



Interim Report
2017

Set the table.



KEY HIGHLIGHTS

H1'18 UNDERLYING EBITDA¹

\$34.6M

H1'17: \$35.1M

H1'18 NET PROFIT AFTER TAX

\$14.8M

H1'17: \$15.1M

POULTRY VOLUMES (TONNES)

48,676

H1'17: 48,266

INTERIM DIVIDEND OF

3.45

CENTS PER SHARE



New Zealand domestic poultry revenue up 4% to \$226 million.



Expanding customer base in Australia, new customers across Retail, Foodservice and QSR.

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QUICK *and easy* _____
SUNDAY *at dad's* _____
BACKYARD *BBQ* _____
KAI'S *up* _____
FAMILY *favourite* _____
GRAVY *please!* _____
CHICKEN *roast* _____
CHRISTMAS *Turkey!* _____
SAUSAGES *and more* _____
NZ's **FAVOURITE** SINCE 1961.

**YUM!**

Tegel Free Range
Crunchy Burgers

COVER

Tegel Free Range
Roast in the Bag

DIRECTORS REPORT



David Jackson
CHAIRMAN

Phil Hand
CHIEF EXECUTIVE OFFICER

Continued solid financial performance

Tegel Group Holdings Limited (Tegel) is pleased to present its interim report for the 26 weeks ended 29 October 2017. Tegel's poultry volume continued to grow, up 0.8% to 48,676 tonnes and revenue up 2% to \$302 million. Within this domestic revenue grew 4.0% to \$226 million. We have also expanded and diversified our customer base in Australia.



EXPORTS

Tegel Free Range products exporting to Australia

Highlights for the period compared to the twenty six weeks ended 23 October 2016 include:

- Poultry volume of 48,676 tonnes, up 0.8%
- Revenue of \$302.3 million, up 2.0%
- Underlying EBITDA¹ of \$34.6 million
- Net profit after income tax (NPAT) of \$14.8 million
- Interim dividend of 3.45 cents per share
- Continuing strong growth in the domestic market, volumes increased 1.7%
- Significant progress made in Australia with products launched successfully into Retail, Foodservice and QSR with new customers
- Expanded export markets with a new retail customer in Bahrain
- Continued brand investment with launch of Free Range marketing activity
- Capital investment in the business continued and new farm sites identified to grow capacity

Overview

Tegel is pleased to report continued growth in total volumes and revenues for the period. This is against a backdrop of continued strong domestic price competition. Volumes for the FY18 first half were 48.7 thousand tonnes, up 0.8% compared to the prior half year. Revenues were \$302.3 million, up 2.0% over the prior half year.

Underlying EBITDA and NPAT were both solid for the six months despite the impact of additional investment to drive growth, particularly in Australia as we expanded the export sales team, incurred higher distribution costs and established new product lines in new channels. At \$34.6 million for the period, underlying EBITDA was \$0.5 million below the same period for the first half of FY17 and our NPAT earnings of \$14.8 million was \$0.3 million below H1 '17.

As a result of the solid NPAT, adjusted for amortisation of customer contracts, the Board has declared a fully imputed interim dividend for the first half of 3.45 cents per share. This will be paid on 26 January 2018.

1. Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation and excludes the effects of certain IFRS fair value adjustments and items that are of a non-recurring nature. Underlying EBITDA is a non GAAP measure. A reconciliation is provided in note 2.1 of the interim financial statements.

SUMMARY FINANCIALS NZD million	HI'18 26 WEEKS	HI'17 26 WEEKS	VARIANCE	VARIANCE %
Poultry volumes (tonnes)	48,676	48,266	410	0.8%
Revenue	302.3	296.3	6.0	2.0%
Cost of goods sold (COGS)	(232.0)	(227.6)	(4.4)	(1.9%)
Gross Profit	70.3	68.7	1.6	2.4%
Gross Profit %	23.3%	23.2%	–	0.4%
Expenses	(35.8)	(33.6)	(2.2)	(6.7%)
Underlying EBITDA ¹	34.6	35.1	(0.5)	(1.7%)
Net profit after tax (NPAT)	14.8	15.1	(0.3)	(2.3%)
Interim Dividend (cents per share)	3.45	3.45	–	–

Delivering Strategy

The FY17 annual report outlined Tegel's plans for future growth. Tegel is well on track to achieving its strategic goals for the year.

