

ZESPRI GROUP LIMITED AND SUBSIDIARIES – CORE BUSINESS
SPECIAL PURPOSE FINANCIAL STATEMENTS
ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 31 MARCH 2018

**ZESPRI GROUP LIMITED AND SUBSIDIARIES CORE BUSINESS
SPECIAL PURPOSE FINANCIAL STATEMENTS
Additional Disclosures
FOR THE YEAR ENDED 31 MARCH 2018**

The Special Purpose Financial Statements comprise the attached Zespri Group Limited (ZGL) Annual Report for the year ended 31 March 2018 and the additional disclosures below.

During the year a change was made to the definition of the “core business” within the Kiwifruit Export Regulations 1999 (“the Regulations”). These regulations require that ZGL publically disclose financial statements in respect of each of the business activities defined in the Kiwifruit Information Disclosure Handbook (“the Handbook”) and that the financial statements are prepared in accordance with the allocation methodology in the Handbook. Government has not yet updated the Handbook to incorporate the new definition of “core business” that exists in the Regulations and therefore the Handbook refers to the old definition of “core business”. Due to this ambiguity and to ensure consistency with how the financial statements were prepared in prior years, the financial statements have been prepared in accordance with the Handbook.

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 pages 6 to 7 and the related footnotes on page 8 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 8 of the Zespri Group Limited Annual Report. Refer to note 5 below for cost as a percentage of revenue by class 1 pool.

3. Cause of Change

	2018 \$000	2017 \$000	2016 \$000
Prior year Fruit and Service Payments (including Loyalty Premium)	1,380,030	1,143,052	938,968
Prior year ZGL profit for the year	73,701	35,828	34,621
Total prior year return	<u>1,453,731</u>	<u>1,178,880</u>	<u>973,589</u>
Changes due to volume increase	(162,286)	292,898	329,074
Changes due to market and profile mix ¹	98,824	(25,909)	(21,320)
Total volume change ²	<u>(63,462)</u>	<u>266,989</u>	<u>307,754</u>
Changes due to change in price ³	194,169	(22,374)	(137,128)
Changes due to foreign exchange ⁴	(11,637)	(15,098)	22,918
Changes due to Non NZ Fruit Profit	(2,643)	1,436	1,424
Changes due to Freight movements	(15,278)	26,024	22,080
Changes due to change in tax expense	(10,494)	(22,686)	5,618
Changes due to other income movements	36,383	70,556	(10,681)
Changes due to other cost movements	(10,870)	(29,996)	(6,694)
Total current year return	<u>1,569,899</u>	<u>1,453,731</u>	<u>1,178,880</u>
Represented by:			
Fruit and Service Payments	1,433,956	1,343,983	1,113,410
Loyalty Premium	34,101	36,047	29,642
ZGL profit for the year	<u>101,842</u>	<u>73,701</u>	<u>35,828</u>
Total current year return	<u>1,569,899</u>	<u>1,453,731</u>	<u>1,178,880</u>

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.

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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.

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

	2018 \$000	2017 \$000	2016 \$000
Zespri® Green kiwifruit	929,204	1,025,529	1,002,182
Zespri® Organic Green kiwifruit	45,747	54,816	55,538
Zespri® Gold/Organic Gold kiwifruit	1,106,261	933,832	628,836
Zespri® Sweet Green kiwifruit	17,750	22,997	22,973
Class 2 Green Kiwifruit*	6,292	3,565	5,885
Class 2 Organic Green kiwifruit*	806	575	314
Class 2 Gold / Organic Gold kiwifruit*	11,870	-	-
Family Kiwi™/K1W1™ Sweet Green Kiwifruit	-	-	151
Non Standard Supply	10,171	5,018	7,424
Net Sales of New Zealand-grown kiwifruit	2,128,101	2,046,332	1,723,303

* includes Family Kiwi™ and Zespri® brands

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

New Zealand-grown Kiwifruit Costs as a Percentage of Revenue	Zespri® Green kiwifruit		
	2017/18	2016/17	2015/16
Zespri margin	7.7%	6.8%	6.9%
Freight	7.5%	7.9%	9.3%
Insurance	0.3%	0.2%	0.4%
Duty and customs	4.1%	4.1%	4.4%
Other onshore direct costs	1.4%	1.9%	1.9%
Other offshore direct costs	3.5%	4.2%	3.1%
Promotion	4.4%	5.7%	5.2%
Interest	0.1%	0.0%	0.2%
KNZ/NZKGI	0.1%	0.1%	0.1%
Purchase of Kiwifruit	70.9%	69.1%	68.5%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Zespri Green Kiwifruit (\$'000)	929,204	1,025,529	1,002,182



