Goodman Fielder New Zealand Limited
Financial report
for the year ended 31 December 2017

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The directors present their report for Goodman Fielder New Zealand Limited ("the Company") and its subsidiary ("the Group") for the year ended 31 December 2017.

Directors

The following persons were Directors of Goodman Fielder New Zealand Limited during the whole of the financial year and up to the date of this report:

Mr Sean Tully
Mr Tim Deane
Mr Dave Anderson
Mr Jiah Falcke

Principal activities

During the year the principal continuing activities of the Group were the manufacture, marketing and distribution of food ingredients and consumer branded food, beverage and related products, including bread and other related goods, dairy products, flour, dressings and meal accompaniments.

There were no significant changes in the nature of the principal activities undertaken by Group during the year.

Dividends

No dividends have been paid during the financial year. The Directors do not recommend that a dividend be paid in respect of the financial year (31 December 2016: $nil).

Review of operations

In January 2017, the Group sold its non-baking brands to Goodman Fielder Pte Ltd, a fellow subsidiary of the parent company Goodman Fielder Pty Ltd. The book value of the brands was $103,375,000 and the total receipt was $189,082,000, resulted in a gain of $85,707,000 recognised in other income.

Revenue for the year ended 31 December 2017 was $953,094,000. This was 9.5% up on the prior year.

Cost of sales for the year ended 31 December 2017 totalled $645,821,000. The cost of sales for the year was 16.5% above the prior year.

Other income for the year ended 31 December 2017 was $87,452,000. This included one-off gain on sale of brands $85,707,000 and one-off discount on acquisition of business $1,741,000.

Warehousing and distribution costs for the year ended 31 December 2017 were $142,896,000. This was materially in line with the prior year.

Selling and marketing expense for the year ended 31 December 2017 were $66,746,000, which was 6.5% above the prior year.

General and administration expense for the year ended 31 December 2017 were $57,275,000. This was 22% higher than the prior year due to site closure and restructuring costs of $12,631,000 (2016: $5,033,000) .

Other expenses of $55,000,000 relates to goodwill impairment.

Net finance costs decreased by 47% as a result of related company interesting bearing loan principal reduction. The total receipt from sale of brand of $189,082,000 was used to reduce the related company loan.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group will continue to manufacture, market and distribute food ingredients and consumer branded food, beverage and related products with a focus on sustainable growth in both revenue and profitability.

Indemnity and insurance of officers

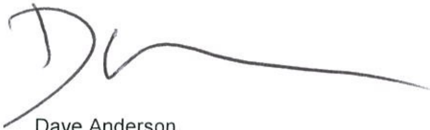
Under the Constitutions which were in effect during the financial year, each Director and Secretary of the Group is or may be indemnified, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including legal costs and expenses) incurred as an officer of the Group or of a related body corporate. The indemnity is a continuing obligation of the Group, which applies despite the officer having ceased to be an officer of the Group or its related bodies corporate.

No amounts were paid during or since the end of the financial year under indemnities given to current or former Directors or Secretaries and the Group has not been advised of any claims under any of the above indemnities.

Companies Act 1993

In accordance with section 211(3) of the Companies Act 1993 (the Act), Goodman Fielder Pty Ltd, as the Group's sole shareholder, has resolved that the Group's annual report for the year ended 31 December 2017 need not comply with paragraphs 211(1)(a) and 211(1)(e) to (j) of the Act and, accordingly, this annual report does not include particulars required by those paragraphs.

Signed in accordance with a resolution of the Directors.



Dave Anderson
Director
Sydney
13 February 2018

Tim Deane
Director
Sydney
13 February 2018

In the opinion of the directors of Goodman Fielder New Zealand Limited, the financial statements and notes, on pages 4 to 35:

• comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Group as at 31 December 2017 and the results of operations and cash flows for the year ended on that date; and

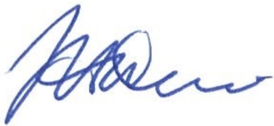
• have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Group and facilitates compliance of the financial statements with the Financial Reporting Act 2013.

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.

For and on behalf of the Board of Directors:

Dave Anderson
Director
Sydney
13 February 2018



Tim Deane
Director
Sydney
13 February 2018

Goodman Fielder New Zealand Limited
Financial report - for the year ended 31 December 2017

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Consolidated statement of profit or loss and other comprehensive income

	Notes	**2017 $'000**	2016 $'000
Continuing operations			
Revenue		**953,094**	870,604
Cost of sales		**(645,821)**	(554,116)
Gross profit		**307,273**	316,488
Other income (i)		**87,452**	19
Warehousing and distribution expenses		**(142,896)**	(140,119)
Selling and marketing expenses		**(66,746)**	(62,681)
General and administration expenses (ii)		**(57,275)**	(46,882)
Other (iii)		**(55,000)**	-
Operating profit before financing costs		**72,808**	66,825
Interest expense	6	**(14,378)**	(27,050)
Interest income		**141**	90
Net financing costs		**(14,237)**	(26,960)
Profit before income tax from continuing operations		**58,571**	39,865
Income tax expense	7	**(6,605)**	(10,556)
Profit after income tax		**51,966**	29,309
Total comprehensive income		**51,966**	29,309

(i) Current year includes gain on sale of brands of $85,707,000 (2016: nil) and discount on acquisition of $1,741,000 (2016: nil).
(ii) Current year includes site closure and restructure costs of $12,631,000 (2016: $5,033,000).
(iii) Current year represents goodwill impairment of $55,000,000 (2016: nil).

