MARTIN-BROWER NEW ZEALAND HOLDINGS

FINANCIAL STATEMENTS

FOR THE 2017 FINANCIAL YEAR

The Directors are pleased to present the Financial Statements of Martin-Brower New Zealand Holdings for the 2017 financial year.

For and on behalf of the Board of Directors:

Director	Director
18/06/18	18/06/2018
Date	Date

MARTIN-BROWER NEW ZEALAND HOLDINGS

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DIRECTORS' REPORT

The Directors are pleased to present the consolidated financial statements of Martin-Brower New Zealand Holdings and it's subsidiaries ("the Group") for the year ended 30 December 2017.

No disclosure has been made in respect of Section 211(1)(a) and (e) to (j) of the Companies Act 1993 following a unanimous decision by the shareholders in accordance with Section 211(3) of the Act.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Martin-Brower New Zealand Holdings and Group as at 30 December 2017 and the results of their operations for the year ended 30 December 2017.

The Directors consider that the financial statements of the Group have been prepared using accounting policies appropriate to the Group circumstances, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This annual report and the financial statements are dated 18 June 2018 and signed in accordance with a resolution of the directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

Director

Director

MARTIN-BROWER NEW ZEALAND HOLDINGS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 DECEMBER 2017

	NOTE	2017 $'000	2016 $'000
Revenue from sale of goods		245,803	236,533
Interest revenue		142	169
Total operating revenue		**245,945**	**236,702**
Cost of sales		(225,107)	(215,563)
Gross profit		**20,838**	**21,139**
Other income	3a	763	52
Distribution expense		(11,924)	(13,067)
Rental expenses		(67)	(77)
Administrative expenses		(6,123)	(4,390)
Other operating expenses		(1,814)	(1,805)
Finance expenses	4	(565)	(540)
Profit before income tax expense		**1,107**	**1,312**
Income tax (expense)/benefit	5	(311)	(376)
Profit for the year, attributable to equity holders of the parent		**797**	**935**
Comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax, attributable to equity holders of the parent		797	935

The accompanying notes form part of and should be read in conjunction with these financial statements.

MARTIN-BROWER NEW ZEALAND HOLDINGS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 DECEMBER 2017

	NOTE	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	7,654	8,338
Trade and other receivables	7	21,597	11,526
Tax Recoverable		-	32
Inventories	8	7,482	8,397
TOTAL CURRENT ASSETS		**36,733**	**28,293**
NON-CURRENT ASSETS			
Plant and equipment	9	6,799	6,898
Goodwill	10	8,297	8,297
TOTAL NON-CURRENT ASSETS		**15,096**	**15,195**
TOTAL ASSETS		**51,829**	**43,488**
CURRENT LIABILITIES			
Trade and other payables	12	29,630	22,135
Current tax liabilities		15	-
Employee benefits	13	374	316
TOTAL CURRENT LIABILITIES		**30,019**	**22,451**
NON-CURRENT LIABILITIES			
Deferred tax liability	14	487	511
Borrowings – Related Parties	15	10,188	10,188
TOTAL NON-CURRENT LIABILITIES		**10,675**	**10,699**
TOTAL LIABILITIES		**40,694**	**33,150**
NET ASSETS		**11,135**	**10,338**
EQUITY			
Share capital	16	6,792	6,792
Retained earnings		4,343	3,546
TOTAL EQUITY		**11,135**	**10,338**

The accompanying notes form part of and should be read in conjunction with these financial statement

MARTIN-BROWER NEW ZEALAND HOLDINGS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 DECEMBER 2017

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
Balance as at 26 December 2015		6,792	2,611	9,403
Profit after income tax		-	935	935
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	935	935
Balance at 31 December 2016		**6,792**	**3,546**	**10,338**

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
Balance as at 31 December 2016		6,792	3,546	10,338
Profit after income tax		-	797	797
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	797	798
Balance at 30 December 2017		**6,792**	**4,343**	**11,135**

The accompanying notes form part of and should be read in conjunction with these financial statements.

MARTIN-BROWER NEW ZEALAND HOLDINGS

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		236,495	241,580
Payments to suppliers and employees		(236,395)	(239,840)
Cash (used in) / from operations		100	1,740
Interest received		142	169
Interest paid		(566)	(540)
Income tax paid		(264)	(377)
Net cash (used in) / from operating activities		**(588)**	**992**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	6
Payments for property, plant and equipment		(96)	(17)
Net cash (used)/ generated in investing activities		**(96)**	**(11)**
Cash flows from financing activities			
Proceeds of loan from related party		-	-
Net cash generated by / (used) in financing activities		-	-
Net (decrease) / increase in cash and cash equivalents		(684)	981
Cash and cash equivalents at the beginning of the financial period		8,338	7,357
Cash and cash equivalents at end of year	6	**7,654**	**8,338**

The Statement of Cash Flows is to be read in conjunction with notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

This Financial Report is for the 52 week period ended 30 December 2017 and comprises Martin-Brower New Zealand Holdings ("the Company") and its subsidiaries (together referred to as the "consolidated entity" or "Group"). The comparative year was for the 53 week period ended 31 December 2016.

2. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The Company is a profit-oriented entity incorporated and domiciled in New Zealand. Its principal activity is in the business of importing, distribution and storage for McDonald's restaurant chain.

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). For the purposes of complying with NZ GAAP, the Company is a for-profit entity. These financial statements comply with New Zealand International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS (RDR)). The Group qualifies for NZ IFRS RDR on the basis that it does not have public accountability and is not a large for-profit public sector entity. The group has elected to report in accordance with NZ IFRS (RDR) and has applied disclosure concessions.

Registered Office:
12 Golden Arches Place,
Wiri 2025, Auckland, New Zealand.

The financial statements were authorised for issue by the directors on 18 June 2018.

Basis of preparation of the financial statements

The financial statements have been prepared on the basis of historical cost, except for inventory which is carried at the lower of cost or net realisable value.

Cost is based on fair value of the consideration given in exchange for assets.

The functional and presentation currency is New Zealand dollars (NZD). All financial information presented in New Zealand Dollars has been rounded to the nearest thousand, except when otherwise indicated.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing financial statements for the year ended 30 December 2017.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Significant accounting policies

a) Basis of consolidation

The Group financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being Martin-Brower New Zealand Holdings (the parent entity) and its subsidiary Martin-Brower New Zealand. Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

Acquisitions of businesses are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the consideration transferred, the amount of any outside-controlling interests and the fair value of the previously held equity interest (if any) over the fair values of the net identifiable assets acquired is recognised as goodwill. Any deficiency is credited to profit or loss in the year of acquisition. Acquisition related costs are expenses as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of non-controlling shareholders is stated at the non-controlling interests' proportion of the fair values of the identifiable net assets recognised.

The Group financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the Group financial statements, all intergroup transactions, balances, income and expenses are eliminated in full.

b) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs including an appropriate portion of fixed and variable overhead expenses are assigned to inventory on hand by the method most appropriate to each particular class of inventory with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

c) Property, plant and equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Subsequent costs are capitalised if it is probable that future economic benefits will flow to the Group and the costs can be measured reliably. All maintenance costs are recognised as an expense as incurred.

Depreciation is charged to profit or loss in the statement of comprehensive income. Land is not depreciated. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The following estimated useful life have been used:

Buildings	40 years
Motor Vehicles	5 years
Plant & Equipment	3 to 14 years
Office Equipment	2 to 14 years

Disposal of Assets

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

d) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the consolidated entity's cash generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs is less than the carrying amount of the CGU (or groups of CGUs) the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

e) Impairment of asset

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

f) Income Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current or prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

f) Income Tax (continued)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

g) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity" investments, "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or premiums or discounts) through the expected life of the financial asset or where appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest income is recognized on an effective interest rate basis for debt instruments other than those financial assets 'as fair value through profit or loss'.

i) Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

h) Foreign Currency

Transactions in foreign currencies are converted at the exchange rates in effect at the dates of the transaction.

Amounts payable to or by the economic entity in foreign currency have been translated into New Zealand currency at exchange rates in effect at balance sheet date. Exchange differences are recognized in profit or loss in the year in which they arise.

i) Operating Leases

Operating leases are leases where the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee. Rental payments on operating leases are charged against profits in equal installments over the terms of the leases. In the event that lease incentives are received to enter into operating leases, such incentives are initially recorded as a liability and are recognized as a reduction of rental expense on a straight line basis over the lease term.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

j) Accounts Payable

Trade payables and other accounts payable are recognised when the Group and Company becomes obliged to make future payment resulting from the purchase of goods and services.

k) Goods and Services Tax (GST)

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

i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset, or as part of the expense item as applicable; or

ii) for receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

l) Revenue Recognition

i) Sale of Goods

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the supply of products to entities outside the Group. Sales revenue is recognised once the goods are dispatched to customers from the Group's warehouses or manufacturing premises.

ii) Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

m) Adoption of NZ IFRS (RDR)

The Group is eligible for, and has elected to report in accordance with NZ IFRS (RDR) for the first time in the financial year ended 30 December 2017. The Group has taken advantage on a number of disclosure concessions, however there was no recognition or measurement impact on adoption of NZ IFRS (RDR).

