NEW ZEALAND SUGAR COMPANY LIMITED

Annual Report
For the Year Ended 31 December 2017

NEW ZEALAND SUGAR COMPANY LIMITED
ANNUAL REPORT
For the Year Ended 31 December 2017

Nature of Business:	Manufacturer, marketer and distributor of sugar and sugar related products
Registered Office:	100 Colonial Road, Birkenhead, Auckland
Registration No:	91943
Directors:	Jean-Luc Robert Bohbot Jason Donald Lowry (resigned 19 January 2018) Bernard William Duignan Richard Roberts Shayne William Rutherford Paul Edward Gregory Shane Andrew Cappello (resigned on 6 December 2017) Mark Raymond Day (appointed on 6 December 2017) Peter John Gill (appointed 19 January 2018)
Auditor:	Ernst & Young
Solicitor:	Bell Gully
Banker:	The ASB Bank Limited

NEW ZEALAND SUGAR COMPANY LIMITED
ANNUAL REPORT
For the Year Ended 31 December 2017

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Building a better working world

Independent Auditor’s Report to the Shareholders of New Zealand Sugar Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of New Zealand Sugar Company Limited (“the company”) and its subsidiaries (together “the Group”) on pages 7 to 33, which comprise the consolidated statement of financial position of the Group as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 7 to 33 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

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

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

Other than in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

Information Other than the Financial Statements and Auditor’s Report

The directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information 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.

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Directors' Responsibilities for the Financial Statements

The directors are responsible, on behalf of the entity, 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, 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 on behalf of the entity 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 cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the 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 International Standards on Auditing (New Zealand) 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 consolidated financial statements is located at the External Reporting Board website:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx. This description forms part of our auditor's report.

Ernst + Young

Chartered Accountants
Auckland
25 May 2018

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Directors' declaration

In the opinion of the directors of New Zealand Sugar Company Limited (the Group), the financial statements and notes, on pages 6 to 33:

- Comply with New Zealand generally accepted accounting practice fairly present, in all material respects, of the financial position of the Company and Group as at 31 December 2017 and the results of their operations for the year ended on that date.
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgments and estimates, and have been prepared following all applicable New Zealand Equivalents to International Financial Reporting Standards with reduced disclosure requirements.

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 Companies Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of New Zealand Sugar Company Limited for the Year Ended 31 December 2017.

This annual report and the financial statements are dated 25th May 2018 and signed in accordance with a resolution of the directors made pursuant to section 211(1)(k) of the Companies Act 1993.

The shareholders of the Company have exercised their right under section 211(3) of the Companies Act 1993, whereby pursuant to a decision of all shareholders of the Company, they have agreed not to comply with paragraphs (a) and (e) to (h) & (j) of section 211 (1) and section 211(2) of the Act.

Director

For and on behalf of the Board of Directors

Director

Date: 25 May 2018

NEW ZEALAND SUGAR COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2017

	Note	Group 2017	Group 2016
Continuing Operations		**$'000**	**$'000**
Sale of goods		231,486	222,276
Cost of sales		(183,615)	(175,781)
Gross profit		**47,871**	**46,495**
Other operating income	3.1	1,288	89
Distribution expenses		(7,639)	(7,192)
Selling and marketing expenses		(4,321)	(3,879)
Administrative expenses	3.2	(8,361)	(9,040)
Operating profit		**28,838**	**26,473**
Finance costs	3.3	(47)	(77)
Finance income	3.4	230	250
Profit before tax from continuing operations		**29,021**	**26,646**
Income tax expense	4	(8,228)	(7,512)
Profit for the year from continuing operations		**20,793**	**19,134**
Other comprehensive income			
Other income to be reclassified to profit or loss in subsequent periods			
Gain / (loss) on cash flow hedging		(413)	(2,674)
Tax (expense) / benefit relating to other comprehensive income		116	749
Other comprehensive income for the year, net of tax		**(297)**	**(1,925)**
Total comprehensive income for the year attributable to equity holders of the parent		**20,496**	**17,209**

