# EASTPACK 2016 ANNUAL REPORT

EastPack
WORLD CLASS ORCHARD TO MARKET

# IF IT'S IMPORTANT TO GROWERS, IT'S IMPORTANT TO US

EastPack's grower-owned structure means we can be truly singleminded about what we're here to achieve: the success of our growers. With an uncompromised focus on grower returns, we're making the investments necessary to give growers more control and the best possible result. All topped off with a fair share of our profits.

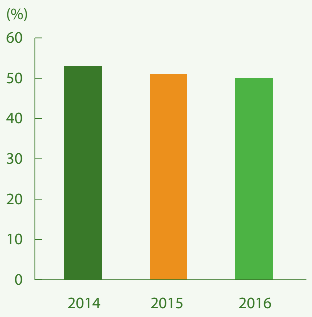
# TABLE OF CONTENTS



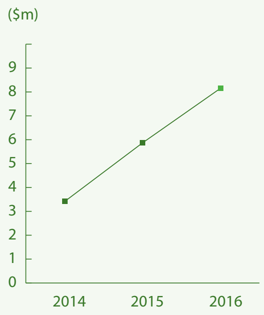
## FINANCIAL REPORT

# 2016 GROUP HIGHLIGHTS

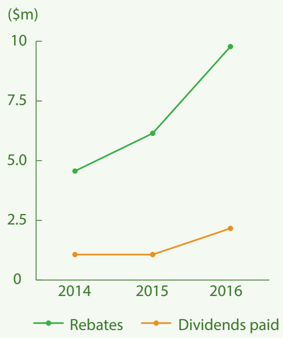
### EQUITY RATIO



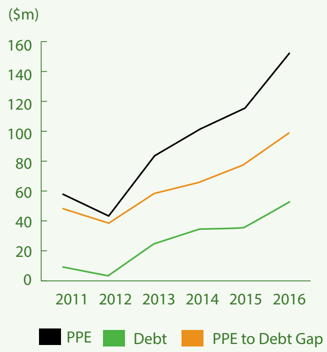

### NET PROFIT AFTER TAX



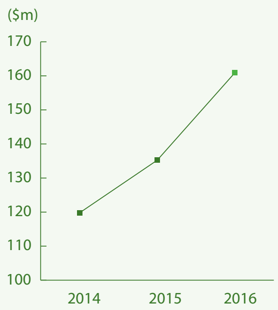

### REBATES AND DIVIDENDS



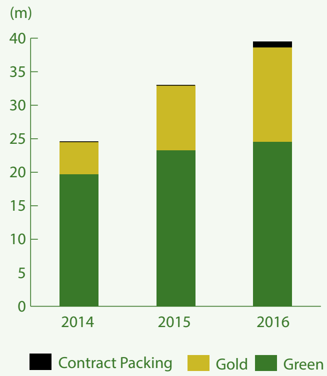

### PROPERTY PLANT & EQUIPMENT VS. DEBT




### REVENUE




### CLASS 1 TRAYS PACKED




## 12 CENT GROSS 2016 DIVIDEND UP 20%

## $36M INCREASE IN PROPERTY, PLANT AND EQUIPMENT

## 27 CENT REBATE 35% INCREASE

## $8.2M PROFIT AN INCREASE OF 39%


16 H
STPACK

## CEO & CHAIRMAN'S REPORT

# ANOTHER GREAT YEAR WITH A POSITIVE FUTURE

The continuing rebound and confidence in kiwifruit following the Psa outbreak 6 years ago has been very pleasing, and the future of kiwifruit remains promising.

The 2016 season saw a bumper crop of kiwifruit and a challenge for the industry to pack and cool the entire crop. EastPack packed 38.7m trays of kiwifruit for its growers a 5.7m tray or 17% increase on 2015. This followed a 34% increase in volumes packed from 2014 to 2015. EastPack also packed a further 0.8m trays for other Post Harvest Operators who utilised either EastPack's NIR capability or EastPack excess capacity towards the end of the season. The strategies put in place to handle the increasing volumes of kiwifruit worked well with the additional capacity built and the utilisation of Zespri's slow shipping programme.

It is pleasing to see the on-going success of the G3 variety and the projection of increased volumes as Zespri continues to release additional licences to growers. The market returns for the variety remain strong and the prices growers are prepared to pay for licences have been higher than many anticipated. This may become challenging in the future as more hectares are tendered by Zespri, with competition for licences expected to be high making it increasingly difficult for many Green growers to convert.

Hayward volumes in 2016 were another record with EastPack growers average orchard yield being in excess of 12,000 trays per hectare. This compares to 2010 pre Psa when average industry yield for Hayward was approximately 7,500 trays per hectare. The increase in Hayward volumes along with the crop maturing later than normal was challenging for Zespri to sell. A decision to crop manage Hayward is never easy and while this year's decision was made in the best interests of grower returns, the lateness of this move placed additional costs on post-harvest and ultimately our growers. Current estimates are that the 2017 Hayward crop will be down approximately 20% on 2016, easing pressure on Zespri to sell the crop but they will need to deliver a significant lift in per tray returns to maintain Hayward OGR per hectare.

The investment in Near Infra-Red (NIR) technology at Washer Road proved to be a good decision and the capability to save G3 fruit that otherwise would have been dumped added significant value to a number of our grower lines.

### 2016 Capital Investment

In mid-2016, the outlook for kiwifruit for 2017 and future years was for further volume growth. Following the full utilisation of capacity that arose in 2016, EastPack determined that further packing and coolstore capacity was required to pack the increasing volumes of G3 and increasing yields from our Hayward growers and we could not rely on slow shipping from Zespri as a long-term storage solution. From the volume forecasts for the 2017 season and beyond, a capital investment plan was implemented to install a second grader at Washer Road and increase coolstore and packhouse capacity at Opotiki, Quarry Road and Collins Lane. In October 2016, following indications of a significant reduction in volume on 2017, the construction of additional coolstore capacity at Quarry Road was deferred to a future year.

The major investment in 2017 is the installation of a 14 lane grader at Washer Road. This grader will have the latest Compac Spectrim grading technology and NIR on all 14 lanes. This will provide EastPack with 23 lanes of NIR capacity. To support the grader, the packhouse building will have a significant extension and a new coolstore at Washer Road is also required to store the additional throughput.

# CEO & CHAIRMAN'S REPORT


## Board and Board Structure

A stable Board has been in place in 2016 with six grower directors and two independent directors, being the optimal board size as planned following the Satara Merger.

During the year Mark Giles acquired a stake in a kiwifruit orchard, so technically is no longer an independent director. Mark brings extensive Information technology, international sales and marketing experience and served on a number of Boards, and therefore complements the skills on the Board. He continues to bring an independent mindset to the Board table.

The Board is committed to high quality governance. It is intended that the Board should comprise a balance of experience and fresh thinking. Steps will be taken to achieve this balance and shareholders will also contribute to this process by nominating new candidates. The whole board undertook a governance review and individual director evaluation in late 2016.

## Financial Result

The 2016 season result shows a very pleasing financial performance for EastPack following the excellent 2015 result, on the back of increasing kiwifruit volumes. The increased volumes resulted in greater asset utilisation and strong performances across the sites. Turnover increased by 18% from $136m to $161m with the increase in G3 volume and a record crop for Hayward.

Earnings before interest, tax, fair value adjustments and rebates of $23.8m was $7.1m ahead of 2015.

As a result of the strong financial performance the Board increased the 2016 rebate to 27 cents per tray compared to 20 cents per tray in 2015. The board also announced an increase in the 2016 dividend to 8.64 cents fully imputed compared to 7.20 cents per share in 2015. This reflected the strong co-operative nature of the company and was determined in light of the financial strength of the company, the significant capital expenditure undertaken and debt levels.

Net profit before tax and fair value adjustments of $11.2m is a strong improvement on the 2015 result of $8.1m.

The company's land and buildings have been revalued as at 31 December 2016 reflecting the increasing value of property in New Zealand and the confidence in the kiwifruit industry. This has resulted in a $7.8m lift in our asset values.

Earnings per ordinary share have risen from 20 cents in 2015 to 27 cents in 2016. Cash flows were strongly positive with a net cash flow from operating activities of $26.1m in 2016, compared with $23.2m in 2015. Significant capital expenditure was undertaken during the year to enable EastPack to pack and store the additional volume in 2016, this was balanced by the strong positive operating cash flow, resulting in a year-end total borrowings of $52.7m compared to 2015 borrowings of $37m.

EastPack is in a period of significant investment in both packing capacity and storage to effectively service the rapidly increasing fruit volume from our grower shareholders. The larger crop also necessitates longer selling seasons and thus a greater requirement for storage performance as well as capacity. This has been planned as part of our five-year financial strategy and the company has its banking facilities in place to meet the expected funding requirements over this period.

As we look forward to the next three years' investment plans we anticipate reduced capital expenditure as compared to the last 2 years. In 2017 we are expecting a marked decrease in Hayward crop yields so expect an overall reduction in trays packed and stored for 2017. When it became apparent that there would be a reduction in volume in 2017, we made the decision to continue with the key components of our capital plan but deferred the construction of a new coolstore at Quarry Road. We do

| EastPack Key Financial Statistics | 2016 ('000) | 2015 ('000) | 2015-2016 Annual % Change |
|---|---|---|---|
| Revenues | **$160,935** | $136,229 | +18% |
| Earnings before interest, tax, depreciation, fair value adjustments and rebates (EBITDAFR) | **$34,146** | $25,671 | +33% |
| Rebates paid on transactor shares | **$9,776** | $6,144 | +59% |
| Operating profit (Earnings before tax and fair value adjustments) | **$11,231** | $8,148 | +38% |
| Net profit before taxation | **$11,321** | $8,148 | +39% |
| Net profit after taxation | **$8,153** | $5,870 | +39% |
| Earnings per investor share | **$0.27** | $0.20 | +35% |
| Dividends on investor shares | **$2,163** | $1,067 | +103% |
| Net tangible assets per investor share | **$2.17** | $1.75 | +24% |
| Total debt (term & current) | **$52,650** | $37,000 | +42% |
| Number of investor shares | **29,825** | 29,825 | +0% |
| Equity ratio (including transactor share capital, as per the table below) | **0.50** | 0.51 | -1% |
| **Transactor Share Capital** | | | |
| Number of transactor shares | **17,859** | 19,040 | |
| Transactor shares to be issued pending the submission of EastPack Limited's Product Disclosure Statement | **4,023** | | |
| TOTAL | **21,882** | **19,040** | **+15%** |

however expect that volumes will rebound in 2018 with Hayward crop yields returning to more normal levels and further Gold3 hectares becoming more productive.

In order to facilitate the significant capital expenditure, the company has renegotiated its banking facilities, increasing our peak facility to $110m. Whilst the company will continue to invest in the future, the level of capital expenditure is not expected to be at the same levels as 2015 and 2016. The banking facilities have been structured to reduce over the next 4 years as the company intends to reduce debt levels over this period.

## Future growth Strategy

EastPack's future strategy is to have sufficient capacity to pack growers' fruit reasonably promptly when each grower wants their fruit harvested and packed. With the addition of the new 14 lane grader at Washer Road, the company has configured its packing operations to support in excess of 40 million trays and a more accentuated peak from greater G3 production. Additional coolstorage will be required at the Quarry Road site but no further additional grader capacity is forecast to be required in the next 3 years.

The company will continue to invest in upgrading existing plant to provide best practice cooling and storage of fruit and will invest in new technology to support efficiency and effectiveness of the company's operations.

The company is committed to improving its operational performance, reducing fruit loss and providing strong Orchard Gate Return's to its growers.

## Health and Safety

EastPack maintains a strong focus on Health and Safety and this is a fundamental element of the company's culture. We have a principle of recognising improvement in Health and Safety at our sites, through recognition in the CEO Health and Safety Awards, our Opportunities for Improvement (OFI's) system, strong Health and Safety committees and a pro-active approach to improving safety on our sites. We have fully incorporated the requirements of the Health and Safety at Work Act 2015 into our Health and Safety systems.

# CEO & CHAIRMAN'S REPORT

This includes ensuring all of our contractors including harvesting and harvest contractors comply with our health and safety requirements. EastPack, our growers and our various contractors all have a collective responsibility in this area.

In 2016, the company implemented Vault, a Health and Safety software package to support the various requirements of managing Health and Safety in the business.

EastPack is fully certified as part of the ACC Workplace Safety Management Practices (WSMP) programme.

## Our People

The 17% increase in volume from 2015 to 2016 created challenges in sourcing and training sufficient staff to manage this volume. Overall the company's staffing levels peaked at just under 3,000 employees, but our staff were required for a longer duration than previous years with the later Hayward maturity and extended season for loading out fruit to Zespri. In addition there were significant unanticipated repacking requirements after the Chinese authorities changed their phytosanitary requirements.

The team worked extremely hard through the season and it is a credit to our team that we managed not only to pack on time but were also able to pack additional volumes from other post-harvest facilities.

In 2016 we implemented new grading technology at Quarry Road and Opotiki and introduced NIR grading at Washer Road. This added complexity and challenges for our staff to learn and operate efficiently, which they handled well.

The company has maintained a strong focus on continuous improvement, as part of the LEAN Manufacturing principles. Whilst most of our capital works programme has been focused on increasing capacity, a key component of all our spend is on improving efficiency and effectiveness of our operations. Further improvements were made to lowering the cost per tray packed in 2016. In 2017 despite increased wage rates, we are budgeting for a static labour cost per tray and further improvements in fruit quality despite the anticipated decrease in volumes.

In 2016, a number of changes have been made to the Senior Leadership team to better support our goals of value creation and strong performance. Photographs and brief biographies of our Senior Leadership team can be found on Page 12-13 of the Annual Report.

## Our Growers

As a co-operative we value the close relationship we have with our grower shareholders. As the largest post harvest operator we are striving to remain close to our growers but deliver the efficiencies of a large organisation. As a co-operative we have our growers at heart. We value the input of the members of the EastPack Entity Trust Forum.

The Grower Service team's focus through structured orchard visits and technical focus meetings has been to share best practice to contribute to the increase in the yield of Class 1 fruit.

The success of the 2017 harvest will again depend heavily on the spirit of teamwork and co-operation with EastPack and its Grower Shareholders.

