



BOLDLY MOVING FORWARD

Annual Report 2017/18

SEASON OVERVIEW

A YEAR OF LOWER VOLUME BUT HIGHER VALUE AS STRONG CONSUMER DEMAND AND EXCELLENT MARKET PERFORMANCE SUPPORT RETURNS

In a season in which sales of New Zealand kiwifruit reduced by 11 percent, Zespri was able to deliver an increase in value to growers, with fruit and service payments (including loyalty premium) rising by 6 percent to \$1.47 billion.

The reduction in volume was driven by a sharp fall in Green supply from the exceptionally high yields of 2016/17. Despite a 27 percent decline in average yields for Green to 8,937 trays per-hectare, Zespri delivered an excellent sales result supported by good quality and low rates of onshore fruit loss. The average per hectare return for Green across the industry was \$59,981, a new record for the category.

The result for SunGold gives us further confidence in our long-term outlook, with Zespri achieving a strong increase in returns at the same time as continued growth in volumes. Sales volume for the total Gold category rose by 9 percent to 52.1 million trays and the average return per hectare across the industry was up 16 percent at \$114,345.

Sales volumes through Zespri Global Supply (ZGS), critical in enabling Zespri to serve consumers with premium kiwifruit 12 months of the year, fell by 7 percent. Supply of Green was reduced because of a very damaging frost in Italy. However, SunGold sales increased to more than offset the fall in volume, with ZGS

recording total sales revenue of \$264 million, up from \$217 million in 2016/17.

Zespri's net profit after tax in 2017/18 increased by 38 percent to \$101.8 million. Zespri intends to return a total dividend to shareholders of 76 cents per share, versus 25 cents per share for the previous season. This result was primarily driven by revenues received from the release of 400 hectares of SunGold licence in 2017.

The 2017/18 season also represents a period of progress in strengthening the foundations of our industry. The industry agreed on an enduring funding mechanism that ensures Zespri is funded appropriately, balanced against the need for cost control so that the benefits of economies of scale are shared between growers and shareholders. In March, Zespri shareholders backed changes to Zespri's Constitution to strengthen grower ownership and control of the Company – critical for the stability of the industry structure. This support for change reflects the cohesiveness of our industry and a common interest among growers and former growers in seeing it prosper.

In summary, the 2017/18 season represents strong progress and performance, as we look forward to growth in volume and value in 2018/19 and beyond.

ANNUAL MEETING



31 MARCH 2018
Financial year-end



18 JUNE 2018
Annual Report circulated



**24 JULY 2018
- 1PM**
Deadline for receipt of proxies for Annual Meeting



26 JULY 2018
Annual Meeting



DECEMBER AND AUGUST
Indicative dates for dividend payments, December (interim) and August (final)

ANNUAL MEETING

The Annual Meeting of Shareholders of Zespri Group Limited will take place at 1pm on Thursday 26 July 2018 at ASB Arena, 81 Truman Lane, Mount Maunganui.

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CORPORATE GOVERNANCE

At Zespri, we pride ourselves on providing a sustainable and safe business environment, which adheres to the applicable regulatory and legislative framework. Written policies and procedures clearly articulate a continued expectation of a high standard of integrity, which permeates our business and its culture. In this section, we outline the main points of the corporate governance framework within which we operate.

Ethical standards

Acting and leading with integrity, and maintaining a high standard of business ethics are integral to the development and maintenance of corporate governance policies and processes. We expect all Directors, officers, and employees who represent and act for Zespri to do so with integrity and in compliance with applicable law and company policy. Zespri has a Code of Conduct and Directors Manual, which clearly articulate these expectations, and conducts trainings and presentations on a range of ethical issues throughout the Company.

Conflicts of interest: With five industry Directors on the Board, careful management of conflicts of interest is required. Zespri has comprehensive policies and practices in place to address existing and potential conflicts, which meet, and in some cases exceed, the requirements of the Companies Act 1993. All Directors are required to declare any actual or potential conflict of interest as soon as it arises, and Directors with relevant conflicts excuse themselves from meetings while issues which may present a significant conflict are decided upon. In the case where a conflict is considered unmanageable, a Director may be required to choose whether to continue as a Zespri Director or pursue their other business interests. A Conflict of Interest Policy and associated record is also in place for employees.

Compliance: Zespri has policies and procedures in place to emphasise its commitment to legal compliance including, among others, policies regarding gifts, anti-corruption, bribery, privacy and anti-competitive behaviour. These policies are underpinned by audits and investigations conducted by an internal audit function, with exceptions being reported to the Audit and Risk Management Committee. Zespri has a dedicated Speak Up line for anyone to report unethical or illegal behaviour, which enables the identification and proactive investigation of alleged misconduct. Zespri's expectations of compliant behaviour is communicated to our customers through the global customer code of conduct. Zespri monitors such compliance for customers through due diligence, and audits, on a risk basis, of compliance in target areas such as duty and customs declarations.

Confidentiality: Comprehensive policies support compliance for both Zespri Directors and employees with their legal obligations in the areas of confidentiality and privacy. Policies and procedures are periodically reviewed to ensure best practice, and training is provided to supplement understanding and adherence to policy. Consistent with the high degree of industry engagement, Zespri's Constitution also contains provisions pertaining to confidentiality and shareholder democracy.

Board composition and performance

Zespri's Board comprises eight members – five Directors drawn from the kiwifruit industry, and three Independent Directors – as required by the Zespri Constitution. With this combination of members, Zespri benefits from a Board with a wide range of experience across a number of key areas. Independent Directors are recommended by the Board for election by shareholders in line with the skills desired for Zespri's future strategic direction, through a formal independent recruitment and assessment process. The Board has a formal review process to consider the contribution of Independent Directors, the skills required going forward, and the desirability of rotation. The Chairman is elected each year following the Annual Meeting, providing an opportunity for managing succession as required. Profiles for each of the Directors are available on the Company's corporate website (www.zespri.com).

The Board provides strategic direction drawing upon its extensive knowledge, which includes expertise in the kiwifruit industry, international business, agribusiness, marketing and finance. As part of a continuous improvement plan, the Board reviews its performance on an ongoing basis to improve the quality of meetings. From this process individual training requirements may be identified, which are progressed with a view to ensuring that the Board's skill set is robust and appropriate for the business. Induction processes are in place for new Directors, as well as for each subcommittee when a Director changes committee memberships. The Board receives training on topical issues periodically, such as ethics, supply chain integrity, cyber security, and health and safety.

The Board has formally delegated decision-making to management through a comprehensive Delegated Authorities Manual, which sets out what decisions are reserved for the Board and committees, as well as a stepped qualitative and quantitative cascade of approval processes at different levels of management. Further policies pertaining to decisions made in the daily management of the business are also in place.

In line with anticipated growth over coming seasons, emphasis is being placed on strategic initiatives that will ensure that the systems and processes in place are sustainable, supportable and scalable. Global initiatives are thus prioritised on the basis that they are regarded as crucial to the development of revenue generation, risk mitigation, and sustainability functions in line with the identified trends in the global kiwifruit industry, the fruit category, and agribusiness generally.

Board Committees

Board committees increase effectiveness in certain key areas, and include the Audit and Risk Management Committee, Organisation and Administration Committee and Board Innovation Subcommittee.

Audit and Risk Management: The Audit and Risk Management Committee reviews risk management strategies, internal controls and compliance processes with a view to monitoring Zespri's overall risk. It also supports management in the review of key accounting judgements. Jonathan Mason currently chairs the committee.

Organisation and Administration: The Organisation and Administration Committee is chaired by Bruce Cameron. It assists with the appointment and remuneration of senior executives. It also attends to strategic employment matters including general remuneration and incentive policy, employee engagement, and organisational development strategy.

Board Innovation Subcommittee: The Board Innovation Subcommittee oversees the amount and priority of innovation spending across Zespri's business, ensuring that innovation expenditure is linked to strategic and commercial objectives. The committee is currently chaired by Nathan Flowerday.

Each committee has a terms of reference and all Directors receive copies of the committee papers and minutes. A verbal update on committee meetings is also provided at each Board meeting, providing opportunity for discussion. A table displaying meeting attendance and frequency is provided on page 47.

The Board also convenes smaller informal committees and steering groups to address particular issues as the need arises, such as oversight of Kiwifruit Industry Strategy Project (KISP) initiatives. The Board has formed a Due Diligence Committee and Share Valuation Subcommittee to meet its legal obligations in relation to potential share transactions later this year. Directors also represent Zespri in industry bodies such as Kiwifruit Vine Health Incorporated (KVH) and the Industry Advisory Council (IAC).

Reporting and Disclosure

Zespri is subject to reporting and disclosure obligations within the Companies Act 1993, Financial Markets Conduct Act 2013 and other relevant legislation, which governs the duties of Directors including, but not limited to, financial reporting, securities, health and safety, environment and employment. The Board works with management to ensure that the Financial Statements are accurate and complete, including adoption of accounting policies, controls and policies that mitigate against incorrect information or omissions. At the end of each financial year, the Chief Financial Officer and Chief Executive Officer certify to compliance with accounting standards and controls.

In addition to normal corporate requirements of reporting and disclosure, the Kiwifruit Export Regulations 1999 (the Regulations) require Zespri to publicly disclose Financial Statements in accordance with the Kiwifruit Export Information Disclosure Handbook. The required disclosures are included within the New Zealand Industry Performance Section of the Annual Review, or within the Financial Statements of the Annual Report. Further disclosures are contained in the special purpose financial statements including the certificate from the auditors. The Regulations also require public disclosure of the terms of purchase of kiwifruit for each season. In addition to the required disclosures identified in the Regulations, Kiwifruit New Zealand (KNZ) has discretion to compel Zespri to provide other information.

Zespri seeks to communicate proactively and transparently to its shareholders and other stakeholders, in a manner largely consistent with the continuous disclosure obligations on public companies. This communication not only extends to updates regarding current matters but also to future plans such as five-year plans, outlook documents and regular roadshows, newsletters and updates.

Remuneration

The maximum amount of remuneration payable to Directors is set by shareholders as provided for in Zespri's Constitution. This is done on the recommendation of a Director Remuneration Committee, which typically has regard to independent benchmarking information provided by organisations such as the Institute of Directors. The details of remuneration are available on page 47. The Director Remuneration Committee also considers governance succession within the New Zealand kiwifruit industry as a whole, and works with the Board in respect of industry initiatives such as the Zespri Industry Governance Development Programme. The committee is comprised of three elected shareholder members (presently John Cook, John Griffin and Michelle Dyer) and one independent member appointed by the Board (Warren Larsen). The committee's 2017/18 report is enclosed with the Annual Review.

Risk Management

Risk management forms an integral part of the Board's activities, with a view to ensuring that Zespri and its stakeholders are not exposed to undue risk as a result of business operations. Zespri has a comprehensive Risk Management Policy based on AS/NZS ISO 31000:2009 and risk matrix developed by management and reviewed by the Board, together with processes to monitor and assess such risks on a continual basis throughout the year. The Board maintains an issues watch register, which identifies and updates the Board regularly on current risk items in the business. The Audit and Risk Management Committee and Board receive focused updates on internal audit matters, together with regular updates on risk areas such as foreign exchange, cyber security and information systems stability.

The Board is committed to safeguarding the reputation and business of Zespri against instances of non-compliance by Zespri or its business partners. This initiative requires continuous improvement and monitoring of internal processes as well as a sound understanding of the legal obligations throughout the distribution chain. Taking these steps enables Zespri to mitigate opportunities for unlawful conduct by third parties, which may affect Zespri's business or operations.

It was satisfying to have the Serious Fraud Office conclude their long-standing investigation into Zespri during the financial year. Zespri continues to work on settling outstanding matters arising from failures by Zespri's former Chinese importers to pay import duty on Zespri kiwifruit in seasons prior to 2011, and the associated claim by the importers in relation to termination of the distribution relationship. No new litigation has been commenced against Zespri in the current financial year, but Zespri filed proceedings in New Zealand relating to potential infringement of its Plant Variety Rights (PVR), and is considering possible further proceedings offshore in relation to this matter. As with any business, the Company does from time to time become involved in commercial disputes relating to its business, and seeks to resolve such disputes through commercial discussions or alternative dispute resolution processes such as mediation or arbitration. Where disputes are anticipated to have a quantifiable financial exposure or progress to formal proceedings, provisions are made for the costs of defending or pursuing such claims.

Auditors

The Board appoints the auditors for Zespri on an annual basis following approval from shareholders. KPMG have been Zespri's auditors since 2011, and operate a strict rotation of audit partners. Controls are in place to restrict what non-audit work may be provided by the auditor; in the 2017/18 financial year, non-audit work and fees paid to KPMG are shown on page 24. Representatives of the auditors attend meetings of the Audit and Risk Management Committee periodically to discuss the audit plans and outcomes, and attend the Board meetings if required to respond to particular matters or queries. The Board has not identified any threats to auditor independence.

Shareholder relations

Zespri shares are listed on the USX share trading platform, which allows for a higher degree of transparency of information. USX is a Financial Product Market operating under an exemption from subpart 7 of Part 5 of the Financial Markets Conduct Act 2013. Craigs Investment Partners has been acting as market maker for Zespri shares since November 2016, which has led to increased market liquidity and a greater degree of share price stability. In March 2018, Zespri shareholders voted to change the Constitution to implement rules around share ownership, dividend and voting rights based on kiwifruit production, which will facilitate tighter alignment between kiwifruit producers and Zespri shareholders to ensure that control of Zespri remains in industry hands. Zespri has signalled that it may conduct a targeted share issue and buy-back later in 2018 with a view to continuing delivery against the KISP objectives of ensuring that Zespri shares are accessible to all growers.

Zespri has extensive approval and disclosure policies for trading in Zespri shares by its Directors and employees. Zespri seeks to emulate best-practice standards required by public companies, and thus the policy is largely consistent with the obligations for director trading adopted by public companies, including prior notice of intention to trade, approval by an independent director and transparency of director trading activities through regular reporting to shareholders. The policy also imposes trading halts when any material information is known to Directors and employees. Further, the Board considers at the end of each meeting whether any price-sensitive information should further preclude Directors or employees from trading Zespri shares.

Details of share trading by Directors as well as their relevant interests are published on Zespri's corporate website (www.zespri.com) and on the grower website, the Canopy (<https://canopy.zespri.com>). The Board endeavours to operate a highly transparent disclosure programme to ensure that the market is as informed as possible, including a Chairman's email following each Board meeting, regular updates of the USX platform and publication of strategic information documents including a five-year outlook document.

The Board is focused on ensuring that shareholders can engage fully with Zespri and its Board. At the 2018 Special Meeting, Zespri offered shareholders a hybrid meeting option including online streaming and voting to ensure that all shareholders have the best ability to participate fully in the meeting and decisions arising from it.

Other stakeholder interests

Kiwifruit industry stakeholder engagement: The kiwifruit industry is a uniquely integrated sector that requires significant co-operation between all the industry participants – growers, post-harvest operators, Zespri, and industry organisations such as NZKGI and KVH – together with the regulator KNZ and local and national Government. The Board is committed to working with all relevant stakeholders, within the regulatory framework, to achieve the best possible outcomes for shareholders, growers and the industry as a whole.

Health and safety: The Board is committed to ensuring that Zespri provides a safe work environment for both employees and other workers. Directors receive updates regarding health and safety matters at each Board meeting, and Zespri works with industry stakeholders to ensure the provision of safe workplaces throughout the industry. The commitments made by Zespri pursuant to the enforceable undertaking entered into with WorkSafe during the course of the year will provide a platform from which industry education, research and communication can be built on for future years.

Labour compliance: Zespri seeks to ensure that all employees and workers within its supply chain are treated fairly and in accordance with applicable labour laws. The Board has committed to working with industry to protect workers' rights within the industry, and has moved to adopt the GRASP module of the Global GAP standard, focused on social responsibility.

Supply chain integrity: Zespri has Global Customer and Supplier Codes of Conduct, which set expectations for supply chain participants, targeting a range of issues including legal and financial compliance, food safety and quality standards, fair competition, anti-bribery, anti-corruption, fair employment practices and labour standards, health and safety, and care for the environment.

