TASMAN LIQUOR COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2017

Tasman Liquor Company Limited
Directors' Review
For the year ended 30 April 2017

The Directors present their Annual Report for the year ended 30 April 2017 and the auditor's report thereon.

The shareholder of the Company has exercised its right under section 211(3) of the *Companies Act* 1993 and unanimously agreed that this Annual Report need not comply with any of the paragraphs (a), and (e) to (j) of section 211 (1) of the Act.

For and on behalf of the Board:

Scott Marshall
Director

26 September 2017

Brad Soller
Director

26 September 2017

Tasman Liquor Company Limited
Statement of Comprehensive Income
For the year ended 30 April 2017

	Notes	2017 $	2016 $
Revenue		177,526,732	184,091,273
Cost of sales		(167,278,749)	(174,255,306)
Gross profit		**10,247,983**	**9,835,967**
Other income	4a	198,072	222,883
Distribution costs		(4,812,057)	(5,026,459)
Administrative costs		(4,276,577)	(4,439,260)
Foreign exchange gain/(loss)		134,400	(375,190)
Profit before taxation		**1,491,821**	**217,941**
Income tax expense	5	-	-
Net profit for the period		**1,491,821**	**217,941**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members of the Parent		**1,491,821**	**217,941**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Tasman Liquor Company Limited
Statement of Financial Position
As at 30 April 2017

	Notes	2017 $	2016 $
ASSETS			
Current assets			
Cash		9,859,740	3,146,931
Trade and other receivables		14,174,965	13,826,670
Inventories		11,364,813	12,544,826
Total current assets		**35,399,518**	**29,518,427**
Non-current assets			
Fixed assets and intangibles	8	1,334,453	1,664,207
Total non-current assets		**1,334,453**	**1,664,207**
Total assets		**36,733,971**	**31,182,634**
LIABILITIES			
Current liabilities			
Trade and other payables		18,110,600	16,814,847
Amounts due to parent entity	9	6,372,792	3,618,062
Provisions for employee entitlements		288,300	279,267
Total current liabilities		**24,771,692**	**20,712,176**
Total liabilities		**24,771,692**	**20,712,176**
NET ASSETS		**11,962,279**	**10,470,458**
EQUITY			
Contributed equity	6	15,580,000	15,580,000
Accumulated losses		(3,617,721)	(5,109,542)
TOTAL EQUITY		**11,962,279**	**10,470,458**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorised the issue of these financial statements on 26 September 2017.

Scott Marshall
Director
26 September 2017

Brad Soller
Director
26 September 2017

Tasman Liquor Company Limited
Statement of Changes in Equity
For the year ended 30 April 2017

	Contributed equity $	Accumulated losses $	Total equity $
As at 1 May 2016	15,580,000	(5,109,542)	10,470,458
Total comprehensive income for the period	-	1,491,821	1,491,821
Transactions with owners in their capacity as owners	-	-	-
As at 30 April 2017	**15,580,000**	**(3,617,721)**	**11,962,279**
As at 1 May 2015	15,580,000	(5,327,483)	10,252,517
Total comprehensive income for the period	-	217,941	217,941
Transactions with owners in their capacity as owners	-	-	-
As at 30 April 2016	**15,580,000**	**(5,109,542)**	**10,470,458**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Tasman Liquor Company Limited
Statement of Cash Flows
For the year ended 30 April 2017

	2017 $	2016 $
Cash flows from operating activities		
Receipts from customers	204,399,211	214,784,694
Payments to suppliers and employees	(199,925,135)	(215,583,325)
Interest income	174,548	156,928
Finance costs	(591,965)	(571,820)
Net cash generated by/(used in) operating activities	**4,056,659**	**(1,213,523)**
Cash flows from investing activities		
Payments for fixed assets and intangibles	(232,980)	(1,177,325)
Net cash used in investing activities	**(232,980)**	**(1,177,325)**
Cash flows from financing activities		
Proceeds from/(repayments of) borrowings	2,754,730	(1,891,147)
Net cash from/(used in) financing activities	**2,754,730**	**(1,891,147)**
Net increase/(decrease) in cash and cash equivalents	**6,578,409**	**(4,281,995)**
Add opening cash and cash equivalents	3,146,931	7,804,116
Effect of exchange rate changes on cash	134,400	(375,190)
Cash and cash equivalents at the end of the year	**9,859,740**	**3,146,931**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Tasman Liquor Company Limited
Notes to the Financial Statements
For the year ended 30 April 2017

1. CORPORATE INFORMATION

The financial statements of Tasman Liquor Company Limited (the Company) for the year ended 30 April 2017 was authorised for issue in accordance with a resolution of the Directors on 26 September 2017.

