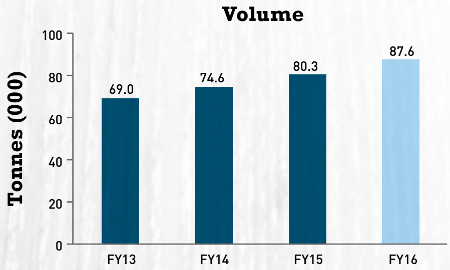
Tegel is pleased to present its first annual report as a listed company on the NZX and as a foreign exempt listing on the ASX. The 2016 financial year was one of our most successful years in our 55-year history. Tegel achieved a number of milestones, including delivering record revenue of $582.4m, with our export business contributing in excess of $100m. Our net profit increased 29.5% and underlying EBITDA was $74.9m. Revenue and profitability exceeded the PFI[1] forecast.

The Group completed its listing on 3 May 2016 and joined the NZX 50 in June 2016. Tegel is proud to have achieved this major milestone in the Group's history. The successful listing of the Group reflects the significant commitment, effort and passion that everyone at Tegel has contributed over its 55-year history.

We welcome and thank our new shareholders for supporting Tegel. The FY2016 result is extremely pleasing, made possible by the contributions from all employees joining together to deliver strong sales growth and operational efficiencies.

The operating result of the Group highlights the strength of our vertically integrated operations, delivering over 87,000 tonnes of poultry product, an increase of 9.1% against last year. Our production facilities are located in Auckland, New Plymouth and Christchurch. Each region contains a hatchery, a feedmill, breeder farms, grower farms, a processing facility and a distribution centre. These vertically integrated sites ensure that we are able to achieve high quality standards, control costs and provide the best service to our customers.

1 Prospective Financial Information (PFI)



Revenue growth continues to be driven by strong, growing market demand for poultry as a meat protein in New Zealand and record sales in Tegel's key export markets. Underlying poultry consumption continues to increase, driven by population growth and share of plate gains. In our export business the expansion of the Tegel brand into the Foodservice channel in the United Arab Emirates added significant volume.

We continue to focus on strengthening our existing domestic business and continuing to grow the export business by:

- Developing new product initiatives aimed at growing the overall volume and value of poultry consumption;
- Increasing the production of value added products by delivering solutions for evolving consumer preferences;
- Expanding into new channels, growing volumes and expanding the product range to new and existing export customers; and
- Identifying and entering new and growing export markets.

Since listing, we have continued to make good progress on our key strategies:

- In the domestic market, New Zealanders will see the culmination of our brand refresh project, with the initial launch of Tegel's new brand imagery, packaging and new products in the first half of FY2017. The refresh and innovation programme will be supported by a comprehensive communications campaign that is intended to deliver growth to the Tegel brand. Advertising will continue to roll-out through FY2017, together with new product innovations, aiming to deliver additional growth through all channels.
- Sales volume and revenue growth is expected from a combination of consumption growth, share of plate gains and the full-year effect of contracts secured in FY2016. Additional positive revenue growth is expected through increased free range consumption, sales channel mix, new product development and price realignment.
- For our export markets we are currently working with a number of new customers in new markets. Since listing, Tegel has met with customers and presented new products in the Philippines and Japan. Market access has recently been opened to Bahrain and South Africa and work streams are under way for entry into these two markets.

Outlook

We have started FY2017 with strong momentum through domestic contracts won in FY2016, new products and customers gained in overseas markets. Efficiency improvements made in our operational sites and new technology being utilised in our livestock operations will deliver ongoing improvements in animal welfare and agriculture.

We continue to invest in the business to seek out further efficiency gains and support our continuing growth. We are well positioned to strengthen our existing domestic business and continue to grow our export business. The brand refresh will drive renewed growth into the poultry category as will the introduction of new products as part of our ongoing product development programme.

Tegel has 2,300 dedicated team members who all contribute to growing our business to be one of New Zealand's most recognised and trusted brands. Tegel listed on the New Zealand and Australian stock exchanges on 3 May 2016. We would like to thank our fellow directors, management, staff, growers, suppliers and customers for their significant contribution in helping the business achieve this milestone. We welcome all of our new shareholders and thank you for your support and look forward to sharing in the success of Tegel with you.

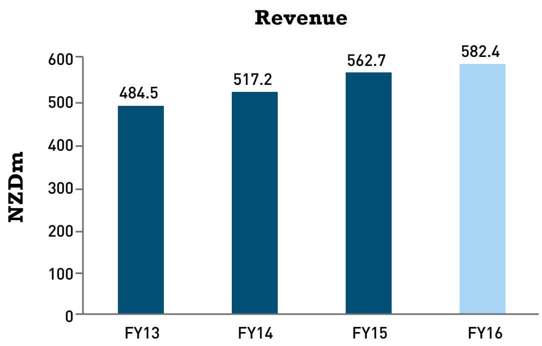
James Ogden
Chairman

Phil Hand
Chief Executive Officer

FINANCIAL REVIEW

Tegel has delivered a strong result in FY2016. Our financial year finished on 24 April 2016, nine days prior to the Group listing on 3 May 2016. The Group delivered higher than forecast results, with key highlights being:

- **Record revenue of $582.4m, $19.7m (3.5%) ahead of FY2015;**
- **Underlying EBITDA[1] up 22.7% to $74.9m;**
- **Performance exceeded key performance measures contained in the Prospective Financial Information (PFI). In particular, against the PFI:**
  - » Revenue $1.3m ahead at $582.4m
  - » Gross Profit $2.6m ahead at $147.4m
  - » Underlying EBITDA[1] $0.2m ahead at $74.9m
  - » Net profit after income tax (NPAT) $1.3m ahead at $11.3m.



SUMMARY FINANCIALS NZD million	2016 ACTUAL	2015 ACTUAL	2016 PFI	GROWTH AGAINST 2015
Revenue	**582.4**	562.7	581.1	3.5%
Cost of goods sold (COGS)	**435.0**	429.7	436.2	1.2%
Gross profit	**147.4**	133.0	144.9	10.9%
Gross profit %	**25.3%**	23.6%	24.9%	
Underlying EBITDA[1]	**74.9**	61.1	74.7	22.7%
Net profit after income tax	**11.3**	8.7	10.0	29.5%

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.

Performance

Year-on-year revenue growth was driven by strong export performance and underlying growth in domestic volumes.

REVENUE NZD million	2016 ACTUAL	2015 ACTUAL	VARIANCE	2016 PFI
Domestic poultry	**408.1**	395.6	**12.5**	404.0
Export poultry	**101.9**	88.0	**13.9**	103.4
Other revenue	**72.4**	79.1	**(6.7)**	73.7
Total revenue	**582.4**	**562.7**	**19.7**	**581.1**

Export revenue grew $13.9m (15.8%) against FY2015 to $101.9m and now contributes 17.5% of total revenue. Performance was particularly strong in Australia, with volumes growing 14.8% year-on-year. Strong growth was also achieved in the Pacific Islands and UAE, together with the launch into the Foodservice Channel in UAE providing incremental revenue gains.

Performance in the domestic market continued to be strong, with revenue growing $12.5m (3.1%) to $408.1m. Underlying poultry consumption continues to increase, driven by population growth and share of plate gains. Revenue growth was owing to strong demand and securing two major supply contracts during FY2016.

The continued, significant investment in improving the efficiency and capacity of the business has seen Gross Profit improve $14.4m to $147.4m, the Gross Profit % improved from 23.6% to 25.3%. Underlying expenses have been kept broadly in line with last year, resulting in underlying EBITDA improving $13.8m (22.7%) to $74.9m.