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

	Notes	**31 December 2017 $'000**	31 December 2016 $'000
Assets			
Current assets			
Cash and cash equivalents	9	**63,559**	59,083
Trade and other receivables	10	**44,340**	44,727
Inventories	11	**44,612**	40,970
Derivative financial instruments	12	**352**	-
Current tax receivables		**2,753**	-
Other current assets		**1,776**	707
Total current assets		**157,392**	145,487
Non-current assets			
Property, plant and equipment	13	**196,169**	191,438
Intangible assets	14	**642,365**	800,758
Total non-current assets		**838,534**	992,196
Total assets		**995,926**	1,137,683
Liabilities			
Current liabilities			
Trade and other payables	15	**137,900**	134,803
Finance lease liabilities		**-**	10
Current tax liabilities		**-**	4,562
Provisions	16	**30,374**	26,447
Advance from related companies	17	**340,153**	535,743
Total current liabilities		**508,427**	701,565
Non-current liabilities			
Finance lease liabilities		**1**	1
Provisions	19	**74**	49
Deferred tax liabilities	18	**3,056**	3,904
Total non-current liabilities		**3,131**	3,954
Total liabilities		**511,558**	705,519
Net assets		**484,368**	432,164
Equity			
Contributed equity	20	**883,480**	883,480
Reserves	21	**238**	-
Accumulated losses		**(399,350)**	(451,316)
Total equity		**484,368**	432,164

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

Consolidated statement of changes in equity

	Note	Attributable to owners of Goodman Fielder New Zealand Limited			
		Share Capital $'000	**Hedging reserve $'000**	**Accumulated losses $'000**	**Total $'000**
Balance at 1 January 2016		883,480	-	(480,625)	402,855
Profit for the year		-	-	29,309	29,309
Total comprehensive income		**-**	**-**	**29,309**	**29,309**
Balance at 31 December 2016		**883,480**	**-**	**(451,316)**	**432,164**
Balance at 1 January 2017		883,480	-	(451,316)	432,164
Profit for the year		-	-	51,966	51,966
Other comprehensive income	21	-	238	-	238
Total comprehensive income		**-**	**238**	**51,966**	**52,204**
Balance at 31 December 2017		**883,480**	**238**	**(399,350)**	**484,368**

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

Consolidated statement of cash flows

	Notes	**2017 $'000**	2016 $'000
Cash flows from operating activities			
Receipts from customers		**1,063,050**	975,124
Payments to suppliers and employees		**(1,002,189)**	(889,594)
Interest received		**141**	90
Interest paid		**(14,378)**	(27,050)
Income taxes paid		**(14,817)**	(4,689)
Net cash inflow from operating activities		**31,807**	53,881
Cash flows from investing activities			
Payments for property, plant and equipment	13	**(31,419)**	(29,662)
Payments for purchase of intangibles	14	**-**	(210)
Proceeds from sale of property, plant and equipment		**-**	67
Net cash from acquisition of business		**2,288**	-
Net cash (outflow) from investing activities		**(29,131)**	(29,805)
Cash flows from financing activities			
Repayment of loans from related parties	17	**-**	(9,852)
Loans from related parties	17, 25	**1,810**	-
Finance lease payments	25	**(10)**	(671)
Net cash inflow / (outflow) from financing activities		**1,800**	(10,523)
Net increase in cash and cash equivalents		**4,476**	13,553
Cash and cash equivalents at the beginning of the year		**59,083**	45,530
Cash and cash equivalents at end of the year	9	**63,559**	59,083

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

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1 General information

The consolidated financial statements of Goodman Fielder New Zealand Limited and its subsidiaries ("the Group") were authorised for issue by the Directors on 13 February 2018.

Goodman Fielder New Zealand Limited ("the Company") is a company incorporated and domiciled in New Zealand. The Company is registered under the New Zealand Companies Act 1993. The registered office is located at 2/8 Nelson Street, Auckland 1010.

The immediate parent of the Group is Goodman Fielder Pty Limited, based in Australia. The ultimate parent of the Group is FPW Singapore Holdings Pte Limited, a company based in Singapore.

The principal activities of the Group are the manufacture, distribution and marketing of consumer food products.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The consolidated 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 entity is a for-profit entity.

The consolidated financial statements of the Group comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (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.

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
NZ IFRS 9 Financial Instruments	NZ IFRS 9 addresses the classification and measurement, impairment and hedge accounting phases of the International Accounting Standards Board's project.The standard will replace NZ IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of NZ IFRS 9.	Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as fair value through profit or loss and the group does not have any such liabilities. The incurred credit loss model in NZ IAS 139 has been replaced with an expected credit loss model in NZ IFRS 9. The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.	1 January 2018
NZ IFRS 15 Revenue from Contracts with Customers	NZ IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. NZ IFRS 15 supersedes:(a) NZ IAS 11 Construction Contracts (b) NZ IAS 18 Revenue (c) NZ IFRIC 13 Customer Loyalty Programmes (d) NZ IFRIC 15 Agreements for the Construction of Real Estate (e) NZ IFRIC 18 Transfers of Assets from Customers (f) NZ SIC-31 Revenue – Barter Transactions Involving Advertising Services.	The core principle of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018
IFRS 16 Leases	The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The NZASB has not yet issued NZ IFRS 16, but NZ IFRS 16 is expected to be issued in the near future.	IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.	1 January 2019

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(ii) New and amended standards adopted by the Group

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

- *Amendments to NZ IAS 7 Statement of Cash Flows: Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding period. The Group has provided the information for the current period in Note 25.

