

ZESPRI GROUP LIMITED AND SUBSIDIARIES – CORE BUSINESS
SPECIAL PURPOSE FINANCIAL STATEMENTS
ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 31 MARCH 2017

**ZESPRI GROUP LIMITED AND SUBSIDIARIES CORE BUSINESS
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Additional Disclosures
FOR THE YEAR ENDED 31 MARCH 2017**

The Special Purpose Financial Statements comprise the attached Zespri Group Limited (ZGL) Annual Report for the year ended 31 March 2017 and the additional disclosures below.

1. Exemption from Separate Accounting for "Other" Business

ZGL has obtained exemption from Kiwifruit New Zealand for the following requirements:

- to 'Mark-to-market' gains/losses on derivatives related to 'Other' business; and
- to disclose as 'Other' business all sales, expenses, assets and liabilities of the New Zealand sourced fresh Kiwifruit into Australia and New Zealand.

ZGL's 'other' business relates to the following activities:

- New cultivar research and development, R&D (excluding new cultivars);
- Non-New Zealand grown Kiwifruit; and
- Corporate Services.

Please note that the business is run on an amalgamated basis and therefore all cash is held centrally, and dividends, tax charges and financial hedges cannot be allocated to separate business segments.

2. Alternative Revenue Statement

The Alternative Revenue statement is detailed on page 12 and the related footnotes on page 13 of the Zespri Group Limited Annual Report.

Pool costs as a percentage of pool revenue

Total pool costs as a percentage of total pool revenue are detailed on page 13 of the Zespri Group Limited Annual Report. Refer to note 5 for cost as a percentage of revenue by class 1 pool.

3. Cause of Change

	2017 \$000	2016 \$000	2015 \$000
Prior year Fruit and Service Payments (including Loyalty Premium)	1,143,052	938,968	800,792
Prior year ZGL profit for the year	35,828	34,621	17,245
Total prior year return	1,178,880	973,589	818,037
Changes due to volume increase	292,898	329,074	135,855
Changes due to market and profile mix ¹	(25,909)	(21,320)	33,863
Total volume change ²	266,989	307,754	169,718
Changes due to change in price ³	(22,374)	(137,128)	46,973
Changes due to foreign exchange ⁴	(15,098)	22,918	(64,341)
Changes due to Non NZ Fruit Profit	1,436	1,424	(862)
Changes due to Freight movements	26,024	22,080	3,701
Changes due to Gold 9 Decommmercialisation (2015)	-	-	(1,551)
Changes due to change in tax expense	(22,686)	5,618	(6,449)
Changes due to other income movements	70,556	(10,681)	24,314
Changes due to other cost movements	(29,996)	(6,694)	(15,951)
Total current year return	1,453,731	1,178,880	973,589
Represented by:			
Fruit and Service Payments	1,343,983	1,113,410	915,776
Loyalty Premium	36,047	29,642	23,192
ZGL profit for the year	73,701	35,828	34,621
Total current year return	1,453,731	1,178,880	973,589

¹ Changes due to reallocation of kiwifruit between markets reflect the impact of change in market mix. This is calculated by calculating the total movement in year on year volumes on a region by region basis and changes in movement in year on year volumes by size.

² Changes due to volume are the sum of changes in volume by size by variety for New Zealand-grown kiwifruit between the prior year season multiplied by the corresponding NZD market contribution per tray for the prior season.



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³ Changes due to price are calculated by size on a region by region basis where prices for individual product groups of New Zealand-grown fruit have changed between seasons. This is calculated using the following formula:

((Current year's average tray price per sales region (in sales currency) – prior year's average tray price per sales region (in sales currency)) / (prior year's effective FX rate)) * (current year's volume per sales region).

⁴ Changes due to foreign exchange reflect exchange movements in respect to the supply and sale of New Zealand-grown kiwifruit, and are calculated based on the total of:

- the movement in current year's sales and expenses versus prior year by size on a line by line basis calculated by the difference between the current year figures translated into New Zealand dollars at the transaction date exchange rate versus prior year's transaction date exchange rates;
- the movement between current and prior year realised gain or loss on forward cover contracts; and
- the difference between prior year and current year unrealised exchange gains or losses which are determined by the revaluation of foreign currency denominated assets and liabilities at year end exchange rates.

4. New Zealand-grown kiwifruit revenue by pool

	2017 \$000	2016 \$000	2015 \$000
Zespri® Green kiwifruit	1,025,529	1,002,182	909,889
Zespri® Green Organic kiwifruit	54,816	55,538	50,215
Zespri® Gold kiwifruit	933,832	628,836	396,561
Zespri® Sweet Green kiwifruit	22,997	22,973	15,483
Family Kiwi™ Green Kiwifruit	3,565	5,885	8,524
Family Kiwi™ Green Organic kiwifruit	575	314	929
Family Kiwi™ Gold kiwifruit	-	-	4,693
Family Kiwi™ Sweet Green kiwifruit	-	151	78
Non Standard Supply*	5,018	7,424	14,719
Net Sales of New Zealand-grown kiwifruit	2,046,332	1,723,303	1,401,091

* includes Family Kiwi™ Green mainpack

5. New Zealand-grown kiwifruit costs as a percentage of revenue by class 1 pool

Zespri Green kiwifruit costs as a percentage of revenue	Zespri® Green kiwifruit		
	2016/17	2015/16	2014/15
Zespri margin	6.8%	6.9%	7.5%
Freight	7.9%	9.3%	9.5%
Insurance	0.2%	0.4%	0.3%
Duty and customs	4.1%	4.4%	4.7%
Other onshore direct costs	1.9%	1.9%	1.5%
Other offshore direct costs	4.2%	3.1%	3.4%
Promotion	5.7%	5.2%	4.1%
Interest	0.0%	0.2%	0.2%
KNZ/NZKGI	0.1%	0.1%	0.1%
Purchase of Kiwifruit	69.1%	68.5%	68.7%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Zespri Green kiwifruit (\$'000)	1,025,529	1,002,182	909,889