We would like to thank our grower shareholders who have supported us with their business, which gives EastPack the confidence to invest for the future of our industry.

## Acknowledgments

We would like to thank the hard work of our staff at EastPack and the great result that the team delivered in 2016. The dedication and commitment of the team in producing the result that we have seen in 2016 gives us a lot of confidence going into 2017.

We would like to acknowledge our Directors and the leadership they have demonstrated during a time of change and rapid growth. We are confident that with the EastPack team along with significant investment in training, systems and infrastructure, your company is well placed to deliver the service and quality outcome that you require as grower shareholders in 2017.

At EastPack a great legacy has been built over many years at EastPack, Satara and their forerunner organisations. That legacy owes much to the vision and commitment of many who have gone before us. The directors, management and people of EastPack today are committed to building on that legacy and serving growers outstandingly in 2017 and the years that follow.

**John Loughlin** - Chairman

**Hamish Simson** - Chief Executive Officer

# BOARD OF DIRECTORS

EastPack is currently governed by six elected Grower directors and two independent commercial directors.

## JOHN LOUGHLIN

Chairman, Independent Director, appointed 2014
BCA, MBA, FCA, INFINZ (fellow), FNZIM,
ANZIIF (fellow), AFInstD

**Committees:**

- Member, Audit Committee
- Member, Health and Safety Committee
- Member, Directors Remuneration Committee

John has extensive board experience including directorships with Zespri Group Limited, AgResearch Limited, Port of Napier Limited and Toll NZ Limited. John is currently chairman of Powerco Limited, Tru-Test Corporation Limited and Firstlight Foods NZ Limited, and is a director of Augusta Capital Limited, Port of Napier Limited and Bay Venues Limited. John holds an MBA and BCA from Victoria University of Wellington.

## HENDRIK PIETERS

Elected 1999 (Satara), 2013 (EastPack)

**Committees:**

- Chairman, Remuneration and Appointments Committee
- Member, Health and Safety Committee

Hendrik has held several senior leadership roles within the New Zealand kiwifruit industry throughout the past 30 years. Hendrik is a director of Kiwifruit New Zealand, the kiwifruit industry regulator. He and his family own and operate orchards in the Te Puke region.

## MARK GILES

Independent Director, appointed 2014, B Ag Econ

**Committees:**

- Member, Remuneration and Appointments Committee
- Member, Health and Safety Committee

Mark joined EastPack as an independent director in 2014. Mark has a broad range of skills and successful track-record throughout a diverse business life, predominantly within the ICT sector. His leadership experience has spanned across large multinationals to home grown New Zealand companies and the not for profit sector.

Mark has extensive international General Management, sales and marketing experience and served on a number of boards including that of Vodafone New Zealand, Vodafone Mobile New Zealand, and Alcatel New Zealand. Mark is currently an independent director at ITM Co-operative Limited, and chairman of Coretex Limited and Techspace Consulting Limited. Mark holds a Batchelor of Agricultural Economics from Massey University.

## MICHAEL MONTGOMERY

Elected 2000

**Committees:**

- Member, Health and Safety Committee

Michael has been involved in the kiwifruit industry as a grower and a postharvest operator since 1981. Michael is chairman of TKL Logistics Limited, which manages wharf and transport services for kiwifruit in the Bay of Plenty. Michael is a board representative on EastPack Entity Trust and a past member of NZKGI (New Zealand Kiwifruit Growers Incorporated). He completed the Kelloggs Rural Leadership Training Programme in 2002. He owns and operates orchards in the Bay of Plenty, Hawke's Bay and Gisborne Areas.


## MARK HUDSON

Elected 1992, BSocSc

**Committees:**

- Member, Health and Safety Committee

Mark has been involved in the kiwifruit industry since 1982; he owns and manages orchards in the Edgecumbe region. He holds a BSocSc degree in Economics and Accounting. Mark has been a member of NZKGI for ten years and he is the current chairman of EastPack Kiwifruit Operations Limited (EKO).

## ADRIAN GAULT

Elected 2009, BAgSci, IOD Directors Certificate

**Committees:**

- Member, Audit Committee
- Member, Health and Safety Committee

Adrian has many years of agriculture and horticulture experience. He is the Chairman of Kiwifruit Vine Health and is a board representative on EastPack Entity Trust. He holds a Bachelor of Agricultural Science and is a Nuffield Scholar (2000). He has also completed the Fonterra Governance Leadership programme. Adrian owns and operates kiwifruit orchards in the Bay of Plenty region.


## MICHAEL MALTBY

Elected 2008 (Satara), 2013 (EastPack), BCom CA

**Committees:**

- Chairman, Audit Committee
- Member, Health and Safety Committee

Michael has been a kiwifruit grower since 1983 and joined the Satara Board in 2008. Michael holds a Bachelor of Commerce and is a Chartered Accountant, having spent 14 years with KPMG before establishing his own IT consultancy business in 2004. He and his wife operate their family orchard in the Te Puke region.

## MURRAY MCBRIDE

Elected 2009, IOD Directors Certificate, IOD Audit and Risk Certificate

**Committees:**

- Chairman, Health and Safety Committee

Murray has been involved in the kiwifruit industry since 1979. He managed the McBride family post-harvest facility and purchased his first orchard in 1990. Since then, Murray has been heavily involved in developing gold orchard plantings and is renowned in the industry as a leader in this field. Murray is an elected member of EastPack Entity Trust and is also a member of the Zespri Gold Development Group, NZKGI (New Zealand Kiwifruit Growers Incorporated), and IAC (Industry Advisory Council).


## HAMISH SIMSON

BCom

*Chief Executive*

Hamish is an experienced executive with a number of leadership roles at CEO, general manager, and executive director levels.

## GINNY MOORE

*BTech (Food Technology)*

*Business Improvement Manager*

Ginny is responsible for ensuring operational processes are optimised and best practice continues to evolve.

## NEIL TE KANI

*Maori Relations Manager*

Neil has significant governance experience in the New Zealand kiwifruit industry and was instrumental in the development of the Kiwifruit Industry Strategy Project (KISP). Neil's role is part of EastPack's long-term strategy to support the substantial growth of Maori investment in the kiwifruit industry.


## SENIOR MANAGERS

EastPack's senior managers comprise the following individuals.

### BRADEN HUNGERFORD

BAv

*General Manager – Grower & Orchard Performance*

Braden has vast experience in operations management, product and orchard development, and has a number of successful orchards.

### RICHARD FRASER-MACKENZIE

BCom CA

*General Manager – Supply & Logistics*

Richard is highly skilled in logistical management and has previously worked for Zespri in a commercial role.

### HEATHER BURTON

DipBus (HR Management)

*General Manager – Human Resources*

Heather has a wealth of expertise in all aspects of human resources and health and safety.

### ANTHONY PANGBORN

BCom Ag

*General Manager - Fruit Optimisation*

Anthony is passionate about fruit optimisation and the quality chain. He has completed the Kellogg's rural leadership programme.

### PHIL KARL

DipDairyTech

*General Manager – Operations*

Phil joined EastPack after many years in the Dairy Industry. Phil is a capable operations leader with extensive experience across the supply chain.

### MERV DALLAS

BCom CA

*Chief Financial Officer*

Merv has held a number of senior financial roles. He has worked in Europe, Australia, Asia and the Pacific Islands, and was CFO at Zespri for nine years.

# STATEMENT OF CORPORATE GOVERNANCE

Good corporate governance is acting and leading with integrity and maintaining a high standard of business ethics, underpinned by written policies and procedures which ensure that the culture and expectations are clearly understood and respected throughout the Company. The Board considers it essential that a high standard of corporate governance practices are in place across the organisation, starting with the Directors themselves at Board level. This section provides an overview of the key elements of the Company's corporate governance framework.

EastPack Limited is regulated by the provisions of the Companies Act 1993, the Cooperative Companies Act 1996 and other relevant legislation governing the duties of directors, including financial reporting obligations, offering and trading in securities, employment, environment, and health and safety. As the Company also issues shares, it is required to comply with all requirements of applicable securities legislation, including the Financial Markets Conduct Act 2013 and, therefore, share transactions and some company publications are subject to scrutiny by the Financial Markets Authority.

## Financial Statements

It is the directors' responsibility to ensure preparation of financial statements that give a true and fair view of the financial position of the Company as at the end of the financial year and the results of operations and cash flows for the year. The external auditors are responsible for expressing an independent opinion on the financial statements.

The financial statements set out in this report have been prepared by management in accordance with generally accepted accounting practice. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable judgements and estimates.

After reviewing internal management financial reports and budgets the directors believe that the Company will continue to be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

## Board of Directors

The Company's constitution requires a minimum number of six shareholder directors. Of those shareholder directors, not less than four shall hold Transactor Shares, and not less than two shall hold Investor Shares. The maximum number of directors is ten.

At least one third of directors shall retire from office each year at the annual general meeting, but shall be eligible for re-election. The retiring directors must be those directors who have been longest serving since they were last elected.

In addition to the shareholder directors, the Board may appoint not more than two persons to be directors of the Company for such period as the Board shall think fit. An appointed director shall not be taken into account in determining the number of directors who are to retire by rotation at any annual meeting and he or she shall cease to hold office as a director at the expiration of the period for which he or she was appointed.

The Board currently comprises six shareholder directors, and two appointed directors.

The directors have a wide range of skills and expertise that they use to the benefit of the Company.

The primary responsibilities of the Board include:

- to establish the vision of the Company
- to establish long term goals and strategies of the Company
- to approve annual financial reports
- to approve annual budgets
- to approve corporate policies
- to ensure the Company has good internal controls and keeps adequate records
- to ensure legislative compliance
- to monitor the performance of executive management
- to appoint the CEO and fix terms of employment
- to ensure appropriate communication to stakeholders

Board procedures are governed by the Constitution and the Board's Operating Manual which includes a Board Charter and Code of Ethics.

## Conflicts of Interest and Related Parties

Directors disclose any general and specific interests that could be in conflict with their obligations to the Company. The Company maintains a register of disclosed interests. Transactions with related parties and balances outstanding relating to the year ending 31 December 2016 are disclosed in note 29 of the Notes to the Financial Statements.

## Risk Management

The management of risk is a key focus for the Board. A risk management system is in place which is used to identify and manage all business risks. The risk profile is reviewed annually and monitored regularly throughout the year.

The Board monitors the operational and financial aspects of the Company and considers recommendations from external auditors and advisors on the risks that the Company faces.

The Board ensures that recommendations made are assessed and appropriate action is taken where necessary to ensure risks are managed.

## Internal Controls

It is management's responsibility to ensure adequate accounting records are maintained.

Directors are responsible for the Company's system of internal financial controls. Internal financial controls have been implemented to minimise the possibility of material misstatement. They can provide only reasonable assurance and not absolute assurance against material misstatements or loss. No major breakdowns of internal controls were identified during the year.

## Committees

The Board operates the following standing committees:

- Audit Committee
- Health and Safety Committee
- Remuneration and Appointments Committee
- Directors Remuneration Committee

## Audit Committee

The primary objective of the Committee is to assist the Board of Directors in fulfilling its responsibilities and regulatory compliance relating to the accounting and reporting practices of EastPack and each of its Subsidiaries. In addition the Committee:

- Monitor and administer any conflicts of interest which may arise, in particular those resulting from the Group being a Grower Co-operative
- Review the recommendations and the audit conducted by the External Auditors
- Review the financial information presented by management and recommend to the Board the approval of Financial Statements for release to shareholders, regulators and the general public
- Monitor the appropriateness and effectiveness of the Company's administrative, operating and accounting controls
- Review and advise on the risk management practices of the group
- Approve the internal audit programme, receive reports and address recommendations considered appropriate

This committee is chaired by Mike Maltby.

## Health and Safety Committee

The role of the Health and Safety Committee is to assist the Board in fulfilling its responsibilities relative to Health & Safety performance and regulatory conformance. In addition the committee:

- Liaise with management and relevant staff in Health and Safety
- Reviews the annual Health and Safety audit plan
- Assess the performance of Health and Safety
- Review Health and Safety reporting/policies/procedures/implementation
- Oversight of compliance with statutory responsibilities relating to Health and Safety
- Understanding the hazards that employees and contractors face in the course of their roles with and for the EastPack group and the management of those hazards
- Ensuring recommendations are actioned by management

This committee comprises the full Board and is chaired by Murray McBride.

## Remuneration and Appointments Committee

The Remuneration and Appointments Committee has the responsibility to make recommendations in respect of the appointment and remuneration of Directors and senior executives and related matters. This committee is chaired by Hendrik Pieters.

## Directors Remuneration Committee

The Committee comprises the Chairman of the Board and three Grower shareholders appointed at the shareholders' Annual General Meeting. The Committee reviews and recommends the level of directors' remuneration to be approved by shareholders at the Annual General Meeting.

The Board also currently operate the following Working committees:

- Information Systems Committee
- Leadership Committee
- Capital Structure Committee

## Attendance at Meetings

The Board currently meets formally ten times each year, with additional meetings held as required. The meeting format follows guidelines that ensure all directors have available the necessary information to participate in an informed discussion on all agenda items. Separate strategic planning meetings are held annually in conjunction with the senior management team.

## Directors Remuneration

Directors' remuneration during the year is disclosed in the Statutory Information section of this report.

## Employee Remuneration

Employee remuneration greater than $100,000 per annum received in their capacity as employees during the year is disclosed in the Statutory Information section of this report.

## Entries in the Interests Register

In addition to the interests and related party transactions disclosures in note 29 of the Notes to the Financial Statements, there were no interests disclosed to the Board during the year.