In the domestic market, Tegel has maintained market share² and we have continued to drive growth in poultry consumption. Domestic volumes were up 1.7% for the year. This was mainly from higher volumes through QSR and Foodservice channels. The changing trends of New Zealanders looking for increasingly convenient meal solutions is being reflected in growth in QSR and Foodservice channels. The benefit of our strategy is that we are across all channels.

Domestic revenue for the half year was \$226.1 million, up \$8.6 million or 4.0% which is a higher percentage than domestic volume growth. We are closely monitoring pricing and are looking for any opportunities through product mix whilst maintaining market share. Higher margin products continue to sell well and have contributed favourably to our overall domestic return.

Our ongoing investment in the Tegel brand is producing lasting positive results, and we continue to focus on product innovation, particularly in the free range and value added meal solution space.

Export volume was down for the half year by 290 tonnes, while export revenue was down by \$5.8 million compared to the first half of FY17. This was in line with expectations and was primarily due to Australian

volumes and revenue being lower due to one customer taking their volumes in-house.

Tegel's strategy in Australia is to diversify across channels and customers, and this is starting to deliver results. Compared to this time last year, Tegel now has additional customers in Australia. Also, during the last six months, we have launched new products into the Retail market in Australia. These products are across frozen value added and chilled categories including cooked and smoked products. It has been particularly satisfying to see the significant national distribution of Tegel's product range to our new retail customer. Tegel is excited about the breadth of distribution of many of our products across Australia.

Continued expansion of the office in Australia is important to ensure we have a team dedicated to provide the right support to our increasing customer base. Delivering products to a wider distribution network across Australia has incurred higher distribution costs. However as sales increase, costs will be optimised through scale.

In our other export markets, Tegel saw strong performance with growth in volumes and revenue into the Pacific Islands. In the Middle East we continued to build on our position by launching new products.

In August of this year, we further increased our international presence with the launch of Tegel into one of the major supermarket chains in Bahrain.

2. Aztec Retail Scan data October 2017 and Management estimates for non-retail channels.

The fundamentals of this market are attractive as an estimated 80% of the country's meat consumption is chicken, accounting for approximately 46kg per person each year. This compares to 39kg per person in New Zealand. Tegel's products resonate well as our offering is for the supply of premium products (made from 100% breast meat) which is increasingly being sought by discerning local consumers as well as by Western expatriate communities.

Operational highlights

Tegel has continued to invest in agriculture and processing assets that are supporting sales growth, efficiency gains and savings. We have commenced our New Plymouth hatchery expansion. In addition we have acquired the land and buildings adjoining our feedmill in New Plymouth. This will allow us to expand capacity at that site in line with our growth aspirations.

We remain focused on cost saving initiatives and continuous improvements with further rollout of our SIMPLIFY! programme.

At the end of October, Bridget Coates was appointed to the Board as an independent Director. Bridget comes to Tegel as a current and former Director on a number of global listed company Boards. In addition, she has a strong track record in driving international business growth through innovation, relationships, brands and marketing and we are very delighted to welcome her to the Tegel Board.

Building on the success of Tegel's brand refresh last year, we continued to invest in our brand. The most recent campaign focused on bringing to life our Free Range offering. For the first time we have started to tell our farming story. By giving an insight into our farming practices and animal welfare we are providing greater transparency and are continuing the journey to enhance understanding of poultry farming as being cage free, no added hormones and New Zealand raised. Tegel poultry is bred and raised on over 130 farms around New Zealand. We're incredibly proud of our farmers and we enjoy a close working relationship. Together we produce poultry in a sustainable way with a minimal impact on our environment. We also enjoy a world class feed conversion ratio due to a favourable growing environment.