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Zespri Green Organic kiwifruit costs as a percentage of revenue	Zespri® Green Organic kiwifruit		
	2016/17	2015/16	2014/15
Zespri margin	8.4%	7.6%	7.7%
Freight	7.2%	7.7%	7.9%
Insurance	0.2%	0.2%	0.4%
Duty and customs	3.7%	4.5%	4.6%
Other onshore direct costs	1.6%	1.6%	1.5%
Other offshore direct costs	3.8%	3.4%	3.6%
Promotion	4.5%	4.0%	4.2%
Interest	0.0%	0.1%	0.2%
KNZ/NZKGI	0.1%	0.1%	0.1%
Purchase of Kiwifruit	70.5%	70.8%	69.8%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Zespri Green Organic kiwifruit (\$'000)	54,816	55,538	50,215

Zespri Gold kiwifruit costs as a percentage of revenue	Zespri® Gold kiwifruit		
	2016/17	2015/16	2014/15
Zespri margin	8.3%	7.8%	8.3%
Freight	5.1%	6.1%	5.5%
Insurance	0.5%	0.4%	0.3%
Duty and customs	3.7%	4.8%	4.9%
Other onshore direct costs	4.2%	4.3%	4.0%
Other offshore direct costs	3.3%	2.9%	3.0%
Promotion	9.2%	10.9%	10.3%
Interest	0.0%	0.1%	0.1%
KNZ/NZKGI	0.1%	0.1%	0.1%
Purchase of Kiwifruit	65.6%	62.6%	63.5%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Zespri Gold kiwifruit (\$'000)	933,832	628,836	396,561

Zespri Sweet Green kiwifruit costs as a percentage of revenue	Zespri® Sweet Green kiwifruit		
	2016/17	2015/16	2014/15
Zespri margin	8.2%	8.1%	8.0%
Freight	6.0%	7.0%	5.4%
Insurance	0.3%	0.3%	0.1%
Duty and customs	2.8%	3.3%	5.2%
Other onshore direct costs	4.7%	5.4%	5.4%
Other offshore direct costs	4.3%	3.4%	3.9%
Promotion	10.5%	10.3%	10.1%
Interest	0.0%	0.1%	0.2%
KNZ/NZKGI	0.1%	0.1%	0.1%
Purchase of Kiwifruit	63.1%	62.0%	61.6%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Zespri Sweet Green kiwifruit (\$'000)	22,997	22,973	15,483



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6. New Zealand-grown kiwifruit Supplier Return Analysis

Total Fruit and Service Payments (including Loyalty Premium) are detailed in Appendix B.

The allocation of revenue and cost between Pools and Corporate (non-pool) is based on the Annual Supply Agreement between Zespri Group Limited and Suppliers. The allocation between pools has been applied as follows:

- Sales are directly allocated to individual pools.
- Where expenses are directly attributable to one pool, they are allocated to that pool.
- Where expenses relate to more than one pool, amounts are allocated to pools based on allocation methods disclosed and agreed annually with the 'Industry Advisory Council' ('IAC'), captured in the Pool Policy Manual.

7. New Zealand Registered Number of Suppliers

	2017	2016	2015
Number of Suppliers	12	13	13
Trays Supplied	145,871,274	120,144,633	95,682,516

8. Regional Production Analysis

The Regional Production Analysis is shown in Appendix C.

The average trays per hectare in the tables in Appendix C equals Class 1 volumes submitted divided by productive hectares. The source data for productive hectares is derived from KPIN registrations and other returns by growers stating the number of producing hectares. While Zespri reviews this data for reasonableness, the information has not been audited and its integrity is reliant on the accurate completion of returns by growers. The trays per hectare may be distorted by the inclusion of orchards in the first years of production in the calculation.

9. Non-New Zealand-grown kiwifruit revenue by pool

	2017 \$000	2016 \$000	2015 \$000
Zespri® Green kiwifruit	108,503	104,312	111,895
Zespri® Gold/Gold Organic kiwifruit	103,861	76,923	53,234
Family Kiwi™ Gold/Gold Organic kiwifruit	3,206	2,381	1,973
Net Sales of non-New Zealand-grown kiwifruit	215,570	183,616	167,102

10. Non-New Zealand-grown kiwifruit Supplier Return Analysis

	2017 \$000	2016 \$000	2015 \$000
Zespri® Green kiwifruit	81,468	80,717	100,291
Zespri® Gold/Gold Organic kiwifruit	76,208	59,168	34,205
Family Kiwi™ Gold / Gold Organic kiwifruit	2,457	1,782	1,500
Non-New Zealand-grown kiwifruit supplier return	160,133	141,667	135,996



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11. Disclosure of Transfer Payments

In accordance with Regulation 13(e) of the Kiwifruit Export Regulations transfer payments between business segments are detailed in Appendix D. All transfers relate to goods or services performed in the year ended 31 March 2017.

During the year ended 31 March 2017 no inter-segment amounts have been written off or forgiven (2016: Nil).

12. Zespri Group Limited Shareholder Statistics

Shareholder statistics are detailed on pages 40 and 62-63 of the Zespri Group Limited Annual Report.

Please note the following in relation to the statistics detailed on page 62-63 of the Annual Report:

- The share price is the last price paid for shares on or before 31 March 2017 as per Unlisted share trading platform.
- The number of shares sold represents the number of shares transferred as advised by Computershare Investor Services Limited. This figure excludes off market share transfers, shares transferred with property sales and shares transferred within family entities which are separately disclosed.

13. Other Fresh Kiwifruit costs as a percentage of revenue

Other Fresh Kiwifruit Costs as a Percentage of Revenue	2016/17	2015/16	2014/15
Zespri margin	12.9%	12.2%	10.4%
Freight	4.1%	4.3%	3.8%
Insurance	0.0%	0.0%	0.0%
Duty and customs	2.6%	0.0%	0.0%
Other onshore direct costs	0.0%	0.0%	0.0%
Other offshore direct costs	3.5%	3.3%	2.6%
Promotion	2.6%	3.1%	1.8%
Interest	0.0%	0.0%	0.0%
KNZ/NZKGI	0.0%	0.0%	0.0%
Purchase of Kiwifruit	74.3%	77.1%	81.4%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Other Fresh Kiwifruit (\$'000)	215,570	183,616	167,102

The Additional Disclosures to the financial statements were authorised for issue by the Directors of Zespri Group Limited on 20 June 2017.

