MFB GROUP LIMITED & SUBSIDIARIES

Financial Statements
31 March 2020

Business Directory

As at 31 March 2020

Nature of business:	e-Commerce business with direct to consumer service for food and other household needs	
Registered Office:	Level 34 48 Shortland Street Auckland 1010	
Directors:	Cecilia Robinson Christopher Marshall James Robinson Kevin Roberts Lance Jenkins Philip Maud Theresa Gattung	
Shareholders:	Waterman Fund 3 LP	70,000 shares
	Theresa Gattung and Philippa Greenwood	10,800 shares
	James Robinson, Cecilia Robinson and Heimsath Alexander Trustee Limited	10,800 shares
	JKA Holdings Limited, Carlos Bagrie, Nadia Lim and Covisory Trust Limited	5,400 shares
	Kevin Roberts, Neville Goldie and Colin McEwan	3,000 shares
Bankers:	Bank of New Zealand and ASB Bank	
Auditors:	Ernst & Young	

Statutory Information

For the year ended 31 March 2020

The Directors present the Annual Report, including the Financial Statements for the year ended 31 March 2020.

Due to agreement by the shareholders, the Company has elected to apply all disclosure exemptions per section 211 (3) of the Companies Act 1993.

For and on behalf of the Board who authorise the issue of this financial report on 4 June 2020.

Director 4/6/2020 Date

Director 4/6/2020 Date

Independent auditor's report to the Shareholders of MFB Group Limited

Opinion

We have audited the financial statements of MFB Group Limited ("the Company") and its subsidiary (together "the Group") on pages 5 to 21, which comprise the consolidated statement of financial position of the Group as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including statement of accounting policies.

In our opinion, the consolidated financial statements on pages 5 to 21 present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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 and 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 its subsidiary. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

Information other than the financial statements and auditor's report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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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 and International Financial Reporting Standards, 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-7/. This description forms part of our auditor's report.

Ernst + Young

Chartered Accountants
Auckland
4 June 2020

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 NZ$	2019 NZ$
Assets			
Current			
Cash and cash equivalents	13	8,336,744	2,952,532
Trade and other receivables	4, 13	1,536,645	1,126,294
Raw materials work in progress		764,922	265,214
Packaging		342,835	228,304
Prepayments		289,992	232,327
Other current assets		-	54,436
Current Finance lease receivable		47,153	-
Total current assets		**11,318,291**	**4,859,107**
Non-current			
Property, plant and equipment	5	3,139,953	3,502,000
Intangible assets	6	85,296,804	84,127,105
Finance lease receivable		359,668	-
Right-of-use assets	9	9,533,958	-
Total non-current assets		**98,330,383**	**87,629,105**
Total assets		**109,648,674**	**92,488,212**
Liabilities			
Current			
Trade and other payables	8	(11,388,242)	(9,707,557)
Deferred revenue		(5,078,266)	(349,221)
Finance lease liabilities		-	(30,697)
Lease liabilities	9	(1,092,975)	-
Derivative financial liabilities	13	(497,097)	(423,005)
Other current liabilities		(888,101)	(866,152)
Bank loan	13	-	(2,923,660)
Current tax liability		(1,585,331)	(511,195)
Total current liabilities		**(20,530,012)**	**(14,811,487)**
Non-current			
Trade and other payables	8	-	(581,127)
Finance lease liabilities		-	(20,328)
Lease liabilities	9	(9,769,096)	-
Bank loan	13	(16,918,933)	(13,944,073)
Deferred tax liability	3	(4,207,940)	(4,804,127)
Total non-current liabilities		**(30,895,969)**	**(19,349,655)**
Total liabilities		**(51,425,981)**	**(34,161,142)**
Net assets		**58,222,693**	**58,327,070**
Equity			
Share capital	10	1,000,000	1,000,000
Retained earnings		5,769,073	6,146,497
Other shareholder contributions	14	51,095,000	51,095,000
Share based payment reserve	11	358,620	85,573
Total equity		**58,222,693**	**58,327,070**

This statement is to be read in conjunction with the notes to the financial statements on pages 9 - 21

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	Year ended 2020 NZ$	Year ended 2019 NZ$
Income	1	153,301,014	155,956,974
Cost of sales		(119,409,952)	(121,649,286)
Gross profit		**33,891,062**	**34,307,688**
Marketing expenses		(4,966,129)	(7,284,297)
Financing expenses		(1,356,438)	(1,165,692)
Indirect expenses	2	(16,148,993)	(15,915,785)
Other income	1	109,791	153,077
Share based payment expense	11	(273,047)	(41,238)
Net profit for the year - before tax		**11,256,246**	**10,053,753**
Income tax expense	3	(3,075,759)	(2,837,335)
Net profit for the year - after tax		**8,180,487**	**7,216,418**
Total comprehensive income for the year		**8,180,487**	**7,216,418**
Earnings per share			
Basic profit for the year attributable to ordinary equity holders of the parent		**81.80**	**72.16**
Diluted profit for the year attributable to ordinary equity shareholders of the parent		**77.64**	**69.53**