UNDERLYING EBITDA NZD million	2016 ACTUAL	2015 ACTUAL
Underlying EBITDA	**74.9**	61.1
Listing costs	**(4.0)**	-
Management bonus	**(8.0)**	-
Gains/(loss) on disposal of property, plant and equipment	**–**	4.6
Unrealised foreign exchange revaluations	**–**	1.1
Fair value adjustment to Biological Assets	**0.5**	(0.3)
Costs related to plant closure	**–**	(1.4)
Settlement of historical legal claim	**(0.4)**	-
Depreciation and amortisation	**(18.3)**	(19.4)
Net finance costs	**(28.0)**	(34.9)
Net profit before income tax	**16.7**	10.8
Income tax	**(5.4)**	(2.1)
Net profit after income tax	**11.3**	8.7

Underlying EBITDA is a profit measure used by Tegel to manage the business and differs from NZ IFRS net profit after tax. Underlying EBITDA is used by management in conjunction with other measures to monitor operating performance and make investment decisions. Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation. It is a non-GAAP profit measure and excludes the effects of certain IFRS fair value adjustments and items that are of a non-recurring nature. Refer to note 2.1 of the financial statements.

Post balance sheet event: IPO

The Tegel financial year concluded on 24 April 2016, nine days prior to Tegel listing on the New Zealand and Australian Stock Exchanges on 3 May 2016. Therefore, the results reflect a pre-IPO capital structure. Further information on the effect the IPO has had on the Group's financial statements is outlined in note 1.4 of the financial statements.

Treasury

FY2016 NET DEBT NZD million	ACTUAL	PFI	VARIANCE
Borrowings	(253.0)	(251.9)	**(1.1)**
Cash	4.0	0.5	**3.5**
Net debt	(249.0)	(251.4)	**2.4**

Cash inflow was higher than PFI resulting in the Group's closing net debt position being $2.4m ahead of PFI. After the completion of the IPO the Group repaid $130m of debt, resulting in a Net Debt position of $117.9m as at 3 May 2016. This equates to a leverage ratio of 1.6x, in line with the PFI. This leaves Tegel with a conservative level of gearing, the ability to generate significant free cashflow and more flexibility to consider strategic opportunities over the coming years.

The Net Asset position of the Group finished the year at $313.9m, up $25.4m on FY2015. Working Capital increased by $22m as a result of an increase of $22.9m in our inventory balance. Inventory has increased to support our current growth forecast for FY2017.

To secure our input costs we hedge our exposure to certain commodities and foreign exchange risks denominated in US dollars. We also use 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 24 April 2016, 100% of US dollar raw material purchase requirements and 75% of forecast Australian dollar receipts were hedged for FY2017.

Dividend

The future dividend policy is to pay between 60% and 75% of adjusted net profit after tax (NPAT). The Board currently anticipates that an interim dividend to shareholders will become payable following the release of the first half FY2017 results. The interim dividend is expected to be paid in January 2017 and is forecast to be fully imputed. For the purposes of the dividend policy NPAT excludes the expense relating to the non-cash amortisation of customer contracts. No dividend has been declared in respect of FY2016.

The launch of Tegel's new brand design and new products to market will deliver a fresh new face to an iconic New Zealand brand

FEATURED TEGEL CHICKEN PRODUCT:
Tegel Crumbed Pepper Tenderloins

BOARD OF DIRECTORS

Tegel's Board comprises an independent non-executive Chairman, two independent non-executive directors, two non-independent non-executive directors and one executive director.

James Ogden
CHAIRMAN

Phil Hand
MANAGING DIRECTOR

Tang Kok Yew
NON-EXECUTIVE DIRECTOR

James brings strong financial expertise to the Board and director experience across a broad range of industries. He has had a distinguished career as an investment banker for eleven years and has also worked in the New Zealand dairy industry in chief executive and finance roles for eight years.

In addition to Tegel, James is a director of The Warehouse Group Limited, Summerset Group Holdings Limited, Vista Group International Limited and Alliance Group Limited. James' previous directorships include New Zealand Post Limited, Kiwibank Limited, Motor Trade Association Limited and DEKRA New Zealand Limited.

James holds a BCA (Hons) with a major in accounting, and is a Fellow of the Chartered Accountants Australia and New Zealand, a Chartered Fellow of the Institute of Directors and Certified Member of the Institute of Finance Professionals of New Zealand.

James is a member of the Governance and Remuneration Committee.

James was appointed to Tegel's Board in March 2016.

Phil was appointed CEO of Tegel Foods in February 2014 and a director of Tegel in March 2014, following over six years with the business in his previous role as General Manager of Operations (December 2007 – February 2014).

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.

Phil was appointed to Tegel's Board in March 2014.

Mr. Tang 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, since 1999 he was the Asia-Pacific Chairman of UBS Capital (the private equity arm of UBS). Before he joined UBS Capital, in 1995 he was the Chief Executive for Investment Banking, East Asia at Union Bank of Switzerland. 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) degree with First Class Honours from the University of Malaya.

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

Brett Sutton
NON-EXECUTIVE DIRECTOR

David Jackson
INDEPENDENT NON-EXECUTIVE DIRECTOR

George Adams
INDEPENDENT NON-EXECUTIVE DIRECTOR

Brett is a Partner at Affinity Equity Partners, which he joined in 2004. 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 degree in Accounting and Finance.

Brett is a member of the Audit and Risk Committee and the Governance and Remuneration Committee.

Brett was appointed to Tegel's Board in December 2010.

David is a former New Zealand Chairman and Senior Audit Partner of Ernst & Young, having worked with the firm globally in various roles for over 30 years.

In addition to Tegel, David is currently a director of Fonterra Co-operative Group Limited, Mitre 10 (New Zealand) Limited and Nuplex Industries Limited. David's previous directorships include Mediaworks Limited, The New Zealand Refining Company Limited and Pumpkin Patch Limited.

David holds a MCom (Hons), is a Fellow of the Chartered Accountants Australia and New Zealand and a Fellow of the Institute of Directors.

David is the Chairman of the Audit and Risk Committee.

David was appointed to Tegel's Board in March 2016.

George has over 25 years experience in the consumer goods and telecommunications industries, as well as a strong background in occupational health and safety. 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 Bell Tea & Coffee Company Limited, Apollo Foods Limited, Insightful Mobility Limited and Nexus Foams Limited.

George is a Fellow of the Institute of Chartered Accountants in Ireland.

George is the Chairman of the Governance and Remuneration Committee and a member of the Audit and Risk Committee.

George was appointed to Tegel's Board in March 2016.

SENIOR MANAGEMENT

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. 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 of 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.

FINANCIALS
(As at 24 April 2016)

FEATURED TEGEL CHICKEN PRODUCT:
Tegel Free Range Chilli & Lime Kebab

Directors' Statement

The Board of Directors is pleased to present the consolidated financial statements for Tegel Group Holdings Limited, and the auditors' report, for the year ended 24 April 2016.

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

The directors consider that 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 20 to 47 for issue on 21 June 2016.

For and on behalf of the Board.

James Ogden
Director

Phil Hand
Director

Independent Auditors' Report

To the shareholders of Tegel Group Holdings Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Tegel Group Holdings Limited (''the Company'') on pages 20 to 47, which comprise the consolidated balance sheet as at 24 April 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 24 April 2016 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of IPO investment statement and prospectus assurance services, taxation and advisory services. The provision of these other services has not impaired our independence.

Opinion

In our opinion, the consolidated financial statements on pages 20 to 47 present fairly, in all material respects, the financial position of the Group as at 24 April 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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.