Authorised for and on behalf of the Board:

P J McBride
Chairman



J P Mason
Director




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Appendix A – Business Segment Analysis

TOTAL ASSETS BY SEGMENT 2016-17

As at 31 March 2017

	NZ Fresh kiwifruit \$'000	Non-NZ fresh kiwifruit \$'000	R & D \$'000	Corporate services \$'000	New Cultivars \$'000	TOTAL \$'000
Current assets:						
Bank, cash, short-term investments	-	21	-	186,989	-	187,010
Trade debtors	22,303	23,895	2,134	17,451	1,565	67,348
Other debtors / current assets	-	-	-	21,317	-	21,317
Other financial assets	51,964	57	-	-	-	52,021
Inventory / stock	50,600	5,492	-	(260)	-	55,832
Prepayments	11,164	98	848	8,344	-	20,454
Total current assets	136,031	29,563	2,982	233,841	1,565	403,982
Fixed Assets:						
Information system assets	-	57	1	1,265	-	1,323
Motor vehicles	-	22	-	525	-	547
Office equipment	-	51	121	1,061	-	1,233
Land	-	-	-	9,587	-	9,587
Buildings	-	-	-	1,680	-	1,680
Leasehold improvements	-	133	-	1,246	-	1,379
Capital work in progress	-	-	-	2,514	-	2,514
Total fixed assets	-	263	122	17,878	-	18,263
Intangibles						
Development costs	-	-	-	4,243	-	4,243
Information systems	-	3	-	24,093	-	24,096
Intangibles work in progress	-	7	-	2,929	-	2,936
Total intangibles	-	10	-	31,265	-	31,275
Other non - current assets						
Other financial assets	44,305	-	-	-	-	44,305
Prepayments	-	-	-	603	-	603
Other	-	-	-	54,952	-	54,952
Total other non-current assets	44,305	-	-	55,555	-	99,860
TOTAL ASSETS	180,336	29,836	3,104	338,539	1,565	553,380
Current Liabilities						
Accounts payable	(128,717)	(40,093)	(4,322)	(23,409)	(3,921)	(200,462)
Accrued payroll	-	(644)	(163)	(14,486)	-	(15,293)
Provisions and insurance liabilities	(4,609)	(68)	-	(26,249)	-	(30,926)
Other financial liabilities	(51,964)	(3)	-	-	-	(51,967)
Other current liabilities	-	-	-	(35,346)	-	(35,346)
Total current liabilities	(185,290)	(40,808)	(4,485)	(99,490)	(3,921)	(333,994)
Long term liabilities						
Accrued payroll	-	(347)	-	(1,136)	-	(1,483)
Provisions and insurance liabilities	-	-	-	(593)	-	(593)
Other financial liabilities	(44,305)	-	-	-	-	(44,305)
Other long term liabilities	-	-	-	(1,032)	-	(1,032)
Total long term liabilities	(44,305)	(347)	-	(2,761)	-	(47,413)
Equity						
Total equity & liabilities	(229,595)	(41,155)	(4,485)	(274,224)	(3,921)	(553,380)
Segment receivable / (loan) (before tax & dividend distributions)	49,259	11,319	1,381	(64,315)	2,356	-

All share capital, reserves and retained earnings are held by Corporate Services. Taxation expense and dividend distributions are not allocated to segments.



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TOTAL ASSETS BY SEGMENT 2015-16

As at 31 March 2016

	NZ Fresh kiwifruit \$'000	Non-NZ fresh kiwifruit \$'000	R&D \$'000	Corporate services \$'000	New Cultivars \$'000	TOTAL \$'000
Current assets:						
Bank, cash, short-term investments	-	21	-	165,006	-	165,027
Trade debtors	18,166	21,388	6,854	20,718	-	67,126
Other debtors / current assets	-	-	2,221	6,717	2,279	11,217
Other financial assets	44,979	-	-	-	-	44,979
Inventory / stock	34,368	3,061	-	44	-	37,473
Prepayments	12,016	181	837	3,174	-	16,208
Total current assets	109,529	24,651	9,912	195,659	2,279	342,030
Fixed Assets:						
Information system assets	-	74	2	1,493	-	1,569
Motor vehicles	-	-	-	371	-	371
Office equipment	-	39	164	821	-	1,024
Land	-	-	-	9,578	-	9,578
Buildings	-	-	-	2,373	-	2,373
Leasehold improvements	-	146	-	800	-	946
Capital work in progress	-	-	-	564	-	564
Total fixed assets	-	259	166	16,000	-	16,425
Intangibles						
Development costs	-	-	-	4,961	-	4,961
Information systems	-	7	-	23,620	-	23,627
Intangibles work in progress	-	-	-	1,983	-	1,983
Total intangibles	-	7	-	30,564	-	30,571
Other non - current assets						
Other financial assets	39,187	-	-	-	-	39,187
Prepayments	-	-	-	1,263	-	1,263
Other	-	-	-	8,428	-	8,428
Total other non-current assets	39,187	-	-	9,691	-	48,878
TOTAL ASSETS	148,716	24,917	10,078	251,914	2,279	437,904
Current Liabilities						
Accounts payable	(98,139)	(38,115)	(7,668)	(20,134)	(1,012)	(165,068)
Accrued payroll	-	(408)	(158)	(11,667)	-	(12,233)
Provisions and insurance liabilities	(9,109)	(75)	-	(20,133)	-	(29,317)
Other financial liabilities	(44,979)	-	-	-	-	(44,979)
Other current liabilities	-	-	-	(7,726)	-	(7,726)
Total current liabilities	(152,227)	(38,598)	(7,826)	(59,660)	(1,012)	(259,323)
Long term liabilities						
Accrued payroll	-	(316)	-	(1,021)	-	(1,337)
Provisions and insurance liabilities	-	-	-	(652)	-	(652)
Other financial liabilities	(39,187)	-	-	-	-	(39,187)
Other long term liabilities	-	-	-	(6,530)	-	(6,530)
Total long term liabilities	(39,187)	(316)	-	(8,203)	-	(47,706)
Equity						
Total equity & liabilities	(191,414)	(38,914)	(7,826)	(198,738)	(1,012)	(437,904)
Segment receivable / (loan) (before tax & dividend distributions)	42,698	13,997	(2,252)	(53,176)	(1,267)	-

All share capital, reserves and retained earnings are held by Corporate Services. Taxation expense and dividend distributions are not allocated to segments.



