Mondelez New Zealand Investments

Consolidated financial statements

For the year ended 31 December 2017

Consolidated financial statements

For the year ended 31 December 2017

Contents

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Independent auditor's report

To the shareholders of Mondelez New Zealand Investments

The consolidated financial statements comprise:

- the statement of financial position as at 31 December 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 consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Mondelez New Zealand Investments (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

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

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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.

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 RDR 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://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/

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.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
30 May 2018

Melbourne

I, Sam Lobley, am a current member of the Chartered Accountants Australia and New Zealand and my membership number is 374365.

PricewaterhouseCoopers was the audit firm appointed to undertake the audit of Mondelez New Zealand Investments Pty Ltd for the year ended 31 December 2017. I am responsible for the execution of the audit and delivery of our firm's auditor's report. The audit work was completed on 30 April 2017 and an unqualified opinion was issued.

Sam Lobley
Partner

Corporate information

Directors:	Amanda Jane Banfield James Charles Kane Andrew James York Syme Morne Pienaar (appointed 20 April 2017)
Registered office:	c/- DLA Piper New Zealand 205 Queen Street Auckland 1010 New Zealand
Auditor:	PricewaterhouseCoopers Melbourne Australia

Annual report

For the year ended 31 December 2017

The Board of Directors present their Annual Report including the consolidated financial statements of Mondelez New Zealand Investments for the year ended 31 December 2017.

The shareholders of the company have exercised their right under section 211 (3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a), and (e) to (j) of section 211 (1) of the Act.

Signed on behalf of the Board of Directors:

James Kane

Morne Pienaar

30 May 2018

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Notes	2017 $000's	2016 $000's
Revenue	3	296,697	302,544
Cost of sales of goods		(230,576)	(246,904)
Gross profit		66,121	55,640
Finance income	3	879	1,112
Other income	3	11,238	-
Other expenses from ordinary activities	4		
Marketing expenses		(29,896)	(30,825)
Administration expenses		(7,250)	(6,926)
Finance expenses		(9,788)	(7,862)
Restructuring and other associated costs		(47,306)	-
Other expenses		(1,405)	(576)
		(95,645)	(46,189)
Profit/(loss) before income tax		(17,407)	10,563
Income tax benefit/(expense)	5	7,486	(2,941)
Net profit/(loss) for the period attributable to owners		(9,921)	7,622
Other comprehensive income		-	-
Comprehensive income attributable to owners		(9,921)	7,622

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2017	Notes	2017 $000's	2016 $000's
Current assets			
Cash and cash equivalents		48,520	63,770
Trade and other receivables	6	39,234	31,649
Inventories	7	27,082	27,438
Income tax receivable		4,292	-
Related party receivables	14	9,934	6,948
		129,062	129,805
Non-current assets			
Property, plant and equipment	9	16,823	53,335
Intangible assets	8	41,378	41,514
Deferred tax asset	5	13,286	307
		71,487	95,156
Total assets		200,549	224,961
Current liabilities			
Trade and other payables	10	57,658	56,941
Related party payables	14	12,817	38,793
Provisions	11	12,548	-
Government grants		-	81
Income tax payable		-	2,145
		83,023	97,960
Non-current liabilities			
Trade and other payables	10	1,241	795
Interest bearing loans and borrowings	12	119,783	119,783
Government grants		-	75
		121,024	120,653
Total liabilities		204,047	218,613
Net (liabilities) / assets		(3,498)	$ 6,348
Equity			
Contributed equity	13	87,591	87,591
Share-based payment reserve		210	236
Retained earnings		(91,299)	(81,479)
Total (deficit) / equity		(3,498)	$ 6,348

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board who authorised these financial statements for issue on 30 May 2018.