(iii) Historical cost convention

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

(iv) Going concern

As at 31 December 2017, the Group had net current liabilities of $351,035,000 (31 December 2016: $556,078,000). This is primarily due to the advance from related companies. These advances are unsecured and repayable on demand. Although the Group does not expect to repay these advances within 12 months, it does not have an irrevocable right to defer repayment beyond 12 months. As a result these advances are treated as current.

The financial statements have been prepared on a going concern basis as the parent of the Group (Goodman Fielder Pty Limited) has provided a letter of comfort to the Group confirming its continuing financial support to the Group for a period not less than 12 months from the date of these financial statements.

(v) Presentation currency

The financial statements are presented in New Zealand dollars unless otherwise stated and all values are rounded to the nearest thousand dollars ($'000). The functional currency is New Zealand Dollars (NZD).

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(v)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

(c) Revenue recognition

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

(i) Sale of goods

Revenue is recognised at the fair value of consideration received or receivable (net of returns, discounts and allowances) when the significant risks and rewards of ownership of the goods have passed to the customer and can be measured reliably. Risks and rewards are considered to have passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Interest income is recognised as it accrues, using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(d) Expenses

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.

Interest expense
Interest expense comprises interest payable on borrowings. Interest payable on borrowings is calculated using the effective interest method and recognised in profit or loss.

(e) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax is the estimated income tax payable or receivable in the current period, adjusted for any differences between the estimated and actual income tax payable or receivable in prior periods.

Deferred tax is recognised in respect of providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: differences relating to goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit in a transaction that is not a business combination. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ‘the functional currency’. The financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions denominated in a foreign currency are converted to New Zealand Dollars at the exchange rate in effect at the date of the transaction.

Monetary assets and liabilities arising from trading transactions or overseas borrowings that remain unsettled at balance date are translated at closing rates. Foreign exchange differences arising on translation are recognised in profit or loss.

(g) Goods and Services Tax (GST)

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

2 Summary of significant accounting policies (continued)

(g) Goods and Services Tax (GST) (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, short term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Trade receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

Trade and other receivables are stated at their cost less impairment losses.

Derecognition of securitised receivables

Securitised receivables are derecognised when:

- the rights to receive cash flows from the receivable have expired;
- the Group retains the right to receive cash flows from the receivable, but has assumed an obligation to pay them in full without material delay to a third party; or
- the Group has transferred its rights to receive cash flows from the receivable and either (a) has transferred substantially all the risks and rewards of the receivable, or (b) has neither transferred nor retained substantially all the risks and rewards of the receivable, but has transferred control of the receivable.

Receivables for insurance recoveries are recognised only when the recoveries are virtually certain of receipt. The receivables are presented gross in the statement of financial position and are not netted off against related payables or otherwise grouped to offset impairment losses of other current assets. The recoveries are recognised in the profit or loss under 'other income'.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first in first out or weighted average principle, whichever is most appropriate, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes all direct costs plus that portion of the fixed and variable production overhead incurred in putting inventories into their present location and condition, based on normal operating capacity.

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

(k) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is charged to profit or loss on a straight line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The depreciation rates for each class of property, plant and equipment are as follows:

	Straight-line	Diminishing value
- Freehold Buildings	2% - 5%	4% - 6%
- Leasehold properties	The shorter of the lease term or the life of the asset	
- Plant and equipment	4% - 60%	4% - 50%
- Leased plant and equipment	The shorter of the lease term or the life of the asset	

2 Summary of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

(l) Intangible assets

(i) Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions that took place in the period, goodwill is provisionally determined based on the preliminary fair value of net identifiable assets acquired. Goodwill recognised on acquisition is subject to change until the allocation of the purchase price to the fair value of net identifiable assets is finalised, not more than 12 months from the date of acquisition. Where the excess is negative, the gain is recognised immediately in profit or loss.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment (see "Impairment of assets" below).

(ii) Brand names and licences

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Internally generated intangible assets are not capitalised and are expensed in the period in which the expenditure is incurred.

Brand names and licences with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The Group assesses the useful life of all intangible assets at each reporting date. Any changes in the useful lives are accounted for as a change in an accounting estimate and are thus accounted for on a prospective basis. Licences with finite lives are amortised over their lives in accordance with the estimated timing of the benefits expected to be received from those assets.

(iii) IT development and software

Software is stated at cost less accumulated amortisation and impairment losses.

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is charged to profit or loss on a straight line basis over the estimated useful life ranging from 3 to 4 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(m) Impairment of assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

2 Summary of significant accounting policies (continued)

(m) Impairment of assets (continued)

(i) Calculation of recoverable amount

The recoverable amount of the Group's non current receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment.

Non significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

The recoverable amount of other assets is the greater of their 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. A cash generating unit represents the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets.

(n) Trade and other payables

Trade and other payables are stated at cost.

(o) Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Interest bearing borrowings are derecognised when the obligation under the liability is discharged or cancelled or expires.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to that liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(i) Business closure and rationalisation

A business closure and rationalisation provision is recognised when the Group has developed a detailed formal plan for the business closure and rationalisation and has raised a valid expectation in those affected that it will carry out the business closure and rationalisation by starting to implement the plan or announcing its main features to those affected by it. The measurement of a business closure and rationalisation provision includes only the direct expenditures arising from the business closure and rationalisation, which are those amounts that are both necessarily entailed by the business closure and rationalisation and not associated with the ongoing activities of the Group.