ALTERNATIVE REVENUE STATEMENT

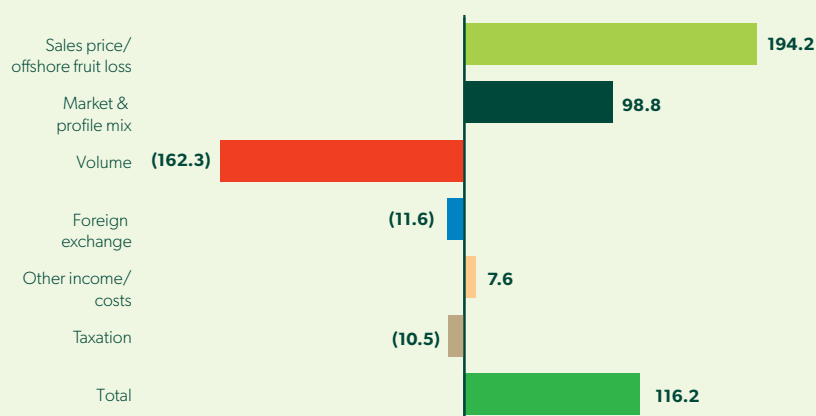
	2017/18	2016/17
Tray Equivalents (TEs) – Supplied (millions)		
Total New Zealand kiwifruit segment (includes collaborative marketing)	124.4	145.9
Total non-New Zealand supply segment	15.5	16.8
New Zealand kiwifruit segment	\$'000	\$'000
Gross sales of New Zealand kiwifruit	2,298,990	2,149,786
Promotional rebates, claims and discounts	(188,080)	(122,595)
Net sales of New Zealand kiwifruit	2,110,910	2,027,191
Net fruit return through collaborative marketers	17,191	19,141
Other pool income	570	1,742
Revenue attributable to New Zealand pools ¹	2,128,671	2,048,074
Less New Zealand pool costs:		
Freight	135,621	135,107
Insurance (onshore and offshore excluding hail)	3,534	3,159
Hail self-insurance	4,509	3,499
Duty and customs	78,563	80,168
Other direct pool costs – onshore ^{2&3&4&6}	62,618	61,592
Other direct pool costs – offshore	68,387	76,763
Promotion	134,090	149,597
Interest income ⁵	(2,364)	(810)
Total pool costs	484,958	509,075
Return from fruit sales	1,643,713	1,538,999
New Zealand fruit and service payments	1,433,956	1,343,983
Zespri margin ⁷	209,757	195,016
Other non-pool revenue	3,245	2,385
Innovation funding ⁹	3,039	4,315
New Zealand kiwifruit corporate revenue	216,041	201,716
Less corporate overhead expenses:		
Innovation	12,344	11,651
Class 2 mainpack subsidy	96	10
Overhead costs – onshore	71,956	70,059
Overhead costs – offshore	70,742	61,781
Allocated excess taxation	1,832	–
New Zealand kiwifruit corporate overhead expense	156,970	143,501
Zespri EBIT and loyalty premium from New Zealand kiwifruit segment	59,071	58,215
Loyalty premium	34,101	36,047
Zespri EBIT from New Zealand kiwifruit	24,970	22,168
Non-New Zealand supply segment ⁸		
Revenue from non-New Zealand supply kiwifruit	263,688	216,533
Less non-New Zealand supply costs:		
Direct costs including fruit purchases	236,319	189,385
Overhead costs	18,160	15,296
	254,479	204,681
EBIT from non-New Zealand supply segment	9,209	11,852

Alternative Revenue Statement (continued)

	2017/18	2016/17
New cultivars segment		
New cultivars licence revenue	101,746	67,178
New cultivars royalty income ²	20,723	16,673
New cultivars innovation funding ⁹	2,318	3,646
Revenue attributable to new cultivars	124,787	87,497
Less new cultivars costs:		
Amortisation of new cultivars	1,950	1,917
New cultivars costs ¹⁰	14,386	14,688
	16,336	16,605
EBIT from new cultivars segment	108,451	70,892
Land and buildings segment		
Income	556	705
Overhead costs	1,242	966
	1,242	966
EBIT from land and buildings segment	(686)	(261)
Zespri Group EBIT	141,944	104,651
Net interest income	1,934	2,424
Add back allocated excess taxation	1,832	–
Zespri Group profit before taxation	145,710	107,075
Taxation	43,868	33,374
Zespri Group profit after tax	101,842	73,701
Total fruit and service payments	1,433,956	1,343,983
Loyalty premium	34,101	36,047
Total fruit and service payments (including loyalty premium)	1,468,057	1,380,030

The Alternative Revenue Statement is used for management information and is the basis for the calculation of the fruit and service payments. Foreign exchange gains and losses are allocated differently from the way that they are allocated in the Financial Statements in that they are apportioned to the relevant line items above. For more detail on segment EBIT's, refer to Note 30 of the Financial Statements.

Cause of Change 2017/18 vs 2016/17 \$Millions



The 'Cause of Change' chart above outlines the increase in the return to the industry this season to \$1,570 million from \$1,454 million in 2016/17.

	\$'000
Total fruit and service payments 2016/17 (including loyalty premium)	1,380,030
Add Zespri net profit after tax 2016/17	73,701
Return to industry 2016/17	1,453,731
Movements due to change in:	
Sales price/offshore fruit loss	194,169
Market and profile mix	98,824
Volume	(162,285)
Foreign exchange	(11,636)
Other income/costs	7,590
Taxation	(10,494)
Return to industry 2017/18	1,569,899
Total fruit and service payments 2017/18	1,433,956
Add Zespri loyalty premium 2017/18	34,101
Total including loyalty premium 2017/18	1,468,057
Add Zespri net profit after tax 2017/18	101,842
Return to industry 2017/18	1,569,899

New Zealand Pool Costs as a Percentage of Pool Revenue

	2017/18	2016/17
Zespri margin (net of loyalty premium) ⁷	8.2%	7.8%
Freight	6.4%	6.6%
Insurance	0.4%	0.3%
Duty and customs	3.7%	3.9%
Other direct pool costs – onshore ²	2.9%	3.0%
Other direct pool costs – offshore	3.2%	3.7%
Promotion	6.3%	7.3%
Interest income ⁵	(0.1%)	0.0%
Total fruit and service payments (including loyalty premium)	69.0%	67.4%
	100.0%	100.0%
Revenue attributable to New Zealand pools (\$'000) ¹	2,128,671	2,048,074

- Net revenue attributable to the pools includes sales of New Zealand-grown kiwifruit, income from New Zealand collaborative marketing programmes and other pool income as noted in the Alternative Revenue Statement.
- Within 'other direct pool costs – onshore' is the 3.0 percent royalty from new cultivars on net sales for Gold3 and Green14. This royalty is made up of two components: 1.35 percent of this royalty is paid to The New Zealand Institute for Plant & Food Research Limited and 1.65 percent royalty income to the new cultivars segment in Zespri Group Limited.
- Other direct pool costs – onshore include: KVH Funding, KNZ Fees and NZKGI funding.
- The New Zealand pool funded the KVH levy. The rate was \$0.01 per tray across all varieties for 2017/18. For 2016/17 the rate was \$0.01 per tray for Class 1 Green and \$0.02 per tray for Class 1 Gold sold in markets other than Australia and New Zealand. The levy for biosecurity readiness and response activities is \$0.006 per tray for all varieties sold in markets other than Australia and New Zealand.
- Interest income is made up of the following: interest income of \$2.57 million, interest paid of \$0.09 million and an interest charge from Zespri corporate of \$0.12 million. This results in an overall interest income to the pools of \$2.36 million.
- KNZ is the statutory board funded under Regulation 39 of the Kiwifruit Export Regulations 1999. NZKGI is the kiwifruit grower representation body and Zespri Group Limited is required by the Commodity Levies (Kiwifruit) Order 2012 to pay a levy to NZKGI on behalf of New Zealand growers. The rate for the 2017/18 year was \$0.01 per tray of kiwifruit sold in markets other than Australia and New Zealand.
- Zespri margin is calculated in accordance with the New Zealand Supply Agreement, being 5.0 percent of net sales (excluding collaborative marketing programmes) and 7.75 percent of fruit payments to suppliers.
- Further analysis of non-New Zealand-grown supply is available within the segment reporting in Note 30 of the Financial Statements.
- Innovation funding has been split between the New Zealand kiwifruit segment and the new cultivars segment based on the segment activity (refer Note 2(b) and Note 30 of the Financial Statements).
- New cultivars costs include overhead costs and innovation costs (refer to Note 30 of the Financial Statements).

FINANCIAL STATEMENTS AND STATUTORY INFORMATION

For the year ended 31 March 2018

Your Directors take pleasure in presenting the Financial Statements of the Company and its subsidiaries (collectively Zespri Group) and Statutory Information for the year ended 31 March 2018.

For and on behalf of the Directors



P J McBride
Chairman



J P Mason
Director



Independent Auditor's Report

To the Shareholders of Zespri Group Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Zespri Group Limited (the Group) on pages 13 to 45:

- i. Present fairly in all material respects the Group's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. Comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- The consolidated balance sheet as at 31 March 2018;
- The consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the Group in relation to taxation and regulatory assurance. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$4.5 million determined with reference to a benchmark of Group Net Profit before Tax. We chose the benchmark because, in our view, this is a key measure of the Group's performance.



Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the Shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter

How the matter was addressed in our audit

Operating Revenue (\$2,419 million)

Refer to Notes 1(c) and 2(a) to the Financial Report.

Key operating revenue streams include sales of kiwifruit (\$2,319 million) and sales of Zespri Plant Variety Right licences (\$100 million).

The Group recognises revenue from sales of kiwifruit and licences when the risks and rewards of ownership have passed to the customer or grower. Sales revenue is recorded at the invoiced price of the kiwifruit less any rebates and discounts provided to a customer.

Sales revenue is generated from customers in many markets. There is a risk that revenue may be recognised or measured incorrectly due to the complexities of selling under a range of different commercial terms, currencies and shipping arrangements.

Plant Variety Licences are allocated to growers who submit the highest bids in a tender process run by the Group. There is risk that licence revenue is incorrectly recognised as judgement is required to determine the point that risks and rewards of ownership of the license transfer to the successful growers.

Our audit procedures included:

- Reviewing processes and controls for New Zealand sourced sales operations and Zespri Global Supply activities, including customer acceptance processes;
- Assessing the recognition criteria against applicable accounting standards;
- Verifying accuracy of sales data by vouching to cash receipts on a sample basis;
- Using Data and Analytics tools to analyse kiwifruit sales revenue including rebates and discounts per tray by variety and customer to identify unusual transactions to challenge;
- Testing cut off around balance date to ensure sales are recognised in the correct period; and
- Testing a sample of licence sales by agreeing them to bid documentation and confirming payment has been received.

We did not identify any material misstatements in relation to operating revenue.



Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information may include the Corporate Governance, Alternative Revenue Statement, Cause of Change, Pool Cost Analysis, Statutory Information and the Annual Review. Our opinion on the consolidated financial statements does not cover any 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 in the audit or otherwise appears materially misstated. If, based on the work we have performed, 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.



Use of this independent auditor's report

This independent auditor's report is made solely to the Shareholders as a body. Our audit work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the independent 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 Shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

- The preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- Implementing necessary internal control to enable the preparation of a set of consolidated financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- 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 independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Ian Proudfoot.

For and on behalf of



Auckland

22 May 2018

Income Statement and Statement of Comprehensive Income

Income Statement	Notes	2018 \$'000	2017 \$'000
Operating revenue	2(a)	2,418,499	2,288,996
Other revenue	2(b)	29,204	26,067
Operating expenses	3	(2,364,738)	(2,243,128)
Other net gains	5	57,389	30,976
Operating profit before taxation		140,354	102,911
Finance revenue	6(a)	6,592	5,275
Finance expense	6(b)	(1,236)	(1,111)
Net profit before taxation		145,710	107,075
Taxation expense	7(a)	(43,868)	(33,374)
Net profit after taxation		101,842	73,701
Earnings per share: basic and diluted	8	\$0.844	\$0.611

Statement of Comprehensive Income	2018 \$'000	2017 \$'000
Profit for the year	101,842	73,701
Total comprehensive income for the year	101,842	73,701

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

Balance Sheet

Balance Sheet at 31 March	Notes	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	23(b)	153,714	187,010
Accounts receivable	12	73,586	67,348
Income tax receivable		4,335	21,317
Other financial assets	14(a)	51,588	52,021
Prepayments	13	36,118	20,454
Inventories	15	46,808	55,832
		366,149	403,982
Non-current assets			
Accounts receivable	12	33,662	50,789
Other financial assets	14(a)	57,473	44,305
Property, plant and equipment	16	27,216	18,263
Intangibles	17	33,615	31,275
Deferred tax assets	7(b)	2,834	4,163
Prepayments	13	6,666	603
		161,466	149,398
Total assets		527,615	553,380
Current liabilities			
Accounts payable and accruals	19	194,301	215,755
Income tax payable		9,062	35,346
Provisions and insurance liabilities	20	42,422	30,926
Other financial liabilities	14(b)	51,588	51,967
		297,373	333,994
Non-current liabilities			
Accounts payable and accruals	19	1,913	1,483
Provisions and insurance liabilities	20	149	593
Deferred tax liabilities	7(b)	2,367	1,032
Other financial liabilities	14(b)	57,473	44,305
		61,902	47,413
Equity			
Share capital		3,160	18,017
Retained earnings	9	165,180	153,956
		168,340	171,973
Total liabilities and equity		527,615	553,380

The above Balance Sheet should be read in conjunction with the accompanying notes.

The Financial Statements were authorised for issue by the Directors of Zespri Group Limited on 22 May 2018.

Authorised for, and on behalf of, the Board:



P J McBride
Chairman



J P Mason
Director

Statement of Changes in Equity

Statement of Changes in Equity	Notes	Share capital	Retained earnings	Total
		\$'000	\$'000	\$'000
Attributable to shareholders:				
Balance at 1 April 2017		18,017	153,956	171,973
Comprehensive income:				
Net profit after taxation		–	101,842	101,842
Total comprehensive income for the year		–	101,842	101,842
Transactions with owners:				
Purchase of shares as Treasury Stock from shareholders	10	(14,857)	–	(14,857)
Dividends paid during the year	11	–	(90,618)	(90,618)
Total transactions with owners in their capacity as owners		(14,857)	(90,618)	(105,475)
Balance at 31 March 2018		3,160	165,180	168,340
Balance at 1 April 2016		18,017	112,858	130,875
Comprehensive income:				
Net profit after taxation		–	73,701	73,701
Total comprehensive income for the year		–	73,701	73,701
Transactions with owners:				
Dividends paid during the year	11	–	(32,603)	(32,603)
Total transactions with owners in their capacity as owners		–	(32,603)	(32,603)
Balance at 31 March 2017		18,017	153,956	171,973

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

Statement of Cash Flows

Statement of Cash Flows	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash was provided from:			
Receipts from sales		2,299,538	2,240,606
Receipts from sales of Zespri licences		106,035	27,286
Receipts from research co-funding		6,361	11,682
Other sundry items		6,676	8,417
Insurance receipts – reinsurance assets		106	479
Proceeds from derivatives		58,780	55,143
Taxation refunded		9,353	2,179
		2,486,849	2,345,792
Cash was applied to:			
Payments to contracted suppliers – New Zealand-grown fruit		1,493,282	1,393,621
Payments to contracted suppliers – non-New Zealand-grown fruit		203,582	160,319
Payments to other suppliers and employees		639,827	682,362
Insurance claims – reinsurance liabilities		6,285	5,251
Taxation paid		59,855	25,225
		2,402,831	2,266,778
Net cash provided from operating activities	22	84,018	79,014
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and intangibles		169	22
		169	22
Cash was applied to:			
Purchase of property, plant and equipment		12,571	4,606
Purchase of intangible assets		13,545	9,993
		26,116	14,599
Net cash used in investing activities		(25,947)	(14,577)
Cash flows from financing activities			
Cash was provided from:			
Interest received		4,582	3,950
		4,582	3,950
Cash was applied to:			
Interest paid		124	395
Minority buy-out		14,857	–
Dividend payments	11	90,618	32,603
		105,599	32,998
Net cash used in financing activities		(101,017)	(29,048)
Net (decrease)/increase in cash held		(42,946)	35,389
Effects of exchange rate changes on foreign currency cash balances		9,650	(13,406)
Add opening cash brought forward		187,010	165,027
Ending cash carried forward		153,714	187,010
Represented by:			
Cash and cash equivalents	23(b)	153,714	187,010
		153,714	187,010

The above Statement of Cash Flows should be read in conjunction with the accompanying notes. The comparative information (2017) within the Statement of Cash Flows does not correspond to the 2016/17 Financial Statements due to a change in classification of cash flow movements.

