

# Financials

— As at 30 April 2017

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**COVER IMAGE:**

Tegel Herb Schnitzel

## Directors' Statement

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

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

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

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

The Board of Directors of Tegel Group Holdings Limited authorised these financial statements presented on pages 5 to 34 for issue on 27 June 2017.

For and on behalf of the Board.



David Jackson  
Chairman



Phil Hand  
Chief Executive Officer



## Independent Auditors' Report

To the shareholders of Tegel Group Holdings Limited

The consolidated financial statements comprise:

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

### Our opinion

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

### Basis for opinion

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

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

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

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

### Our audit approach

#### Overview



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

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

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

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

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

#### Materiality

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

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

#### Audit scope

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

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



## Independent auditor's report (continued)

### Key audit matters

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

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

### Information other than the financial statements and auditor's report

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

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

### Responsibilities of the Directors for the consolidated financial statements

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

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

[https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page1.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx)

This description forms part of our auditor's report.

### **Who we report to**

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

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

For and on behalf of:

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
27 June 2017

Auckland

## Statement of Comprehensive Income

For the year ended 30 April 2017

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

## Balance Sheet

As at 30 April 2017

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

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

## Statement of Changes in Equity

For the year ended 30 April 2017

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

## Statement of Cash Flows

For the year ended 30 April 2017

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

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

## Notes to the financial statements

As at 30 April 2017

### 1 BASIS OF PREPARATION

#### 1.1 General information

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

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

#### 1.2 Statement of compliance and basis of preparation

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

##### Statutory base

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

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

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

##### Historical cost convention

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

##### Changes in accounting policies and adoption of new and amended standards

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

#### 1.3 Critical accounting judgements, estimates and assumptions

##### Accounting Policy

##### Critical accounting estimates

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

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

The following critical accounting estimates and judgements have been made:

(a) Reviewing the carrying value of goodwill, trademarks and customer relationships.

Note 4.2 provides information about the impairment testing of goodwill and trademarks.

(b) Biological assets

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

### 1.4 Initial Public Offer (IPO)

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

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

The proceeds were applied by the Group as follows:

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

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

	Notes	2016 \$'000	IPO \$'000	Post IPO \$000
<b>ASSETS</b>				
Current assets	(b)	208,553	(12,246)	196,307
Non-current assets		487,096	–	487,096
<b>Total assets</b>		695,649	(12,246)	683,403
<b>LIABILITIES</b>				
Current liabilities	(c)	240,396	(153,268)	87,128
Non-current liabilities	(d)	141,393	(1,528)	139,865
<b>Total liabilities</b>		381,789	(154,796)	226,993
<b>Net assets</b>		313,860	142,550	456,410
<b>Equity</b>	(a)	313,860	142,550	456,410
(a) \$142.6 million increase in equity		Equity has increased due to the issue of shares to new shareholders of \$283.9 million and the issue of shares to existing shareholders of \$134.7 million totalling \$418.6 million. This has been reduced by deferred listing costs attributable to equity that were accrued at balance date of \$12.2 million, less a reduction to this estimate of \$0.5 million and by the repayment of all redeemable shares of \$264.2 million. Additional expenses of \$0.1 million have been expensed during 2017 as an adjustment to accrued listing costs.		
(b) \$12.2 million decrease in current assets		Listing costs attributable to equity held in deferred costs at balance date of \$12.2 million have been netted against the equity raised from the listing. The finalised costs were \$0.5 million less than the estimate.		
(c) \$153.3 million decrease in current liabilities		\$130 million was used to reduce external borrowings as described below. Accrued payables of \$21.8 million and trade payables of \$1.5 million were paid totalling \$23.3 million being the payment of all costs related to the IPO accrued at balance date reduced by \$0.4 million for the adjustment to estimates.		
(d) \$1.6 million decrease in non-current liabilities		Working capital in bank borrowings was reduced by the remaining \$1.6 million proceeds retained by the Group.		

## Notes to the financial statements (continued)

As at 30 April 2017

### 2 PERFORMANCE

#### 2.1 Segment reporting

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

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

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

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

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

#### Accounting policy

##### Revenue recognition

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

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

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

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

### 3 WORKING CAPITAL

#### 3.1 Inventories

##### Accounting Policy

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

	2017 S'000	2016 S'000
Raw materials	29,159	29,864
Finished goods	50,012	48,261
Spare parts and consumables	5,693	4,213
	<b>84,864</b>	<b>82,338</b>

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

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

#### 3.2 Trade and other payables

##### Accounting Policy

##### Trade and other payables

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

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

##### Employee benefits

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

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

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

## Notes to the financial statements (continued)

As at 30 April 2017

### 3 WORKING CAPITAL (CONTINUED)

#### 3.3 Biological assets

##### Accounting Policy

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

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

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

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

##### Determining fair value

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

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

##### Risks

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

#### 3.4 Trade and other receivables

##### Accounting Policy

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

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

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

**(a) Past due more than 3 months**

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

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

**(b) Bad and doubtful trade receivables**

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

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

**(c) Fair value**

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

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

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

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

## Notes to the financial statements (continued)

As at 30 April 2017

### 4 LONG TERM ASSETS

#### 4.1 Property, plant and equipment

##### Accounting Policy

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

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

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

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

Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The residual lives are reviewed at each year end for appropriateness.