This statement is to be read in conjunction with the notes to the financial statements on pages 9 - 21

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Share capital	Other shareholder contributions	Retained earnings	Share based payment valuation reserve	Total equity
		NZ$	NZ$	NZ$	NZ$	NZ$
Balance at 1 April 2019		**1,000,000**	**51,095,000**	**6,146,497**	**85,573**	**58,327,070**
Effect of adoption of new accounting standards		-	-	(157,153)	-	(157,153)
Profit for the period		-	-	8,180,487	-	8,180,487
Total comprehensive income for the year		-	-	**8,023,334**	-	**8,023,334**
Cash dividends		-	-	(8,400,758)	-	**(8,400,758)**
Share based payment expense		-	-	-	273,047	273,047
Balance at 31 March 2020		**1,000,000**	**51,095,000**	**5,769,073**	**358,620**	**58,222,693**

Balance at 1 April 2018	**1,000,000**	**51,095,000**	**2,724,045**	**44,335**	**54,863,380**
Effect of adoption of new accounting standards	-	-	(220,303)	-	(220,303)
Restated balance 1 April 2018	**1,000,000**	**51,095,000**	**2,503,742**	**44,335**	**54,643,077**
Profit for the period	-	-	7,216,418	-	7,216,418
Total comprehensive income for the year	-	-	**7,216,418**	-	**7,216,418**
Cash dividends	-	-	**(3,573,663)**	-	**(3,573,663)**
Share based payment expense	-	-	-	41,238	41,238
Balance at 31 March 2019	**1,000,000**	**51,095,000**	**6,146,497**	**85,573**	**58,327,070**

This statement is to be read in conjunction with the notes to the financial statements on pages 9 - 21

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	Year ended 2020 NZ$	Year ended 2019 NZ$
Operating activities			
Cash was provided from:			
Receipts from customers		157,526,340	154,161,056
Interest received		40,620	41,055
Proceeds from insurance		21,559	-
Cash was disbursed to:			
Payments to suppliers and employees		(134,698,569)	(140,368,973)
Salaries paid to related parties		-	(416,153)
Tax paid		(2,406,272)	(3,239,837)
Interest paid		(818,681)	(923,142)
Interest payments on leases		(463,662)	-
Net cash flows from operating activities		**19,201,335**	**9,254,006**
Investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		12,794	-
Cash was applied to:			
Purchase of property, plant and equipment		(481,976)	(458,412)
Payments for development of digital assets		(3,171,717)	(870,735)
Net cash flows from investing activities		**(3,640,899)**	**(1,329,147)**
Financing activities			
Cash was applied to:			
Dividends paid		(8,400,758)	(3,573,663)
Principal payments on leases		(1,775,467)	(22,453)
Repayment of borrowings		-	(3,013,264)
Net cash flows from financing activities		**(10,176,225)**	**(6,609,380)**
Net increase / (decrease) in cash flows		5,384,211	1,315,479
Cash and cash equivalents at the beginning of the period		2,952,532	1,637,053
Cash and cash equivalents at the end of the period		**8,336,744**	**2,952,532**

This statement is to be read in conjunction with the notes to the financial statements on pages 9 - 21

Statement of Accounting Policies

Corporate information

MFB Group Limited & My Food Bag Limited ("the Group") the company and subsidiaries are incorporated and domiciled in New Zealand under the New Zealand Companies Act 1993. The Group is engaged in e-Commerce with direct to consumer service for food and other household needs.

The financial statements of the Group are for the year ended 31 March 2020. The financial statements were authorised for issue by the Directors on 4 June 2020.

Statement of compliance and reporting framework

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and the requirements of the Companies Act 1993. For the purposes of complying with NZ GAAP, the Company is a for-profit entity.

The consolidated financial statements of the Group comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and International Financial Reporting Standards (IFRS).

The financial statements have been specifically prepared for the purposes of meeting the Group's external reporting obligations.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except where identified in the accounting policies below. The Group's consolidated financial statements are presented in New Zealand dollars, which is also the parent company's functional currency. The financial statements have been rounded to 0 decimal places.

The financial statements have been prepared using the going concern assumption. The Group has a negative current ratio of **-0.55:1.** Therefore, whilst the net negative current ratio indicates uncertainty in relation to the going concern assumption, the Group has prepared forecasts which indicate that cash on hand, combined with cash flow as a result of operations will enable the Group to continue operating and satisfy its going concern and solvency requirements.

Accordingly, the Directors believe the going concern assumption is valid and have reached this conclusion having regard to the circumstances which they consider likely to affect the Group during the period of one year from the date these financials are approved.

Basis of consolidation

The financial statements comprise of the financial statements of the Group and its subsidiaries as at 31 March 2020. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Business combinations and goodwill

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.

When the Group acquires a business, it assesses the identifiable 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.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of CGU retained.