3. PROFIT BEFORE TAXATION

	2017	2016
	$'000	**$'000**
Profit before income tax includes the following items of revenue, income and expense:		
a) Other income		
Promotional revenue	740	22
Other Revenue	23	30
Total other income	**763**	**52**
b) Expenses		
Depreciation and amortisation expense		
Buildings	63	63
Motor vehicles	2	-
Plant and equipment	129	160
Office equipment	1	3
Total depreciation of non-current assets	**195**	**226**
Employee expense	4,874	4,229
Superannuation	-	-
Occupancy expense	67	77

	2017	2016
Auditors remuneration	**$**	**$**
Audit of financial statements	53,700	45,826

The auditor of the Company and Group is Deloitte Touche Tohmatsu

4. FINANCE EXPENSE–NET

	2017 $'000	2016 $'000
Financial expense		
Interest on intercompany notes (Note 15)	566	520
Interest expense	(1)	20
	565	540

5. INCOME TAX

Income tax recognised in profit or loss

	2017	2016
	$'000	**$'000**
Tax benefit comprises:		
Current tax expense	287	307
Deferred tax benefit	24	69
Total tax expense	311	376

Income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from operation	1,108	1,312
Income tax expense calculated at 28%	310	367
Income not subject to tax	-	-
Non-deductible expenses	1	9
Provision	-	-
Other	-	-
	311	376

6. CASH AND CASH EQUIVALENTS

	2017	2016
	$'000	**$'000**
Cash at bank	7,653	8,338
Petty Cash	1	-
Cash and bank balances	7,654	8,338

7. TRADE AND OTHER RECEIVABLES

	2017	2016
	$'000	**$'000**
Trade receivables	18,425	15,802
Prepayments	277	-
Other receivable	2,895	(4,276)
Carrying amount of trade and other receivables	21,597	11,526

8. INVENTORIES

	2017	2016
	$'000	**$'000**
Finished goods	7,482	8,397

9. PROPERTY, PLANT AND EQUIPMENT

Cost	Land $'000	Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Office Equipment $'000	TOTAL $'000
As at 26 December 2015	3,880	2,910	335	659	35	7,819
Additions	-	17	-	-	-	17
Disposals	-	-	-	-	(6)	(6)
As at 31 December 2016	3,880	2,927	335	659	29	7,830

Depreciation	Land $'000	Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Office Equipment $'000	TOTAL $'000
As at 26 December 2015	-	(360)	(228)	(107)	(11)	(706)
Charge for the year	-	(63)	-	(160)	(3)	(226)
Accumulated Depreciation of Disposal	-	-	-	-	-	-
As at 31 December 2016	-	(423)	(228)	(267)	(14)	(932)
Net book value as at 31 December 2016	3,880	2,504	107	392	15	6,898

Cost	Land $'000	Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Office Equipment $'000	TOTAL $'000
As at 31 December 2016	3,880	2,927	335	659	29	7,830
Additions	-	-	-	96	-	96
Disposals	-	-	-	-	-	-
As at 30 December 2017	3,880	2,927	335	755	29	7,926

Depreciation	Land $'000	Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Office Equipment $'000	TOTAL $'000
Opening Balance	-	(423)	(228)	(267)	(14)	(932)
Charge for the period	-	(63)	(2)	(129)	(1)	(195)
Depreciation disposal	-	-	-	-	-	-
Year-end value	-	(486)	(230)	(396)	(15)	(1,127)
Net Book Value as at 30 December 2017	3,880	2,441	105	359	14	6,799

10. GOODWILL AND INTANGIBLES

	2017 $'000	2016 $'000
Goodwill	8,297	8,297

The operations of the company have been assessed as one cash generating unit. Although the business operates in separate locations in New Zealand these different geographical locations are not unique in their risk profile and are managed as one business unit. As a result of this all goodwill has been allocated to the business as a whole.

The recoverable value of the business has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five year period. The discount rate applied to cash flow projections is 8% pre-tax.

The assumptions used by management in the completion of recoverable value testing are in line with current market and input price growth targets.

11. SUBSIDIARIES

Name of Entity	Country of incorporation	Ownership Interest 2017	Ownership Interest 2016
Subsidiary			
Martin-Brower New Zealand	New Zealand	100%	100%

12. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Trade payables	24,830	14,837
Sundry payables and accrued expenses	4,800	7,298
Related party payables:		
- Other related parties (note 18b)	-	-
	29,630	22,135

13. EMPLOYEE BENEFITS

	2017 $'000	2016 $'000
Accrued wages	134	119
Liability for annual leave	194	159
Liability for long service leave	45	38
	373	316

14. DEFERRED TAX LIABILITY

	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	571	594
Employee benefits	(84)	(83)
Net deferred tax liability	487	511

	2016 $'000	Charged to Income Statement $'000	2017 $'000
Movements:			
Property, plant & equipment	594	(23)	571
Employee benefits	(83)	(1)	(84)
	511	(24)	487

15. BORROWINGS

	2017 $'000	2016 $'000
Intercompany Note	10,188	10,188

The Group have an interest-only loan which matures in 31 January 2030. The Group pays interest annually at fixed rate of 5.56% per annum.