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Net profit/(loss) by business segment for the year ended 31 March 2017

2016/17	OTHER BUSINESS					Eliminations	Total
	New Zealand Fresh Kiwifruit	Other Fresh Kiwifruit	R&D (Excluding New Cultivars)	Corporate Services	New Cultivars		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from sale of NZ kiwifruit (exc transfers)	2,046,563	-	-	-	-	-	2,046,563
Revenue from sale of Non-NZ kiwifruit	-	215,570	-	-	-	-	215,570
Transfer payment: Collaborative Marketing Commission	(231)	-	-	-	-	-	(231)
Total Sales revenue - external customers	2,046,332	215,570	-	-	-	-	2,261,902
Transfer revenue: Sale of NZ Kiwifruit to R&D	83	-	-	-	-	(83)	-
Transfer revenue: Funding - Corporate	-	-	9,359	-	8,029	(17,388)	-
Inter-segment revenue	83	-	9,359	-	8,029	(17,471)	-
ZGL Commission from NZ Kiwifruit	-	-	-	195,016	-	(195,016)	-
Transfer revenue: Collaborative Marketing Commission	-	-	-	231	-	-	231
Transfer revenue: New Cultivar Royalties NZ Kiwifruit	-	-	-	16,673	-	(16,673)	-
Revenue from insurance claims *	563	907	-	-	-	-	1,470
GOLD Licences issued	-	-	-	67,178	-	-	67,178
Other	1,096	56	-	2,004	-	-	3,156
Research grant co-funding	-	-	4,198	-	3,763	-	7,961
External Royalties	-	-	-	150	-	-	150
Other revenue *	1,659	963	4,198	86,236	3,763	(16,673)	80,146
Total revenue (exc Interest)	2,048,074	216,533	13,557	281,252	11,792	(229,160)	2,342,048
Freight	135,107	8,917	-	-	-	-	144,024
Insurance (onshore and offshore)	6,658	(1)	-	-	-	-	6,657
Duty and customs	80,168	5,613	-	-	-	-	85,781
Promotion	149,597	5,659	-	-	-	-	155,256
Other direct costs - offshore *	76,541	7,609	-	-	-	-	84,150
Other direct costs - offshore: Human resource expense	222	-	-	-	-	-	222
Other direct costs - onshore	41,944	-	-	-	-	-	41,944
KNZ/INZ/KG/KVH costs	4,430	-	-	-	-	-	4,430
Purchase of Kiwifruit	1,343,983	160,133	-	-	-	-	1,504,116
Loyalty premium	-	-	-	36,047	-	-	36,047
Transfer Payments:							
Funding R&D (excluding New Cultivars)	-	-	-	9,359	-	(9,359)	-
Funding New Cultivars	-	-	-	8,029	-	(8,029)	-
ZGL Commission from NZ Kiwifruit	195,016	-	-	-	-	(195,016)	-
Inter-segment Purchase of NZ Kiwifruit	-	-	83	-	-	(83)	-
Inter-segment service charge	-	7,072	-	(7,072)	-	-	-
ZGL Royalty new cultivars	15,218	1,455	-	-	-	(16,673)	-
Research & Development	-	-	11,979	-	11,615	-	23,594
Information system expenses	-	-	-	11,720	-	-	11,720
Depreciation	-	68	57	2,460	-	-	2,585
Amortisation / impairment of intangible assets	-	10	-	9,278	-	-	9,288
Corporate & Admin expenses	-	519	46	24,803	177	-	25,545
Land & Building expenses	-	81	-	2,400	-	-	2,481
Motor Vehicle Expenses	-	165	-	833	-	-	998
Other Travel	-	1,230	308	8,275	-	-	9,813
Office equipment maintenance	-	9	-	254	-	-	263
Human resource expense	-	4,380	1,084	55,546	-	-	61,010
Marketing/advertising	-	1,041	-	7,337	-	-	8,378
Consultancy & Legal	-	721	-	17,417	-	-	18,138
Green Class 2 subsidy	-	-	-	10	-	-	10
Foreign exchange hedging relating to Offshore Overheads	-	-	-	1,757	-	-	1,757
Total expense	2,048,884	204,681	13,557	188,453	11,792	(229,160)	2,238,207
Net profit before interest & taxation	(810)	11,852	-	92,799	-	-	103,841
Interest revenue on short term deposits	1,408	-	-	2,209	-	-	3,617
Interest expense	(383)	-	-	-	-	-	(383)
Transfer payment: Interest charge from Corporate	(215)	-	-	215	-	-	-
Net profit after interest before tax	-	11,852	-	95,223	-	-	107,076

* In the segment note of the statutory accounts, the New Zealand pool offshore Insurance revenue is treated as negative cost, it is included in other direct cost - offshore.

"Other Fresh Kiwifruit" comprises non-New Zealand grown kiwifruit.

Revenues, direct costs, promotion and overheads are identified and recognised for each business unit under the application of NZ IFRS. The internal management information on which the segment results above are based uses a different method for allocating realised gains and losses on treasury activities. For internal management reporting, realised gains and losses from the management of foreign exchange risk are allocated to the business unit. Where material, these gains and losses are allocated against individual revenue and expense lines based on the underlying currencies of the transactions to affect what would be a 'hedged' rate on the cumulative transactions. Foreign exchange gains/losses that cannot be allocated are shown separately. For financial reporting purposes these net realised foreign exchange gains/(losses) on derivatives are disclosed separately from the operating revenue and operating expense within other net gains/(losses) (refer Note 5, Annual Report 2016/17).