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery. Cash is normally received in advance of delivery. Where cash is received during the period in advance of delivery,which is after year end, the balance is recognised as deferred revenue.

The Group considers there are no other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers there is no variable or non cash consideration and no significant financing component exists.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in the statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Goods and services tax

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

• where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
• for receivables and payables which are recognised inclusive of GST. (The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).

Property, plant and equipment

Plant, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right of use assets are depreciated over the term of the lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

For the purposes of considering whether there has been any impairment, assets are grouped at the lowest level for which there are identifiable cash inflows that are largely independent of the cash flows of other groups of assets. When the book value of a group of assets exceeds the recoverable amount an impairment loss arises and is recognised in earnings immediately.

The following depreciation rates have been used:

- Motor vehicles	21%-25%	Straight line
- Plant and machinery	10% - 67%	Straight line
- Furniture, fittings and equipment	8% - 67%	Straight line
- Computers	50%	Straight line

All assets were moved to the straight line depreciation method during the financial year.

Intangible assets

Computer software

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs are capitalised in accordance with IAS 38. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Computer software licences and development costs recognised as assets are amortised on a straight line basis at the rates below:

- Software	14 - 50 %	Straight line

Brands

Brands for which relevant factors indicate that there is no limit to the foreseeable net cash flows are considered to have an indefinite useful life and are held at cost and are not amortised but are subject to an annual impairment test. Brands are considered to have an indefinite useful life as there are no factors which indicate that there is a limit on their capacity to generate foreseeable cash flows.

Goodwill

Goodwill acquired in a business combination is recorded as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred over the fair value of the identifiable net assets recognised.

Goodwill is not amortised, but tested for impairment at least annually.

Finite life intangible assets

Finite life intangible assets represent customer relationships acquired in a business combination and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight line basis, to appropriately reflect the reduction in value of the intangible over its deemed useful life of 2 years.

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Packaging

Packaging is stated at the lower of cost or net realisable value.

Raw materials and work in progress

Raw materials work in progress is stated at the lower of cost or net realisable value.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified, at initial recognition and subsequently measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group does not measure any assets at fair value through other comprehensive income (OCI) or fair value through profit or loss.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include trade and other payables, loans and borrowings including bank loans, and derivative financial instruments.

The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by NZ IFRS 9.

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value through profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings

Other shareholder contributions

The other shareholder contributions are classified as equity in accordance with the terms of the shareholder loan mutual agreement and are measured at fair value, as they do not attract interest or have fixed repayments.

Fair value

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal of the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Cash and short term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Employee entitlements

A liability for annual leave is accrued and recognised in the consolidated balance sheet. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date. Provisions are classified as non-current only if the Group has a legal entitlement not to make payment within a 12-month period, to the employee to whom the obligation has been accrued. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided up to the reporting date.

Statement of cash flow

The statement of cash flow is prepared exclusive of GST, which is consistent with the method used in the income statement.

Definition of terms used in the statement of cash flow:

- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.
- Financing activities are those activities relating to changes in the equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity capital.

Share-based payments

From time to time senior executive and management personnel of the Group receive remuneration in the form of share-based payments and render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 11.

The cost is recognised in the statement of comprehensive income, together with a corresponding increase in equity (share-based payment reserve), over the period in which service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Key sources of estimation uncertainty and key judgements

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Key sources of estimation uncertainty and key judgements include:

- Determining the fair value of share based payments made requires management to exercise their judgement as to the fair value and vesting probability of the relevant instruments issued (refer note 11).

- The assessment of impairment of goodwill and indefinite life intangibles. The Group determines whether goodwill and indefinite life intangibles are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and indefinite life intangibles are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and indefinite life intangibles are discussed in these notes to the accounts. An impairment assessment of goodwill and brands has been conducted in the current period. Management have determined that there is no impairment of the cash generating unit containing goodwill and brands (refer note 6). Determining the recoverable amounts of goodwill and intangible assets requires the estimation of the effects of uncertain future events at balance date. These estimates involve assumptions about risk assessment to cash flows or discount rates used, future changes in salaries and future changes in price affecting other costs. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be measurable under the circumstances.

Change in accounting policies

NZ IFRS 16

NZ IFRS 16 supersedes NZ IAS 17 Leases, NZ IFRIC 4 Determining whether an Arrangement contains a Lease, NZ SIC-15 Operating Leases-Incentives and NZ SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

NZ IFRS 16.1

Lessor accounting under NZ IFRS 16 is substantially unchanged from NZ IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in NZ IAS 17. Therefore, NZ IFRS 16 does not have an impact for leases where the Group is the lessor.

NZ IFRS 16.62

The Group adopted NZ IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 April 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying NZ IAS 17 and NZ IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Impact on the consolidated statement of financial position:

	1-Apr-19 **NZ$**
Assets	
Right of use assets	10,701,723
Other current assets	53,735
Other lease assets	518,840
Net deferred tax	61,115
Total assets	**11,335,413**
Equity	
Retained earnings	157,153
Total equity	**157,153**
Liabilities	
Trade and other payables	581,127
Other lease liabilities	(1,258,988)
Lease liabilities	(10,865,730)
Total liabilities	**(11,543,590)**

Standards issued but not yet effective

There are no new standards and interpretations that have been issued, but not yet effective, up to the date of issuance of the Group's financial statements.