# STATUTORY INFORMATION

**As required by Section 211 of the Companies Act 1993 we disclose the following information:**

*The Group's principle activities during the year were:*

- Packing and coolstorage of kiwifruit
- Orchard management

*Directors' Interests:*

- M.R. McBride, R.M. Hudson, A.A. Gault, & M.J. Montgomery, M.C. Maltby, H.J. Pieters and M.T. Giles own orchards for which the Company provides services on normal commercial terms.
- R.M. Hudson, M.R. McBride, M.J. Montgomery and H.J. Pieters own kiwifruit contracting businesses that provides labour and contracting services to EastPack Kiwifruit Operations Limited. under normal commercial terms.
- M.J. Montgomery is a Director of Pine Valley Orchards Limited., which has a loan outstanding with EastPack Limited on commercial terms, which reflect an option to develop a facility on land owned by Pine Valley Orchards Limited.
- M.J. Montgomery is a Trustee of a trust that leases coolstores to EastPack Limited on normal commercial terms.
- M.J. Montgomery is a Director of a Company that has plans to develop a new kiwifruit post harvest facility at Lemon Road, Paengaroa.
- H.J. Pieters is a Director of H.J. & B.M. Pieters Limited which sold pollen to EastPack Limited under normal commercial terms.
- M.R. McBride is a Director of BayGold Limited, which had a loan outstanding with EastPack Limited under normal commercial terms which was repaid in full with interest in 2016.

*Share Dealing:*

Directors acquiring shares or any interest in shares in the Company during the year are as follows:

| | SHARES ACQUIRED DURING THE YEAR | | SHARES SOLD DURING THE YEAR | |
|---|---|---|---|---|
| | TRANSACTOR | INVESTOR | TRANSACTOR | INVESTOR |
| A.A. Gault | – | – | – | – |
| M.T. Giles | – | – | – | – |
| R.M. Hudson | – | – | – | – |
| J.J. Loughlin | – | – | – | – |
| M.R. McBride | – | 414,238 | – | – |
| M.C. Maltby | – | – | – | – |
| M.J. Montgomery | – | – | – | – |
| H.J. Pieters | – | – | – | – |

All transactor shares were issued at $1 per share.

*Remuneration & Other Benefits:*

The following persons held office as director during the year and received the following remuneration:

| | REMUNERATION | |
|---|---|---|
| | 2016 | 2015 |
| G.S. Eynon (ceased 29 April 2015) | – | 13,750 |
| A.A. Gault | 41,500 | 40,000 |
| M.T. Giles | 41,500 | 40,623 |
| R.M. Hudson | 44,500 | 40,000 |
| J.J. Loughlin | 89,300 | 42,043 |
| M.R. McBride | 41,500 | 40,000 |
| M.C. Maltby | 41,500 | 40,000 |
| M.J. Montgomery | 44,500 | 40,000 |
| H.J. Pieters | 41,500 | 40,000 |
| R.B. Sharp (ceased 18 December 2015) | – | 63,000 |

# STATUTORY INFORMATION

*Remuneration of Employees*

The number of employees, who are not directors, whose remuneration and benefits exceeded $100,000 in the financial year were:

| | GROUP | PARENT |
|---|---|---|
| $100,000 - $109,999 | 3 | 3 |
| $110,000 - $119,999 | 3 | 3 |
| $120,000 - $129,999 | 4 | 4 |
| $130,000 - $139,999 | 4 | 4 |
| $140,000 - $149,999 | 1 | 1 |
| $150,000 - $159,999 | 2 | 2 |
| $190,000 - $199,999 | 1 | 1 |
| $200,000 - $209,999 | 2 | 2 |
| $210,000 - $219,999 | 1 | 0 |
| $230,000 - $239,999 | 1 | 1 |
| $240,000 - $249,999 | 1 | 1 |
| $470,000 - $479,999 | 1 | 1 |
| | 24 | 23 |

*Donations*

No donations of a material nature were made by the company during the year.

*Use of Company Information*

The Board received no notices during the year from directors requesting the use of Company information received in their capacity as directors which would not have been otherwise available to them

*Co-operative Status*

In the opinion of each director, the Company is a co-operative company within the meaning of that term given by the Co-operative Companies Act 1996 and for the following reasons:

- The Company continues to carry on, as its principal activity, a co-operative activity as set out in Section 3 of the Co-operative Companies Act 1996;
- The constitution of the Company states its principal activities as being co - operative activities; and
- Not less than 60% of the voting rights of the Company are held by transacting shareholders as defined in section 4 of the Co-operative Companies Act 1996.

For and on behalf of the Board:

John Loughlin

Chairman

14 March 2017

## INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTES | GROUP **2016 ($000'S)** | GROUP 2015 ($000'S) | PARENT **2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|---|
| Revenue | 6 | 160,935 | 136,229 | 143,078 | 119,765 |
| Share of profit in associates | 26 | 46 | - | - | - |
| Packaging materials | | (37,760) | (31,260) | (37,760) | (31,260) |
| Employee benefits expense | | (52,403) | (46,500) | (48,505) | (43,177) |
| Directors compensation | | (402) | (416) | (384) | (403) |
| Other expenses | 7 | (34,712) | (31,526) | (21,108) | (18,909) |
| Rental and operating lease expenses | | (1,558) | (856) | (1,558) | (3,012) |
| | | (126,835) | (110,558) | (109,315) | (96,761) |
| **Earnings before interest, tax, depreciation, fair value adjustments and rebates** | | **34,146** | **25,671** | **33,763** | **23,004** |
| Depreciation | 24 | (10,362) | (8,990) | (10,262) | (7,150) |
| **Earnings before interest, tax, fair value adjustments and rebates** | | **23,784** | **16,681** | **23,501** | **15,854** |
| Interest expense | | (2,777) | (2,389) | (2,777) | (2,381) |
| Rebates paid | | (9,776) | (6,144) | (9,776) | (6,144) |
| **Earnings before tax and fair value adjustments** | | **11,231** | **8,148** | **10,948** | **7,329** |
| Gain/(loss) on revaluation of property, plant and equipment | 24 | 90 | - | 90 | - |
| **Net profit/(loss) before taxation** | | **11,321** | **8,148** | **11,038** | **7,329** |
| Add/(less) taxation | 8 | (3,168) | (2,278) | (3,084) | (1,937) |
| **Net profit after taxation** | | **8,153** | **5,870** | **7,954** | **5,392** |
| **Net profit attributable to:** | | | | | |
| Owners of the Company | | 8,153 | 5,870 | 7,954 | 5,392 |
| Non controlling interest | | - | - | - | - |
| **Net profit after taxation** | | **8,153** | **5,870** | **7,954** | **5,392** |
| **Earnings per share** | | | | | |
| Basic and diluted earnings per share | 9 | $0.27 | $0.20 | $0.27 | $0.18 |

## STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTES | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|---|
| Net profit after taxation | | 8,153 | 5,870 | 7,954 | 5,392 |
| **Other comprehensive income** | | | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | | | |
| Gain/(Loss) on revaluation of property, plant and equipment, net of tax | 11 | 5,724 | - | 5,724 | - |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| Gain/(Loss) on fair value of available for sale financial assets, net of tax | 11 | 733 | 70 | 733 | 29 |
| Reclassification adjustments for gains/losses included in profit or loss, net of tax | 11 | (12) | (122) | (12) | (122) |
| **Other comprehensive income for the year** | | **6,445** | **(52)** | **6,445** | **(93)** |
| **Total comprehensive income for the year** | | **14,598** | **5,818** | **14,399** | **5,299** |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the company | | 14,598 | 5,818 | 14,399 | 5,299 |
| Non controlling interests | | - | - | - | - |
| **Total comprehensive income for the year** | | **14,598** | **5,818** | **14,399** | **5,299** |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTES | SHARE CAPITAL ($000'S) | ASSET REVALUATION RESERVE ($000'S) | AVAILABLE FOR SALE RESERVE ($000'S) | RETAINED EARNINGS ($000'S) | TOTAL ($000'S) |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **Opening balance 1 January 2015** | | 12,847 | 16,220 | 742 | 17,697 | 47,506 |
| **Net profit/(loss) after taxation** | | – | – | – | 5,870 | 5,870 |
| Other comprehensive income, net of tax | 11 | – | – | (52) | – | (52) |
| **Total comprehensive income for the year** | | – | – | (52) | 5,870 | 5,818 |
| Dividends paid | 12 | – | – | – | (1,067) | (1,067) |
| **Closing balance 31 December 2015** | | **12,847** | **16,220** | **690** | **22,500** | **52,257** |
| **Net profit/(loss) after taxation** | | – | – | – | 8,153 | 8,153 |
| Other comprehensive income, net of tax | 11 | – | 5,724 | 721 | – | 6,445 |
| **Total comprehensive income** | | – | 5,724 | 721 | 8,153 | 14,598 |
| Dividends paid | 12 | – | – | – | (2,163) | (2,163) |
| **Closing balance 31 December 2016** | | **12,847** | **21,944** | **1,411** | **28,490** | **64,692** |
| **PARENT** | | | | | | |
| **Opening balance 1 January 2015** | | 12,847 | 6,716 | 742 | 8,328 | 28,633 |
| **Net profit/(loss) after taxation** | | – | – | – | 5,392 | 5,392 |
| Other comprehensive income, net of tax | 11 | – | – | (93) | – | (93) |
| **Total comprehensive income** | | – | – | (93) | 5,392 | 5,299 |
| Reserves transferred on amalgamation of subsidiary | | – | 9,504 | – | 3,474 | 12,978 |
| Retained earnings transferred on amalgamation of subsidiary | | – | – | – | 4,013 | 4,013 |
| Dividends paid | 12 | – | – | – | (1,067) | (1,067) |
| **Closing balance 31 December 2015** | | **12,847** | **16,220** | **649** | **20,140** | **49,856** |
| **Net profit/(loss) after taxation** | | – | – | – | 7,954 | 7,954 |
| Other comprehensive income, net of tax | 11 | – | 5,724 | 721 | – | 6,445 |
| **Total comprehensive income** | | – | 5,724 | 721 | 7,954 | 14,399 |
| Dividends paid | 12 | – | – | – | (2,163) | (2,163) |
| **Closing balance 31 December 2016** | | **12,847** | **21,944** | **1,370** | **25,931** | **62,092** |

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2016

| | NOTES | GROUP **2016 ($000'S)** | GROUP 2015 ($000'S) | PARENT **2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Share capital | 10 | 12,847 | 12,847 | 12,847 | 12,847 |
| Reserves | 11 | 23,355 | 16,910 | 23,314 | 16,869 |
| Retained earnings | | 28,490 | 22,500 | 25,931 | 20,140 |
| | | 64,692 | 52,257 | 62,092 | 49,856 |
| **Non current liabilities** | | | | | |
| Deferred taxation | 8 | 10,122 | 8,630 | 9,122 | 7,440 |
| Income in advance | | 50 | 50 | 50 | 50 |
| Transactor share capital | 16 | 17,859 | 19,040 | 17,859 | 19,040 |
| Refunds due to resigned shareholders | 17 | 1,797 | 2,576 | 1,797 | 2,576 |
| Borrowings | 18 | 25,000 | 31,000 | 25,000 | 31,000 |
| | | 54,828 | 61,296 | 53,828 | 60,106 |
| **Current liabilities** | | | | | |
| Borrowings | 18 | 27,650 | 6,000 | 27,650 | 6,000 |
| Trade and other payables | 13 | 21,348 | 17,624 | 18,302 | 10,892 |
| Employee entitlements | 14 | 927 | 963 | 927 | 963 |
| Provision for dividend | 15 | – | – | – | – |
| Provision for taxation | 8 | 1,133 | 708 | 839 | 678 |
| Refunds due to resigned shareholders | 17 | 1,036 | 374 | 1,036 | 374 |
| Income in advance | | 538 | 437 | 50 | 50 |
| | | 52,632 | 26,106 | 48,804 | 18,957 |
| **Total funds employed** | | **172,152** | **139,659** | **164,724** | **128,919** |
| **Non current assets** | | | | | |
| Property, plant and equipment | 24 | 151,421 | 115,379 | 151,015 | 115,361 |
| Investments in subsidiaries | 25 | – | – | 37 | 37 |
| Investments in associates | 26 | 1,028 | 1,107 | 710 | 710 |
| Investments | 27 | 2,269 | 1,490 | 1,782 | 1,030 |
| Unpaid transactor shares | 23 | 98 | 98 | 98 | 98 |
| Trade and other receivables | 20 | 160 | 569 | 160 | 569 |
| | | 154,976 | 118,643 | 153,802 | 117,805 |
| **Current assets** | | | | | |
| Cash and cash equivalents | 19 | 2,465 | 1,125 | 1,302 | 17 |
| Trade and other receivables | 20 | 8,085 | 12,506 | 3,326 | 4,433 |
| Intercompany advances | 29 | – | – | 3,523 | 4,098 |
| Biological assets | 21 | 3,763 | 4,694 | – | – |
| Inventories | 22 | 2,863 | 2,691 | 2,771 | 2,566 |
| | | 17,176 | 21,016 | 10,922 | 11,114 |
| **Total assets** | | **172,152** | **139,659** | **164,724** | **128,919** |

For and on behalf of the Board

**John Loughlin** – Chairman
14 March 2017

**Michael Maltby** – Director
14 March 2017

# STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTES | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|---|
| **Cashflows from operating activities** | | | | | |
| Cash was provided from: | | | | | |
| Receipts from customers | | 154,069 | 129,665 | 133,417 | 115,166 |
| Interest received | | 177 | 124 | 376 | 444 |
| Net GST received | | 323 | 300 | 447 | 210 |
| Dividends received | | 54 | 147 | 178 | 155 |
| | | 154,623 | 130,236 | 134,418 | 115,975 |
| Cash was applied to: | | | | | |
| Payments to suppliers and employees | | (122,473) | (103,330) | (103,233) | (91,581) |
| Interest paid | | (2,780) | (2,389) | (2,780) | (2,381) |
| Taxation paid | | (3,260) | (1,338) | (3,250) | (847) |
| | | (128,513) | (107,057) | (109,263) | (94,809) |
| **Net cash flows from operating activities** | 28 | **26,110** | **23,179** | **25,155** | **21,166** |
| **Cashflows from investing activities** | | | | | |
| Cash was provided from: | | | | | |
| Associate dividends | | 125 | 39 | – | – |
| Proceeds from sale of investments | | 26 | 201 | 26 | 171 |
| Repayment of grower loans | | 500 | 129 | 500 | 129 |
| Repayment of advances to subsidiaries | | – | – | 575 | 362 |
| Proceeds from property, plant and equipment | | 48 | – | 48 | – |
| | | 699 | 369 | 1,149 | 662 |
| Cash was applied to: | | | | | |
| Purchase of investments | | (28) | (127) | – | (71) |
| Advances to growers | | (7) | (10) | (7) | (10) |
| Purchase of property, plant and equipment | | (37,390) | (23,728) | (36,968) | (23,722) |
| | | (37,425) | (23,865) | (36,975) | (23,803) |
| **Net cash flows from investing activities** | | **(36,726)** | **(23,496)** | **(35,826)** | **(23,141)** |
| **Cashflows from financing activities** | | | | | |
| Cash was provided from: | | | | | |
| Issue of transactor shares | | 10 | 1,581 | 10 | 1,581 |
| Proceeds from borrowings | | 15,650 | 2,000 | 15,650 | 2,000 |
| | | 15,660 | 3,581 | 15,660 | 3,581 |
| Cash was applied to: | | | | | |
| Payment of dividends | | (2,163) | (1,067) | (2,163) | (1,067) |
| Redemption of shares | | (1,541) | (1,148) | (1,541) | (200) |
| | | (3,704) | (2,215) | (3,704) | (1,267) |
| **Net cash flows from financing activities** | | **11,956** | **1,366** | **11,956** | **2,314** |
| Net increase/(decrease) in cash and cash equivalents | | 1,340 | 1,049 | 1,285 | 339 |
| Opening cash and cash equivalents | | 1,125 | 76 | 17 | (330) |
| Cash introduced on amalgamation | | – | – | – | 8 |
| Closing cash and cash equivalents | 19 | **2,465** | **1,125** | **1,302** | **17** |

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## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

EastPack Limited (the "Company") is a co-operative Company domiciled and incorporated in New Zealand under the Companies Act 1993 and registered under the Co-operative Companies Act 1996. The Company is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013.

