



ANNUAL REPORT

2015/16

SEASON OVERVIEW

Outstanding growth in volumes, sales revenues and grower payments as growers record improvements in orchard productivity and the largest-ever volume of SunGold is sold in excellent time.

Zespri and the New Zealand kiwifruit industry achieved several records during 2015/16. These include the highest-ever Green return per hectare, the largest-ever volume of sales in a season, and the biggest-ever total return to growers.

The total fruit and service payment for New Zealand-grown fruit, including the loyalty premium, is \$1.143 billion. That is a 22 percent increase on 2014/15. Zespri sold 117 million trays of New Zealand kiwifruit – nearly 22 million trays more than the previous year – and 14 million trays of non-New Zealand kiwifruit. Our global kiwifruit sales increased by 21 percent to 131 million trays.

Zespri's result for corporate net profit after tax was also strong, increasing by \$1.2 million to \$35.8 million. Zespri announced a full-year dividend of 24 cents per share. This season's profit is partly

attributable to the release of a \$13 million provision entered for matters relating to Zespri's subsidiary in China, ZMCC, which have now been resolved. Our normalised profit after tax is \$27.8 million which is derived by adjusting for extraordinary factors to reflect a normal operational profit.

A significant factor during the 2015/16 season was the exceptional yield achieved by Green growers. Average productivity was 11,048 trays per hectare which helped to lift per hectare returns to an average of \$56,673. Across the industry, New Zealand kiwifruit growers have responded to the challenge of growing in a Psa environment by improving orchard management practices. Combined with favourable weather conditions last season, the result was a very large crop. On the market side, strong sales performance in the final weeks helped to lift returns to \$5.13 per tray.

SunGold's performance in the markets was very positive. The largest-ever volume was sold in excellent time with positive customer and consumer feedback and we achieved a return for the Gold pool of \$8.21 per tray – well above our early season forecast. The result gives us confidence in market demand for SunGold and supported our decision to release 400 hectares of additional licence in 2016. This is an exciting step for our industry and our approach to releasing licence in increments aims to balance the fact that SunGold is still a relatively new product with the overwhelmingly positive customer and consumer feedback from the market.

All in all, we look back on 2015/16 with satisfaction and take confidence in our strategy – with strong, sustainable returns for growers and shareholders delivered through our focus on providing the world's best kiwifruit 12 months of the year.

FINANCIAL CALENDAR AND NOTICE OF ANNUAL MEETING



**31 MARCH
2016**

Financial year-end



**20 JULY
2016**

Annual Report circulated



**29 AUGUST
2016 – 1PM**

Deadline for receipt of proxies for Annual Meeting



**31 AUGUST
2016**

Annual Meeting



**DECEMBER
AND AUGUST**

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



**ANNUAL
REPORT**

For full financial statements, please refer to the separate Annual Report, available on www.zespri.com



ANNUAL MEETING

The Annual Meeting of Shareholders of Zespri Group Limited will take place at 1pm on Wednesday 31 August 2016 at ASB Arena Baypark, 81 Truman Lane, Mount Maunganui.

FINANCIAL HIGHLIGHTS

	2015/16	2014/15	Variance
New Zealand-grown fruit and service payments (including loyalty premium)	1,143.1 million	\$939.0 million	22%
– Per tray supplied	\$9.51	\$9.81	-3%
Net profit after tax	\$35.8 million	\$34.6 million	3%
Normalised profit after tax	\$27.8 million	\$21.5 million	29%
New Zealand-grown Orchard Gate Return (OGR) per hectare	\$60,758 (average)	\$57,369 (average)	6%
– Green	\$56,673	\$53,884	5%
– Organic Green	\$52,917	\$43,996	20%
– Gold	\$71,080	\$73,890	-4%
– Green14	\$42,995	\$29,682	45%
Equity	\$130.9 million	\$109.5 million	19%
Dividend per share (cents)			
– Interim	5.0	5.0	
– Final	19.0	7.0	
– Total	24.0	12.0	
Percentage of available profit	85%	85%	
Zespri global kiwifruit sales	\$1.907 billion	\$1.568 billion	22%
Export earnings (New Zealand grown)	\$1.327 billion	\$1.086 billion	22%
Zespri global volume (trays sold)	131.6 million	108.4 million	21%
New Zealand-grown	117.1 million	95.2 million	23%
– Green	77.9 million	69.3 million	12%
– Organic Green	3.9 million	3.5 million	10%
– Gold	32.3 million	18.6 million	74%
– Green14	1.4 million	0.9 million	50%
– Other	1.6 million	2.9 million	-46%
Non-New Zealand-grown	14.5 million	13.2 million	10%
– Green	10.9 million	10.7 million	2%
– Gold	3.6 million	2.5 million	46%

CONTENTS

1
FINANCIAL HIGHLIGHTS

2
CHAIRMAN AND
CEO'S REPORT

8
ZESPRI ALTERNATIVE
REVENUE STATEMENT

9
CAUSE OF CHANGE

9
NEW ZEALAND POOL COSTS

10
CORPORATE GOVERNANCE

15
AUDITOR'S REPORT

16
FINANCIAL STATEMENTS

20
NOTES TO THE
FINANCIAL STATEMENTS

49
STATUTORY INFORMATION

56
ZESPRI AROUND THE WORLD

CHAIRMAN AND CEO'S REPORT

—
PETER McBRIDE AND LAIN JAGER



Long-term prosperity for our growers and shareholders – this is Zespri’s purpose. To deliver on this, our strategy is to develop and market the world’s leading portfolio of kiwifruit 12 months of the year.

In Zespri, the New Zealand kiwifruit industry has created one of the world’s best-recognised fruit brands, underpinned by our uncompromising commitment to quality.

With total industry volumes having recovered from the impact of Psa, we are now in a period of strong growth, driven by record Hayward yields and SunGold vines coming into full production. Our challenge through this period of strong supply growth is to develop demand ahead of supply, to grow our market share while maintaining our premium price positioning.

Delivering strong growth while maintaining our premium pricing position is challenging in the broader global economic context. The global economy faces an extended period of volatility and lower growth.

Consistent, disciplined implementation of our strategy through successive seasons is what will deliver long-term success.

Global economic output disappointed again in 2015, with the World Bank reporting growth slowing to 2.4 percent. Growth is expected to recover more slowly than previously predicted, as advanced economies struggle and major commodity producers experience unprecedented volatility.

Our strategy to develop and market the world’s leading portfolio of kiwifruit 12 months of the year is clear. We are in a period of strong supply growth and the global economic environment remains challenging and dynamic. In this context, consistent, disciplined implementation of our strategy through successive seasons is what will deliver long-term success.

This means an unrelenting focus on consistently delivering high-quality fruit to consumers around the world. It means investing in developing markets and products, and it means marketing the great taste and health benefits of kiwifruit to our consumers around the world.

RESULTS

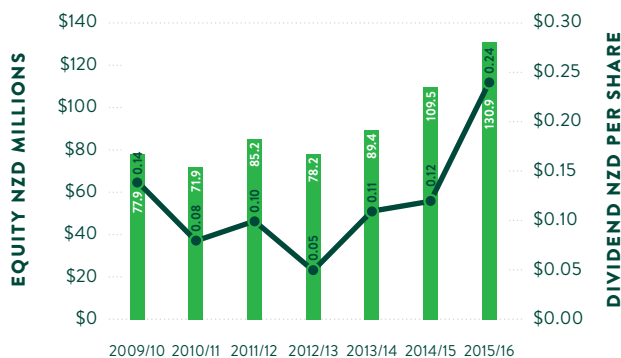
Category performance

The New Zealand kiwifruit industry, with Zespri as its marketer, has delivered strong results in a season marked by exceptional

EQUITY AND DIVIDEND RETURNED – 7 YEARS

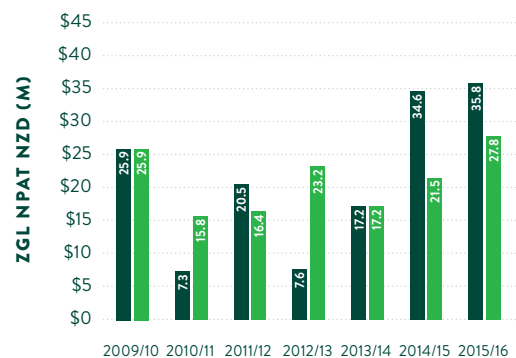
■ EQUITY NZD MILLIONS
● DIVIDEND NZD PER SHARE

The final 2015/16 dividend payable in August 2016 is not imputed. All dividends prior to this have been fully imputed.



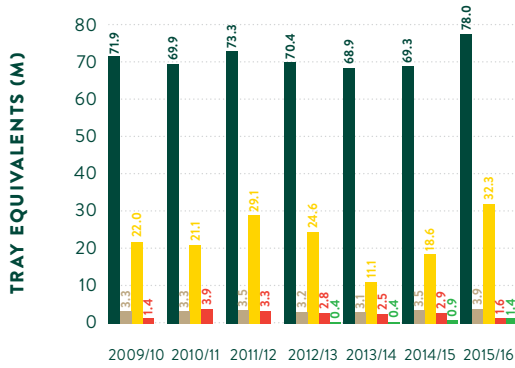
ZESPRI GROUP LIMITED PROFITABILITY – 7 YEARS

■ NET PROFIT AFTER TAX (NPAT) NZD (M)
■ NORMALISED NET PROFIT AFTER TAX NZD (M)



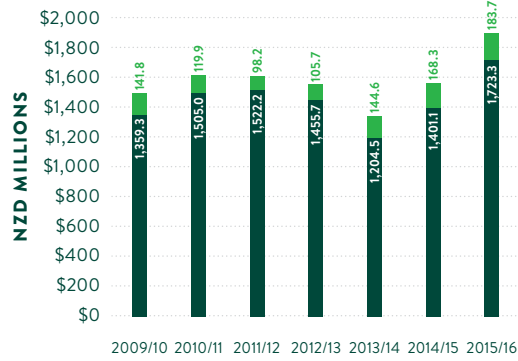
TOTAL VOLUME SOLD – 7 YEARS

NEW ZEALAND-GROWN KIWIFRUIT
 ■ GREEN ■ ORGANIC GREEN ■ GOLD ■ OTHER ■ SWEET GREEN



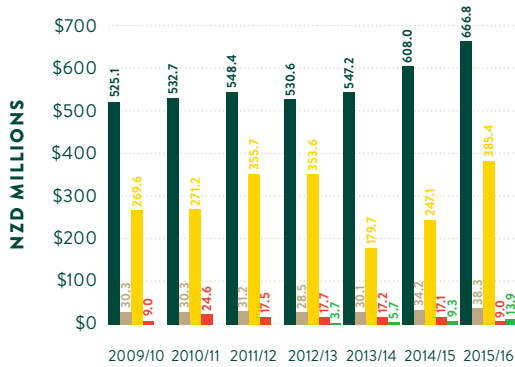
GLOBAL KIWIFRUIT SALES – 7 YEARS

■ NEW ZEALAND-GROWN KIWIFRUIT ■ NON NEW ZEALAND-GROWN KIWIFRUIT



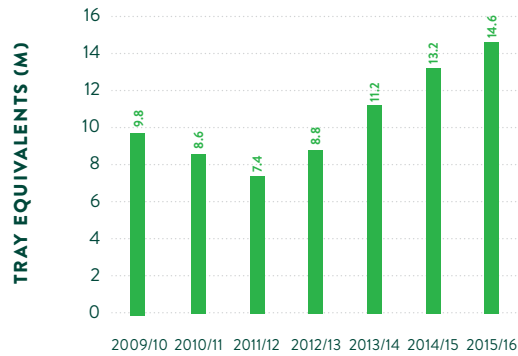
TOTAL FRUIT AND SERVICE PAYMENTS – 7 YEARS

NEW ZEALAND-GROWN KIWIFRUIT (EXCLUDING LOYALTY PREMIUM)
 ■ GREEN ■ ORGANIC GREEN ■ GOLD ■ OTHER ■ SWEET GREEN



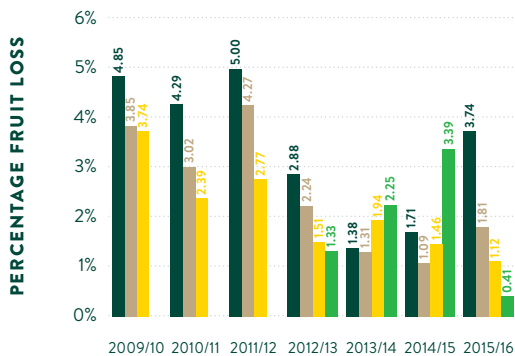
TOTAL VOLUME SOLD – 7 YEARS

■ NON-NEW ZEALAND-GROWN KIWIFRUIT



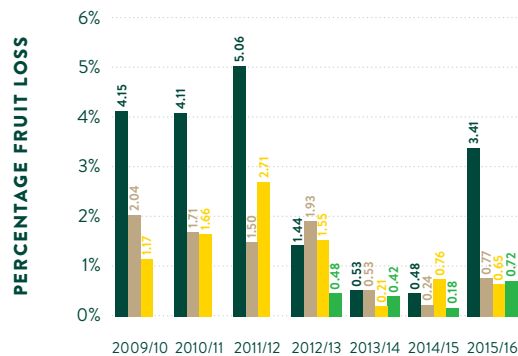
ONSHORE FRUIT LOSS – 7 YEARS

■ GREEN ■ ORGANIC GREEN ■ GOLD ■ SWEET GREEN



OFFSHORE FRUIT LOSS – 7 YEARS

■ GREEN ■ ORGANIC GREEN ■ GOLD ■ SWEET GREEN



volume growth. Overall, the sales volume of the New Zealand crop increased by 23 percent, driven by the outstanding yield of large-sized Zespri Green Kiwifruit providing strong sales opportunities across our markets. The larger crop resulted in a later selling season for Green. This was a major contributor to the increase in offshore fruit loss compared to the low rate achieved last season, up from 0.5 percent for Green last season to 3.4 percent in 2015/16.

The average yield for Zespri Green in 2015/16 increased strongly to 11,048 trays per hectare, up from 8,972 trays per hectare in 2014/15. An excellent growing season and good orchard management practices contributed to this 23 percent increase in productivity, helping to lift per-hectare returns to \$56,673 – up slightly on the record per-hectare return achieved last year.

From a strategic perspective, the key outcome of the 2015/16 season was the positive reception of SunGold in markets globally. This gives us confidence that, provided the industry continues to maintain strong taste performance, the forecast strong volume growth of this product will be readily supported by our markets.

SunGold volumes continue to grow strongly, with 27.5 million trays sold in the reported period, up from the 11 million trays sold in 2014/15. Gold returns reduced to \$71,080 per hectare and \$8.21 per tray, down from last year's \$73,890 per hectare and \$9.80 per tray. This reflects Zespri normalising Gold pricing as volumes recover from the impact of Psa and investing in promotion as markets grow strongly to absorb rapid supply growth. A very favourable market response to the product delivered strong sales run rates, resulting in a final per-tray return of \$8.21, compared to the July 2015 forecast of \$7.60–7.90.

The average orchard productivity of Organic Green also jumped, from 5,973 trays per hectare in 2014/15 to 7,373 trays per hectare in 2015/16. The total volume of trays supplied was 3.9 million trays – up by around 360,000 trays or 10.2 percent on 2014/15. Strong sales in Europe and Japan towards the end of the season and a tidy close contributed to the increase in per-hectare returns this season of \$52,917 (\$7.18 per tray), setting another record return for the category.

Sweet Green (Green14) volumes were 1.4 million trays in 2015/16, well ahead of the 0.9 million trays in 2014/15. The orchard gate return per hectare was \$42,995 (\$7.01 per tray), which is up from \$29,682 in the 2014/15 season.

Late last year, Zespri advised growers that it continues to work on the positioning of Sweet Green. Zespri worked with Sweet Green growers to develop a 2016/17 season plan focusing on an early supply programme, which we expected to capture the benefit of this early maturing variety, with good ready-to-eat characteristics. However, as the 2016/17 season has unfolded, we have seen particularly late maturity, so it is clear we do not have all the information needed to form a fair view of performance. Zespri will therefore work with growers to take learnings from



ZESPRI HAS PARTNERED WITH T&G TO ACCELERATE MARKET DEVELOPMENT ACROSS THAILAND, CAMBODIA, MYANMAR AND LAOS

both the 2016/17 and 2017/18 seasons with a view to reviewing the performance and future of the variety in late 2017.

Zespri Global Supply results

Zespri Global Supply (ZGS) is a key part of delivering our strategy for New Zealand growers and shareholders. It allows us to deliver premium-quality Zespri-branded kiwifruit to consumers 12 months of the year and support retailers with a year-round category management solution.