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

NEW ZEALAND SUGAR COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	Group 2017	Group 2016
Assets		**$'000**	**$'000**
Non-current assets			
Property, plant & equipment	5	61,070	58,023
Goodwill	6	9,706	9,706
Other intangible assets	7	4,266	5,243
Other financial assets		1,553	650
Derivative financial instruments	8.1	33	7
		76,628	73,629
Current assets			
Receivables & prepayments	9	35,585	42,118
Inventories	10	32,237	28,451
Cash and cash equivalents	11	18,436	22,136
Other intangible assets	7	342	-
Derivative financial instruments	8.1	8,301	5,048
		94,901	97,753
Total Assets		**171,529**	**171,382**
Equity and liabilities			
Equity			
Issued capital	12	5,664	5,664
Hedge reserve	13	(127)	170
Retained earnings	14	142,525	136,732
Total equity		**148,062**	**142,566**

NEW ZEALAND SUGAR COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017 (Cont'd)

	Note	Group 2017 $'000	Group 2016 $'000
Non-current liabilities			
Deferred tax liabilities	4	2,521	3,262
Derivative financial instruments	8.2	11	26
		2,532	3,288
Current liabilities			
Derivative financial instruments	8.2	4,109	10,750
Trade and other payables	16	10,039	9,834
Provisions	17	3,333	2,900
Taxation payable		3,454	1,895
Finance lease liability	15	-	149
		20,935	25,528
Total liabilities		**23,467**	**28,816**
Total equity and liabilities		**171,529**	**171,382**

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

NEW ZEALAND SUGAR COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2017

		GROUP			
		$'000	$'000	$'000	$'000
	Note	Share Capital	Hedge Reserve	Retained Earnings	Total
Balance as at 1 January 2016		**5,664**	**2,095**	**126,598**	**134,357**
Profit for the year		-	-	19,134	19,134
Gain / (loss) on cash flow hedging		-	(2,674)	-	(2,674)
Tax (expense) / benefit relating to other comprehensive income	4	-	749	-	749
Other comprehensive income for the year, net of tax		-	(1,925)	-	(1,925)
Total comprehensive income		-	(1,925)	19,134	17,209
Ordinary dividend paid	14	-	-	(9,000)	(9,000)
Balance as at 31 December 2016		**5,664**	**170**	**136,732**	**142,566**
Profit for the year		-	-	20,793	20,793
Gain / (loss) on cash flow hedging		-	(413)	-	(413)
Tax (expense) / benefit relating to other comprehensive income	4	-	116	-	116
Other comprehensive income for the year, net of tax		-	(297)	-	(297)
Total comprehensive income		-	(297)	20,793	20,496
Ordinary dividend paid	14	-	-	(15,000)	(15,000)
Balance as at 31 December 2017		**5,664**	**(127)**	**142,525**	**148,062**

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

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NEW ZEALAND SUGAR COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Operating Activities			
Profit before tax		29,021	26,646
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant & equipment	5	6,417	6,063
Amortisation of intangible assets	7	1,059	1,043
Loss on disposal of property, plant & equipment	3.2	230	722
Gain on ineffective hedge	3.1	(503)	-
Finance cost	3.3	47	77
Finance Income	3.4	(230)	(250)
Working Capital adjustments:			
(Increase)/ Decrease in trade receivables and prepayments		5,630	(5,807)
Decrease/(Increase) in inventories		(13,956)	8,360
Increase/(Decrease) in trade and other payables		540	(2,871)
Movements in provisions		433	(133)
		28,688	33,850
Interest received		230	250
Interest paid		(47)	(77)
Income tax paid		(7,304)	(7,834)
Net cash from operating activities		21,567	26,189
Investing activities			
Proceeds from sale of property, plant & equipment		273	-
Purchase of property, plant & equipment	5	(9,694)	(6,569)
Purchase of intangibles	7	(697)	(300)
Net cash flows used in investing activities		(10,118)	(6,869)
Financing activities			
Payment of finance lease liabilities		(149)	(79)
Dividends paid		(15,000)	(9,000)
Net cash flows from/(used in) financing activities		(15,149)	(9,079)
Net increase/(decrease) in cash and cash equivalents		(3,700)	10,241
Cash and cash equivalents at 1 January	11	22,136	11,895
Cash and cash equivalents at 31 December	11	18,436	22,136

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

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1. Corporate information

The consolidated financial statements of New Zealand Sugar Company Limited 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 on 25th May 2018.