Free Range Growth

As we look at the parts of our business which are providing the best opportunities for growth, we are responding to the changing needs of our consumer. We recognise that increasingly people want to feel good about the things they consume. This means being aware of what is in their food and a willingness to pay more for food that is ethically and sustainably produced. As a result there is greater demand for Free Range chicken and we are delivering significant growth in this area, ahead of the market.

Tegel's focus on new product development and responding to this demand allows us to develop and sell more higher value products. On the export side, new products launched to our customers are establishing and growing the premium, Free Range category.

On the Agriculture side of the business, as free range demand increases, we are constructing free range sheds while also converting existing farms to free range. Tegel is excited to confirm that we will have a new farm at Chertsey just south of Christchurch. Consent has been granted for an eight shed farm which will be run by a contract grower. Earthworks there have commenced and we expect the first shed to be completed in March 2018.

Financial Overview

POULTRY VOLUME TONNES	HI'18 26 WEEKS	HI'17 26 WEEKS	VARIANCE TONNES	VARIANCE %
Domestic	40,769	40,069	700	1.7%
Export	7,907	8,197	(290)	(3.5%)
Total	48,676	48,266	410	0.8%

REVENUE NZD MILLION	HY18	HY17	VARIANCE \$	VARIANCE %
Domestic	226.1	217.5	8.6	4.0%
Export	44.8	50.6	(5.8)	(11.5%)
Other ³	31.4	28.2	3.2	11.4%
Total	302.3	296.3	6.0	2.0%

3. Other revenue includes sales of eggs, day-old-chicks, feed and offal.

Both poultry volumes and revenue for the 26 weeks ended 29 October 2017 exceeded those of the comparative period. Total poultry volumes increased to 48.7 thousand tonnes. Revenue was up 2.0% to \$302.3 million driven by improved price/mix and higher value added product.

Gross Profit was also ahead on the same period last year, delivering an improved gross margin of 23.3%. Meanwhile in a rising cost environment, Tegel delivered Underlying EBITDA of \$34.6 million and Net Profit After Tax of \$14.8 million which was slightly behind the comparative period.

Tegel is benefiting this year from a lower commodity pricing environment compared to last year. However, higher costs have been incurred due to additional investment to drive growth, particularly in Australia as we expanded the export sales team, incurred higher distribution costs and established new product lines in new channels. Tegel continues to invest in brand and marketing. We also continue to ensure we have the right people in the right roles with the appropriate structures in place, particularly as we grow our exports.

During the six months Tegel also incurred a number of non-repeating costs which have been taken below the line. These include \$0.7 million related to the Kaikoura earthquake which we have previously communicated.

EASY

Tegel Free Range
Chilli Lime Kebabs



In addition we have recognised one-off compliance costs of \$0.5 million as we work with the industry to align catching procedures.

Tegel continues to have a strong balance sheet, with improved working capital compared to the FY17 year end. As is typical with this business and consistent with our interim results last year, the timing of our balance date can impact significantly on the level of working capital.

Again this half year Tegel had a grain boat arrive into our inventories towards the end of our reporting period resulting in higher stock of raw materials. The level of finished goods inventories, up \$9.3 million to \$59.4 million, supports our usual summer seasonal demand, higher sales as well as our export requirements.

As a result of the investments in production capability outlined previously, non-current assets were up by \$8.3 million in the half year.

Due to timing of cashflows, cash decreased \$11.8 million and we ended the half year with \$1.6 million in cash.

In addition some key movements impacted cash for the half year. Tegel's operating cash flows saw outflows of

\$3.6 million for the half year. This was an improvement on prior period outflows of \$18.2 million which included one-off expenses relating to the public listing of Tegel.