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Net profit/(loss) by business segment for the year ended 31 March 2016

2015/16	OTHER BUSINESS					Eliminations	Total
	New Zealand Fresh Kiwifruit	Other Fresh Kiwifruit	R&D (Excluding New Cultivars)	Corporate Services	New Cultivars		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from sale of NZ kiwifruit (exc transfers)	1,723,534	-	-	-	-	-	1,723,534
Revenue from sale of Non-NZ kiwifruit	-	183,616	-	-	-	-	183,616
Transfer payment: Collaborative Marketing Commission	(231)	-	-	-	-	-	(231)
Total Sales revenue - external customers	1,723,303	183,616	-	-	-	-	1,906,919
Transfer revenue: Sale of NZ Kiwifruit to R&D	76	-	-	-	-	(76)	-
Transfer revenue: Funding - Corporate	-	-	7,795	-	7,185	(14,980)	-
Inter-segment revenue	76	-	7,795	-	7,185	(15,056)	-
ZGL Commission from NZ Kiwifruit	-	-	-	163,748	-	(163,748)	-
Transfer revenue: Collaborative Marketing Commission	-	-	-	231	-	-	231
Transfer revenue: GOLD Defence fund pymts from Non NZ Kiwifruit	-	-	-	464	-	-	464
Transfer revenue: GOLD Defence fund pymts from NZ Kiwifruit	-	-	-	4,191	-	(4,191)	-
Transfer revenue: New Cultivar Royalties NZ Kiwifruit	-	-	-	6,185	-	(6,185)	-
Revenue from insurance claims *	1,071	-	-	-	-	-	1,071
GOLD Licences Issued	-	-	-	2,587	-	-	2,587
Other	(86)	91	-	425	188	-	618
Research grant co-funding	-	-	4,310	-	4,423	-	8,733
External Royalties	-	-	-	147	-	-	147
Other revenue *	985	91	4,310	14,230	4,611	(10,376)	13,851
Total revenue (exc interest)	1,724,364	183,707	12,105	177,978	11,796	(189,180)	1,920,770
Freight	138,749	7,924	-	-	-	-	146,673
Insurance (onshore and offshore)	6,173	27	-	-	-	-	6,200
Duty and customs	78,340	88	-	-	-	-	78,428
Promotion	125,394	5,656	-	-	-	-	131,050
Other direct costs - offshore *	51,588	6,100	-	-	-	-	57,688
Other direct costs - offshore: Human resource expense	213	-	-	-	-	-	213
Other direct costs - onshore	35,103	-	-	-	-	-	35,103
KNZ/NZK/GK/VH costs	3,742	-	-	-	-	-	3,742
Purchase of Kiwifruit	1,113,410	141,627	-	-	-	-	1,255,037
Loyalty premium	-	-	-	29,642	-	-	29,642
Transfer Payments:							
Other direct costs - offshore: GOLD Defence fund payments from Non NZ Kiwifruit	-	464	-	-	-	-	464
Funding R&D (excluding New Cultivars)	-	-	-	7,795	-	(7,795)	-
Funding New Cultivars	-	-	-	7,185	-	(7,185)	-
ZGL Commission from NZ Kiwifruit	163,748	-	-	-	-	(163,748)	-
Inter-segment Purchase of NZ Kiwifruit	-	-	76	-	-	(76)	-
Inter-segment service charge	-	5,147	-	(5,147)	-	-	-
Defence Fund new cultivars	4,191	-	-	-	-	(4,191)	-
ZGL Royalty new cultivars	6,185	-	-	-	-	(6,185)	-
Research & Development	-	-	10,707	-	11,834	-	22,341
Information system expenses	-	-	-	10,548	-	-	10,548
Depreciation	-	48	56	1,693	-	-	1,797
Amortisation / Impairment of intangible assets	-	4	-	7,318	-	-	7,322
Corporate & Admin expenses	-	892	59	6,375	127	-	7,453
Land & Building expenses	-	92	-	2,018	-	-	2,110
Motor Vehicle Expenses	-	147	-	888	-	-	1,035
Other Travel	-	911	186	6,917	10	-	8,024
Office equipment maintenance	-	11	-	291	-	-	302
Human resource expense	-	2,903	1,021	48,919	8	-	52,851
Marketing/advertising	-	562	-	3,419	-	-	3,981
Consultancy & Legal	-	683	-	14,610	17	-	15,310
Green Class 2 subsidy	-	-	-	(10)	-	-	(10)
Foreign exchange hedging relating to Offshore Overheads	-	-	-	2,338	-	-	2,338
Total expense	1,726,836	173,286	12,105	144,799	11,796	(189,180)	1,879,642
Net profit before Interest & taxation	(2,472)	10,421	-	33,179.00	-	-	41,128
Interest revenue on short term deposits	3,057	-	-	2,503	-	-	5,560
Interest expense	(164)	(6)	-	(2)	-	-	(172)
Transfer payment: Interest charge from Corporate	(421)	-	-	421	-	-	-
Net profit after Interest before tax	-	10,415	-	36,101	-	-	46,516

* In the segment note of the statutory accounts, the New Zealand pool offshore insurance revenue is treated as negative cost, it is included in other direct cost - offshore.

"Other Fresh Kiwifruit" comprises non-New Zealand grown kiwifruit.

Revenues, direct costs, promotion and overheads are identified and recognised for each business unit under the application of NZ IFRS. The internal management information on which the segment results above are based uses a different method for allocating realised gains and losses on treasury activities. For internal management reporting, realised gains and losses from the management of foreign exchange risk are allocated to the business unit. Where material, these gains and losses are allocated against individual revenue and expense lines based on the underlying currencies of the transactions to affect what would be a 'hedged' rate on the cumulative transactions. Foreign exchange gains/losses that cannot be allocated are shown separately. For financial reporting purposes these net realised foreign exchange gains/(losses) on derivatives are disclosed separately from the operating revenue and operating expense within other net gains/(losses) (refer Note 5, Annual Report 2015/16).