ZGS achieved sales revenue of \$184 million, up from \$168 million in 2014/15. Profit before tax for ZGS supply increased to \$10.4 million, versus \$9.0 million in 2014/15. The non-New Zealand season was marked by the initial recovery of SunGold volumes coming onstream in Europe and a reduction of ZGS Green sales, impacted by the longer sales season for supply from New Zealand.

Gold volumes increased from 2.5 million trays in 2014/15 to 3.6 million trays in the reported period, as recently-grafted vines in Italy come into production. This growth will continue, with Italian SunGold volumes expected to more than triple by 2019.

Corporate results

Zespri's global kiwifruit sales revenue was \$1.91 billion, up from \$1.57 billion in 2014/15.

Zespri's 2015/16 net profit after tax was \$35.8 million, versus \$34.6 million in 2014/15. This season's profit increase can be partly attributed to the release of a

\$13 million provision included in Zespri's balance sheet in 2012/13 for matters relating to China. Our assessment is that all issues relating to Zespri's subsidiary in China, ZMCC, have now been resolved and that there is no evidence of any outstanding liability sufficient to meet accounting requirements to retain the provision.

For the reported period, revenue per employee was \$5.5 million, versus \$5.1 million in 2014/15. Trays per employee were 373,087 against 341,995 in 2014/15.

While we do expect to capture economies of scale for overheads as volumes increase, it is important to note that Zespri is increasing its human capability in areas that support compliance and value growth.

Collaborative marketing

Zespri continues to support the role collaborative marketing plays in our integrated industry structure. In 2015/16, 15 companies operated 28 collaborative marketing sales programmes, selling just over 1.5 million trays of New Zealand kiwifruit. Zespri supported 95 percent of collaborative marketing proposals provided to us for comment.

For 2016/17, Kiwifruit New Zealand (KNZ) approved 12 companies operating 23 collaborative marketing programmes selling just under three million trays of New Zealand kiwifruit. A highlight for 2016/17 is the regulatory approval of a three-year collaborative marketing initiative with T&G (formerly Turners & Growers). Zespri supported the T&G proposal to sell around one million trays of Zespri Kiwifruit in Thailand, Cambodia, Myanmar and Laos.

ZESPRI GROUP NORMALISED PROFIT AFTER TAX

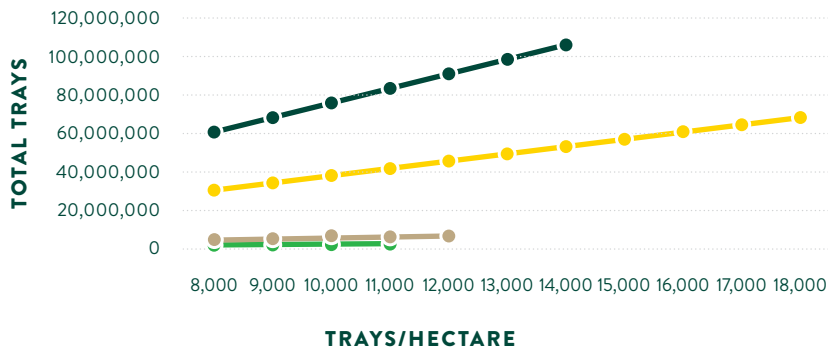
Zespri provides a normalised profit view to reflect normal operational profit. Normalised profit is derived by adjusting net profit after tax for significant extraordinary items.

	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m
Net profit after taxation	35.8	34.6	17.2	7.6	20.5	7.3	25.9
China provision	(13.0)	-	-	12.5	-	-	-
Psa funding	-	-	-	3.1	(4.1)	8.5	-
Licence revenue	5.0	(13.1)	-	-	-	-	-
Normalised profit after taxation	27.8	21.5	17.2	23.2	16.4	15.8	25.9

TOTAL INDUSTRY VOLUME DEPENDS ON YIELD

● GREEN ● ORGANIC GREEN ● GOLD ● SWEET GREEN

This graph shows the relationship between productivity and potential total industry volumes, based on current plantings. The New Zealand kiwifruit industry delivered a large increase in productivity for Green last year, driving Green volume to over 80 million trays. SunGold yields are progressively increasing.



We took strong action to prepare the category for growth, including: changing the SunGold weight bands to align with Green, introducing a KiwiStart programme for SunGold, enhancing the Taste Zespri programme and incentives for the category, and normalising price positioning as we recovered from the very severe Gold shortage following the impact of Psa.

The SunGold category is now very well positioned for expected growth towards 60 million trays in 2019/20.

Kiwifruit Industry Strategy Project

Zespri and the industry have made progress in implementing the recommendations of the Kiwifruit Industry Strategy Project (KISP), which was resoundingly supported by New Zealand growers last year.

One outcome of KISP was a recommendation that Zespri review its share trading platform and we have subsequently moved across to an alternative trading platform, called Unlisted. We expect this change will support visibility of market information, reduce costs and ultimately reduce share price volatility through increased share trading visibility and liquidity.

Another outcome was that Zespri and the kiwifruit industry agreed in principle to an enduring commission structure for Zespri that will share the economic benefits of scale with growers as the industry grows. While we are still working through the detail, we expect the new commission model will be in operation for the 2017/18 season.

Following public consultation and a request from industry to make regulatory changes to allow the implementation of KISP outcomes, the New Zealand Government is in the process of amending the Kiwifruit Export Regulations 1999. This will allow Zespri to ask shareholders to approve changes to our constitution, letting us take steps to better align shareholding with production through a share issue and buy-back programme. While this is taking time, the regulatory change is a key milestone and we expect to proceed with related measures in 2017 and beyond.

Foreign exchange and commodity prices

The New Zealand dollar weakened to levels below long-term averages against the US dollar in 2015. This was driven in part by anticipated US interest rate rises and falling commodity prices, due to oversupply and weakening global demand. The fall in exchange rates had a positive impact of \$22.9 million on grower returns in the 2015/16 season when compared to the 2014/15 season.

The Euro and Yen remain above long-term averages and may continue to put pressure on future grower returns.

In 2015/16, Zespri's foreign exchange and oil hedging policy, which is designed to smooth fluctuations year on year, added \$5.7 million to grower pools compared to spot rates.

Taste programme

Zespri continues to emphasise the critical importance of delivering high dry matter SunGold to maximise the potential of this great variety. The Zespri Board approved

We expect the partnership will accelerate market development across this dynamic region, with T&G setting up a dedicated regional office in Bangkok to support the programme, which will sell both Zespri Kiwifruit and T&G-branded products.

This programme leverages the marketing capabilities and scale of third parties with genuine fruit marketing experience and expertise, and is supported by investment in market development. We expect this programme may prompt interest in similar genuinely strategic programmes in future years.

People and systems

During 2015/16, Zespri continued to invest in the resources needed to support the forecast total volume growth over the coming years. We hired people offshore, strengthening our sales and marketing teams in key locations, particularly North America, China and Southeast Asia. We continued our graduate recruitment scheme for a second year, recruiting three people into finance, supply chain and orchard productivity centre roles.

Zespri's new regional Singapore hub office was officially opened by the Prime Minister, Rt Hon John Key, late last year. This regional hub brings together key global market-side personnel. Initially, 12 staff, including the global sales and marketing leadership team and regional support roles for the wider Asian region, will be based in the Singapore office.

Supporting our investment in people is the essential role of policies, systems and processes. During 2015/16 we continued to strengthen our global policies. We established global and regional health and safety committees, and reviewed and strengthened key health and safety policies across the Company. We continued with our ongoing programme of ethics and compliance-related training for all staff globally. Work continued on developing and delivering Zespri's internal values across

the company, setting out how Zespri people are expected to work as we deliver value for New Zealand growers and shareholders.

On the systems side, we worked to embed the enhanced planning and order management systems introduced last season. The first phase of a project to replace the industry relations system with a new platform has been completed. This work will improve online services for growers and help us to manage our information more effectively.

LOOKING AHEAD

Green productivity

Both the 2015/16 and 2016/17 seasons have delivered very good yields of Zespri Green Kiwifruit of around 11,000 trays per hectare compared with the historical range of 8,000 to 9,000 trays per hectare.

On the one hand, this productivity growth will allow us to fully support customer programmes in 2016 and represents a tremendous opportunity to deliver value to both growers and consumers. On the other hand, taste and storage quality remain critical to maintaining our premium positioning globally and Zespri will maintain our uncompromising stance on these quality factors.

From a strategic perspective, understanding the balance between seasonal growing conditions and orchard management practices will be critical to optimising the incentive structure for this category. From a seasonal perspective, we are delighted to have a second year of good Green volumes, which will enable us to fully support customer programmes globally.

SunGold volume growth

SunGold's performance in the markets during the 2015/16 season was very positive. The largest-ever volume was sold in excellent time, with positive customer and consumer feedback.

recommendations by the industry Taste Review Committee to move the Gold Minimum Taste Standard (MTS), reduce sampling variability and modify the Taste Zespri Grade (TZG). These changes came into force during the 2016/17 season, although the MTS will be adjusted over a two-year period. This will help the New Zealand kiwifruit industry to supply fruit unrivalled in taste to our customers around the world.

Growers have also supported the introduction of a new taste programme for Zespri Green to encourage them to deliver the fruit consumers want. The Green Taste Review put forward recommendations to lift the MTS for Green and modify the TZG range, with these changes being introduced in the 2016/17 season.

Zespri's Orchard Productivity Centre is running an ongoing programme of extension support to help growers meet these taste standards and grow the high dry matter fruit our consumers demand.

Innovation and the development of new cultivars

Zespri invests around 1.5 percent of New Zealand revenue into innovation to create value across the supply chain from breeding to consumer. During 2015/16, we invested over \$20 million in our innovation portfolio and around half of that is invested in developing new cultivars, which is critical for our ongoing success. Delivering new kiwifruit cultivars to market is key to ensuring we can maintain the premium we earn over other current and future kiwifruit producers.

During 2015/16, Callaghan Innovation advised that Zespri could apply for a Growth Grant which, based on meeting the criteria, will provide innovation funding of up to \$5 million a year for three years.

Zespri Global Supply (ZGS)

ZGS is poised for strong growth over the next five years as SunGold volumes come into production in Italy and France following the effects of Psa on the Hort16A variety. We

expect this strong growth in Gold volumes will allow Zespri to supply a balance of Green and Gold to supporting retailers by 2020, with total European supply volumes expected to be around 30 million trays.

Japanese and Korean Gold growers continue to graft from Hort16A to SunGold and we are pleased to have additional supplies of SunGold expected to come on stream in Japan by 2020.

We continue to assess the feasibility of sourcing premium-quality Zespri Kiwifruit grown in China to supply what is our biggest market globally when New Zealand kiwifruit is not available.

Trade liberalisation

Zespri supports the New Zealand Government's work to reduce and eliminate tariff barriers.

During 2015/16, Zespri growers paid approximately \$28.6 million in tariffs in South Korea, with the rate set at 45 percent. With the ratification of the New Zealand/South Korea Free Trade Agreement at the end of 2015, the tariff will be 30 percent for the 2016/17 season and will reduce to zero by 2020. Tariff reduction benefits both Korean consumers through more competitive pricing of New Zealand kiwifruit in Korea and supports New Zealand growers through grower returns and growth in this important market.

Also very positive for the New Zealand kiwifruit industry and another success for the Government in the area of trade was the Trans-Pacific Partnership (TPP) Agreement, which will eliminate tariffs on kiwifruit exports into all 12 Asia-Pacific nations when it comes into force. The most tangible benefit through direct tariff relief will be in Japan, Zespri's largest country market, where the industry paid around \$20 million in tariffs in 2015/16.

Serious Fraud Office

The Serious Fraud Office (SFO) informed us of its investigation in October 2013 and Zespri continues to fully cooperate. The SFO

has declined to communicate the focus of its investigation. Zespri has incurred costs of \$6.1 million so far, with a further \$0.5 million provisioned in the 2015/16 accounts. These costs are attributed to Zespri corporate and not the New Zealand grower pools.

GOVERNANCE

The Board has overseen an unrelenting focus on improving Zespri's compliance practices during the past two years, including training and education in the areas of competition law and ethical practices throughout the Company. In addition, we have implemented whistle-blower protection and a global whistle-blower line.

Key marketside initiatives include a Global Customer Code of Conduct to clarify our global expectations in business integrity, labour practices and environmental management for all customers, distributors and wholesalers.

Health and safety has also been a key focus for the Board, with policies and procedures reviewed globally, and reporting now reviewed by the Board at its monthly meetings.

FIVE-YEAR OUTLOOK

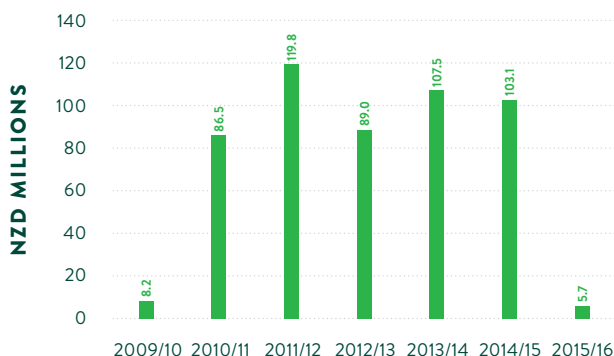
A five-year outlook document is available to all growers on the Canopy website, providing a summary of Zespri's rolling five-year plan, which is updated and reviewed annually by the Zespri Board. This outlook provides a snapshot of how Zespri's medium-term strategy will be implemented by category, and sets out some of the challenges and opportunities that lie ahead. All growers are encouraged to familiarise themselves with its content.

In summary, Zespri is delivering strong growth on the back of increasing SunGold volumes, strong Green yields and the growth in ZGS, as ZGS Gold volumes increase over the next few years. We are investing in supporting the growth ahead through very strong marketing investment to develop consumer demand ahead of supply and increasing our capability in market.

Each season brings its own challenges and opportunities, but Zespri remains focused on consistently delivering our strategy over time and staying on track to provide the world's best portfolio of kiwifruit 12 months of the year. This will help us deliver strong, sustainable returns to our growers and shareholders, and boost our contribution to the New Zealand economy and local communities.

FX AND OIL HEDGING GAIN/LOSS

Zespri has a medium-term hedging horizon which, during times when currencies and oil prices fall, can lead to reduced gains or possible losses. For 2015/16, hedging gains were lower due to a large fall in the NZD/USD and oil rates.



Peter McBride
Chairman

Lain Jager
Chief Executive Officer

ZESPRI ALTERNATIVE REVENUE STATEMENT

	2015/16 \$'000	2014/15 \$'000	2013/14 \$'000
Gross sales of New Zealand-grown kiwifruit	1,800,294	1,458,678	1,256,298
Promotional rebates, claims and discounts	(88,418)	(69,448)	(62,305)
Net sales of New Zealand-grown kiwifruit	1,711,876	1,389,230	1,193,993
Net fruit return through collaborative marketers	11,427	11,861	10,528
Other pool income	1,061	126	922
Revenue attributable to New Zealand pools ¹	1,724,364	1,401,217	1,205,443
Less pool costs:			
Freight	138,749	116,894	114,221
Insurance (onshore and offshore excluding hail)	2,756	1,923	1,873
Hail self-insurance	3,417	2,162	168
Duty and customs	78,340	68,116	58,917
Other direct pool costs – onshore ²	45,480	30,892	24,286
Other direct pool costs – offshore	51,800	46,467	40,867
KVH funding ³	2,226	1,144	980
Promotion	125,394	82,749	68,549
Interest income ⁴	(2,472)	(2,801)	(867)
KNZ fees ⁵	444	453	318
NZKGI funding ⁵	1,072	857	770
Total pool costs	447,206	348,856	310,082
Return from fruit sales	1,277,158	1,052,361	895,361
New Zealand fruit and service payments	1,113,410	915,776	779,793
Zespri margin ⁶	163,748	136,585	115,568
Other non-pool revenue	1,265	509	623
Royalty income from new cultivars ²	6,185	2,747	844
Research grant co-funding	8,921	4,041	3,059
Zespri income attributable to New Zealand-grown kiwifruit	180,119	143,882	120,094
Onshore costs:			
Innovation	23,901	15,928	12,381
Class 2 mainpack subsidy	(10)	(713)	43
Gold9 decommercialisation provision funding	-	1,551	-
Amortisation of new cultivars	1,786	1,491	1,148
Onshore overheads	58,690	46,229	35,749
	84,367	64,486	49,321
Offshore costs	39,705	43,721	40,434
	56,047	35,675	30,339
Add operating surplus from other business activities:			
Non-New Zealand-grown supply (before taxation) ⁷	10,415	8,992	9,853
Gold defence fund (before taxation)	4,191	2,076	805
Income from sale of Zespri licences (before taxation) ⁸	2,589	24,175	3,660
EBIT before loyalty premium	73,242	70,918	44,657
Net interest income	2,916	3,200	3,443
Zespri profit before tax and loyalty premium	76,158	74,118	48,100
Loyalty premium	29,642	23,192	20,999
Zespri Group profit before taxation	46,516	50,926	27,101
Tax expense	10,688	16,305	9,856
Zespri Group profit after taxation	35,828	34,621	17,245
Total fruit and service payments	1,113,410	915,776	779,793
Loyalty premium	29,642	23,192	20,999
Total fruit and service payments (including loyalty premium)	1,143,052	938,968	800,792

The Alternative Revenue Statement is used for management information and is the basis for the calculation of the Supplier Return. Foreign exchange gains and losses are allocated differently from the way that they are allocated in the Financial Statements in that they are apportioned to the relevant line items above. The Alternative Revenue Statement is consistent with the business segment analysis in Note 30 of the Financial Statements.

