Tegel Group Holdings Limited
Interim Consolidated Financial Statements
for the half year ended 25 October 2015

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Directors' Report

The Board of Directors of Tegel Group Holdings Limited authorised these interim financial statements presented on pages 4 to 14 for issue on 30 March 2016.

For and on behalf of the Board.

Director

Director

Independent Review Report

To the Directors of Tegel Group Holdings Limited

Report on the Interim Financial Statements

We have reviewed the accompanying financial statements of Tegel Group Holdings Limited ("the Company") on pages 4 to 14, which comprise the consolidated balance sheet as at 25 October 2015, the consolidated statement of comprehensive income, the consolidated income statement and the consolidated 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 the Company and the entities it controlled at 25 October 2015 or from time to time during the financial year.

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 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 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 financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors perform 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 financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of taxation services, other assurance and advisory 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.

Restriction on Use of Our Report

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.

PricewaterhouseCoopers

Chartered Accountants
30 March 2016

Auckland

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Tegel Group Holdings Limited
Consolidated Income Statement
For the period ended 25 October 2015

	Notes	**Unaudited 6 months 25 Oct 15 $'000**	Unaudited 6 months 26 Oct 14 $'000
Revenue	7	**284,930**	274,190
Cost of sales		**(213,436)**	(213,725)
Gross profit		**71,494**	60,465
Other income	7	**-**	103
Expenses			
Distribution		**(24,548)**	(23,870)
Administration		**(17,327)**	(16,688)
Other		**(3,692)**	(3,647)
Profit from operating activities		**25,927**	16,363
Finance income		**175**	32
Finance costs		**(18,000)**	(17,009)
Net finance costs		**(17,825)**	(16,977)
Profit before income tax		**8,102**	(614)
Income tax (expense) / benefit	8	**(2,133)**	159
Profit /(loss) for the period attributable to shareholders of the parent		**5,969**	(455)
Basic & diluted earnings per ordinary share (cents)	15	**50.35**	(3.98)

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

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	Unaudited 6 months 25 Oct 15 $'000	Unaudited 6 months 26 Oct 14 $'000
Profit / (loss) for the period attributable to shareholders of the parent	**5,969**	(455)
Other comprehensive income:		
Items that will be subsequently reversed to profit and loss		
Cash flow hedges, net of tax	**169**	4,750
Other comprehensive income for the period, net of tax	**169**	4,750
Total comprehensive income for the period	**6,138**	4,295

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

Tegel Group Holdings Limited
Consolidated Balance Sheet
As at 25 October 2015

	Notes	**Unaudited 25 Oct 15 $'000**	Audited 26 Apr 15 $'000
Assets			
Current assets			
Cash and cash equivalents		**19,742**	11,964
Trade and other receivables		**85,855**	77,279
Inventories	9	**78,987**	56,023
Derivative financial instruments	13	**4,168**	3,749
Biological assets	10	**31,691**	30,327
Total current assets		**220,443**	179,342
Non-current assets			
Property, plant and equipment	11	**145,621**	141,570
Intangible assets	12	**335,782**	337,386
Total non-current assets		**481,403**	478,956
Total assets		**701,846**	658,298
Liabilities			
Current liabilities			
Trade and other payables		**84,842**	76,912
Current tax liabilities		**264**	2,521
Derivative financial instruments	13	**2,294**	13
Interest bearing liabilities	14	**9,000**	-
Total current liabilities		**96,400**	79,446
Non-current liabilities			
Deferred tax liabilities		**19,414**	20,616
Derivative financial instruments	13	**-**	1,293
Interest bearing liabilities	14	**272,341**	268,476
Total non-current liabilities		**291,755**	290,385
Total liabilities		**388,155**	369,831
Net assets		**313,691**	288,467
Equity			
Issued capital	15	**284,423**	265,337
Reserves		**2,024**	1,855
Retained earnings		**27,244**	21,275
Total equity		**313,691**	288,467

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

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Tegel Group Holdings Limited
Consolidated Statement of Changes in Equity
25 October 2015

	Notes	Issued capital $'000	Hedge reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 27 April 2014		265,337	(1,576)	12,543	276,304
Loss for the period		-	-	(455)	(455)
Other comprehensive income for the period, net of tax		-	4,750	-	4,750
Total comprehensive income		-	4,750	(455)	4,295
Balance at 26 October 2014 (unaudited)		265,337	3,174	12,088	280,599