PricewaterhouseCoopers

Chartered Accountants
21 June 2016

Auckland

Consolidated Statement of Comprehensive Income

For the year ended 24 April 2016

	Notes	2016 $'000	2015 $'000
Revenue		582,361	562,650
Cost of sales		(434,925)	(429,645)
Gross profit		147,436	133,005
Other income	2.1	–	4,649
Expenses	6.2		
Distribution		(50,479)	(47,866)
Administration		(48,280)	(35,763)
Other		(3,998)	(8,317)
Finance income		229	113
Finance costs		(28,204)	(35,038)
Profit before income tax		16,704	10,783
Income tax expense	6.1	(5,393)	(2,051)
Profit for the year attributable to shareholders of the parent	2.1	11,311	8,732
Other comprehensive income:			
Items that will be subsequently reclassified to profit and loss			
Cash flow hedges, net of tax		(5,004)	3,431
Other comprehensive income for the year, net of tax		(5,004)	3,431
Total comprehensive income for the year		6,307	12,163
Basic & diluted earnings per share (cents)	5.4	13.42	10.90

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

Consolidated Balance Sheet

As at 24 April 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents		4,002	11,964
Trade and other receivables	3.4	78,064	73,873
Inventories	3.1	82,338	59,429
Derivative financial instruments	7.7	386	3,749
Biological assets	3.3	31,517	30,327
Deferred IPO costs	1.4 (b)	12,246	–
Total current assets		208,553	179,342
Non-current assets			
Property, plant and equipment	4.1	151,351	141,570
Receivables		352	–
Intangible assets	4.2	335,393	337,386
Total non-current assets		487,096	478,956
Total assets		695,649	658,298
LIABILITIES			
Current liabilities			
Tax payable		1,036	2,521
Derivative financial instruments	7.7	5,629	13
Trade and other payables	3.2	81,977	76,912
Borrowings	5.1	130,000	–
Other payables	1.4 (c)	21,754	–
Total current liabilities		240,396	79,446
Non-current liabilities			
Deferred tax liabilities	6.1	18,393	20,616
Derivative financial instruments	7.7	–	1,293
Borrowings	5.1	123,000	268,476
Total non-current liabilities		141,393	290,385
Total liabilities		381,789	369,831
Net assets		313,860	288,467
EQUITY			
Issued capital	5.2	284,423	265,337
Reserves	5.3	(3,149)	1,855
Retained earnings		32,586	21,275
Total equity		313,860	288,467

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

Consolidated Statement of Changes in Equity

For the year ended 24 April 2016

	Issued capital $'000 (Note 5.2)	Reserves $'000 (Note 5.3)	Retained earnings $'000	Total equity $'000
Balance at 27 April 2014	265,337	(1,576)	12,543	276,304
Profit for the year	–	–	8,732	8,732
Other comprehensive income for the year, net of tax	–	3,431	–	3,431
Total comprehensive income	–	3,431	8,732	12,163
Shares repurchased and cancelled during the year	–	–	–	–
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**

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

Consolidated Statement of Cash Flows

For the year ended 24 April 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		578,187	556,755
Net GST paid		(1,439)	(1,037)
Net income tax paid		(7,192)	(24)
Payments to suppliers		(393,995)	(382,287)
Payments to employees		(129,142)	(115,825)
Net cash inflow from operating activities	3.5	46,419	57,581
Cash flows from investing activities			
Payments for property, plant and equipment		(25,040)	(17,455)
Payments for intangibles		(1,260)	(541)
Proceeds from sale of property, plant and equipment		101	3,181
Increase in other non current assets		(352)	–
Net cash outflow from investing activities		(26,551)	(14,815)
Cash flows from financing activities			
Proceeds from borrowings		264,000	–
Issue of ordinary shares		19,086	–
Repayment of principal on borrowings		(265,469)	(10,388)
Payment of interest and financing costs		(22,365)	(22,454)
Payment of interest capitalised to loan		(22,107)	–
Payment of costs related to listing		(975)	–
Net cash outflow from financing activities		(27,830)	(32,842)
Net increase / (decrease) in cash and cash equivalents		(7,962)	9,924
Cash and cash equivalents at the beginning of the financial year		11,964	2,040
Cash and cash equivalents at end of year		4,002	11,964

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

Notes to the consolidated financial statements

As at 24 April 2016

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.

The consolidated financial statements incorporate the assets, liabilities and results of Ross Group Enterprises Limited, Tegel Foods Limited, and Tegel International Services Limited. These 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 2016 full year results are for 52 weeks (2015: 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.

Comparative information

Certain comparative figures have been restated to conform to the current year presentation. Spare parts totalling $4,213,000 (2015: $3,406,000) have been reclassified from prepayments to inventory.

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 Subsequent events

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:

$129.4 million	To repay existing shareholders for the redemption of all redeemable shares of $264.2 million reduced by their subscription for new shares of $134.7 million.
$130 million	To repay $130 million external borrowings.
$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.
$1.2 million	Retained by the Group.
$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	(1,151)	140,242
Total liabilities		381,789	(154,419)	227,370
Net assets		313,860	142,173	456,033
Equity	(a)	313,860	142,173	456,033

(a) $142.2 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, and by the repayment of all redeemable shares of $264.2 million.
(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.
(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.
(d) $1.2 million decrease in non-current liabilities	Working capital in bank borrowings was reduced by the remaining $1.2 million proceeds retained by the Group.

Amended banking arrangement

On 3 May 2016, amended banking arrangements were put in place with a net reduction in borrowings of $130 million.

The new arrangements are a facility of $120 million and a working capital facility of $40 million with both expiring in November 2018. Borrowings are subject to covenants and secured over the assets of the Group.

As the facility has been substantially amended, the unamortised balance of the loan arrangement fee relating to the previous arrangement has been expensed to finance costs.

Notes to the consolidated financial statements (continued)

As at 24 April 2016

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.

The Group sells to many different countries with all sales originating from New Zealand. A key performance measure reviewed by management is underlying earnings before interest, tax, depreciation, amortisation, fair value adjustments to biological assets and unrealised gains and losses on foreign exchange (underlying EBITDA). This is also adjusted for significant one off items.

Revenues of approximately 41% (2015: 41%) are derived from customers with greater than 10% of revenue.

	2016 $'000	2015 $'000
Underlying EBITDA	**74,943**	61,058
Listing costs	**(3,998)**	–
Management bonus	**(8,000)**	–
Corporate governance structural changes due to IPO	**(53)**	(47)
Gains /(loss) on the disposal of property, plant and equipment	**(49)**	4,649
Unrealised gains / (losses) on foreign exchange revaluations	**87**	1,189
Fair value adjustment to biological assets	**536**	(310)
Cost related to plant closure	**–**	(1,431)
Settlement of historical legal claim	**(425)**	–
EBITDA	**63,041**	65,108
Depreciation	**(15,109)**	(14,698)
Amortisation	**(3,253)**	(4,702)
Net finance costs	**(27,975)**	(34,925)
Profit before tax	**16,704**	10,783
Income tax expense	**(5,393)**	(2,051)
Profit after tax	**11,311**	8,732

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.

	2016 $'000	2015 $'000
Other income		
Gain on disposal of property, plant and equipment	–	4,649

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.

	2016 $'000	2015 $'000
Raw materials	29,864	16,929
Finished goods	48,261	39,094
Spare parts and consumables	4,213	3,406
	82,338	59,429

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to $431,845,000 (2015: $427,567,000).

Raw materials of $9,808,000 (2015: $1,559,000) 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 the financial year, which are unpaid.

Supplier payables have payment terms agreed with third parties for the supply of commodities in exchange for a fee 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.

	2016 $'000	2015 $'000
Trade payables	48,360	45,429
Supplier payables	9,384	5,221
Amounts due to related parties	90	125
Accruals and other payables	9,750	12,855
Employee benefits	14,393	13,282
	81,977	76,912

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

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.