CAUSE OF CHANGE 2015/16 VS 2014/15

CAUSE OF CHANGE 2015/16 VS 2014/15 \$ MILLIONS

Sales price/ offshore fruit loss	(137.1)	
Market and profile mix	(21.3)	
Volume		329.1
Foreign exchange		22.9
Other income/costs	6.1	
Taxation	15.6	
Total		205.3

The 'Cause of Change' chart outlines the increase in the return to the industry this season to \$1,179 million from \$974 million in 2014/15.

	\$'000
Total fruit and service payments 2014/15 (including loyalty premium)	938,968
Add Zespri net profit after tax 2014/15	34,621
Return to industry 2014/15	973,589
Movements due to change in:	
Sales price/ offshore fruit loss	(137,128)
Market and profile mix	(21,321)
Volume	329,074
Foreign exchange	22,918
Other income/costs	6,130
Taxation	5,618
Return to industry 2015/16	1,178,880
Total fruit and service payments 2015/16	1,113,410
Add Zespri loyalty premium 2015/16	29,642
Total including loyalty premium 2015/16	1,143,052
Add Zespri net profit after tax 2015/16	35,828
Return to industry 2015/16	1,178,880

¹ Net revenue attributable to the pools includes sales of New Zealand -grown kiwifruit, income from New Zealand collaborative marketing programmes and other pool income as noted in the Alternative Revenue Statement.

² Within 'Other direct pool costs – onshore' is the 3.0 percent royalty from new cultivars on net sales for Gold3, Gold9 and Green14 pools. This royalty is made up of three components: 1.35 percent of this royalty is paid to The New Zealand Institute for Plant & Food Research Limited, 0.65 percent transferred to a defence fund reserve in Zespri Group Limited and 1.0 percent royalty income from new cultivars in Zespri Group. The defence fund reserve was disestablished on 31 March 2016. The current year charge and historic balance of the defence fund reserve was transferred to Retained Earnings at 31 March 2016. Also included is the 1.5 percent royalty for Hort16A solely paid to The New Zealand Institute for Plant & Food Research Limited.

³ From 2013/14, the New Zealand pool funded the Kiwifruit Vine Health Inc (KVH) levy. The rate was \$0.01 per tray Class 1 Green and \$0.02 per tray Class 1 Gold exported to markets other than Australia. From 2015/16 a levy for biosecurity readiness and response activities for all varieties was introduced. The levy is \$0.006 per tray for all varieties exported to markets other than Australia.

⁴ Interest income is made up of the following: interest income of \$2.89 million and an interest charge from Zespri corporate of \$0.42 million. This results in an overall interest income to the pools of \$2.47 million.

⁵ Kiwifruit New Zealand (KNZ) is the statutory board funded under regulation 39 of the Kiwifruit Export Regulations 1999. New Zealand Kiwifruit Growers Incorporated (NZKGI) is the kiwifruit grower representation body and Zespri Group Limited is required by the Commodity Levies (Kiwifruit) Order 2012 to pay a levy to NZKGI on behalf of New Zealand growers. The rate for the 2015/16 year was \$0.009 per tray of kiwifruit exported to markets other than Australia.

⁶ Zespri margin is calculated in accordance with the New Zealand Supply Agreement, being 5.0 percent of net sales (excluding collaborative marketing programmes) and 7.75 percent of fruit payments to suppliers. Prior to 2013/14 the Zespri margin was calculated as 6.0 percent of net sales (excluding collaborative marketing programmes) and 6.0 percent of fruit payments to suppliers.

⁷ Further analysis of non-New Zealand-grown supply is available within the segment reporting in Note 30 of the Financial Statements.

⁸ In prior years, the sale of new variety licences has included deferred payments, hardship or surrender clauses that result in uncertainty as to the collectability of the outstanding consideration. As such, this revenue had not been recognised until cash proceeds had been received. In 2014/15 the revenue for the sale of new variety licences in prior years was recognised as the Directors considered the uncertainty regarding material collection had been removed. This was due to initial licence payments due in August 2014 being received, the industry response to Psa being substantially successful and the historical sales of the Gold3 variety being strong.

NEW ZEALAND POOL COSTS AS A PERCENTAGE OF POOL REVENUE

	2015/16	2014/15	2013/14
Zespri margin (net of loyalty premium) ⁶	7.8%	8.1%	7.8%
Freight	8.0%	8.3%	9.5%
Insurance	0.4%	0.3%	0.2%
Duty and customs	4.5%	4.9%	4.9%
Other direct pool costs – onshore ²	2.6%	2.2%	2.0%
Other direct pool costs – offshore	3.0%	3.3%	3.4%
KVH funding ³	0.1%	0.1%	0.1%
Promotion	7.3%	5.9%	5.7%
Interest income ⁴	(0.1%)	(0.2%)	(0.1%)
KNZ/NZKGI ⁵	0.1%	0.1%	0.1%
Total fruit and service payments (including loyalty premium)	66.3%	67.0%	66.4%
	100.0%	100.0%	100.0%
Revenue attributable to New Zealand pools (\$'000) ¹	1,724,364	1,401,217	1,205,443

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.

Legislative and regulatory framework

Zespri Group Limited is regulated by the provisions of the Companies Act 1993 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.

The Company and its Directors are bound by the Zespri Group Limited Constitution, which contains detail regarding shares in the Company, transfer and voting of shares, procedures for shareholder meetings, and director election and tenure (among other matters). The Kiwifruit Export Regulations 1999 also contain provisions that impact on the governance of the Company, which are monitored and enforced by the industry regulator, Kiwifruit New Zealand. Under the Regulations:

- Zespri must not discriminate between suppliers and potential suppliers in relation to the decision to purchase kiwifruit or the terms of purchase, other than on commercially justifiable grounds;
- Zespri must not carry out any activity, nor own nor operate assets, that are not necessary for the core business of exporting kiwifruit, unless approved by the providers of capital used or to be used for those activities, and only if the risks of the activity are minimal for those shareholders and suppliers who have not given approval;
- Zespri must comply with certain specific information disclosure requirements regarding its activities; and
- Zespri must publish disclosure accounts which are audited and available on request.

The Company has policies and procedures in place to ensure compliance with all of the above obligations and, at the end of each financial year, the Chief Executive Officer, Chief Financial Officer and the General Counsel provide an assurance to the Board regarding legislative and regulatory compliance.

The Zespri Group Limited Constitution also contains provisions regarding confidentiality of shareholder proxy and voting information which exceed legal and regulatory requirements. These reflect standards of corporate governance in relation to shareholder democracy that go beyond those required of publicly listed companies.

The Board

The Company's eight-member Board is made up of five Directors drawn from the kiwifruit industry and three independent Directors. The convention of having at least three independent Directors is in line with good governance practice and, collectively, eight Directors bring together a wide range of experience, from international marketing and agribusiness to kiwifruit industry knowledge and financial expertise. One of the outcomes of the Kiwifruit Industry Strategy Project (KISP) process conducted in 2014, was that this convention should become a formal requirement under the Zespri Group Limited Constitution. The relevant changes to the Zespri Group Limited Constitution to support these KISP changes are to be voted on at the 2016 Annual Meeting.

Background profiles of each Director are on the Company's corporate website (www.zespri.com) and the Company's grower website, The Canopy (<https://canopy.zespri.com>). The Board's task is to govern the Company, in particular by providing strong strategic direction to achieve maximum returns for shareholders while, at the same time, safeguarding the interests of shareholders and other relevant stakeholders as appropriate.

Each Board member is issued with a comprehensive Director's Manual which contains detailed information on the corporate governance regime that applies to the Company and the Directors' duties and responsibilities in that regard. The Director's Manual is kept up to date by the General Counsel and recirculated to Directors periodically.

Under the Zespri Group Limited Constitution, at least one-third of the Directors must retire by rotation at each Annual Meeting. The Board has generally sought to organise the rotation of Directors so that one independent and two grower Directors retire each year. Since

2012, the Board has adopted a policy of formally reviewing the contribution of each independent Director, the desired mix of skills for the future that should be contributed by the independent Directors and the general desirability of rotation among the independent Directors. This process of formally assessing the skill sets required permits the Board to undertake an objective assessment of whether or not incumbent independent Directors fulfil the requirements of the Board overall, as well as to conduct targeted recruitment initiatives focused on identifying the best candidates for the Board. In 2016, Jonathan Mason is the independent Director retiring, and is standing for re-election. The Board fully endorses his candidacy.

Details of Directors' remuneration and interests are recorded on pages 50 to 54, under Directors' Disclosures and Director and Employee Remuneration.

Board committees

The Board has an Audit and Risk Management Committee currently chaired by Jonathan Mason. This Committee reviews and monitors the Company's overall risk (both financial and non-financial) and its risk management strategies. It reviews the effectiveness of, and monitors compliance with, all internal controls including those relevant to finance and treasury and supports management in reviewing key accounting judgements and that the financial statements are consistent with NZ GAAP. The Committee also reviews and monitors both the internal and the external audit processes. The Audit and Risk Management Committee also reviews compliance education and other compliance initiatives.

The Board's Organisation and Administration Committee oversees the appointment and remuneration of senior executives and strategic employment matters, such as general employee remuneration and incentive policies, and organisational development strategies. Bruce Cameron has been Chairman of this Committee since September 2014.

In 2011, the Board determined that much of the work of the Innovation Advisory Forum was overlapping with the Psa R&D Steering Group, and accordingly adopted a smaller subcommittee for Board oversight of innovation activities in areas other than Psa, known as the Board Innovation Subcommittee. David Pilkington is Chairman of the Board Innovation Subcommittee.

Minutes are kept of all Board and Board Committee meetings, and all Directors receive copies of the Board Committee papers. A table showing meetings of the

Board and its Committees, and attendance by Zespri Directors at those meetings, is shown on page 50.

In addition to these Committees, the Board convenes small informal subcommittees from time to time, to consider particular matters or issues of particular focus to the Company, and Directors also represent the Company in other industry bodies including the Industry Advisory Council (IAC) and Kiwifruit Vine Health Incorporated (KVH).

Conflicts of interest

With five industry Directors on the Board, governance of the Company is partly in the hands of individuals who have their own private interests in the wider kiwifruit industry. The Company benefits greatly from the industry experience that these Directors bring to the boardroom table. However, it also means that conflicts of interest need to be managed carefully.

The Company has comprehensive policies and practices to manage actual and potential conflicts of interest that meet, and in some cases exceed, Companies Act 1993 requirements:

- All Directors, including independent Directors, are required to declare actual or potential conflicts of interest as soon as they arise. These are discussed and managed as necessary at the beginning of each Board meeting, and are recorded in the Company's Interests Register. Details of all relevant matters to 31 March 2016 which have been entered in the Interests Register by individual Directors, are set out under Directors' Disclosures on pages 50 to 53.
- As a matter of good governance practice at Board meetings, Directors with any relevant interests excuse themselves from the meetings while issues which may present significant conflicts are discussed or decided upon. Where a significant conflict exists with matters being considered by the Board, Board papers and minutes are edited for the applicable Director to remove references to any such matters.

In certain circumstances, a conflict of interest may not be manageable using the steps noted above. In these cases, a Director may need to choose between continuing as a Zespri Director and their other business interests.

A Conflicts of Interest Policy is also in place for employees. Like Directors, employees are required to declare actual or potential conflicts of interest on a regular basis to ensure these are managed appropriately, and an interests register is maintained and monitored.

Share trading

Comprehensive approval and disclosure policies and procedures are in place for trading in Zespri Group Limited shares by Directors and employees. This ensures that Directors and employees only complete such transactions in a market where potential stakeholders have had a reasonable opportunity to be fairly informed of knowledge which may affect the price of Zespri Group Limited shares. Pursuant to the relevant policies and procedures, Directors may transact only:

- with the approval of an independent Director acting as Approval Officer (currently David Pilkington); and
- when no information which may impact on the share price is known to Directors or employees but not known to the industry as a whole.

At the end of each Board meeting, the Board considers whether there is any price-sensitive information known to the Board which should preclude Directors or employees from transacting in Zespri Group Limited shares. Director trading was suspended at various times through the year when information material to the share price may have been known to the Board. Details of all share trading by Directors and their relevant interests are published on the Company's grower website, The Canopy (<https://canopy.zespri.com>).

During the course of the financial year, the Company undertook a review of its share trading platform; this review occurred both to action the KISP objectives of driving liquidity and transparency in the market and also a legislative change which impacted on the existing share trading platform. As a result of the review, the Company has moved its share trading platform to the Unlisted platform. Unlisted is a Financial Product Market operating under an exemption from subpart 7 of Part 5 of the Financial Markets Conduct Act 2013 (the Act).

Ethics

High ethical standards are of critical importance to the Company, and the Board periodically receives presentations and/or training in respect of ethical issues for Directors. In addition to these sessions, the Director's Manual addresses ethical issues across a number of areas such as legislative requirements, conflicts of interest and best-practice guidance. Directors and employees are governed by a Code of Conduct which is periodically reviewed and updated to ensure the maintenance of high standards.

Confidentiality

In order to support compliance for both Directors and employees with their obligations under law, comprehensive policies on confidential information and privacy are in place.

Delegation of Board power

Under the Companies Act 1993, management of a company rests with its directors. However, decision-making on all but a few critical matters may be delegated to management. The Company maintains a comprehensive Delegated Authorities Policy which is a key governance document specifying the kinds of decisions and approvals that can be made by managers at various levels within the Company, and identifies those which are reserved for the Board or its Committees. A number of other internal policies are in place which guide certain aspects of day-to-day management of the business and sit below the Delegated Authorities Policy.

Evaluating Board performance

The Board reviews its performance so that it may continuously monitor and improve the quality of its meetings and meeting support. The Board undertakes an extensive self-evaluation process to assess performance on an annual basis, and works with the Institute of Directors to provide training and evaluation of individual Directors. Feedback from both the self-evaluation and the Institute of Directors is discussed with a view to continuously improving performance. Any individual Director's training requirements may be identified at this time also.

Remuneration of Directors

The Company's Constitution provides that shareholders shall from time to time set the maximum total amount payable to Directors as Directors' fees. The amount actually paid to Directors is determined by the Board up to the maximum set by shareholders, and the total Directors' fees may be distributed among them in such manner as the Board determines periodically. Details of Director remuneration are set out on page 50.

Consideration of Directors' fees is undertaken by the Director Remuneration Committee, which comprises three elected shareholder members – John Bourke (Chair), John Cook and John Griffin – and one independent member appointed by the Board, Warren Larsen. John Bourke is retiring from the Director Remuneration Committee at the 2016 Annual Meeting, having been a member since its establishment. The Board

extends its appreciation to John Bourke for his efforts and role in the development of the Director Remuneration Committee since its inception in 2010.

The Director Remuneration Committee considers Director remuneration and governance succession issues, including mechanisms for the identification and guidance of future industry leaders. The Board works closely with the Director Remuneration Committee in respect of initiatives around succession planning for the industry as a whole, including supporting participation by future young leaders in governance and leadership programmes such as the Kellogg Rural Leadership Programme operated by Lincoln University. In 2015, the Zespri Industry Governance Development programme was established to provide more targeted development for potential industry leaders including regular interaction with Directors. The inaugural three candidates completed the programme in March 2016.

Insurance

During the year, the Board resolved to continue with directors' and officers' liability insurance cover, with the premium costs met by Zespri Group Limited.

Approval of major transactions

At the 2015 Annual Meeting, the Company obtained a five-year approval to enter into certain major transactions. Such transactions are: acquisitions or disposal of assets whose value is more than half the value of the Company's assets before the transaction; or a transaction that has the effect of the Company acquiring rights or interests or incurring obligations or liabilities, the value of which is more than half the value of the Company's assets before the transaction.

Transactions identified under this authority include entering into the seasonal funding facility with our banking syndicate, the giving of security to enable the Company to carry out its treasury functions such as foreign exchange, oil hedging and suchlike, the acquiring (and sale) of New Zealand-grown kiwifruit for export or sale in New Zealand, the acquiring (and sale) of non-New Zealand-grown kiwifruit for sale in markets outside New Zealand and the procuring of transport, insurance, promotional and other services in respect of such kiwifruit.