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

	Capital work in progress \$'000	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>At 26 April 2015</b>						
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
<b>Year ending 24 April 2016</b>						
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
<b>At 24 April 2016</b>						
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
<b>Year ending 30 April 2017</b>						
Opening net book amount	5,991	9,035	33,100	102,996	229	151,351
Additions	28,796	–	–	–	–	28,796
Transfer of work in progress	(27,155)	53	4,332	22,727	43	–
Disposals	–	–	–	(211)	–	(211)
Depreciation charge	–	–	(1,682)	(14,521)	(70)	(16,273)
Closing net book amount	7,632	9,088	35,750	110,991	202	163,663
<b>At 30 April 2017</b>						
Cost	7,632	9,088	41,381	180,829	654	239,584
Accumulated depreciation	–	–	(5,631)	(69,838)	(452)	(75,921)
Net book amount	7,632	9,088	35,750	110,991	202	163,663

## 4.2 Intangible assets

### Accounting Policy

#### (i) Goodwill

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

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

#### (ii) Customer relationships

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

#### (iii) Brands

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

#### (iv) Computer software

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

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

#### (v) Other intangibles

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

## Notes to the financial statements (continued)

As at 30 April 2017

### 4 LONG TERM ASSETS (CONTINUED)

#### 4.2 Intangible assets (continued)

	Goodwill \$'000	Customer Relationships \$'000	Trademarks \$'000	Computer software \$'000	Other intangible assets \$'000	Total \$'000
<b>At 26 April 2015</b>						
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
<b>Year ending 24 April 2016</b>						
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
<b>At 24 April 2016</b>						
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
<b>Year ending 30 April 2017</b>						
Opening net book amount	254,578	45,520	33,500	1,592	203	335,393
Additions	–	–	–	1,127	300	1,427
Amortisation charge	–	(2,276)	–	(512)	(424)	(3,212)
Closing net book amount	254,578	43,244	33,500	2,207	79	333,608
<b>At 30 April 2017</b>						
Cost	254,578	56,900	33,500	10,143	1,283	356,404
Accumulated amortisation	–	(13,656)	–	(7,936)	(1,204)	(22,796)
Net book amount	254,578	43,244	33,500	2,207	79	333,608

#### Impairment tests for goodwill and trademarks

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

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

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

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

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

### 4.3 Commitments

#### Accounting Policy

##### Operating leases

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

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

#### (a) Operating lease commitments

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

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

#### (b) Other commitments for expenditure

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

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

#### (c) Capital commitments

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

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

#### (d) Letter of credit

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

## Notes to the financial statements (continued)

As at 30 April 2017

### 5 BORROWINGS AND EQUITY

#### 5.1 Borrowings

##### Accounting Policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date and there is no intention to repay within 12 months.

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

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

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

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

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

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

The borrowings are subject to borrowing covenant arrangements. The Group has complied with all covenants during the year. Bank borrowings are secured over the assets of the Group. The carrying value of borrowings is assumed to approximate the fair value.

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

#### 5.2 Share capital

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

##### Ordinary shares

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

##### Redeemable shares

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

##### Initial public offering

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

### 5.3 Reserves

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

#### Hedge reserve

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

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

#### Share based payments reserve

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

### 5.4 Earnings per share

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

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

### 5.5 Dividends paid

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

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

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

**Notes to the financial statements (continued)**

As at 30 April 2017

**6 OTHER****6.1 Taxation****Accounting Policy**

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

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

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

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

**(c) Deferred tax liabilities**

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

**(d) Imputation credit account**

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

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

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

**6.2 Expenses**

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

## Notes to the financial statements (continued)

As at 30 April 2017

### 6 OTHER (CONTINUED)

#### 6.3 Fees paid to auditors

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

#### 6.4 Share based payments

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

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

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

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

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

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

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

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

#### Expenses arising from share based payment transactions

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

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

## 6.5 Related party transactions

### (a) Parent entities

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

### (b) Key management personnel compensation

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

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

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

### (c) Transactions with related parties

The following transactions occurred with related parties:

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

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

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

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

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

## 6.6 Contingencies

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

## 6.7 Significant events after balance date

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

## Notes to the financial statements (continued)

As at 30 April 2017

### 6 OTHER (CONTINUED)

#### 6.8 Other accounting policies

##### (a) Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

##### (b) Foreign currency translation

###### (i) Functional and presentation currency

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

###### (ii) Transactions and balances

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

##### (c) Goods and Services Tax (GST)

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

##### (d) Provisions

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

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

**(e) New standards and interpretations not yet adopted**

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

**NZ IFRS 16: Leases**

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

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

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

**NZ IFRS 15: Revenue from contracts with customers**

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

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

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

**NZ IFRS 9: Financial instruments**

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

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

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

## Notes to the financial statements (continued)

As at 30 April 2017

### 7 FINANCIAL RISK MANAGEMENT

#### 7.1 Financial instruments by category

##### Accounting Policy

##### Offsetting financial instruments

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

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

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

#### 7.2 Credit risk

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

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

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

#### 7.3 Market risk

##### (i) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group manages its cash flow interest rate risk within the parameters of its banking facility agreements, including the use of Board approved instruments such as interest rate swaps.

##### (ii) Foreign exchange risk

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

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

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

##### (iii) Summarised sensitivity analysis

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

##### Interest rate risk

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

##### Foreign exchange risk

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

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

#### 7.4 Liquidity risk

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

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

#### Maturities of financial liabilities

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

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
<b>30 April 2017</b>						
Trade payables	66,600	–	–	–	66,600	66,600
Interest Bearing Liabilities	4,128	2,126	120,000	–	126,254	120,000
Interest rate swaps	–	–	–	–	–	–
Forward foreign exchange contracts inflow	(91,894)	–	–	–	(91,894)	–
Forward foreign exchange contracts outflow	93,882	–	–	–	93,882	–
Net Forward foreign exchange contracts	1,988	–	–	–	1,988	1,978
<b>Total</b>	<b>72,716</b>	<b>2,126</b>	<b>120,000</b>	<b>–</b>	<b>194,842</b>	<b>188,578</b>

#### 24 April 2016

Trade payables	81,977	–	–	–	81,977	81,977
Interest Bearing Liabilities	134,560	4,560	125,349	–	264,468	253,000
Interest rate swaps	–	–	–	–	–	–
Forward foreign exchange contracts inflow	(165,391)	–	–	–	(165,391)	–
Forward foreign exchange contracts outflow	171,053	–	–	–	171,053	–
Net Forward foreign exchange contracts	5,663	–	–	–	5,663	5,629
<b>Total</b>	<b>222,199</b>	<b>4,560</b>	<b>125,349</b>	<b>–</b>	<b>352,107</b>	<b>340,605</b>

#### 7.5 Capital risk management

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

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

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

## Notes to the financial statements (continued)

As at 30 April 2017

### 7 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 7.6 Fair value estimation

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

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

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

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

#### Level 1

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

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

#### Level 2

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

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

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

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

#### Level 3

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

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

## 7.7 Derivatives

### Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

#### (i) Fair value hedge

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

#### (ii) Cash flow hedge

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

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

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

#### (iii) Derivatives that do not qualify for hedge accounting

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

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

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

#### (i) Forward exchange contracts – cash flow hedges

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

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

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

## Notes to the financial statements (continued)

As at 30 April 2017

### 8 COMPARISON TO PROSPECTIVE FINANCIAL STATEMENTS

#### 8.1 Prospective statement of comprehensive income

For the year ended 30 April 2017

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

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

#### Explanation of variances

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

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

## 8.2 Prospective balance sheet

As at 30 April 2017

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

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

### Explanation of variances

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

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

**Notes to the financial statements (continued)**

As at 30 April 2017

**8 COMPARISON TO PROSPECTIVE FINANCIAL STATEMENTS (CONTINUED)****8.3 Prospective statement of changes in equity**

For the year ended 30 April 2017

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

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

**Explanation of variances**

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

## 8.4 Prospective statement of cash flows

For the year ended 30 April 2017

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

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

### Explanation of variances

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

## 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

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## Key Financial Reporting Dates

### FY2016 Annual Reporting Period

52 weeks: 27 April 2015 to 24 April 2016

### FY2017 Annual Reporting Period

53 weeks: 25 April 2016 to 30 April 2017

### FY2018 Annual Reporting Period

52 weeks: 1 May 2018 to 29 April 2018

## Board of Directors

David Jackson (Chairman)

Phil Hand (Chief Executive Officer)

Tang Kok Yew

Brett Sutton

George Adams

## Auditor

PricewaterhouseCoopers

188 Quay Street

Auckland

## Lawyers

Minter Ellison Rudd Watts

Lumley Centre

88 Shortland St

Auckland 1010

## Tegel Group Holdings Limited

Ticker: TGH

Dual listed on the NZX and ASX

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ARB number: 611 273 539

## Registered Office and principal administration office

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## Website

[www.tegel.co.nz](http://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.

These financial statements can be accessed online at **[www.tegel.co.nz/investors](http://www.tegel.co.nz/investors)**