2 Summary of significant accounting policies (continued)

(q) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and sick leave expected to be settled within 12 months of the reporting date represent present obligations in respect of employees' services up to the reporting date. They are calculated at undiscounted amounts based on remuneration rates that the entity expects to pay at the reporting date including related on costs.

The liability for long service leave is recognised in the provision for employee benefits 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. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount is the market yield on relevant New Zealand Government Stock at reporting date.

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss as incurred.

(r) Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant period rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised in profit and loss on a straight line basis over the term of the lease.

(s) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash, loans, advances to and from group companies and trade and other payables.

The non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition these non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impaired losses. Any directly attributable transaction costs are deferred and amortised using the effective interest method.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(t) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign currency risks. Such derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, all derivative financial instruments are stated at fair value on the balance sheet. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

2 Summary of significant accounting policies (continued)

(t) Derivative financial instruments (continued)

Cash flow hedge
On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The associated cumulative gain or loss recognised in other comprehensive income is transferred to the carrying amount of the asset recognised when the hedged item is a non financial asset. In other cases the amount recognised in equity is transferred to the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in the hedge reserve is recognised immediately in the income statement.

(u) Fair value estimation

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

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date. Fair values reflect the credit risk of the financial instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

The carrying value less impairment provision of trade receivables is assumed to approximate its fair value due to its short term nature. The fair value of non current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2 Summary of significant accounting policies (continued)

(v) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(w) Share Capital

Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(x) Dividends

A liability for dividends payable is recognised in the period in which the dividends are determined for the entire undistributed amount.

3 Financial risk management

The Group's principal financial instruments include trade receivables and payables, cash and short term deposits, advance from related companies and borrowings.

A related company, Goodman Fielder Treasury New Zealand Pty Ltd, provides financing and hedging services to the Group. This includes inter company loans, and derivative financial instruments such as interest rate swaps and foreign exchange rate forwards. Intercompany interest is paid by the Group on all intercompany loans at market rates, and cashflows from hedging activities are fully passed through to the Group when realised.

As a result of the Group's operations and sources of finance, it is exposed to credit risk, liquidity risk and market risks which include foreign currency risk, commodity price risk and interest rate risk. These risks are described below.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis upon which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the statement of accounting policies to the financial statements.

The Group holds the following financial assets and liabilities:

3 Financial risk management (continued)

	Carrying value	
	31 December 2017 $'000	31 December 2016 $'000
Financial assets		
Cash and cash equivalents	**63,559**	59,083
Trade and other receivables	**44,340**	44,727
Derivative financial instruments	**352**	-
	108,251	103,810
Financial liabilities		
Trade and other payables	**(137,900)**	(134,803)
Advance from related companies	**(340,153)**	(535,743)
Finance lease liabilities	**(1)**	(11)
	(478,054)	(670,557)

(a) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Foreign exchange risk

The Group predominantly operates in New Zealand and thus a significant portion of the Group's revenues, expenditures and cash flows are generated, and assets and liabilities are located in New Zealand.

However, a significant portion of the Group's commodity purchases are denominated in either Australian dollars or US dollars. As a result, the Group is exposed to foreign currency risks arising from movements in foreign currency exchange rates.

The Group reports in New Zealand dollars. Movements in foreign currency exchange rates affect reported financial results, financial position and cash flows. Where practical, the Group attempts to reduce this risk by matching revenues and expenditures, as well as assets and liabilities, by country and by currency.

Foreign exchange rates applied against the New Zealand Dollar, at 31 December 2017 are 0.9089 Australian Dollar (31 December 2016: 0.9621) and 0.7098 United States Dollar (31 December 2016: 0.6925).

The Group's exposure to foreign currency risk at the reporting date was as follows (all amounts are denominated in New Zealand dollars):

31 December 2017

	AUD $'000	USD $'000	EUR $'000	Other $'000
Cash and cash equivalents	42	384	167	-
Forward exchange contracts	-	-	-	-
- buy foreign currency	1,471	8,176	13,657	7,997
- sell foreign currency	(118)	(164)	(999)	(1,509)
Trade and other receivables	-	654	-	285
Trade and other payables	(1,380)	(4,513)	-	(1,192)
Net exposure	15	4,537	12,825	5,581

3 Financial risk management (continued)

(a) Market risk (continued)

31 December 2016

	AUD $'000	USD $'000	EUR $'000	Other $m
Cash and cash equivalents	50	389	53	-
Trade and other receivables	-	301	65	-
Trade and other payables	(829)	(277)	-	(2)
Net exposure	(779)	413	118	(2)

(ii) Commodity price risk

The Group's activities expose it to the risk of changes in commodity prices. The Group is a purchaser of certain commodities including wheat, sugar, edible oils, fats and fuel. The Group purchases these commodities based on market prices that are established with the supplier as part of the purchase process. It is Group policy that transactions to procure commodities are executed within daily transaction limits as well as within minimum and maximum cover ratios for forecast requirements over the following 12 month period.

(iii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's advance from related companies. Interest on inter company loans is fixed at 31 December each year for the full year ahead. Interest is paid by the Group on inter company loans annually in arrears.

As at the reporting date, the Group had the following cash, advances from related companies and lease liabilities outstanding:

	31 December 2017		31 December 2016	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	**1.7%**	**63,559**	1.7%	59,083
Advance from related companies	**4.0%**	**(340,153)**	4.0%	(535,743)
Finance lease liabilities	**4.0%**	**(1)**	4.0%	(11)
		(276,595)		(476,671)

(b) Credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The creditworthiness of a customer or counterparty is determined by a number of qualitative and quantitative factors. Qualitative factors include external credit ratings (where available), payment history and strategic importance of customer or counterparty. Quantitative factors include transaction size, net assets of customer or counterparty, and ratio analysis on liquidity, cash flow and profitability.