Information disclosure requirements under the Kiwifruit Regulations

Regulation 12 of the Kiwifruit Export Regulations 1999 requires that the Company must publically disclose financial statements as defined in the Kiwifruit Export Information Disclosure Handbook. The principal disclosures required are included within the New Zealand Industry Performance Section of the Annual Review, or within the Financial Statements of the Annual Report. Further disclosures are contained in the special purpose financial statements, including the certificate from the auditors, that are publicly available as required under the Regulations.

Compliance issues

Zespri maintains an internal audit function which regularly monitors compliance with all

of the above policies and procedures, with any exceptions being reported to the Audit and Risk Management Committee.

In this regard, the Company has an in-house audit and compliance function with responsibility for conducting audits and managing a compliance framework, as well as auditing and monitoring (on a risk basis) compliance in targeted areas such as customs and duty declarations by customers in all markets where Zespri is not the importer of record, and for all new customers. In addition, training on compliance-related topics is provided both internally and by external providers during the year for all global Zespri staff, focusing on areas which are potentially of heightened risk due to Zespri's global business profile. As Zespri enters new markets, a formal market assessment is conducted to ensure that the Company has a good understanding of applicable legal and regulatory requirements, and these assessments are revisited periodically to ensure that the business is aware of any changes to the legal and business environment in such markets, and is conducting its business in compliance with applicable laws.

The Board is committed to ensuring that the Zespri reputation and business is not adversely affected by such types of incidents, and that the Company and the business partners are legally compliant. This means improving internal processes and understanding of the legal obligations throughout the distribution chain to ensure that opportunities for unlawful conduct by third parties are mitigated as far as possible, and that the Company's business and culture are consistent with the operations of multinational businesses, and the laws of the countries in which Zespri kiwifruit is sold. In addition, the Company has developed a Global Customer Code of Conduct which has been incorporated into 2016 distribution contracts in most markets. This Code generally sets expectations for Zespri customers and distributors regarding matters such as legal and financial compliance, quality and food safety standards, fair competition, compliance with anti-bribery and anticorruption laws, confidential information, discrimination, harassment and abuse, fair employment practices and labour standards, health and safety and care for the environment.

KISP

In early 2015, New Zealand kiwifruit growers approved a number of strategic industry proposals developed as part of the Kiwifruit Industry Strategy Project (KISP) via an industry referendum. A number of the proposals will have an impact on corporate governance, including elements such as the composition of the Board, the contractual arrangements for supply of kiwifruit and ownership of Zespri shares. The Company has started implementing the various work streams required to give effect to the relevant proposals where regulatory change is not required for implementation, and is awaiting the outcomes of the regulatory review which is currently underway.

Health and safety

The Board is strongly focused on ensuring that the Company's employees and business partners are operating in a safe and healthy workplace, and receives updates on health and safety matters at each Board meeting. A number of important initiatives have been introduced in the Company over the past 18 months, including the establishment of global and regional health and safety committees, risk and hazard identification and mitigation strategies, and training to ensure that all stakeholders understand and comply with health and safety obligations.

China customs litigation

During the 2015/2016 financial year, the Company continued to work on settling outstanding matters arising from the litigation in China following failures by Zespri's former Chinese importers to pay import duty on Zespri kiwifruit in prior seasons. In March 2016, the Board approved the release of the \$13 million provision, which had been conservatively set aside in the 2012/2013 financial year pending a final determination on whether illegal gains were payable by its subsidiary Zespri Management Consulting (Shanghai) Co., Limited. In the intervening time frame, the Company has undertaken extensive legal and forensic accounting reviews to understand as far as possible the Company's position pursuant to the judgment. The outcome of these reviews resulted in the Company concluding that there was insufficient evidence of an outstanding liability sufficient to meet the accounting standards requirements for a provision to be maintained.

In 2014, proceedings were initiated against Zespri in the New Zealand High Court by Shanghai Neuhof Trade Company Limited and Shanghai Hui Zhang Logistic Limited, claiming damages in the amount of NZD33.5 million relating to losses it suffered in China resulting from its failure to pay duty. Following a successful motion to strike part of the claim in 2014, the claim was reduced to NZD25.5 million and is proceeding through normal court processes. The claim is unlikely to be heard in 2016.

Serious Fraud Office investigation

In October 2013, the New Zealand Serious Fraud Office (SFO) advised that it had commenced an investigation into Zespri Group Limited and served the Company with two very broad-ranging notices requiring the production of electronic and physical information. The Company has engaged experienced senior counsel in respect of this matter, and a subcommittee of the Board has been established to oversee this issue, together with the Company's General Counsel. The Company believes that it has now satisfied the requirements of the document production notices served on it by the SFO. However, as the SFO has declined to provide any further information regarding the focus and timeframes for this inquiry, the Company anticipates that further work on this issue will occur in the 2016/17 financial year.

FINANCIAL STATEMENTS AND STATUTORY INFORMATION

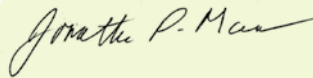
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FOR THE YEAR ENDED 31 MARCH 2016

Your Directors take pleasure in presenting the
Financial Statements of the Company and its subsidiaries
(collectively Zespri Group) and Statutory Information
for the year ended 31 March 2016.

For and on behalf of the Board of Directors



Peter McBride
Chairman



Jonathan Mason
Director

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AUDITOR'S REPORT



To the shareholders of Zespri Group Limited

We have audited the accompanying consolidated financial statements of Zespri Group Limited and its subsidiaries ("the Group") on pages 16 to 48. The financial statements comprise the consolidated balance sheet as at 31 March 2016, the consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Directors' responsibility for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the Group in relation to assurance, review and regulatory compliance services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Opinion

In our opinion, the consolidated financial statements on pages 16 to 48 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Zespri Group Limited as at 31 March 2016 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A stylized, handwritten-style signature of the letters 'KPMG' in black ink.

24 May 2016
Auckland

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Income Statement	Notes	2016 \$'000	2015 \$'000
Operating revenue	2(a)	1,860,672	1,458,942
Other revenue	2(b)	20,430	9,746
Operating expenses	3	(1,881,080)	(1,531,281)
Other net gains/(losses)	5	42,814	108,528
Operating profit/(loss) before taxation		42,836	45,935
Finance revenue	6(a)	5,560	6,000
Finance expense	6(b)	(1,880)	(1,009)
Net profit before taxation		46,516	50,926
Taxation expense	7(a)	(10,688)	(16,305)
Net profit after taxation		35,828	34,621
Earnings per share: basic and diluted	8	\$0.297	\$0.287

Statement of Comprehensive Income	2016 \$'000	2015 \$'000
Profit for the year	35,828	34,621
Total comprehensive income for the year	35,828	34,621

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

BALANCE SHEET

Balance Sheet at 31 March	Notes	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	23(b)	165,027	146,996
Accounts receivable	12	67,126	44,571
Income tax receivable		11,217	12,711
Other financial assets	14(a)	44,979	107,054
Prepayments	13	16,208	15,302
Inventories	15	37,473	19,718
		342,030	346,352
Non-current assets			
Accounts receivable	12	5,959	13,746
Other financial assets	14(a)	39,187	62,019
Property, plant and equipment	16	16,425	4,330
Intangibles	17	30,571	30,269
Deferred tax assets	7(b)	2,469	3,511
Prepayments	13	1,263	1,052
		95,874	114,927
Total assets		437,904	461,279
Current liabilities			
Accounts payable and accruals	19	177,301	127,133
Income tax payable		7,726	10,968
Provisions and insurance liabilities	20	29,317	35,851
Other financial liabilities	14(b)	44,979	106,896
		259,323	280,848
Non-current liabilities			
Accounts payable and accruals	19	1,337	1,455
Provisions and insurance liabilities	20	652	-
Deferred tax liabilities	7(b)	6,530	7,409
Other financial liabilities	14(b)	39,187	62,019
		47,706	70,883
Equity			
Share capital	10(b)	18,017	18,017
Other reserves	9(a)	-	2,744
Retained earnings	9(b)	112,858	88,787
		130,875	109,548
Total liabilities and equity		437,904	461,279

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

The Financial Statements were authorised for issue by the Directors of Zespri Group Limited on 24 May 2016.

Authorised for, and on behalf of, the Board:



P J McBride
Chairman



J P Mason
Director

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity	Notes	Share capital		Retained earnings		Other reserves		Total	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Attributable to shareholders:									
Balance at 1 April		18,017	18,017	88,787	70,148	2,744	1,263	109,548	89,428
Comprehensive income:									
Net profit after taxation		-	-	35,828	34,621	-	-	35,828	34,621
Transfers to/(from) retained earnings	9	-	-	2,744	(1,481)	(2,744)	1,481	-	-
Total comprehensive income for the year		-	-	38,572	33,140	(2,744)	1,481	35,828	34,621
Transactions with owners:									
Dividends paid during the year	11	-	-	(14,501)	(14,501)	-	-	(14,501)	(14,501)
Total transactions with owners in their capacity as owners		-	-	(14,501)	(14,501)	-	-	(14,501)	(14,501)
Balance at 31 March		18,017	18,017	112,858	88,787	-	2,744	130,875	109,548

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

STATEMENT OF CASH FLOWS

Statement of Cash Flows	Notes	Group	
		2016 \$'000	2015 \$'000
Cash flows from operating activities			
Cash was provided from:			
Receipts from sales		1,845,042	1,437,865
Receipts from sales of Zespri licences		8,803	7,602
Receipts from research co-funding		3,880	3,063
Other sundry items		6,494	960
Insurance receipts – reinsurance assets		1	-
Proceeds from derivatives	5	5,693	103,137
Taxation refunded		867	633
		1,870,780	1,553,260
Cash was applied to:			
Payments to contracted suppliers – New Zealand-grown fruit		1,140,786	925,491
Payments to contracted suppliers – non-New Zealand-grown fruit		143,959	136,196
Payments to other suppliers and employees		532,485	436,900
Insurance claims – reinsurance liabilities		4,789	3,167
Taxation paid		13,140	10,740
		1,835,159	1,512,494
Net cash available used in operating activities	22	35,621	40,766
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and intangibles		15	7
		15	7
Cash was applied to:			
Purchase of intangible assets		7,756	17,482
Purchase of property, plant and equipment		14,862	2,365
		22,618	19,847
Net cash used in investing activities		(22,603)	(19,840)
Cash flows from financing activities			
Cash was provided from:			
Interest received		5,723	5,955
		5,723	5,955
Cash was applied to:			
Interest paid		172	-
Dividend payments	11	14,501	14,501
		14,673	14,501
Net cash used in financing activities		(8,950)	(8,546)
Net increase/(decrease) in cash held		4,068	12,380
Effect of exchange rate changes on foreign currency cash balances		13,963	1,891
Add opening cash brought forward		146,996	132,725
Ending cash carried forward		165,027	146,996
Represented by:			
Cash and cash equivalents	23(b)	165,027	146,996
		165,027	146,996

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The Financial Statements of the Group have been prepared in accordance with the Financial Markets Conduct Act 2013 and Financial Reporting Act 2013. Refer to Note 1 (y).

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

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

Basis of preparation

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

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

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

Use of estimates and judgements

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

Critical accounting estimates in applying significant accounting policies

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

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

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

Specific accounting policies

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

(a) Basis of consolidation

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

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

All significant inter-company transactions are eliminated on consolidation.

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

(b) Indirect tax

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

(c) Revenue recognition

Revenue is recognised as follows:

- Sale of goods and licences: Sales revenue (including collaborative marketing sales) is recognised when the risks and rewards of ownership of the goods or licences have passed to the customer. Sales revenue reflects the fair value of the sale of goods, net of rebates and discounts.
- Interest: Interest income is recognised on a time-proportion basis using the effective interest method.
- Dividends: Dividend income is recognised when the right to receive payment is established.
- Sale of services: Revenue from the provision of services is recognised to the extent that the service has been provided. Services revenue reflects the fair value for the sale of services, net of rebates and discounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Borrowing costs

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

(e) Co-funding

Co-funding is recognised as follows:

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

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

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

(f) Earnings per share

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

(g) Taxation

- (i) Current tax payable or receivable:

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

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

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

- (ii) Deferred tax:

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

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

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

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

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

(h) Foreign currency translation

- (i) Functional and presentational currency:

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

- (ii) Transactions and balances in functional currency:

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

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

(i) Share capital

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

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

(j) Dividends

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

(k) Other reserves

Retained earnings are set aside in other reserves where the Board of Directors resolve to separate certain funds from those able to be distributed from retained earnings. Historically a separate defence fund reserve was transferred from retained earnings to hold funds for use in defending any challenges on Plant Variety Rights (PVRs). In 2015/16 the Directors reviewed the defence fund reserve and resolved to disestablish it on 31 March 2016. The balance of the defence fund reserve was transferred to retained earnings as at this date. Any future defence of intellectual property in PVRs will be funded from retained earnings.

Any movement in other reserves is by transfer to or from retained earnings as related revenues are earned and costs are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities.

(m) Accounts receivable and payable

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

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

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

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

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

(n) Inventories

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

(o) Derivatives

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

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

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

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

(i) Recognition and derecognition:

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

(ii) Embedded derivatives:

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

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

(iii) Fair value estimation:

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

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

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

(p) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Depreciation

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

Land improvements	3 years
Buildings	Lower of 50 years or useful life of the building
Leasehold improvements	Lower of 10 years or unexpired portion of lease
Plant and equipment	2 – 10 years
Motor vehicles	5 years

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

(r) Intangibles

(i) Research and development costs:

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

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

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

(ii) Computer software:

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

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

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

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

(iii) Intangibles work in progress:

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

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

(s) Impairment of non-financial assets

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

An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(t) Employee benefits

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

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

(u) Provisions and insurance cover offered

Provisions

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

Insurance cover offered

(i) Marine cargo insurance:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions and insurance cover offered (continued)

Insurance cover offered (continued)

(i) Marine cargo insurance: (continued)

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

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

(ii) Hail insurance:

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

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

(v) Leases

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

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

(w) Statement of Cash Flows

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

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

(x) Segment reporting

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

- (i) New Zealand fresh kiwifruit: the marketing and sale of New Zealand-grown kiwifruit
- (ii) Non-New Zealand fresh kiwifruit: the marketing and sale of kiwifruit supplied from countries other than New Zealand
- (iii) Research and development: research activities undertaken by Zespri Group to develop new cultivars and to improve kiwifruit production, storage and handling practices; and
- (iv) Corporate services: the servicing and administration of all of the activities above, including the operation and support of supply chain functions, grower and shareholder services, legal and secretarial services, information systems, central treasury and cash management, finance and other typical head-office-type functions.

(y) Changes in accounting policies, disclosures and legislation

From 1 April 2014, the new Financial Reporting Act 2013 ('FRA 2013') has come into force replacing the Financial Reporting Act 1993. The FRA 2013 is effective for companies with financial periods beginning on or after 1 April 2014. The FRA 2013 has a transitional regime that requires issuers to report under the Financial Reporting Act 1993 until they become an FMC reporting entity under the Financial Markets Conduct Act 2013 ('FMCA 2013'). Zespri Group Limited is considered an issuer because it has previously issued securities under the Securities Act 1978. The transitional period ends when either the issuer undertakes an action that makes it an FMC reporting entity, 1 December 2016 or the date the issuer opts in. Zespri elected to adopt early on 31 March 2016 for the financial year ended 31 March 2016. This requires Zespri to meet financial reporting requirements set under FMCA 2013.

The change in legislation has no material impact on the entity's obligation to prepare general-purpose financial statements. Neither the FRA 2013 nor the FMCA 2013 require the preparation of parent financial statements where group financial statements are prepared. Accordingly, on adoption of the FMCA 2013 and the FRA 2013, Zespri no longer presents separate financial statements for the Company in this document.

Certain new standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the Accounting Standards Review Board in New Zealand (ASRB) have been published which will be mandatory for the Group in the accounting period beginning on or after 1 April 2016.

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

- Amendments to NZ IAS 7 (Disclosure Initiative) – Effective on or after 1 January 2017. The amendments include additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effects of changes in foreign exchange rates and changes in fair values).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Changes in accounting policies, disclosures and legislation (continued)

- Amendments to NZ IAS 12 (Recognition of Deferred Tax Assets for Unrealised Losses) – Effective on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
- NZ IFRS 15 (Revenue from Contracts with Customers) – Effective on or after 1 January 2018. This standard impacts on how and when revenue is recognised. Additionally, there will be changes in disclosure requirements.
- Clarifications to NZ IFRS 15 (Revenue from Contracts with Customers) – Effective on or after 1 January 2018. These amendments do not change the underlying principles of NZ IFRS 15 Revenue from Contracts with Customers but clarify how those principles should be applied. The clarifications address four areas: identifying performance obligations; principal vs agent considerations; licences of intellectual property; and transition.
- NZ IFRS 16 (Leases) – Effective on or after 1 January 2019. This standard changes the accounting treatment of leases by lessees fundamentally as it eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Therefore, lessees will appear to become more asset-rich, but also more heavily indebted and lessor accounting remains similar to current practice with lessors continuing to classify leases as finance and operating leases. There are also changes in accounting over the life of the lease.