James Kane

Morne Pienaar

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Notes	Contributed equity $000's	Share-based payment reserve $000's	Retained earnings $000's	Total $000's
Balance as at 1 January 2016		87,591	149	(64,101)	23,639
Profit for the period		-	-	7,622	7,622
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	7,622	7,622
Transactions with owners in their capacity as owners					
Recognition of share-based payments		-	87	-	87
Dividends paid	13	-	-	(25,000)	(25,000)
Total transactions with owners in their capacity as owners		-	87	(25,000)	(24,913)
Balance as at 31 December 2016		87,591	236	(81,479)	6,348
Balance as at 1 January 2017		87,591	236	(81,479)	6,348
Net loss for the period		-	-	(9,921)	(9,921)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(9,921)	(9,921)
Transactions with owners in their capacity as owners					
Recognition of share-based payments		-	75	-	75
Transfer of share-based payment reserve for former employees		-	(101)	101	-
Dividends paid	13	-	-	-	-
Total transactions with owners in their capacity as owners		-	(26)	101	75
Balance as at 31 December 2017		87,591	210	(91,299)	(3,498)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

As at 31 December 2017	Notes	2017 $000's	2016 $000's
Operating activities			
Revenue generated from trading		285,351	302,285
Interest received		879	1,112
Payments to suppliers and employees		(290,354)	(259,566)
Interest paid		(8,789)	(8,541)
Tax paid		(11,943)	(2,225)
Net cash flows from/(used in) operating activities		(24,856)	33,065
Investing activities			
Investment in property, plant & equipment		(2,274)	(1,469)
Proceeds from sale of operations		11,208	-
Proceeds from sale of property, plant & equipment		672	80
Net cash flows from/(used in) investing activities		9,606	(1,389)
Financing activities			
Dividends paid		-	(25,000)
Net cash flows from/(used in) financing activities		-	(25,000)
Net increase/(decrease) in total cash and cash equivalents		(15,250)	6,676
Cash and cash equivalents at beginning of period		63,770	57,094
Cash and cash equivalents at end of period		48,520	63,770
Cash and cash equivalents comprise:			
Cash at bank and in hand		48,520	63,770
Short term deposits		-	-
		48,520	63,770

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 31 December 2017

1 Corporate Information

The consolidated financial statements ("financial statements") of Mondelez New Zealand Investments (the "company") and its subsidiaries (collectively the "group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors.

Mondelez New Zealand Investments is an unlimited liability company incorporated in New Zealand under the Companies Act 1993.

There has been no change in the principal activities of the group during the year.

Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in ordinary course of business.

The group incurred an operating loss during the year ended 31 December 2017 of $9,921,000, at that date the group's total liabilities exceeded total assets by $3,498,000 (2016: total assets exceeded total liabilities by $6,348,000).

The ability of the group to continue as a going concern is dependent the ongoing support of its ultimate shareholder and its ability to assume profitable operations. The directors of Mondelez Australia Pty Limited have confirmed that in the event Mondelez New Zealand Holdings (Australia) Pty Limited is unable to pay its $120m NZD loan owed to Mondelez Australia Pty Ltd, partially or in total, then Mondelez New Zealand Holdings (Australia) Pty Ltd will not be required to repay that portion of the loan until its loan repayment capability is recovered. Otherwise, Mondelez Australia Pty Ltd will capitalise Mondelez New Zealand Holdings (Australia) Pty Ltd, for that portion of the debt, if the debt cannot be timely repaid.

2 Summary of Significant Accounting Policies

a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993. For the purpose of complying with NZ GAAP the group is a for-profit entity.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollar's ($000's) unless stated otherwise.

The group is a Tier 2 for-profit entity and has elected to report in accordance with Tier 2 for-profit accounting standards as issued by the External Reporting Board (XRB). The group is eligible to report in accordance with Tier 2 for-profit accounting standards on the basis it is not publicly accountable and it is not a large for-profit public sector entity.

b) Statement of compliance

The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR)

c) Basis of consolidation

The financial statements comprise the operations of the company and its subsidiaries as at 31 December each year.

Notes to the financial statements

For the year ended 31 December 2017

Subsidiaries are consolidated from the date on which the group gains control and cease to be consolidated from the date on which the group loses control. Subsidiaries use consistent accounting policies of the group to recognise transactions and have the same balance date.