Notes to the Financial Statements

1 Income

	Year ended 2020 NZ$	Year ended 2019 NZ$
Contracts with customers	153,301,014	155,956,974
Total income	**153,301,014**	**155,956,974**
Dividend income	-	405
Interest income	40,620	41,055
Other income	56,377	111,617
Gain on disposal of plant, property and equipment	12,794	-
Total other income	**109,791**	**153,077**

2 Expenses

Profit before income tax has been arrived at after charging the following expenses and losses from operations:

		Year ended 2020 NZ$	Year ended 2019 NZ$
Staff expenses			
Salaries and wages		(10,900,836)	(11,090,381)
Defined contribution		(233,659)	(219,755)
Interest expense		(1,282,346)	(923,142)
IT expenses		(1,632,388)	(1,214,798)
Fair value of derivatives		(74,093)	(238,476)
Amortisation expense on intangible assets	6	(2,072,515)	(1,670,147)
Depreciation expense on property, plant and equipment	5	(844,022)	(614,151)
Depreciation expenses on right of use assets	9	(1,395,263)	-
Loss on disposal of plant, property and equipment		-	(36,137)
Fees paid to Ernst & Young:			
Audit fees paid to Ernst & Young		(73,950)	(63,000)

3 Taxation

	Year ended 2020 NZ$	Year ended 2019 NZ$
Current period	3,670,493	3,125,483
Adjustments for prior periods	(59,662)	(47,481)
Current tax expense	**3,610,831**	**3,078,002**
Origination and reversal of temporary differences	(541,398)	(240,667)
Recognition of previously unrecognised tax losses	6,326	-
Deferred tax expense (income)	**(535,072)**	**(240,667)**
Total income tax expense	**3,075,759**	**2,837,335**

Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable in New Zealand as follows:

	2020	2019
Profit before tax	11,256,246	10,053,753
Income tax using the Company tax rate 28%	3,151,749	2,815,051
(Under) / over provided in prior years	(59,662)	(47,481)
Non-deductible expenses	(16,328)	69,765
Income tax expense	**3,075,759**	**2,837,335**

Deferred Income tax	2020	2019
As at 1 April	(4,804,127)	(5,044,794)
Impact of IFRS 16 adoption to Retained Earnings	61,115	-
(Under) / over provided in prior years	(6,326)	-
Charge / (credit) to statement of comprehensive income	541,398	240,667
As at 31 March	**(4,207,940)**	**(4,804,127)**

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting balances within the same tax jurisdiction is as follows:

	Leases and Right of use Assets	Fixed assets	Derivatives	Intangibles	Provisions	Tax losses	Total
As at 1 April 2019	-	62,037	118,441	(5,448,353)	457,730	6,018	**(4,804,127)**
Credited / (charged) to the statement of profit or loss	253,296	135,040	20,746	308,259	(221,567)	-	**495,774**
Credited / (charged) to Equity *	-	-	-	-	-	-	**100,413**
Deferred tax as at 31 March 2020	253,296	197,077	139,187	(5,140,096)	236,163	6,018	**(4,207,940)**
As at 1 April 2018	-	-	51,827	(5,756,609)	653,970	6,018	**(5,044,794)**
Credited / (charged) to the statement of profit or loss	-	62,037	66,614	308,256	(196,240)	-	**240,667**
Deferred tax as at 31 March 2019	-	62,037	118,441	(5,448,353)	457,730	6,018	**(4,804,127)**

* Deferred tax on Share options

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

Imputation credit account through shareholdings	**2020**	**2019**
Imputation credits / (debits) at end of year	**2,071,996**	**3,133,525**

EY

4 Trade Receivables

	2020 NZ$	2019 NZ$
Trade receivables	134,621	142,532
Estimated credit loss for trade receivables	(41,163)	(85,522)
Sundry debtors	1,443,187	1,058,347
Other receivables	-	10,937
Trade and other receivables	**1,536,645**	**1,126,294**