New Zealand Sugar Company Limited (the “Company”) is a limited company incorporated and domiciled in New Zealand.

The Company is a manufacturer, marketer and distributor of sugar and sugar related products, based in Auckland.

2.1 Statement of compliance

The consolidated financial statements of the Group comply with New Zealand Equivalents to International Financial Reporting Standards with reduced disclosure requirements (NZ IFRS RDR).

2.2 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). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The Group is a for-profit entity and has elected to report in accordance with NZ IFRS RDR. The Group is eligible to report in accordance with NZ IFRS RDR on the basis that it does not have public accountability and is not a large for-profit public sector entity.

The consolidated financial statements have been prepared on a historical cost basis; except for derivative financial instruments, which are stated at their fair value, and some inventory which is valued at the lower of cost or net realisable value (refer policy (d)).

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($ ’000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

2.2 Summary of significant accounting policies *continued*

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the group comprising of the Company and its subsidiaries as at 31 December 2017. In November 2017, Premier Packers Limited was amalgamated into New Zealand Sugar Company using short-form amalgamation process under the Companies Act 1993. Subsidiaries are entities over which the Group has the 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.

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 cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit or loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets and liabilities 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 intra group balances, and transactions and unrealised profits arising within the Group are eliminated in full.

Investments in subsidiaries are measured at cost less impairment in the parent company's financial statements.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of short term borrowings.

(d) Inventories

Sugar inventory consists of sugar on hand, which has been purchased against firm and expected customer contracts.

Unrefined sugar inventories and the raw sugar content of refined sugar inventories are valued at the landed cost as calculated at the time of entering into the contract with the customer. This takes into account the gains or losses on derivative financial instruments that are entered into to hedge the purchase of raw sugar.

Refined sugar inventories include a systematic allocation of appropriate production overheads that relate to putting inventories into their present location and condition. All other inventories are valued at the lower of cost or net realisable value. Cost is calculated on the first-in first-out basis.

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2.2 Summary of significant accounting policies *continued*

(e) Financial assets

Investments are recognised and derecognised on trade date where the 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. Investments are initially measured at fair value plus transaction costs except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 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.

Financial assets at fair value through profit or loss

Financial assets in this category are either financial assets held for trading or financial assets designated as at fair value through profit or loss.
A financial asset is classified as held for trading if:

i. it has been acquired principally for the purpose of selling in the near future; or
ii. it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
iii. it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss includes any dividend or interest earned on the financial asset.

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 any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment 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.

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 account. When a trade receivable is uncollectible, it is written off against the allowance account, and the movement in the allowance account is 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.

In respect of financial assets carried at amortised cost, with the exception of trade receivables, the impairment loss is reversed through profit or loss in the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. Subsequent recoveries of trade receivables previously written off are credited against the allowance account.

In respect of available-for-sale debt instruments, the loss is reversed through profit or loss.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

2.2 Summary of significant accounting policies *continued*

(f) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Debt is classified as current unless the Group has the unconditional right to defer settlement of the debt for at least 12 months after the reporting date.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest method.

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2.2 Summary of significant accounting policies *continued*

(g) Derivative Financial Instruments

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 at each reporting date. The resulting profit or loss is recognised immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designated certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions (cash flow hedges). All derivatives are designated as cash flow hedges in the current and prior financial year.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated as a separate component in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts recognised in the hedging reserve are reclassified from equity to profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the profit or loss previously recognised in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss or (when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability) in the initial measurement of the cost of the asset or liability. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in the hedging reserve is recognised immediately in profit or loss.