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

All material transactions between subsidiaries or between the company and subsidiaries are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or the date of disposal.

d) Business combinations and goodwill impairment

Business combinations are accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Acquisition-related costs are expensed as incurred and recognised in profit or loss.

The difference between the above items and the fair value of the consideration is recorded as either goodwill or discount on acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units ("CGU") expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each CGU represents the lowest level within the group at which goodwill is monitored for internal management purposes.

Goodwill is tested annually for impairment, or immediately if events or changes in circumstances indicate that it might be impaired and carried at cost less accumulated impairment losses. Impairment losses are recognised where the recoverable amount of the CGU is less than its carrying value. Impairment losses are allocated initially against the carrying value of goodwill and then to other assets of the CGU on a pro-rata basis.

Impairment losses on goodwill are not reversed.

e) Foreign currency

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Foreign exchange gains and losses resulting from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

f) Inventories

Inventories are stated at the lower of cost or net realisable value.

Cost comprises the purchase price of goods, on a first-in-first-out basis and, where applicable, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the later being allocated on the basis of normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the financial statements

For the year ended 31 December 2017

g) Financial instruments

All financial instruments are initially recognised at the fair value of the consideration received/transferred less, in the case of financial assets and liabilities not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently the group applies the following accounting policies for financial instruments:

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets. The group has no assets designated as available for sale.

- Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- Loans and receivables

Loans and receivables consist of trade and other receivables (note 6) and related party receivables (note 14). Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as

- Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payables (note 10), interest-bearing loans (note 12) and related party payables (note 14).

Payables are recognised when the group becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and usually paid within 30 days of recognition. Payables are not discounted given their short term nature.

Financial liabilities at amortised cost are measured using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

h) Impairment of financial assets

Financial assets are assessed for indicators of impairment at balance date. Financial assets are impaired where there is objective evidence, as a result of one or more events occurring after initial recognition, the estimated future cash flows have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Notes to the financial statements

For the year ended 31 December 2017

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance provision. When a trade receivable is uncollectible, it is written off against the allowance provision. A trade receivable is deemed to be uncollectible upon notification of insolvency of the debtor or upon similar evidence the group will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed.

i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Cost is the value of consideration given to acquire the assets and the value of the other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended service.

Depreciation has been calculated on a straight line basis so to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the shorter of the period of the lease or estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation :

- Buildings	2.5-3.5% SL
- Furniture and fitting	12% SL
- Plant & equipment	5-33.3% SL
- Leasehold improvements	10% SL

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition (calculated as the difference between the net disposal proceeds and the carrying amount) is included in profit or loss in the year the asset is derecognised.

j) Intangible assets (excluding goodwill)

Intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful life. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at balance date.

A summary of the policies applied to the group's intangible assets is as follows:

- Computer software	finite, amortised on a straight line basis over 1 to 10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Notes to the financial statements

For the year ended 31 December 2017

k) Impairment of non-financial assets

Intangible assets subject to amortisation and all other non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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).

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Impaired non-financial assets, other than goodwill, are tested for possible reversal of the impairment whenever events or changes in circumstances indicate the impairment may have reversed.

l) Leases

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

m) Employee benefits

- Wages, salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services at balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

- Post-employment benefits

Liabilities for severance pay expected to be settled within 12 months of balance and contributions made on behalf of eligible employees to defined contribution funds are recognised in the period they are incurred. The defined contribution funds receive fixed contributions from the group whose legal, or constructive, obligation is limited to these contributions only.

- Share-based payments

Share-based compensation benefits are provided to qualifying employees via the Mondelez Stock Incentive Plan.