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New Zealand-grown Kiwifruit Costs as a Percentage of Revenue	Zespri® ORGANIC GREEN kiwifruit		
	2017/18	2016/17	2015/16
Zespri margin	8.6%	8.4%	7.6%
Freight	6.7%	7.2%	7.7%
Insurance	0.2%	0.2%	0.2%
Duty and customs	4.3%	3.7%	4.5%
Other onshore direct costs	1.5%	1.6%	1.6%
Other offshore direct costs	4.6%	3.8%	3.4%
Promotion	3.4%	4.5%	4.0%
Interest	0.1%	0.0%	0.1%
KNZ/NZKGI	0.1%	0.1%	0.1%
Purchase of Kiwifruit	70.5%	70.5%	70.8%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Zespri Green Organic Kiwifruit (\$'000)	45,747	54,816	55,538

New Zealand-grown Kiwifruit Costs as a Percentage of Revenue	Zespri® Gold/Organic Gold kiwifruit		
	2017/18	2016/17	2015/16
Zespri margin	8.6%	8.3%	7.8%
Freight	5.3%	5.1%	6.1%
Insurance	0.4%	0.5%	0.4%
Duty and customs	3.4%	3.7%	4.8%
Other onshore direct costs	4.1%	4.2%	4.3%
Other offshore direct costs	2.9%	3.3%	2.9%
Promotion	7.8%	9.2%	10.9%
Interest	0.1%	0.0%	0.1%
KNZ/NZKGI	0.1%	0.1%	0.1%
Purchase of Kiwifruit	67.3%	65.6%	62.6%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Zespri Gold Kiwifruit (\$'000)	1,106,261	933,832	628,836

New Zealand-grown Kiwifruit Costs as a Percentage of Revenue	Zespri® GREEN14 kiwifruit		
	2017/18	2016/17	2015/16
Zespri margin	8.0%	8.2%	8.1%
Freight	8.8%	6.0%	7.0%
Insurance	0.3%	0.3%	0.3%
Duty and customs	5.1%	2.8%	3.3%
Other onshore direct costs	4.4%	4.7%	5.4%
Other offshore direct costs	4.8%	4.3%	3.4%
Promotion	7.6%	10.5%	10.3%
Interest	0.1%	0.0%	0.1%
KNZ/NZKGI	0.1%	0.1%	0.1%
Purchase of Kiwifruit	60.8%	63.1%	62.0%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Zespri Sweet Green Kiwifruit (\$'000)	17,750	22,997	22,973



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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

	2018	2017	2016
Number of Suppliers	15	12	13
Trays Supplied	124,433,259	145,871,274	120,144,633

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

	2018 \$000	2017 \$000	2016 \$000
Zespri® Green kiwifruit	124,218	108,503	104,312
Zespri® Gold/Organic Gold kiwifruit	133,715	103,861	76,923
Family Kiwi™ Gold / Organic Gold kiwifruit	5,341	3,206	2,381
Net Sales of non-New Zealand-grown kiwifruit	<u>263,274</u>	<u>215,570</u>	<u>183,616</u>

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

	2018 \$000	2017 \$000	2016 \$000
Zespri® Green kiwifruit	104,112	81,468	80,717
Zespri® Gold/Organic Gold kiwifruit	95,902	76,208	59,168
Family Kiwi™ Gold / Organic Gold kiwifruit	3,461	2,457	1,782
Non-New Zealand-grown kiwifruit supplier return	<u>203,475</u>	<u>160,133</u>	<u>141,667</u>

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 2018.

During the year ended 31 March 2018 no inter-segment amounts have been written off or forgiven (2017: Nil).



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12. Zespri Group Limited Shareholder Statistics

Shareholder statistics are detailed on pages 26, 27 and 46 of the Zespri Group Limited Annual Report.