The intercompany note is issued by the ultimate holding company, The Martin-Brower Company, L.L.C incorporated in Delaware, United States.

16. CONTRIBUTED EQUITY

	2017 $'000	2016 $'000
100 (2014: 100) fully paid ordinary shares	6,792	6,792

Fully paid ordinary shares carry one vote per share and carry the right to dividends and, upon winding up, a pro rata share of the Group's assets.

17. COMMITMENTS AND CONTINGENCIES

Operating lease commitments
Future minimum rentals payable under non-cancellable operating leases as at year end are as follows:

	2017 $'000	2016 $'000
Within one year	824	805
After one year but not more than five years	2,989	3,418
After more than five years	590	-
Total minimum lease payments	4,403	4,223

17. RELATED PARTY DISCLOSURES

(a) Parent Entity

As at 30 December 2017, Martin-Brower Australia Intermediate Holdings Pty Ltd, a company incorporated in Australia owned 100% of the share capital of the Company, with ultimate holding company, The Martin-Brower Company, L.L.C incorporated in Delaware, United States.

(b) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

	Sales to related parties	Purchases from related parties	Other transactions with related parties
Related Party Payables 2016			
Martin-Brower Australia Pty Ltd – purchase of product/office support cost	108	53	-
Martin-Brower UK Holdings Ltd – intercompany note interest (note 15)	-	-	509
	108	53	509
Related Party Payables 2017			
Martin-Brower Australia Pty Ltd – purchase of product/office support cost	182	179	-
Martin-Brower UK Holdings Ltd – intercompany note interest (note 15)	-	-	566
	182	179	566

Balance outstanding as at December:

	2017 $	2016 $
Related Party Receivables		
Martin-Brower Australia Pty Ltd	-	-
Related Party Payable		
Martin-Brower Australia Pty Ltd	-	-
Martin-Brower UK	10,188	10,188

18. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debt, which includes the loan disclosed in note 15, cash and cash equivalents as disclosed in note 6, and equity, comprising share capital, and retained earnings as disclosed in notes 16 and on the statement of changes in equity.

The directors review the capital structure on an annual basis. As part of this review the directors consider the cost of capital and the risk associated with each class of capital. The director will balance the overall capital structure through the payment of dividend, new share issues, and share buy-backs as well as the issue of new debt or the redemption of existing debt.

There are no externally imposed capital requirements on the Group.

(b) Categories of financial asset and financial liabilities

Assets as per statement of financial position

	Loans and Receivables $'000	Total $'000
At 31 December 2016		
Trade Receivables	15,802	15,802
Other receivables	(4,276)	(4,276)
Cash and cash equivalents	8,338	8,338
Total financial assets	19,864	19,864
At 30 December 2017		
Trade Receivables	18,425	18,425
Other receivables	2,894	2,894
Cash and cash equivalents	7,654	7,654
Total financial assets	28,973	28,973

18. FINANCIAL INSTRUMENTS (continue)

(b) Categories of financial asset and financial liabilities (continue)

Liabilities as per statement of financial position

	At amortised cost $'000	Total $'000
At 31 December 2016		
Trade payables	14,837	14,837
Other payables	7,298	7,298
Payables to related parties	-	-
Borrowings	10,188	10,188
Total financial liabilities	32,323	32,323
At 30 December 2017		
Trade payables	24,830	24,830
Other payables	4,800	4,800
Payables to related parties	-	-
Borrowings	10,188	10,188
Total financial liabilities	39,818	39,818

18. ECONOMIC DEPENDENCY

The Group has a significant customer being the McDonald's chain of restaurants in New Zealand. These restaurants are operated by the McDonald's Corporation and individual entities under franchise. If it was not for this customer the Group would find it difficult to maintain the current level of profits and sales.

19. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the group and company, or the results of those operations for the year ended 30 December 2017.

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Independent Auditor's Report to the Shareholders of Martin-Brower New Zealand Holdings

Opinion

We have audited the financial statements of Martin-Brower New Zealand Holdings (the "Entity") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 30 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies as set out on pages 3 to 21.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the Group's consolidated financial position as at 30 December 2017 and their consolidated financial performance and their consolidated 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)). 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 are independent of the Group in accordance with the ethical requirements of Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board (the Code) that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Group. These services have not impaired our independence as auditor of the Group.

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

Responsibilities of the directors' for the Consolidated Financial Statements

The directors of the Entity are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), and for such internal control as the Directors determine is necessary to enable the preparation of the 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 on behalf of the Group for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has 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) 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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

E. Angelucci

E. Angelucci
Partner
Chartered Accountants
Parramatta, 18 June 2018