Management has not yet completed its full assessment of the impact of the above-mentioned accounting policies. The Group does not intend to adopt these standards early.

A number of other new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2016, and have not been applied in preparing these Financial Statements. None of these are expected to have significant effect on the consolidated Financial Statements of the Group.

2. REVENUE

(a) Operating revenue	2016 \$'000	2015 \$'000
Sale of kiwifruit (at spot foreign exchange rates):		
New Zealand-grown kiwifruit	1,655,573	1,253,648
Non-New Zealand-grown kiwifruit	183,672	167,747
Collaborative marketing	11,736	12,072
Total revenue from kiwifruit product sales	1,850,981	1,433,467
Sale of Zespri variety licences ¹	2,775	24,407
Revenue from branding royalties	147	64
Insurance revenue ²	6,769	1,004
	1,860,672	1,458,942

¹ The sale of Zespri variety licences is recognised when the risks and rewards of ownership of the licences have passed to the customer. In 2015/16 additional licences were issued for new varieties that were commercialised in previous financial years. The total licence fee receivable at 31 March 2016 is \$15,252,491 (2015: \$22,184,655) with payment due over five years. In 2013/14 revenue from the sale of new variety licenses that include deferred payments, hardship or surrender clauses that result in uncertainty as to the collectability of the outstanding consideration, was not recognised. In 2014/15 the revenue from the sale of new variety licences in prior years was recognised as the Directors consider the uncertainty regarding material collection had been removed. This was due to initial licence payments due in August 2014 being received, the industry response to Psa being substantially successful and the historical sales of the G3 variety being strong.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. REVENUE (CONTINUED)

(b) Other revenue	Note	2016 \$'000	2015 \$'000
Gain on sale of assets		15	7
Plant Variety Right royalty income		6,182	2,747
Defence fund income	9(b)	4,191	2,076
Co-funding for new cultivar research ¹		1,930	2,060
Co-funding from Callaghan Innovation for research and development ²		4,500	-
Co-funding from Kiwifruit Vine Health Incorporated for Psa research		2,031	1,489
Co-funding for other projects		272	492
Other income		1,309	875
		20,430	9,746

¹ On 1 October 2009, Zespri International Limited entered into a co-funding research agreement with the New Zealand Government entity Foundation for Research, Science and Technology (FRST). The agreement for new cultivar pre-commercial research and development co-funding has a term of seven years and a FRST contribution value of up to \$13,511,111 (excluding GST). The Zespri Group recognises FRST contributions as co-funding sundry revenue only when all the contractual conditions have been met. As at 31 March 2016, \$12,545,706 has been recognised over the life of the agreement by the Zespri Group (2015: \$10,615,542).

² On 19 October 2015, Zespri Group Limited entered into a co-funding research and development agreement with Callaghan Innovation. The agreement has an initial term of three years and a Callaghan Innovation contribution value of up to \$15 million (excluding GST) over the three years. Zespri Group recognises Callaghan Innovation contributions as co-funding revenue in the year the associated research and development is incurred.

3. OPERATING EXPENSES

	Notes	2016 \$'000	2015 \$'000
Zespri Group's operating expenses include the following (at spot foreign exchange rates):			
Amortisation	17	7,322	3,832
Commissions		16,426	12,613
Depreciation ¹		1,741	1,401
Directors' fees		782	759
Employee remuneration and benefits		51,802	44,791
Employee remuneration and benefits – defined contribution plan		1,262	1,097
Freight and distribution		168,000	143,091
Insurance		5,792	4,046
KVH funding levy		2,226	1,144
Legal fees		3,849	1,893
Loss on sale of assets		140	135
Other selling and direct costs		147,276	110,373
Other offshore costs		15,615	13,271
Payments for kiwifruit including:			
Fruit and service payments – New Zealand-grown kiwifruit ²		1,113,410	915,776
Fruit purchases – non-New Zealand-grown kiwifruit		141,627	136,008
Loyalty premium – New Zealand-grown kiwifruit	20	29,642	23,192
Penalties provision release ³	20	(13,022)	-
Promotion		131,934	78,727
Research – New Zealand-grown kiwifruit ⁴		23,901	15,928
Serious Fraud Office (SFO) investigation costs		205	3,501

¹ Depreciation of \$56,426 (2015: \$Nil) is included in the New Zealand-grown kiwifruit research figure. Total depreciation is \$1,797,138.

² Contracted-supplier fruit returns by means of fruit and service payments reflect the value of sales from New Zealand-grown kiwifruit after deducting those expenses defined under the annual New Zealand Supply Agreement, including derivative gains and losses.

³ The penalties provision release for China includes \$975,179 of current year unrealised foreign exchange differences.

⁴ Psa research conducted in conjunction with KVH of \$2,031,150 (2015: \$1,488,808) is included in the New Zealand-grown kiwifruit research figure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FEES TO AUDITORS

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

	2016 \$'000	2015 \$'000
Audit services:		
Audit of the Financial Statements of the Group – KPMG NZ	195	195
Audit of the Financial Statements of the Group's subsidiaries – KPMG network firms	108	82
Total audit fees	303	277
Audit-related services		
Pool assurance services ¹	30	30
Other assurance services ²	19	-
Total audit fees and audit-related services	352	307
Non-audit-related services:		
Regulatory compliance	-	15
SFO compliance ³	10	71
Financial reporting advisory on IFRS13	-	31
Total non-audit-related services	10	117
Total fees paid to the Company's auditors	362	424

¹ Pool assurance services relates to the external review by KPMG of the allocation of material costs to the pool. Each year a different category of cost is reviewed on a rolling basis.

² Other assurance services include a review engagement related to the Callaghan Innovation Growth grant and agreed-upon procedures related to the share trading platform.

³ Compliance costs related to the provision of information required as part of the Serious Fraud Office investigation.

Other audit fees of \$100,346 (2015: \$129,564) have been paid to other auditors to meet local audit requirements.

5. OTHER NET GAINS/(LOSSES)

	2016 \$'000	2015 \$'000
Net gains from derivatives	5,693	103,137
Net foreign exchange gains/(losses) from non-derivatives	37,121	5,391
Total other net gains/(losses)	42,814	108,528

6. FINANCE REVENUE AND EXPENSE

(a) Finance revenue	2016 \$'000	2015 \$'000
Interest revenue	5,560	6,000
Total finance revenue	5,560	6,000
(b) Finance expense	2016 \$'000	2015 \$'000
Interest expense	172	-
Fee expense	1,708	1,009
Total finance expense	1,880	1,009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION

(a) Taxation expense	2016 \$'000	2015 \$'000
Net profit before taxation	46,516	50,926
Taxation at 28%	13,024	14,259
Tax effect of:		
Non-deductible or non-assessable items	(2,687)	576
Translation differences on foreign tax	(1,069)	871
Tax under/(over) provided in prior year	(75)	56
Foreign income at different tax rates	837	1,059
Movement in distribution of accumulated retained earnings of subsidiaries	658	(516)
Taxation expense	10,688	16,305
Effective tax rate (%) ¹	23.0%	32.0%
Taxation expense is represented by:		
Current taxation expense:		
Current income tax charge	10,357	11,565
Adjustments of prior years	(75)	56
Deferred taxation expense:		
Origination and reversal of temporary differences	406	4,684
Taxation expense	10,688	16,305

¹ The effective tax rate excluding the provision release for Zespri Jia Pei Fruit (Shanghai) Co. Limited is 31.9 percent. Refer to Note 20.

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

(b) Components of deferred taxation	2016 \$'000	2015 \$'000
Property, plant and equipment, and intangibles	(2,785)	(1,144)
Inventories and receivables	(3,870)	(6,344)
Retained earnings in subsidiaries	(2,417)	(1,759)
Provisions and accruals	2,903	4,057
Other financial assets and liabilities	(138)	(143)
Employee entitlements	2,246	1,435
Net deferred (liabilities)/assets	(4,061)	(3,898)
Deferred tax assets	2,469	3,511
Deferred tax liabilities	(6,530)	(7,409)
Net deferred (liabilities)/assets	(4,061)	(3,898)

(c) Net change in deferred tax balances	2016 \$'000	2015 \$'000
Net deferred (liabilities)/assets at 1 April	(3,898)	730
Charged to Income Statement	(406)	(4,684)
Exchange differences and other	243	56
Net deferred (liabilities)/assets at 31 March	(4,061)	(3,898)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION (CONTINUED)

(d) Tax credits available to shareholders	2016 \$'000	2015 \$'000
New Zealand imputation credit account		
Balance at 1 April credit	6,405	8,656
Income tax payments made to New Zealand tax authorities during the year	2,300	4,000
Imputation credits attached to dividends paid	(5,618)	(5,618)
Transfers/refunds	(867)	(633)
Balance at 31 March credit	2,220	6,405
Adjustments required under FRS-44: ¹		
Imputation credits available to refund excess tax	(2,115)	(5,272)
Total tax credits available for use at 31 March	105	1,133

¹ Effective for reporting periods beginning on or after 1 July 2011, an entity is required to adjust imputation credits available for use for income tax refunds due.

On 24 May 2016, the Board of Directors announced an intention to declare a dividend of 19.0 cents per share which will not be recognised in the Financial Statements until July 2016, when it is declared. It is intended that no imputation credits will be attached to the dividend.

8. EARNINGS PER SHARE

	2016	2015
Net profit after taxation attributable to shareholders (\$'000)	35,828	34,621
Weighted average shares ('000)	120,717	120,717
Basic and diluted earnings per share (\$)	0.297	0.287

9. RECONCILIATION OF MOVEMENTS IN RESERVES

(a) Other reserves	Note	Defence fund reserve	
		2016 \$'000	2015 \$'000
Balance at 1 April		2,744	1,263
Revenue transferred from retained earnings		4,191	2,076
Expenses transferred from retained earnings		-	(19)
Income tax effect on items transferred from retained earnings		(1,174)	(576)
Transfers to retained earnings	9 (b)	(5,761)	-
Balance at 31 March		-	2,744

In 2015/16, the Directors reviewed the defence fund reserve and resolved to transfer the balance from other reserves to retained earnings as at 31 March 2016. An amount of \$5,760,738 was transferred from the defence fund reserve to retained earnings. Any future protection activity for intellectual property in PVRs will be funded from retained earnings.

(b) Retained earnings	Notes	2016 \$'000	2015 \$'000
Balance at 1 April		88,787	70,148
Dividend paid during the year	11	(14,501)	(14,501)
Net profit after taxation attributable to shareholders		35,828	34,621
Revenue attributed to defence fund transferred to other reserves		(4,191)	(2,076)
Expenses attributed to defence fund transferred to other reserves		-	19
Income tax effect on items transferred to other reserves		1,174	576
Transfers from other reserves	9 (a)	5,761	-
Balance at 31 March		112,858	88,787

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. SHARE CAPITAL

(a) Number of shares issued	2016 No. of shares	2015 No. of shares
Number of authorised and fully paid issued ordinary shares at 31 March, at no par value	120,717,335	120,717,335

(b) Share capital value	2016 \$'000	2015 \$'000
Balance at 31 March	18,017	18,017

Ordinary shares: All ordinary shares rank equally subject to the voting cap. Each shareholder is entitled to one vote per ordinary share up to a maximum that is calculated by reference to that shareholder's share of total New Zealand production supplied to Zespri Group.

(c) Capital management

The Company's activities are restricted under the Kiwifruit Export Regulations 1999 in order to protect shareholders and contracted suppliers. The providers of capital must agree to the use of capital for any non-core activities and those who have not agreed cannot be exposed to more than minimal risk.

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

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

- issued shares under the Kiwifruit Industry Restructuring Act 1999 in line with the production of New Zealand kiwifruit vines existing at the time;
- issued shares in a pro-rata offer in 2001 to obtain equity required to support activities stemming from increases in new plantings in New Zealand;
- issued shares in 2005 in a targeted offer to growers to realign shareholdings with levels of production of growers, while offering a voluntary share buy-back to dry shareholders or growers holding more shares than their proportion of production;
- transferred retained earnings to other reserves (refer Notes 1(k) and 9(a)) to separate funds from those available for distribution to shareholders;
- performed a share split in September 2010 to achieve a better alignment between trays supplied and total shares; and
- transferred other reserves to retained earnings to cover Psa-related funding.

Share capital

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

As noted in (b) above, voting rights of shareholders are capped by reference to the individual shareholder's share of total New Zealand production supplied to the Company during the year. Divergence between shareholdings and production can occur through the production impact of new plantings and as growers enter or exit the industry in New Zealand. This divergence is monitored by the Company at least annually, through the process of determining the voting caps of shareholders prior to the Annual Meeting of the Company.

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

Payment of dividends

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

11. DIVIDENDS PAID

	2016 \$'000	2015 \$'000
Ordinary dividends:		
On ordinary shares – final (prior year)	8,450	8,450
On ordinary shares – interim (current year)	6,036	6,036
Supplementary dividends (to non-residents)	15	15
Total dividends paid	14,501	14,501

The dividends above are fully imputed. Supplementary dividends of \$15,308 (2015: \$14,893) were paid to shareholders not tax resident in New Zealand, for which Zespri Group received a foreign investor tax credit entitlement.

On 24 May 2016, the Board of Directors announced an intention to pay a final dividend of 19.0 cents per share (2015: 7.0 cents per share), totalling \$22,936,294 (2015: \$8,450,213). The dividend will be paid on 12 August and it is intended that no imputation credits will be attached to the dividend (2015: 3,276,782). Because the intention was announced after balance date, the financial effect has not been recognised in the Financial Statements. During the year, the 2015 final dividend declared on 21 July 2015 of 7.0 cents per share and the 2016 interim dividend declared on 20 October 2015 of 5.0 cents per share were paid and recognised in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. ACCOUNTS RECEIVABLE

	2016 \$'000	2015 \$'000
Current:		
Trade receivables	35,994	26,855
Other receivables ¹	18,571	8,736
	54,565	35,591
Indirect taxation	12,561	8,980
Total current receivables	67,126	44,571
Non-current:		
Trade receivables ²	5,959	13,746
Total non-current receivables	5,959	13,746
Total receivables	73,085	58,317

¹ Other receivables include an amount of \$3.6 million (2015: \$4.0 million) of 'hail' receivable against the New Zealand pool to offset the insurance provision. This is a result of the hail events in December 2015. Research and development co-funding of \$4.5 million is receivable from Callaghan Innovation.

² Non-current receivables include licence revenue receivables which have deferred payment terms for up to five years.

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

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

Amounts receivable from related parties are disclosed at Note 27.

A provision for doubtful debts is recognised where there is evidence that an individual trade receivable is impaired. As at 31 March 2016, \$Nil trade receivables (2015: \$Nil) were impaired and provided for.

Accounts receivable past due but not impaired	2016 \$'000	2015 \$'000
Less than 3 months overdue	4,535	5,723
Between 3 and 6 months overdue	4,652	569
Between 6 and 12 months overdue	245	64
More than 12 months overdue	13	5
Accounts receivable past due but not impaired at 31 March	9,445	6,361

The 3 to 6 month overdue amounts include charges relating to supplier accountability charged under the Supply Agreement.

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

13. PREPAYMENTS

	2016 \$'000	2015 \$'000
Current:		
Prepaid submit payments for next season's fruit not recorded in inventory	8,563	9,430
Insurance	3,462	2,502
Other	4,183	3,370
Total current prepayments	16,208	15,302
Non-current:		
Other	1,263	1,052
Total non-current prepayments	1,263	1,052
Total prepayments	17,471	16,354

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. FINANCIAL ASSETS AND LIABILITIES

(a) Financial assets per Balance Sheet	Notes	Loans and receivables		Assets designated at fair value through the Income Statement		Total	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Derivatives – held for trading		-	-	84,166	169,073	84,166	169,073
Accounts receivable	12	73,085	58,317	-	-	73,085	58,317
Cash and cash equivalents	23(b)	165,027	146,996	-	-	165,027	146,996
Total other financial assets		238,112	205,313	84,166	169,073	322,278	374,386
Represented by:							
Current		232,153	191,567	44,979	107,054	277,132	298,621
Non-current		5,959	13,746	39,187	62,019	45,146	75,765
Total other financial assets		238,112	205,313	84,166	169,073	322,278	374,386

(b) Financial liabilities per Balance Sheet	Note	Liabilities at amortised cost		Liabilities designated at fair value through the Income Statement		Total	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Derivatives – held for trading		-	-	25,160	23,884	25,160	23,884
Contracted future suppliers		-	-	59,006	145,031	59,006	145,031
Accounts payable and accruals	19	178,638	128,588	-	-	178,638	128,588
Total other financial liabilities		178,638	128,588	84,166	168,915	262,804	297,503
Represented by:							
Current		177,301	127,133	44,979	106,896	222,280	234,029
Non-current		1,337	1,455	39,187	62,019	40,524	63,474
Total other financial liabilities		178,638	128,588	84,166	168,915	262,804	297,503

Fair value of financial assets and liabilities

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

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

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – Inputs for the asset or liability that are not based on market-observable data (i.e. unobservable inputs).