The Group tests each of the designated cash flow hedges for effectiveness on a monthly basis both retrospectively and prospectively using regression analysis. A minimum of 30 data points is used for regression analysis and if testing falls within the 80:125 range, the hedge is considered to be highly effective and continues to be designated as a cash flow hedge.

(h) Property, plant & equipment

Owned assets

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value or the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments for operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged as expenses in the periods in which they are incurred, on a straight-line basis.

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2.2 Summary of significant accounting policies *continued*

(h) Property, plant & equipment (cont'd)

Subsequent costs

Subsequent costs are capitalised to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised as an expense as incurred.

Depreciation and amortisation

Depreciation is charged on a straight-line basis. Leased land is amortised over the lease period. The following rates have been used:

Buildings	2% – 12.5%
Plant & Equipment	2% – 33%
Other Assets	2.5% – 33%

(i) Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU's) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(j) Other intangible assets

Other intangible assets are initially measured at cost. Subsequent measurement is at cost less any impairment.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

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

	Software	**ETS Units**
Useful Lives	Finite (3-10 years)	Indefinite
Amortisation method	Amortised on a straight-line basis over the period of the life	No amortisation
Internally generated or acquired	Acquired	Acquired

EY

2.2 Summary of significant accounting policies *continued*

(k) Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest rate method less any impairment allowance.

(l) Impairment of assets

The carrying amounts of the Group's tangible and intangible assets other than inventories are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

(m) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits, which are expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits, which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined Contribution Pension Plans

Contributions to defined contribution pension plans are recognised as an expense as incurred.

(n) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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2.2 Summary of significant accounting policies *continued*

(o) Payables

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

(p) Revenue recognition

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 recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised when the right to receive the revenue has been established.

(q) Expenses

Lease determination

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss over the lease term as an integral part of the total lease expense.

Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest basis.

Finance Income and Expenses

Finance income comprises interest income.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, and impairment losses recognised on financial assets (except for trade receivables). All borrowing costs are recognised in profit or loss using the effective interest method.

EY

2.2 Summary of significant accounting policies *continued*

(r) Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction, unless the transaction has been hedged using a forward foreign exchange contract where the forward rate on the contract is used to translate the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to NZD at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities carried at fair values that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Foreign exchange differences arising on their translation are recognised in profit or loss.

(s) Financial risk management

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (including currency risk, interest rate risk and commodity risk). The Group uses a variety of derivative instruments to manage financial and commodity price risks.

Fair value

Certain estimates and judgements were required to estimate fair values. The fair value methods shown below are not necessarily indicative of the amounts that the Group would realise upon disposition nor do they indicate the Group's intent or ability to dispose of the financial instrument.

The following assumptions and methods were used to estimate fair value:

- Commodity futures: The fair value is based on the closing price on the applicable futures exchange and other market prices.
- Foreign currency contracts, foreign exchange options, currency swaps, commodity swaps and electricity derivatives: The fair value is estimated using market accepted formulae and market quoted input variables.
- Cash, short-term loans and deposits, receivables, payables and short-term borrowings: The carrying amounts of these financial instruments approximate fair value because of their short maturity.

(t) Goods and services tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

(u) Research and development costs

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

(v) Income Tax

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

2.2 Summary of significant accounting policies *continued*

(v) Income tax (cont'd)

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets, liabilities and cash flow hedge reserves in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position 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 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

(x) Significant Judgements and Estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties are included in financial risk management refer to Note 2(s) and cash flow hedges refer to Note 2(g).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget over a maximum five year period. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows.