The principal activities of the Group and Company are operating a packhouse, providing coolstorage services and providing orchard management.

The financial statements for the "Parent" are for the Company as a separate legal entity. The consolidated financial statements for the "Group" are for the economic entity comprising the Company and its subsidiaries per Note 25. The financial statements of the Company and Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The financial statements were approved by the Board of Directors on 14 March 2017. Once issued, the Directors do not have the power to amend these financial statements.

### (a) Basis of preparation of the financial report

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

*Compliance with IFRS*

These financial statements comply with generally accepted accounting practice in New Zealand ("NZ GAAP"). For the purposes of complying with NZ GAAP, the Company is a for - profit entity. The financial statements also comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

*Historical Cost Basis*

The financial statements has been prepared on a historical cost basis, with the following exceptions:

- Available-for-sale investments are measured at fair value.
- Land and buildings are remeasured using the revaluation model
- Biological assets are measured at fair value

*Functional and Presentation Currency*

These financial statements are presented in New Zealand dollars, which is both the Company and the Group's functional and presentation currency. The amounts are rounded to the nearest thousand dollars ($000) unless otherwise stated.

*Accounting for Goods and Services Tax*

All revenue and expense transactions are recorded exclusive of GST. Assets and liabilities are similarly stated exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST. The net amount of GST recoverable from, or payable to, Inland Revenue, is included in the Statement of Financial Position.

### (b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries and associates of the Company as at 31 December 2016 and their results for the year then ended.

*Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair values of the assets transferred, the liabilities incurred or assumed and the equity interests issued at the date of exchange. Acquisition - related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition - by - acquisition basis, the Group recognises any non - controlling interest in the acquiree either at fair value or at the non - controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non - controlling interest in the acquiree and the acquisition - date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*Associate companies*

Associates are all entities over which the Group has significant influence but not control, generally evidenced by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to profit/(loss) of associates in profit or loss.

Profits and losses arising from upstream and downstream transactions are recognised in the Group's financial statements only to the extent of the unrelated investors' interests in the associates. Unrealised gains on transactions between the Group and its associates are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Goods and Services Tax, returns, and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

*Sales of goods*

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

*Sales of services*

Revenue from the sale of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

*Interest revenue*

Interest income is recognised on a time - proportion basis using the effective interest method.

*Dividend revenue*

Dividend revenue is recognised when the right to receive a dividend has been established.

*Rent revenue*

Rental income is recognised on a straight - line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

### (e) Biological assets

Biological assets represent the value of developing the fruit due to be harvested in the following year. Biological assets are capitalised leased orchard expenses carried forward in the Statement of Financial Position as an asset and recognised at the same time as the income to which they relate, i.e. against the crop proceeds from the following year. Due to there being insufficient biological transformation as at reporting date, the Group has determined that cost approximates fair value. Costs include labour, materials and other direct costs allocated to the asset.

### (f) Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment includes its purchase/construction price, costs directly attributable to bringing it to the location and condition necessary for it to operate as intended. Where an item of property, plant and equipment is self-constructed, its construction cost includes the cost of materials and direct labour and an appropriate proportion of production overheads. Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably.

After initial recognition, all items of property, plant and equipment, except land and improvements and buildings are measured at cost less accumulated depreciation and impairment losses.

Land and improvements and buildings are measured at revalued amounts less any subsequent depreciation and impairment losses. Revaluations are undertaken by an independent registered valuer with sufficient frequency to ensure that the carrying value of the item does not differ materially from its fair value. Increases in the carrying amount arising from revaluations are credited to other reserves in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the profit or loss. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (i.e. if the asset is impaired). An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with the carrying amount of the asset being disposed of and are included in profit or loss. Upon disposal or derecognition of a revalued asset, any revaluation reserve relating to the particular asset is transferred to retained earnings.

*Depreciation*

Land is not depreciated. Capital works in progress are not depreciated until completed and available for use. Depreciation on other assets is calculated using the straight-line and diminishing value methods to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The residual value and useful lives of all assets are reviewed and adjusted if appropriate at each reporting date.

The depreciation rates used for each class of assets are:

| **Class of fixed asset** | **Depreciation basis** | |
|---|---|---|
| Land improvements | 4% | Diminishing value |
| Buildings | 2.0 - 48% | Straight line |
| Plant and equipment | 2.0 - 60% | Diminishing value |
| Furntiture and fittings | 9.5 - 60% | Diminishing value |

### (g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The Group has no leases classified as finance leases.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Income tax

The income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

### (i) Foreign currency

*Transactions and Balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non - monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

### (j) Employee benefits

Liabilities for employee entitlements are carried at the present value of the estimated future cash flows.

*Wages, salaries, statutory days in lieu, annual leave, and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, statutory days in lieu, annual leave and sick leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

*Profit sharing and bonus plan*

The Group recognises bonuses and profit sharing payments when it is contractually obliged to make such payments, or when there is a past practice that has created a constructive obligation to make such payments.

*Superannuation plans*

The Group pays contributions to superannuation plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### (k) Cash and cash equivalents

Cash and cash equivalents includes: cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### (l) Finance costs

Finance expenses comprise interest expense on borrowings (except when capitalised to a qualifying asset), unwinding of the discount on provisions, foreign currency losses, and impairment losses recognised on financial assets (except for trade receivables and intercompany advances).

Finance costs are expensed using the effective interest method.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(m) Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss except to the extent that the impairment offsets a previous revaluation increase in the same asset, in which case the impairment is charged against other reserves in equity.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(n) Financial assets**

*Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

*Financial assets at fair value through profit or loss*

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

The Group has no financial assets classified as financial assets at fair value through the profit or loss.

*Held-to-maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

The Group has no financial assets classified as held to maturity investments

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

The Group's loans and receivables comprise trade and other receivables, intercompany advances, unpaid transactor shares and cash and cash equivalents. Loans and receivables are carried at amortised cost using the effective interest method.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

The Group's available-for-sale assets comprise of investments.

Purchases and sales of investments are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. Investments in equity instruments that do have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

*Impairment of financial assets*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

**(o) Financial liabilties**

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost include trade and other payables, refunds due to resigned shareholders and borrowings. These financial liabilities are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method.

The Group does not have any financial liabilities measured at fair value through profit or loss.

**(p) Transactor shares**

Transactor share capital is classified as a liability as they are redeemable at the option of the shareholder and the Group has five years to make the repayment (see Note 16). When Transactor share capital is redeemed it becomes a 'Refund Due to Resigned Shareholders' until repayment is made (see Note 17). Rebates payable to Transactor shareholders are recognised in profit or loss on an accruals basis.

**(q) Dividend distribution**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Company shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's Directors.

**(r) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis including debts past due but not considered impaired. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence, such as default or bankruptcy, that indicate that the Group will not be able to collect all amounts due according to the original terms of trade. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

**(s) Change in Accounting Policy**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

## NOTE 2: CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Estimates and judgments are based on past performance and management's expectation for the future.

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

*Valuation of land and improvements and buildings*

Land and improvements and buildings are measured at fair value as determined by an independent valuer. The independant valuer uses valuation techniques which are inherently subjective and involve estimation. Further information is provided in Note 24.

*Investment in unlisted companies*

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Further information is provided in Note 27.

*Biological assets*

Management has made the judgement that cost approximates fair value for biological assets on the basis that the vines have undergone insufficient biological transformation as at balance date. For further details, refer Note 21.

## NOTE 3: NEW STANDARDS

**Standards, interpretations and amendments to published standards that became effective during the year:**

No new standards, amendments and interpretations are mandatory for the first time in the current year that have had a material impact on the financial statements of the Group.

**Standards, interpretations and amendments to published standards that are not yet effective:**

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective:

*NZ IFRS 9 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018)* is part of the International Accounting Standards Board's project to replace IAS 39 'Financial instruments: Recognition and measurement'. The standard introduces amended requirements for classifying and measuring financial assets and liabilities and amended requirements in relation to the impairment testing of financial assets and in relation to hedge accounting.

*NZ IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018)* addresses the recognition of revenue from contracts with customers and replaces the current revenue recognition guidance in NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts'.

The Group expects to adopt the above standards and interpretations in the period in which they become mandatory and have not yet assessed if these changes will have any material impact on the financial statements of the Group in the period of initial application.

## 4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including currency risk and interest rate risk) and capital risk.

### (a) Credit Risk

To the extent that the Group has a receivable from another party, there is a credit risk in the event of non - performance by that counterparty. Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents, trade and other receivables, intercompany advances and unpaid transactor shares. The Group manages its exposure to credit risk to minimise losses from bad debts. The Group generally has the ability to withhold either rebates or dividends from receivables owing from growers and transacting shareholders. Management also actively monitor and manage other receivables. In respect of cash and cash equivalents, the Group monitors the credit quality of major financial institutions that are counter parties to its financial instruments, and does not anticipate non - performance by the counter parties. Management assesses there to be no significant credit risk associated with intercompany advances or unpaid transactor share capital.

Exposures to credit risk at balance date are:

| | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Cash and cash equivalents | 2,465 | 1,125 | 1,302 | 17 |
| Trade and other receivables | 7,779 | 11,623 | 3,022 | 4,167 |
| Intercompany advances | - | - | 3,523 | 4,098 |
| Unpaid transactor shares | 98 | 98 | 98 | 98 |
| Total net receivables | 7,877 | 11,721 | 6,643 | 8,363 |

The above maximum exposures are net of any recognised impairment losses in these financial instruments. No collateral is held on the above amounts.

*Concentrations of Credit Risk*

At reporting date the majority of the Group's cash and cash equivalents were with the Bank of New Zealand, which has a high credit rating. The Group does not have any other significant concentration of credit risk as receivables are spread over a large number of customers, however, a significant majority of these receivables are owed by third parties from within the Kiwifruit industry.

Status of trade and other receivables

| Group | 2016 GROSS ($000'S) | 2016 IMPAIRMENT ($000'S) | 2015 GROSS ($000'S) | 2015 IMPAIRMENT ($000'S) |
|---|---|---|---|---|
| Not yet due | 7,328 | - | 9,454 | 41 |
| Overdue 0-31 days | 408 | - | 2,007 | 22 |
| Overdue 31-91 days | 20 | - | 66 | 8 |
| Overdue 93-184 days | 105 | 82 | 51 | 43 |
| Overdue more than 184 days | 177 | 177 | 304 | 145 |
| Total trade and other receivables | 8,038 | 259 | 11,882 | 259 |

| Parent | 2016 GROSS ($000'S) | 2016 IMPAIRMENT ($000'S) | 2015 GROSS ($000'S) | 2015 IMPAIRMENT ($000'S) |
|---|---|---|---|---|
| Not yet due | 2,763 | - | 3,293 | - |
| Overdue 0-31 days | 197 | - | 770 | - |
| Overdue 31-91 days | 18 | - | 17 | - |
| Overdue 93-84 days | 47 | 3 | 25 | - |
| Overdue more than 184 days | 27 | 27 | 92 | 30 |
| Total trade and other receivables | 3,052 | 30 | 4,197 | 30 |

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group provides for specific receivables where recovery of the amount is unlikely. The Group raised a specific impairment at reporting date for $259,470 (2015: $259,470). Impairment for receivables is also assessed collectively at reporting date. There was no collective provision at reporting date (2015: $Nil).