Notes to the Financial Statements

1. Summary of significant accounting policies

Statement of compliance

The Financial Statements are a consolidation of Zespri Group Limited ('the Company') and its subsidiaries (collectively 'Zespri Group'). The Company is domiciled in New Zealand and is a profit-oriented entity incorporated under the Companies Act 1993 of New Zealand. Zespri Group's primary activity is the purchase, export and marketing of fresh kiwifruit.

The Financial Statements of the Group have been prepared in accordance with the Financial Markets Conduct Act 2013 and Financial Reporting Act 2013.

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS).

The Financial Statements and Notes to the Financial Statements are presented in New Zealand Dollars, the functional and presentational currency of the Group.

Basis of preparation

The following accounting principles have been followed in the preparation of the consolidated Financial Statements:

- Historical cost basis, modified by the revaluation of certain items as identified in the specific accounting policies below; and
- Accrual accounting.

The Directors and management have reviewed the Zespri Group current business plans, financial forecasts and related assumptions for the next 12 months and beyond, and are satisfied that it is appropriate for reliance to be placed on the fact that Zespri Group is a going concern.

Use of estimates and judgements

The preparation of Financial Statements and related disclosures that conform with NZ IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements. Judgement is applied in determining estimates and the application of accounting standards.

Critical accounting estimates in applying significant accounting policies

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom exactly equal the related actual results.

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Because judgement is applied, actual results could differ from estimates made. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately in the Income Statement.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in accounting for new variety licence revenue, taxation, accounts receivable, accounts payable and accruals, provisions, derivatives and contingent liabilities. Assumptions applied, methods used and uncertainties pertaining to these areas are discussed in the related specific accounting policies below, and in Notes 2: Revenue, 7: Taxation, 12: Accounts receivable, 14: Financial assets and liabilities, 17: Intangibles, 19: Accounts payable and accruals, 20: Provisions and insurance liabilities, 23: Financial instruments, and 24: Guarantees and contingent liabilities.

Specific accounting policies

The principal accounting policies adopted in the preparation of the Financial Statements are set out below:

(a) Basis of consolidation

The consolidated Financial Statements include the results and balances of all entities over which the Company and its subsidiary companies (refer Note 18) have control. All companies in Zespri Group are wholly owned by companies within the Group and, therefore, are ultimately fully controlled by the Company.

All subsidiaries have been incorporated and consolidated at inception by Zespri Group companies. No subsidiaries have been obtained by acquisition. The results and balances of subsidiaries are included in the consolidated Financial Statements of Zespri Group from the date of inception.

All inter-company transactions are eliminated on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(b) Indirect tax

The Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and Balance Sheet have been presented so that all components are stated net of indirect tax (such as Goods and Services Tax (GST) and Value Added Tax (VAT)) where such taxes can be reclaimed from the relevant authorities with the exception of receivables and payables, which include indirect tax invoiced.

Notes to the Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(c) Revenue recognition

Revenue is recognised as follows:

- (i) Sale of goods and licences: Sales revenue (including collaborative marketing sales) is recognised when the risks and rewards of ownership of the goods or licences have passed to the customer or grower. Sales revenue reflects the fair value of the sale of goods, net of rebates and discounts.
- (ii) Interest: Interest income is recognised on a time-proportion basis using the effective interest method.
- (iii) Royalties: Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(d) Co-funding

Co-funding is recognised as follows:

- (i) Research co-funding, including research co-funding from government grants, relating to research and development costs is recognised over the period necessary to match it with the costs that it is intended to compensate.

Where research and development expenditure is expensed in the Income Statement, co-funding income to which it relates is shown separately as income. Where research and development costs are capitalised as intangible assets, co-funding income is netted off the expenses being capitalised.

- (ii) Co-funding income is recognised only when there is reasonable assurance that any conditions attached to the co-funding have been complied with, and that the co-funding will be received.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for the intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the Income Statement in the period in which they have been incurred.

(f) Earnings per share

Basic earnings per share are calculated by dividing net profit after tax by the weighted average number of shares outstanding during the year. In the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares.

(g) Taxation

- (i) Current tax payable or receivable:

Current tax is calculated by reference to the amount of income taxes payable or receivable in respect of the taxable profit or tax loss for the period in the tax jurisdictions in which Zespri Group companies operate. It is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Income taxes payable or receivable are shown net where there is a legal right of offset for balances recognised in the same tax jurisdiction.

- (ii) Deferred tax:

Deferred income tax is provided in full using the balance sheet method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets or liabilities are shown net where there is a legal right of offset for balances recognised in the same tax jurisdiction.

- (iii) Current and deferred tax for the period:

Current and deferred tax is recognised as an expense or income in the Income Statement, except when it relates to items credited or debited directly to equity, in which case the related tax is also recognised directly in equity.

Notes to the Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(h) Foreign currency translation

(i) Functional and presentational currency:

Transactions in each of Zespri Group's companies are measured using the currency of the primary economic environment in which the entity operates. The functional currency of foreign operations is also considered in light of its dependence on the Company. All Zespri Group companies are currently deemed to have New Zealand Dollars as both their functional and presentational currencies.

(ii) Transactions and balances in functional currency:

Foreign currency transactions are translated into the functional currency of each entity using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions during the year and from the translation of monetary assets and liabilities at balance date are recognised in the Income Statement.

Non-monetary items held at historical cost are translated using the historical exchange rate at the date of the transaction.

(i) Share capital

On the issue of shares, the value of the shares issued at the issue price is recognised in shareholders' equity.

Costs associated with the issue of shares are recognised (net of any tax deduction) as a deduction from the amount collected from the share issue.

(j) Dividends

Dividends are reported as a movement in shareholders' equity in the period in which they are declared by the Board of Directors.

(k) Other reserves

Retained earnings are set aside in other reserves where the Board of Directors resolves to separate certain funds from those able to be distributed from retained earnings.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits, and short-term investments that are readily convertible to known amounts of cash.

Bank overdrafts are shown within borrowings in current liabilities.

(m) Accounts receivable and payable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for doubtful debts.

Collectability of accounts receivable is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

The movement in the provision is recognised in the Income Statement. When a receivable is uncollectable, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Accounts payable are initially measured at fair value and subsequently measured at amortised cost.

(n) Inventories

Inventories are valued at the lower of cost or net realisable value. Costs incurred in bringing inventory to its present location and condition are accounted for at purchased cost on a first-in first-out basis. Borrowing costs are excluded.

(o) Derivatives

Zespri Group may reduce its exposure to fluctuations in foreign currency exchange rates and commodity prices affecting operating costs, through the use of derivatives. Derivatives are not entered into for speculative purposes.

Derivatives able to be utilised under the Treasury Management Policy include interest rate swaps, oil swaps, foreign exchange options and forward contracts.

Zespri Group's policy is to manage risk from an economic perspective. As a result, Zespri Group manages the risks of net positions subject to market risks. Hedge accounting has not been applied. As a result, all derivatives are required to be classified as 'held for trading', and are measured at fair value with changes recognised through the Income Statement.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedging derivative is for more than 12 months, and as a current asset or liability when the remaining maturity of the hedging derivative is for less than 12 months.

Notes to the Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(o) Derivatives (continued)

(i) Recognition and derecognition:

Derivatives are recognised initially and subsequently at fair value, with changes in fair value of derivatives recognised in the Income Statement. The fair value of all financial instruments is recorded in the Balance Sheet. Derivatives are derecognised when the contractual rights or obligations relating to the cash flow expire.

(ii) Embedded derivatives:

Embedded derivatives are derivatives that are included within the terms of a non-derivative host contract. They affect the cash flows of the combined instrument in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified index, price, rate or other variable.

Companies within Zespri Group enter into contracts in the normal course of their operations. Within some of these contracts are embedded derivatives. Where the embedded derivatives are deemed to be closely related to the host contract, they are not valued or recognised separately from the accounting required for the host contract in the Financial Statements. Embedded derivatives deemed not to be closely related to the host contract are accounted for as if they were stand-alone derivatives.

(iii) Fair value estimation:

The fair value of derivatives traded in an active market are based on a price within the bid-ask spread that is most representative of fair value (refer Note 14).

The fair value of forward foreign exchange contracts is determined using quoted forward foreign exchange rates, option volatilities and interest rate yield curves at balance date.

The fair value of derivatives that are not traded in an active market is determined by using valuation techniques as specified at Note 23, adjusted for credit risk of the counter-party.

(p) Property, plant and equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of assets constructed by Zespri Group includes the cost of all materials used in construction and direct labour on the project, and financing costs that are directly attributable to the project. Costs cease to be capitalised as soon as the asset is ready for productive use.

The major asset classes are land and improvements, buildings, leasehold improvements, plant and equipment, motor vehicles and capital work in progress.

(q) Depreciation

Depreciation is provided on a straight-line basis at rates calculated to allocate the cost of assets over their estimated useful lives. Capital work in progress is not depreciated until the work is complete and the asset is fit for its intended use. The estimated useful lives used for depreciation purposes are as follows:

Buildings	Lower of 50 years or useful life of the building
Leasehold improvements	Lower of 10 years or unexpired portion of lease
Plant and equipment	2–10 years
Motor vehicles	5 years

The useful life and residual value of property, plant and equipment are reviewed annually. Any change required as a result in the change of these estimates is recognised in the Income Statement during the period.

(r) Intangibles

(i) Research and development costs:

Research expenditure is expensed in the period incurred. Development costs are capitalised as internally generated intangible assets where future benefits are expected to exceed those costs; otherwise, development costs are expensed in the period incurred.

Development costs include costs relating to the development and production for Zespri-developed cultivars. Costs capitalised include those of budwood, legal fees and costs of obtaining Plant Variety Rights less any research co-funding received in respect of this expenditure. Development costs capitalised as an internally generated intangible asset have finite useful lives and are carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of five years.

Notes to the Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(r) Intangibles (continued)

(ii) Computer software:

Zespri Group purchases and develops software for use in its own business only. Because the software is without physical substance and is not linked to a producing asset with substance, it is classified as an intangible asset.

The cost of computer software acquired is the value of the purchase price to acquire the assets, and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of software developed by, and for the use of, Zespri Group includes the cost of all materials used to develop the software, direct labour on the project and financing costs that are directly attributable to the project. Computer software has a finite useful life and is carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of three to five years.

(iii) Intangibles work in progress:

Intangibles work in progress is not amortised until work is complete and the asset is fit for its intended use.

The useful life and residual value of intangibles are reviewed annually. Any change required as a result in the change of these estimates is recognised in the Income Statement during the period.

(s) Impairment of non-financial assets

Non-financial assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

For impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised when the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(t) Employee benefits

Employee entitlements to salaries and wages, bonuses, annual leave, contributions to defined-contribution pension schemes and other accumulating benefits are recognised when they accrue to employees. Liabilities for employee benefits are carried at the value of the estimated future cash flows required to settle the obligation arising from services rendered by employees up until balance date.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(u) Provisions and insurance cover offered

Provisions

Zespri Group records provisions when: it has a legal or constructive obligation to satisfy a claim as the result of a past event; it is more likely than not that an outflow of resources will be required to satisfy the obligation; and a reliable estimate of the amount can be made. The amount recognised as a provision is the net present value of the best estimate of the outflows required to settle the obligation.

Insurance cover offered

(i) Marine cargo insurance:

The Company insures New Zealand contractors to the New Zealand Supply Agreement for loss of kiwifruit resulting from specific risks between picking and 'Free on board stowed' (FOBS). The annual period of cover is from 1 April to 31 March the following year. Zespri Group purchases marine cargo insurance as reinsurance of this risk. The terms of cover are contained in the annual New Zealand Supply Agreement issued every year to New Zealand-contracted suppliers.

An insurance liability is recognised to the extent of the estimated future cash flows that may be required to settle claims from New Zealand-contracted suppliers and related costs. An expense is recognised for known liabilities under the terms of insurance, and estimated for claims made but not yet settled. Claims are expected to be settled within one year. There is no discounting or inflation adjustment in measuring the liability because of the short settlement period.

An insurance asset and resultant revenue, relating to claims made pre-FOBS, are recognised to the extent of the estimated future cash flows that may be receivable from Zespri Group's insurer as a result of known claims made against the Reinsurance Policy.

(ii) Hail insurance:

The Company insures New Zealand contractors to the New Zealand Supply Agreement annually for kiwifruit lost as a result of hail during the New Zealand growing period. The period of cover is from 1 August to 30 June the following year. The terms of cover are contained in the annual New Zealand Supply Agreement.

An insurance liability is recognised to the extent of the estimated future cash flows that may be required to settle claims and related costs. An expense is recognised for known liabilities under the terms of insurance, and estimated for claims made but not yet settled. Claims are settled at the end of the insurance period. There is no discounting or inflation adjustment in measuring the liability because of the short settlement period.

Notes to the Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(v) Leases

Zespri Group leases premises, certain plant and equipment, and motor vehicles. Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are included in the Income Statement in equal instalments over the lease term. Lease payments are shown net of any receipts earned from the subleases of these assets.

The cost of improvements to leasehold property is capitalised, disclosed as leasehold improvements and depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

(w) Statement of Cash Flows

The following definitions are the terms used in the Statement of Cash Flows:

- (i) Cash and cash equivalents are considered to be cash on hand, current accounts and short-term money market deposits in banks, net of bank overdrafts.
- (ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangibles and investments. Investments can include securities not falling within the definition of cash.
- (iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of Zespri Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- (iv) Operating activities include all transactions and other events that are not investing or financing activities.

(x) Segment reporting

Zespri Group determines its reportable segments by reference to the internal reporting of the activities of the Group to the Board of Directors, the chief operating decision-maker, as defined in NZ IFRS 8 (Operating Segments). Reportable segments have been determined to follow the strategic business lines of the Group, which also reflect groups of similar products and services. Zespri Group has four reportable segments:

- (i) New Zealand kiwifruit: all activities related to the production and sale of New Zealand-grown kiwifruit varieties, other than activities included in the new cultivar segment. Activities include but are not limited to innovation, procurement, transport, marketing, selling and administration overheads.
- (ii) Non-New Zealand supply: all activities related to the production and sale of non-New Zealand-grown kiwifruit varieties, other than activities included in the new cultivar segment. Activities include but are not limited to innovation, production, procurement, transport, marketing, selling and administration overheads.
- (iii) New cultivars: all pre-commercialised activities related to any Zespri PVR kiwifruit. Activities include but are not limited to innovation, production, procurement, transport, marketing, selling and administration overheads. It also covers activities related to the selling and administration of PVR licences, and the associated on-going royalty income.
- (iv) All other segments: all other segments not covered above including ownership of land and buildings.

(y) Changes in accounting policies, disclosures and legislation

Certain new standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the Accounting Standards Review Board in New Zealand (ASRB) have been published which will be mandatory for the Group in the accounting period beginning on or after 1 April 2018.