In terms of financing activities, a new banking facility was negotiated, with all bank borrowings repaid and a new three year facility being advanced. The working capital portion of this facility has been extended by \$10 million to \$50 million. These facilities expire in October 2020. Finally, the company paid \$14.6 million in the half year relating to the final dividend for FY17. No dividends were paid in the prior half year.

Dividend

The Tegel Board has declared an interim dividend. The fully imputed interim dividend for the first half of FY18 of 3.45 cents per share will be paid on 26 January 2018. This compares to the 3.45 cents per share interim dividend paid last year.

Tegel's dividend policy remains unchanged. It is the Board's intention to target a dividend payout ratio in the range of 60-75% of annual NPAT excluding the expense relating to the non-cash amortisation of customer contracts.

QUICK CUISINE!

Tegel Free Range Meal Maker
Cracked Pepper Shredded Chicken



Outlook

Tegel's performance in the first half has been solid. Tegel has continued to drive innovative New Product Development, while responding to the demands of our customers. We are competing well both domestically and on the export front without compromising our strategy.

However, as anticipated, the half year also had its challenges. Domestic pricing remains competitive and this will continue. Being the largest poultry producer provides us with scale and we will continue to focus on maintaining market share. We expect increased poultry consumption as the population continues to grow and the competition for protein still lies in favour of poultry.

We recently launched an exciting summer BBQurious campaign and we will continue to drive growth through the summer season with new products and continued investment in advertising. In our export markets we will further support the roll out of new products in Australia through promotional activity, and drive incremental growth off the initial base we established in the first half.

Our export team are working hard to increase products and volumes to our Asian and new markets such as Bahrain.

Total capital expenditure will be ahead of the amount initially forecast mainly due to the New Plymouth feedmill additional land acquisition which will come through this year. We will continue with our other planned projects including the hatchery expansion in New Plymouth, continued brand investment and new product innovation.

We continue to control our costs and drive efficiencies within the business through the ongoing roll out of SIMPLIFY!. Looking ahead we do however see a number of cost pressures coming through. These incremental costs include higher labour rates, higher fuel costs and higher catching costs. Higher distribution costs will continue from export products particularly to Australia. It is also important to us to continue to ensure our animal welfare objectives are met.

Looking at the remainder of FY18, we will maintain our domestic market share in a challenging pricing environment. Our Australian exports have diversified into more channels and customers. We continue to work towards exceeding FY17 underlying EBITDA.

Finally, the Board would like to acknowledge the contribution of our people to Tegel's success. Recently we had our annual long service awards for employees across all parts of our business, recognising the loyalty our staff have given to the company. 169 employees received long service awards adding up to over 2,240 years of combined service. We are also very much future focused, delivering on our strategy and optimising capability across the business to support our planned growth. The skill, effort and dedication of our employees drives the success we are achieving. Tegel continues to be focused on delivering long term sustainable growth.



David Jackson
Chairman



Phil Hand
Chief Executive Officer

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 29 October 2017

	Notes	Unaudited 6 months 29 Oct 17 \$'000	Unaudited 6 months 23 Oct 16 \$'000
Revenue		302,327	296,299
Cost of sales		(231,970)	(227,597)
Gross profit		70,357	68,702
Expenses			
Distribution		(28,659)	(25,582)
Administration		(18,173)	(18,086)
Other		(128)	(112)
Finance income		29	49
Finance costs		(2,826)	(3,557)
Profit before income tax		20,600	21,414
Income tax expense	6.1	(5,831)	(6,299)
Profit for the year attributable to shareholders of the parent	2.1	14,769	15,115
Other comprehensive income:			
<i>Items that will be subsequently reclassified to profit and loss</i>			
Cash flow hedges, net of tax		1,045	711
Total other comprehensive income for the year, net of tax		1,045	711
Total comprehensive income for the year		15,814	15,826
Basic earnings per share (cents)	5.3	4.29	4.39
Diluted earnings per share (cents)	5.3	4.28	4.38