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Appendix B – Total Fruit and Service Payments (including Loyalty Premium)

	RETURN \$m 2016/17	\$ PER TE 2016/17	\$ PER TE 2015/16	\$ PER TE 2014/15	\$ PER TE 2013/14	\$ PER TE 2012/13
Zespri® Green Kiwifruit						
Total tray equivalents supplied (m)		90.8	80.7	69.6	69.3	71.4
Fruit payments	381.0	4.19	5.30	5.69	4.73	4.52
Fruit incentives	167.0	1.84	1.42	1.93	1.97	1.54
Service payments	137.9	1.52	1.54	1.11	1.20	1.37
Loyalty premium	22.6	0.25	0.25	0.25	0.25	0.25
Total fruit and service payments (including loyalty premium)	708.5	7.80	8.51	8.98	8.15	7.68
Zespri® Organic Green Kiwifruit						
Total tray equivalents supplied (m)		3.9	3.9	3.5	3.2	3.2
Fruit payments	23.5	5.96	6.36	6.24	5.87	5.61
Fruit incentives	10.0	2.54	2.41	2.66	2.80	2.26
Service payments	4.1	1.07	1.09	0.79	0.86	0.95
Loyalty premium	1.0	0.25	0.25	0.25	0.25	0.25
Total fruit and service payments (including loyalty premium)	38.6	9.82	10.11	9.94	9.78	9.07
Zespri® Gold Kiwifruit						
Total tray equivalents supplied (m)		48.5	32.6	18.7	11.1	25.0
Fruit payments	291.0	6.00	5.39	5.90	7.69	6.95
Fruit incentives	241.6	4.98	5.08	5.92	6.90	4.70
Service payments	67.5	1.39	1.36	1.36	1.60	2.52
Loyalty premium	12.0	0.25	0.25	0.25	0.25	0.25
Total fruit and service payments (including loyalty premium)	612.1	12.62	12.08	13.43	16.44	14.42
Zespri® Green14 Kiwifruit						
Total tray equivalents supplied (m)		1.5	1.4	0.9	0.4	0.4
Fruit payments	10.2	6.68	6.34	5.94	7.53	5.66
Fruit incentives	3.2	2.11	3.41	3.68	4.79	3.15
Service payments	0.7	0.46	0.47	0.70	0.69	1.05
Loyalty premium	0.4	0.25	0.25	0.25	0.25	0.25
Total fruit and service payments (including loyalty premium)	14.5	9.50	10.47	10.57	13.26	10.11
FAMILY KIWI Green Kiwifruit						
Total tray equivalents supplied (m)		0.4	0.7	1.0	1.0	1.1
Fruit payments	2.2	5.00	5.06	5.19	4.63	3.85
Service payments	0.1	0.10	0.02	0.03	0.10	0.12
Total fruit and service payments	2.3	5.10	5.08	5.22	4.73	3.97
FAMILY KIWI Organic Green Kiwifruit						
Total tray equivalents supplied (m)		0.1	0.0	0.1	0.0	0.0
Fruit payments	0.4	7.15	6.30	6.67	6.19	4.58
Service payments	-	0.18	0.22	0.14	0.10	0.23
Total fruit and service payments	0.4	7.33	6.52	6.81	6.29	4.81
FAMILY KIWI Gold Kiwifruit						
Total tray equivalents supplied (m)		-	-	0.4	0.3	0.8
Fruit payments	-	-	-	7.37	8.88	6.66
Service payments	-	-	-	0.48	0.57	0.67
Total fruit and service payments	-	-	-	7.85	9.45	7.33
FAMILY KIWI Green14 Kiwifruit						
Total tray equivalents supplied (m)		-	0.0	0.0	0.0	0.0
Fruit payments	-	-	4.71	4.77	2.95	4.75
Service payments	-	-	0.04	0.01	0.20	-
Total fruit and service payments	-	-	4.75	4.78	3.15	4.75
Non-Standard Supply						
Total tray equivalents supplied (m)		0.6	0.8	1.4	1.1	0.9
Fruit payments	3.6	6.24	5.97	4.76	4.20	6.28
Fruit incentives	-	-	-	0.74	2.96	-
Service payments	-	-	-	0.25	0.96	1.36
Total fruit and service payments	3.6	6.24	5.97	5.75	8.12	7.64
Total All Pools						
Total tray equivalents supplied (m)		145.9	120.1	95.7	86.5	102.9
Fruit payments	711.9	4.88	5.38	5.74	5.17	5.17
Fruit incentives	421.8	2.89	2.45	2.71	2.63	2.30
Service payments	210.3	1.44	1.44	1.12	1.22	1.61
Loyalty premium	36.0	0.25	0.24	0.24	0.24	0.24
Total fruit and service payments (including loyalty premium)	1,380.0	9.46	9.51	9.81	9.26	9.32
Total fruit and service payments 2015/16 (NZ IFRS)	1,143.0					
Total fruit and service payments 2014/15 (NZ IFRS)	939.0					
Total fruit and service payments 2013/14 (NZ IFRS)	800.8					



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Appendix C – Regional Production Analysis – New Zealand-grown kiwifruit (trays supplied to Zespri FOBS)

NEW ZEALAND INDUSTRY PERFORMANCE

REGIONAL PRODUCTION ANALYSIS - New Zealand-grown kiwifruit

Trays Equivalents (TE'S) supplied to ZESPRI (FOBS).