### (b) Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations in relation to financial liabilities as they fall due. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. See Note 18 for further details regarding the Group's borrowing facilities.

| 2016 GROUP | STATEMENT OF FINANCIAL POSITION ($000'S) | CONTRACTUAL CASH FLOWS ($000'S) | 6 MONTHS OR LESS ($000'S) | 6 - 12 MONTHS ($000'S) | 1 - 2 YEARS ($000'S) | 2 - 5 YEARS ($000'S) | > 5 YEARS ($000'S) |
|---|---|---|---|---|---|---|---|
| Borrowings | 52,650 | 56,559 | 8,723 | 21,023 | 6,119 | 20,694 | - |
| Transactor share capital | 17,859 | 17,859 | - | - | - | - | 17,859 |
| Trade and other payables | 20,432 | 20,432 | 20,432 | - | - | - | - |
| Refunds due to resigned shareholders | 2,833 | 2,833 | 749 | 279 | 636 | 1,169 | - |
| | 93,774 | 97,683 | 29,904 | 21,302 | 6,755 | 21,863 | 17,859 |

| 2015 GROUP | STATEMENT OF FINANCIAL POSITION ($000'S) | CONTRACTUAL CASH FLOWS ($000'S) | 6 MONTHS OR LESS ($000'S) | 6 - 12 MONTHS ($000'S) | 1 - 2 YEARS ($000'S) | 2 - 5 YEARS ($000'S) | > 5 YEARS ($000'S) |
|---|---|---|---|---|---|---|---|
| Borrowings | 37,000 | 41,998 | 6,950 | 836 | 7,262 | 26,950 | - |
| Transactor share capital | 19,040 | 19,040 | - | - | - | - | 19,040 |
| Trade and other payables | 16,656 | 16,656 | 16,656 | - | - | - | - |
| Refunds due to resigned shareholders | 2,950 | 2,950 | 308 | 66 | 193 | 2,383 | - |
| | 75,646 | 80,644 | 23,914 | 902 | 7,455 | 29,333 | 19,040 |

| 2016 PARENT | STATEMENT OF FINANCIAL POSITION ($000'S) | CONTRACTUAL CASH FLOWS ($000'S) | 6 MONTHS OR LESS ($000'S) | 6 - 12 MONTHS ($000'S) | 1 - 2 YEARS ($000'S) | 2 - 5 YEARS ($000'S) | > 5 YEARS ($000'S) |
|---|---|---|---|---|---|---|---|
| Borrowings | 52,650 | 56,559 | 8,723 | 21,023 | 6,119 | 20,694 | - |
| Transactor share capital | 17,859 | 17,859 | - | - | - | - | 17,859 |
| Trade and other payables | 17,353 | 17,353 | 17,353 | - | - | - | - |
| Refunds due to resigned shareholders | 2,833 | 2,833 | 749 | 279 | 636 | 1,169 | - |
| | 90,695 | 94,604 | 26,825 | 21,302 | 6,755 | 21,863 | 17,859 |

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

| 2015<br>PARENT | STATEMENT OF FINANCIAL POSITION<br>($000'S) | CONTRACTUAL CASH FLOWS<br>($000'S) | 6 MONTHS OR LESS<br>($000'S) | 6 - 12 MONTHS<br>($000'S) | 1 - 2 YEARS<br>($000'S) | 2 - 5 YEARS<br>($000'S) | > 5 YEARS<br>($000'S) |
|---|---|---|---|---|---|---|---|
| Borrowings | 37,000 | 41,998 | 6,950 | 836 | 7,262 | 26,950 | - |
| Transactor share capital | 19,040 | 19,040 | - | - | - | - | 19,040 |
| Trade and other payables | 9,963 | 9,963 | 9,963 | - | - | - | - |
| Refunds due to resigned shareholders | 2,950 | 2,950 | 308 | 66 | 193 | 2,383 | - |
| | 68,953 | 73,951 | 17,221 | 902 | 7,455 | 29,333 | 19,040 |

**(c) Market Risk**

*(i) Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies however the exposure is minimal as the Group's normal trading activities are conducted in New Zealand dollars.

*(ii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has exposure to interest rate risk to the extent that it borrows or invests for a fixed term. The Group manages its cost of borrowing by placing limits on the proportion of borrowings at floating rates, and the proportion of fixed rate borrowing that is repriced in any year.

*BNZ borrowings*

An increase/decrease of 1% in interest rates would decrease/increase pre - tax profit and equity of the Group by +/ - $589,000 (2015: +/ - $370,000) if the interest rate change was apparent for the full year. There are no other significant interest bearing financial instruments subject to interest rate risk.

*(iii) Risk Management related to horticulture activies*

The Group is exposed to market and production risks associated with the horticulture industry. The major risks are disease, weather events and pests which impact the volumes of fruit to the post harvest operations as well as volumes produced by the Group's orchards and/or leased crops.

**(d) Capital Risk**

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to growers, shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and maximise returns. Capital in relation to capital management also includes Transactor shares. In order to maintain or adjust the capital structure, the Group may adjust distributions to shareholders, amount of dividends paid to shareholders, return capital to shareholders, issue new shares, amend capital spending plans or sell assets to reduce debt.

The Shareholders have appointed the Directors to manage the co-operative in order to maximise returns. The Directors, consistent with others in the Kiwifruit industry, monitor and manage capital based on trays supplied and returns to growers and investors.

The Group monitors capital on the basis of its shareholder equity ratio. This ratio is calculated as total equity (including transactor shares) divided by total assets.

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The shareholder equity ratio at 31 December is

| | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) |
|---|---|---|
| Total equity (including transactor shares) | 82,551 | 71,297 |
| Total assets | 172,152 | 139,659 |
| **Shareholder equity ratio** | 48% | 51% |

The Group is subject to, and monitors, financial covenants imposed by its lenders from time to time. These covenants include such measures as maintenance of equity ratios and earnings times interest cover. At no stage during the year did the Group breach any of its lending covenants.

The Group has current bank facilities of $72 million with the Bank of New Zealand, of which $19.35 million remains undrawn as at balance date.

## 5. DETERMINATION OF FAIR VALUE

### Fair value measurement for financial assets and liabilities

The fair value of cash and cash equivalents, trade and other receivables, intercompany advances, and trade and other payables approximates their carrying value due to their short term nature. The fair value of transactor shares approximates fair value, due to the fixed redemption value and market returns paid by way of rebate.

### Fair value measurement

The table below analyses those financial instruments carried at fair value. The different levels of the fair value hierarchy have been defined below.

*Level 1:* *Quoted prices (unadjusted) in active markets for identified assets or liabilities that the entity can access at the measurement date.*

*Level 2:* *Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.*

*Level 3:* *Unobservable inputs for the asset or liability that have to be developed to reflect the assumptions that a market participant would use when determining an appropriate price.*

| 2016 | GROUP LEVEL 1 ($000'S) | GROUP LEVEL 2 ($000'S) | GROUP LEVEL 3 ($000'S) | PARENT LEVEL 1 ($000'S) | PARENT LEVEL 2 ($000'S) | PARENT LEVEL 3 ($000'S) |
|---|---|---|---|---|---|---|
| Unlisted equity shares | – | 1,710 | – | – | 1,489 | – |
| Listed equity shares | – | – | – | – | – | – |
| Land and improvements | – | – | 103,261 | – | – | 103,261 |
| | – | 1,710 | 103,261 | – | 1,489 | 103,261 |

| 2015 | GROUP LEVEL 1 ($000'S) | GROUP LEVEL 2 ($000'S) | GROUP LEVEL 3 ($000'S) | PARENT LEVEL 1 ($000'S) | PARENT LEVEL 2 ($000'S) | PARENT LEVEL 3 ($000'S) |
|---|---|---|---|---|---|---|
| Unlisted equity shares | – | 978 | – | – | 756 | – |
| Listed equity shares | 17 | – | – | 17 | – | – |
| Land and buildings | – | – | 82,665 | – | – | 82,665 |
| | 17 | 978 | 82,665 | 17 | 756 | 82,665 |

## 5. DETERMINATION OF FAIR VALUE (CONTINUED)

The fair value measurement for land and buildings has been categorised as Level 3, as the inputs used as part of the valuation techniques are based on unobservable inputs. There were no transfers into or out of Level 3 of the fair value hierarchy during the reporting period.

The following shows each valuation technique used in measuring the fair value of land and buildings, as well as the significant unobservable inputs used and the inter - relationship between the key unobservable inputs and fair value measurement.

### a) Land and Buildings

The fair value of land and buildings is determined using valuations by an independent valuer as set out in Note 24. In conducting the valuations, the valuer considered 3 different approaches to arrive at the fair value of the land and improvements and buildings. A weighted average of the 3 valuation methods is applied to derive the final valuation. A weighting of 70% is applied to the income capitalisation approach, 20% to the market comparison approach and 10% to the replacement cost aproach.

### Replacement cost less depreciation approach

Adds the value of the land to the value of the buildings and other improvements based on the current buildings replacement cost with an allowance for physical depreciation. Specific consideration is given to the "optimised depreciated replacement cost" methodology.

| ***Key unobservable inputs*** | ***Inter-relationship between key unobservable inputs and fair value measurement*** |
|---|---|
| Current buildings replacement cost | *Higher building costs results in increased fair value. Lower building costs results in a decreased fair value* |

### Income capitalisation approach

Assumes a hypothetical lease of the property with a current market rental being established and capitalised an appropriate rate of return (10.0% - 12.0%) that would be expected by a prudent investor.

| ***Key unobservable inputs*** | ***Inter-relationship between key unobservable inputs and fair value measurement*** |
|---|---|
| Current market rental | *Higher market rental results in increased fair value. Lower market rental results in a decreased fair value* |
| Capitalisation rate of return | *Higher capitalisation rate results in decreased fair value. Lower capitalisation rate results in a increased fair value. Specifically, an increase in the capitalisation rate of 1% would decrease the fair value by approximately $5,957,000 and a decrease in the capitalisation rate of 1% would increase the fair value by approximately $7,161,000.* |

### Market comparison

Considers recent sales of other comparable type properties.

| ***Key unobservable inputs*** | ***Inter-relationship between key unobservable inputs and fair value measurement*** |
|---|---|
| Current market sales | *Higher market sales results in increased fair value. Lower market sales results in a decreased fair value* |

### Valuer's assumptions

In preparing the valuation reports, the valuer has made the assumption that the property will continue to be occupied by the existing business and accordingly the valuations are based on a notional lease being in place with a market rental being paid.

### Valuer's disclaimers

The valuer has disclaimed in his valuation reports that no seismic assessments have been performed in respect of EastPack's sites and therefore the valuations do not take into account any works that may be needed should the buildings be identified as being earthquake prone. The valuer has also disclaimed that there is one instance whereby the highest and best use differs from the current use for one of the properties. Specifically, the rear northern section of the Quarry Road site is currently used as a kiwifruit orchard, however, the valuer has assessed the highest and best use of this land to be for industrial development.

## 6. REVENUE

| | GROUP **2016** **($000'S)** | GROUP 2015 ($000'S) | PARENT **2016** **($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Services rendered | 158,544 | 133,283 | 140,559 | 116,732 |
| Dividends received | 54 | 147 | 178 | 155 |
| Rent revenue | 254 | 215 | 254 | 215 |
| Interest revenue | 177 | 172 | 376 | 492 |
| Other revenue | 1,906 | 2,412 | 1,711 | 2,171 |
| | 160,935 | 136,229 | 143,078 | 119,765 |

## 7. OTHER EXPENSES

| | GROUP **2016** **($000'S)** | GROUP 2015 ($000'S) | PARENT **2016** **($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| *Items included in other expenses:* | | | | |
| Repairs and maintenance | 3,624 | 2,896 | 3,518 | 2,790 |
| Insurance | 1,458 | 1,282 | 1,458 | 1,282 |
| Electricity | 3,594 | 3,141 | 3,594 | 3,141 |
| Transport costs | 402 | 253 | 402 | 253 |
| Sundry packaging expenses | 809 | 653 | 809 | 653 |
| Licence fees | 773 | 545 | 773 | 545 |
| Plant and equipment hire | 1,508 | 964 | 1,508 | 964 |
| Vehicle expenses | 1,261 | 1,284 | 1,024 | 979 |
| Loss compensations | 578 | 409 | 578 | 409 |
| Leased orchard expenses | 12,753 | 11,695 | - | - |
| Administration costs | 1,277 | 1,038 | 1,674 | 1,566 |
| Wharf costs | 675 | 591 | 675 | 591 |
| Sponsorship | 232 | 51 | 231 | 50 |
| | | | | |
| *Auditors remuneration:* | | | | |
| Amounts paid or payable to the auditors for: | | | | |
| Auditing the financial statements | 72 | 72 | 72 | 72 |
| Other services: | | | | |
| Tax compliance work and advice | 30 | 30 | 30 | 30 |
| Scrutineering services | 2 | 2 | 2 | 2 |
| | 104 | 104 | 104 | 104 |

## 8. INCOME TAX

| | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| **Income tax expense:** | | | | |
| Current tax expense/(income) | 3,685 | 2,660 | 3,411 | 2,427 |
| Deferred tax expense/(income) | (517) | (382) | (327) | (490) |
| | 3,168 | 2,278 | 3,084 | 1,937 |

**The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:**

| **Prima facie income tax payable on profit before tax** | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Income tax at 28% (2015: 28%) | 3,170 | 2,281 | 3,091 | 2,052 |
| Tax effect of | | | | |
| • Non deductible expenses | 90 | 69 | 85 | 54 |
| • Non assessable income | (146) | (59) | (146) | (59) |
| • Group tax offsets | - | - | - | (93) |
| • Imputation credits received | (22) | (51) | (22) | (50) |
| • Adjustments of prior years | 76 | 36 | 76 | 33 |
| • Tax losses carried forward | - | 2 | - | - |
| Income tax expense | 3,168 | 2,278 | 3,084 | 1,937 |

There are no unrecognised tax losses or temporary differences carried forward (2015: Nil).

| **Deferred taxation balances** | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| *Deferred tax assets* | | | | |
| Stock obsolescence | 193 | 142 | 193 | 142 |
| Employee entitlements | 179 | 189 | 179 | 189 |
| Trade and other payables | 87 | 90 | 87 | 90 |
| Trade and other receivables | 72 | 72 | 8 | 8 |
| | 531 | 493 | 467 | 429 |
| *Deferred tax liabilities* | | | | |
| Property, plant and equipment | (9,589) | (7,869) | (9,589) | (7,869) |
| Biological assets | (1,064) | (1,254) | - | - |
| | (10,653) | (9,123) | (9,589) | (7,869) |
| Net deferred tax assets/(liabilities) | (10,122) | (8,630) | (9,122) | (7,440) |

## 8. INCOME TAX (CONTINUED)

| Deferred taxation movements recognised in income | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| *Deferred tax assets* | | | | |
| Stock obsolescence | 51 | (20) | 51 | (20) |
| Employee entitlements | (10) | 3 | (10) | 3 |
| Trade and other payables | (3) | 54 | (3) | 54 |
| Trade and other receivables | – | (7) | – | (2) |
| Tax losses recognised | – | – | – | – |
| | 38 | 30 | 38 | 35 |
| *Deferred tax liabilities* | | | | |
| Property, plant and equipment | 289 | 664 | 289 | 455 |
| Biological assets | 190 | (312) | – | – |
| | 479 | 352 | 289 | 455 |
| Net deferred tax income/(expense) | 517 | 382 | 327 | 490 |

| Deferred taxation movements in equity | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| *Deferred tax liabilities* | | | | |
| Property, plant and equipment | (2,009) | – | (2,009) | (4,943) |
| | (2,009) | – | (2,009) | (4,943) |

| Provision for Taxation | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Balance as at 1 January | (708) | 614 | (678) | 1,272 |
| Tax transferred on amalgamation | – | – | – | (371) |
| Income tax expense | (3,168) | (2,278) | (3,084) | (1,937) |
| Income tax expense attributable to deferred tax | (517) | (382) | (327) | (490) |
| Income tax payments during the year | 3,260 | 1,338 | 3,250 | 1,335 |
| Transfers within subsidiaries | – | – | – | (487) |
| Balance as at 31 December | (1,133) | (708) | (839) | (678) |

| Imputation Credit Account | 2016 ($000'S) | 2015 ($000'S) |
|---|---|---|
| Balance as at 1 January | 8,962 | 7,992 |
| Income tax payments during the year | 3,260 | 1,335 |
| Imputation credits on dividends received | 30 | 50 |
| Imputation credits on dividends paid | (834) | (415) |
| Balance as at 31 December | 11,418 | 8,962 |

At balance date the imputation credits available to the shareholders of the parent company were as follows:

| | | |
|---|---|---|
| Through direct holding in the parent company | 11,418 | 8,962 |
| Through direct interest in subsidiaries | – | – |
| | 11,418 | 8,962 |

## 9. EARNINGS PER SHARE

| | **GROUP 2016 ($000'S)** | GROUP 2015 ($000'S) | **PARENT 2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Profit attributable to ordinary shareholders | 8,153 | 5,870 | 7,954 | 5,392 |
| Weighted average number of ordinary shares issued | 29,825,154 | 29,825,154 | 29,825,154 | 29,825,154 |
| Basic and diluted earnings per share | $0.27 | $0.20 | $0.27 | $0.18 |

The calculation of basic and diluted earnings per share is based on profit attributable to ordinary shareholders divided by the weighted average number of ordinary share on issue during the year.