BALANCE SHEET

As at 29 October 2017

	Notes	Unaudited 29 Oct 17 \$'000	Audited Restated 30 Apr 17 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,633	13,406
Trade and other receivables		93,977	63,258
Inventories	3.1	99,905	84,864
Derivative financial instruments		3,728	1,635
Biological assets		32,672	32,872
Total current assets		231,915	196,035
Non-current assets			
Property, plant and equipment	4.1	169,330	163,663
Receivables		197	329
Intangible assets	4.2	345,760	342,988
Total non-current assets		515,287	506,980
Total assets		747,202	703,015
LIABILITIES			
Current liabilities			
Tax payable		4,626	3,113
Derivative financial instruments		2,001	1,978
Trade and other payables		82,031	66,600
Total current liabilities		88,658	71,691
Non-current liabilities			
Deferred tax liabilities	6.1	25,572	29,213
Borrowings	5.1	149,511	120,000
Total non-current liabilities		175,083	149,213
Total liabilities		263,741	220,904
Net assets		483,461	482,111
EQUITY			
Issued capital	5.2	427,121	427,121
Reserves		1,611	438
Retained earnings		54,729	54,552
Total equity		483,461	482,111

For and on behalf of the board, who authorised these financial statements for issue on 6 December 2017.



David Jackson
CHAIRMAN



Phil Hand
CHIEF EXECUTIVE OFFICER

STATEMENT OF CHANGES IN EQUITY

For the period ended 29 October 2017

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 24 April 2016 (audited)	284,423	(3,149)	32,586	313,860
Profit for the period	–	–	15,115	15,115
Other comprehensive income for the period, net of tax	–	711	–	711
Total comprehensive income	–	711	15,115	15,826
Movement in fair value of share based payment reserve	–	112	–	112
Shares redeemed during the period	(264,158)	–	–	(264,158)
Issue of shares during the period net of issue costs	406,873	–	–	406,873
	142,715	112	–	142,827
Balance at 23 October 2016 (unaudited)	427,138	(2,326)	47,701	472,513
Balance at 30 April 2017 (audited)	427,121	438	54,552	482,111
Profit for the period	–	–	14,769	14,769
Other comprehensive income for the period, net of tax	–	1,045	–	1,045
Total comprehensive income	–	1,045	14,769	15,814
Movement in fair value of share based payments reserve	–	128	–	128
Dividends paid	–	–	(14,592)	(14,592)
Supplementary dividends paid	–	–	(514)	(514)
Foreign investor tax credit	–	–	514	514
	–	128	(14,592)	(14,464)
Balance at 29 October 2017 (unaudited)	427,121	1,611	54,729	483,461

STATEMENT OF CASH FLOWS

For the period ended 29 October 2017

	Notes	Unaudited 6 months 29 Oct 17 \$'000	Unaudited 6 months 23 Oct 16 \$'000
Cash flows from operating activities			
Receipts from customers		278,272	287,664
Net GST (paid) / received		(1,634)	310
Income tax paid		(8,366)	(7,239)
Payments to suppliers		(206,241)	(220,574)
Payments to employees		(65,648)	(76,728)
Other operating expenses related to listing		–	(1,652)
Net cash outflow from operating activities	3.2	(3,617)	(18,219)
Cash flows from investing activities			
Payments for property, plant and equipment		(13,919)	(14,987)
Payments for intangibles		(4,271)	(1,206)
Increase in non current assets and other		(575)	(65)
Net cash outflow from investing activities		(18,765)	(16,258)
Cash flows from financing activities			
Proceeds from borrowings		189,925	30,000
Issue of ordinary shares		–	418,577
Redemption of redeemable shares		–	(264,158)
Repayment of principal on borrowings		(159,925)	(130,000)
Payment of interest and financing costs		(4,799)	(3,559)
Payment of costs related to listing		–	(11,270)
Payment of dividends		(14,592)	–
Net cash inflow from financing activities		10,609	39,590
Net (decrease) / increase in cash and cash equivalents		(11,773)	5,113
Cash and cash equivalents at the beginning of the financial year		13,406	4,002
Cash and cash equivalents at end of year		1,633	9,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 29 October 2017