In relation to trade receivables, it is the Group’s policy that all customers who wish to trade on terms are subject to credit verification on an ongoing basis with the intention of minimising bad debts. The nature of the Group’s trade receivables is represented by regular turnover of product and billing of customers based on the Group’s contractual payment terms.

When utilising bank accounts and cash deposits, the Group transacts with counterparties who have sound credit profiles. Such counterparties are primarily large, highly rated financial institutions.

The carrying amount of the Group’s financial assets represents the maximum credit exposure as summarised above.

3 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they become due and payable. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they become due and payable, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group utilises advances from specialist financing and treasury group companies to ensure continuity of funding whilst also maintaining sufficient flexibility to enable it to minimise its financing costs.

The Group manages its cash balances on a daily basis based on quarterly forecast cash projections provided by each operating division.

(i) Maturities of financial liabilities

The following table details the Group's contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, as at the reporting date:

At 31 December 2017	1 year or less $'000	Between 1 to 5 years $'000	Total contrac-tual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Trade and other payables	**(137,900)**	**-**	**(137,900)**	**(137,900)**
Advance from related companies	**(340,153)**	**-**	**(340,153)**	**(340,153)**
Finance lease liabilities	**-**	**(1)**	**(1)**	**(1)**
	(478,053)	**(1)**	**(478,054)**	**(478,054)**
At 31 December 2016				
Trade and other payables	(134,803)	-	(134,803)	(134,803)
Advance from related companies	(535,743)	-	(535,743)	(535,743)
Finance lease liabilities	(10)	(1)	(11)	(11)
	(670,556)	(1)	(670,557)	(670,557)

(d) Debt facility guarantee

The Group (amongst other subsidiaries of the Parent, Goodman Fielder Pty Ltd) is a party to debt facility guarantee for the group treasury entities. The treasury entities are the primary vehicles through which Goodman Fielder Pty Ltd and its subsidiaries ("the GF Group") sources its external debt funding in Australia and New Zealand.

In determining the fair value of the guarantee, the Group has given consideration to the following:
1. the probability of default or the GF Group entities being wound up while the guarantee is still in place;
2. the existence of sufficient assets in the GF Group entities to meet their debt repayment obligations; and
3. the likely timing of the potential winding up of the GF Group entities.

The fair value of the debt facility guarantee in respect of the treasury entities is considered to be insignificant to the Group and therefore no liability has been recognised in the financial statements.

(e) Fair value measurements

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and advances from group companies approximates their fair value due to their short maturity periods.

4 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and judgements that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at each reporting period. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 14.

5 Expenses

	2017 $'000	2016 $'000
Profit before finance costs includes the following specific expenses:		
Depreciation and amortisation	**21,288**	23,716
Research and development	**3,849**	3,222
Auditors remuneration	**199**	204
Management fees and royalties	**26,667**	16,705
Operating leases	**12,021**	12,424

6 Interest expense

	2017 $'000	2016 $'000
Advance from related companies	**13,585**	26,510
Securitisation	**791**	535
Finance lease liabilities	**2**	5
	14,378	27,050

7 Income tax expense

(a) Income tax expense

	2017 $'000	2016 $'000
Current tax:		
Current year	**8,553**	14,316
Over provision in prior years	**(1,007)**	(764)
Total current tax	**7,546**	13,552
Deferred tax:		
Origination and reversal of temporary differences	**(1,841)**	(3,594)
Under provision in prior years	**900**	849
Other	**-**	(251)
Total deferred tax	**(941)**	(2,996)
Income tax expense	**6,605**	10,556

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2017 $'000	2016 $'000
Profit/(loss) from continuing operations before income tax expense	**58,571**	39,865
Tax at the New Zealand tax rate of 28%	**16,400**	11,162
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
(Non-assessable income)/non-deductible expense	**(24,327)**	90
Non-deductible impairment charge	**15,400**	-
Other	**(761)**	(781)
(Over)/under provided in prior years	**(107)**	85
Income tax expense	**6,605**	10,556

8 Employee benefit expense

	2017 $'000	2016 $'000
Wages and salaries	**118,066**	122,566
Annual leave	**9,960**	10,265
Defined contribution superannuation expense	**4,961**	4,987
Long service leave	**381**	369
Medical insurance	**739**	721
Workers’ compensation costs	**1,567**	1,975
	135,674	140,883

9 Current assets - Cash and cash equivalents

	31 December 2017 $'000	31 December 2016 $'000
Current assets		
Cash at bank and in hand	**63,559**	59,083

(a) Cash at bank

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(b) Right of set-off

The following entities are party to a set off deed with the Westpac Banking Corporation in New Zealand:
• Goodman Fielder Treasury New Zealand Limited;
• Goodman Fielder New Zealand Limited;

10 Current assets - Trade and other receivables

	31 December 2017 $'000	31 December 2016 $'000
Trade receivables	**44,850**	45,369
Provision for doubtful receivables	**(510)**	(642)
	44,340	44,727

(a) Credit risk

Movements in the provision for impairment of receivables are as follows:

	2017 $'000	2016 $'000
At 1 January	**642**	691
Reversal of provision for impairment recognised during the year	**(35)**	-
Receivables written off during the year as uncollectable	**(97)**	(49)
At 31 December	**510**	642

(b) Securitisation program

The Group has entered into a receivable purchase agreement which enables it to securitise selected amounts of its receivables up to a limit of $38,000,000 (2016: $38,000,000). At 31 December 2017, $38,000,000 (31 December 2016: $31,500,000) of receivables have been securitised and are not included in the statement of financial position. In accordance with accounting policy note 2(i) the securitised receivables have been de recognised on the basis that substantially all the risk and reward of the receivables have been transferred to the counterparty including all credit risk with no recourse to the Group.