	2017		2016		2015		2014	
	Producing Hectares	TE supplied per ha	Producing Hectares	TE supplied per ha	Producing Hectares	TE supplied per ha	Producing Hectares	TE supplied per ha
Zespri Green kiwifruit								
Northland	113	9,559	116	7,666	124	7,852	153	7,704
Auckland	272	9,502	273	8,099	304	8,805	348	8,291
Bay of Plenty								
- Katikati	966	11,972	973	9,748	1,015	9,224	1,129	8,479
- Opotiki	464	11,758	469	10,756	477	9,691	539	7,736
- Tauranga	1,116	12,533	1,090	10,135	1,109	9,295	1,206	8,802
- Te Puke	3,508	13,088	3,524	12,204	3,586	9,486	3,754	8,675
- Waihi	100	8,701	105	7,604	115	6,957	134	5,096
- Whakatane	439	9,889	438	8,248	466	4,840	518	4,449
Waikato	204	9,664	206	8,867	209	7,462	227	7,315
Poverty Bay	54	5,828	55	6,605	59	5,558	79	4,883
Hawkes Bay	45	7,290	47	8,265	51	7,554	65	6,710
Lower North Island	65	7,056	69	6,186	70	7,750	72	5,852
South Island	258	7,246	250	6,158	309	5,591	388	6,285
Total producing hectares	7,604		7,614		7,892		8,612	
Average TE supplied per hectare		11,933		10,590		8,812		8,049
Zespri Green Organic kiwifruit								
Northland	-	-	-	-	3	2,473	3	3,687
Auckland	1	5,856	1	3,983	1	4,376	1	5,676
Bay of Plenty								
- Katikati	31	9,208	30	8,037	31	7,274	28	5,836
- Opotiki	22	8,616	22	7,404	22	7,407	22	4,851
- Tauranga	210	8,652	231	8,054	261	5,994	224	5,892
- Te Puke	38	10,408	57	8,841	77	6,953	80	6,703
- Waihi	20	4,219	20	4,808	20	4,099	15	3,765
- Whakatane	4	5,323	3	5,171	3	1,834	3	4,134
Waikato	151	6,536	153	6,148	156	5,428	147	5,619
Poverty Bay	2	4,637	2	5,284	3	5,817	7	3,006
Hawkes Bay	-	-	-	-	-	-	1	2,196
Lower North Island	2	6,524	2	6,365	2	6,533	2	5,803
South Island	21	4,516	16	2,873	19	3,593	19	4,501
Total producing hectares	502		537		597		552	
Average TE supplied per hectare		7,841		7,254		5,908		5,724
Zespri Gold & Organic Gold kiwifruit (Hort16A)								
Northland	52	12,721	172	12,133	213	14,522	224	8,848
Auckland	1	5,822	15	12,969	38	11,327	83	9,025
Bay of Plenty								
- Katikati	-	-	1	10,618	10	8,975	144	6,778
- Opoliki	-	-	-	-	12	3,730	166	3,704
- Tauranga	-	-	1	4,712	5	4,249	100	6,101
- Te Puke	-	-	-	-	-	-	-	-
- Waihi	-	-	1	13,777	3	6,706	11	12,996
- Whakatane	-	-	-	-	-	-	4	2,227
Waikato	1	9,394	15	8,802	31	7,931	68	5,856
Poverty Bay	48	9,245	69	8,365	105	8,251	125	8,170
Hawkes Bay	12	11,484	55	11,667	67	13,722	76	11,426
Lower North Island	-	-	-	-	-	-	-	-
South Island	47	9,349	64	10,796	71	9,853	55	9,209
Total producing hectares	161		394		555		1,056	
Average TE supplied per hectare		10,561		11,077		11,586		7,459



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**Appendix C – Regional Production Analysis – New Zealand-grown kiwifruit (trays supplied to Zespri FOBS)
continued**

Zespri SunGold and Organic SunGold (Gold3)	Producing Hectares	TE supplied per ha	Producing Hectares	TE supplied per ha	Producing Hectares	TE supplied per ha	Producing Hectares	TE supplied per ha
Northland	189	9,069	122	6,104	62	5,585	16	2,387
Auckland	187	8,928	139	5,694	48	7,688	22	4,078
Bay of Plenty								
- Katikati	501	12,302	423	7,521	205	7,416	81	7,078
- Opotiki	478	11,028	403	8,298	213	5,041	34	5,261
- Tauranga	413	12,484	367	8,073	195	6,229	39	9,287
- Te Puke	1,516	12,746	1,262	9,220	786	4,702	79	5,839
- Waihi	51	11,027	43	8,828	26	5,065	4	6,568
- Whakatane	206	11,175	167	8,861	101	6,514	38	5,193
Waikato	157	7,029	125	3,295	26	2,966	8	5,644
Poverty Bay	146	8,728	103	8,586	62	8,826	40	5,116
Hawkes Bay	131	6,815	80	9,562	52	10,865	21	5,708
Lower North Island	2	5,349	1	5,227	1	4,436	-	-
South Island	139	9,635	103	8,758	37	7,124	2	8,872
Total producing hectares	4,116		3,339		1,814		384	
Average TE supplied per hectare		11,366		8,234		5,770		6,028
Zespri Sweet Green kiwifruit (Green 14)	Producing Hectares	TE supplied per ha	Producing Hectares	TE supplied per ha	Producing Hectares	TE supplied per ha	Producing Hectares	TE supplied per ha
Northland	1	7,210	1	4,243	1	3,611	0	4,045
Auckland	14	6,256	13	5,336	13	4,576	12	2,363
Bay of Plenty								
- Katikati	15	8,571	16	6,331	17	3,928	15	2,749
- Opotiki	14	9,758	18	6,507	19	3,848	14	2,277
- Tauranga	8	6,899	10	5,892	12	5,180	14	3,594
- Te Puke	88	9,148	115	6,564	106	3,813	63	2,671
- Waihi	-	-	-	-	1	8,270	1	2,584
- Whakatane	20	5,984	15	4,960	19	3,792	17	2,123
Waikato	18	5,686	16	3,175	17	2,743	15	1,853
Poverty Bay	4	6,072	4	6,888	4	4,640	4	2,071
Hawkes Bay	8	4,363	8	8,358	8	7,969	10	3,054
Lower North Island	4	3,679	4	5,505	4	2,800	3	1,138
South Island	1	6,506	1	5,280	2	3,700	3	1,840
Total producing hectares	195		223		223		171	
Average TE supplied per hectare		7,813		6,109		4,020		2,547



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Appendix D – Transfer Payments