Please note the following in relation to the statistics detailed on page 46 of the Annual Report:

- The share price is the last price paid for shares on or before 31 March 2018 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	2017/18	2016/17	2015/16
Zespri margin	11.1%	12.9%	12.2%
Freight	3.3%	4.1%	4.3%
Insurance	0.0%	0.0%	0.0%
Duty and customs	2.2%	2.6%	0.0%
Other onshore direct costs	0.0%	0.0%	0.0%
Other offshore direct costs	3.6%	3.5%	3.3%
Promotion	2.4%	2.6%	3.1%
Interest	0.0%	0.0%	0.0%
KNZ/NZKGI	0.0%	0.0%	0.0%
Purchase of Kiwifruit	77.4%	74.3%	77.1%
TOTAL	100.0%	100.0%	100.0%
Revenue attributable to Other Fresh Kiwifruit (\$'000)	263,274	215,570	183,616

The Additional Disclosures to the financial statements were authorised for issue by the Directors of Zespri Group Limited on 27 June 2018.

Authorised for and on behalf of the Board:



**J P Mason
Director**



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Appendix A – Business Segment Analysis

TOTAL ASSETS BY SEGMENT 2017-18	As at 31 March 2018					
	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	-	153,693	-	153,714
Trade debtors	11,634	27,245	1,370	32,558	779	73,586
Other debtors / current assets	-	-	-	4,335	-	4,335
Other financial assets	51,588	-	-	-	-	51,588
Inventory / stock	35,783	10,484	-	541	-	46,808
Prepayments	20,281	503	862	14,472	-	36,118
Total current assets	119,286	38,253	2,232	205,599	779	366,149
Fixed Assets:						
Information system assets	-	60	-	930	-	990
Motor vehicles	-	16	-	450	-	466
Office equipment	-	103	66	1,235	-	1,404
Land	-	-	-	9,568	-	9,568
Buildings	-	-	-	323	-	323
Leasehold improvements	-	121	-	1,110	-	1,231
Capital work in progress	-	-	-	13,234	-	13,234
Total fixed assets	-	300	66	26,850	-	27,216
Intangibles						
Development costs	-	-	-	3,173	-	3,173
Information systems	-	2	-	20,710	-	20,712
Intangibles work in progress	-	-	-	9,730	-	9,730
Total intangibles	-	2	-	33,613	-	33,615
Other non - current assets						
Other financial assets	57,473	-	-	-	-	57,473
Prepayments	-	-	-	6,666	-	6,666
Other	-	-	-	36,496	-	36,496
Total other non-current assets	57,473	-	-	43,162	-	100,635
TOTAL ASSETS	176,759	38,555	2,298	309,224	779	527,615
Current Liabilities						
Accounts payable	(94,375)	(53,710)	(2,689)	(22,400)	(3,703)	(176,877)
Accrued payroll	-	(794)	(219)	(16,411)	-	(17,424)
Provisions and insurance liabilities	-	(77)	-	(42,345)	-	(42,422)
Other financial liabilities	(51,588)	-	-	-	-	(51,588)
Other current liabilities	-	3	-	(9,065)	-	(9,062)
Total current liabilities	(145,963)	(54,578)	(2,908)	(90,221)	(3,703)	(297,373)
Long term liabilities						
Accrued payroll	-	(468)	-	(1,445)	-	(1,913)
Provisions and insurance liabilities	-	-	-	(149)	-	(149)
Other financial liabilities	(57,473)	-	-	-	-	(57,473)
Other long term liabilities	-	-	-	(2,367)	-	(2,367)
Total long term liabilities	(57,473)	(468)	-	(3,961)	-	(61,902)
Equity						
Total equity & liabilities	(203,436)	(55,046)	(2,908)	(262,522)	(3,703)	(527,615)
Segment receivable / (loan) (before tax & dividend distributions)	26,677	16,491	610	(46,702)	2,924	-

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 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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Net profit/(loss) by business segment for the year ended 31 March 2018