Fair value of financial assets and liabilities valuation hierarchy	Level 2		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets				
Derivatives – held for trading	84,166	169,073	84,166	169,073
	84,166	169,073	84,166	169,073
Liabilities				
Derivatives – held for trading	25,160	23,884	25,160	23,884
Contracted future suppliers	59,006	145,031	59,006	145,031
	84,166	168,915	84,166	168,915

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. INVENTORIES

	2016 \$'000	2015 \$'000
New Zealand-grown kiwifruit inventory (next season)	25,009	9,015
Non-New Zealand-grown kiwifruit inventory	3,537	3,680
Packaging materials	8,870	6,949
Other	57	74
Total inventories	37,473	19,718

Security pledged

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

16. PROPERTY, PLANT AND EQUIPMENT

	Land and improvements \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Work in progress \$'000	Total \$'000
2016							
Net book value 31 March	9,578	2,373	946	2,593	371	564	16,425
2015							
Net book value 31 March	-	-	830	1,634	246	1,620	4,330

During the year Zespri Group Ltd purchased the land and buildings at 400-410 Maunganui Road. The total cost related to the purchase was \$11,024,134.

Security pledged

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

17. INTANGIBLES

	Development costs \$'000	Computer software \$'000	Work in progress \$'000	Total \$'000
2016				
Cost as at 1 April	15,023	34,567	3,457	53,047
Accumulated amortisation	(9,397)	(13,381)	-	(22,778)
Net book value 1 April	5,626	21,186	3,457	30,269
Amortisation expense	(1,786)	(5,536)	-	(7,322)
Impairment expense	(20)	-	-	(20)
Additions	1,052	4,655	1,942	7,649
Disposals (net)	-	(5)	-	(5)
Transfers	89	3,327	(3,416)	-
Net book value 31 March	4,961	23,627	1,983	30,571
Cost as at 31 March	16,164	41,308	1,983	59,455
Accumulated amortisation	(11,203)	(17,681)	-	(28,884)
Net book value 31 March	4,961	23,627	1,983	30,571

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. INTANGIBLES (CONTINUED)

	Development costs \$'000	Computer software \$'000	Work in progress \$'000	Total \$'000
2015				
Cost as at 1 April	13,084	13,488	8,796	35,368
Accumulated amortisation	(7,906)	(11,040)	-	(18,946)
Net book value 1 April	5,178	2,448	8,796	16,422
Amortisation expense	(1,491)	(2,341)	-	(3,832)
Additions	1,838	12,611	3,230	17,679
Disposals (net)	-	-	-	-
Transfers	101	8,468	(8,569)	-
Net book value 31 March	5,626	21,186	3,457	30,269
Cost as at 31 March	15,023	34,567	3,457	53,047
Accumulated amortisation	(9,397)	(13,381)	-	(22,778)
Net book value 31 March	5,626	21,186	3,457	30,269

Development costs

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

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

In New Zealand, the Company holds the exclusive right to propagate and distribute plant material, and market and sell the variety of kiwifruit known in New Zealand as Hort16A, until 14 November 2018.

On 20 May 2015, the Board of Directors of Zespri Group Limited resolved to withdraw the Gold9 variety from commercial production under clause 14.1 of the Zespri Kiwifruit Variety Licence. All Gold9 licences were terminated effective 30 June 2015. The net book value of the Gold9 PVR is \$Nil at 31 March 2016 (2015: \$31,360).

Intangibles work in progress

As at 31 March 2016, 97 percent (2015: 97 percent) of the Group intangibles work in progress relates to ongoing computer software projects.

Security pledged

In addition to The New Zealand Institute for Plant & Food Research Limited security interest mentioned above, refer to Note 25 for additional detail of security pledged by Zespri Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. INVESTMENT IN SUBSIDIARY COMPANIES

Zespri Group Limited is the ultimate holding company for the Zespri Group of companies. All subsidiaries have a 31 March balance date with the exception of Zespri Jia Pei Fruit (Shanghai) Co. Limited, Zespri Fruit (Shanghai) Co and Zespri Fruit Consultoria (Brasil) Ltda, which all have a 31 December balance date due to local requirements. The results of the operations of the following wholly owned subsidiaries for the year ending 31 March 2016 have been included in the consolidated Financial Statements:

Subsidiary	Incorporated	Nature of activities
Zespri International Limited	New Zealand	Management of the export, sale and marketing of New Zealand-grown kiwifruit and management of the sale and marketing of non-New Zealand-grown kiwifruit
Aragorn Limited	New Zealand	Non-trading company
Zespri Innovation Company Limited	New Zealand	Research
Zespri International (Asia) Limited	New Zealand	Marketing and promotion services, includes Taiwan branch
Zespri International (Japan) Limited	New Zealand	Non-trading company
Zespri International Trading Limited	New Zealand	Investment company, includes South African branch
Zespri New Zealand Limited	New Zealand	Investment company
Zespri International (Australia) Pty Limited	Australia	Management of the growing, sourcing and sale of Zespri Gold (Hort16A) Kiwifruit grown in Australia
Zespri International (Europe) N.V.	Belgium	Management of sales and marketing in Europe of all New Zealand-grown kiwifruit and non-New Zealand-grown Zespri Gold (Hort16A and Gold3) Kiwifruit. Management of trading in non-New Zealand-grown Zespri Green Kiwifruit produced in Europe
Zespri Service Centre N.V.	Belgium	Service provision to Zespri Group companies
Zespri Fruit Consultoria (Brasil) Ltda	Brazil	In-market support and marketing services
Zespri Jia Pei Fruit (Shanghai) Co. Limited	China	In-market support and marketing services
Zespri Fruit (Shanghai) Co. Limited	China	In-market support and marketing services
Zespri Fresh Produce France S.A.R.L.	France	Management of the growing and sourcing of Zespri Gold3 Kiwifruit and management of the growing, sourcing and sale of Zespri Hort16A Kiwifruit grown in France
Zespri International France E.U.R.L.	France	In-market support of Belgian companies
Zespri International Germany GmbH	Germany	In-market support of Belgian companies
Zespri International (India) Pvt Limited	India	In-market support and marketing services
Zespri Fresh Produce Italy S.r.l.	Italy	Management of the growing and sourcing of Zespri Gold3 Kiwifruit and management of the growing, sourcing and sale of Zespri Hort16A Kiwifruit grown in Italy
Zespri International Italy S.r.l.	Italy	In-market support of Belgian companies
Zespri International (Japan) K.K.	Japan	Management of the growing, sourcing and sale of Zespri Gold (Hort16A) Kiwifruit grown in Japan, and management of the sale of New Zealand-grown kiwifruit
Zespri International (Korea) Co. Limited	Korea	Management of the growing, sourcing and sale of Zespri Gold (Hort16A) Kiwifruit grown in Korea, and management of the sale of New Zealand-grown kiwifruit
Zespri International (Singapore) Pte Limited	Singapore	Regional marketing and support services
Zespri International Iberica SL	Spain	In-market support of Belgian companies
Zespri International Nordic AB	Sweden	In-market support of Belgian companies
Zespri Fruit (Middle East) DMCC ¹	United Arab Emirates	In-market support and marketing services
Zespri International (United Kingdom) Limited	United Kingdom	In-market support of Belgian companies
Zespri Fresh Produce North America Inc.	United States of America	Non-trading company
New Zealand Kiwi Holdings Inc.	United States of America	In-market support and marketing services
New Zealand Kiwi Corporation Inc.	United States of America	Non-trading company

¹ A new company was established during this financial year in United Arab Emirates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. ACCOUNTS PAYABLE AND ACCRUALS

	2016 \$'000	2015 \$'000
Current:		
Trade creditors	32,834	27,931
Accrued expenses	53,482	39,240
New Zealand fruit and service payments accrued – current season ¹	44,693	32,020
New Zealand fruit and service payments accrued – next season	34,264	18,344
Income in advance	119	-
Payroll tax deductions payable	1,705	1,324
Employee entitlements	10,204	8,274
Total current accounts payable and accruals	177,301	127,133
Non-current:		
Employee entitlements	1,337	1,455
Total non-current accounts payable and accruals	1,337	1,455
Total accounts payable and accruals	178,638	128,588

¹ Relates to contracted suppliers of New Zealand-grown kiwifruit. As at 31 March 2016, 96 percent (2015: 97 percent) of fruit and service payments had been made.

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

20. PROVISIONS AND INSURANCE LIABILITIES

	Loyalty premium		Other provisions		Insurance liabilities		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Value at 1 April	13,972	12,622	17,872	17,600	4,007	-	35,851	30,222
Amounts charged	(25,753)	(21,842)	(4,087)	(6,679)	(3,022)	-	(32,862)	(28,521)
Reversal of provision	-	-	(14,019)	(58)	(985)	-	(15,004)	(58)
Additional provision	29,642	23,192	7,419	5,052	3,948	4,007	41,009	32,251
Exchange differences	-	-	975	1,957	-	-	975	1,957
Value at 31 March	17,861	13,972	8,160	17,872	3,948	4,007	29,969	35,851
Represented by:								
Current	17,861	13,972	7,508	17,872	3,948	4,007	29,317	35,851
Non-current	-	-	652	-	-	-	652	-
	17,861	13,972	8,160	17,872	3,948	4,007	29,969	35,851

Loyalty premium

A loyalty premium is paid to New Zealand growers who have signed a three-year rolling grower contract and met the conditions of that contract. The loyalty premium is 25 cents (2015: 25 cents) per tray equivalent of New Zealand Class 1 kiwifruit supplied to the Company. The premium is paid in two instalments. The first instalment of 10 cents per Class 1 tray equivalent was paid on 20 January 2016 (2015: 20 January 2015). The remaining 15 cents of loyalty premium per Class 1 tray equivalent will be paid on 15 June 2016 (2015: 15 June 2015).

Other provisions:

Serious Fraud Office

The Serious Fraud Office (SFO) has issued notices to the Company seeking Company documents and information pursuant to Section 9 of the Serious Fraud Act 1990. This information is being compiled and provided to the SFO as required. As at 31 March 2016, an amount of \$0.5 million (2015: \$1.4 million) representing the estimate of legal and other costs to meet the requirements anticipated by management is recorded in other provisions.

Packaging contamination issue

In April 2016, Zespri Group were advised of a packaging contamination issue relating to fruit packed prior to 31 March 2016, isolated to a particular pack type. As at 31 March 2016, an amount of \$4.4 million has been recognised as a provision for costs relating to this issue. All fruit potentially exposed to the issue was put on hold. In April 2016, it was confirmed there was no risk to consumer health. The fruit has undergone a rigorous checking and repack process and unaffected fruit has been released from hold.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. PROVISIONS AND INSURANCE LIABILITIES (CONTINUED)

China penalties

Zespri Jia Pei Fruit (Shanghai) Co. Ltd was found guilty in 2013 of being an accessory to the underpayment of customs duties in China. This follows the failure by independent Chinese importers to pay import duty on Zespri kiwifruit in the 2008 to 2010 sales seasons. As at 31 March 2016, the provision is \$Nil (2015: \$14.1 million). During the year, Zespri settled the fine of RMB 5 million (\$1.1 million) to the Shanghai Court and has released the remaining provision. Zespri's assessment is that there is no outstanding liability which would satisfy accounting standards for retaining the provision.

Other provisions

Other provisions include: final costs of compensation for the withdrawal of the Gold9 variety from commercial production; future obligations specified in the sale and purchase agreement for the purchase of the land at 400-410 Maunganui Road; costs relating to a dispute lodged under the Supply Agreement for supplier accountability penalties charged to New Zealand suppliers; the remaining commitment to KVH for Psa funding and legal costs relating to ongoing proceedings in the Employment and High Courts of New Zealand.

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

Insurance liabilities

During the year, a number of orchards were affected by hail events in Nelson and Bay of Plenty. An amount of \$3.9 million (2015: \$4.0 million) has been recognised as an insurance liability in the Zespri Group accounts as at 31 March 2016.

21. OPERATING LEASES AND OTHER COMMITMENTS

	2016 \$'000	2015 \$'000
Operating lease commitments		
Non-cancellable operating lease payments:		
Payable within one year	4,056	1,946
Payable between one and five years	4,172	3,942
Payable after five years	126	-
	8,354	5,888
Total future non-cancellable operating lease receipts:		
Receivable within one year	(19)	(18)
	(19)	(18)
Lease expense recognised in the Income Statement under operating expenses:		
Minimum lease payments	2,520	2,225
Sublease and lease receipts	(29)	(25)
	2,491	2,200

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. RECONCILIATION OF NET PROFIT AFTER TAXATION WITH NET CASH FROM OPERATING ACTIVITIES

	Notes	2016 \$'000	2015 \$'000
Net profit after taxation		35,828	34,621
Non-cash items:			
Net loss on sale of property, plant and equipment, and intangibles		125	128
Impairment of intangible assets	17	20	-
Net (gain)/loss on foreign currency cash balances		(13,963)	(1,891)
Additional provisions net of reversals and foreign exchange differences		26,978	28,186
Depreciation of plant, property and equipment		1,798	1,401
Amortisation of intangibles	17	7,322	3,832
Movement in deferred taxation		163	4,628
		22,443	36,284
Movement in working capital:			
Increase in receivables and prepayments		(15,885)	(15,221)
Decrease in net current income tax		(1,748)	1,570
Decrease in other financial assets		84,907	35,723
Increase in inventories		(17,755)	(2,745)
Increase in payables to contracted suppliers ¹		30,153	9,412
Decrease in accounts payable, accruals, provisions and employee entitlements		(12,022)	(17,452)
Decrease in other financial liabilities		(84,749)	(35,471)
		(17,099)	(24,184)
Items classified as financing activities		(5,551)	(5,955)
Net cash available from/(utilised by) operating activities		35,621	40,766

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

23. FINANCIAL INSTRUMENTS

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

(a) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Liquidity risk (continued)

Contractual maturities as at 31 March	Notes	< 1 year \$'000	1-2 years \$'000	2-5 years \$'000	Total \$'000
2016					
Non-derivatives:					
Trade creditors	19	32,834	-	-	32,834
Accruals and other payables	19	144,467	-	1,337	145,804
		177,301	-	1,337	178,638
Derivatives:					
Derivatives – held for trading	14(b)	19,157	4,346	1,657	25,160
Contracted future suppliers	14(b)	25,822	17,242	15,942	59,006
		44,979	21,588	17,599	84,166
Total contractual maturities		222,280	21,588	18,936	262,804
2015					
Non-derivatives:					
Trade creditors	19	27,931	-	-	27,931
Accruals and other payables	19	99,202	-	1,455	100,657
		127,133	-	1,455	128,588
Derivatives:					
Derivatives – held for trading	14(b)	17,957	5,424	503	23,884
Contracted future suppliers	14(b)	88,939	48,651	7,441	145,031
		106,896	54,075	7,944	168,915
Total contractual maturities		234,029	54,075	9,399	297,503

(b) Credit risk

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

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

(i) Credit risk counter-parties:

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

Zespri Group continuously monitors the credit quality of the counter-parties to its financial instruments. Zespri Group does not anticipate non-performance by any of its counter-parties.