	2016 $'000	2015 $'000
Opening carrying value at 26 April 2015	30,327	30,819
Gain / (loss) arising from changes in fair value less estimated point of sale costs	18,012	12,873
Increase due to purchases	258,250	249,800
Decreases attributable to sales	(19,271)	(20,951)
Decreases due to harvest	(255,801)	(242,214)
Closing carrying value at 24 April 2016	31,517	30,327

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.

Notes to the consolidated financial statements (continued)

As at 24 April 2016

3 WORKING CAPITAL (CONTINUED)

3.3 Biological assets (continued)

Determining fair value

Management estimations and judgements are required in determining the fair value of biological assets which are 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 currency hedging 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 that 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.

	2016 $'000	2015 $'000
Trade receivables	76,603	76,826
Provision for doubtful receivables	(1,271)	(4,830)
Other debtors	1,312	621
Prepayments and other	1,420	1,256
	78,064	73,873

(a) Past due more than 3 months

As at 24 April 2016 trade receivables of $763,000 (2015: $1,855,000) 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 $1,283,000 (2015: $5,468,000) were individually assessed and considered impaired. Payment arrangements have been negotiated to recover a portion of the debt and a provision of $1,271,000 (2015: $4,830,000) has been recognised for the portion of the debt that has been assessed to be at risk. During the financial year $3,335,000 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 expense of $41,000 (2015: $2,111,000) in respect of bad and doubtful trade receivables during the year ended 24 April 2016.

	2016 $'000	2015 $'000
Movement in provision		
Debts written off	3,599	352
Decrease / (increase) in provision	(40)	(2,111)
Net decrease / (increase) in provision for doubtful receivables	3,559	(1,759)

(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.

	2016 $'000	2015 $'000
Profit for the year	11,311	8,732
Adjusted for		
Depreciation expense	15,109	14,698
Amortisation expense	3,253	4,702
Amortised finance costs	3,928	3,587
Interest capitalised to loan	4,172	7,556
(Increase) / decrease in fair value of biological assets and inventory	(536)	310
Loss / (gain) on disposal of property, plant and equipment	49	(4,649)
Other amounts not involving cash flows	997	(526)
Impact of changes in working capital items		
Increase in debtors and prepayments	(4,190)	(3,136)
Increase / (decrease) in creditors and provisions	5,064	(6,424)
(Increase) / decrease in inventories	(22,909)	8,463
Increase in deferred IPO costs	(12,246)	–
Increase / (decrease) in provisions and other current liabilities	21,754	(1,186)
(Decrease) / increase in current tax liabilities	(1,485)	2,508
(Increase) / decrease in biological assets	(1,191)	492
Less items classified as financing activities:		
Payment of costs related to listing	975	–
Interest paid / financing transaction costs classified as financing	22,365	22,454
Net cash inflow from operating activities	46,419	57,581

Notes to the consolidated financial statements (continued)

As at 24 April 2016

4 LONG TERM ASSETS

4.1 Property, plant and equipment

Accounting Policy

All property, plant is equipment is 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 lives. 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 27 April 2014						
Cost	8,929	8,810	23,459	128,040	520	169,758
Accumulated depreciation	–	–	(1,844)	(30,308)	(261)	(32,413)
Net book amount	8,929	8,810	21,615	97,732	259	137,345
Year ending 26 April 2015						
Opening net book amount	8,929	8,810	21,615	97,732	259	137,345
Additions	22,491	–	–	–	–	22,491
Transfer of work in progress	(20,661)	545	6,866	13,227	23	–
Disposals	–	(320)	(2,754)	(493)	(1)	(3,568)
Depreciation charge	–	–	(1,291)	(13,324)	(83)	(14,698)
Closing net book amount	10,759	9,035	24,436	97,142	198	141,570
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

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 programs 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 five to seven years. These costs are amortised over this same term.

Notes to the consolidated financial statements (continued)

As at 24 April 2016

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 27 April 2014						
Cost	254,578	56,900	33,500	7,735	1,384	354,097
Accumulated amortisation	–	(6,828)	–	(4,716)	(1,006)	(12,550)
Net book amount	254,578	50,072	33,500	3,019	378	341,547
Year ending 26 April 2015						
Opening net book amount	254,578	50,072	33,500	3,019	378	341,547
Additions	–	–	–	21	520	541
Amortisation charge	–	(2,276)	–	(1,981)	(445)	(4,702)
Closing net book amount	254,578	47,796	33,500	1,059	453	337,386
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

Impairment tests for goodwill and trademarks

Management has undertaken an impairment review and has 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-year period are extrapolated using estimated growth rates of 3%.

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

	2016	2015
EBITDA growth rate	6%	8%
Discount rate	9.3%	9.1%

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) Capital commitments

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

	2016 $'000	2015 $'000
Property, plant and equipment and intangibles	4,457	10,383

(b) 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.

	2016 $'000	2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	22,589	22,183
Later than one year but not later than five years	67,853	65,729
Later than five years	112,279	117,966
	202,721	205,878

(c) Other commitments for expenditure

	2016 $'000	2015 $'000
Raw material purchasing commitments are as follows:		
Within one year	88,081	99,083

The Group has contracts with growers that require certain minimum standards to be met. The next renewal date of these contracts is 30 April 2017 and the amount committed to be paid within the next year is $16,683,000.

Notes to the consolidated financial statements (continued)

As at 24 April 2016

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.

	2016 $'000	2015 $'000
Secured		
Current		
Bank borrowings at amortised cost	130,000	–
Non current		
Bank borrowings at amortised cost	123,000	200,541
Mezzanine debt facility	–	67,935
Total non-current borrowings	123,000	268,476
Total borrowings	253,000	268,476

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

	2016 $'000	2015 $'000
Bank loan facilities		
Working capital facilities	40,000	20,000
Unused at balance date	37,000	20,000

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

The loans of the Group incurred interest at rates from 5.6% to 15% (2015: 7.5% to 15%) with bank borrowings under the renegotiated arrangements as at balance date incurring interest at rates from 5.6% to 6.15%. The mezzanine debt, which has all been repaid during the year, incurred interest at the rate of 15%.

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

In August 2015, a new banking facility was negotiated resulting in all bank borrowings and the mezzanine debt facility and associated capitalised interest being repaid with the unamortised loan arrangement fee being expensed to finance costs. All interest rate swap contracts were settled. A new three year facility was advanced to the Group and a loan arrangement fee paid which was being amortised over the term of the new facility. Interest was calculated at the BKBM floating base rate plus a margin.

Subsequent to balance date, this facility was renegotiated resulting in the repayment of all bank borrowings on 3 May 2016 and a new facility of $120,000,000 being advanced. As the facility has been substantially amended, the unamortised balance of the loan arrangement fee has been expensed to finance costs.

For more details see note 1.4.

5.2 Share capital

	Number on issue			Value		
Share Capital	Ordinary shares '000	Redeemable shares '000	Total '000	Ordinary shares $'000	Redeemable shares $'000	Total $'000
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
Cancellation of 185 ordinary (M class) shares	–	–	–	–	–	–
Subdivision of shares	73,591	–	73,591	–	–	–
At 24 April 2016	**85,856**	**272,158**	**358,014**	**12,265**	**272,158**	**284,423**

Ordinary shares

As at 24 April 2016, ordinary shares comprised 85,856,337 (2015: 11,442,309) authorised issued and fully paid shares in Tegel Group Holdings Limited. Each share carries one voting right.

Share subdivision

On 30 March 2016 the Company subdivided all existing 12,265,191 ordinary shares at the ratio of 7:1.