2017/18	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)	2,128,720	-	-	-	-	-	2,128,720
Revenue from sale of Non-NZ kiwifruit	-	263,274	-	-	-	-	263,274
Transfer payment: Collaborative Marketing Commission	(619)	-	-	-	-	-	(619)
Total Sales revenue - external customers	2,128,101	263,274	-	-	-	-	2,391,375
Transfer revenue: Sale of NZ Kiwifruit to R&D	178	-	-	-	-	(178)	-
Transfer revenue: Funding - Corporate	-	-	3,304	-	12,068	(21,372)	-
Inter-segment revenue	178	-	3,304	-	12,068	(21,550)	-
ZGL Commission from NZ Kiwifruit	-	-	-	203,757	-	(203,757)	-
Transfer revenue: Collaborative Marketing Commission	-	-	-	619	-	-	619
Transfer revenue: New Cultivar Royalties NZ Kiwifruit	-	-	-	20,723	-	(20,723)	-
Revenue from insurance claims *	147	229	-	-	-	-	376
GOLD licences issued	-	-	-	101,746	-	-	101,746
Other	245	185	-	2,573	-	-	3,003
Research grant co-funding	-	-	3,040	-	2,318	-	5,358
External Royalties	-	-	-	52	-	-	52
Other revenue *	392	414	3,040	125,713	2,318	(20,723)	111,154
Total revenue (exc interest)	2,128,671	263,688	12,344	335,470	14,386	(252,030)	2,502,529
Freight	135,621	8,682	-	-	-	-	144,303
Insurance (onshore and offshore)	8,043	-	-	-	-	-	8,043
Duty and customs	78,563	5,321	-	-	-	-	84,484
Promotion	134,090	6,283	-	-	-	-	140,373
Other direct costs - offshore *	68,387	3,958	-	-	-	-	78,345
Other direct costs - onshore	40,103	-	-	-	-	-	40,103
KNZ/NZKGIKYH costs	3,792	-	-	-	-	-	3,792
Purchase of Kiwifruit	1,433,956	203,475	-	-	-	-	1,637,431
Loyalty premium	-	-	-	34,101	-	-	34,101
Transfer Payments:							
Funding R&D (excluding New Cultivars)	-	-	-	3,304	-	(3,304)	-
Funding New Cultivars	-	-	-	12,068	-	(12,068)	-
ZGL Commission from NZ Kiwifruit	203,757	-	-	-	-	(203,757)	-
Inter-segment Purchase of NZ Kiwifruit	-	-	178	-	-	(178)	-
Inter-segment service charge	-	7,529	(438)	(8,769)	1,678	-	-
ZGL Royalty new cultivars	18,723	2,000	-	-	-	(20,723)	-
Research & Development	-	635	10,478	-	12,118	-	23,231
Information system expenses	-	-	-	13,260	-	-	13,260
Depreciation	-	71	52	2,654	-	-	2,777
Amortisation / impairment of intangible assets	-	(5)	-	10,964	-	-	10,959
Corporate & Admin expenses	-	1,156	342	22,764	302	-	24,564
Land & Building expenses	-	137	-	3,339	-	-	3,476
Motor Vehicle Expenses	-	280	11	907	-	-	1,198
Other Travel	-	1,295	233	8,559	46	-	10,193
Office equipment maintenance	-	7	-	249	-	-	256
Human resource expense	-	5,492	1,428	63,917	242	-	71,079
Marketing/advertising	-	780	-	6,762	-	-	7,542
Consultancy & Legal	-	783	-	18,589	-	-	19,372
Green Class 2 subsidy	-	-	-	96	-	-	96
Foreign exchange hedging relating to Offshore Overheads	-	-	-	2,141	-	-	2,141
Total expense	2,131,035	254,479	12,344	200,905	14,386	(252,030)	2,361,119
Net profit before interest & taxation	(2,364)	3,209	-	134,565	-	-	141,410
Interest revenue on short term deposits	2,571	-	-	1,821	-	-	4,392
Interest expense	(93)	-	-	-	-	-	(93)
Transfer payment: Interest charge from Corporate	(114)	-	-	114	-	-	-
Net profit after interest before tax	-	3,209	-	136,500	-	-	145,710

* 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 2017/18).