EY

	Group 2017 $'000	Group 2016 $'000
3. Other income and expense		
3.1 Other operating income		
Foreign exchange gains	69	89
Net gain on ineffective financial instruments designated as cash flow hedges	503	-
Other	716	-
	1,288	89
3.2 Expenses include these key items		
Net loss on disposal of property, plant & equipment	(230)	(722)
Operating lease expense	(310)	(519)
Audit fees	(129)	(128)
3.3 Finance costs		
Interest on debts and borrowings	(4)	(7)
Finance charges payable on facilities	(37)	(51)
Finance charges payable under finance leases	(6)	(19)
Total finance costs	(47)	(77)
3.4 Finance income		
Interest income on short term deposits	230	250

EY

	Group 2017 $'000	Group 2016 $'000
4. Income tax		
The major components of income tax expense for the years ended 31 December 2017 and 2016 are:		
Consolidated statement of profit or loss		
Current income tax:		
Current income tax charge	8,710	7,744
Adjustments in respect of current income tax of previous year	(56)	(634)
Deferred tax:		
Relating to origination and reversal of temporary differences	(442)	402
Other	16	-
Income tax expense reported in the statement of profit or loss	**8,228**	**7,512**

	Group 2017 $'000	Group 2016 $'000
Reconciliation of tax expense and the accounting profit multiplied by New Zealand's company tax for 2017 and 2016:		
Accounting profit before tax from continuing operations	**29,021**	**26,646**
At statutory income tax rate of 28% (2016: 28%)	8,126	7,461
Adjustment in respect of current income tax of previous years	(56)	(634)
Adjustments in respect of deferred income tax of previous year	50	591
Non-deductible expenses	87	94
Other	21	-
At the effective income tax rate of 28% (2016: 28%)	**8,228**	**7,512**

	Group 2017 $'000	Group 2016 $'000
Income tax recognised directly in equity		
Deferred Tax		
Revaluations of financial instruments treated as cash flow hedges	116	749
Deferred tax recycled from equity to income	-	-
	116	749

4. Income tax (cont'd)

Deferred income tax liability comprises

Deferred tax assets / (liabilities) arise from the following:

As at 31 December 2017	Opening Balance	Charged to income	Charged to equity	Recycled from equity to income	Closing balance
	$'000	$'000	$'000	$'000	$'000
Temporary differences					
Cash flow hedges	(66)	-	233	66	233
Property, plant & equipment	(4,001)	407	-	-	(3,594)
Provisions	805	35	-	-	840
Doubtful debts	-	-	-	-	-
	(3,262)	442	233	66	(2,521)

As at 31 December 2016	Opening Balance	Charged to income	Charged to equity	Recycled from equity to income	Closing balance
	$'000	$'000	$'000	$'000	$'000
Temporary differences					
Cash flow hedges	(815)	-	(66)	815	(66)
Property, plant & equipment	(3,559)	(442)	-	-	(4,001)
Provisions	751	54	-	-	805
Doubtful debts	14	(14)	-	-	-
	(3,609)	(402)	(66)	815	(3,262)

5. Property, plant & equipment

	Freehold Land & Buildings	Leased Land & Buildings	Assets Under Construction	Plant & Equipment	Leased Plant & Equipment	TOTAL
COST						
At 31st December 2016	**20,849**	**26,135**	**2,936**	**71,447**	**13,172**	**134,539**
	-	-	-	-	-	
Additions	-	-	9,694	-	-	9,694
Disposals	(115)	(1,474)	-	(1,189)	(274)	(3,052)
Transfers	751	-	(3,601)	3,321	(471)	-
At 31st December 2017	**21,485**	**24,661**	**9,029**	**73,579**	**12,427**	**141,181**
DEPRECIATION & IMPAIRMENT						
At 31st December 2016	**5,969**	**18,292**	**-**	**39,771**	**12,484**	**76,516**
	-	-	-	-	-	
Depreciation charged for year	1,064	636	-	4,508	209	6,417
Additions	-	-	-	-	-	-
Disposals	(106)	(1,472)	-	(968)	(276)	(2,822)
Transfers	-	-	-	404	(404)	-
At 31st December 2017	**6,927**	**17,456**	**-**	**43,715**	**12,013**	**80,111**
NET BOOK VALUE						
At 31st December 2016	**14,880**	**7,843**	**2,936**	**31,677**	**687**	**58,023**
At 31st December 2017	**14,558**	**7,205**	**9,029**	**29,864**	**414**	**61,070**

A lease of the Chelsea Estate is in place between Chelsea Estates NZ Pty Ltd, the Lessor, and New Zealand Sugar Company Limited, the Lessee. The premises include all the land, buildings, and certain plant fixtures which comprise the Chelsea Estate. The lease premium was prepaid in full at the commencement of the lease, and the leased assets are being amortised over the lease term for the assets.