The following standards are not yet effective and have not been early adopted by the Group, but will be applicable to the Group:

- NZ IFRS 9 (Financial Instruments) – effective on or after 1 January 2018. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. Zespri Group will apply the new standard from 1 April 2018.
- NZ IFRS 15 (Revenue from Contracts with Customers) – effective on or after 1 January 2018. These amendments do not change the underlying principles of NZ IFRS 15 Revenue from Contracts with Customers but clarify how those principles should be applied. The clarifications address four areas: identifying performance obligations; principal vs agent considerations; licences of intellectual property; and transition. Zespri Group will apply the new standard from 1 April 2018.
- NZ IFRS 16 (Leases) – effective on or after 1 January 2019. This standard fundamentally changes the accounting treatment of leases by lessees as it eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Therefore, lessees will appear to become more asset-rich, but also more heavily indebted, and lessor accounting remains similar to current practice with lessors continuing to classify leases as finance and operating leases. There are also changes in accounting over the life of the lease. Zespri Group will apply the new standard from 1 April 2019.

Management has assessed the impact of the above-mentioned accounting policies. None of these policies are expected to have a significant effect on the consolidated Financial Statements of the Group.

Notes to the Financial Statements (continued)

2. Revenue

(a) Operating revenue	2018 \$'000	2017 \$'000
Sale of kiwifruit (at spot foreign exchange rates):		
New Zealand-grown kiwifruit	2,037,532	1,985,689
Non-New Zealand-grown kiwifruit	263,881	215,401
Collaborative marketing	17,191	19,141
Total revenue from kiwifruit product sales	2,318,604	2,220,231
Sale of Zespri Plant Variety Right licences ¹	99,580	65,521
Revenue from branding royalties	52	150
Insurance revenue ²	263	3,094
	2,418,499	2,288,996

¹ The sale of Zespri PVR licences is recognised when the risks and rewards of ownership of the licences have passed to the customer. The total licence fee receivable at 31 March 2018 is \$52,806,250 (2017: \$58,380,203) with payment due over the next three years.

² Insurance revenue includes revenue received or receivable on policies taken out for pre-FOBS and post-FOBS kiwifruit losses.

(b) Other revenue	2018 \$'000	2017 \$'000
Gain on sale of assets	17	20
Zespri Plant Variety Right royalty income	20,723	16,673
Co-funding from the Foundation for Research, Science and Technology	–	965
Co-funding from Callaghan Innovation for research and development ¹	5,007	5,357
Co-funding from Kiwifruit Vine Health Incorporated for Psa research	–	1,158
Co-funding for other projects	350	481
Other income	3,107	1,413
	29,204	26,067

¹ On 19 October 2015 Zespri Group Limited entered into a co-funding research and development agreement with Callaghan Innovation. The agreement had an initial term of three years and a Callaghan Innovation contribution value of up to \$15,000,000 (excluding GST) over the three years. On 12 February 2018 Zespri Group Limited entered into a two year extension with an additional Callaghan Innovation contribution value of up to \$10,000,000 (excluding GST) over a further two-years. This provides a maximum contribution value of up to \$25,000,000 (excluding GST) over five years. Zespri Group recognises Callaghan Innovation contributions as co-funding revenue in the year the associated research and development is incurred.

3. Operating expenses

	Notes	2018 \$'000	2017 \$'000
Zespri Group's operating expenses include the following (at spot foreign exchange rates):			
Bad debts written off/movement in provision for doubtful debts		–	3,259
Commissions		17,878	19,199
Directors' fees		821	798
Employee remuneration and benefits		69,792	59,935
Employee remuneration and benefits – defined contribution plan		1,287	1,297
Fruit and service payments – New Zealand-grown kiwifruit ¹		1,433,956	1,343,983
Fruit purchases – non-New Zealand-grown kiwifruit		203,475	160,133
Loss on sale of assets		894	146
Loyalty Premium – New Zealand-grown kiwifruit	20	34,101	36,047
Promotion		134,957	150,879

¹ Contracted-supplier fruit returns by means of fruit and service payments reflect the value of sales from New Zealand-grown kiwifruit after deducting those expenses defined under the annual New Zealand Supply Agreement, including derivative gains and losses.

Notes to the Financial Statements (continued)

4. Fees to auditors

Fees are paid to the auditors of the Company and its subsidiaries for the audit of the Financial Statements and for other services. The auditor of the Group is KPMG.

	2018 \$'000	2017 \$'000
Audit services:		
Audit of the Financial Statements of the Group – KPMG NZ	209	219
Audit of the Financial Statements of the Group's subsidiaries – KPMG network firms	140	107
Total audit fees	349	326
Audit-related services:		
Other assurance services ¹	52	39
Total audit fees and audit-related services	401	365
Non-audit-related services:		
Taxation consulting and compliance services	13	33
Report to PWC on IT General Controls (for PWC pool audit)	3	–
Training courses	–	10
Total non-audit-related services	16	43
Total fees paid to the Company's auditors	417	408

¹ Other assurance services include a review engagement related to the Callaghan Innovation Growth Grant, assurance related to the March 2018 Special Meeting Vote, agreed upon procedures related to the share trading platform, 2017 Annual Meeting and an assurance engagement in relation to overhead allocations between segments.

Other audit fees of \$31,257 (2017: \$137,167) have been paid to other auditors to meet local audit requirements.

5. Other net gains

	2018 \$'000	2017 \$'000
Net gains from derivatives	49,174	55,250
Net foreign exchange gains/(losses) from non-derivatives	8,215	(24,274)
Total other net gains	57,389	30,976

6. Finance revenue and expense

(a) Finance revenue	2018 \$'000	2017 \$'000
Interest revenue ¹	6,592	5,275
Total finance revenue	6,592	5,275

(b) Finance expense	2018 \$'000	2017 \$'000
Interest expense	124	395
Fee expense	1,112	716
Total finance expense	1,236	1,111

¹ Interest revenue includes short-term deposits of \$4,425,908 (2017: \$3,616,602) and implied interest on deferred licence revenue of \$2,165,690 (2017: \$1,658,123).

Notes to the Financial Statements (continued)

7. Taxation

(a) Taxation expense	2018 \$'000	2017 \$'000
Net profit before taxation	145,710	107,075
Taxation at 28%	40,799	29,981
Tax effect of:		
Non-deductible or non-assessable items	417	806
Translation differences on foreign tax	(349)	498
Tax under provided in prior year	1,328	83
Foreign income at different tax rates	923	1,868
Movement in distribution of accumulated retained earnings of subsidiaries	750	138
Taxation expense	43,868	33,374
Effective tax rate	30.1%	31.2%
Taxation expense is represented by:		
Current taxation expense:		
Current income tax charge	39,808	40,693
Adjustments of prior years	1,328	83
Deferred taxation expense:		
Origination/(reversal) of temporary differences	2,732	(7,402)
Taxation expense	43,868	33,374

The 28 percent tax rate used above is the corporate tax rate payable by New Zealand corporate entities on taxable profit under New Zealand tax law.

(b) Components of deferred taxation	2018 \$'000	2017 \$'000
Property, plant and equipment, and intangibles	(2,750)	(3,095)
Inventories and receivables	(215)	2,016
Retained earnings in subsidiaries	(1,416)	(1,019)
Provisions and accruals	4,531	3,814
Other financial assets and liabilities	(1,090)	(66)
Employee entitlements	1,407	1,481
Net deferred assets	467	3,131
Deferred tax assets	2,834	4,163
Deferred tax liabilities	(2,367)	(1,032)
Net deferred assets	467	3,131

(c) Net change in deferred tax balances	2018 \$'000	2017 \$'000
Net deferred liabilities at 1 April	3,131	(4,061)
Charged to Income Statement	(2,732)	7,402
Exchange differences and other	68	(210)
Net deferred assets at 31 March	467	3,131

All movements have been charged to the Income Statement. No movements have been recorded directly within equity.

Notes to the Financial Statements (continued)

7. Taxation (continued)

(d) Tax credits available to shareholders	2018 \$'000	2017 \$'000
New Zealand imputation credit account		
Balance at 1 April credit	11,204	2,220
Income tax payments made to New Zealand tax authorities during the year	25,255	16,000
Imputation credits attached to dividends paid	(35,125)	(3,746)
Transfers/refunds	–	(3,270)
Balance at 31 March credit	1,334	11,204
Total tax credits available for use at 31 March	1,334	11,204

On 22 May 2018 the Board of Directors announced an intention to declare a dividend of 18.0 cents per share which will not be recognised in the Financial Statements until July 2018, when it is declared. It is intended that the dividend will be fully imputed and imputation credits of \$8,325,558 will be required to fully impute the dividend.

The imputation credits required for the 2017/18 final dividend will be available due to tax payments made during the 2018/19 financial year.

8. Earnings per share

	2018	2017
Net profit after taxation attributable to shareholders (\$'000)	101,842	73,701
Weighted average shares ('000)	120,717	120,717
Basic and diluted average per share (\$)	0.844	0.611

9. Reconciliation of movements in retained earnings

Retained earnings	Notes	2018 \$'000	2017 \$'000
Balance at 1 April		153,956	112,858
Dividend paid during the year	11	(90,618)	(32,603)
Net profit after taxation attributable to shareholders		101,842	73,701
Balance at 31 March		165,180	153,956

10. Share capital

(a) Number of shares issued	Notes	2018 No. of shares	2017 No. of shares
Number of authorised and fully paid issued ordinary shares at 31 March, at no par value		118,936,547	120,717,335
Treasury Stock		1,780,788	–
Balance at 31 March		120,717,335	120,717,335
(b) Share capital value			
Share capital		18,017	18,017
Balance at 31 March		18,017	18,017
(c) Treasury Stock			
Treasury Stock at 1 April		–	–
Treasury Stock purchased through minority buy-out right	20	(14,857)	–
Balance at 31 March		(14,857)	–

Notes to the Financial Statements (continued)

10. Share capital (continued)

Ordinary shares: All ordinary shares rank equally, subject to the voting cap, and are classified as equity. Each shareholder is entitled to one vote per ordinary share up to a maximum that is calculated by reference to that shareholder's share of total New Zealand production supplied to Zespri Group. Incremental costs that are directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds of the share issue.

Where the Group purchases its own equity share capital (Treasury shares), the consideration paid (which includes any directly attributable incremental costs) is deducted from equity attributable to the shareholders until the shares are cancelled or reissued. Where such shares are reissued, any consideration that is received, net of directly attributable incremental costs, is included in equity attributable to shareholders.

As at 31 March 2018, Zespri Group Limited holds 1,780,788 ordinary shares as Treasury Stock (2017: Nil). All voting and dividend rights for Treasury Stock are suspended until such time the shares are reissued or cancelled.

Following the constitutional amendments approved by shareholders in March 2018, the Company's Constitution now provides that three years from a shareholder ceasing to be a producer (or seven years in the case of existing non-producer shareholders at the time of the shareholder vote), a shareholder's shares will be classified as B-class shares and will cease to be entitled to receive dividends. Upon such shares being sold at a later date to a producer shareholder, they will revert back to ordinary dividend-earning shares.

(d) Capital management

The Company's activities are restricted under the Kiwifruit Export Regulations 1999 in order to protect shareholders and contracted suppliers.

Because Zespri Group is a short-term borrower, capital management is restricted to the management of authorised and issued share capital, retained earnings and other reserves.

Under its Constitution, the Company may issue, buy-back, consolidate or subdivide shares. Since incorporation in 2000, the Company has:

- issued shares under the Kiwifruit Industry Restructuring Act 1999 in line with the production of New Zealand kiwifruit vines existing at the time;
- issued shares in a pro-rata offer in 2001 to obtain equity required to support activities stemming from increases in new plantings in New Zealand;
- issued shares in 2005 in a targeted offer to growers to realign shareholdings with levels of production of growers, while offering a voluntary share buy-back to dry shareholders or growers holding more shares than their proportion of production;
- transferred retained earnings to other reserves to separate funds from those available for distribution to shareholders;
- performed a share split in September 2010 to achieve a better alignment between trays supplied and total shares;
- transferred other reserves to retained earnings to cover Psa-related funding; and
- purchased shares as Treasury Stock from shareholders that triggered their Companies Act 1993 minority buy-out right following a Special Meeting approving changes to the Zespri Constitution in March 2018.

Share capital

The Regulations do not restrict the levels of share capital able to be authorised for issue by the Company. The Company's Constitution provides some restriction over the scale of individual offers for shares. To date, in line with the Kiwifruit Export Regulations 1999, shares have been issued by the Company to producing New Zealand kiwifruit growers.

As noted in (b) above, voting rights of shareholders are capped by reference to the individual shareholder's share of total New Zealand production supplied to the Company during the year. In addition, a shareholding cap was introduced in March 2018 at a Special Meeting of shareholders, limiting a shareholder's entitlement to hold shares to four shares per tray of New Zealand production supplied to the Company. Divergence between shareholdings and production can occur through the production impact of new plantings and as growers enter or exit the industry in New Zealand. This divergence is monitored by the Company at least annually, through the process of determining the voting caps of shareholders prior to the Annual Meeting of the Company.

Future issues or buy-backs may occur to support increases in core or other approved activities, or to achieve a closer alignment between production levels and shareholdings of shareholders.

Payment of dividends

Capital levels are monitored as part of the solvency tests required under the Companies Act 1993 to approve the payment of dividends to shareholders. Capital retained in the Company is measured for solvency purposes, and to determine whether the minimum level of equity retained in Zespri Group, as agreed by the Board of Directors, is maintained.

Following the approval of an updated Constitution in March 2018, dividends will not be paid to non-producer shareholders from March 2025 on shares held as at 14 March 2018. A shareholder who becomes a non-producer subsequent to this date will not receive dividends from three years following becoming a non-producer.

Notes to the Financial Statements (continued)

11. Dividends paid

	2018 \$'000	2017 \$'000
Ordinary dividends:		
On ordinary shares – final (prior year)	20,522	22,936
On ordinary shares – interim (current year)	70,013	9,658
Supplementary dividends (to non-residents)	83	9
Total dividends paid	90,618	32,603

During the year, the 2017 final dividend declared on 25 May 2017 of 17.0 cents per share, the 2018 interim dividend declared on 18 October 2017 of 8.0 cents per share and the additional interim dividend declared on 18 July 2017 of 50.0 cents per share were paid and recognised in the Financial Statements. All of these dividends were fully imputed. Supplementary dividends of \$83,470 (2017: \$9,248) were paid to shareholders not tax resident in New Zealand, for which Zespri Group received a foreign investor tax credit entitlement.

On 22 May 2018 the Board of Directors announced an intention to pay a fully imputed final dividend of 18.0 cents per share (2017: 17.0 cents per share), totalling \$21,408,578 (excludes Treasury Stock) (2017: \$20,521,947). This dividend will be paid in August 2018. Because the intention was announced after balance date, the financial effect has not been recognised in the Financial Statements.

12. Accounts receivable

	2018 \$'000	2017 \$'000
Current:		
Trade receivables	42,413	36,173
Other receivables ¹	7,296	14,032
Less: Provision for doubtful debts	–	(3,259)
	49,709	46,946
Indirect taxation	23,877	20,402
Total current receivables	73,586	67,348
Non-current:		
Trade receivables ²	33,662	50,789
Total non-current receivables	33,662	50,789
Total gross receivables	107,248	121,396
Less: Total provision for doubtful debts	–	(3,259)
Total receivables	107,248	118,137

¹ Other receivables include research and development co-funding of \$1,680,254 receivable from Callaghan Innovation (2017: \$2,336,295).

² Non-current receivables include licence revenue receivables which have deferred payment terms with payment due within the next three years. In June 2016 400 hectares of SunGold licence was released with an option to apply for deferred payment terms.

The carrying value of the items above has been determined by the Board of Directors as representative of the fair value of the assets.

The fair value of licence revenue receivables has been determined on a discounted cash flow basis.

Amounts receivable from related parties are disclosed at Note 27.

A provision for doubtful debts is recognised where there is evidence that an individual trade receivable is impaired. As at 31 March 2018, \$Nil trade receivables (2017: \$3,258,751) were impaired and provided for.

Accounts receivable past due but not impaired	2018 \$'000	2017 \$'000
Less than 3 months overdue	78	7,345
Between 3 and 6 months overdue	42	1,535
Between 6 and 12 months overdue	46	313
More than 12 months overdue	–	–
Accounts receivable past due but not impaired at 31 March	166	9,193

In certain regions a portion of accounts receivable amounts are secured by bank guarantees, trade credit insurance or other collateral, with all others being unsecured.