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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/NZKGIKWH 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	-	-	107,075

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

	RETURN \$m 2017/18	\$ PER TE 2017/18	\$ PER TE 2016/17	\$ PER TE 2015/16	\$ PER TE 2014/15	\$ PER TE 2013/14
Zespri® Green Kiwifruit						
Total tray equivalents supplied (m)		65.1	90.8	80.7	69.6	69.3
Fruit payments	348.2	5.35	4.19	5.30	5.69	4.73
Fruit incentives	192.7	2.96	1.84	1.42	1.93	1.97
Service payments	101.2	1.55	1.52	1.54	1.11	1.20
Loyalty premium	18.3	0.28	0.25	0.25	0.25	0.25
Total fruit and service payments (including loyalty premium)	660.4	10.14	7.80	8.51	8.98	8.15
Zespri® Organic Green Kiwifruit						
Total tray equivalents supplied (m)		2.8	3.9	3.9	3.5	3.2
Fruit payments	21.3	7.72	5.96	6.36	6.24	5.87
Fruit incentives	7.8	2.84	2.54	2.41	2.66	2.80
Service payments	2.4	0.87	1.07	1.09	0.79	0.86
Loyalty premium	0.8	0.28	0.25	0.25	0.25	0.25
Total fruit and service payments (including loyalty premium)	32.3	11.71	9.82	10.11	9.94	9.78
Zespri® Gold Kiwifruit						
Total tray equivalents supplied (m)		52.6	48.5	32.6	18.7	11.1
Fruit payments	360.8	6.86	6.00	5.39	5.90	7.69
Fruit incentives	302.7	5.76	4.98	5.08	5.92	6.90
Service payments	67.4	1.28	1.39	1.36	1.36	1.60
Loyalty premium	14.7	0.28	0.25	0.25	0.25	0.25
Total fruit and service payments (including loyalty premium)	745.6	14.18	12.62	12.08	13.43	16.44
Zespri® Green14 Kiwifruit						
Total tray equivalents supplied (m)		1.2	1.5	1.4	0.9	0.4
Fruit payments	6.9	5.68	6.68	6.34	5.94	7.53
Fruit incentives	3.3	2.70	2.11	3.41	3.68	4.79
Service payments	0.3	0.22	0.46	0.47	0.70	0.69
Loyalty premium	0.3	0.28	0.25	0.25	0.25	0.25
Total fruit and service payments (including loyalty premium)	10.8	8.88	9.50	10.47	10.57	13.26
FAMILY KIWI Green Kiwifruit						
Total tray equivalents supplied (m)		0.7	0.4	0.7	1.0	1.0
Fruit payments	4.3	6.18	5.00	5.06	5.19	4.63
Service payments	-	-	0.10	0.02	0.03	0.10
Total fruit and service payments	4.3	6.18	5.10	5.08	5.22	4.73
FAMILY KIWI Organic Green Kiwifruit						
Total tray equivalents supplied (m)		0.1	0.1	0.0	0.1	0.0
Fruit payments	0.6	9.67	7.15	6.30	6.67	6.19
Service payments	-	0.22	0.18	0.22	0.14	0.10
Total fruit and service payments	0.6	9.89	7.33	6.52	6.81	6.29
FAMILY KIWI Gold Kiwifruit						
Total tray equivalents supplied (m)		1.1	-	-	0.4	0.3
Fruit payments	6.6	6.20	-	-	7.37	8.88
Service payments	0.1	0.13	-	-	0.48	0.57
Total fruit and service payments	6.7	6.33	-	-	7.85	9.45
FAMILY KIWI Green14 Kiwifruit						
Total tray equivalents supplied (m)		-	-	0.0	0.0	0.0
Fruit payments	-	-	-	4.71	4.77	2.95
Service payments	-	-	-	0.04	0.01	0.20
Total fruit and service payments	-	-	-	4.75	4.78	3.15
Non-Standard Supply						
Total tray equivalents supplied (m)		1.0	0.6	0.8	1.4	1.1
Fruit payments	7.3	7.66	6.24	5.97	4.76	4.20
Fruit incentives	-	-	-	-	0.74	2.96
Service payments	0.1	0.05	-	-	0.25	0.96
Total fruit and service payments	7.4	7.71	6.24	5.97	5.75	8.12
Total All Pools						
Total tray equivalents supplied (m)		124.4	145.9	120.1	95.7	86.5
Fruit payments	756.0	6.08	4.88	5.38	5.74	5.17
Fruit incentives	506.5	4.07	2.89	2.45	2.71	2.63
Service payments	171.5	1.38	1.44	1.44	1.12	1.22
Loyalty premium	34.1	0.27	0.25	0.24	0.24	0.24
Total fruit and service payments (including loyalty premium)	1,468.1	11.80	9.46	9.51	9.81	9.26
Total fruit and service payments 2016/17 (NZ IFRS)	1,380.0					
Total fruit and service payments 2015/16 (NZ IFRS)	1,143.0					
Total fruit and service payments 2014/15 (NZ IFRS)	939.0					