The fair value of deferred stock granted and stock options under the Mondelez Stock Incentive Plan is recognised as an expense with a corresponding increase in equity. The fair value is measured as at grant date and recognised over the period during which the employees become unconditionally entitled to the deferred stock or share options.

n) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

Notes to the financial statements

For the year ended 31 December 2017

o) Government grants

Government grants (grants) are assistance in the form of transfers of resources without conditions or in return for past or future compliance with specified conditions relating to the operating activities of the group. Grants provided relating to assets require the group to purchase, acquire or otherwise construct long-term assets, all other grants provided are related to income.

Grants provided relating to income are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate.

Grants relating to assets are treated as deferred income and recognised in profit or loss over the expected useful life of the assets concerned.

p) Contributed equity

Shares issued by the company are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

q) Income tax and other taxes

Income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable reversal will not occur in the foreseeable future.

Deferred tax assets are recognised to the extent it is probable the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax losses or credits.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

r) Goods & services tax (GST)

Revenues, expenses and assets are recognised net of GST except:

- when the GST incurred is not recoverable from the taxation authority; and
- receivables and payables, which are stated with the amount of GST included.

Notes to the financial statements

For the year ended 31 December 2017

s) Revenue

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of goods

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recover of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method.

t) Significant accounting judgements, estimates and assumptions

The preparation of the group's financial statements requires management to make judgements, estimates and assumptions which effect the reported revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities in future periods.

Advertising and trade spend accruals

We promote our products with advertising, marketing, sales incentives and trade promotions. These programs include, but are not limited to, cooperative advertising, instore displays, consumer promotions, new product introduction fees, discounts, coupons, rebates and volume based incentives. We expense advertising costs either in the period the advertising first takes place or as incurred. Sales incentive and trade promotion activities are recorded as a reduction to revenues based on amounts estimated due to customers and consumers at the end of a period. We base these estimates principally on historical utilization and redemption rates.

Provisions

Refer to note 2n) for calculation and recognition of provisions, including restructuring provisions.

Residual value of property, plant and equipment

After announcement of the intention to cease manufacturing operations at the Dunedin location in 2017, useful lives and residual value of property, plant, and equipment at the impacted location were revised in accordance with our accounting policy as described in note 2i).

Notes to the financial statements

For the year ended 31 December 2017

		Note	2017	2016
3	Revenue and other income		$000's	$000's
	Revenue			
	Revenue from sale of goods		296,697	302,544
	Finance income			
	Interest income		879	1,112
	Foreign exchange gain		-	-
			879	1,112
	Other income			
	Gain on sale of operations and property, plant & equipment		11,238	-
			11,238	-
4	Expenses			
	Profit/(loss) before income tax includes the following expenses			
	Depreciation (i)	9	38,030	7,492
	Amortisation	8	250	239
	Loss on disposal of property, plant & equipment		-	1,026
	Operating lease expenses		3,562	4,626
	Employee remuneration		35,811	34,480
	Post-employment benefits (including severance payments)		18,337	665
	Share-based payment remuneration		75	87
	Bank fees		83	86
	Interest expense		8,789	8,588

(i) Depreciation includes costs arising from the changes in the useful life of property, plant and equipment of the Dunedin manufacturing site. Refer to note 2t) for the significant judgement and estimations on the residual value of property, plant and equipment.

Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	$000's	$000's
5 Income tax		
Current income tax		
Current income tax charge	4,718	3,684
Adjustments in respect of previous years	775	-
	5,493	3,684
Deferred income tax		
Origination and reversal of temporary differences	(12,707)	(698)
Adjustments in respect of previous years	(272)	(45)
	(12,979)	(743)
Income tax expense reported in the statement of comprehensive income.	(7,486)	2,941
Reconciliation of income tax expense to accounting profit		
Accounting profit/(loss) before income tax	(17,407)	10,563
At the statutory income tax rate of 28% (2016: 28%)	(4,874)	2,958
- Non-deductible items	23	28
- Non-assessable income	(3,138)	-
- Adjustments in respect of previous years	503	(45)
	(7,486)	2,941