	Notes	Issued capital $'000	Hedge reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 26 April 2015		265,337	1,855	21,275	288,467
Profit for the year		-	-	5,969	5,969
Other comprehensive income for the period, net of tax		-	169	-	169
Total comprehensive income		-	169	5,969	6,138
Issue of shares during the period	15	19,086	-	-	19,086
		19,086	-	-	19,086
Balance at 25 October 2015 (unaudited)		284,423	2,024	27,244	313,691

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

	Notes	**Unaudited 6 months 25 Oct 15 $'000**	Unaudited 6 months 26 Oct 14 $'000
Cash flows from operating activities			
Receipts from customers		**273,245**	258,224
Net GST collected		**(1,635)**	(667)
Net income tax paid		**(5,695)**	(1)
Payments to suppliers		**(198,104)**	(177,814)
Payments to employees		**(60,520)**	(55,848)
Other operating expenses		**(1,484)**	(2,344)
Net cash (outflow) / inflow from operating activities	19	**5,809**	21,550
Cash flows from investing activities			
Payments for property, plant and equipment		**(11,373)**	(5,618)
Payments for intangibles		**(66)**	(541)
Proceeds from sale of property, plant and equipment		**-**	103
Net cash outflow from investing activities		**(11,439)**	(6,056)
Cash flows from financing activities			
Proceeds from borrowings		**295,000**	-
Issue of ordinary shares		**19,086**	-
Repayment of principal on borrowings		**(265,469)**	(5,944)
Payment of interest capitalised to loan		**(22,107)**	-
Payment of interest and financing transaction costs		**(13,102)**	(7,428)
Net cash inflow / (outflow) from financing activities		**13,408**	(13,372)
Net increase in cash and cash equivalents		**7,779**	2,122
Cash and cash equivalents at the beginning of the financial year		**11,964**	2,040
Cash and cash equivalents at end of the period		**19,742**	4,162

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

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1 General information

Tegel Group Holdings Limited (the Company) and its subsidiaries (together the Group) is an investment holding company and its subsidiary is a fully integrated poultry producer, involved in the breeding, hatching, processing, marketing and distribution of poultry products. The address of its registered office is C/- Minter Ellison Rudd Watts, Level 20, Lumley Centre, 88 Shortland Street, Auckland, 1010. The company is incorporated and domiciled in New Zealand and is registered under the Companies Act 1993.

These interim consolidated financial statements are for the period ended 25 October 2015 and are the first period for which interim financial statements have been prepared. The comparitive period represents the 26 week period ended 26 October 2014. The financial statements have been approved for issue by the directors on 30 March 2016.

2 Basis of preparation

The interim 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 accounting policies and methods of computation used in the preparation of these interim financial statement are consistent with those used in the 2015 annual financial statements. 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 2015 annual financial statements.

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 in the 2015 annual financial statements.

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:

Share issue

Cash of $19,086,488 was received from the issue of ordinary and redeemable shares per note 15.

Refinance

In August 2015, the Group negotiated the refinance of its existing loan facilities. The refinance has resulted in the repayment of bank and mezzanine loans and the settling of all interest rate swap contracts, and replacing them with new bank loans that provide adequate financing for 3 years. (Refer note 14)

Seasonality

There is no material seasonality to the Group's operations.

4 Critical accounting estimates and judgements

Critical judgements, estimates and assumptions are outlined in the 2015 annual financial statements. There have been no changes to judgements, estimates and assumptions.

5 Fair value estimations

The carrying value of all balance sheet financial instruments approximates their fair value. Derivatives are carried at fair value. Receivables and payables are short term in nature and therefore approximate to their fair value.

The Group's hedging derivatives, forward exchange contracts, are over-the-counter derivatives and are classified as tier 2 financial instruments under NZIFRS 7, meaning that their fair value is estimated using present value and other valuation techniques based on observable market rates.
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.

6 Segment reporting

The Group operates in one industry, being the manufacture and sale of poultry products. The Board makes resource allocation decisions based on expected cash flows and results of the Group's operations as a whole. The Group therefore has one segment and this is consistent with segments reported in the 2015 annual financial statements. The Group sells to many different countries with all sales originating from New Zealand. A key performance measure reviewed by the Board is earnings before interest, tax, depreciation and amortisation (EBITDA).