1 BASIS OF PREPARATION

1.1 GENERAL INFORMATION

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

These interim consolidated financial statements are for the 26 week period ended 29 October 2017. The comparative period represents the 26 week period ended 23 October 2016.

1.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and the Financial Markets Conduct Act 2013. 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.

The accounting policies and methods of computation used in the preparation of these interim financial statement are consistent with those used in the 2017 annual financial statements except as outlined below. The interim financial statements have been prepared in accordance with NZ IAS 34 – Interim Financial Reporting and IAS 34 – Interim Financial Reporting, and should be read in conjunction with the 2017 annual financial statements.

Critical accounting judgements, estimates and assumptions

There have been no changes in critical judgements, estimates and assumptions outlined in the 2017 annual financial statements.

Changes in accounting policies

In 2011, on acquisition of the Tegel business, the Group recognised an indefinite life brand with a fair value of \$33.5 million. No deferred tax was recognised in relation to this asset at the time of the acquisition. This was based on the assumption that because an indefinite life brand is not amortised, its carrying amount is not expected to be consumed, rather, its carrying amount is expected to be recovered entirely through sale.

In November 2016, the IFRS Interpretations Committee (IFRIC) issued an agenda decision regarding the determination of the expected manner of recovery of intangible assets with indefinite useful life for the purposes of measuring deferred tax, in accordance with IAS 12 Income Taxes. This provided additional guidance on how an entity recovers the carrying value of such assets and the consequences for the measurement and recognition of deferred tax.

As a result of this additional guidance, the Group has recognised a deferred tax liability of \$9.4 million on brands, with a corresponding increase in the carrying amount of the generated goodwill. There has been no impairment of the goodwill or brands since the acquisition. Comparatives for goodwill and deferred tax liability have been restated and both increased by \$9.4 million.

1.3 SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The financial position and performance of the Group was affected by the following significant events and transactions during the reporting period:

Refinance

On 10 October 2017, a new banking facility was negotiated, resulting in all bank borrowing being repaid and a new three year facility being advanced to the Group. For more details see note 5.1 Borrowings.

2 PERFORMANCE

2.1 SEGMENT REPORTING

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

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

Revenues of approximately 42% (2017: 42%) are derived from two customers with greater than 10% of revenue.

	Unaudited 6 months 29 Oct 17 \$'000	Unaudited 6 months 23 Oct 16 \$'000
Underlying EBITDA	34,559	35,141
Unrealised losses on foreign exchange revaluations	(38)	(283)
Fair value adjustment to biological assets	–	(158)
Share based payments	(128)	(112)
Settlement of historical legal and other claims	(12)	(116)
Kaikoura earthquake costs and other distribution costs	(708)	–
Industry compliance costs	(525)	–
EBITDA	33,148	34,472
Depreciation	(8,252)	(7,943)
Amortisation	(1,499)	(1,606)
Net finance costs	(2,797)	(3,509)
Profit before tax	20,600	21,414
Income tax expense	(5,831)	(6,299)
Profit after tax	14,769	15,115

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

	Unaudited 6 months 29 Oct 17 \$'000	Unaudited 6 months 23 Oct 16 \$'000
Revenue		
Domestic	257,564	245,673
Export	44,763	50,626
Total revenue	302,327	296,299

3 WORKING CAPITAL

3.1 INVENTORIES

	Unaudited 29 Oct 17 \$'000	Audited 30 Apr 17 \$'000
Raw materials	34,551	29,159
Finished goods	59,356	50,012
Spare parts and consumables	5,998	5,693
	99,905	84,864

Raw materials of \$9.7 million (2017: \$12.3 million) have been pledged as security for trade payables. The remaining inventory is secured under bank borrowings.