The Company is a company limited by shares incorporated in New Zealand under the *Companies Act 1993*. The financial statements of the Company have been prepared in accordance with the *Financial Reporting Act 2013*.

The nature of the operation and principal activity is the wholesaling and distribution of liquor.

The registered office is at 22 Ha Crescent, Auckland 2104. The Company is owned by Australian Liquor Marketers Pty Ltd and the ultimate parent entity is Metcash Limited.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

3. 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 Tier 2 for-profit entity.

The Company 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 financial statements have been prepared on a historical cost basis.

The financial statements are presented in New Zealand dollars.

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

(b) Foreign currency translations

Both the functional and presentation currency for Tasman Liquor Company Limited is New Zealand dollars (NZD). Transactions in foreign currencies are measured at the New Zealand rate of exchange ruling at the date of the transaction.

At the reporting date, monetary assets and liabilities denominated in foreign currencies are remeasured at the closing rate, and exchange variations are included in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(d) Inventories

Inventories are measured at the lower of cost or net realisable value. Costs incurred in bringing each product to its present location and condition, are accounted for using the standard cost method. Cost is determined by deducting from the supplier's invoice price any purchase incentives, allowances, discounts and net marketing income.

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

(e) Property, plant and equipment

Cost
All classes of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation
Depreciation is provided on a diminishing value basis on for all asset additions up to 23 May 2010, for all tangible property, plant and equipment, at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives.

Diminishing Value Major Depreciation rates are:

Leasehold improvements	from 10 to 33%
Furniture and fittings	from 10 to 33%
Plant and equipment	from 14 to 15%
Data processing equipment	from 15 to 41%
Motor vehicles	from 15 to 31%

For all asset additions from 24 May 2010, depreciation is provided on a straight line basis, for all tangible property, plant and equipment.

Straight Line Value Major Depreciation rates are:

Leasehold improvements	10% - 25%
Furniture and fittings	15%
Plant and equipment	15%
Data processing equipment	20%
Motor vehicles	20%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised.

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable.

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

The recoverable amount of plant and equipment is the greater 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.

Impairment losses are recognised in the statement of comprehensive income.

(f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. As at balance date the Company had no finance leases (2016: nil).

Operating leases - the Company as a lessee
Operating leases are those where the lessor effectively retains substantially all of the risks and benefits of the ownership of the leased item. Operating lease payments are recognised as an expense on a straight-line basis.

(g) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(h) Employee leave benefits

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee leave benefits (continued)

Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expect future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(i) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss when the liabilities are de-recognised. Borrowing costs are recognised as an expense when incurred.

(j) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction, net of tax, from the proceeds.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue is recognised when the significant risks and ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest
Revenue is recognised as the interest is earned.

(l) Income Tax

Deferred income tax is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income Tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of the deferred income tax assets are reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income tax expenses relating to items recognised directly in equity is recognised in equity and not the Statement of Comprehensive Income.

4. REVENUE AND EXPENSES

	2017 $	2016 $
(a) Other income		
Interest received	174,548	156,928
Rental income	-	18,500
Other	23,524	47,455
Total other income	**198,072**	**222,883**
(b) Expenses include		
Depreciation and amortisation		
- Leasehold and store improvements	350,940	263,655
- Furniture & fittings	7,324	7,329
- Plant & equipment	129,811	54,021
- Other	31,048	57,977
	519,123	**382,982**
Property rental expense	1,192,737	1,311,717
Vehicle lease expense	478,373	525,819
Bad and doubtful debts expense	70,351	188,111
(c) Employee benefits expense		
Wages and salaries	4,620,662	4,483,699
Defined contribution plan expense	76,861	78,160
Workers' compensation costs	30,613	32,269
Other employee benefits costs	137,295	237,112
	4,865,431	**4,831,240**

5. INCOME TAX

	2017 $	2016 $
(a) Major components of income tax expense		
Statement of comprehensive income		
Current tax expense		
- Expense in relation to current year income	383,189	171,912
- Losses utilised not previously recognised	(383,189)	(171,912)
Deferred tax expense		
- Relating to the origination and reversal of temporary differences and losses	41,305	(105,813)
- Deferred tax not recognised	(41,305)	105,813
Income tax expense reported in Statement of Comprehensive Income	-	-

(b) A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate:

	2017 $	2016 $
Accounting profit before tax	1,491,821	217,941
Prima facie tax on accounting profit at the statutory income tax rate of 28% (2016: 28%)	417,710	61,024
- Expenditure not allowable for income tax purposes	6,784	5,075
	424,494	66,099
Tax effect of other adjustments:		
- Losses utilised not previously recognised	(383,189)	(171,912)
- Deferred tax not recognised	(41,305)	105,813
Total income tax expense (effective tax rate of nil, 2016: nil)	-	-

At 30 April 2017, carried forward tax losses of $225,096 (2016: $1,596,266) have not been recognised on the expectation that the Company will not utilise these in the foreseeable future.