	Unaudited 6 months 25 Oct 15 $'000	Unaudited 6 months 26 Oct 14 $'000
EBITDA	**34,919**	26,039
Depreciation and amortisation	**(8,991)**	(9,676)
Interest	**(17,825)**	(16,977)
Net profit before tax	**8,102**	(614)
Income tax (expense) / benefit	**(2,133)**	159
Net profit after tax	**5,969**	(455)

7 Revenue and other income

	Unaudited 6 months 25 Oct 15 $'000	Unaudited 6 months 26 Oct 14 $'000
Sale of goods and biological assets	**284,930**	274,190
Gain on disposal of property, plant and equipment	**-**	103
	284,930	274,293

8 Income tax

Income tax expense 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 25 October 2015 is 26% (26 October 2014: 26%).

9 Inventories

	Unaudited 25 Oct 15 $'000	Audited 26 Apr 15 $'000
Raw materials	**30,322**	16,929
Finished goods	**48,665**	39,094
	78,987	56,023

Raw materials of $960,000 (27 April 2015: $1,559,000) have been pledged as security for trade payables. The remaining inventory is secured under bank borrowings.

10 Biological assets

Biological assets have been valued in accordance with the accounting policy described in the 2015 annual financial statements. There have been no changes to key assumptions used to fair value biological assets.

11 Property, plant and equipment

	Capital work in progress $'000	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
At 26 April 2015 (audited)						
Cost	10,759	9,035	26,951	139,423	522	186,690
Accumulated depreciation	-	-	(2,515)	(42,281)	(324)	(45,120)
Net book amount	10,759	9,035	24,436	97,142	198	141,570
6 months ending 25 October 2015 (unaudited)						
Opening net book amount	10,759	9,035	24,436	97,142	198	141,570
Additions	11,373	-	-	-	-	11,373
Transfer of work in progress	(5,120)	-	494	4,553	73	-
Disposals	-	-	-	-	(1)	(1)
Depreciation charge	-	-	(662)	(6,621)	(38)	(7,321)
Closing net book amount	17,012	9,035	24,268	95,074	232	145,621
At 25 October 2015 (unaudited)						
Cost	17,012	9,035	27,445	143,954	595	198,041
Accumulated depreciation	-	-	(3,177)	(48,880)	(363)	(52,420)
Net book amount	17,012	9,035	24,268	95,074	232	145,621

12 Intangible assets

	Other intangible assets $'000	Goodwill $'000	Customer Relationships $'000	Trademarks $'000	Computer software $'000	Total $'000
At 26 April 2015 (audited)						
Cost	1,904	254,578	56,900	33,500	7,756	354,638
Accumulated amortisation	(1,451)	-	(9,104)	-	(6,697)	(17,252)
Net book amount	453	254,578	47,796	33,500	1,059	337,386
Period ending 25 October 2015 (unaudited)						
Opening net book amount	453	254,578	47,796	33,500	1,059	337,386
Additions	-	-	-	-	66	66
Amortisation charge	(134)	-	(1,138)	-	(398)	(1,670)
Closing net book amount	319	254,578	46,658	33,500	727	335,782
At 25 October 2015 (unaudited)						
Cost	1,904	254,578	56,900	33,500	7,822	354,704
Accumulated amortisation	(1,585)	-	(10,242)	-	(7,095)	(18,922)
Net book amount	319	254,578	46,658	33,500	727	335,782

There have been no indicators of impairment that would require a revision to the assessment of goodwill from the 2015 annual financial statements.

13 Derivative financial instruments

	Unaudited 25 Oct 15 $'000	Audited 26 Apr 15 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	4,168	3,749
Total current derivative financial instrument assets	4,168	3,749
Total derivative financial instrument assets	4,168	3,749
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	2,294	13
Total current derivative financial instrument liabilities	2,294	13
Non-current liabilities		
Interest rate swaps - cash flow hedges	-	1,293
Total non-current derivative financial instrument liabilities	-	1,293
Total derivative financial instrument liabilities	2,294	1,306
Net derivative financial instruments	1,874	2,443

14 Interest bearing liabilities

	Unaudited 25 Oct 15 $'000	Audited 26 Apr 15 $'000
Secured		
Current		
Bank borrowings at amortised cost	9,000	-
Non current		
Bank borrowings at amortised cost	272,341	200,541
Mezzanine debt facility	-	67,935
Total secured non-current interest bearing borrowings	272,341	268,476
Total interest bearing liabilities	281,341	268,476

The banking arrangements include a working capital facility which is included within bank borrowings above and expires with the facility in August 2018.