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

	2018		2017		2016		2015	
	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	109	5,779	113	9,559	116	7,666	124	7,852
Auckland	273	7,719	272	9,502	273	8,099	304	8,805
Bay of Plenty								
- Katikati	940	7,678	966	11,972	973	9,748	1,015	9,224
- Opoiki	457	8,917	464	11,758	469	10,756	477	9,691
- Tauranga	1,086	9,193	1,116	12,533	1,090	10,135	1,109	9,295
- Te Puke	3,419	9,641	3,508	13,088	3,524	12,204	3,586	9,486
- Waihi	100	6,569	100	8,701	105	7,604	115	6,957
- Whakatane	402	7,728	439	9,889	438	8,248	466	4,840
Waikato	200	8,339	204	9,664	206	8,867	209	7,462
Poverty Bay	54	8,366	54	5,828	55	6,605	59	5,558
Hawkes Bay	43	6,620	45	7,290	47	8,265	51	7,554
Lower North Island	70	8,696	65	7,056	69	6,186	70	7,750
South Island	229	5,663	258	7,246	250	6,158	309	5,591
Total producing hectares	7,382		7,604		7,614		7,892	
Average TE supplied per hectare		8,812		11,933		10,590		8,812
Zespri Green Organic kiwifruit								
Northland	-	-	-	-	-	-	3	2,473
Auckland	1	2,614	1	5,856	1	3,983	1	4,376
Bay of Plenty								
- Katikati	30	6,593	31	9,208	30	8,037	31	7,274
- Opoiki	22	5,786	22	8,616	22	7,404	22	7,407
- Tauranga	203	6,033	210	8,652	231	8,054	261	5,994
- Te Puke	42	6,979	38	10,408	57	8,841	77	6,953
- Waihi	19	3,964	20	4,219	20	4,808	20	4,099
- Whakatane	4	4,197	4	5,323	3	5,171	3	1,834
Waikato	151	5,310	151	6,536	153	6,148	156	5,428
Poverty Bay	1	3,676	2	4,637	2	5,284	3	5,817
Hawkes Bay	-	-	-	-	-	-	-	-
Lower North Island	2	5,552	2	6,524	2	6,365	2	6,533
South Island	-	-	21	4,516	16	2,873	19	3,593
Total producing hectares	475		502		537		597	
Average TE supplied per hectare		5,802		7,841		7,254		5,908
Zespri Gold & Organic Gold kiwifruit (Hort16A)								
Northland	11	8,615	52	12,721	172	12,133	213	14,522
Auckland	-	-	1	5,822	15	12,969	38	11,327
Bay of Plenty								
- Katikati	-	-	-	-	1	10,618	10	8,975
- Opoiki	-	-	-	-	-	-	12	3,730
- Tauranga	-	-	-	-	1	4,712	5	4,249
- Te Puke	-	-	-	-	-	-	-	-
- Waihi	-	-	-	-	1	13,777	3	6,706
- Whakatane	-	-	-	-	-	-	-	-
Waikato	-	-	1	9,394	15	8,802	31	7,931
Poverty Bay	-	-	48	9,245	69	8,365	105	8,251
Hawkes Bay	2	7,793	12	11,484	55	11,667	67	13,722
Lower North Island	-	-	-	-	-	-	-	-
South Island	17	10,647	47	9,349	64	10,796	71	9,853
Total producing hectares	30		161		394		555	
Average TE supplied per hectare		9,689		10,561		11,077		11,586