Redeemable shares

As at 24 April 2016, redeemable shares comprised 272,157,915 (2015: 253,894,494) authorised issued and fully paid shares in Tegel Group Holdings Limited. These shares carry no rights as regards dividends or voting.

Subsequent to balance date, these have all been repaid. Refer note 1.4.

Initial public offering (IPO)

Subsequent to balance date, the Group completed an IPO. Refer to note 1.4.

5.3 Reserves

	2016 $'000	2015 $'000
Reserves		
Hedge reserve	(3,149)	1,855

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 $9,538,000 (2015: $889,000).

5.4 Earnings per share

Earnings per share of 13.42 cents per share (2015: 10.90 cents per share) is calculated based on the profit attributable to shareholders of $11,311,000 (2015: $8,732,000) and a weighted average number of ordinary shares on issue during the period of 84,292,060 (2015: 80,096,793).

The 2015 weighted average number of shares on issue has been adjusted due to the subdivision of shares.

Notes to the consolidated financial statements (continued)

As at 24 April 2016

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.

	2016 $'000	2015 $'000
(a) Income tax expense		
Current tax		
Current tax on profits for the year	5,601	2,134
Under provided in prior years	107	397
Total current tax	5,708	2,531
Deferred tax		
Origination and reversal of temporary differences	(97)	(516)
(Over) / under provided in prior years	(218)	36
Total deferred tax benefit through profit and loss	(315)	(480)
Income tax expense	5,393	2,051
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	16,704	10,783
Tax calculated at domestic tax rate applicable to profits at 28%	4,677	3,019
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-taxable loss / (gain) on the sale of property, plant and equipment	7	(1,744)
Non deductible expenses	1,182	256
Revaluation of fair value of biological assets	(150)	87
Sundry items including (over) / under provided in prior years	(323)	433
Income tax expense	5,393	2,051

(c) Deferred tax liabilities

	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:		
Provisions for doubtful debts, inventory and employee benefits	(1,175)	(1,944)
Property, plant and equipment	8,046	8,493
Cash flow hedge reserve	(1,224)	684
Customer relationships	12,746	13,383
Net deferred tax liabilities	18,393	20,616
Movements in deferred tax:		
Opening balance	20,616	19,862
Charged / (credited) to the income statement		
Provisions for doubtful debts, inventory and employee benefits	769	438
Property, plant and equipment	(447)	(979)
Customer relationships	(637)	(637)
Losses available	–	698
	(315)	(480)
Charged / (credited) directly to equity		
Cash flow hedge reserve	(1,908)	1,234
Closing balance	18,393	20,616
Expected to be utilised:		
Within 12 months	(1,272)	2,720
In excess of 12 months	19,665	17,896
Closing balance	18,393	20,616

(d) Imputation credit account

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

	2016 $'000	2015 $'000
Closing balance	12,468	6,765

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.

Subsequent to balance date, the imputation credits will no longer be available to shareholders due to the change of shareholders as a result of listing the company on 3 May 2016 (refer note 1.4).

6.2 Expenses

	2016 $'000	2015 $'000
Profit before income tax includes the following specific expenses:		
Operating lease payments	26,354	25,498
Employee benefits		
Wages and salaries	138,253	119,683
Other significant items		
Listing costs	3,998	–
Provisions for plant closures and relocations	–	1,431

Notes to the consolidated financial statements (continued)

As at 24 April 2016

6 OTHER (CONTINUED)

6.3 Fees paid to auditors

	2016 $'000	2015 $'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 statements	280	194
Other services		
IPO investment statement and prospectus assurance services	1,236	–
Tax compliance and advisory services	297	79
Other services[1]	81	99
Total remuneration for services	1,894	372

1 Other services includes salary benchmarking and corporate treasury services (2015: technical accounting services, treasury advisory services, IT risk assessment and agreed upon procedures in relation to banking agreements).

6.4 Related party transactions

(a) Parent entities

The ultimate Parent entity within the Group is Tegel Group Holdings Limited (incorporated in New Zealand) of which 87.3% of the ordinary shares are owned by Claris Investments Pte. Limited as at balance date. Refer to note 1.4 for details on the listing of the Group subsequent to year-end.

(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:

	2016 $'000	2015 $'000
Short term employee benefits	12,428	3,808
Termination benefits	–	663
	12,428	4,471

(c) Transactions with related parties

The following transactions occurred with related parties:

	2016 $'000	2015 $'000
Balances with related parties:		
Current payable to Affinity Equity Partners	(90)	(125)

(i) Affinity Equity Partners advises Claris Investments Pte. Limited and as such is considered a related party. During the year various expenses totalling $300,000 (2015:$416,093) including travel and legal 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, the directors of Tegel Group Holdings Limited invited senior management to purchase ordinary and redeemable shares. In the year, senior management purchased 19,587 ordinary and 434,628 redeemable shares from the Company which were fully paid. The issue price was determined by the directors and no share based payment expense has been recognised for these shares as the shares were determined to be issued at fair value.

(iii) On 30 March 2016 a long term incentive plan (the LTI Plan) was established by the Group for key management, which came into effect after balance date. Under the LTI Plan performance rights will be granted that give the participant the right to acquire one fully paid ordinary share, subject to meeting certain vesting conditions including a vesting period and performance hurdles set by the Board. Subsequent to balance date, performance rights to the value of $804,284 were granted to key management under this scheme.

6.5 Contingencies

As at 24 April 2016 the Group had no contingent liabilities or assets.

6.6 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) Sale and leaseback

When a sale and leaseback results in a finance lease, any gain on the sale is deferred and recognised as income over the lease term. Any loss on the sale is immediately recognised as an impairment loss when the sale occurs. If the leaseback is classified as an operating lease, then any gain is recognised immediately if the sale and leaseback terms are demonstrably at fair value. Otherwise, the sale and leaseback are accounted for as follows:

- If the sale price is below fair value then the gain or loss is recognised immediately other than to the extent that a loss is compensated for by future rentals at a below-market price, then the loss is deferred and amortised over the period that the asset is expected to be used;
- If the sale price is above fair value, then any gain is deferred and amortised over the useful life of the asset; and
- If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognised immediately as a loss on the sale.

(f) 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 24 April 2016 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 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.

Notes to the consolidated financial statements (continued)

As at 24 April 2016

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 programme 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 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 Trade and other receivables Trade and other payables Borrowings	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.

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 24 April 2016 if market interest rates had been 1% higher/lower with all other variables held constant, post tax profit for the year would have been $1,470,000 (2015: $499,000) lower/higher mainly as a result of higher/lower interest expense on floating borrowings.

Other components of equity would have been $Nil (2015: $137,000) higher or $Nil (2015: $1,631,000) lower as a result of an increase/decrease in the fair value of derivatives designated as cash flow hedges of floating rate borrowings.

Foreign exchange risk

At 24 April 2016 if foreign exchange rates had been 10% higher with all other variables held constant, equity would have been $5,059,000 (2015: $2,331,000) lower as a result of a change in fair value of derivatives designated as cash flow hedges.

At 24 April 2016 if foreign exchange rates had been 10% lower with all other variables held constant, equity would have been $6,428,000 (2015: $2,850,000) 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 24 April 2016.

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
24 April 2016						
Trade payables	**81,977**	**–**	**–**	**–**	**81,977**	**81,977**
Interest bearing liabilities	**134,560**	**4,560**	**125,349**	**–**	**264,469**	**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	**5,662**	**–**	**–**	**–**	**5,662**	**5,629**
Total	**222,199**	**4,560**	**125,349**	**–**	**352,108**	**340,606**
26 April 2015						
Trade payables	76,912	–	–	–	76,912	76,912
Interest bearing liabilities	18,291	206,394	91,186	–	315,871	268,476
Interest rate swaps	1,293	–	–	–	1,293	1,293
Forward foreign exchange contracts inflow	(1,331)	–	–	–	(1,331)	–
Forward foreign exchange contracts outflow	1,345	–	–	–	1,345	–
Net forward foreign exchange contracts	14	–	–	–	14	13
Total	96,510	206,394	91,186	–	394,090	346,694

Subsequent to year end the Group refinanced its banking facilities. Refer to note 1.4.