3.2 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Unaudited 6 months 29 Oct 17 \$'000	Unaudited 6 months 23 Oct 16 \$'000
Profit for the year	14,769	15,115
Adjusted for		
Depreciation	8,252	7,943
Amortisation	1,499	1,606
Movements in working capital due to derivatives	(618)	(1,281)
Movements related to deferred tax	(4,047)	(284)
Other amounts not involving cash flows	859	112
Impact of changes in working capital items		
Increase in debtors and prepayments	(30,719)	(4,338)
Increase / (decrease) in creditors and provisions	15,431	(14,343)
Increase in inventories	(15,041)	(15,294)
Decrease in deferred IPO costs	–	12,246
Decrease in provisions and other current liabilities	–	(21,463)
Increase / (decrease) in current tax liabilities	1,513	(658)
Decrease / (increase) in biological assets	200	(705)
Less items classified as financing activities:		
Payment of costs related to listing and subsequently netted in equity	–	(434)
Interest paid / financing transaction costs classified as financing	4,285	3,559
Net cash inflow from operating activities	(3,617)	(18,219)

4 LONG TERM ASSETS

4.1 PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress \$'000	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
At 30 April 2017 (audited)						
Cost	7,632	9,088	41,381	180,829	654	239,584
Accumulated depreciation	–	–	(5,631)	(69,838)	(452)	(75,921)
Net book amount	7,632	9,088	35,750	110,991	202	163,663

6 months ending 29 October 2017 (unaudited)

Opening net book amount	7,632	9,088	35,750	110,991	202	163,663
Additions	13,919	–	–	–	–	13,919
Transfer of work in progress	(4,942)	–	659	4,283	–	–
Depreciation charge	–	–	(1,063)	(7,155)	(34)	(8,252)
Closing net book amount	16,609	9,088	35,346	108,119	168	169,330

At 29 October 2017 (unaudited)

Cost	16,609	9,088	42,038	185,775	665	254,175
Accumulated depreciation	–	–	(6,692)	(77,656)	(497)	(84,845)
Net book amount	16,609	9,088	35,346	108,119	168	169,330

4.2 INTANGIBLE ASSETS

	Goodwill \$'000	Customer Relationships \$'000	Brands \$'000	Computer software \$'000	Other intangible assets \$'000	Total \$'000
At 30 April 2017 (audited)(restated)						
Cost	263,958	56,900	33,500	10,143	1,283	365,784
Accumulated amortisation	–	(13,656)	–	(7,936)	(1,204)	(22,796)
Net book amount	263,958	43,244	33,500	2,207	79	342,988

Period ending 29 October 2017 (unaudited)

Opening net book amount	263,958	43,244	33,500	2,207	79	342,988
Additions	–	–	–	3,895	376	4,271
Amortisation charge	–	(1,138)	–	(196)	(165)	(1,499)
Closing net book amount	263,958	42,106	33,500	5,906	290	345,760

At 29 October 2017 (unaudited)

Cost	263,958	56,900	33,500	14,038	1,659	370,055
Accumulated amortisation	–	(14,794)	–	(8,132)	(1,369)	(24,295)
Net book amount	263,958	42,106	33,500	5,906	290	345,760

There have been no indicators of impairment that would require a revision to the assessment of goodwill from the 2017 annual financial statements.