5 Property, plant and equipment

	Motor vehicles NZ$	Plant & machinery NZ$	Furniture, Fittings and Equipment NZ$	Fit-out WIP NZ$	Computers NZ$	Total NZ$
Year ended 31 March 2020						
Balance as at 1 April 2019	370,577	2,316,983	1,751,761	2,380	368,829	4,810,530
Additions	47,429	246,248	77,743	-	110,556	481,976
Transfers	-	2,380	-	(2,380)		-
Disposals	-	-	(5,543)	-	(4,069)	(9,612)
Balance as at 31 March 2020	**418,006**	**2,565,611**	**1,823,961**	**-**	**475,316**	**5,282,894**
Accumulated depreciation						
Balance as at 1 April 2019	(183,177)	(387,146)	(500,709)	-	(237,498)	(1,308,530)
Depreciation eliminated on disposal of assets	-	-	5,543	-	4,069	9,611
Depreciation charge	(68,843)	(359,352)	(275,112)	-	(140,715)	(844,022)
Balance as at 31 March 2020	**(252,020)**	**(746,498)**	**(770,278)**	**-**	**(374,144)**	**(2,142,941)**
Net book value as at 31 March 2020	**165,986**	**1,819,113**	**1,053,683**	**-**	**101,172**	**3,139,953**
Year ended 31 March 2019						
Balance as at 1 April 2018	341,231	2,114,338	1,695,627	2,380	271,206	4,424,782
Additions	59,346	217,777	79,163	-	102,125	458,411
Disposals	(30,000)	(15,132)	(23,029)	-	(4,502)	(72,663)
Balance as at 31 March 2019	**370,577**	**2,316,983**	**1,751,761**	**2,380**	**368,829**	**4,810,530**
Accumulated depreciation						
Balance as at 1 April 2018	(146,460)	(151,754)	(293,614)	-	(139,078)	(730,906)
Depreciation eliminated on disposal of assets	15,352	9,584	10,090	-	1,501	36,527
Depreciation charge	(52,069)	(244,976)	(217,185)	-	(99,921)	(614,151)
Balance as at 31 March 2019	**(183,177)**	**(387,146)**	**(500,709)**	**-**	**(237,498)**	**(1,308,530)**
Net book value as at 31 March 2019	**187,400**	**1,929,837**	**1,251,052**	**2,380**	**131,331**	**3,502,000**

6 Intangible assets

	Software NZ$	Software work in progress NZ$	Goodwill NZ$	Customer relationships NZ$	Brand NZ$	Total NZ$
Year ended 31 March 2020						
Cost or valuation						
Balance as at 1 April 2019	1,393,552	477,876	63,539,106	5,261,035	18,357,484	89,029,053
Additions for the year	52,807	3,118,910	91,846	-	-	3,263,563
Transfers	1,874,693	(1,874,693)	-			
Disposals	(64,710)	-	-	-	-	(64,710)
Balance as at 31 March 2020	**3,256,342**	**1,722,093**	**63,630,952**	**5,261,035**	**18,357,484**	**92,227,906**
Accumulated amortisation and impairment						
Balance as at 1 April 2019	(741,829)	-	-	(4,160,119)	-	(4,901,948)
Amortisation eliminated on disposal of asset	43,361	-	-	-	-	43,361
Amortisation charge	(971,599)	-	-	(1,100,916)	-	(2,072,515)
Balance as at 31 March 2020	**(1,670,067)**	**-**	**-**	**(5,261,035)**	**-**	**(6,931,102)**
Book value as at 31 March 2020	**1,586,275**	**1,722,093**	**63,630,952**	**-**	**18,357,484**	**85,296,804**
Year ended 31 March 2019						
Cost or valuation						
Balance as at 1 April 2018	1,755,246	73,775	63,792,126	5,261,035	18,357,484	89,239,666
Additions for the year	466,633	404,101	-	-	-	870,734
Disposals	(828,327)	-	(253,020)	-	-	(1,081,347)
Balance as at 31 March 2019	**1,393,552**	**477,876**	**63,539,106**	**5,261,035**	**18,357,484**	**89,029,053**
Accumulated amortisation and impairment						
Balance as at 1 April 2018	(864,671)	-	-	(3,059,203)	-	(3,923,874)
Amortisation eliminated on disposal of asset	692,073	-	-	-	-	692,073
Amortisation charge	(569,231)	-	-	(1,100,916)	-	(1,670,147)
Balance as at 31 March 2019	**(741,829)**	**-**	**-**	**(4,160,119)**	**-**	**(4,901,948)**
Book value as at 31 March 2019	**651,723**	**477,876**	**63,539,106**	**1,100,916**	**18,357,484**	**84,127,105**

There is only one cash generating unit. The cash generating unit has been valued on a Value in Use basis using a discounted cash flow model.

The Group has assessed brand assets as having an indefinite useful life. In coming to this conclusion, management considered expected expansion of the usage of the brands across other products and markets, the typical customer lifecycle of these assets, the stability of the industry in which the brands are operating, the level of maintenance expenditure required and the period of legal control over the brands. During the current period, management has determined that there is no impairment of any of the brands. The Group has determined that the assessment of any potential impairment of goodwill is most sensitive to changes in the following assumptions:

· Projected cash flows, in particular the underlying growth rates supporting this which have been based on historical data and current market information;

· Post-tax discount rates to reflect the Group's estimate of the time value of money and risks associated with the CGU. In determining the appropriate discount rate, consideration has been given to the estimated weighted average cost of capital ("WACC") of 8.6%.