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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	319	8,044	189	9,069	122	6,104	62	5,585
Auckland	206	10,701	187	8,928	139	5,694	48	7,688
Bay of Plenty								
- Katikati	525	11,299	501	12,302	423	7,521	205	7,416
- Opotiki	506	12,172	478	11,028	403	8,298	213	5,041
- Tauranga	437	12,320	413	12,484	367	8,073	195	6,229
- Te Puke	1,655	12,390	1,516	12,746	1,262	9,220	786	4,702
- Waihi	53	9,168	51	11,027	43	8,828	26	5,065
- Whakatane	211	13,211	206	11,175	167	8,861	101	6,514
Waikato	183	7,937	157	7,029	125	3,295	26	2,966
Poverty Bay	208	9,740	146	8,728	103	8,586	62	8,826
Hawkes Bay	149	8,263	131	6,815	80	9,562	52	10,865
Lower North Island	2	7,799	2	5,349	1	5,227	1	4,436
South Island	176	8,693	139	9,635	103	8,758	37	7,124
Total producing hectares	4,630		4,116		3,339		1,814	
Average TE supplied per hectare		11,292		11,366		8,234		5,770
Zespri Charm kiwifruit (Gold 9)	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	-	-	-	-	9	10,413	20	14,568
Auckland	-	-	-	-	15	8,907	20	13,111
Bay of Plenty								
- Katikati	-	-	-	-	14	9,135	25	12,479
- Opotiki	-	-	-	-	11	11,537	14	14,121
- Tauranga	-	-	-	-	8	8,820	13	10,073
- Te Puke	-	-	-	-	7	11,413	18	9,463
- Waihi	-	-	-	-	1	7,963	1	12,676
- Whakatane	-	-	-	-	1	7,304	3	10,656
Waikato	-	-	-	-	4	9,449	11	7,547
Poverty Bay	-	-	-	-	1	9,570	2	11,034
Hawkes Bay	-	-	-	-	1	7,664	1	13,655
Lower North Island	-	-	-	-	-	-	-	-
South Island	-	-	-	-	1	5,199	25	6,914
Total producing hectares	-	-	-	-	73	9,690	154	11,106
Average TE supplied per hectare						9,690		11,106
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	3,041	1	7,210	1	4,243	1	3,611
Auckland	14	5,238	14	6,256	13	5,336	13	4,576
Bay of Plenty								
- Katikati	11	7,377	15	8,571	16	6,331	17	3,928
- Opotiki	12	7,790	14	9,758	18	6,507	19	3,848
- Tauranga	6	5,845	8	6,899	10	5,892	12	5,180
- Te Puke	80	7,711	88	9,148	115	6,564	106	3,813
- Waihi	-	-	-	-	-	-	1	8,270
- Whakatane	18	7,550	20	5,984	15	4,960	19	3,792
Waikato	15	5,428	18	5,686	16	3,175	17	2,743
Poverty Bay	4	6,985	4	6,072	4	6,888	4	4,640
Hawkes Bay	8	4,415	8	4,363	8	8,358	8	7,969
Lower North Island	4	6,486	4	3,679	4	5,505	4	2,800
South Island	2	2,789	1	6,506	1	5,280	2	3,700
Total producing hectares	175		195		223		223	
Average TE supplied per hectare		6,925		7,813		6,109		4,020



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Appendix D – Transfer Payments

2017/18

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.	178
Funding - corporate	R&D (excluding new cultivars)	Corporate Services	Corporate provides funding for research and development projects.	9,304
Funding - corporate	New Cultivars	Corporate Services	Corporate provides funding for research and development projects in respect of New Cultivars.	12,068
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.	209,757
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.	7,529
Collaborative Marketing Commission	Corporate Services	NZ fresh kiwifruit (Core)	Commission paid to the corporate for sales made through Collaborative Marketing programmes.	619
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.	20,723
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.	114
Profit before tax transferred to corporate	Corporate Services	Other fresh kiwifruit	Profit is transferred to corporate equity.	9,209

Note:

- 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.
- All inter-segment transfers have been fully settled within the year. No transfer balances are outstanding at 31 March 2018.



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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:

- 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.
- All inter-segment transfers have been fully settled within the year. No transfer balances are outstanding at 31 March 2017.





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 (the Company) 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 2018 and its financial performance for the year ended on that date in compliance with the financial reporting provisions required by the Kiwifruit Export Information Disclosure Handbook (the "Handbook") under the Kiwifruit Export Regulations 1999 (the Regulations); 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 2018; 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. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.



Use of this independent auditor's report

This independent auditor's 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 independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated special purpose financial statements

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

- The preparation of the consolidated special purpose financial statements that comply with the Handbook under the Regulations;
- Implementing necessary internal control to enable the preparation of a consolidated special purpose 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 consolidated special purpose financial statements

Our objective is:

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

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

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

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

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5/>

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

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

For and on behalf of



Auckland

27 June 2018