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

Maximum exposures to credit risk	Notes	2016 \$'000	2015 \$'000
Bank balances		64,956	31,646
Short-term deposits		100,071	115,350
Cash and cash equivalents		165,027	146,996
Accounts receivable	12	60,524	49,337
Derivatives – held for trading	14(a)	84,166	169,073
Total maximum exposures to credit risk		309,717	365,406

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

(iii) Concentration of credit risk:

Concentration of credit risk by geographical location is indicated below:

Location of counter-party	Europe \$'000	Japan \$'000	Other Asia \$'000	USA Canada \$'000	New Zealand \$'000	Australia \$'000	Other \$'000	Total \$'000
2016								
Bank balances	3,219	3,937	53,649	3,019	940	169	23	64,956
Short-term deposits	-	-	-	-	100,071	-	-	100,071
Cash and cash equivalents	3,219	3,937	53,649	3,019	101,011	169	23	165,027
Accounts receivable	19,230	544	1,539	334	37,482	6	1,389	60,524
Derivatives – held for trading	15,729	-	-	-	67,458	979	-	84,166
Total location of counter-party	38,178	4,481	55,188	3,353	205,951	1,154	1,412	309,717
2015								
Bank balances	4,637	1,422	16,291	1,629	7,619	48	-	31,646
Short-term deposits	-	-	-	-	115,350	-	-	115,350
Cash and cash equivalents	4,637	1,422	16,291	1,629	122,969	48	-	146,996
Accounts receivable	18,736	-	622	99	29,609	-	271	49,337
Derivatives – held for trading	18,492	-	-	-	145,764	4,817	-	169,073
Total location of counter-party	41,865	1,422	16,913	1,728	298,342	4,865	271	365,406

(c) Market risk

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

(i) Interest rate risk:

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

Zespri Group may put in place seasonal funding facilities if required (refer Note 25). Zespri Group is primarily a short-term borrower and investor and generally carries any interest rate risk itself. Investments consist of on-call funds and short-term deposits. Interest rate derivative instruments may be used at Zespri Group's discretion within the confines of the Treasury Management Policy. No interest rate derivative contracts were entered into during the year (2015: Nil).

(ii) Currency risk:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk: (continued)

Foreign exchange contracts

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

	Notional value		Fair value gain/(loss)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At fair value through the Income Statement – held for trading				
Sell forward exchange contracts	1,645,442	1,274,612	58,405	162,444
Currency option contracts	196,804	117,596	6,909	(3,053)
	1,842,246	1,392,208	65,314	159,391
Represented by:				
Other financial assets			84,166	168,965
Other financial liabilities			(18,852)	(9,574)
			65,314	159,391
By currency:				
EUR/NZD	536,251	454,106	21,368	58,894
JPY/NZD	469,996	442,294	23,881	104,555
USD/NZD	835,999	449,002	20,065	(4,335)
USD/KRW	-	46,806	-	277
	1,842,246	1,392,208	65,314	159,391

	Notional value		Fair value gain	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Maturity of foreign exchange contracts				
Less than one year	945,684	797,582	32,129	101,274
Within one to two years	542,902	439,105	17,243	50,676
More than two years	353,660	155,521	15,942	7,441
	1,842,246	1,392,208	65,314	159,391

(iii) Commodity price risk:

During the course of business, Zespri Group exports fruit incurring significant freight expenses which are impacted by fluctuations in the price of oil.

As part of the commodity hedging strategy, oil forward contracts were entered into during the year. The value of these contracts held at balance date were:

	Notional value		Fair value gain/(loss)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At fair value through the Income Statement – held for trading				
Oil price forward contracts	11,067	43,277	(6,308)	(14,202)
	11,067	43,277	(6,308)	(14,202)
Represented by:				
Other financial assets			-	109
Other financial liabilities			(6,308)	(14,311)
			(6,308)	(14,202)

	Notional value		Fair value gain/(loss)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Maturity of oil price forward contracts				
Less than one year	11,067	33,056	(6,308)	(12,177)
More than one year	-	10,221	-	(2,025)
	11,067	43,277	(6,308)	(14,202)

Fair value estimation

The fair value of forward exchange, currency option and oil price forward contracts is determined using valuation techniques with observable inputs. The fair values of financial assets and financial liabilities are measured by discounting future cashflows at the current market interest rate plus an estimated credit margin that are available for similar financial instruments (refer Note 14).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk sensitivity as at 31 March

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

Due to the seasonal nature of the business, the impact on the Income Statement and equity resulting from movements in foreign exchange rates and interest rates that could have occurred at 31 March is unrepresentative of the exposure during the year and is immaterial to the results for the year ended 31 March 2016.

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

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

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

(e) Embedded derivatives

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

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

	Notional value		Fair value gain/(loss)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Contracted future suppliers	1,853,313	1,435,485	(59,006)	(145,189)

24. GUARANTEES AND CONTINGENT LIABILITIES

(a) Guarantees

The Bank of New Zealand on behalf of Zespri Group Limited has provided a guarantee to Vero Insurance Limited in relation to insurance excesses payable for marine cargo insurance.

Zespri International Limited has secured, by letter of intent, a credit facility with Belfius Bank (formerly Dexia Bank) for Zespri Service Centre N.V. The maximum exposure level is \$1,152,044 (2015: \$1,003,820).

Zespri Service Centre N.V. has provided a guarantee in favour of Cofinimmo N.V. for a lease guarantee on an office building.

Zespri International Limited has guaranteed, by way of three bank guarantees, an Italian VAT recovery.

	2016 \$'000	2015 \$'000
The Bank of New Zealand on behalf of Zespri Group Limited has provided a guarantee to Vero Insurance Limited in relation to insurance excesses payable for marine cargo insurance.	3,500	3,500
Zespri International Limited has secured, by letter of intent, a credit facility with Belfius Bank (formerly Dexia Bank) for Zespri Service Centre N.V. The maximum exposure level is \$1,152,044 (2015: \$1,003,820).		
Zespri Service Centre N.V. has provided a guarantee in favour of Cofinimmo N.V. for a lease guarantee on an office building.	152	133
Zespri International Limited has guaranteed, by way of three bank guarantees, an Italian VAT recovery.	487	426
	4,139	4,059

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

(b) Contingent liabilities

New cultivars

A contingent liability exists for licences issued under the various variety licence agreements signed by Zespri and the growers in 2015/16, 2014/15, 2013/14, 2012/13, 2011/12 and 2010/11. During this financial year, Zespri issued in total 251 hectares (2015: 456 hectares) of Gold3 licences. The variety licence agreement commits Zespri to a possible obligation under three different scenarios, these being as follows:

Plant Variety Right not granted

In the event that a decision is made by the relevant New Zealand authorities not to grant a Plant Variety Right (PVR) for any of the new cultivars, then the full original licence fee for that cultivar will be refunded to the relevant licence holders, regardless of time elapsed from commercialisation. Furthermore, if the Company decides to remove all plant material for the respective variety for which a PVR has not been granted, it will pay an additional fee of \$5,000 (incl GST) per hectare. The Company has not yet been granted a PVR in New Zealand for any of the three cultivars commercialised in 2010 (Gold3, Gold9, Green14) but has provisional protection, pending determination of these applications. As at 31 March 2016, the maximum exposure under the PVR not Granted scenario is \$65.3 million (2015: \$65.1 million).

Zespri Group chooses to decommercialise a variety

Under the various variety licence agreements, should the Company decide to withdraw any variety for any reason, the Company is required to reimburse the licence holder a calculated rate of \$5,000 (incl GST) per hectare, provided that no more than four whole years have elapsed. In addition, the Company is required to refund a percentage of the original licence price. As at 31 March 2016, the maximum exposure under the decommercialisation scenario is \$39.6 million (2015: \$48.6 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. GUARANTEES AND CONTINGENT LIABILITIES (CONTINUED)

(b) Contingent liabilities (continued)

New variety succumbs to Psa

For licences granted in 2013/14, 2014/15 and 2015/16 in the event that a new variety has, in the opinion of the Company, succumbed to Psa, the licence applicant may elect to surrender the licence and the Company will refund 80 percent of the purchase price of the licence. As at 31 March 2016, the maximum exposure under this scenario is \$14.3 million (2015: \$12.6 million).

The maximum new cultivar contingent liability as at 31 March 2016 is \$65.3 million (2015: \$65.1 million).

Serious Fraud Office

The Serious Fraud Office (SFO) has issued notices to the Company seeking company documents and information pursuant to Section 9 of the Serious Fraud Act 1990. This information is being provided to the SFO as required, and it is uncertain whether any claim will be made against the Company. It is therefore unknown what the impact, if any, will ultimately be, and no provision has been made for any potential claim. Provision for legal and other costs in relation to meeting the requirements of the SFO investigation have been included in other provisions (see Note 20).

Other

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

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

25. FUNDING FACILITIES

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

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

As at 31 March 2016, the members of the Guaranteeing Group are:

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

As at 31 March 2016, the outstanding borrowing under the funding facility is \$Nil (2015: \$Nil). The maximum exposure relating to the operational treasury activities as at 31 March 2016 is \$25,160,143 (2015: \$23,884,517). This exposure relates entirely to the unrealised mark-to-market losses on derivatives as at 31 March 2016.

26. CAPITAL COMMITMENTS

(a) Property, plant and equipment commitments

As at 31 March 2016, there are outstanding capital commitments totalling \$461,565 for property, plant and equipment (2015: \$2,265,734).

(b) Intangibles commitments

As at 31 March 2016, there are outstanding capital commitments totalling \$1,452,472 for intangible assets (2015: \$2,028,713).

(c) Building commitments

As at 31 March 2016, there are outstanding capital commitments totalling \$64,371 for buildings (2015: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. RELATED PARTY TRANSACTIONS

(a) Key management personnel

Zespri Group's key management personnel include:

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

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

	2016 \$'000	2015 \$'000
Short-term key employee benefits (for key management personnel and Directors)	9,019	8,839
Short-term key employee benefits outstanding as at 31 March (for key management personnel and Directors)	1,756	1,633

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

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

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

During the year ended 31 March 2016, the Company conducted transactions with the following entities in the normal course of business:

AgResearch Limited, Apata Suppliers Limited, DMS Pro growers Supply Entity Limited, DMS Pro growers Limited, Fruit Force Partnership, Golf Course Orchard Limited Partnership, High Fives Orchard Limited, Kiwifruit Vine Health Incorporated, Kiwifruit Vine Health Foundation Incorporation, Mangatarata Orchards Limited, Montrose Partnership, Opotiki Packing and Coolstorage Limited, OPAC Growers Supply Limited, Port of Tauranga Limited, Progeny Kiwifruit Partnership, Rivas Orchard Limited, Somerset Marketing Limited and Trinity Lands Limited.

(2015: AgResearch Limited, Apata Suppliers Limited, BL & GM Cameron Family Trust, DMS Pro growers Supply Entity Limited, DMS Pro growers Limited, Fruit Force Partnership, High Fives Orchard Limited, Kiwifruit Vine Health Incorporated, Kiwifruit Vine Health Foundation Incorporation, Mangatarata Orchards Limited, Montrose Partnership, Opotiki Packing and Coolstorage Limited, OPAC Growers Supply Limited, Port of Tauranga Limited, Somerset Marketing Limited and Trinity Lands Limited.)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	2016 \$'000	2015 \$'000
Revenue/(expenses):		
Sale of Zespri variety licences ¹	25	25
Income received from KVH	2,872	1,045
Sundry income	1,001	387
Fruit and service payments	(129,649)	(95,298)
Loyalty premium	(3,056)	(2,443)
Expenses paid to KVH	(2,203)	(1,182)
Other expenses	(1,634)	(1,785)
Balances receivable/(payable):		
Sundry income receivable	10	-
Fruit and service payments outstanding	(4,915)	(2,306)
Loyalty premium payable	(1,834)	(1,466)
Provision for funding to KVH	(298)	(1,392)
Income receivable from KVH	1,417	588

¹ In 2015/16, interests directly associated with Directors purchased 2.63 hectares of new variety licences (2015: 3.61 hectares). Revenue of \$25,296 (2015: \$25,113) has been recognised. As at 31 March 2016, \$153,254 of licence fee revenue is due in future years (2015: \$208,048).

28. EVENTS OCCURRING AFTER BALANCE DATE

On 24 May 2016, the Board of Directors of Zespri Group Limited announced its intention to pay a final dividend of 19.0 cents per fully paid ordinary share (2015: 7.0 cents), to be paid on 12 August 2016. It is intended that no imputation credits (2015: 3,276,782) will be attached to the dividend. As the intention was announced after balance date, the financial effect has not been recognised in the Financial Statements.

In April 2016, Zespri Group were advised of a packaging contamination issue relating to fruit packed prior to 31 March 2016, isolated to a particular pack type. As at 31 March 2016, an amount of \$4.4 million has been recognised as a provision for costs relating to this issue. All fruit potentially exposed to the issue was put on hold. In April 2016, it was confirmed there was no risk to consumer health. The fruit has undergone a rigorous checking and repack process and unaffected fruit has been released from hold.

Subsequent to 31 March 2016, no other events have occurred that require disclosure in the Financial Statements.

29. STATUTORY BOARD AND GROWER REPRESENTATION FUNDING

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

Zespri Group Limited is required by The Commodity Levies (Kiwifruit) Order 2012 to pay a levy to New Zealand Kiwifruit Growers Incorporated on behalf of growers. The rate for the 2015/16 year was \$0.009 per tray of kiwifruit exported to markets other than Australia (2015: \$0.009 per tray). The total amount of Commodity Levy paid during the year was \$1,072,317 (2015: \$856,943).

Zespri Group Limited pays two different levies to Kiwifruit Vine Health Inc on behalf of growers: (1) a Psa levy of \$0.01 per tray Class 1 Green and \$0.02 per tray Class 1 Gold exported to markets other than Australia, and (2) a biosecurity levy of \$0.006 per tray for all varieties exported to markets other than Australia.

	2016 \$'000	2015 \$'000
Kiwifruit New Zealand	444	453
New Zealand Kiwifruit Growers Incorporated	1,072	857
Kiwifruit Vine Health Inc	2,226	1,144

The financial statements of New Zealand Kiwifruit Growers Incorporated are available for viewing on request.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. GROUP SEGMENT RESULTS

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

	New Zealand fresh kiwifruit	Non-New Zealand fresh kiwifruit	Research and development	Corporate services	Eliminations	Total
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total sales revenue – external customers	1,723,303	183,616	-	-	-	1,906,919
Inter-segment revenue	76	-	14,980	10,376	(25,432)	-
Inter-segment commission	-	-	-	163,748	(163,748)	-
Interest revenue	-	-	-	5,388	-	5,388
Other revenue	985	91	8,921	3,854	-	13,851
Total revenue	1,724,364	183,707	23,901	183,366	(189,180)	1,926,158
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 – onshore	36,018	-	-	-	-	36,018
Other direct costs – offshore	51,800	5,650	-	-	-	57,450
Gold9 decommercialisation provision funding	-	-	-	-	-	-
KVH funding	2,226	-	-	-	-	2,226
KNZ/NZKGI costs	1,516	-	-	-	-	1,516
Fruit and service payments	1,113,410	141,627	-	-	-	1,255,037
Loyalty premium	-	-	-	29,642	-	29,642
Research ¹	-	-	23,825	-	-	23,825
New cultivar amortisation	-	-	-	1,786	-	1,786
Inter-segment expense	173,210	915	76	14,979	(189,180)	-
Inter-segment interest (income)/expense	(2,472)	-	-	2,472	-	-
Other onshore costs	-	4,936	-	58,691	-	63,627
Other offshore costs	-	6,469	-	39,705	-	46,174
Green class 2 income	-	-	-	(10)	-	(10)
Total expense	1,724,364	173,292	23,901	147,265	(189,180)	1,879,642
Segment profit before taxation	-	10,415	-	36,101	-	46,516

¹ The total New Zealand-grown supply research cost is \$23,900,941. This is funded \$15,167,441 from corporate services and \$8,733,500 from external co-funders (refer note 2(b)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. GROUP SEGMENT RESULTS (CONTINUED)

2015	New Zealand fresh kiwifruit \$'000	Non-New Zealand fresh kiwifruit \$'000	Research and development \$'000	Corporate services \$'000	Eliminations \$'000	Total \$'000
Total sales revenue – external customers	1,401,091	167,102	-	-	-	1,568,193
Inter-segment revenue	50	-	11,887	4,533	(16,470)	-
Inter-segment commission	-	-	-	136,585	(136,585)	-
Interest revenue	-	-	-	6,000	-	6,000
Other revenue	76	1,222	4,041	24,975	-	30,314
Total revenue	1,401,217	168,324	15,928	172,093	(153,055)	1,604,507
Freight	116,894	6,347	-	-	-	123,241
Insurance (onshore and offshore)	4,085	49	-	-	-	4,134
Duty and customs	68,116	11	-	-	-	68,127
Promotion	82,749	3,013	-	-	-	85,762
Other direct costs – onshore	26,359	-	-	-	-	26,359
Other direct costs – offshore	46,467	4,410	-	-	-	50,877
Gold9 decommercialisation provision funding	-	-	-	1,551	-	1,551
KVH funding	1,144	-	-	-	-	1,144
KNZ/NZKGI costs	1,310	-	-	-	-	1,310
Fruit and service payments	915,776	135,996	-	-	-	1,051,772
Loyalty premium	-	-	-	23,192	-	23,192
Research ¹	-	-	15,878	-	-	15,878
New cultivar amortisation	-	-	-	1,491	-	1,491
Inter-segment expense	141,118	-	50	11,887	(153,055)	-
Inter-segment interest (income)/expense	(2,801)	-	-	2,801	-	-
Other onshore costs	-	3,662	-	46,229	-	49,891
Other offshore costs ²	-	5,844	-	43,721	-	49,565
Green class 2 income	-	-	-	(713)	-	(713)
Total expense	1,401,217	159,332	15,928	130,159	(153,055)	1,553,581
Segment profit before taxation	-	8,992	-	41,934	-	50,926

¹ The total New Zealand-grown supply research cost is \$15,928,116. This is funded \$11,886,704 from corporate services and \$4,041,412 from external co-funders (refer Note 2(b)).