	2017		2016	
	Consolidated statement of financial position	Consolidated statement of comprehensive income	Consolidated statement of financial position	Consolidated statement of comprehensive income
	$	$	$	$
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	-	1,472	(1,472)	830
	-	1,472	(1,472)	830
Deferred income tax assets				
Accelerated depreciation for tax purposes	7,927	7,927	-	-
Employee benefits	1,230	(191)	1,421	460
Inventory - impairment	484	307	177	(9)
Trade receivables - impairment	14	-	14	-
Other accruals	3,631	3,464	167	(538)
	13,286	11,507	1,779	(87)
Net deferred tax asset/(liability)	13,286	12,979	307	743

	2017	2016
	$000's	$000's
6 Trade and other receivables		
Trade receivables	39,185	30,779
Allowance for impairment loss	(50)	(50)
	39,135	30,729
Prepayments	99	904
Other receivables	-	16
Total trade and other receivables	39,234	31,649

Notes to the financial statements

For the year ended 31 December 2017

	2017 $000's	2016 $000's
7 Inventories		
Raw materials	1,717	346
Work in progress	776	1,074
Finished goods	24,589	26,018
	27,082	27,438

8 Intangibles

	Software $000's	Goodwill $000's	Total $000's
Cost			
Balance at beginning of the period	1,733	40,944	42,677
Additions	-	-	-
Transfers	114		114
Balance at 31 December 2017	1,847	40,944	42,791
Accumulated depreciation & impairment			
Balance at beginning of the period	1,163	-	1,163
Amortisation	250	-	250
Balance at 31 December 2017	1,413	-	1,413
Net book value	434	40,944	41,378
Cost			
Balance at 1 January 2016	1,733	40,944	42,677
Additions	-	-	-
Balance at 31 December 2016	1,733	40,944	42,677
Accumulated depreciation & impairment			
Balance at 1 January 2016	924	-	924
Amortisation	239	-	239
Balance at 31 December 2016	1,163	-	1,163
Net book value	570	40,944	41,514

Impairment testing of goodwill

The group has determined recoverable amounts of its cash generating units (CGU's) under NZ IAS36 exceeds the carrying amount and no impairment has been recorded.

Carrying amount of goodwill allocated to CGU's	Mondelez New Zealand	Total
31 December 2017	40,944	40,944
31 December 2016	40,944	40,944

Notes to the financial statements

For the year ended 31 December 2017

9 Property plant and equipment

	Freehold land	Freehold buildings	Plant and equipment	Leasehold improvements	Total
	$000's	$000's	$000's	$000's	$000's
Cost					
Balance at beginning of the period	5,170	11,456	73,293	1,176	91,095
Additions	-	-	2,274	-	2,274
Transfers			(114)		(114)
Disposals	-	-	(729)	-	(729)
Balance at 31 December 2017	5,170	11,456	74,724	1,176	92,526
Accumulated depreciation & impairment					
Balance at beginning of the period	-	2,197	35,071	492	37,760
Depreciation	-	7,883	30,030	117	38,030
Disposals	-	-	(87)	-	(87)
Balance at 31 December 2017	-	10,080	65,014	609	75,703
Net book value at 31 December 2017	5,170	1,376	9,710	567	16,823
Cost					
Balance at 1 January 2016	5,170	11,500	77,857	1,176	95,703
Additions	-		1,469	-	1,469
Disposals	-	(44)	(6,033)	-	(6,077)
Balance at 31 December 2016	5,170	11,456	73,293	1,176	91,095
Accumulated depreciation & impairment					
Balance at 1 January 2016	-	1,888	32,976	375	35,239
Depreciation	-	317	7,058	117	7,492
Disposals	-	(8)	(4,963)	-	(4,971)
Balance at 31 December 2016	-	2,197	35,071	492	37,760
Net book value at 31 December 2016	5,170	9,259	38,222	684	53,335

Notes to the financial statements

For the year ended 31 December 2017

		2017	2016
10	Trade and other payables	$000's	$000's
	Trade payables	11,940	9,387
	Customer rebates	30,938	26,759
	Employee entitlements	4,351	5,037
	Other payables and accrued expenses	11,670	16,553
		58,899	57,736
	Disclosed in the statement of financial position as:		
	Current	57,658	56,941
	Non-current	1,241	795
		58,899	57,736
11	Provisions		
	Restructuring provision		
	Opening balance	-	-
	Amounts incurred	17,697	-
	Utilised	(5,149)	-
	Closing balance	12,548	-

The severance provision relates to the costs of restructuring for the progressive closure of the Dunedin manufacturing plant. The costs are expected to be recognised within 12 months.