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.

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 consolidated financial statements (continued)

As at 24 April 2016

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 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
At 26 April 2015				
ASSETS				
Biological assets	–	–	30,327	30,327
Derivatives used for hedging	–	3,749	–	3,749
Total assets	–	3,749	30,327	34,076
LIABILITIES				
Derivatives used for hedging	–	1,306	–	1,306
Total Liabilities	–	1,306	–	1,306

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 (as prices) or indirectly (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 in 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.

	2016 $'000	2015 $'000
Current assets		
Forward foreign exchange contracts – cash flow hedges	386	3,749
Total derivative financial instrument assets	386	3,749
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	5,629	13
Non-current liabilities		
Interest rate swaps – cash flow hedges	–	1,293
Total derivative financial instrument liabilities	5,629	1,306
Net derivative financial instrument assets/(liabilities)	(5,243)	2,443

The Group is party to derivative financial instruments in the normal course of business 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. 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 24 April 2016, all hedges were fully effective.

(ii) Interest rate swap contracts

All interest rate swaps were settled during the year as part of a refinance of existing loan facilities. Refer note 5.1.

Notes to the consolidated financial statements (continued)

As at 24 April 2016

8 COMPARISON TO PROSPECTIVE FINANCIAL STATEMENTS

8.1 Prospective consolidated statement of comprehensive income

	Actual 2016 $'000	Prospective 2016 $'000
Revenue	582,361	581,104
Cost of sales	(434,925)	(436,231)
Gross profit	147,436	144,873
	25.3%	24.9%
Other income	–	–
Expenses		
Distribution	(50,479)	(49,600)
Administration [1]	(36,355)	(35,471)
Other [1]	(15,923)	(15,863)
Finance income	229	197
Finance costs	(28,204)	(28,915)
Profit before income tax	16,704	15,221
Income tax expense	(5,393)	(5,233)
Profit for the year attributable to shareholders of the Parent	11,311	9,988
Other comprehensive income:		
Items that will be subsequently reclassified to profit and loss		
Cash flow hedges, net of tax	(5,004)	(1,855)
Other comprehensive income for the year, net of tax	(5,004)	(1,855)
Total comprehensive income for the year	6,307	8,133
Calculation of EBITDA:		
Profit for the year	11,311	9,988
Income tax expense	5,393	5,233
Net finance costs	27,975	28,718
Depreciation and amortisation	18,362	18,363
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	63,041	62,302

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 higher than forecast due to higher volumes achieved in the NZ Domestic market against forecast. Gross profit was above forecast due to higher sales and improved efficiencies. Distribution and administration expenses increased as a result of higher than forecast volumes and activity.

Movement in reserves is due to the mark to market value of derivatives being lower than the Prospective Financial Information (PFI) due to the changes in foreign exchange rates at balance date.

8.2 Prospective consolidated balance sheet

As at 24 April 2016

	Actual 2016 $'000	Prospective 2016 $'000
ASSETS		
Current assets		
Cash and cash equivalents	4,002	500
Trade and other receivables [1]	82,277	88,526
Inventories [1]	78,125	88,319
Derivative financial instruments	386	–
Biological assets	31,517	32,924
Deferred IPO costs	12,246	12,712
Total current assets	208,553	222,981
Non-current assets		
Property, plant and equipment	151,351	151,350
Receivables	352	–
Intangible assets	335,393	335,526
Total non-current assets	487,096	486,876
Total assets	695,649	709,857
LIABILITIES		
Current liabilities		
Tax payable	1,036	2,215
Derivative financial instruments	5,629	–
Trade and other payables	81,977	97,114
Borrowings	130,000	131,887
Other accruals	21,754	24,662
Total current liabilities	240,396	255,878
Non-current liabilities		
Deferred tax liabilities	18,393	18,282
Derivative financial instruments	–	–
Borrowings	123,000	120,013
Total non-current liabilities	141,393	138,295
Total liabilities	381,789	394,173
Net assets	313,860	315,685
EQUITY		
Issued capital	284,423	284,423
Reserves	(3,149)	–
Retained earnings	32,586	31,262
Total equity	313,860	315,685

1 Trade and other receivables and inventory 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 collection was better than forecast, resulting in a decrease in receivables against forecast. Derivative financial instruments were revalued at year end. Fair value gains were not forecast in the PFI. Due to the timing of a raw material shipment around year end, payables and raw material inventories were lower than forecast.

Notes to the consolidated financial statements (continued)

As at 24 April 2016

8 COMPARISON TO PROSPECTIVE FINANCIAL STATEMENTS (CONTINUED)

8.3 Prospective consolidated statement of changes in equity

	Actual 2016 $'000	Prospective 2016 $'000
Total equity		
Balance at beginning of year	288,467	288,467
Issue of shares during the year	19,086	19,086
Other comprehensive income for the year, net of tax	(5,004)	(1,855)
Profit for the year	11,311	9,988
Balance at end of year	313,860	315,685
Equity break down by component		
Issued capital	284,423	284,423
Reserves	(3,149)	–
Retained earnings	32,586	31,262
Total equity	313,860	315,685

Explanation of variances

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

8.4 Prospective consolidated statement of cash flows

	Actual 2016 $'000	Prospective 2016 $'000
Cash flows from operating activities		
Receipts from customers	578,187	568,658
Net GST collected	(1,439)	(1,865)
Net income tax (paid) / received	(7,192)	(7,286)
Payments to suppliers [1]	(392,835)	(391,017)
Payments to employees	(129,142)	(125,096)
Other operating expenses [1]	(1,160)	(1,637)
Net cash inflow from operating activities	46,419	41,758
Cash flows from investing activities		
Payments for property, plant and equipment	(25,040)	(25,087)
Payments for intangibles	(1,260)	(1,197)
Proceeds from sale of property, plant and equipment	101	–
Increase in other non current assets	(352)	–
Net cash (outflow) / inflow from investing activities	(26,551)	(26,283)
Cash flows from financing activities		
Proceeds from borrowings	264,000	262,900
Issue of ordinary shares	19,086	19,086
Repayment of principal on borrowings	(265,469)	(265,469)
Payment of interest and financing costs	(22,365)	(21,349)
Payment of interest capitalised to loan	(22,107)	(22,107)
Payment of costs related to listing	(975)	–
Net cash outflow from financing activities	(27,830)	(26,939)
Net increase / (decrease) in cash and cash equivalents	(7,962)	(11,464)
Cash and cash equivalents at the beginning of the financial year	11,964	11,964
Cash and cash equivalents at end of year	4,002	500

1 Payments to suppliers and other operating 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

Improved cash collection from customers and higher than forecast revenue resulted in improved cash inflow from operating activities of $4.7 million. This was offset by the timing of the payment of IPO related costs of $1 million that were paid in April. The PFI assumed payment in May.

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 as an ASX Foreign Exempt Listing on 3 May 2016. As an ASX Foreign Exempt Listing, Tegel needs to 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 Australian Securities Exchange (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').