4.3 COMMITMENTS

(a) Capital commitments

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

	Unaudited 29 Oct 17 \$'000	Audited 30 Apr 17 \$'000
Property, plant and equipment and intangibles	17,923	8,985
	17,923	8,985

5 BORROWINGS AND EQUITY

5.1 BORROWINGS

	Unaudited 29 Oct 17 \$'000	Audited 30 Apr 17 \$'000
Secured		
Non current		
Bank borrowings at amortised cost	149,511	120,000
Total interest bearing liabilities	149,511	120,000

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

	Unaudited 29 Oct 17 \$'000	Audited 30 Apr 17 \$'000
Bank loan facilities		
Working capital facilities	50,000	40,000
Unused at balance date	20,000	40,000

On 10 October 2017, a new banking facility was negotiated, resulting in all bank borrowings being repaid. A new three year facility was advanced to the Group. The new arrangements are a facility of \$120.0 million and a working capital facility of \$50.0 million with both expiring in October 2020.

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

The borrowings are subject to borrowing covenant arrangements. The Group has complied with all covenants during the period. Bank borrowings are secured over the assets of the Group.

The loans of the Group incurred interest at rates from 3.1% to 3.6% (30 April 2017: 3.2% to 4.9%).

5.2 SHARE CAPITAL

Share Capital	Ordinary shares	
	Number on issue	Value \$'000
At 30 April 2017 (audited)	355,906	427,121
At 29 October 2017 (unaudited)	355,906	427,121

5.3 EARNINGS PER SHARE

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

	Unaudited 6 months 29 Oct 17 \$'000	Unaudited 6 months 23 Oct 16 \$'000
Profit attributable to shareholders	14,769	15,115
Weighted average number of ordinary shares for basic earnings per share	344,036	344,036
Effect of dilutive ordinary shares:		
– Performance rights	864	864
Weighted average number of ordinary shares for diluted earnings per share	344,900	344,900
Basic earnings per share (cents)	4.29	4.39
Diluted earnings per share (cents)	4.28	4.38

5.4 DIVIDENDS PAID

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

	Unaudited 6 months 29 Oct 17 \$'000	Cents per share	Unaudited 6 months 23 Oct 16 \$'000	Cents per share
Dividends paid during the period				
2017 final dividend (fully imputed)	14,592	4.10	–	–
Dividends declared after balance date				
2017 interim dividend (fully imputed)	–	–	12,279	3.45
2018 interim dividend (fully imputed)	12,279	3.45	–	–

6 OTHER

6.1 TAXATION

Income tax expense of \$5.8 million is recognised based on management's best estimate of the effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 29 October 2017 is 28% (23 October 2016: 28%).

6.2 CONTINGENCIES

As at 29 October 2017 the Group had no contingent liabilities or assets.

6.3 SIGNIFICANT EVENTS AFTER BALANCE DATE

On 6 December 2017 the Board approved the payment of a fully imputed 2018 interim dividend of \$12.3 million (3.45 cents per share) to be paid on 26 January 2018. In addition, a supplementary dividend totalling approximately \$0.3 million (0.61 cents per share) was also approved for eligible non-resident shareholders.

INDEPENDENT REVIEW REPORT

To the Directors of Tegel Group Holdings Limited



Report on the Interim financial statements

We have reviewed the accompanying consolidated financial statements of Tegel Group Holdings Limited (the Company) on pages 8 to 18, which comprise the balance sheet as at 29 October 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes. The Group comprises of the Company and the entities it controlled at 29 October 2017 or during the period then ended.

Directors responsibility for the financial statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual consolidated financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these consolidated financial statements.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34.

Who we report to

This report is made solely to the Company's Directors, as a body. Our review work has been undertaken so that we might state to the Company's Directors those matters which we are required to state to them in our review 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 Directors, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
6 December 2017

Auckland

CORPORATE DIRECTORY

Board of Directors

David Jackson (Chairman)
Phil Hand (Chief Executive Officer)
Tang Kok Yew
Brett Sutton
Bridget Coates
George Adams

Auditor

PricewaterhouseCoopers
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Auckland

Lawyers

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Ticker: TGH
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ARB number: 611 273 539

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CHRISTMAS, DONE!

Tegel Free Range Boneless Roast Turkey
with Cranberry Stuffing





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