## 10. SHARE CAPITAL

| | | | **GROUP AND PARENT** | |
|---|---|---|---|---|
| | **2016 NO OF SHARES** | 2015 NO OF SHARES | **2016 ($000'S)** | 2015 ($000'S) |
| Balance as at 1 January | 29,825,154 | 29,825,154 | 12,847 | 12,847 |
| Movements during the year | – | – | – | – |
| Balance as at 31 December | 29,825,154 | 29,825,154 | 12,847 | 12,847 |

The shareholding in the Company is divided into two classes of shares, being Transactor and Investor shares. Transactor shares are classified as term liabilities. For further details, refer to Notes 16 and 23.

*Investor Shares*

Investor shares are issued under the Companies Act 1993 and are tradable. All Investor shares rank equally and carry 40% of the voting power (Transactor shares carry 60% of the voting power; for further details, refer to Note 16) of all shares on issue and carry the right to participate in any annual dividends declared by the directors of the Company. Investor shareholders can participate in any surplus assets upon liquidation after the holders of Transactor shares have been paid. There have been no changes to the terms and rights of the shares during the year. All Investor shares issued are fully paid and have no par value.

## 11. RESERVES

| Available for sale reserve | GROUP **2016** **($000'S)** | GROUP 2015 ($000'S) | PARENT **2016** **($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Balance as at 1 January | 690 | 742 | 649 | 742 |
| Gains/losses during the year | 733 | 70 | 733 | 29 |
| Reclassification of gains/losses to profit or loss | (12) | (122) | (12) | (122) |
| Balance as at 31 December | 1,411 | 690 | 1,370 | 649 |

The available sale reserve relates to fair value adjustments to investments classified as available-for-sale financial assets. For further details refer to Note 27.

| **Asset revaluation reserve** | | | | |
|---|---|---|---|---|
| Balance as at 1 January | 16,220 | 16,220 | 16,220 | 6,716 |
| Revaluation movement during the year | 7,733 | - | 7,733 | - |
| Deferred tax on revaluation | (2,009) | - | (2,009) | - |
| Transfer of reserves on amalgamation of subsidiary | - | - | - | 9,504 |
| Balance as at 31 December | 21,944 | 16,220 | 21,944 | 16,220 |
| **Total reserves** | 23,355 | 16,910 | 23,314 | 16,869 |

The asset revaluation reserve relates to the revaluation of land and improvements and buildings. For further details, refer to Note 24.

## 12. DISTRIBUTION TO OWNERS

| | GROUP **2016** **($000'S)** | GROUP 2015 ($000'S) | PARENT **2016** **($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Investor shares - dividend paid | 2,163 | 1,067 | 2,163 | 1,067 |
| Investor shares - dividend payable | - | - | - | - |
| Total dividends | 2,163 | 1,067 | 2,163 | 1,067 |

Dividends paid on investor shares amounted to 7.2 cents per share fully imputed (2015: 3.6 cents per share).
A further dividend of 5.04 cents per share fully imputed was declared subsequent to balance date, refer Note 32.

## 13. TRADE AND OTHER PAYABLES

| | GROUP **2016** **($000'S)** | GROUP 2015 ($000'S) | PARENT **2016** **($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Trade payables | 4,156 | 8,995 | 3,542 | 4,926 |
| Sundry payables | 12,570 | 4,411 | 10,106 | 1,574 |
| GST payable | 916 | 215 | 949 | 218 |
| Related party payables | 3,696 | 3,993 | 3,695 | 3,616 |
| Intercompany payables | - | - | - | 548 |
| Associate payables | 10 | 10 | 10 | 10 |
| | 21,348 | 17,624 | 18,302 | 10,892 |

## 14. EMPLOYEE ENTITLEMENTS

| | GROUP **2016** **($000'S)** | GROUP 2015 ($000'S) | PARENT **2016** **($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Balance as at 1 January | 963 | 938 | 963 | 938 |
| Net movement in provision | (36) | 25 | (36) | 25 |
| Balance as at 31 December | 927 | 963 | 927 | 963 |
| This is represented by: | | | | |
| Current liability | 927 | 963 | 927 | 963 |
| Non-current liability | - | - | - | - |
| | 927 | 963 | 927 | 963 |

## 15. PROVISION FOR DIVIDEND

| | GROUP **2016** **($000'S)** | GROUP 2015 ($000'S) | PARENT **2016** **($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Balance as at 1 January | - | - | - | - |
| Dividend declared during the year | 2,163 | 1,067 | 2,163 | 1,067 |
| Dividend paid during the year | (2,163) | (1,067) | (2,163) | (1,067) |
| Balance as at 31 December | - | - | - | - |

No dividend was declared as at 31 December 2016 (2015: No dividend declared as at 31 December 2015).

## 16. TRANSACTOR SHARE CAPITAL

| | | | GROUP AND PARENT | |
|---|---|---|---|---|
| | **2016 NO OF SHARES** | 2015 NO OF SHARES | **2016 ($000'S)** | 2015 ($000'S) |
| Balance as at 1 January | 19,039,821 | 18,347,650 | 19,040 | 18,348 |
| Transactor shares issued or re-instated during the year | 35,083 | 1,581,174 | 35 | 1,581 |
| Transactor shares sold during the year | (1,216,399) | (889,003) | (1,216) | (889) |
| Balance as at 31 December | 17,858,505 | 19,039,821 | 17,859 | 19,040 |

*Transactor Shares*

Transactor Shares are issued by the Company to growers of kiwifruit or other approved produce. Transactor shares rank equally, are not freely tradable, and carry 60% of the voting power (Investor shares carry 40% of the voting power; for further details, refer to Note 10) of all shares on issue. Transactor shareholders have the right to participate in any annual rebate declared by the directors of the Company. They carry first right of redemption on liquidation of the company at $1.00 each.

As at balance date, the sundry accruals balance of the Company and Group (per Note 13) included an accrual for $5,414,811 relating to rebates declared but unpaid as at 31 December 2016. Of this balance, $4,022,533 will be used to issue transactor shares to shareholders holding insufficient transactor shares once the Group's Product Disclosure Statement has been finalised.

## 17. REFUNDS DUE TO RESIGNED SHAREHOLDERS

| | **GROUP 2016 ($000'S)** | **GROUP** 2015 ($000'S) | **PARENT 2016 ($000'S)** | **PARENT** 2015 ($000'S) |
|---|---|---|---|---|
| Balance as at 1 January | 2,950 | 3,209 | 2,950 | 2,026 |
| Movement during the year | (117) | (259) | (117) | 924 |
| Balance as at 31 December | 2,833 | 2,950 | 2,833 | 2,950 |
| This is represented by: | | | | |
| Current liability | 1,036 | 374 | 1,036 | 374 |
| Non-current liability | 1,797 | 2,576 | 1,797 | 2,576 |
| | 2,833 | 2,950 | 2,833 | 2,950 |

Refunds due to Transactor shareholders who have resigned from the Company are unsecured and repayable by the Company over a five year period after resignation is accepted by the Board. Fair value is estimated as the present value of the future cash flows using a discount rate of 5.5% (2015: 5.5%).

## 18. BORROWINGS

| | **GROUP 2016 ($000'S)** | GROUP 2015 ($000'S) | **PARENT 2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Current portion | 27,650 | 6,000 | 27,650 | 6,000 |
| Non current portion | 25,000 | 31,000 | 25,000 | 31,000 |
| | 52,650 | 37,000 | 52,650 | 37,000 |

The current portion represents borrowings which have a maturity date of less than twelve months from reporting date. The Group's total facility with the Bank of New Zealand is $72m (2015: $72m). The current interest rates on the secured borrowings range from 2.75% to 5.42% (2015: 3.53% to 5.42%).

**Security - Parent and Group**

The Bank of New Zealand holds a perfected security interest in all present and after acquired property of the Company, a registered first mortgage over all land and buildings of the Company and a perfected security interest in all present and acquired property of EastPack Kiwifruit Operations Limited as a subsidiary of the Company.

**Banking covenants - Parent and Group**

The Group is subject to various banking covenants as part of the Group's total facility with the Bank of New Zealand. The Group monitors these banking covenants on a regular basis. The Group did not breach any of these banking covenants during the year.

## 19. CASH AND CASH EQUIVALENTS

| | **GROUP 2016 ($000'S)** | GROUP 2015 ($000'S) | **PARENT 2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Bank in funds/(overdraft) | 2,465 | 1,125 | 1,302 | 17 |

## 20. TRADE AND OTHER RECEIVABLES

| | **GROUP 2016 ($000'S)** | GROUP 2015 ($000'S) | **PARENT 2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| *Current* | | | | |
| Trade receivables | 4,035 | 4,052 | 1,635 | 1,161 |
| Provision for doubtful debts | (259) | (259) | (30) | (30) |
| Sundry receivables | 3,758 | 4,960 | 659 | 1,712 |
| Prepayments | 466 | 1,449 | 464 | 837 |
| Inter - company receivables | - | - | 563 | 718 |
| Related party receivables | 50 | 2,278 | - | 9 |
| Associate receivables | 35 | 26 | 35 | 26 |
| Current balance as at 31 December | 8,085 | 12,506 | 3,326 | 4,433 |
| | | | | |
| *Non-current* | | | | |
| Sundry Receivables | 160 | 569 | 160 | 569 |
| Non-Current Balance as at 31 December | 160 | 569 | 160 | 569 |

## 21. BIOLOGICAL ASSETS

| | GROUP **2016 ($000'S)** | GROUP 2015 ($000'S) | PARENT **2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Balance at 1 January | 4,694 | 4,071 | – | – |
| Costs capitalised | 3,763 | 4,694 | – | – |
| Costs released to profit and loss | (4,694) | (4,071) | – | – |
| Balance at 31 December | 3,763 | 4,694 | – | – |

Expenses incurred by the Group to prepare leased orchards for the next crop season are capitalised and recognised as a biological asset in the Statement of Financial Position at balance date. Costs are then released to profit or loss in the financial year in which the crops are harvested. No costs are capitalised for more than one season.

## 22. INVENTORIES

| | GROUP **2016 ($000'S)** | GROUP 2015 ($000'S) | PARENT **2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Packaging stock | 3,018 | 2,853 | 3,018 | 2,853 |
| Provision for obsolesence | (690) | (586) | (690) | (586) |
| Other materials and chemicals | 535 | 424 | 443 | 299 |
| | 2,863 | 2,691 | 2,771 | 2,566 |

All inventory are subject to retention of title clauses

## 23. UNPAID TRANSACTOR SHARES

| | GROUP AND PARENT **2016 ($000'S)** | 2015 ($000'S) |
|---|---|---|
| 97,786 shares valued at $1.00 (2015: 97,786 shares valued at $1.00) | 98 | 98 |
| **Opening balance** | 98 | 98 |
| Rebate witheld | – | – |
| **Closing balance** | 98 | 98 |

Where the Company has issued shares and payment has not been made in full, there is a deferred settlement over a set period of time. Payment for calls on transactor shares is then deducted from rebates and dividends payable to those shareholders. The current portion of unpaid transactor shares is based on the expected share call for the 2017 season. The expected share call for the 2017 season is Nil. (2015: Nil).