(c) Fair value

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

11 Current assets - Inventories

	31 December 2017 $'000	31 December 2016 $'000
Raw materials and stores	**13,017**	14,334
Work in progress	**894**	730
Finished goods	**30,701**	25,906
	44,612	40,970

For the year ended 31 December 2017, the write downs of inventories to net realisable value amounted to $7,732,000 (2016: $7,897,000). The expense has been included in 'cost of sales' in the consolidated statement of profit or loss and other comprehensive income.

12 Derivative financial instruments

	31 December 2017 $'000	31 December 2016 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	**352**	-
Total current derivative financial instrument assets	**352**	-

13 Non-current assets - Property, plant and equipment

	Freehold properties $'000	Leasehold properties $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
At 1 January 2016					
Cost or fair value	80,461	35,103	261,750	1,396	378,710
Accumulated depreciation	(25,216)	(15,848)	(148,700)	(1,350)	(191,114)
Net book amount	55,245	19,255	113,050	46	187,596
Year ended 31 December 2016					
Opening net book amount	55,245	19,255	113,050	46	187,596
Additions	4,377	1,562	23,723	-	29,662
Disposals	(2)	(499)	(2,412)	-	(2,913)
Reclassifications	1,316	2,946	(3,022)	-	1,240
Impairment loss	-	-	(680)	-	(680)
Depreciation	(2,792)	(3,487)	(17,153)	(35)	(23,467)
Closing net book amount	58,144	19,777	113,506	11	191,438
At 31 December 2016					
Cost or fair value	86,138	38,355	272,019	1,396	397,908
Accumulated depreciation	(27,994)	(18,578)	(158,513)	(1,385)	(206,470)
Net book amount	58,144	19,777	113,506	11	191,438
At 1 January 2017					
Cost or fair value	86,138	38,355	272,019	1,396	397,908
Accumulated depreciation	(27,994)	(18,578)	(158,513)	(1,385)	(206,470)
Net book amount	58,144	19,777	113,506	11	191,438
Year ended 31 December 2017					
Opening net book amount	58,144	19,777	113,506	11	191,438
Additions	1,334	273	29,812	-	31,419
Disposals	(3,740)	(34)	(725)	-	(4,499)
Reclassifications	(324)	1,293	(1,876)	-	(907)
Depreciation	(2,748)	(1,992)	(16,531)	(11)	(21,282)
Closing net book amount	52,666	19,317	124,186	-	196,169
At 31 December 2017					
Cost	79,581	36,232	293,441	1,396	410,650
Accumulated depreciation	(26,915)	(16,915)	(169,255)	(1,396)	(214,481)
Net book amount	52,666	19,317	124,186	-	196,169

Depreciation expense is included in cost of sales and general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

14 Non-current assets - Intangible assets

	Goodwill $'000	Brand names and licences $'000	IT development and software $'000	Total $'000
At 1 January 2016				
Cost	892,299	170,797	42,256	1,105,352
Accumulated amortisation and impairment	(242,896)	(19,696)	(41,963)	(304,555)
Net book amount	649,403	151,101	293	800,797
Year ended 31 December 2016				
Opening net book amount	649,403	151,101	293	800,797
Additions	210	-	-	210
Amortisation charge	-	-	(249)	(249)
Closing net book amount	649,613	151,101	44	800,758
At 31 December 2016				
Cost	892,509	170,049	42,085	1,104,643
Accumulated amortisation and impairment	(242,896)	(18,948)	(42,041)	(303,885)
Net book amount	649,613	151,101	44	800,758
At 1 January 2017				
Cost	892,509	170,049	42,085	1,104,643
Accumulated amortisation and impairment	(242,896)	(18,948)	(42,041)	(303,885)
Net book amount	649,613	151,101	44	800,758
Year ended 31 December 2017				
Opening net book amount	649,613	151,101	44	800,758
Impairment charge	(55,000)	-	(12)	(55,012)
Disposals	-	(103,375)	-	(103,375)
Amortisation charge	-	-	(6)	(6)
Closing net book amount	594,613	47,726	26	642,365
At 31 December 2017				
Cost	837,509	66,674	42,085	946,268
Accumulated amortisation and impairment	(242,896)	(18,948)	(42,059)	(303,903)
Net book amount	594,613	47,726	26	642,365

Amortisation expense is included in selling and marketing expenses, general and administrative expenses and other expenses in the consolidated statement of profit or loss and other comprehensive income.

14 Non-current assets - Intangible assets (continued)

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business acquired over the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill and intangibles with indefinite useful lives are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Brands include trademarks and patents that are owned by the Group as well as material licensing agreements that provide the Group the right to sell certain products under license. Brand names owned by the Group are considered to be maintained into perpetuity and have therefore been assessed to have an indefinite useful life. The indefinite useful life reflects management's view that the brands are assets that provide ongoing market advantages for both new and existing sales in the markets that the brands operate in. The current understanding of the markets that the brands operate in indicates that demand will continue in a sustainable manner, that the brands could be managed by another management team, that changes in technology are not seen as a major factor impacting the brands' future value and the brands have a proven long life in the markets in which they operate.