As a newly listed company, 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 – www.tegel.co.nz/investors

ETHICAL STANDARDS

Code of Conduct

The Board recognises that high ethical standards and behaviours are central to good corporate governance and has recently 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 at www.tegel.co.nz/investors 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

if they hold undisclosed price sensitive information. 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 will be monitored through the consent process, through 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 has entered into escrow arrangements with Tegel. Under these arrangements, each escrowed shareholder has agreed not to sell or otherwise dispose of any of the escrowed shares until the first business day after Tegel's preliminary announcement has been released in respect of its financial results for the year ending 30 April 2017. Claris Investments Pte. Limited, a majority shareholder, has also entered into escrow arrangements with Tegel. Under these arrangements it is 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 announces its results for the half-year ending 23 October 2016 is at least 20% higher than the price at which the shares were allotted under the Initial Public Offer.

These restrictions do not apply (and therefore the escrowed shares can be sold) in certain limited circumstances. You can find more information about the escrow arrangements in Tegel's PDS and on the Disclose Offer Register at: http://www.business.govt.nz/disclose (under offer number OFR10514).

The total percentage of shares subject to the escrow arrangements is 45.8% of the total number of ordinary shares in Tegel. In total there are 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 will determine the Company's relationship with shareholders and all stakeholders. The Board sets the strategic direction of the Company and selects the Senior Management Team which is charged with operating the business. The Board will oversee the Senior Management Team and will ultimately monitor 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 procedure and describes the Board's specific role and responsibilities. The Board delegates management of the day-to-day affairs and responsibilities of the Company to the Senior Management Team under the leadership of the Chief Executive Officer, to deliver the strategic direction and goals determined by the Board. 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 pre-IPO Board met for eleven regularly scheduled meetings during the financial year as a private company. The Board intends to meet no less than seven times during the year ending 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 24 April 2016, the Board comprised six directors, comprising 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). A biography of each director is set out on pages 14-15 of this Annual Report.

Timothy Chrisp, Ryan Shelswell, Tong Poh Tay and Chul Joo Lee each resigned as directors of Tegel Group Holdings Limited during the financial year ended 24 April 2016, prior to Tegel's listing.

The Board has delegated to the newly constituted 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 Board considers the following skills and experience to be particularly relevant:

- Food processing and manufacturing,
- Consumer goods,
- Marketing,
- Health, safety and social responsibility,
- Finance,
- Organisational development,
- Public companies,
- Governance/legal, and
- Diversity of thought.

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 speaking, 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 has determined that three out of the five non-executive directors are independent directors for the purposes of the NZX Listing Rules and in accordance with the Board Charter.

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, James Ogden, was appointed on 30 March 2016 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. Following listing, upon appointment, each new director will receive 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. As Tegel only recently listed, the first performance evaluations will take place during the year ending 30 April 2017, in accordance with the Company's governance documents.

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.

Corporate Governance (continued)

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 own 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.

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.

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

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 accordingly did not hold any meetings during the financial year ended 24 April 2016. The Committee intends to hold at least three meetings during the year ending 30 April 2017.

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 David Jackson (Chair), George Adams (both independent) and Brett Sutton. All members are non-executive directors.

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.

As the Committee was only constituted on 3 May 2016, no meetings were held during the year ended 24 April 2016. The Committee intends to hold at least three meetings during the year ending 30 April 2017.

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 James Ogden (both independent) and Brett Sutton.

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. It is currently intended that Tegel will not pay non-executive directors' fees exceeding, in aggregate, approximately $382,000 in FY2017. 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 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.

Annual non-executive director fees forecast to be paid for the period ending 30 April 2017:

Name of director	Annual Director Fees ($)
James Ogden	170,000
Tang Kok Yew	–
Brett Sutton	–
David Jackson	105,000
George Adams	107,000

Non-executive directors received the following directors' fees, remuneration and other benefits from the Company in the year ended 24 April 2016:

Name of director	Fees ($)
James Ogden	127,500
Tang Kok Yew	–
Brett Sutton	–
David Jackson	20,543
George Adams	31,710
Timothy Chrisp	80,000
Ryan Shelswell	–
Tong Poh Tay	–
Chul Joo Lee	–
TOTAL	**259,753**

James Ogden, David Jackson and George Adams received the above fees as directors post appointment on 30 March 2016 and in relation to their work completed for the listing of the Group prior to their appointment as directors.

Ryan Shelswell, Tong Poh Tay, Chul Joo Lee, Tang Kok Yew and Brett Sutton did not receive any directors fees in FY2016.

Directors are reimbursed for travel and other incidental expenses incurred in attending Board meetings.

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 year ended 24 April 2016 of $922,084. In addition, Phil Hand received a bonus in recognition of his past service to Tegel of $2,400,000. Phil Hand was also granted $300,000 worth of performance rights under a newly established long-term incentive plan (LTI Plan) – 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.

Corporate Governance (continued)

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.

Senior managers receive a short-term, cash-based incentive bonus if pre-determined Company and individual performance objectives are met.

Tegel recently introduced 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 were 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, having the grant value set out in the PDS. The number of performance rights will be 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 24 April 2016, 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 FY2016 that in value was or exceeded $100,000 per annum was as follows:

Remuneration bracket	Number of employees
$100,000 – $110,000	23
$110,001 – $120,000	11
$120,001 – $130,000	13
$130,001 – $140,000	13
$140,001 – $150,000	8
$150,001 – $160,000	8
$160,001 – $170,000	8
$170,001 – $180,000	4
$180,001 – $190,000	3
$190,001 – $200,000	2
$200,001 – $210,000	3
$220,001 – $230,000	2
$240,001 – $250,000	1
$260,001 – $270,000	1
$300,001 – $310,000	1
$310,001 – $320,000	1
$350,001 – $360,000	1
$410,001 – $420,000	3
$420,001 – $430,000	2
$520,001 – $530,000	1
$550,001 – $560,000	1
Total	**110**

*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. As a newly listed entity that has adopted a Diversity Policy as of 2 May 2016, no measurable objectives were set for the year ended 24 April 2016. The Board is currently setting the measurable objectives for the year ending 30 April 2017. The Company will report against its progress in meeting diversity objectives in its 2017 Annual Report.

The respective numbers and proportions of men and women at various levels within the Tegel workforce as at 26 April 2015 and 24 April 2016 are set out in the table below:

	Female				Male			
	2016		2015		2016		2015	
	No.	%	No.	%	No.	%	No.	%
Directors	0	0	0	0	6	100	7	100
Senior executives[1]	2	22	2	22	7	78	7	78
Senior employees[2]	25	36	24	34	45	64	47	66
Overall workforce	1,020	45	965	43	1,263	55	1,261	57

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 Direct reports to senior executives

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 wellbeing, 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 2.0 per 200,000 hours worked in the financial year ended 24 April 2016.

AUDITOR INDEPENDENCE

Tegel's Audit and Risk Committee Charter 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 intends to meet 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 2016 Annual Shareholders' Meeting will be held in Auckland on 19 October 2016. 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

In accordance with Section 140(1) of the Companies Act 1993, directors disclosed the following interests in transactions with Tegel during the financial year ended 24 April 2016:

Director	Nature of Director's Interest in Transaction
Phil Hand	Gave notice to the Board that he is interested in the Long Term Incentive documentation (relating to performance rights with a grant value of $300,000) and associated offer letter, entered into between the Company and Philip Hand on 30 March 2016.
Phil Hand	Gave notice to the Board that he is transferor of 90 M Class Shares in respect of the Company's buy back of the M Class Shares (at $1.00 per M Class Share).
Phil Hand	Gave notice to the Board that he entered into an agreement for a payment bonus dated 30 March 2016.
Phil Hand	Gave notice to the Board that he is interested in a subscription agreement dated 31 March 2016 between the Company and senior managers in respect of the redemption of 650,576 redeemable shares and subscription for ordinary shares for a subscription amount of $650,576.
James Ogden George Adams David Jackson Phil Hand	Each gave notice to the Board that he is interested in an Escrow Deed entered into with the Company dated 30 March 2016.