6. CONTRIBUTED EQUITY

At 30 April 2017, contributed equity of $15,580,000 (2016: $15,580,000) is represented by 4,000,000 ordinary shares on issue (2016: 4,000,000 ordinary shares). All shares are fully paid, have equal voting rights and share equally in dividends and net assets on winding up.

There were no movements in the number or par value of shares on issue during the current or previous financial years.

7. COMMITMENTS

Operating lease commitments
At balance date, the Company had the following operating lease commitments:

	2017 $	2016 $
Within one year	1,336,223	1,380,095
After one year but not more than five years	944,666	1,573,652
After more than five years	151,667	-
Total minimum lease payments	**2,432,556**	**2,953,747**

No future lease payments were expected to be received at the reporting date (2016: nil). There were no capital commitments at the balance date (2016: nil).

8. FIXED ASSETS AND INTANGIBLES

	Leasehold & store improvements $	Furniture & fittings $	Plant & equipment $	Other $	Total $
Year ended 30 April 2017					
Opening balance	797,304	39,730	751,518	75,655	1,664,207
Additions	219,961	12,219	800	-	232,980
Disposals	(43,572)	(39)	-	-	(43,611)
Reclassifications	24,847			(24,847)	-
Depreciation & amortisation	(350,940)	(7,324)	(129,811)	(31,048)	(519,123)
Closing balance	**647,600**	**44,586**	**622,507**	**19,760**	**1,334,453**
At 30 April 2017					
Cost	1,435,808	197,622	1,128,031	164,615	2,926,076
Accumulated depreciation & amortisation	(788,208)	(153,036)	(505,524)	(144,855)	(1,591,623)
Net carrying amount	**647,600**	**44,586**	**622,507**	**19,760**	**1,334,453**

8. FIXED ASSETS AND INTANGIBLES (continued)

	Leasehold & store improvements	Furniture & fittings	Plant & equipment	Other	Total
	$	$	$	$	$
At 30 April 2016					
Cost	1,273,768	198,694	1,127,231	339,462	2,939,155
Accumulated depreciation & amortisation	(476,464)	(158,964)	(375,713)	(263,807)	(1,274,948)
Net carrying amount	**797,304**	**39,730**	**751,518**	**75,655**	**1,664,207**

9. RELATED PARTY TRANSACTIONS

(a) Parent entities

The Company is controlled by the following entities

Name	Type	Ownership interest 2017	Ownership interest 2016
Australian Liquor Marketers Pty Ltd	Immediate parent entity	100%	100%
Metcash Limited	Ultimate parent entity	100%	100%

(b) Amounts due from and to parent entity

The amounts due from and to Australian Liquor Marketers Pty Ltd (the parent entity) represent a working capital funding arrangement. The balances are unhedged at the reporting date and are subsequently settled. The balances under the arrangement are denominated in Australian Dollars and are non-interest bearing.

(c) Transactions with related parties

During the year, the following transactions were made with the Company's parent, Australian Liquor Marketers Pty Ltd.

Type of transactions	2017 $	2016 $
Net working capital drawdowns/(repayments)	2,500,000	(2,500,000)
Management fee	187,830	149,665
Corporate services and other recharges	207,672	83,998

Certain costs, including fees incurred for audit services, are paid on behalf of Tasman Liquor Company Limited by the ultimate parent entity, Metcash Limited.

10. SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

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Independent auditor's report to the Shareholders of Tasman Liquor Company Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tasman Liquor Company Limited ("the Company") on pages 2 to 14, which comprise the statement of financial position of the Company as at 30 April 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 2 to 14 present fairly, in all material respects, the financial position of the Company as at 30 April 2017 and its financial performance 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 Company 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. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the Company'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 Company 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 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities. This description forms part of our auditor's report.

Ernst & Young

Ernst & Young
Sydney
26 September 2017

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26 September 2017

Registrar of Companies
PO Box 5771
Auckland

Dear Sir

I, Renay Robinson of Ernst & Young Australia, am a member of the Institute of Chartered Accountants in Australia and my membership number is 93357.

Our firm was responsible for the audit of Tasman Liquor Company Limited for the year ended 30 April 2017 and I was the signing partner on that engagement.

Yours faithfully

RRobinson

Renay Robinson
Partner