15 Current liabilities - Trade and other payables

	31 December 2017 $'000	31 December 2016 $'000
Trade payables	**124,589**	114,076
Accrued expenses	**73**	82
Other payables	**13,238**	20,645
	137,900	134,803

The carrying amount of trade and other payables approximates their fair value.

16 Current liabilities - Provisions

	31 December 2017 $'000	31 December 2016 $'000
Annual leave	**9,874**	9,668
Workers compensation	**2,989**	2,349
Long service leave	**1,607**	1,589
Time in lieu	**778**	691
Sick leave	**2,041**	1,867
Business closure and rationalisation	**10,982**	7,175
Other provisions	**1,817**	2,822
Employee retention plan	**286**	286
	30,374	26,447

(a) Business closure and rationalisation

The business closure and rationalisation provision relates to restructuring costs for specific and identified sites including site remediation, early lease termination and redundancy costs.

(b) Movements in provisions

Movements in each class of current and non-current provision during the financial year, other than employee benefits, are set out below:

16 Current liabilities - Provisions (continued)

(b) Movements in provisions (continued)

Year ended 31 December 2017	Other $'000	Workers' compensation $'000	Business closure and rationalisation $'000	Total $'000
Carrying amount at start of the year	2,822	2,349	7,175	12,346
Additional provisions recognised/(reversed)	(1,005)	1,680	3,807	4,482
Amount used during the year	-	(1,040)	-	(1,040)
Carrying amount at end of the year	1,817	2,989	10,982	15,788

17 Current liabilities - Advances from related companies

	31 December 2017 $'000	31 December 2016 $'000
Advances from related companies (note 27)	**340,153**	535,743

These advances are unsecured and repayable on demand. Although the Group does not expect to repay these advances within 12 months, it does not have an irrevocable right to defer repayment beyond 12 months. As a result these advances are treated as current.

The parent of the Group (Goodman Fielder Pty Limited) has provided a letter of comfort to the Group confirming its continuing financial support to the Group for a period not less than 12 months from the date of these financial statements.

During the year, the Group was charged interest of $13,585,000 (2016: $26,510,000) by related companies.

18 Non-current liabilities - Deferred tax liabilities

	31 December 2017 $'000	31 December 2016 $'000
Property, plant and equipment	**13,792**	14,279
Employee benefits	**(4,097)**	(3,962)
Other	**(6,639)**	(6,413)
Net deferred tax liability	**3,056**	3,904

Movement in deferred tax assets and liabilities has been recognised in profit or loss.

19 Non-current liabilities - Provisions

	31 December 2017 $'000	31 December 2016 $'000
Long service leave	**49**	49
Other provisions	**25**	-
	74	49

20 Contributed Equity

	31 December 2017 Shares '000	31 December 2016 Shares '000	**31 December 2017 $'000**	31 December 2016 $'000
Ordinary shares				
Share capital	**883,480**	883,480	**883,480**	883,480

(a) Movements in ordinary share capital

Details	**Number of shares '000**	**$'000**
31 December 2016		
Opening balance	883,480	883,480
31 December 2016	883,480	883,480
31 December 2017		
Opening balance	883,480	883,480
31 December 2017	883,480	883,480

(b) Ordinary shares

All shares in the Group are ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All shares rank equally with regard to the Group's residual assets. All issued shares are fully paid and have no par value.

21 Reserves

(a) Reserves

	31 December 2017 $'000	31 December 2016 $'000
Hedging reserve	**238**	-

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges that relate to hedged transactions that have not yet occurred, as described in note 2(t).

	31 December 2017 $'000	31 December 2016 $'000
Movements:		
Hedging reserve		
Effective changes in fair value of foreign currency derivatives, net of tax	**471**	-
Transfer to income statement, net of tax	**(233)**	-
Balance 31 December	**238**	-

22 Dividends

(a) Ordinary shares

There were no dividends paid for the year ended 31 December 2017 and 31 December 2016.

(b) Imputation credits

	2017 $'000	2016 $'000
Imputation credits at 1 January	**20,448**	7,491
New Zealand tax payments, net of refunds	**14,682**	12,957
	35,130	20,448

Goodman Fielder New Zealand Limited joined the Goodman Fielder Trans Tasman Imputation Group on 1 April 2006. The imputation credits above represents the entire amount available to the Goodman Fielder Trans Tasman Imputation Group.

23 Commitments

(a) Capital commitments

	31 December 2017 $'000	31 December 2016 $'000
Capital commitments - plant and equipment	**10,906**	427

(b) Lease commitments

(i) Non-cancellable operating leases

	31 December 2017 $'000	31 December 2016 $'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**10,240**	10,182
Later than one year but not later than five years	**24,094**	22,488
Later than five years	**21,418**	23,521
	55,752	56,191

During the year ended 31 December 2017, $12,021,000 was recognised as an expense in profit or loss in respect to operating leases (2016: $12,424,000).

24 Contingencies

Contingent liabilities

Other than the group guarantee arrangements described in note 3(d), there are no other contingent liabilities as at 31 December 2017 (31 December 2016: nil).

25 Changes in liabilities arising from financing activities

	1 January 2017 $'000	Cash flows $'000	Interest bearing loan reduction $'000	Other $'000	**31 December 2017 $'000**
Current finance lease liabilities	10	(10)	-	-	**-**
Non-current finance lease liabilities	1	-	-	-	**1**
Advance from related companies	535,743	9,679	(171,597)	(33,672)	**340,153**
	535,754	9,669	(171,597)	(33,672)	**340,154**

Advance from related companies net cash flows of $9,679,000 includes net cash inflows from operating activities of $7,869,000 and net cash inflows from financing activities of $1,810,000.