	Group 2017 $'000	Group 2016 $'000
6. Goodwill		
Gross carrying amount	9,706	9,706
Net carrying amount	9,706	9,706

Goodwill is applied to one cash-generating unit, being New Zealand Sugar Company Limited.

7. Other Intangible assets

	Software	Emissions Trading	Total
COST			
At 31st December 2016	**10,176**	**217**	**10,393**
Additions	168	529	697
Disposals	(524)	-	(524)
At 31st December 2017	**9,820**	**746**	**10,566**
DEPRECIATION & IMPAIRMENT			
At 31st December 2016	**5,150**	-	**5,150**
Depreciation charged for year	1,059	-	1,059
Disposals	(251)	-	(251)
At 31st December 2017	**5,958**	-	**5,958**
NET BOOK VALUE			
At 31st December 2016	**5,026**	**217**	**5,243**
At 31st December 2017	**3,862**	**746**	**4,608**
Total current 2016			
Total non-current 2016	**5,026**	**217**	**5,243**
Total current 2017	**-**	**342**	**342**
Total non-current 2017	**3,862**	**404**	**4,266**

Software is recognised as an intangible asset and amortised over its expected useful life of 3-10 years.

New Zealand Emissions Trading Units are held on account until they are required to be surrendered to the gas provider. They are measured initially at cost, and subsequently at cost less any impairment.

	Group 2017 $'000	Group 2016 $'000
8. Derivative Financial assets and liabilities		
8.1 Financial assets		
Derivatives designated as hedging instruments	8,334	5,055
Total current	8,301	5,048
Total non-current	33	7
8.2 Financial liabilities		
Derivatives designated as hedging instruments	4,120	10,776
Total current	4,109	10,750
Total non-current	11	26

The Group has entered into forward foreign exchange contracts to hedge firm sale and purchase commitments for raw sugar. The Group has entered into futures contracts to hedge against movements in the commodity market for raw sugar. All these financial instruments are used for hedging purposes. The Group has adopted hedge accounting for these financial instruments.

	Group 2017 $'000	Group 2016 $'000
9. Trade and other receivables		
Trade receivables	34,696	41,623
Receivables from other related parties	889	495
	35,585	**42,118**

	Group 2017 $'000	Group 2016 $'000
10. Inventories		
Raw materials (at cost)	19,419	14,811
Finished goods (at lower of cost and net realisable value)	8,634	8,998
Process, packaging, engineering materials (at cost)	4,184	4,642
Total inventory at the lower of cost and net realisable value	**32,237**	**28,451**

	Group 2017 $'000	Group 2016 $'000
11. Cash and cash equivalents		
Cash at bank and on hand	11,436	13,036
Short-term deposits	7,000	9,100
	18,436	**22,136**

The Group has a $1.5m overdraft facility (2016: $1.5m) a $5m (2016: $5m) uncommitted call facility and $5m (2016: $10m) committed facility. Draw downs on the call facility are rolling and on call with no agreed repayment schedule, and the facility can be withdrawn at any time. Drawdowns on the committed facility are for periods of one day to six months or such term as may be agreed between the parties. Interest is charged at current market floating interest rates. No interest rate was applicable at 31 December 2017 as the facility was not drawn down (31 December 2016: nil interest rate) . The interest rate at balance date was 2.70% (2016: 2.94%).

EY

	Group 2017 $'000	Group 2016 $'000
12. Equity share capital		
5,663,841,fully paid ordinary shares $1 (2016: 5,663,841)	5,664	5,664

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.