The 'less than 3 months overdue' and 'between 3 and 6 months overdue' amounts have reduced as a result of resolution of amounts owed by suppliers.

Notes to the Financial Statements (continued)

13. Prepayments

	2018 \$'000	2017 \$'000
Current:		
Prepaid submit payments for next season's fruit not recorded in inventory	17,988	6,877
Insurance	4,130	4,127
Option premiums	6,657	999
Other	7,343	8,451
Total current prepayments	36,118	20,454
Non-current:		
Option premiums	6,172	–
Other	494	603
Total non-current prepayments	6,666	603
Total prepayments	42,784	21,057

Option premium prepayments have increased due to the Zespri Treasury Management Committee's decision to further utilise options to hedge grower returns.

14. Financial assets and liabilities

(a) Financial assets per Balance Sheet	Notes	Loans and receivables		Assets designated at fair value through the Income Statement		Total	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Derivatives – held for trading		–	–	109,061	96,326	109,061	96,326
Accounts receivable	12	107,248	118,137	–	–	107,248	118,137
Cash and cash equivalents	23(b)	153,714	187,010	–	–	153,714	187,010
Total other financial assets		260,962	305,147	109,061	96,326	370,023	401,473
Represented by:							
Current		227,300	254,358	51,588	52,021	278,888	306,379
Non-current		33,662	50,789	57,473	44,305	91,135	95,094
Total other financial assets		260,962	305,147	109,061	96,326	370,023	401,473

(b) Financial liabilities per Balance Sheet	Notes	Liabilities at amortised cost		Liabilities designated at fair value through the Income Statement		Total	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Derivatives – held for trading		–	–	35,142	6,498	35,142	6,498
Contracted future suppliers		–	–	73,919	89,774	73,919	89,774
Accounts payable and accruals	19	196,214	217,238	–	–	196,214	217,238
Total other financial liabilities		196,214	217,238	109,061	96,272	305,275	313,510
Represented by:							
Current		194,301	215,755	51,588	51,967	245,889	267,722
Non-current		1,913	1,483	57,473	44,305	59,386	45,788
Total other financial liabilities		196,214	217,238	109,061	96,272	305,275	313,510

Notes to the Financial Statements (continued)

14. Financial assets and liabilities (continued)

Fair value of financial assets and liabilities

The fair value of financial instruments is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. Where necessary, estimated future cash flows are calculated using forward prices and interest rate yield curves. Forward prices and interest rate yields are sourced from relevant published market-observable exchange rates and interest rates applicable to the remaining life of the instrument, at the valuation date. The calculation of the fair value of financial instruments reflects the impact of credit risk where applicable.

The derivative financial instruments below have been valued using a discounted cash flow valuation methodology.

The table below presents assets and liabilities that are measured at fair value by the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on market-observable data (i.e. unobservable inputs).

Fair value of financial assets and liabilities valuation hierarchy	Level 2		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Assets				
Derivatives – held for trading	109,061	96,326	109,061	96,326
	109,061	96,326	109,061	96,326
Liabilities				
Derivatives – held for trading	35,142	6,498	35,142	6,498
Contracted future suppliers	73,919	89,774	73,919	89,774
	109,061	96,272	109,061	96,272

15. Inventories

	2018 \$'000	2017 \$'000
New Zealand-grown kiwifruit inventory (next season)	27,411	40,880
Non-New Zealand-grown kiwifruit inventory	7,819	4,581
Packaging materials	10,940	10,206
Other	638	165
Total inventories	46,808	55,832

Security pledged

Refer to Note 25 for details of security pledged by Zespri Group.

Notes to the Financial Statements (continued)

16. Property, plant and equipment

	Land and improvements	Leasehold improvements	Buildings	Plant and equipment	Motor vehicles	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net book value 1 April 2017	9,587	1,379	1,680	2,556	547	2,514	18,263
Depreciation expense	(19)	(816)	(585)	(1,197)	(159)	–	(2,776)
Additions	–	672	–	1,058	78	10,763	12,571
Disposals (net)	–	(4)	(772)	(66)	–	–	(842)
Transfers (net)	–	–	–	43	–	(43)	–
Net book value 31 March 2018	9,568	1,231	323	2,394	466	13,234	27,216
Cost as at 31 March 2018	9,610	3,293	2,771	8,902	852	13,234	38,662
Accumulated depreciation	(42)	(2,062)	(2,448)	(6,508)	(386)	–	(11,446)
Net book value 31 March 2018	9,568	1,231	323	2,394	466	13,234	27,216
Net book value 1 April 2016	9,578	946	2,373	2,593	371	564	16,425
Depreciation expense	(21)	(548)	(684)	(1,210)	(122)	–	(2,585)
Additions	30	744	–	1,112	300	2,332	4,518
Disposals (net)	–	(53)	(9)	(31)	(2)	–	(95)
Transfers (net)	–	290	–	92	–	(382)	–
Net book value 31 March 2017	9,587	1,379	1,680	2,556	547	2,514	18,263
Cost as at 31 March 2017	9,610	2,628	3,834	8,974	938	2,514	28,498
Accumulated depreciation	(23)	(1,249)	(2,154)	(6,418)	(391)	–	(10,235)
Net book value 31 March 2017	9,587	1,379	1,680	2,556	547	2,514	18,263

Security pledged

Refer to Note 25 for information on non-current assets pledged as security by Zespri Group.

Notes to the Financial Statements (continued)

17. Intangibles

	Development costs	Computer software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Net book value 1 April 2017	4,243	24,096	2,936	31,275
Amortisation expense	(1,943)	(9,016)	–	(10,959)
Impairment expense	–	–	–	–
Additions	848	2,967	9,730	13,545
Disposals (net)	–	(246)	–	(246)
Transfers	25	2,911	(2,936)	–
Net book value 31 March 2018	3,173	20,712	9,730	33,615
Cost as at 31 March 2018	18,243	54,496	9,730	82,469
Accumulated amortisation	(15,070)	(33,784)	–	(48,854)
Net book value 31 March 2018	3,173	20,712	9,730	33,615
Net book value 1 April 2016	4,961	23,627	1,983	30,571
Amortisation expense	(1,923)	(7,365)	–	(9,288)
Impairment expense	–	–	–	–
Additions	1,155	6,102	2,936	10,193
Disposals (net)	–	(201)	–	(201)
Transfers	50	1,933	(1,983)	–
Net book value 31 March 2017	4,243	24,096	2,936	31,275
Cost as at 31 March 2017	17,370	48,954	2,936	69,260
Accumulated amortisation	(13,127)	(24,858)	–	(37,985)
Net book value 31 March 2017	4,243	24,096	2,936	31,275

Development costs

The development costs of commercialised varieties have been capitalised since commercialisation and are amortised at a rate of 20 percent per annum. The development costs include, but are not limited to, legal fees, PVR application fees, budwood collection and GPS mapping. The Company was granted PVRs for the Gold3 and Green14 varieties, effective 9 September 2016, which were commercialised for production in mid-2010. The PVR establishes exclusive intellectual property rights in the jurisdictions in which they apply. On all post-commercialisation sales of the new cultivars a royalty is payable to the New Zealand Institute for Plant & Food Research Limited (Plant & Food Research).

The Company purchased Hort16A PVRs from Plant & Food Research, effective 1 April 2004. The purchase of the PVRs gives the Company the exclusive intellectual property rights on all Hort16A kiwifruit in the jurisdictions in which the PVRs apply. As part of the purchase, the Company will continue to pay a royalty to Plant & Food Research, and as collateral for these future royalty payments, Plant & Food Research holds a security interest in the Hort16A PVRs and all Hort16A intellectual property. In addition, the assignment of the Hort16A PVRs and its associated rights and obligations outside Zespri Group requires the consent of Plant & Food Research.

In New Zealand, the Company holds the exclusive right to propagate and distribute plant material, and market and sell the following commercialised varieties of kiwifruit, known in New Zealand as:

- Hort16A (Gold), until 14 November 2018
- Gold3 (SunGold), until 6 September 2039
- Green14 (Sweet Green), until 6 September 2039

Intangibles work in progress

As at 31 March 2018, 100 percent (2017: 99 percent) of the Group intangibles work in progress relates to ongoing computer software projects.

Security pledged

In addition to Plant & Food Research security interest mentioned above, refer to Note 25 for further detail of security pledged by Zespri Group.

Notes to the Financial Statements (continued)

18. Investment in subsidiary companies

Zespri Group Limited is the ultimate holding company for the Zespri Group of companies. All subsidiaries have a 31 March balance date with the exception of Shaanxi Zespri Fresh Produce Company Limited, Zespri Jia Pei Fruit (Shanghai) Co. Limited, Zespri Fruit (Shanghai) Co. Limited and Zespri Fruit Consultoria (Brasil) Ltda which all have a 31 December balance date due to local requirements. The results of the operations of the following wholly owned subsidiaries for the year ending 31 March 2018 have been included in the consolidated Financial Statements.

Subsidiary	Incorporated	Nature of activities
Zespri International Limited	New Zealand	Management of the export, sale and marketing of New Zealand-grown kiwifruit and management of the sale and marketing of non-New Zealand-grown kiwifruit
Aragorn Limited	New Zealand	Non-trading company
Zespri Global Supply Holding Company Limited	New Zealand	Holding company of Zespri Global Supply entities
Zespri Innovation Company Limited	New Zealand	Research
Zespri International (Asia) Limited	New Zealand	Marketing and promotion services, includes Taiwan Branch
Zespri International (Japan) Limited	New Zealand	Non-trading company
Zespri International Trading Limited	New Zealand	Investment company, includes South African Branch
Zespri New Zealand Limited	New Zealand	Investment company
Zespri International (Australia) Pty Limited	Australia	Management of the growing, sourcing and sale of Zespri Gold (Hort16A) Kiwifruit grown in Australia and in-market support and marketing services
Zespri International (Europe) N.V.	Belgium	Management of sales and marketing in Europe of all New Zealand-grown kiwifruit and non-New Zealand-grown Zespri Gold (Hort16A and Gold3) Kiwifruit. Management of trading in non-New Zealand-grown Zespri Green Kiwifruit produced in Europe
Zespri Service Centre N.V.	Belgium	Service provision to Zespri Group companies
Zespri Fruit Consultoria (Brasil) Ltda	Brazil	In-market support and marketing services
Shaanxi Zespri Fresh Produce Company Limited	China	Management of the growing and sourcing of kiwifruit grown in China
Zespri Jia Pei Fruit (Shanghai) Co. Limited	China	Non-trading company
Zespri Fruit (Shanghai) Co. Limited	China	Management of the sale of New Zealand-grown kiwifruit and non-New Zealand-grown kiwifruit
Zespri Fresh Produce France S.A.R.L.	France	Management of the growing and sourcing of Zespri Gold3 Kiwifruit and management of the growing, sourcing and sale of Zespri Hort16A Kiwifruit grown in France
Zespri International France E.U.R.L.	France	In-market support of Belgian companies
Zespri International Germany GmbH	Germany	In-market support of Belgian companies
Zespri International (India) Pvt Limited	India	In-market support and marketing services
Zespri Fresh Produce Italy S.r.l.	Italy	Management of the growing and sourcing of Zespri Gold3 Kiwifruit and management of the growing, sourcing and sale of Zespri Hort16A Kiwifruit grown in Italy
Zespri International Italy S.r.l.	Italy	In-market support of Belgian companies
Zespri International (Japan) K.K.	Japan	Management of the growing, sourcing and sale of Zespri Gold (Hort16A and Gold3) Kiwifruit grown in Japan, and management of the sale of New Zealand-grown kiwifruit
Zespri International (Korea) Co. Limited	South Korea	Management of the growing, sourcing and sale of Zespri Gold (Hort16A and Gold3) Kiwifruit grown in South Korea, and management of the sale of New Zealand-grown kiwifruit
Zespri International (Singapore) Pte Limited	Singapore	Regional marketing and support services
Zespri International Iberica SL	Spain	In-market support of Belgian companies
Zespri International Nordic AB	Sweden	In-market support of Belgian companies
Zespri Fruit (Middle East) DMCC	United Arab Emirates	In-market support and marketing services
Zespri International (United Kingdom) Limited	United Kingdom	In-market support of Belgian companies
Zespri Fresh Produce North America Inc.	United States of America	Non-trading company
New Zealand Kiwi Holdings Inc.	United States of America	Management of the growing, sourcing and sale of Zespri Gold Kiwifruit grown in the USA, and management of the sale of New Zealand-grown kiwifruit
New Zealand Kiwi Corporation Inc.	United States of America	Non-trading company

Notes to the Financial Statements (continued)

19. Accounts payable and accruals

	2018 \$'000	2017 \$'000
Current:		
Trade creditors	44,880	53,896
Accrued expenses	61,502	48,151
New Zealand fruit and service payments accrued – current season ¹	35,718	39,332
New Zealand fruit and service payments accrued – next season	35,226	39,234
Income in advance	–	20,204
Payroll tax deductions payable	1,824	1,652
Employee entitlements	15,151	13,286
Total current accounts payable and accruals	194,301	215,755
Non-current:		
Employee entitlements	1,913	1,483
Total non-current accounts payable and accruals	1,913	1,483
Total accounts payable and accruals	196,214	217,238

¹ Relates to contracted suppliers of New Zealand-grown kiwifruit. As at 31 March 2018, 98 percent (2017: 97 percent) of fruit and service payments had been made.

The carrying value of the items above has been determined by the Board of Directors as representative of the fair value of the liabilities. Amounts payable to, or accrued to, related parties are disclosed in Note 27.

20. Provisions and insurance liabilities

	Loyalty premium \$'000	Insurance liabilities \$'000	Other provisions \$'000	Total \$'000
2018				
Value at 1 April 2017	21,707	3,959	5,853	31,519
Amounts charged	(33,825)	(3,997)	(3,537)	(41,359)
Reversal of provision	–	–	(751)	(751)
Additional provision	34,101	38	19,015	53,154
Exchange differences	–	–	8	8
Value at 31 March 2018	21,983	–	20,588	42,571
Represented by:				
Current	21,983	–	20,439	42,422
Non-current	–	–	149	149
	21,983	–	20,588	42,571
2017				
Value at 1 April 2016	17,861	3,948	8,160	29,969
Amounts charged	(32,201)	(2,995)	(6,844)	(42,040)
Reversal of provision	–	(953)	(148)	(1,101)
Additional provision	36,047	3,959	4,692	44,698
Exchange differences	–	–	(7)	(7)
Value at 31 March 2017	21,707	3,959	5,853	31,519
Represented by:				
Current	21,707	3,959	5,260	30,926
Non-current	–	–	593	593
	21,707	3,959	5,853	31,519

Notes to the Financial Statements (continued)

20. Provisions and insurance liabilities (continued)

Loyalty premium

A loyalty premium is paid to New Zealand growers who have signed a three-year rolling grower contract and met the conditions of that contract. The loyalty premium is 28.0 cents (2017: 25.0 cents) per tray equivalent of New Zealand Class 1 kiwifruit supplied to the Company. The premium is paid in two instalments. The first instalment of 10.0 cents per Class 1 tray equivalent was paid on 19 January 2018 (2017: 20 January 2017). The remaining 18.0 cents (2017: 15.0 cents) of loyalty premium per Class 1 tray equivalent will be paid on 15 June 2018 (2017: 15 June 2017).

Other provisions

Minority buy-out provision

On 28 March 2018 the Board of Directors approved the repurchase of 1,780,788 Zespri Group Limited shares from those shareholders who triggered their minority buy-out right under sections 110 to 112C of the Companies Act, having voted against at least one Resolution to change the Company's Constitution at the Special Meeting on 14 March 2018. The total repurchase amount is \$14,691,501. As Zespri Group has an obligation at 31 March to repurchase the shares, a provision has been raised for the full repurchase amount.