² Offshore overheads for non-New Zealand kiwifruit of \$5,843,994 (2014: \$3,075,737) have increased due to a change in allocation between New Zealand kiwifruit and non-New Zealand kiwifruit. The change in allocation provides a fairer share of cost between segments.

Methods and assumptions

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

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

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

Zespri Group does not allocate income tax to reportable segments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. GROUP SEGMENT RESULTS (CONTINUED)

Group sales revenue – by location of external customers	2016		2015		
	Local currency	'000	Local currency	'000	
			2016	2015	
			\$'000	\$'000	
Japan	JPY	32,538,050	JPY 28,142,871	467,972	430,429
China	USD	216,502	USD 150,938	299,737	187,340
Spain	EUR	112,834	EUR 105,077	183,465	169,728
Taiwan	USD	105,224	USD 74,942	145,103	91,723
South Korea	KRW	89,432,097	KRW 90,192,941	110,340	100,866
Germany	EUR	64,655	EUR 50,833	105,725	83,092
Italy	EUR	50,899	EUR 48,556	82,987	78,897
The Netherlands	EUR	50,670	EUR 53,827	82,599	87,360
France	EUR	47,053	EUR 37,519	76,963	61,395
Belgium	EUR	36,254	EUR 33,447	59,014	54,144
USA	USD	32,953	USD 25,215	45,253	30,775
Hong Kong	USD	23,921	USD 22,276	33,136	27,287
New Zealand	NZD	1,700	NZD 1,269	1,700	1,269
Other	Various	-	Various -	212,925	163,888
Total revenue from product sales				1,906,919	1,568,193

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

	2016		2015		
	Local currency	'000	Local currency	'000	
			2016	2015	
			\$'000	\$'000	
Golden Wing Mau Agricultural Produce Company (China)	USD	145,360	USD 102,460	201,124	127,170

Non-current assets – by location of asset	2016		2015	
			\$'000	\$'000
New Zealand			51,227	46,495
Belgium			930	1,006
Japan			618	1,040
Other			1,443	856
			54,218	49,397
Other non-current assets (no assigned location):				
Deferred tax			2,469	3,511
Non-current other financial assets			39,187	62,019
Total non-current assets			95,874	114,927

STATUTORY INFORMATION

SHAREHOLDER INFORMATION

Top 20 shareholders at 31 March 2016	Number of shares	%
Mark Lionel William Gardiner & Robyn Anne Gardiner	1,700,325	1.41%
Trinity Lands Limited	1,684,175	1.40%
Cherry Trust	1,634,645	1.35%
DMS Horticulture Limited	1,407,500	1.17%
Maketu Estates Limited	1,373,470	1.14%
Mary Patricia Jones	1,339,545	1.11%
Mangatarata Orchards Limited	1,085,310	0.90%
Hopai Holdings Limited	1,072,432	0.89%
Kiwi Green New Zealand Limited	1,069,135	0.89%
Montrose Partnership	850,000	0.70%
Ngai Tukairangi Trust	816,590	0.68%
Seeka Kiwifruit Industries Limited	740,825	0.61%
Matai Pacific Limited	677,720	0.56%
Birdhurst Limited	675,610	0.56%
John David Anderson & IML Aerocool Trustee Company Limited	605,470	0.50%
DM & BA Reid Family Trust	596,450	0.49%
Progeny Kiwifruit Partnership	589,335	0.49%
Aronia Corporation Limited	579,570	0.48%
Sunnyvale Enterprises Limited	568,515	0.47%
Wakatu Incorporation	531,360	0.44%
	19,597,982	16.24%

Distribution of ordinary shares and registered shareholders at 31 March 2016

Size of holding	Number of shareholders	%	Number of shares	Size of holding %
1 – 5,000	149	7.3%	458,385	0.4%
5,001 – 25,000	782	38.2%	11,167,315	9.2%
25,001 – 50,000	469	22.9%	17,090,637	14.2%
50,001 – 250,000	571	27.9%	53,814,323	44.6%
Over 250,000	75	3.7%	38,186,675	31.6%
Total	2,046	100.0%	120,717,335	100.0%

Shareholder statistics

	2016	2015
Number of shares ('000)	120,717	120,717
Interim and final dividend (per share) ¹	\$0.24	\$0.12
Share price at year-end	\$1.82	\$1.64
Earnings per share	\$0.30	\$0.29
Net dividend yield	13.2%	7.3%
Gross dividend yield at 28% tax rate	14.3%	10.2%
Share trading		
Number of shares sold: on-market trades	1,657,730	2,308,385
Number of shares sold: off-market	646,750	899,925
Equity ratio	29.9%	23.7%
Net tangible assets value per share	\$0.83	\$0.66

¹ No imputation credits will be attached to the final dividend paid on 12 August 2016 (2015: 3,276,782). All dividends prior to this have been fully imputed.

STATUTORY INFORMATION (CONTINUED)

DIRECTORS' DISCLOSURES

Directors' meeting attendances and business travel overseas

	Zespri Group Limited Board	Audit and Risk Management Committee	Organisation and Administration Committee	Industry Advisory Council	Board Innovation Subcommittee	Number of business trips overseas	Regions visited
Bruce Cameron	12	-	5	3	-	3	South America, Europe, China
Teresa Ciprian	13	-	5	-	6	2	South-East Asia, Europe, Americas
Tony de Farias	12	-	3	3	-	2	South-East Asia, Americas
Nathan Flowerday	13	6	-	1	6	3	South-East Asia, Europe, Americas
Paul Jones	13	3	2	4	6	2	South-East Asia, Europe, China
Jonathan Mason	12	6	5	-	-	2	China, Europe
Peter McBride	13	6	5	4	5	6	MEIOA, Europe, China, Japan, South-East Asia
David Pilkington	13	6	3	-	6	1	MEIOA, Europe

In addition to the meetings detailed above, the Directors' attendances included planning meetings, Directors' conferences and grower meetings and sub-group meetings along with a number of industry briefing forums.

Committee Members – Directors

Audit and Risk Management Committee

Jonathan Mason (Chair)
Nathan Flowerday
Paul Jones (appointed September 2015)
David Pilkington

Organisation and Administration Committee

Bruce Cameron (Chair)
Teresa Ciprian
Tony de Farias (appointed September 2015)
Paul Jones (ceased September 2015)
Jonathan Mason

Industry Advisory Council

Paul Jones (Chair)
Bruce Cameron
Tony de Farias

Board Innovation Subcommittee

David Pilkington (Chair)
Teresa Ciprian
Nathan Flowerday

Remuneration of Directors

	2016 \$	2015 \$
B L Cameron	102,500	101,250
T Ciprian (appointed 25 July 2014)	77,083	31,250
A E de Farias	78,333	80,000
N W Flowerday	76,875	75,000
C S Greenlees (resigned 24 July 2014)	-	25,000
P R Jones (appointed 25 July 2014)	82,083	53,333
A J Marks (resigned 22 October 2014)	-	48,333
J P Mason	92,500	90,000
P J McBride	190,833	175,000
D A Pilkington	82,083	80,000
Total	782,290	759,166

STATUTORY INFORMATION (CONTINUED)

DIRECTORS' DISCLOSURES (CONTINUED)

Directors' interests – shareholdings

The following table sets out the shareholdings in Zespri Group Limited held by each Director as at 31 March 2016:

	Shareholding as at 31 Mar 2015	Date of transaction	Share price \$	Number purchased/ transferred	Number sold	Interest commenced/ (ceased)	Shareholding as at 31 Mar 2016
B L Cameron	341,619						341,619
T Ciprian	-						-
A E de Farias	233,545	17/06/2015	1.70	30,000		(54,255)	
		21/08/2015	1.55	11,889			221,179
N W Flowerday	396,615	01/05/2015	1.64	6,220			
		06/05/2015	1.65	70,000			
		04/08/2015	1.64	10,000			
		04/08/2015	1.65	10,900			
		05/08/2015	1.65	9,100			
		02/12/2015	1.68	28,080			
		08/12/2015	1.69	36,920			567,835
P R Jones	3,923,353 ¹	16/04/2015	1.60	39,860			
		17/04/2015	1.60	5,000			
		20/04/2015	1.60	4,160			
		23/07/2015	1.62	31,170			
		27/07/2015	1.62	6,620			
		28/07/2015	1.60	21,000			
		28/07/2015	1.62	50,000			
		28/07/2015	1.60		(589,335)		
		09/09/2015	1.58	19,705			
		10/09/2015	1.58	5,000			
		09/10/2015	1.56	15,000			
		09/10/2015	1.58	295			
		30/11/2015	1.56	13,680			
		30/11/2015	1.58	30,000			
		04/12/2015	1.58	47,565			3,623,073
J P Mason	-						-
P J McBride	850,000						850,000
D A Pilkington	-						-

¹ An interest was included in the 2015 financial statements in which Paul Jones did not have influence over the share trading activity. The shares have been removed from the opening balance.

Shares above are held personally by Directors or are held by way of relevant interest. Interests in the above table are only those entities which Directors are able to influence the share trading activity through directorships or ownership control. A full list of Directors interests is included on pages 52 and 53.

STATUTORY INFORMATION (CONTINUED)

DIRECTORS' DISCLOSURES (CONTINUED)

Directors' interests – Directors in office as at 31 March 2016

B L Cameron

Director of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited
Director of, and shareholder in, Cameron Farms Limited
Director of, and shareholder in, Cameron Orchards Limited
Director of, and shareholder in, Gilston Mains Limited
Director of, and shareholder in, Pacific Orchard Limited
Trustee of BL and GM Cameron Family Trust
Trustee of Waipuna Foundation Board

T Ciprian

Director of Zespri Group Limited
Director of Zespri International Limited
Director of AgResearch Limited
Director of Aspeq Limited and subsidiaries
Director of Firstlight Foods Limited
Director of Phytomed Medicinal Herbs Limited (interest commenced February 2016)
Director of Superthriller Jet Sprint Limited (interest commenced January 2016)
Director of Zenoch Management Limited

A E de Farias

Director of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited
Chairman of Maxwell Farms Limited and Director of associated entities
Chairman of Opotiki Packing and Cool Storage Limited and subsidiaries (related party interests in various orchards)
Chairman of The Fresh Fruit Company of Nelson Limited
Director and Principal of DFR Consultants Limited
Director of Biolumic Limited
Director of Canterbury Grasslands Limited and subsidiaries
Director of Chiefs Rugby Club GP Limited
Director of Horizon Energy Distribution Limited
Director of Ngati Awa Asset Holdings Limited
Director of Ngati Awa Farms (Rangitaiki) Limited (interest commenced April 2015)
Director of Ngati Awa Group Holdings Limited and subsidiaries
Director of, and shareholder in, Rivas Orchard Limited
Independent Chairman of Grow Whakatane Advisory Board

N W Flowerday

Director of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited
Director of Kiwifruit Vine Health Foundation Incorporated
Director of Kiwifruit Vine Health Incorporated
Director of, and shareholder in, High Fives Orchard Limited
Director of, and shareholder in, NWF Holdings Limited
Beneficiary of Milan Trust
Consultant to Riverlock Orchard Pack & Coolstore Limited

STATUTORY INFORMATION (CONTINUED)

DIRECTORS' DISCLOSURES (CONTINUED)

Directors' interests – Directors in office as at 31 March 2016 (continued)

P R Jones

Director of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited
Trustee and Beneficiary of the PR Jones Family Trust and related entities
Trustee and Beneficiary of the Patricia Jones Trust and related entities
Director of DMS Group Limited and subsidiaries
Director of DMS Pro growers Supply Entity Limited
Director of Fraser Road Orchard GP Limited & Limited Partnership
Director of Fruit Force Partnership
Director of Golf Course Orchard GP Limited and Limited Partnership
Director of Mangatarata Orchards Limited & Mangatarata Orchard Partnership
Director of New Zealand Avocado Marketing Limited
Director of Tinopai Orchards Limited & Tinopai Orchard Partnership
Director of TKG Agent Limited & TKG Partnership
Director of Waimea Kivi Limited (interest commenced May 2015 and ceased June 2015)
Director of, and shareholder in, Direct Management Services Limited
Director of, and shareholder in, DMS Pro growers Limited
Director of, and shareholder in, Elizabeth Heights Limited
Director of, and shareholder in, OTK Orchards Limited
Shareholder in Hopai Holdings Limited
Shareholder in Loncel Technologies Limited
Shareholder in Mangatarata Farms Limited
Partner of Progeny Kiwifruit Partnership
Member of the BIGTIK Steering Group
Member of the CA compensation committee
Member of the Integrated Fruit Production Steering Group (interest commenced October 2015)
Member of the OPC Steering Group
Member of Paengaroa Rural Grower Association Inc
Member of the Psa Innovation Steering Group

J P Mason

Director of Zespri Group Limited
Director of Zespri International Limited
Chairman and Non-Executive Director of Compac Holdings Limited
Director of Air New Zealand Limited
Director of Allagash (interest commenced April 2015)
Director of Vector Limited
Director of Westpac New Zealand Limited (interest commenced June 2015)
Independent Director of New Zealand Asset Management Limited
Trustee of University of Auckland Endowment Fund
Trustee of Beloit College (USA)

P J McBride

Director and Chairman of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited and a number of other Zespri subsidiaries
Managing Director of, and shareholder in, South-East Hort Limited and subsidiaries (related party interests in various orchards)
Managing Director of Montrose Partnership
Director of David Crafts & Co. Pty Ltd (Australia)
Director of, and shareholder in, Flint Capital Limited
General Manager of Kiwifruit for Trinity Lands Limited
Trustee of P J and L R McBride Family Trust
Trustee of Somerset Trust (contingent interest)

D A Pilkington

Director of Zespri Group Limited
Director of Zespri International Limited
Director of Aragorn Limited
Chairman of Rangatira Limited and subsidiaries
Chairman of Heller Tasty Limited
Chairman of Port of Tauranga Limited
Director of Douglas Pharmaceuticals Limited and subsidiaries
Director of Northport Limited
Director of Primeport Timaru Limited
Director of Tuatara Brewing Company
Director of, and shareholder in, Excelsa Associates Limited
Trustee and Beneficiary of Pilkington Family Trust
Trustee of New Zealand Community Trust

STATUTORY INFORMATION (CONTINUED)

EMPLOYEE REMUNERATION

For the year ended 31 March 2016, the number of employees whose total remuneration and value of any benefits received or receivable exceeded \$100,000 between the following bands were:

Number of non-New Zealand-based employees	Number of New Zealand-based employees	Total remuneration and benefits \$
10	13	\$100,000 to \$109,999
2	10	\$110,000 to \$119,999
4	8	\$120,000 to \$129,999
5	2	\$130,000 to \$139,999
7	5	\$140,000 to \$149,999
4	5	\$150,000 to \$159,999
6	5	\$160,000 to \$169,999
4	4	\$170,000 to \$179,999
2	2	\$180,000 to \$189,999
2	2	\$190,000 to \$199,999
3	1	\$200,000 to \$209,999
2	1	\$210,000 to \$219,999
1	2	\$220,000 to \$229,999
-	1	\$230,000 to \$239,999
-	2	\$240,000 to \$249,999
4	2	\$250,000 to \$259,999
-	3	\$260,000 to \$269,999
4	-	\$270,000 to \$279,999
2	1	\$290,000 to \$299,999
1	-	\$320,000 to \$329,999
1	-	\$340,000 to \$349,999
1	-	\$370,000 to \$379,999
1	-	\$380,000 to \$389,999
1	1	\$410,000 to \$419,999
-	1	\$440,000 to \$449,999
2	-	\$450,000 to \$459,999
2	1	\$460,000 to \$469,999
-	1	\$490,000 to \$499,999
1	-	\$540,000 to \$549,999
-	-	\$570,000 to \$579,999
-	1	\$660,000 to \$669,999
1	-	\$670,000 to \$679,999
-	1	\$730,000 to \$739,999
1	-	\$860,000 to \$869,999
1	1	\$1,180,000 to \$1,189,999

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

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ZESPRI AROUND THE WORLD

Zespri sells consistently high-quality, great-tasting, premium kiwifruit in more than 50 countries around the world. Our in-market staff support sales and execute marketing campaigns tailored to each country we sell in.