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 during the financial year ended 24 April 2016 are set out below.

Director	Entity	Relationship
James Ogden	Alliance Group Limited	Director*
	Ogden Consulting Limited	Director/Shareholder*
	Petone Investments Limited	Director/Shareholder*
	Summerset Group Holdings Limited	Director*
	The Warehouse Financial Services Limited and subsidiaries	Director*
	The Warehouse Group Limited	Director*
	Vista Group International Limited	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	Ross Group Enterprises Limited	Ceased as Director
	Tegel Foods Limited	Ceased as Director
	Tegel International Services Limited	Ceased as Director
	Live Entertainment Holdings Pty Limited and subsidiaries	Director
	Velocity Frequent Flyer Holdco Pty Limited and subsidiaries	Director
David Jackson	Fonterra Co-operative Group Limited	Director*
	Mitre 10 Holdings Limited and subsidiaries	Director*
	Nuplex Industries Limited	Director*
George Adams	Apollo Foods Limited	Director*
	Insightful Mobility Limited	Director/Shareholder*
	Mars Manufacturing Limited	Director*
	Nexus Foams Limited	Director*
	Nexus Foams (Thailand) Limited	Director*
	Bell Tea & Coffee Limited	Chairman/Shareholder*

*Interest held at time of appointment

Each of the Directors is also a Director of TGHLNZ 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 24 April 2016:

Name	Date of Acquisition/ Disposal	Number of Shares Acquired/ (Disposed)	Nature of Relevant Interest	Consideration
Phil Hand	2 Sep 15	7,203 ordinary shares and 159,829 redeemable shares[1]	Legal and beneficial owner	$1.00 per share
	11 Sep 15	5,121 ordinary shares and 113,636 redeemable shares[1]	Legal and beneficial owner	$1.00 per share
	17 Sep 15	613 ordinary shares and 13,602 redeemable shares[1]	Legal and beneficial owner	$1.00 per share
	30 Mar 16	(90) M Class Shares	Legal and beneficial owner	$1.00 per share
	30 Mar 16	175,944 ordinary shares[2]	Legal and beneficial owner	Nil[3]

1 All redeemable shares were redeemed by the Company on 4 May 2016 for $1.00 per share.
2 Subdivision of 29,324 existing ordinary shares at a ratio of 7:1.
3 Consideration for shares provided at time of subscription.

As at 24 April 2016, 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	Relevant Interest	Percentage[1]
Phil Hand	205,268 ordinary shares	0.002%
	650,676 redeemable shares	0.002%

1 Reflects percentage out of a total of all shares of the relevant class. There were 85,856,337 ordinary shares and 272,157,915 redeemable shares on issue as at 24 April 2016.

On 4 May 2016, following completion of Tegel's IPO, directors had a relevant interest in Tegel ordinary shares and other equity securities as follows:

Name	Beneficial interest	Non-beneficial interest
James Ogden	161,500	5,000
Phil Hand[1]	625,059	0
Tang Kok Yew	0	0
Brett Sutton	0	0
David Jackson	32,260	0
George Adams	32,260	0

1 In addition, Phil Hand has a beneficial interest in $300,000 worth of performance rights under the Tegel LTI plan.

There were 355,906,183 ordinary shares on issue as at 4 May 2016.

Indemnification and Insurance of Directors

For the purposes of section 162 of the Companies Act 1993, an entry was made in the Interests Register in relation to insurance (including run-off insurance) effected 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 were also granted to each new director during the year and particulars were entered in the Interests Register.

SHAREHOLDINGS

Shareholder Information

As at 30 June 2016 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	86	43,741	0.01%
1,000 to 4,999	1,098	3,025,291	0.85%
5,000 to 9,999	757	5,222,363	1.47%
10,000 to 49,999	928	17,748,104	4.99%
50,000 to 99,999	95	6,564,555	1.84%
100,000 and over	71	323,302,129	90.84%
	3,035	**355,906,183**	**100.00%**

As at 30 June 2016 there were no shareholders holding between 1 and 200 ordinary shares (a minimum holding under the NZX listing rules) and five shareholders holding less than a marketable share parcel of A$500 (under the ASX listing rules).

As at 30 June 2016, there were nine individuals holding a total grant value of $804,284 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 30 June 2016:

	Shareholder	Number of ordinary shares	Percentage
1	Claris Investments Pte Limited	160,157,782	45.00%
2	New Zealand Central Securities Depository Limited	70,411,393	19.78%
3	JP Morgan Nominees Australia Limited	16,846,219	4.73%
4	Citicorp Nominees Pty Limited	11,081,949	3.11%
5	RBC Investor Services Australia Nominees Pty Limited	10,358,719	2.91%
6	National Nominees Limited	5,543,573	1.55%
7	FNZ Custodians Limited	5,391,227	1.51%
8	Custodial Services Limited	4,556,717	1.28%
9	HSBC Custody Nominees (Australia) Limited	3,920,853	1.10%
10	BNP Paribas Noms Pty Ltd	3,734,302	1.04%
11	UBS Nominees Pty Limited	2,819,416	0.79%
12	RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	2,300,680	0.64%
13	Custodial Services Limited <A/C 4>	1,814,191	0.50%
14	Custodial Services Limited <A/C 2>	1,697,283	0.47%
15	Deutsche Securities New Zealand Limited	1,612,904	0.45%
16	Investment Custodial Services Limited <A/C R>	1,401,408	0.39%
17	Investment Custodial Services Limited <A/C C>	1,395,115	0.39%
18	Custodial Services Limited <A/C 16>	1,319,495	0.37%
19	Custodial Services Limited <A/C 18>	1,168,385	0.32%
20	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	1,030,805	0.28%

Corporate Governance (continued)

Subsidiary Company Directors

The following persons were directors of Tegel's subsidiaries during the year ended 24 April 2016:

Subsidiary	Directors	Directors who retired during the year
Ross Group Enterprises Limited	Phil Hand Brett Sutton*	Tong Poh Tay
Tegel Foods Limited	Phil Hand Brett Sutton*	Tong Poh Tay Chul Joo Lee
Tegel International Services Limited	Phil Hand Brett Sutton*	

* 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

As Tegel was not listed as at 24 April 2016, it had no substantial product holders for the purposes of the Financial Markets Conduct Act 2013 at that time. The following persons were substantial product holders in Tegel as at 30 June 2016, 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%
Perpetual Limited (and Subsidiaries)	18,553,225	5.21%
Commonwealth Bank of Australia	17,827,088	5.01%
Colonial First State Asset Management (Australia) Limited	18,572,834	5.22%

Tegel Group Holdings Limited is 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 are subject to voluntary escrow arrangements whereby the respective shareholders have agreed not to sell or otherwise dispose of their shares until the first business day after Tegel's preliminary announcement has been released in respect of its financial results for the year ending 30 April 2017. Refer to the Securities Trading Policy and Guidelines on page 48 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 WAIVERS

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 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 www.tegel.co.nz/investors.

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 24 April 2016.

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
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
Tegel	Tegel Group Holdings Limited

CORPORATE DIRECTORY

Key Financial Reporting Dates

FY2016 Annual Reporting Period

52 weeks: 27 April 2015 to 24 April 2016

FY2017 Interim Reporting Period

26 weeks: 25 April 2016 to 23 October 2016

FY2017 Annual Reporting Period

53 weeks: 25 April 2016 to 30 April 2017

Board of Directors

James Ogden (Chairman)

Phil Hand (Chief Executive Officer)

Tang Kok Yew

Brett Sutton

David Jackson

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

Registered Office and principal administration office

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Share Registry

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enquiry@computershare.co.nz

Website

www.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 **www.tegel.co.nz/investors**

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