Other provisions

Other provisions include: legal costs relating to ongoing proceedings in the Employment and High Courts of New Zealand, restructure costs, legal and other costs relating to the unauthorised transfers of Gold3 and Gold9 plant material, costs relating to the enforceable undertaking entered into with WorkSafe, final costs of compensation for the withdrawal of the Gold9 variety from commercial production and future obligations specified in the sale and purchase agreement for the purchase of land at 400-410 Maunganui Road, Mount Maunganui, New Zealand.

In the normal course of business, Zespri Group is party to various lawsuits and claims (refer Note 24).

21. Operating leases and other commitments

Operating lease commitments	2018 \$'000	2017 \$'000
Non-cancellable operating lease payments:		
Payable within one year	4,182	3,514
Payable between one and five years	4,369	3,220
Payable after five years	-	-
	8,551	6,734
Total future non-cancellable operating lease receipts	(14)	(34)
	(14)	(34)
Lease expense recognised in the Income Statement under operating expenses:		
Minimum lease payments	4,132	4,112
Sublease and lease receipts	(20)	(23)
	4,112	4,089

Zespri Group leases premises, motor vehicles and office equipment under operating leases, and sublets excess office capacity. Operating leases for premises give Zespri Group companies, in most cases, the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no options to purchase any of the leased assets at the expiry of the lease period.

Notes to the Financial Statements (continued)

22. Reconciliation of net profit after taxation with net cash from operating activities

	2018 \$'000	2017 \$'000
Net profit after taxation	101,842	73,701
Non-cash items:		
Net loss on sale of property plant and equipment and intangibles	919	168
Net (gain)/loss on foreign currency cash balances	(9,650)	13,406
Depreciation of property plant and equipment	2,776	2,585
Amortisation of intangibles	10,959	9,288
Movement in deferred taxation	2,664	(7,399)
	7,668	18,048
Movement in working capital:		
Increase in receivables and prepayments	(10,823)	(48,560)
(Increase)/decrease in net current income tax	(9,299)	17,729
(Increase) in other financial assets	(12,735)	(12,160)
Decrease/(increase) in inventories	9,024	(18,359)
(Decrease)/increase in payables to contracted suppliers ¹	(7,433)	4,311
Increase in other financial liabilities	12,788	12,106
(Decrease)/increase in accounts payable, accruals, provisions and employee entitlements	(2,556)	35,753
	(21,034)	(9,180)
Items classified as financing activities	(4,458)	(3,555)
Net cash available from operating activities	84,018	79,014

¹ Group totals include amounts payable to contracted suppliers of non-New Zealand-grown kiwifruit.

The comparative information (2017) within this Note does not correspond to the 2016/17 Financial Statements due to a change in classification of cash flow movements.

23. Financial instruments

Zespri Group is subject to a number of financial risks that arise as a result of its operational activities. To manage and limit the effect of these financial risks, the Board of Directors has approved policy guidelines and authorised the use of various financial instruments. The policies and financial instruments permitted are documented in the Treasury Management Policy which is reviewed and approved annually. The policies and financial instruments being utilised at balance date are discussed under the sections Liquidity risk, Credit risk and Market risk below.

(a) Liquidity risk

The liquidity risk to which Zespri Group is exposed is managed under the Treasury Management Policy. The objective is to ensure that cash is available to pay obligations as they fall due. There are three forms of liquidity management recognised: day-to-day cash management to ensure funds are available for short-term requirements; long-term going-concern liquidity management to ensure facilities are in place to meet future requirements; and short-term liquidity crisis management to cover unforeseen crisis events.

Notes to the Financial Statements (continued)

23. Financial instruments (continued)

(a) Liquidity risk (continued)

Contractual maturities as at 31 March	Notes	< 1 year \$'000	1-2 years \$'000	2-5 years \$'000	Total \$'000
2018					
Non-derivatives:					
Trade creditors	19	44,880	–	–	44,880
Accruals and other payables	19	149,421	–	1,913	151,334
		194,301	–	1,913	196,214
Derivatives:					
Derivatives – held for trading	14(b)	14,903	8,626	11,613	35,142
Contracted future suppliers	14(b)	36,685	28,095	9,139	73,919
		51,588	36,721	20,752	109,061
Total contractual maturities		245,889	36,721	22,665	305,275
2017					
Non-derivatives:					
Trade creditors	19	53,896	–	–	53,896
Accruals and other payables	19	161,859	–	1,483	163,342
		215,755	–	1,483	217,238
Derivatives:					
Derivatives – held for trading	14(b)	5,729	769	–	6,498
Contracted future suppliers	14(b)	46,238	34,577	8,959	89,774
		51,967	35,346	8,959	96,272
Total contractual maturities		267,722	35,346	10,442	313,510

(b) Credit risk

Zespri Group is exposed to credit risk from transactions with trade debtors and financial institutions in the normal course of business.

Zespri Group has a credit approval policy which restricts the exposure to individual debtors and the Board of Directors reviews exposures to trade debtors on a regular basis. In certain regions a portion of amounts owed by trade debtors is secured by way of bank guarantees or other collateral, with all others being unsecured. Zespri Group does not require any collateral or security from financial institutions to support its transactions with those institutions. The counter-parties used for banking and finance activities are financial institutions with credit ratings ranging from A to AA–.

(i) Credit risk counter-parties:

Financial instruments to which Zespri Group is exposed for credit risk consist principally of bank balances, short-term deposits, accounts receivable and foreign exchange contracts with banks. Zespri Group does not consider balances owed by government tax authorities to be credit risks.

Zespri Group continuously monitors the credit quality of the counter-parties to its financial instruments. Zespri Group does not anticipate non-performance by any of its counter-parties, except where already provided for in provision for doubtful debts.

(ii) Maximum exposures to credit risk at 31 March:

Maximum exposures to credit risk	Notes	2018 \$'000	2017 \$'000
Bank balances		49,623	67,025
Short-term deposits		104,091	119,985
Cash and cash equivalents	14(a)	153,714	187,010
Accounts receivable	12	83,371	97,735
Derivatives – held for trading	14(b)	109,061	96,326
Total maximum exposures to credit risk		346,146	381,071

The amounts above have been determined by the Board of Directors to be the fair value of these classes of financial instruments. Exposure risk on guarantees pledged is further disclosed in Note 24.

Refer to Note 12 for further information on credit risk of accounts receivable.

Notes to the Financial Statements (continued)

23. Financial instruments (continued)

(b) Credit risk (continued)

(iii) Concentration of credit risk:

Concentration of credit risk by geographical location is indicated below.

Location of counter-party	Europe \$'000	Japan \$'000	China \$'000	South Korea \$'000	Other Asia \$'000	New Zealand \$'000	Other \$'000	Total \$'000
2018								
Bank balances	7,156	332	21,807	13,631	1,816	2,116	2,765	49,623
Short-term deposits	–	–	–	–	–	104,091	–	104,091
Cash and cash equivalents	7,156	332	21,807	13,631	1,816	106,207	2,765	153,714
Accounts receivable	21,488	106	932	72	1,644	58,178	951	83,371
Derivatives – held for trading	22,005	–	–	–	–	83,058	3,998	109,061
Total location of counter-party	50,649	438	22,739	13,703	3,460	247,443	7,714	346,146
2017								
Bank balances	4,812	342	34,410	23,326	774	1,198	2,163	67,025
Short-term deposits	–	–	–	–	–	119,985	–	119,985
Cash and cash equivalents	4,812	342	34,410	23,326	774	121,183	2,163	187,010
Accounts receivable	19,797	16	52	1,035	3,837	71,251	1,747	97,735
Derivatives – held for trading	25,258	–	–	–	–	68,350	2,718	96,326
Total location of counter-party	49,867	358	34,462	24,361	4,611	260,784	6,628	381,071

(c) Market risk

Zespri Group is subject to market risks that arise as a result of its operational activities. The types of market risk to which Zespri Group is exposed include interest rate risk, currency risk and commodity price risk.

(i) Interest rate risk:

Zespri Group's policy relating to interest rate risk management aims to achieve the lowest cost of funds while meeting seasonal funding needs.

Zespri Group may put in place seasonal funding facilities if required (refer Note 25). Zespri Group is primarily a short-term borrower and investor and generally carries any interest rate risk itself. Investments consist of on-call funds and short-term deposits. Interest rate derivative instruments may be used at Zespri Group's discretion within the confines of the Treasury Management Policy. No interest rate derivative contracts were entered into during the year (2017: Nil contracts).

(ii) Currency risk:

During the course of business, Zespri Group procures and exports fruit, incurs selling, marketing and administrative costs, and carries cash denominated in foreign currencies. As a result of these transactions, exposures to fluctuations in foreign currency exchange rates occur. The foreign currencies in which Zespri Group primarily deals are Euro (EUR), Japanese Yen (JPY), United States Dollars (USD), Chinese Renminbi (CNY) and Korean Won (KRW).

Zespri Group's primary objective in managing foreign exchange risk is to mitigate excess volatility in the New Zealand Dollar return to shareholders and the New Zealand kiwifruit industry arising from foreign currency movements.

Net exposures of expected foreign currency income and expenditure are estimated. The Treasury Management Policy provides guidelines within which Zespri Group enters into contracts to manage the expected net exposures. Based on these guidelines, contracts are taken out up to 36 months in advance. With express Board approval, the Company can take out contracts that are in excess of 36 months in advance. The Treasury Management Policy is reviewed by the Board of Directors and is approved annually.

Notes to the Financial Statements (continued)

23. Financial instruments (continued)

(c) Market risk (continued)

Foreign exchange contracts

As part of the foreign currency hedging strategy, Zespri Group has entered into forward foreign exchange contracts and options. The value of these contracts held at balance date were:

At fair value through the Income Statement – held for trading	Notional value		Fair value gain/(loss)	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Sell forward exchange contracts	1,423,017	1,171,707	50,260	84,018
Currency option contracts	1,251,002	435,455	23,659	5,810
	2,674,019	1,607,162	73,919	89,828
Represented by:				
Other financial assets			109,061	96,326
Other financial liabilities			(35,142)	(6,498)
			73,919	89,828
By currency:				
EUR/NZD	676,096	437,441	1,868	33,131
JPY/NZD	533,676	487,449	14,557	20,089
USD/NZD	1,064,666	682,272	64,493	36,608
USD/KRW	55,537	–	(1,688)	–
USD/CNY	344,044	–	(5,311)	–
	2,674,019	1,607,162	73,919	89,828

Maturity of foreign exchange contracts	Notional value		Fair value gain	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Less than one year	1,564,238	1,037,966	36,685	46,292
Within one to two years	726,647	444,369	28,095	34,576
More than two years	383,134	124,827	9,139	8,960
	2,674,019	1,607,162	73,919	89,828

(d) Market risk sensitivity as at 31 March

Zespri Group is exposed to various market risks in relation to balances held at 31 March.

As a result of the seasonal nature of the business, the impact on the Income Statement and equity resulting from movements in foreign exchange rates and interest rates that could have occurred at 31 March is unrepresentative of the exposure during the year and is immaterial to the results for the year ended 31 March 2018.

Management has considered the seasonal risk to the business and the sensitivity using average balances held during the year.

Under the terms of the New Zealand Supply Agreement, the supplier assumes the risk of foreign exchange, and any change in foreign currency rates on average balances would not be material to the pre-tax profit of the Group. The effect of exchange rate movements is managed by the use of forward contracts and options to mitigate excess volatility.

Under the terms of the New Zealand Supply Agreement, interest costs incurred on the funding facility and interest income earned on short-term deposits are largely assumed by the supplier. A change in interest rates using average funding facility and short-term deposit balances for the year would not be material to the pre-tax profit of the Group.

(e) Embedded derivatives

Zespri International Limited acts as treasury agent for Zespri Group. The Company is responsible for paying New Zealand-contracted suppliers based on the net results earned by Zespri Group.

The Company has entered into back-to-back arrangements with New Zealand-contracted suppliers (supply entities which have signed the New Zealand Supply Agreement) and Zespri International Limited, primarily reflecting the results of any derivatives taken out for the purposes of managing risk to the New Zealand fruit return.

Contracted future suppliers	Notional value		Fair value gain/(loss)	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
	2,674,019	1,602,105	(73,919)	(89,774)

Notes to the Financial Statements (continued)

24. Guarantees and contingent liabilities

(a) Guarantees	2018 \$'000	2017 \$'000
The Bank of New Zealand, on behalf of Zespri Group Limited, has provided a guarantee to Vero Insurance Limited in relation to insurance excesses payable for marine cargo insurance.	3,500	3,500
Zespri International Limited has guaranteed, by way of a standby letter of credit issued by Bank of China (New Zealand) Limited, a credit facility between Zespri Fruit Shanghai and Bank of China (Shanghai) Co. Limited. The maximum exposure level is \$5,000,000 (2017: \$5,000,000).	5,000	5,000
Zespri International Limited has guaranteed, by way of bank guarantees, the credit card facility for Zespri Fruit (Shanghai) Co. Limited and Zespri International (Singapore) Pte Limited.	566	542
Zespri International Limited has guaranteed, by way of bank guarantee, an Italian VAT recovery.	503	450
Zespri International Limited has secured, by way of a letter of intent, a credit facility with Belfius Bank for Zespri Service Centre N.V. The maximum exposure level is \$340,194 (2017: \$1,063,371). Under this letter of intent, Zespri Service Centre N.V. has provided a guarantee in favour of N.V. Mercator Verzekeringen for a lease guarantee on an office building. The guarantee was in favour of Cofinimmo N.V. in the prior year.	157	141
	9,726	9,633

No settlement relating to any of the above guarantees has occurred since their inception. The likelihood and value of any future outflow resulting from these guarantees is uncertain.

(b) Contingent liabilities

New cultivars

A contingent liability exists for licences issued under the various PVR licence agreements signed by Zespri and the growers in 2017/18, 2016/17, 2015/16, 2014/15 and 2013/14. During this financial year, Zespri issued in total 439 hectares (2017: 492 hectares) of Gold3 licences. The PVR licence agreement commits Zespri to a possible obligation under two different scenarios, these being as follows:

Zespri Group chooses to decommercialise a variety

Under the various PVR licence agreements, should the Company decide to withdraw any variety for any reason, the Company is required to reimburse the licence holder a calculated rate of \$5,000 (including GST) per hectare, provided that no more than four whole years have elapsed. In addition, the Company is required to refund a percentage of the original licence price. As at 31 March 2018, the maximum exposure under the decommercialisation scenario is \$175,262,301 (2017: \$105,497,597)*.

New variety succumbs to Psa

For licences granted in 2014/15 and 2015/16 in the event that a new variety has, in the opinion of the Company, succumbed to Psa within four years of allocation, the licence applicant may elect to surrender the licence and the Company will refund 80 percent of the purchase price of the licence. As at 31 March 2018, the maximum exposure under this scenario is \$4,449,543 (2017: \$14,299,026).

The maximum new cultivar contingent liability under the two scenarios as at 31 March 2018 is \$175,262,301 (2017: \$105,497,597)*.

* The new cultivar contingent liability comparative has been restated.

Other

In the normal course of business, Zespri Group is party to various lawsuits and claims, both as a plaintiff and as a defendant.

It is not possible to predict with certainty whether Zespri Group will ultimately be successful in defending lawsuits and claims taken against it or, if not, what the impact might ultimately be. Provisions are made in accordance with accounting policy and disclosed in Note 20.

25. Funding facilities

Funding arrangements for Zespri Group Limited are made when required following the assessment of cash requirements for the season.

The security for the day-to-day operational treasury activities and the funding facilities is a first-ranking general security deed dated 30 April 2007 in favour of Bank of New Zealand (as security representative for our bankers, Bank of New Zealand has been security representative since 2016) entered into by the Zespri Group of companies that form a Guaranteeing Group. Pursuant to the general security deed the collateral at risk is all property for those entities within the Guaranteeing Group, other than assets over which another creditor has a higher ranking claim. The registered security interests include a priority security interest in favour of The New Zealand Institute for Plant & Food Research Limited in relation to the Hort16A PVR and Hort16A intellectual property. Property within the definition of collateral includes (but is not limited to) cash balances, inventory, accounts receivable, other financial assets, intangible assets, and property, plant and equipment.

As at 31 March 2018, the members of the Guaranteeing Group are.