26 Key management personnel disclosures

(a) Key management personnel compensation

	2017 $	2016 $
Short-term employee benefits (i)	**2,436,514**	2,062,365
Post-employment benefits (i)	**59,337**	76,022
Termination benefits (i)	**-**	517,824
Long term incentives	**1,078,755**	928,000
	3,574,606	3,584,211

(i) Where key management personnel of the Group are also members of the senior executive of Goodman Fielder Pty Limited (the ‘Senior Leadership Team’), their remuneration is paid in respect of their responsibilities as a senior executive of the Goodman Fielder Group and has not been allocated between the parent and the Group. Accordingly, the total remuneration of these senior executives for the financial periods is included in the amounts disclosed above.

27 Related party transactions

(a) Parent entities

The Group is wholly owned by Goodman Fielder Pty Limited, which is a company registered in Australia and ultimately held by FPW Singapore Holdings Pte Limited, a company incorporated in Singapore.

(b) Transactions with other related parties

During the year, the following transactions took place with related parties of the Group:

	2017 $'000	2016 $'000
Sales of goods and services		
Goodman Fielder Consumer Foods Pty Limited	**2,656**	261
Goodman Fielder International (Phillipines) Inc	**1,453**	1,199
Goodman Fielder International (PNG) Limited	**1,331**	2,314
Goodman Fielder (Guangzhou) Trade Co. Ltd	**31,406**	18,303
Goodman Fielder Nouvelle Caledonie SAS	**79**	708
Goodman Fielder International (Fiji) Limited	**2,206**	2,510
Goodman Fielder Pte Ltd	**10,007**	1,362
	49,138	26,657
Purchases of goods		
Goodman Fielder Consumer Foods Pty Limited	**10,172**	8,180
Goodman Fielder Pte Ltd	**3,511**	-
Quality Bakers Australia Pty Limited	**8**	43
	13,691	8,223
Management fees/(income)		
Goodman Fielder Consumer Foods Pty Limited	**(129)**	-
Quality Bakers Australia Pty Limited	**18,317**	16,765
Goodman Fielder Treasury Pty Ltd - New Zealand Branch	**-**	37
Goodman Fielder Pte Ltd	**8,453**	-
Goodman Fielder International (PNG) Limited	**102**	-
Goodman Fielder International (Fiji) Limited	**(95)**	(80)
Goodman Fielder International (Phillipines) Inc	**(54)**	(16)
	26,594	16,706

Interest paid
Interest paid on advances from related companies during the year amounted to $13,585,000 (2016: $26,510,000). Refer to note 6 and note 17 for further details.

(c) Outstanding balances

Advances from related companies disclosed as current liabilities in the Statement of Financial Position between the following related parties:

27 Related party transactions (continued)

(c) Outstanding balances (continued)

	31 December 2017 $'000	31 December 2016 $'000
Advances (to)/from related companies		
Goodman Fielder Consumer Foods Pty Limited	**1,048**	713
Goodman Fielder International (Philippines) Inc	**(1,307)**	(3,022)
Quality Bakers Australia Pty Limited	**(400)**	8,560
Goodman Fielder (Fiji) Limited	**(1,854)**	(702)
Goodman Fielder Limited	**(3,221)**	-
Goodman Fielder International (PNG) Ltd	**(1,318)**	(1,887)
Goodman Fielder Nouvelle Caledonie SAS	**(515)**	(452)
Goodman Fielder (Guangzhou) Trade Co. Ltd	**(5,804)**	(7,171)
Goodman Fielder Treasury Pty Ltd	**83,466**	265,119
Goodman Fielder Treasury New Zealand Limited	**274,701**	274,707
Goodman Fielder Pte Ltd	**(4,643)**	(122)
	340,153	535,743

All transactions and outstanding balances with related parties are priced on either an arm's length or standard cost basis. Trade receivables and trade payables are settled through Goodman Fielder Treasury New Zealand Limited within one month of the reporting date. The balances are not secured.

Other related companies provide the Group administrative and support functions on the basis of cost recovery. These transactions and balances are not significant.

28 Events occurring after the reporting period

There have been no events subsequent to the reporting date which would have a material effect on the financial statements at 31 December 2017.

29 Business combination

On 4 October 2017, the Group acquired 100% of Wilmar Oils shares for $1. The fair value of the net identifiable assets was $1,741,000. Discount on acquisition of $1,741,000 was recognised in Other Income.

There were no business combinations during the prior year.

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Independent auditor's report to the Shareholder of Goodman Fielder New Zealand Limited

Opinion

We have audited the financial statements of Goodman Fielder New Zealand Limited ("the Company") and its subsidiaries (together "the Group") on pages 5 to 35, which comprise the consolidated statement of financial position of the Group as at 31 December 2017, and the consolidated statement of profit or loss and other 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 5 to 35 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 shareholder. Our audit has been undertaken so that we might state to the Company's shareholder 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 shareholder, 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. We have no other relationship with, or interest in, 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

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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.

Directors' responsibilities for the financial statements

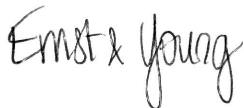
The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and for such internal control as the directors 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/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/ This description forms part of our auditor's report.



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Sydney
13 February 2018

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