## 24. PROPERTY, PLANT AND EQUIPMENT

| 2016 | GROUP COST/ VALUATION ($000'S) | GROUP ACCUMULATED DEPRECIATION ($000'S) | GROUP 2016 BOOK VALUE ($000'S) | PARENT COST/ VALUATION ($000'S) | PARENT ACCUMULATED DEPRECIATION ($000'S) | PARENT 2016 BOOK VALUE ($000'S) |
|---|---|---|---|---|---|---|
| Buildings | 109,933 | 27,408 | 82,525 | 109,933 | 27,408 | 82,525 |
| Land and improvements | 22,624 | 1,888 | 20,736 | 22,624 | 1,888 | 20,736 |
| Plant and Equipment | 98,786 | 67,324 | 31,462 | 98,288 | 67,231 | 31,057 |
| Furniture and Fittings | 2,298 | 1,475 | 823 | 2,292 | 1,470 | 822 |
| Capital Work in Progress | 15,875 | - | 15,875 | 15,875 | - | 15,875 |
| | 249,516 | 98,095 | 151,421 | 249,012 | 97,997 | 151,015 |

| 2015 | GROUP COST/ VALUATION ($000'S) | GROUP ACCUMULATED DEPRECIATION ($000'S) | GROUP 2015 BOOK VALUE ($000'S) | PARENT COST/ VALUATION ($000'S) | PARENT ACCUMULATED DEPRECIATION ($000'S) | PARENT 2015 BOOK VALUE ($000'S) |
|---|---|---|---|---|---|---|
| Buildings | 86,802 | 23,976 | 62,826 | 86,802 | 23,976 | 62,826 |
| Land and improvements | 21,494 | 1,655 | 19,839 | 21,494 | 1,655 | 19,839 |
| Plant and Equipment | 82,871 | 60,793 | 22,078 | 82,800 | 60,739 | 22,061 |
| Furniture and Fittings | 1,867 | 1,333 | 534 | 1,861 | 1,328 | 533 |
| Capital Work in Progress | 10,102 | - | 10,102 | 10,102 | - | 10,102 |
| | 203,136 | 87,757 | 115,379 | 203,059 | 87,698 | 115,361 |

If land and buildings had been carried at cost less depreciation, the carrying amounts would have been:

| | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Buildings | 59,055 | 46,374 | 59,055 | 46,374 |
| Land and improvements | 18,383 | 18,151 | 18,383 | 18,151 |

Each class of land and improvements and buildings is revalued to their estimated fair value on a rolling three year cycle unless there is evidence that indicates the carrying value of these may differ significantly from the fair value. The directors made the decision to revalue land and improvements and buildings as at 31 December 2016. Land and improvements and buildings were revalued to their estimated fair value in accordance with the valuation reports dated between 13 February 2017 and 22 February 2017 by independent registered valuer, Alastair Pratt (FNZIV, FPINZ) of the firm Telfer Young (Tauranga) Limited ("valuer"). The effective date of these valuation reports was 31 December 2016.

| Valuation | 2016 GROUP ($000'S) | 2016 PARENT ($000'S) |
|---|---|---|
| **Impact of valuation** | | |
| Revaluation through income statement | 90 | 90 |
| Revaluation through asset revaluation reserve | 7,733 | 7,733 |
| | 7,823 | 7,823 |

For further details regarding the valuation approach, refer to Note 5.

## 24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Movements in carrying amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period are as follows:

| GROUP | BUILDINGS ($000'S) | FURNITURE AND FITTINGS ($000'S) | PLANT AND EQUIPMENT ($000'S) | LAND AND IMPROVEMENTS ($000'S) | CAPITAL WIP ($000'S) | TOTAL ($000'S) |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Balance at 1 January 2016 | 62,826 | 534 | 22,078 | 19,839 | 10,102 | 115,379 |
| Additions | 13,417 | 280 | 8,639 | 404 | 15,875 | 38,615 |
| Transfers from Capital WIP | 2,538 | 151 | 7,335 | 78 | (10,102) | – |
| Revaluations | 7,176 | – | – | 648 | – | 7,824 |
| Disposals | – | – | (35) | – | – | (35) |
| Depreciation expense | (3,432) | (142) | (6,555) | (233) | – | (10,362) |
| Carrying amount at 31 December 2016 | 82,525 | 823 | 31,462 | 20,736 | 15,875 | 151,421 |
| **2015** | | | | | | |
| Balance at 1 January 2015 | 58,778 | 529 | 17,655 | 19,620 | 5,065 | 101,647 |
| Additions | | | | | | |
| Transfers from Capital WIP | 6,658 | 97 | 6,437 | 434 | 10,102 | 23,728 |
| Assets introduced on amalgamation | 653 | – | 4,412 | – | (5,065) | – |
| Disposals | (4) | – | (1,002) | – | – | (1,006) |
| Depreciation expense | (3,259) | (92) | (5,424) | (215) | – | (8,990) |
| Carrying amount at 31 December 2015 | 62,826 | 534 | 22,078 | 19,839 | 10,102 | 115,379 |

## 24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| PARENT | BUILDINGS ($000'S) | FURNITURE AND FITTINGS ($000'S) | PLANT AND EQUIPMENT ($000'S) | LAND AND IMPROVEMENTS ($000'S) | CAPITAL WIP ($000'S) | TOTAL ($000'S) |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Balance at 1 January 2016 | 62,826 | 533 | 22,061 | 19,839 | 10,102 | 115,361 |
| Additions | 13,417 | 280 | 8,217 | 404 | 15,875 | 38,193 |
| Transfers from Capital WIP | 2,538 | 151 | 7,335 | 78 | (10,102) | – |
| Revaluations | 7,176 | – | – | 648 | – | 7,824 |
| Disposals | – | – | (35) | – | – | (35) |
| Depreciation expense | (3,432) | (142) | (6,455) | (233) | – | (10,262) |
| Depreciation expense on-charged | – | – | (66) | – | – | (66) |
| Carrying amount at 31 December 2016 | 82,525 | 822 | 31,057 | 20,736 | 15,875 | 151,015 |
| **2015** | | | | | | |
| Balance at 1 January 2015 | 31,314 | 499 | 13,147 | 10,080 | 5,065 | 60,105 |
| Additions | 6,658 | 97 | 6,431 | 434 | 10,102 | 23,722 |
| Transfers from Capital WIP | 653 | – | 4,412 | – | (5,065) | – |
| Assets introduced on amalgamation | 26,540 | 24 | 3,586 | 9,540 | – | 39,690 |
| Disposals | (4) | – | (1,002) | – | – | (1,006) |
| Depreciation expense | (2,335) | (87) | (4,513) | (215) | – | (7,150) |
| Carrying amount at 31 December 2015 | 62,826 | 533 | 22,061 | 19,839 | 10,102 | 115,361 |

**Amalgamation of EastPack Satara Limited into EastPack Limited**

On 30 September 2015, EastPack Satara Limited amalgamated with EastPack Limited resulting in the assets of EastPack Satara Limited being transferred to EastPack Limited.

## 25. INVESTMENTS IN SUBSIDIARIES

| | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Southlink Supply Limited | - | - | 36 | 36 |
| EastPack Kiwifruit Operation Limited | - | - | 1 | 1 |
| | - | - | 37 | 37 |

All other subsidiaries listed below have a nil carrying value in the parent financial statements.

| Subsidiaries: | PERCENTAGE HELD 2016 | PERCENTAGE HELD 2015 | BALANCE DATE | INCORPORATED IN |
|---|---|---|---|---|
| Southlink Supply Limited | 100% | 100% | 31 December | New Zealand |
| EastPack Kiwifruit Operations Limited | 100% | 100% | 31 December | New Zealand |
| Satara Kiwifruit Supply Limited | 100% | 100% | 31 March | New Zealand |
| EastPack Avocado Company Limited | 100% | 100% | 31 December | New Zealand |
| Zest BOP Limited | 100% | 100% | 31 December | New Zealand |
| Bay Hort (1991) Limited | 100% | 100% | 31 December | New Zealand |
| Bay of Plenty Fruitpackers Limited | 100% | 100% | 31 December | New Zealand |
| BayPak Growers Limited | 100% | 100% | 31 December | New Zealand |
| Bay Pack Limited | 100% | 100% | 31 December | New Zealand |
| New Zealand Orchard Investment Limited | 100% | 100% | 31 December | New Zealand |
| Satara Ventures Limited | 100% | 100% | 31 December | New Zealand |
| Te Matai kiwi No1 Limited | 100% | 100% | 31 December | New Zealand |
| Stroba Systems Limited | 100% | 100% | 31 December | New Zealand |
| Stroba Limited | 50% | 50% | 31 December | New Zealand |

Southlink Supply Limited provide administration services and industry representation in respect of produce supplied.

EastPack Kiwifruit Operations Limited is involved in the management of leased orchards.

EastPack Avocado Company Limited is an avocado supplier.

All other subsidiaries are non operating.

## 26. INVESTMENTS IN ASSOCIATES

| | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| The Nutricious Kiwifruit Company Limited | 68 | 39 | 50 | 50 |
| Kiwi Produce Limited | 960 | 1,068 | 660 | 660 |
| Tauranga Kiwifruit Logistics Limited | - | - | - | - |
| | 1,028 | 1,107 | 710 | 710 |

The amount of goodwill in the carrying value of Equity Accounted Investees for the 2016 year was $576,000 (2015: $576,000).

| Associate companies: | PERCENTAGE HELD 2016 | PERCENTAGE HELD 2015 | BALANCE DATE | INCORPORATED IN |
|---|---|---|---|---|
| The Nutricious Kiwifruit Company Limited | 50% | 50% | 31 March | New Zealand |
| Kiwi Produce Limited | 20% | 20% | 31 March | New Zealand |
| Tauranga Kiwifruit Logistics Limited | 34% | 34% | 28 February | New Zealand |

## 26. INVESTMENTS IN ASSOCIATES (CONTINUED)

Kiwi Produce Limited is engaged by the Group to sell, market and export kiwifruit to the New Zealand domestic market and the international market. Tauranga Kiwifruit Logistics Limited is engaged in wharf logistics out of the Port of Tauranga. The Nutritious Kiwifruit Company Limited is engaged by the Group to sell, market and export kiwifruit to the Australian market.

All associate companies are incorporated in New Zealand and are accounted for using the equity method. There are no significant restrictions on the ability of any associate companies to pay dividends, repay loans or otherwise transfer funds to the investor company. No associate companies have a quoted market price for the investment. No commitments or contingencies are present with associate companies. The financial performance of all associates for the period ending 31 December 2016 has been incorporated in these financial statements.

| | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| **Results of associate companies** | | | | |
| Share of profit before income tax | 64 | 31 | - | - |
| Share of income tax | (18) | (31) | - | - |
| Share of total recognised revenues and expenses | 46 | - | - | - |
| **Interests in associate companies** | | | | |
| Opening carrying value | 1,107 | 1,146 | 710 | 50 |
| Acquisition of associates | - | - | - | - |
| Transfer on amalgamation of subsidiary | - | - | - | 660 |
| Disposal of associates | - | - | - | - |
| Share of total recognised revenues and expenses | 46 | - | - | - |
| Dividends received | (125) | (39) | - | - |
| | 1,028 | 1,107 | 710 | 710 |

Due to the confidentiality commitments and the immaterial nature of these entities, there is no further disclosure to be made in the Group's financial statements.

## 27. INVESTMENTS

| | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Shares in unlisted companies | 2,269 | 1,473 | 1,782 | 1,013 |
| Shares in listed companies | - | 17 | - | 17 |
| | 2,269 | 1,490 | 1,782 | 1,030 |

### Shares in unlisted companies

Shares in unlisted companies are carried at cost (except for shares held in Ballance and Zespri) as the Group does not have access to sufficient information to enable the fair value of these investments to be reliably determined. Shares held in Ballance and Zespri are carried at fair value. Fair value is based on the closing share price at reporting date.

### Shares in listed companies

Shares in listed companies are carried at fair value which is based on the closing share price at reporting date.

## 27. INVESTMENTS (CONTINUED)

| | GROUP **2016 ($000'S)** | GROUP 2015 ($000'S) | PARENT **2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| **Shares in unlisted companies** | | | | |
| Opening balance | 1,473 | 1,482 | 1,013 | 885 |
| Transfer of investments on amalgamation of subsidiary | - | - | - | 204 |
| Additions | 64 | 127 | 37 | 71 |
| Disposals | (1) | (201) | (1) | (171) |
| Impairment | - | - | - | - |
| Revaluation | 733 | 65 | 733 | 24 |
| Closing balance | 2,269 | 1,473 | 1,782 | 1,013 |
| **Shares in listed companies** | | | | |
| Opening balance | 17 | 12 | 17 | 12 |
| Revaluation | - | 5 | - | 5 |
| Disposals | (17) | - | (17) | - |
| Closing balance | - | 17 | - | 17 |
| **Total Investments** | 2,269 | 1,490 | 1,782 | 1,030 |

## 28. RECONCILIATION OF NET SURPLUS WITH CASH INFLOW FROM OPERATING ACTIVITIES

| | GROUP 2016 ($000'S) | GROUP 2015 ($000'S) | PARENT 2016 ($000'S) | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Net profit/(loss) after tax | 8,153 | 5,870 | 7,954 | 5,392 |
| **Add/(less) Non cash items** | | | | |
| Depreciation | 10,362 | 8,990 | 10,328 | 7,150 |
| Impairment of available for sale financial assets | (37) | – | (37) | – |
| Effect of amalgamation of subsidiary | – | – | – | (230) |
| Deferred tax income | (517) | (382) | (327) | (489) |
| Fair value movement in loans and refunds due to resigned shareholders | 199 | (31) | 198 | (31) |
| Share of profit in associates | (46) | – | – | – |
| Income in advance | – | (50) | – | (50) |
| | 9,961 | 8,527 | 10,162 | 6,350 |
| **Movement in Working Capital** | | | | |
| Increase in trade and other payables, excluding movement relating to purchases of property, plant and equipment | 1,798 | 7,181 | 5,454 | 4,878 |
| (Decrease)/increase in employee entitlements | (36) | 25 | (36) | 25 |
| Decrease in trade and other receivables | 4,371 | 37 | 1,057 | 1,763 |
| Increase/(Decrease) in GST payable | 701 | (297) | 731 | (191) |
| Decrease/(Increase) in biological assets | 931 | (623) | – | – |
| (Increase)/Decrease in inventory | (172) | 102 | (205) | 115 |
| Increase in income in advance | 101 | 151 | – | – |
| Increase in tax payable | 425 | 1,322 | 161 | 1,950 |
| | 8,119 | 7,898 | 7,162 | 8,540 |
| **Items classified as investing/financing activities** | | | | |
| (Gain) on sale of investments | (19) | (122) | (19) | (122) |
| (Gain)/loss on sale of property, plant and equipment | (14) | 1,006 | (14) | 1,006 |
| (Gain) on revaluation of land and buildings | (90) | – | (90) | – |
| | (123) | 884 | (123) | 884 |
| Net cash flow from operating activities | 26,110 | 23,179 | 25,155 | 21,166 |

## 29. TRANSACTIONS WITH RELATED PARTIES

### (a) Key management personnel

Key management includes all personnel whom have the authority and responsibility for planning, directing and controlling the activities of the Group. This includes senior management and directors.