- Zespri Group Limited
- Aragorn Limited (non-trading, refer Note 18)
- Zespri Innovation Company Limited
- Zespri International Limited
- Zespri International (Asia) Limited
- Zespri International (Japan) Limited (non-trading, refer Note 18)
- Zespri International Trading Limited
- Zespri New Zealand Limited

As at 31 March 2018, the outstanding borrowing under the funding facility is \$Nil (2017: \$Nil). The banks associated with the funding facility are ANZ, BNZ and Robobank. The facility has an expiry date of 31 October 2018, unless cancelled earlier. The maximum exposure relating to the operational treasury activities as at 31 March 2018 is \$35,142,138 (2017: \$6,498,049). This exposure relates entirely to the unrealised mark-to-market losses on derivatives as at 31 March 2018.

Notes to the Financial Statements (continued)

26. Capital commitments

(a) Property, plant and equipment commitments

As at 31 March 2018, there are outstanding capital commitments totalling \$24,399,818 for property, plant and equipment (2017: \$34,149,927). The 2018 commitments relate to building contracts for Zespri's new head office at 400-410 Maunganui Road, Mount Maunganui, New Zealand.

(b) Intangibles commitments

As at 31 March 2018, there are outstanding capital commitments totalling \$3,295,027 for intangible assets (2017: \$1,243,700).

27. Related party transactions

(a) Key management personnel

Zespri Group's key management personnel include:

- Directors of the Company; and
- members of the senior executive of Zespri Group.

During the year, key management personnel received the following compensation:

	2018 \$'000	2017 \$'000
Short-term key employee benefits (for key management personnel and Directors)	8,768	9,787
Short-term key employee benefits outstanding as at 31 March (for key management personnel and Directors)	2,258	2,095

The Company has not provided post-employment benefits or other long-term benefits.

During the year, a restructure of the executive team was undertaken. The 2018 disclosure represents compensation paid to Directors and to those holding executive positions included within the new executive structure. The 2017 disclosure has not been restated and represents compensation paid to key personnel and Directors under the old executive structure.

Certain Directors, including B L Cameron, A E de Farias, N W Flowerday, P R Jones and P J McBride, conduct business with the Company and its subsidiaries in the normal course of their business activities as growers and as shareholders. All these transactions are conducted on commercial terms and conditions. Directors are required to record all interests in the Company's Interests Register.

(b) External related parties through common directorship, control or significant influence by key management personnel

During the year ended 31 March 2018, the Company conducted transactions with the following entities in the normal course of business:

Cameron Orchards Limited, DMS Progrowers Supply Entity Limited, DMS Progrowers Limited, Fraser Road Orchard Limited Partnership, Fruit Force Partnership, Golf Course Orchard Limited Partnership, High Fives Orchard Limited, Kiwifruit Vine Health Incorporated, Kiwifruit Vine Health Foundation Incorporation, Mangatarata Orchards Limited, Montrose Partnership, Opotiki Packing and Coolstorage Limited, OPAC Growers Limited, OPAC Growers Supply Limited, Patricia Jones Family Trust, Port of Tauranga Limited, Progeny Kiwifruit Limited, Progeny Kiwifruit Partnership, Rivas Orchard Limited, South-East Hort Limited and Trinity Lands Limited.

(2017: Cameron Orchards Limited, DMS Progrowers Supply Entity Limited, DMS Progrowers Limited, Fraser Road Orchard Limited Partnership, Fruit Force Partnership, Golf Course Orchard Limited Partnership, High Fives Orchard Limited, Kiwifruit Vine Health Incorporated, Kiwifruit Vine Health Foundation Incorporation, Mangatarata Orchards Limited, Montrose Partnership, Opotiki Packing and Coolstorage Limited, OPAC Growers Limited, OPAC Growers Supply Limited, Patricia Jones Family Trust, Port of Tauranga Limited, Progeny Kiwifruit Limited, Progeny Kiwifruit Partnership, Rivas Orchard Limited, South-East Hort Limited and Trinity Lands Limited.)

These entities are, or were, related to the Company by virtue of shareholding, control, significant influence or common directorship.

(i) Types of transactions with external related parties include the following:

- The Company pays fruit and service payments under the terms of the New Zealand Supply Agreement.
- The entities are charged penalties and other charges under the terms of the New Zealand Supply Agreement and the Quality Manual. There are standard dispute procedures which may be enacted if the entities receiving the charges do not agree with these charges.
- Under the terms of the New Zealand Supply Agreement, growers and contracted suppliers are able to make insurance claims to the Company for specific risks. In certain cases, the Company pays out insurance for losses under these claims.
- The Company may, at its discretion, sell licences for kiwifruit varieties for which it controls the Plant Variety Rights.

All of the transactions above, including any disputes, were entered into under the same contracted and commercial terms as for all other growers and contracted suppliers in New Zealand.

Notes to the Financial Statements (continued)

27. Related party transactions (continued)

(b) External related parties through common directorship, control or significant influence by key management personnel (continued)

(ii) Transactions during the year and balances outstanding as at 31 March with external related parties. All related party disclosures are GST exclusive.

	2018 \$'000	2017 \$'000
Revenue/(expenses):		
Sale of Zespri PVR licences ¹	7,163	2,843
Income received from KVH	1	1,296
Sundry income	531	1,449
Fruit and service payments	(188,324)	(160,561)
Loyalty premium	(3,668)	(3,818)
Expenses paid to KVH	(1,993)	(2,718)
Other expenses	(7,972)	(4,153)
Balances receivable/(payable):		
Sundry income receivable	21	626
Fruit and service payments outstanding	(5,022)	(4,617)
Loyalty premium payable	(2,201)	(2,291)
Income receivable from KVH	-	340
Other expenses (payable)/receivable	(1,902)	3,261
Less: Provision for doubtful debts	-	(1,447)

¹ In 2017/18, interests directly associated with Directors purchased 29.55 hectares of new PVR licences (2017: 39.17 hectares). Licence fee revenue of \$7,163,548 (2017: \$2,843,491) has been recognised. As at 31 March 2018 \$1,216,729 of licence fee revenue is due in future years (2017: \$1,381,994).

In 2017/18, interests directly associated with Directors conducted new variety block trials on 1.1 hectares (2017: Nil) of orchards. Payments are made to trialists when crops are producing. Upon commercialisation, trial orchards are eligible at no cost to obtain a licence to cultivate a new variety or an existing variety in the event a trial is terminated.

28. Events occurring after balance date

On 22 May 2018 the Board of Directors of Zespri Group Limited announced its intention to pay a final dividend of 18.0 cents per fully paid ordinary share (2017: 17.0 cents) to be paid in August 2018. As the intention was announced after balance date, the financial effect has not been recognised in the Financial Statements.

In April 2018, 750 hectares of Gold3 and Gold3 Organic licences were released. The total revenue (excluding GST) was \$192,417,635. Full settlement of the related licence receivables is due by 20 July 2018.

Subsequent to 31 March 2018, no other events have occurred which require adjustment or disclosure in the Financial Statements.

29. Statutory board and grower representation funding

The Company is required, under Regulation 39 of the Kiwifruit Export Regulations 1999, to fund the statutory board Kiwifruit New Zealand.

Zespri Group Limited is required by The Commodity Levies (Kiwifruit) Order 2012 to pay a levy to New Zealand Kiwifruit Growers Incorporated on behalf of growers. The rate for the 2018 year was \$0.01 per tray of kiwifruit exported to markets other than Australia (2017: \$0.009 per tray).

Zespri Group Limited pays two different levies to Kiwifruit Vine Health Inc. on behalf of growers: (1) a Psa levy of \$0.01 per tray of Class 1 Green and Class 1 Gold exported to markets other than Australia; and (2) a biosecurity levy of \$0.006 per tray for all varieties exported to markets other than Australia and New Zealand.

	2018 \$'000	2017 \$'000
Kiwifruit New Zealand	598	493
New Zealand Kiwifruit Growers Incorporated	1,228	1,248
Kiwifruit Vine Health Inc.	1,965	2,689

Notes to the Financial Statements (continued)

30. Group segment results

Revenues, direct costs, promotion and overheads are identified and recognised for each business unit under the application of NZ IFRS. In 2017 Zespri undertook a review of its business units and reassessed its key business units as New Zealand kiwifruit, non-New Zealand supply, new cultivars, and land and buildings. Land and buildings has been recorded within the segment "all other segments". The revenue and costs associated with the removed segments, Research and Development (R&D) and Corporate, are split between the available segments.

The internal management information on which segment results are based uses a different method for allocating realised gains and losses on treasury activities. For internal management reporting, realised gains and losses from the management of foreign exchange risk are allocated to the business unit's individual revenue and expense lines based on the underlying currencies of the transactions to effect what would be a 'hedged' rate on the cumulative transactions. For financial reporting purposes, these net realised foreign exchange gains/(losses) on derivatives are disclosed separately from the operating revenue and operating expense within other net gains/(losses) (refer Note 5).

	New Zealand kiwifruit	Non-New Zealand supply	New cultivars	All other segments	Eliminations	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total sales revenue – external customers	2,128,101	263,274	–	–	–	2,391,375
Inter-segment revenue	178	–	20,723	2,387	(23,288)	–
Interest revenue	–	–	–	4,299	–	4,299
Licence revenue	–	–	101,746	–	–	101,746
Other revenue	6,676	414	2,318	–	–	9,408
Total revenue	2,134,955	263,688	124,787	6,686	(23,288)	2,506,828
Freight	135,621	8,682	–	–	–	144,303
Insurance (onshore and offshore)	8,043	–	–	–	–	8,043
Duty and customs	78,563	5,921	–	–	–	84,484
Promotion	134,090	6,283	–	–	–	140,373
Other direct costs – onshore	43,895	–	–	–	–	43,895
Other direct costs – offshore	68,387	9,958	–	–	–	78,345
Fruit and service payments	1,433,956	203,475	–	–	–	1,637,431
Loyalty premium	34,101	–	–	–	–	34,101
Innovation	12,344	635	12,789	–	–	25,768
New cultivar amortisation	–	–	1,950	–	–	1,950
Inter-segment expense	21,110	2,000	178	–	(23,288)	–
Inter-segment interest (income)/expense	(2,364)	–	–	2,364	–	–
Other onshore overhead costs	71,401	7,918	1,419	1,242	–	81,980
Other offshore overhead costs	70,742	9,607	–	–	–	80,349
Class 2 mainpack subsidy	96	–	–	–	–	96
Total expense	2,109,985	254,479	16,336	3,606	(23,288)	2,361,118
Segment profit before taxation	24,970	9,209	108,451	3,080	–	145,710

Notes to the Financial Statements (continued)

30. Group segment results (continued)

2017	New Zealand fresh kiwifruit \$'000	Non-New Zealand fresh kiwifruit \$'000	New cultivars \$'000	All other segments \$'000	Eliminations \$'000	Total \$'000
Total sales revenue – external customers	2,046,332	215,570	–	–	–	2,261,902
Inter-segment revenue	83	–	16,673	705	(17,461)	–
Interest revenue	–	–	–	3,234	–	3,234
Licence income	–	–	67,178	–	–	67,178
Other revenue	8,359	963	3,646	–	–	12,968
Total revenue	2,054,774	216,533	87,497	3,939	(17,461)	2,345,282
Freight	135,107	8,917	–	–	–	144,024
Insurance (onshore and offshore)	6,658	(1)	–	–	–	6,657
Duty and customs	80,168	5,613	–	–	–	85,781
Promotion	149,597	5,659	–	–	–	155,256
Other direct costs – onshore	46,374	–	–	–	–	46,374
Other direct costs – offshore	76,763	7,609	–	–	–	84,372
Fruit and service payments	1,343,983	160,133	–	–	–	1,504,116
Loyalty premium	36,047	–	–	–	–	36,047
Innovation	11,651	–	13,615	–	–	25,266
New cultivar amortisation	–	–	1,917	–	–	1,917
Inter-segment expense	15,923	1,455	83	–	(17,461)	–
Inter-segment interest (income)/expense	(810)	–	–	810	–	–
Other onshore overhead costs	69,354	6,540	990	966	–	77,850
Other offshore overhead costs	61,781	8,756	–	–	–	70,537
Class 2 mainpack subsidy	10	–	–	–	–	10
Total expense	2,032,606	204,681	16,605	1,776	(17,461)	2,238,207
Segment profit before taxation	22,168	11,852	70,892	2,163	–	107,075

Methods and assumptions

Zespri Group allocates assets, and any related depreciation and amortisation, on a basis which reflects where the assets are generated or utilised.

Zespri Group employs a central treasury function and does not allocate cash between the segments because it is managed centrally. Interest revenue and expense have been allocated on the basis of where funds are being utilised.

Inter-company debtor and creditor accounts are settled through the central treasury function. Any other outstanding balances created between companies as part of this settlement process or any other intra-group borrowing or lending transactions, are not allocated to any segment, but form part of the centrally managed funding of Zespri Group.

Zespri Group does not allocate income tax to reportable segments.

Notes to the Financial Statements (continued)

30. Group segment results (continued)

Group sales revenue – by location of external customers	2018		2017		2018 \$'000	2017 \$'000
	Local currency	'000	Local currency	'000		
China	CNY	2,340,012	CNY	2,070,135	504,600	446,327
Japan	JPY	38,414,544	JPY	37,392,130	500,379	513,908
Spain	EUR	148,494	EUR	126,904	245,797	207,814
Taiwan	USD	105,705	USD	117,725	156,294	166,679
Germany	EUR	76,127	EUR	74,670	125,731	124,595
South Korea	KRW	96,328,677	KRW	98,248,848	123,272	120,821
France	EUR	68,449	EUR	58,195	113,170	96,932
Italy	EUR	67,869	EUR	61,377	112,213	100,959
Netherlands	EUR	58,156	EUR	53,107	96,275	87,268
Belgium	EUR	46,740	EUR	36,806	77,376	60,450
USA	USD	44,844	USD	44,892	66,444	63,557
Hong Kong	USD	23,814	USD	26,172	35,173	37,094
Singapore ¹	SGD	21,137	SGD	17,725	22,790	18,501
Canada	USD	15,308	USD	10,116	22,489	14,358
New Zealand	NZD	2,417	NZD	3,878	2,417	3,878
Other	Various	–	Various	–	186,955	198,761
Total revenue from product sales to external customers					2,391,375	2,261,902

¹ Singapore sales were reported in USD in the 2017 Annual Report. Singapore sales above are stated in SGD. For consistency the 2017 sales have been converted using a corresponding average SGD:NZD foreign exchange rate of 0.9581.

Individual customers which account for at least 10 percent of sales across the Group are:

	2018		2017		2018 \$'000	2017 \$'000
	Local currency	'000	Local currency	'000		
Golden Wing Mau Agricultural Produce Company (China)	CNY	1,271,383	CNY	1,137,950	274,028	245,290

Non-current assets – by location of asset		2018 \$'000	2017 \$'000
New Zealand		97,961	97,277
China		841	683
Singapore		542	317
USA		466	–
Belgium		459	666
Other		890	1,987
		101,159	100,930
Other non-current assets (no assigned location):			
Deferred tax		2,834	4,163
Non-current other financial assets		57,473	44,305
Total non-current assets		161,466	149,398

Statutory information

Shareholder information

Top 20 shareholders at 31 March 2018	Number of shares	%
Trinity Lands Limited	2,144,300	1.78%
Mangatarata Farms Limited	2,036,977	1.69%
Mark Lionel William Gardiner & Robyn Anne Gardiner	1,902,325	1.58%
Liberty Foundation 1977 Limited	1,634,645	1.35%
DMS Horticulture Limited	1,407,500	1.17%
Maketu Estates Limited	1,373,470	1.14%
Kiwi Green New Zealand Limited	1,357,470	1.12%
Mangatarata Orchards Limited	1,085,310	0.90%
Montrose Partnership	850,000	0.70%
Ngai Tukairangi No.2 Trust	816,590	0.68%
Progeny Kiwifruit Limited	804,275	0.67%
Birdhurst Limited	751,745	0.62%
Golf Course Orchard Limited Partnership	710,000	0.59%
Matai Pacific Limited	677,720	0.56%
Strathboss Kiwifruit Limited	663,130	0.55%
Farmgold Limited	639,958	0.53%
John David Anderson & IML Aerocool Trustee Company Limited	605,470	0.50%
D M & B A Reid Family Trust	596,450	0.49%
Aronia Corporation Limited	579,570	0.48%
High Fives Orchard Limited	577,480	0.48%
	21,214,385	17.58%

Zespri Group Limited holds non-voting Treasury Stock at 31 March 2018 of 1,780,788 shares (1.48 percent).