	Unaudited 25 Oct 15 $'000	Audited 26 Apr 15 $'000
Bank loan facilities		
Working capital facilities	40,000	20,000
Unused at balance date	6,000	20,000

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14 Interest bearing liabilities (continued)

Banking arrangements
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. A new three year facility has been advanced to the Group and a loan arrangement fee paid which is being amortised over the term of the new facility. 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.

The loans of the group incurred interest at rates from 5.6% to 15% (26 April 2015: 7.5% to 15%) with bank borrowings under the new arrangements incurring interest at rates from 5.6% to 6.15%.

Bank borrowings are secured over the assets of the Group.

15 Issued capital

	Number on issue		**Value**	
	Unaudited	Audited	**Unaudited**	Audited
	25 Oct 15	26 Apr 15	**25 Oct 15**	26 Apr 15
(a) Share capital	**'000**	'000	**$'000**	$'000
Ordinary shares	**12,265**	11,442	**12,265**	11,442
Redeemable Shares	**272,158**	253,895	**272,158**	253,895
	284,423	265,337	**284,423**	265,337

(b) Issued shares
During the period the company issued 823,067 ordinary shares and 18,263,421 redeemable shares.

(b) Earnings per share
Earnings per share is calculated using the weighted average number of ordinary shares on issue during the period.

16 Commitments

(a) Capital commitments

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

	Unaudited	Audited
	25 Oct 15	26 Apr 15
	$'000	$'000
Property, plant and equipment and intangibles	**7,900**	10,383
	7,900	10,383

(b) Other commitments for expenditure	**Unaudited**	Audited
	25 Oct 15	26 Apr 15
	$'000	$'000
Raw material purchasing commitments are as follows:		
Within one year	**102,876**	99,083
	102,876	99,083

17 Contingencies

A claim has been made against a subsidiary of the Group by the liquidators of a former customer. The Group has disclaimed the liability. No provision in relation to this claim has been recognised in these consolidated financial statements as the Directors are unable to accurately quantify any payment.

As at 25 October 2015 the Group had no other contingent liabilities or assets.

18 Related parties

During the period the Directors of Tegel Group Holdings Limited invited Executive Team members to purchase ordinary and redeemable shares. In the period, Executive Team members 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.

19 Reconciliation of profit after income tax to net cash inflow / (outflow) from operating activities

	Unaudited 6 months 25 Oct 15 $'000	Unaudited 6 months 26 Oct 14 $'000
Profit / (loss) for the year	**5,969**	(455)
Adjusted for		
Depreciation expense	**7,321**	7,317
Amortisation expense	**1,670**	2,357
Movement in derivatives	**(1,862)**	6,162
Amortised finance costs	**4,169**	1,794
Interest expense capitalised to loan in period	**4,172**	3,667
(Gain) / loss on disposal of property, plant and equipment	**-**	(103)
Impact of changes in working capital items		
Increase in debtors and prepayments	**(8,576)**	(12,194)
(Decrease) / increase in creditors and provisions	**7,930**	5,210
Decrease / (increase) in inventories	**(22,964)**	6,536
(Increase) / decrease in provisions and other current liabilities	**-**	(1,186)
(Increase) / decrease in current derivatives	**1,862**	(6,162)
Increase / (decrease) in deferred tax liabilities	**(1,201)**	1,519
Increase / (decrease) in current tax liabilities	**(2,257)**	19
Decrease / (increase) in biological assets	**(1,365)**	1,136
Less:		
Interest paid / financing transaction costs classified as financing	**10,202**	7,428
Less amounts not involving cash flows	**739**	(1,495)
Net cash (outflow) / inflow from operating activities	**5,809**	21,550

20 Subsequent events

There have been no events subsequent to balance date that would effect the presentation of these financial statements.