7 Subsidiaries

My Food Bag Group comprises the following entities which are incorporated in New Zealand:

	Interest held
My Food Bag Limited	100%

8 Trade and other payables

	2020 NZ$	2019 NZ$
Current liabilities		
Trade payables	(9,979,276)	(6,845,420)
Credit cards	(43,621)	(49,689)
GST payable	(657,418)	(913,262)
Accrued expenses	(707,927)	(1,899,186)
Current trade and other payables	**(11,388,242)**	**(9,707,557)**
Non Current liabilities		
Accrued expenses	-	(581,127)
Non Current trade and other payables	**-**	**(581,127)**

9 Leases

The Group has lease contracts for property and various items of plant, machinery, vehicles and other equipment used in its operations. Leases of property have lease terms between 3 and 9 years, while plant, machinery, vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options, which is further discussed below.

The Group also has certain leases of machinery and with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Property NZ$	Motor vehicles NZ$	Plant & NZ$	Total NZ$
As at 1 April 2019				
Balance as at 1 April 2019	10,192,811	58,315	450,597	10,701,723
Additions/ Increases	187,531	-	39,967	227,498
Depreciation expense	(1,189,851)	(44,299)	(161,113)	(1,395,263)
Balance as at 31 March 2020	**9,190,491**	**14,016**	**329,451**	**9,533,958**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	NZ$
As at 1 April	12,124,718
Additions	233,482
Accretion of interest	463,662
Payments	(1,775,467)
Subleases	(184,324)
As at 31 March 2020	**10,862,071**
Current	1,092,975
Non-current	9,769,096

The following are the amounts recognised in profit or loss:

	2020 NZ$
Depreciation expense of right-of-use assets	1,395,263
Interest expense on lease liabilities	463,662
Total amount recognised in profit or loss	**1,858,925**

The Group had total cash outflows for leases of $1,775,467 in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of $227,000 in 2020.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019, as follows:

	NZ$
Operating lease commitments as at 31 March 2019	**13,326,641**
Operating expenses not included under NZ IFRS 16	(228,867)
Difference in accounting treatment	21,230
Weighted average incremental borrowing rate as at 1 April 2019	4%
Discounted operating lease commitments as at 1 April 2019	10,483,512
Lease payments relating to renewal periods not included in operating lease commitments	1,620,878
Lease liabilities as at 1 April 2019	**12,104,390**

The weighted average incremental borrowing rate applied to lease liabilities is 4%.
MFB Group has applied a single discount rate to the portfolio of lease as thy have similar characteristics and are in a similar economic environment.

10 Issued capital and reserves

	2020 NZ$	Number	2019 NZ$	Number
Issued capital and reserves compromises:				
Fully paid ordinary shares	1,000,000	100,000	1,000,000	100,000

Each fully paid ordinary share confers on the holder one vote at a meeting of the company, a share in distributions approved by the Directors, and a share in the distribution of the surplus assets of the company on dissolution.

The ordinary shares have no par value

11 Share option schemes

The Group has a share option scheme under which options to subscribe for the Group's shares have been granted to certain executives and senior employees. The options convert to ordinary shares.

This is an equity settled share scheme.

Other capital reserves	**2020 NZ$**	**2019 NZ$**
As at 1 April	85,573	44,335
Changes during the period	273,047	41,238
As at 31 March	**358,620**	**85,573**

Nature and purpose of reserves

The share-based payment valuation reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

All other reserves are as stated in the consolidated statement of changes in equity.

Fair value

The fair value of the share options were estimated on the grant date, based on a valuation methodology having regard to the company value at grant date, expiry date of the options, exercise price, risk free interest rate, volatility and dividend yield.

The method was chosen on the basis that it provides the most appropriate assessment of the fair value.

The share options have been valued using a simulation model assuming that the share prices are lognormally distributed. The future value is discounted back to present value at the risk-free rate, as the equity risk has been accounted for via the simulation modelling.

Fair value of equity share options	**Options**	**2020 NZ$**	**2019 NZ$**
Opening value	4,200	396,674	118,790
Granted on 1 August 2017	200	-	-
Forfeited on 22 December 2017	(4,000)	-	(84,850)
Granted on 4 April 2018	125	-	10,606
Granted on 7 June 2018	2,000	-	169,700
Granted 26 November 2018	1,000	-	84,850
Forfeited on 18 December 2018	(200)	-	(16,970)
Granted on 3 December 2018	850	-	72,123
Granted on 24 February 2019	500	-	42,425
Granted on 20 June 2019	825	266,591	-
	5,500	**663,265**	**396,674**

12 Capital management

For the purpose of the Group's capital management, capital includes issued capital, share options and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value. The Group complied with all externally imposed capital requirements during the period to which it is subject.