Distribution of ordinary shares and registered shareholders at 31 March 2018

Size of holding	Number of shareholders	%	Number of shares	Size of holding %
1 – 5,000	144	7.6%	438,149	0.4%
5,001 – 25,000	706	37.5%	10,059,582	8.3%
25,001 – 50,000	418	22.2%	15,263,970	12.6%
50,001 – 250,000	540	28.6%	52,498,982	43.5%
Over 250,000	77	4.1%	42,456,652	35.2%
Total	1,885	100.0%	120,717,335	100.0%

Shareholder statistics

	2018	2017
Number of shares ('000)	120,717	120,717
Interim and final dividend (per share)	\$0.76	\$0.25
Share price at year-end	\$7.55	\$4.00
Earnings per share	\$0.84	\$0.61
Net dividend yield	10.1%	6.3%
Gross dividend yield at 28% tax rate	14.0%	8.7%
Share trading		
Number of shares sold: on-market trades	3,858,431	2,112,284
Number of shares sold and or transferred: off-market trades	10,441,894	4,808,594
Equity ratio	31.9%	31.1%
Net tangible assets value per share	\$1.12	\$1.17

Statutory information (continued)

Directors' disclosures

Directors' meeting attendances and business travel overseas

	Zespri Group Limited Board ¹	Audit and Risk Management Committee	Organisation and Administration Committee	Industry Advisory Council	Board Innovation Subcommittee	Number of business trips overseas	Regions visited
B L Cameron	12	2	5	3	–	5	Americas, Europe, Greater China, Japan and MEIOA*
T Ciprian	12	1	4	–	6	2	Europe
A E de Farias	12	–	–	1	–	1	SEAA**
N W Flowerday	10	7	1	3	6	2	Americas, Europe
P R Jones	12	–	1	4	6	1	Greater China, Japan
J P Mason	11	7	5	–	–	–	–
P J McBride – Chairman	12	7	4	3	6	5	–
P M Springford (appointed 1 May 2017)	11	5	–	–	–	2	SEAA
D A Pilkington (ceased 1 May 2017)	1	1	–	–	–	–	–

¹ In addition to the scheduled Board meetings, a special-purpose Board meeting was convened at short notice on 28 March 2018 as a consequence of a triggered minority buy-out right related to the March 2018 Special Meeting that required immediate consideration by the Board. All Directors have a standing invitation to attend meetings of all committees, irrespective of whether or not they are a member of that committee. In addition to the meetings detailed above, Directors' attendances included planning meetings, Directors' conferences, grower meetings, Special and Annual Meetings.

* Middle East, India, Oceania and Africa (MEIOA)

** South East Asia and Australia (SEAA)

Committee members – Directors

Audit and Risk Management Committee

J P Mason (Chair)	D A Pilkington (ceased 1 May 2017)
N W Flowerday	P M Springford (appointed 1 May 2017)

Organisation and Administration Committee

B L Cameron (Chair)	J P Mason
T Ciprian	

Industry Advisory Council

P R Jones (Chair)	A E de Farias
B L Cameron	

Board Innovation Subcommittee

N W Flowerday (Chair)	P R Jones
T Ciprian	

The Chairman of the Board is not a formal member of these committees but attends the meetings.

Remuneration of Directors	2018 \$	2017 \$
B L Cameron	106,947	104,250
T Ciprian	81,447	78,750
A E de Farias	81,447	78,750
N W Flowerday	86,447	81,250
P R Jones	86,447	83,750
J P Mason	96,947	94,250
P J McBride	199,447	196,000
D A Pilkington (ceased 1 May 2017)	6,667	81,250
P M Springford (appointed 1 May 2017)	74,780	–
Total	820,576	798,250

The Chair of each committee receives \$5,000 of remuneration per annum.

Statutory information (continued)

Directors' disclosures (continued)

Directors' interests – shareholdings

The following table sets out the shareholdings in Zespri Group Limited held by each Director or related entity as at 31 March.

	Shareholding as at 31 March 2017	Date of transaction	Share price \$	Number purchased/ transferred	Number sold	Interest commenced/ (ceased)	Shareholding as at 31 March 2018
B L Cameron	341,619		–	–	–	–	341,619
T Ciprian	–		–	–	–	–	–
A E de Farias	413,573	23/05/17	4.72	42,360	–	–	–
	–	15/11/17	7.30	–	42,200	–	–
	–	16/11/17	7.30	–	82,873	–	–
	–	17/11/17	7.30	–	49,400	–	–
	–	19/11/17	7.30	–	77,600	–	–
	–	20/11/17	7.30	–	56,400	–	–
	–	24/11/17	7.30	–	1,000	–	146,460
N W Flowerday	567,835	12/06/17	4.80	60,000	–	–	–
	–	07/08/17	5.95	12,600	–	–	–
	–	07/08/17	5.90	4,400	–	–	644,835
P R Jones	3,803,219	28/04/17	3.20	108,028	–	–	–
	–	04/09/17	6.25	1,200	–	–	–
	–	06/09/17	6.35	16,680	–	–	–
	–	08/09/17	6.35	2,660	–	–	–
	–	08/09/17	6.18	15,820	–	–	–
	–	08/09/17	6.25	6,000	–	–	–
	–	24/10/17	7.00	6,000	–	–	–
	–	24/10/17	6.97	3,400	–	–	–
	–	26/10/17	7.00	2,000	–	–	–
	–	27/10/17	7.00	3,000	–	–	–
	–	30/10/17	7.30	4,000	–	–	–
	–	03/11/17	7.50	5,000	–	–	–
	–	08/11/17	7.65	17,000	–	–	–
	–	16/11/17	7.30	52,900	–	–	–
	–	13/12/17	8.25	9,390	–	–	–
	–	21/12/17	8.25	98,042	–	–	–
	–	08/03/18	8.25	597,432*	–	–	–
	–	08/03/18	8.25	1,339,545*	–	–	–
	–	12/03/18	8.25	100,000	–	–	6,191,316
J P Mason	–		–	–	–	–	–
P J McBride ¹	3,129,300	11/04/17	3.34	15,000	–	–	–
	–	13/06/17	4.80	19,770	–	–	–
	–	15/06/17	4.80	107,970	–	–	–
	–	15/06/17	4.82	13,480	–	–	–
	–	04/10/17	6.40	15,921	–	–	–
	–	24/10/17	7.00	6,000	–	–	–
	–	26/10/17	7.00	2,000	–	–	–
	–	27/10/17	7.00	3,000	–	–	–
	–	06/11/17	7.60	8,000	–	–	–
	–	09/11/17	7.80	10,525	–	–	–
	–	10/11/17	8.00	2,000	–	–	–
	–	13/11/17	8.00	18,500	–	–	–
	–	23/11/17	8.20	3,000	–	–	3,354,466
P M Springford (appointed 1 May 2017)	–		–	–	–	–	–

¹ An interest exists of 2,144,330 (2017: 2,064,300) for P J McBride which relates to his position as Chief Executive Officer of Trinity Lands Limited, however he has no beneficial interest in the shares of this entity.

Shares above are held personally by Directors or are held by way of relevant interest. Interests in the above table are only those entities which Directors are able to influence the share trading activity through directorships, ownership control or management positions. A full list of Directors' Interests is included on pages 49 to 51.

* Trades shown above in relation to interests pertaining to P R Jones were made pursuant to a restructure of orchards and related shares among related indirect entities controlled by members of the Jones family for administrative and succession purposes, including consolidation of both orchard and share ownership into a single entity which has achieved a significantly improved alignment of shares to trays for that entity. P R Jones is not a Director of that entity, and owns less than 25 percent of the shares in that entity. However, such shares are now held personally in his own name, whereas prior interests in these shares were held via non-controlling joint interests in the entities which previously held these shares.

Statutory information (continued)

Directors' disclosures (continued)

Directors' interests – Directors in office as at 31 March 2018

B L Cameron

Director of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited
Director of, and shareholder in, Cameron Farms Limited
Director of, and shareholder in, Cameron Orchards Limited
Director of, and shareholder in, Gilston Mains Limited and subsidiary
Director of, and shareholder in, Strathlea Holdings Limited
Director of Realty Services Limited (interest commenced June 2017)
Trustee of BL and GM Cameron Family Trust
Trustee of Rawenga Trust
Chairman of Waipuna Hospice Foundation Board

T Ciprian

Director of Zespri Group Limited
Director of Zespri International Limited
Chair of Phytomed Medicinal Herbs Limited (interest ceased November 2017)
Director of Aspeq Limited and subsidiaries
Director of Firstlight Foods Limited
Director of Food Standards Australia New Zealand (interest commenced July 2017)
Director of Prolife Foods Limited (interest commenced February 2018)
Director of Superthriller Jet Sprint Limited
Director of ZenoCh Management Limited

A E de Farias

Director of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited
Chairman of Horizon Energy Distribution Limited and subsidiaries
Chairman of Maxwell Farms Limited and Director of associated entities
Chairman of Opotiki Packing and Cool Storage Limited and subsidiaries (related party interests in various orchards)
Chairman of The Fresh Fruit Company of Nelson Limited
Chairman of Whakatane District Council Commercial Advisory Board (replaced Grow Whakatane Advisory Board)
Director and principal of DFR Consultants Limited
Director of Biolumic Limited (interest ceased December 2017)
Director of Chiefs Rugby Club GP Limited
Director of Kawerau Dairy General Partner Limited (interest commenced January 2018)
Director of Ngati Awa Asset Holdings Limited (interest ceased March 2018)
Director of Ngati Awa Farms Limited (subsidiary of Ngati Awa Group Holdings Limited)
Director of Ngati Awa Farms (Rangitaiki) Limited
Director of Ngati Awa Group Holdings Limited (interest ceased March 2018)
Director of Tomurau GP Limited (subsidiary of Ngati Awa Group Holdings Limited)
Director of White Island Tours Limited (interest commenced May 2017)
Shareholder in Melreben Limited (interest in Rivas Orchard Limited)

Statutory information (continued)

Directors' disclosures (continued)

Directors' interests – Directors in office as at 31 March 2018 (continued)

N W Flowerday

Director of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited
Beneficiary of Milan Trust
Consultant to Riverlock Orchard Pack & Coolstore Limited
Director of Kiwifruit Vine Health Foundation Incorporated
Director of Kiwifruit Vine Health Incorporated
Director of, and shareholder in, High Fives Orchard Limited
Director of, and shareholder in, NWF Holdings Limited
Director of, and shareholder in, Pro Kiwi Limited (interest commenced July 2017)

PR Jones

Director of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited
Director of Aventura Group limited (interest commenced December 2017 and interest ceased March 2018)
Director of DMS Group Limited and subsidiaries
Director of DMS Pro growers Supply Entity Limited
Director of Mangatarata Orchards Limited & Mangatarata Orchard Partnership
Director of New Zealand Avocado Marketing Limited
Director of Tinopai Orchards Limited and Tinopai Orchard Partnership
Director of Willow Road Gold Limited (interest commenced February 2018)
Director of, and shareholder in, Direct Management Services Limited
Director of, and shareholder in, DMS Pro growers Limited
Director of, and shareholder in, Eastern Gold Limited (interest commenced June 2017)
Director of, and shareholder in, Elizabeth Heights Limited
Director of, and shareholder in, Fraser Rd Orchard GP Limited & Limited Partnership
Director of, and shareholder in, Fruit Force Partnership
Director of, and shareholder in, Golf Course Orchard GP Limited and Limited Partnership
Director of, and shareholder in, OTK Orchards Limited
Director of, and shareholder in, TKG Agent Limited and TKG Partnership
Partner of Progeny Kiwifruit Partnership (interest ceased May 2017)
Shareholder in Hopai Holdings Limited
Shareholder in Mangatarata Farms Limited
Shareholder in Progeny Kiwifruit Limited
Trustee of, and beneficiary of, the PR Jones Family Trust
Trustee of, and beneficiary of, the Patricia Jones Trust

JP Mason

Director of Zespri Group Limited
Director of Zespri International Limited
Chairman of Compac Holdings Limited (interest ceased June 2017)
Director of Air New Zealand Limited
Director of Allagash Limited
Director of New Zealand Assets Management Limited
Director of Vector Limited
Director of Westpac New Zealand Limited
Member of the Board of Directors of the American Chamber of Commerce
Trustee of University of Auckland Endowment Fund
Trustee of Beloit College (USA)

Statutory information (continued)

Directors' disclosures (continued)

Directors' interests – Directors in office as at 31 March 2018 (continued)

P J McBride

Director and Chairman of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited and a number of other Zespri subsidiaries
Managing Director of, and shareholder in, South-East Hort Limited and subsidiaries (related party interests in various orchards)
Managing Director of Ellett Beach Farms J.V. (interest commenced October 2017)
Managing Director of Montrose Partnership
Chief Executive Officer of Trinity Lands Limited
Trustee of P J and L R McBride Family Trust
Trustee of Somerset Trust (contingent interest)

P M Springford

Director of Zespri Group Limited
Director of Zespri International Limited
Director of Aussie Frost Fans 2012 Limited
Director of Infratil Limited
Director of Loncel Technologies 2014 Limited
Director of Mondiale Technologies Limited
Director of New Zealand Frost Fans Limited
Director of New Zealand Wood Products Limited
Director of Ngarango Island Properties Limited (interest ceased March 2018)
Director of Omahu Ventures Limited
Director of Springford and Newick Limited
Trustee of Medicine Mondiale
Trustee of The Dunstan Trust
Trustee of The Springford Family Trust

Statutory information (continued)

Employee remuneration

For the year ended 31 March 2018, the number of employees whose total remuneration and value of any benefits received or receivable exceeded \$100,000 between the following bands was:

Number of non-New Zealand-based employees	Number of New Zealand-based employees	Total remuneration and benefits (\$)
17	14	\$100,000 to \$109,999
13	13	\$110,000 to \$119,999
9	14	\$120,000 to \$129,999
10	5	\$130,000 to \$139,999
4	7	\$140,000 to \$149,999
6	7	\$150,000 to \$159,999
7	4	\$160,000 to \$169,999
8	6	\$170,000 to \$179,999
3	5	\$180,000 to \$189,999
2	3	\$190,000 to \$199,999
2	4	\$200,000 to \$209,999
4	1	\$210,000 to \$219,999
4	2	\$220,000 to \$229,999
3	1	\$230,000 to \$239,999
1	1	\$240,000 to \$249,999
2	–	\$250,000 to \$259,999
–	2	\$260,000 to \$269,999
1	3	\$270,000 to \$279,999
2	1	\$280,000 to \$289,999
3	–	\$290,000 to \$299,999
–	2	\$300,000 to \$309,999
3	–	\$310,000 to \$319,999
2	–	\$330,000 to \$339,999
2	–	\$350,000 to \$359,999
1	–	\$370,000 to \$379,999
–	1	\$380,000 to \$389,999
1	1	\$440,000 to \$449,999
2	–	\$470,000 to \$479,999
1	–	\$490,000 to \$499,999
1	1	\$540,000 to \$549,999
1	–	\$560,000 to \$569,999
1	–	\$570,000 to \$579,999
2	–	\$620,000 to \$629,999
–	1	\$630,000 to \$639,999
–	1	\$680,000 to \$689,999
1	–	\$690,000 to \$699,999
1	–	\$740,000 to \$749,999
–	1	\$1,330,000 to \$1,339,999
1	–	\$1,360,000 to \$1,369,999

Note: These bands are in New Zealand Dollar equivalents and reflect foreign exchange fluctuations.