	Group 2017 $'000	Group 2016 $'000
13. Hedge reserve		
Opening hedge reserve	170	2,095
Movements in hedge reserve	(297)	(1,925)
Closing hedge reserve	**(127)**	**170**

The cash flow hedge reserve closing balance at 31 December 2017 includes deferred gains/(losses) comprising timing differences between deliveries and settlement of raw sugar positions forming part of a cash flow hedge of $(4,212k) (2016: $5,958k) less tax effect of $1,179k (2016: $1,668k) which will be recycled to profit as the related hedged item or hedging instrument is recognised.

14. Dividends

During the year $15,000,000 of ordinary dividends were paid. (2016: $9,000,000).

15. Finance lease commitments

	Minimum future lease payments		Present value of minimum future lease payments	
Group	**2017**	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	-	149	-	149
Later than one year and not later than five years	-	-	-	-
Minimum future lease payments	-	149	-	149
Less future finance charges	-	-	-	-
Present value of minimum lease payments	-	149	-	149
Current			-	149
Non-current			-	-
			-	**149**

The Group had leased a forklift under a finance lease agreement. The Group has taken the option to purchase the forklift during the 2017 financial year. The net carrying amount of the asset under finance lease at 2016 was $67,000.

	Group	**Group**
	2017	**2016**
	$'000	**$'000**

16. Trade & other payables

Trade payables due to related parties	258	351
Other Trade payables and accruals	9,781	9,483
	10,039	**9,834**

	Group 2017 $'000	Group 2016 $'000
17. Provisions		
Employee benefits	3,333	2,900
Total provisions	3,333	2,900

	Group 2017 $'000	Group 2016 $'000
18. Capital commitments		
Commitments for future capital expenditure resulting from contracts entered into for:		
Authorised and contracted capital expenditure	561	538

	Group 2017 $'000	Group 2016 $'000
19. Operating lease commitments		
Not later than 1 year	160	249
Later than 1 year and not later than 5 years	136	369
Total lease commitments	296	618

20. Contingencies

There were no contingent liabilities at the end of the year (2016: Nil).

21. Related party transactions

Group information about subsidiaries

Ultimate Holding Company

The Ultimate Holding Company is Wilmar International Limited.

The Company is owned 50% by Wilmar Sugar Australia Investments Pty Limited, 25% by Wilmar Sugar Refining Investments (NZ) Limited and 25% by Mackay Sugar Limited.

Related Party Transactions

		Goods Sold	Services Sold	Goods Purchased	Services Purchased	Owed By	Owed To
Entity With Significant Influence		$000's	$000's	$000's	$000's	$000's	$000's
Wilmar International	2017	-	-	-	9	-	-
	2016	-	-	-	-	-	-
Wilmar GBS SDN BHD	2017	-	-	-	107	-	8
	2016	-	-	-	115	-	9
Wilmar Sugar PTE Limited	2017	-	165	122,494	32	57	-
	2016	-	129	114,045	28	-	-
Associate Entity							
Goodman Fielder New Caledonia	2017	1,831	-	-	-	280	-
	2016	636	-	-	-	293	-
Goodman Fielder NZ Ltd	2017	2,083	-	20	-	286	-
	2016	2,035	-	22	-	486	-
Sugar Australia Pty Ltd	2017	134	190	376	330	122	99
	2016	100	215	333	254	149	32
Kerry NZ Limited	2017	-	-	-	5	-	-
	2016	1,867	-	-	110	-	105
Wilmar Japan Limited	2017	675	-	-	-	-	-
	2016	262	-	-	-	-	-
Wilmar Sugar Australia Limited	2017	-	581	-	2,495	144	150
	2016	-	572	-	2,785	204	205
Chelsea Estates (NZ) Pty Ltd	2017	-	-	-	220	-	-
	2016	-	-	-	214	-	-
Yihai Kerry Foodstuffs Market	2017	114	-	-	-	-	-
	2016	138	-	-	92	-	-
Wilmar Foods NZ Ltd	2017	-	920	-	-	-	-
	2016	-	966	-	-	142	-

EY

21. Related party transactions (cont'd)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at agreed prices between both parties. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: $Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

22. Subsequent events

At the date these financial statements were authorised for issue no other events had occurred that would require adjustment or disclosure to these financial statements.