13 Financial instruments

As at 31 March 2020	Financial loans and receivables at amortised cost NZ$	Financial assets at fair value NZ$	Total NZ$
Assets			
Cash and cash equivalents	8,336,744	-	8,336,744
Trade receivables	1,536,645	-	1,536,645
Total financial assets	**9,873,389**	**-**	**9,873,389**
Non-financial assets			**99,775,285**
Total assets			**109,648,674**

As at 31 March 2019	Financial loans and receivables at amortised cost NZ$	Financial assets at fair value NZ$	Total NZ$
Assets			
Cash and cash equivalents	2,952,532	-	2,952,532
Trade receivables	1,126,294	-	1,126,294
Total financial assets	**4,078,826**	**-**	**4,078,826**
Non-financial assets			**88,409,386**
Total assets			**92,488,212**

Derivative financial liabilities fair value

The group enters into interest rate swaps to manage the interest rate risk on the bank loan.

As at 31 March 2020, the Group had an interest rate swap agreement in place for a total notional amount of $15,000,000 whereby the Group receives a fixed rate of interest of 2.785% and pays interest at a variable rate which as at 31 March 2020 is 1.34%.

	Deal Date	Maturity Date	Interest Rate	Notional Amount	Pay Frequency	Fair Value
Interest Rate Swaps	25/11/2016	30-09-21	1.34%	$ 15,000,000	Quarter	$ (497,097)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. The Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase / decrease in basis points		2020 Effect on profit before tax	2019 Effect on profit before tax
NZD$	+10	$	(478,024)	388,194
NZD$	-10	$	(516,208)	(457,917)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

The impact on equity is the same as the impact on profit before tax as there are no concentrations of credit risk.

Financial liabilities, interest-bearing loans and borrowings

As at 31 March 2020	Financial liabilities at amortised cost NZ$	Financial liabilities at fair value NZ$	Total NZ$
Liabilities			
Trade and other payables	(11,388,242)	-	(11,388,242)
Derivative financial liabilities	-	(497,097)	(497,097)
Finance lease liabilities	(9,769,096)	-	(9,769,096)
Bank loan	(16,918,933)	-	(16,918,933)
Total financial liabilities	**(38,076,271)**	**(497,097)**	**(38,573,368)**
Total current			(11,885,339)
Total non current			(26,688,029)
Non-financial liabilities			**(12,852,613)**
Total liabilities			**(51,425,981)**

As at 31 March 2019	Financial liabilities at amortised cost NZ$	Financial liabilities at fair value NZ$	Total NZ$
Liabilities			
Trade and other payables	(10,288,684)		(10,288,684)
Derivative financial liabilities	-	(423,005)	(423,005)
Finance lease liabilities	(51,025)		(51,025)
Bank loan	(16,867,733)		(16,867,733)
Total financial liabilities	**(27,207,442)**	**(423,005)**	**27,630,447**
Total current			(13,084,919)
Total non current			(14,545,528)
Non-financial liabilities			**6,530,695**
Total liabilities			**34,161,142**

	Effective interest rate	Maturity	2020 NZ$	2019 NZ$
Current interest bearing loans and liabilities				
Obligations under leases	4 - 8%	01/04/20 - 31/03/21	-	-
Bank loans	1.35% plus margin (1.95% - 2.15%)	22/11/21	-	(2,923,660)
Non-current interest bearing loans and liabilities				
Obligations under leases	4 - 8%	01/04/20 - 31/03/2029	(13,326,641)	-
Bank loans	1.34% plus margin (1.95% - 2.15%)	22/11/21	(16,918,933)	(13,944,073)

Bank loans

MFB Group Limited (the Borrower) has entered into a Senior Facility Agreement comprising of a term loan facility.

Term loan facility

On 22 November 2016 $25,600,000 was drawn down to fund the acquisition of My Food Bag Limited.

The term loan facility comprises of Tranche A and Tranche B to assist with funding the acquisition (including payment of the purchase price, refinancing any existing financial indebtedness of the target and payment of the establishment fee), and for general commercial purposes. MFB have met all of its covenants requirements for the year ended 31 March 2020.

MFB Group made no repayments in the period ended 31 March 2020 (2019: $3,000,000) to bring the period end balance to $17,000,000 (2019: $17,000,000). Borrowing costs have been capitalised to bank loans and amortised over the expected period of realisation.

The loan has general security in place, being a security interest in the personal property, and a fixed charge over the 'other property' (meaning real property, and anything that is not personal property), of MFB Group Limited, and an expiry date of 22 November 2021.

Interest rate comprises of the base rate (BKBM rate) plus a margin of:
- 1.95% per annum for Tranche A
- 2.15% per annum for Tranche B

Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 March 2020:

Liabilities measured at fair value	Date of Valuation	Quoted prices in active markets NZ$	Significant observable inputs NZ$	Significant unobservable inputs NZ$
Derivative financial liabilities	31/03/2020		(497,097)	

Derivative financial liabilities are valued at mark to market

Liquidity risk

The Group monitors its risk to a shortage of funds using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.
The table below summarises the maturity profile of the Group's financial liabilities based on contractual payments