12 Interest bearing loans and borrowings

	Non-current		
	Mondelez Australia Pty Limited	119,783	119,783
		119,783	119,783

During the current and prior years, there were no defaults or breaches on any of the loans.

The loan with Mondelez Australia Pty Limited is repayable on 4 January 2021 with a fixed interest rate of 7.15%.

13	Contributed equity		
	87,591,107 Ordinary shares, fully paid	87,591	87,591

Each ordinary share has voting rights, the right to dividends and distributions. Ordinary shares have no par value.

Dividends paid		
Declared and paid during the year:	-	25,000
	-	25,000

Notes to the financial statements

For the year ended 31 December 2017

14 Related parties

a) Ultimate parent

The immediate parent is Mondelez New Zealand Holdings (Australia) Pty Limited, an Australian incorporated company. The ultimate parent is Mondelez International Inc, a company registered in the United States of America.

b) Subsidiaries

The consolidated financial statements include the financial statements of Mondelez New Zealand Investments and subsidiaries listed in the following table:

Subsidiaries	*Balance date*	*Incorporated*	*Equity investment %* *2017*	*2016*
Mondelez New Zealand	31 December	New Zealand	100%	100%

c) Key management and director remuneration	2017 $000's	2016 $000's
Employment benefits	659	661

Remuneration is determined having regard to performance of individuals and market trends.

d) Transactions with related parties

The following table provides the total amount of transactions which have been entered into with related parties.

		Sales	Interest charged	Expense recharges	Related party payables	Related party receivables
		$000's	$000's	$000's	$000's	$000's
Ultimate parent	2017	-	-	75	-	
	2016	-	-	87	-	-
Subsidiaries of ultimate parent	2017	75,690	8,588	159,176	12,817	9,934
	2016	92,795	8,588	165,072	38,793	6,948
Total	2017	75,690	8,588	159,251	12,817	9,934
	2016	92,795	8,588	165,159	38,793	6,948

Terms and conditions of transactions with related parties.

Outstanding balances at year end are unsecured and subordinate to other liabilities.

Transactions with the ultimate parent include share-based payment transactions. Transactions with the group's parent include dividend payments only (refer note 13).

Transactions with other group entities include sales and purchases of inventory, service fees, marketing rebates and royalties.

Refer to note 12 for the terms and conditions of related party loans.

For the year ended 31 December 2017, the group has not made any allowance for impairment loss relating to amounts owed by related parties (2016 : $nil).

Notes to the financial statements

For the year ended 31 December 2017

15 Commitments

Capital commitments

	2017	2016
	$000's	$000's
Capital expenditure committed to at balance date	87	399

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

Within one year	3,706	3,451
After one year but not more than five years	5,957	8,053
After more than five years	-	493
Total minimum lease payments	9,663	11,997

The group leases vehicles, land and buildings within New Zealand. Lease payments are fixed with inflation escalation claims on which contingent rentals are determined. No renewal or purchase options exist and there are no restrictions on financing or other activities.

16 Events after balance date

In March 2017, following a period of consultation, a decision was announced to close the manufacturing site based at Dunedin. The Dunedin site ceased production in March 2018. The principal activities of the business are now the sale of food products.

Subsequent to balance date an agreement was reached to sell the majority of the land held by Mondelez New Zealand, for a value in excess of its current carrying value.

There have been no other significant events occurring after the reporting period which may affect either the group's operations or results of those operations of the group's state of affairs.