2016/17

Item	Recipient of Transfer income	Recipient of Transfer Expense	Description of transfer item	\$'000
Sale of NZ kiwifruit to R&D	NZ fresh kiwifruit (Core)	R&D (excluding new cultivars)	Sale of New Zealand-grown kiwifruit for use in research and development projects.	83
Funding - corporate	R&D (excluding new cultivars)	Corporate Services	Corporate provides funding for research and development projects.	9,359
Funding - corporate	New Cultivars	Corporate Services	Corporate provides funding for research and development projects in respect of New Cultivars.	8,029
ZGL Commission from NZ kiwifruit	Corporate Services	NZ fresh kiwifruit (Core)	This is the margin from New Zealand-grown kiwifruit sales that the corporate retains to fund its operations.	195,016
Inter-segment service charge	Corporate Services	Other fresh kiwifruit	Recharge of costs incurred by corporate on Non-New Zealand-grown kiwifruit behalf e.g. salary costs.	7,072
Collaborative Marketing Commission	Corporate Services	NZ fresh kiwifruit (Core)	Commission paid to the corporate for sales made through Collaborative Marketing programmes.	231
New Cultivar Royalty payments from NZ kiwifruit	Corporate Services	NZ fresh kiwifruit (Core)	Payment made to the corporate, based on sales value, for funding of the new cultivar program.	16,673
Interest charge from Corporate	Corporate Services	NZ fresh kiwifruit (Core)	Interest is charged on the corporate equity used by New Zealand-grown kiwifruit to fund submit payments.	215
Profit before tax transferred to corporate	Corporate Services	Other fresh kiwifruit	Profit is transferred to corporate equity.	11,852

Note:

1. All material transfers between segments have a fair value assigned. No nil value or nominal value transfers representing a material underlying fair value have occurred.
2. All inter-segment transfers have been fully settled within the year. No transfer balances are outstanding at 31 March 2017.



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2015/16

Item	Recipient of Transfer income	Recipient of Transfer Expense	Description of transfer item	\$'000
Sale of NZ kiwifruit to R&D	NZ fresh kiwifruit (Core)	R&D (excluding new cultivars)	Sale of New Zealand-grown kiwifruit for use in research and development projects.	76
Funding - corporate	R&D (excluding new cultivars)	Corporate Services	Corporate provides funding for Research and development projects.	7,795
Funding - corporate	New Cultivars	Corporate Services	Corporate provides funding for Research and development projects in respect of New Cultivars.	7,185
ZGL Commission from NZ kiwifruit	Corporate Services	NZ fresh kiwifruit (Core)	This is the margin from New Zealand-grown kiwifruit sales that the corporate retains to fund its operations.	163,748
Inter-segment service charge	Corporate Services	Other fresh kiwifruit	Recharge of costs incurred by corporate on Non-New Zealand-grown kiwifruit behalf e.g. salary costs.	5,147
Collaborative Marketing Commission	Corporate Services	NZ fresh kiwifruit (Core)	Commission paid to the corporate for sales made through Collaborative Marketing programmes.	231
GOLD Defence fund payments from Non NZ kiwifruit	Corporate Services	Other fresh kiwifruit	Payment made to the corporate, based on sales value, for future use in defending GOLD market.	464
GOLD Defence fund payments from NZ kiwifruit	Corporate Services	NZ fresh kiwifruit (Core)	Payment made to the corporate, based on sales value, for future use in defending GOLD market.	4,191
New Cultivar Royalty payments from NZ kiwifruit	Corporate Services	NZ fresh kiwifruit (Core)	Payment made to the corporate, based on sales value, for funding of the new cultivar program.	6,185
Interest charge from Corporate	Corporate Services	NZ fresh kiwifruit (Core)	Interest is charged on the corporate equity used by New Zealand-grown kiwifruit to fund submit payments.	421
Profit before tax transferred to corporate	Corporate Services	Other fresh kiwifruit	Profit is transferred to corporate equity.	10,415

Note:

1. All material transfers between segments have a fair value assigned. No nil value or nominal value transfers representing a material underlying fair value have occurred.
2. All inter-segment transfers have been fully settled within the year. No transfer balances are outstanding at 31 March 2016.





Independent Auditor's Report

To the Directors of Zespri Group Limited

Report on the special purpose consolidated financial statements

Opinion

In our opinion, the accompanying special purpose consolidated financial statements of Zespri Group Limited and its subsidiaries (the Group) on pages 2 to 15:

- i. Present, in all material respects the Group's financial position as at 31 March 2017 and its financial performance for the year ended on that date in compliance with the financial reporting provisions of the Kiwifruit Export Regulations 1999 (the Regulations), except for the disclosure from which Zespri Group Limited have been exempted by Kiwifruit New Zealand pursuant to section 21 of the regulations and as further disclosed in Note 1 of these special purpose financial statements; and
- ii. Are correctly referenced to the audited consolidated financial statements of Zespri Group Limited upon which we have issued an unqualified opinion.

We have audited the accompanying special purpose consolidated financial statements which comprise:

- The Zespri Group Limited financial statements as at 31 March 2017; and
- The additional disclosures included in pages 2 to 15.



Basis for opinion

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the special purpose consolidated financial statements section of our report.

Our firm has also provided other services to the Group in relation to statutory audit, other assurance, review, taxation advice and services. The firm has no other relationship with, or interest in, the Group.



Use of this Independent Auditor's Report

This report is made solely to the Directors as a body. Our audit work has been undertaken so that we might state to the Directors those matters we are required to state to them in the Independent Auditor's Report and



for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body for our audit work, this report, or any of the opinions we have formed.

The special purpose consolidated financial statements are prepared to assist Zespri Group Limited to meet the requirements of the Regulations. As a result, the special purpose consolidated financial statements may not be suitable for another purpose. Our Independent Auditor's Report is intended solely for Zespri Group Limited and should not be distributed to or used by any parties other than Zespri Group Limited.



Responsibilities of the Directors for the special purpose consolidated financial statements

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

- The preparation and fair presentation of the special purpose consolidated financial statements in accordance with the financial reporting provisions of the Regulations;
- Implementing necessary internal control to enable the preparation of a special purpose consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the special purpose consolidated financial statements

Our objective is:

- To obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- To issue an Independent Auditor's Report that includes our opinion.

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose consolidated financial statements.

A further description of our responsibilities for the audit of these special purpose consolidated financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx

This description forms part of our Independent Auditor's Report.

KPMG.

Ian Proudfoot

For and on behalf of

KPMG

Auckland

20 June 2017