*(i) Key management personnel compensation:*

| | GROUP **2016 ($000'S)** | GROUP 2015 ($000'S) | PARENT **2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Short-term employee benefits (including directors remuneration) | 2,502 | 2,340 | 2,264 | 2,105 |

*(ii) Transactions with entities controlled by key management personnel*

*Post-harvest charges, rebates and dividends*

Several members of the Group's key management personnel are shareholders and/or directors of entities that pack their fruit with EastPack Limited. These entities are charged at the standard rates charged to other growers and pay for these charges via the EastPack Entity Trust. These entities are also entitled to rebates and dividends in accordance with the same rules applied to other transactor and investor shareholders. The total rebates and dividends paid to these entities is as follows:

| | **2016 ($000'S)** | 2015 ($000'S) |
|---|---|---|
| Rebates | 648 | 506 |
| Dividends | 202 | 202 |

In addition to the above, members of the Group's key management personnel are also shareholders in organisations who provide services to the Group. Such services include orchard contracting services, rental services and kiwifruit bin cartage. The amounts paid to such entities are as follows:

| | GROUP **2016 ($000'S)** | GROUP 2015 ($000'S) | PARENT **2016 ($000'S)** | PARENT 2015 ($000'S) |
|---|---|---|---|---|
| Orchard contractor charges | 1,313 | 780 | - | - |
| Operating lease costs | 250 | 154 | 250 | 154 |
| Kiwifruit bin cartage | - | 551 | - | 551 |

*Loans and advances*

On 21 December 2009, EastPack Limited advanced $500,000 to Pine Valley Limited at an interest rate of 0% in consideration for the first right of refusal to lease the Pine Valley site. Pine Valley Limited is a related party as M J Montgomery is a Shareholder and Director of Pine Valley Limited. The advance is secured over the investor and transactor shares held by Pine Valley Limited.

## 29. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

### b) Other related parties

*EastPack Entity Trust*

EastPack Entity Trust is a related party that acts as an administrator of revenues and expenses for the sale of kiwifruit on behalf of growers. EastPack Limited received $140,046,000 (2015: $115,851,000) for the provision of services to EastPack Entity Trust and paid EastPack Entity Trust $579,000 (2015: $513,000) for second hand packaging purchased from the Trust. A balance of $3,679,000 (2015: $3,600,000) was payable to EastPack Entity Trust as at 31 December 2016.

*Subsidiaries and associates*

Transactions between subsidiaries (refer note 25) and associates (refer note 26) include receipts for interest on intercompany advances, sales of non-class 1 Kiwifruit and payments for the provision of administration services and cartage services.

*Transactions and balances*

Transactions during the year and balances outstanding at year end with subsidiaries and associates are as follows:

| | **2016 ($000'S)** | 2015 ($000'S) |
|---|---|---|
| *Receipts* | | |
| Associates | 3,424 | 4,173 |
| Subsidiaries | 205 | 334 |
| *Payments* | | |
| Associates | (3,885) | (2,999) |
| Subsidiaries | (438) | (569) |
| *Trade balances receivable* | | |
| Associates | 35 | 26 |
| Subsidiaries | 563 | 718 |
| *Trade balances payable* | | |
| Associates | (10) | (10) |
| Subsidiaries | - | (548) |
| *Intercompany advances receivable* | | |
| Subsidiaries | 3,523 | 4,098 |

There were no significant transactions between subsidiaries and associates during the year (2015: $Nil)

*Guarantees with related parties*

An all obligations unlimited interlocking company guarantee exists between EastPack Limited and EastPack Kiwifruit Operations Limited.

Te Matai Kiwi Partnership has a guarantee for the amount of $150,000, plus interest and costs in terms of the BNZ's standard guarantee form from EastPack Limited.

No related party debts have been written off or forgiven during the year (2015: $Nil).

EastPack Entity Trust holds an all obligations unlimited guarantee from EastPack Limited

## 30. CONTINGENT LIABILITIES

In March 2015, quality staff working for Zespri International Limited identified metal fragments adhering to the outside skin of some sampled gold kiwifruit during a standard export consignment product inspection, whereby the fruit was supplied by Southlink Supply Limited and packed by EastPack Limited. In response to this incident, EastPack Limited undertook to repack all on-shore kiwifruit that originated from the same packing line as the contaminated pallet and failed to find any further contamination. However, Zespri made the decision to dump 94,822 trays of export grade Class I gold kiwifruit which were believed to be contaminated with metal particles. Following this, a formal claim was made by Zespri International Limited against Southlink Supply Limited for losses of $521,000 (plus GST) plus unspecified costs and interest in relation to the trays alleged to be contaminated with metal filings. Proceedings were then officially filed against Southlink Supply Limited in February 2017. In 2015, the company submitted an insurance claim relating to this claim, whereby the insurers confirmed indemnity under the Group's insurance policies. As at 31 December 2016 and as at the date of the authorisation of these financial statements, the Group's insurers had not settled this claim. On the basis that the Group's insurers have confirmed indemnity under the Group's insurance policy, the likely financial exposure to the Group has been assessed as minimal.

In October 2015, approximately 10 hectares of leased and managed orchards were adversely affected by the application of cyan (hi-cane) product by EastPack Kiwifruit Operations Limited, whereby six orchards were assessed as having damage as a result of this event. In 2015, the company submitted an insurance claim relating to the potential loss in fruit value, whereby the insurers confirmed indemnity under the Group's insurance policies. As at 31 December 2016, the Group's insurers had settled two of the six claims and as at the date of the authorisation of these financial statements, five of the six claims had been settled. On the basis that the Group's insurers have confirmed indemnity under the Group's insurance policy, the financial exposure to the Group has been assessed as minimal.

As at balance date, EastPack Limited had an unresolved potential claim against it in respect of construction costs payable by the company and this matter remains unresolved as at the date of the authorisation of these financial statements. EastPack Limited has sought legal advice in regards to this matter and the Directors' expect to successfully defend the claim. However should the matter proceed and the company be found liable, then based on legal advice the company's financial exposure is not expected to exceed $250,000 (including costs).

## 31. COMMITMENTS

EastPack Group is committed to incur capital expenditure for the expansion of coolstore capacity, extension to packhouses, upgrade of refridgeration equipment and the installation of a new grader and grader technology.

| | **2016 ($000'S)** | 2015 ($000'S) |
|---|---|---|
| Estimated capital expenditure contracted for at balance date but not provided for: | 15,055 | 11,966 |
| **Operating lease commitments** | | |
| Lease commitments under operating leases | | |
| Less than 1 year | 1,027 | 525 |
| Between one and five years | 1,265 | 1,216 |
| Greater than five years | - | - |
| Total operating lease commitments | 2,292 | 1,741 |

All operating lease commitments relate to coolstore, packhouse facilities and packhouse machinery. The leases vary from one year to five years.

## 32. SIGNIFICANT EVENTS AFTER BALANCE DATE

The board of directors has approved a payment of a final dividend of 5.04 cents per investor share fully imputed, to be paid on 17 March 2017.

In January 2017, the Company entered into a new banking facilities arrangment with the Bank of New Zealand. The new agreement provides for a restructure of current debt facilities, combines the Company's fixed term debt into a single loan (due for repayment 4 years after drawdown, except for $10m which is due for repayment by 30 September 2019) and provides for an increase in the term loan facility by $15m for the purpose of funding the Company's future capital expenditure.

## TOP 20 SHAREHOLDERS
FOR YEAR ENDED 31 DECEMBER 2016

| Shareholder | INVESTING 31/12/16 | TRANSACTING 31/12/16 | TOTAL SHAREHOLDING |
|---|---|---|---|
| Trinity Lands Limited | 1,880,919 | 452,502 | 2,333,421 |
| Pine Valley Orchard Limited | 1,680,000 | 325,898 | 2,005,898 |
| Montrose Partnership | 1,483,736 | 151,854 | 1,635,590 |
| Wotton Trust | 948,942 | 342,683 | 1,291,625 |
| Cape Fruit Co Limited | 874,954 | 240,604 | 1,115,558 |
| Tirohanga Fruit Co Limited | 709,852 | 179,336 | 889,188 |
| Flowers R J | 632,186 | 115,684 | 747,870 |
| Blennerhassett & Son Limited | 580,108 | 170,408 | 750,516 |
| Franklin C A | 567,194 | 220,124 | 787,318 |
| Windmill Trust | 561,286 | 124,039 | 685,325 |
| Reekie KJ Family Trust | 548,954 | 211,544 | 760,498 |
| Simise Trust - Pieters | 492,032 | - | 492,032 |
| Steele Family Trust | 435,544 | 217,283 | 652,827 |
| West Partnership R J & K | 422,080 | 216,858 | 638,938 |
| Farmgold Limited | 414,238 | 4,865 | 419,103 |
| Kiwimac Limited | 400,000 | 252,468 | 652,468 |
| Maple Orchards Limited | 400,000 | 109,518 | 509,518 |
| Wedge Co Limited | 392,598 | 157,360 | 549,958 |
| Casey E & N | 390,197 | 270,662 | 660,859 |
| Montgomery JW & LE | 368,000 | 32,401 | 400,401 |

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CHARTERED ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT
## To the Shareholders of EastPack Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of EastPack Limited (the Company) and together with its subsidiaries, (the Group) on pages 18 to 54, which comprise the statement of financial position of the Company and Group as at 31 December 2016, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Company and Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and Group as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

This report is made solely to the Shareholders of EastPack Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than EastPack Limited and the Shareholders of EastPack Limited, for our audit work, for this report or for the opinions we have formed.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor, our firm carries out other assignments for the Company and Group in the area of other assurance services and taxation compliance services. The provision of these services has not impaired our independence.

#### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company and Group's annual report for the year ended 31 December 2016 (but does not include the financial statements and our auditor's report thereon).

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

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

An independent member of
BAKER TILLY
INTERNATIONAL

### Responsibilities of the Directors for the Financial Statements

The Directors are responsible on behalf of the Company and Group for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Company and Group for assessing the Company and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company and Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This audit report relates to the financial statements of the Company and Group for the year ended 31 December 2016 included on EastPack Limited's website. The Directors of EastPack Limited are responsible for the maintenance and integrity of EastPack Limited's website. We have not been engaged to report on the integrity of EastPack Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 14 March 2017 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Staples Rodway

**STAPLES RODWAY AUDIT LIMITED**
**Waikato, New Zealand**
14 March 2017

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# EASTPACK COMPANY DETAILS

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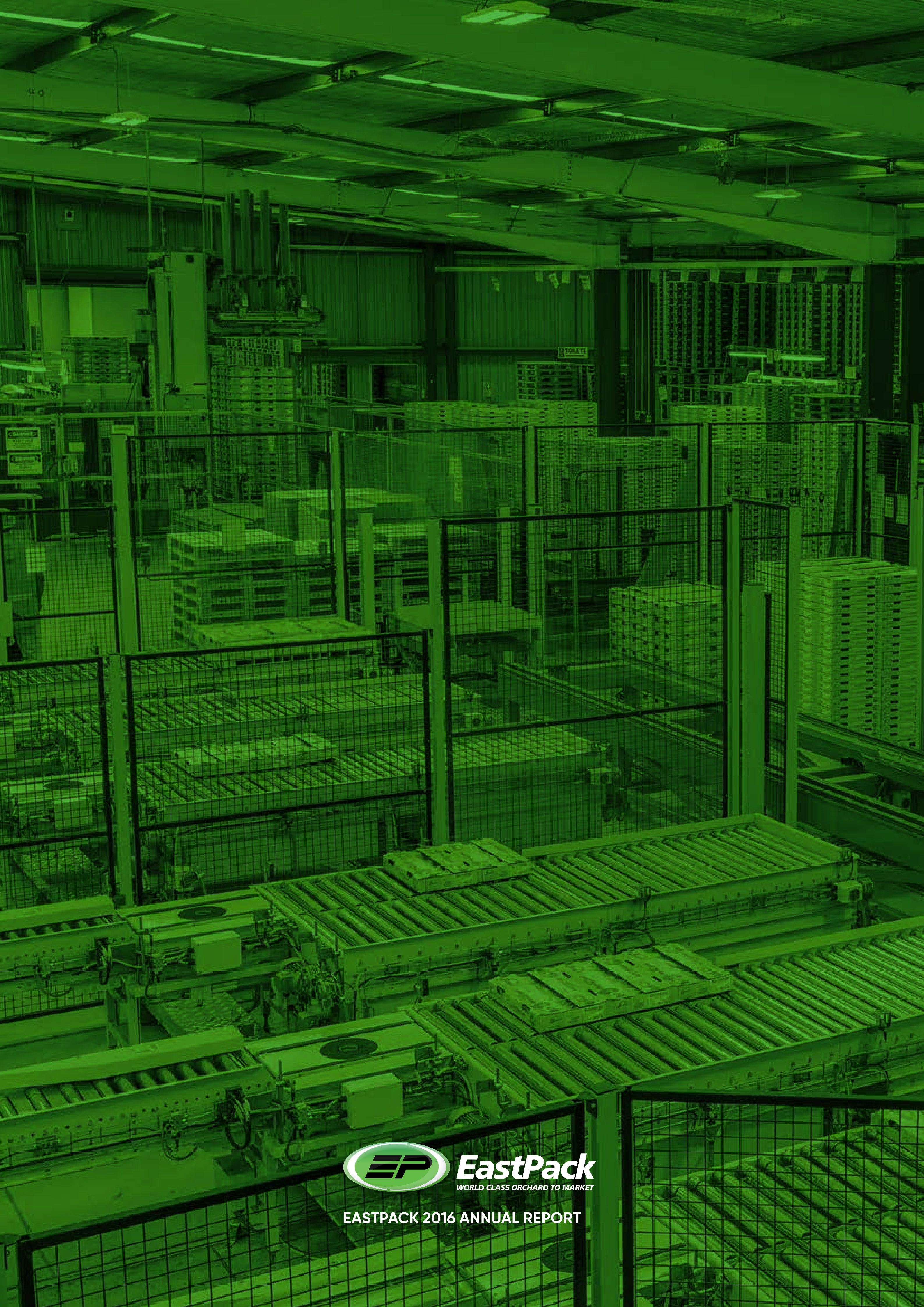

EastPack
WORLD CLASS ORCHARD TO MARKET

EASTPACK 2016 ANNUAL REPORT