Period ended 31 March 2020	On demand NZ$	Less than 3 months NZ$	3 to 12 months NZ$	1 to 5 years NZ$	Total NZ$
Trade and other payables	-	(11,388,242)	-	-	(11,388,242)
Bank loan	-			(16,918,933)	(16,918,933)
	-	**(11,388,242)**	-	**(16,918,933)**	**(28,307,175)**

14 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

During the period, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	Salaries	Directors fees	Other fees	Goods purchased	Total	Total Receivable at year end
	NZ$	NZ$	NZ$		NZ$	
J & C Robinson		60,000	75,000	-	135,000	
T Gattung	-	30,000	-	-	30,000	
K Roberts	-	30,000	-	-	30,000	
C Marshall	-	30,000	-	-	30,000	-
P Maud	-	30,000	-	-	30,000	-
L Jenkins	-	30,000	-	-	30,000	-
N Lim	-	-	255,953	26,178	282,131	
Total	**-**	**210,000**	**330,953**	**26,178**	**567,131**	**-**

The following other shareholder contributions:

	2020	2019
	NZ$	NZ$
The APL Holdings Trust	5,518,260	5,518,260
The Theresa Gattung Investment Trust	5,518,260	5,518,260
The Lim & Bagrie Family Trust	2,759,130	2,759,130
The Red Rose Trust	1,532,850	1,532,850
Waterman Fund 3LP	35,766,500	35,766,500
Total	**51,095,000**	**51,095,000**

Other shareholder contributions from related parties are not interest bearing and are repayable on repayment date.

The other shareholder contributions have been classified as equity contributions as repayment is on mutual agreement of both the borrower and the lender (or else they are perpetual) and the contributions are interest free. The other shareholder contributions carry no voting rights.

Compensation of key management personnel of the Group

The following amounts were paid to key management personnel of the Group during the financial period:

	2020	2019
	NZ$	NZ$
Short term employee benefits	2,126,275	2,199,246
Share-based payment transactions	273,047	41,238
Total compensation paid to key management personnel	**2,399,322**	**2,240,484**

15 Earnings per share (EPS)

	2020	2019
	NZ$	NZ$
Basic earnings per share		
Net profit attributable to shareholders ($)	8,180,487	7,216,418
Weighted average number of ordinary shares on issue	100,000	100,000
Basic earnings per share ($)	81.80	72.16
Diluted earnings per share		
Net profit attributable to shareholders ($)	8,180,487	7,216,418
Weighted average number of ordinary shares on issue for diluted earnings per share	105,363	103,783
Diluted earnings per share ($)	77.64	69.53
Reconciliation of weighted average number of shares		
Ordinary shares	100,000	100,000
Adjustment for shares outstanding under the employee share scheme	5,500	4,675
Weighted average number of shares used as the denominator in calculating diluted	105,363	103,783

16 Operating cash flow reconciliation

The reconciliation of profit before tax to net cash flows from operations is as follows:

	2020 NZ$	2019 NZ$
Net profit before taxation	11,256,246	10,053,753
Adjustments for non-cash items:		
Depreciation on property plant & equipment	844,022	614,151
Amortisation on intangible assets	2,072,515	1,670,147
Non cash movements in intangible assets	(22,140)	33,677
Non cash write offs	-	389,274
Gain / loss on sale of property, plant & equipment	12,794	36,137
Derivative financial instruments	74,092	237,907
Share based payment expense	273,048	41,238
Depreciation on right of use assets	1,395,263	-
Interest on right of use assets	463,662	-
Changes in assets and liabilities		
Increase / decrease in Trade and other receivables	(410,351)	(50,436)
Increase / decrease in Packaging	(114,531)	250,230
Increase / decrease in Raw materials work in progress	(499,708)	687,292
Increase / decrease in Other current assets	54,436	41,063
Increase / decrease in Prepayments	(57,665)	123,325
Increase / decrease in Trade and other payables	1,099,558	248,968
Increase / decrease in Deferred revenue	4,729,045	(1,898,568)
Increase / decrease in Other liabilities	21,949	15,683
Increase/ decrease in lease receivable assets	(165,755)	-
Increase/ decrease in finance leases relating to operating cash flows	581,127	-
Income tax paid	(2,406,272)	(3,239,837)
Positive net cash flows from operating activities	**19,201,336**	**9,254,004**

17 Contingent liabilities

The Group has no contingent liabilities (2019:NIL)

18 Capital commitments

The Group has capital commitments of $160k (2019: $1,015k)

19 Events after the reporting date

On the 3rd April 2020 MFB Group obtained a $6,095,000 bank loan from ASB Bank and used the funds to partially repay the shareholder loans. In April 2020, MFB Group also restructured $5,000,000 as a working capital facility and removed amortisation on remaining debt for the remaining period.

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). Since 31 March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. Due to the nature of My Food Bag's operations which are deemed to be an essential service, the COVID-19 pandemic has seen a positive impact on the business' operating profit. Management concludes that the COVID-19 crisis has not caused significant changes to assets or liabilities. The full extent and duration of the impact of COVID-19 is currently unknown.

20 Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on **4 June 2020**.