T&G
A BayWa Company

FINANCIAL STATEMENTS
DECEMBER 2017

Weighing up the numbers

CONTENTS

PHIL & KIRSTY GREER
T&G GROWERS

Financial Summary

In 2017, T&G celebrated its 120th year by surpassing a billion dollars of revenue for the first time, growing its global presence with new ventures in the United States (US) and the United Kingdom (UK), and achieving a strong result in its New Zealand Markets business.

The past year was not without its challenges however as poor weather conditions negatively impacted on fruit quality and domestic and international harvests. The lack of quality fruit combined with increasing costs in its businesses saw T&G's net profit after income tax decrease by $9.8 million from $32.4 million in 2016 to $22.6 million in 2017.

Growing a global presence

One of T&G's strategic focuses is to grow and strengthen key markets both locally and overseas. During the year, T&G acquired 39.4% of the shares in Grandview Brokerage LLC, a US company that holds 100% of the shares in David Oppenheimer & Company I, L.L.C. with whom T&G has had a long association. This venture gives T&G greater access to the US market for T&G's own grown and sourced pipfruit.

In 2017, T&G also consolidated Worldwide Fruit Limited (Worldwide Fruit) into its results for the first time. This consolidation was made possible through the renegotiation of the shareholders' agreement between Worldwide Fruit's two 50% shareholders. By working closely with Worldwide Fruit, T&G further strengthens its presence in the UK market.

Apart from these two significant transactions, T&G also became the licence holder of 16 proprietary blueberry varieties in Australia. This investment enables T&G to work with growers to develop and market a range of varieties in a category that is rapidly growing globally.

Achieving a key revenue milestone

The 2017 financial year saw revenue increase by $234.7 million from $871.8 million in 2016 to $1.1 billion in 2017, marking the first time T&G has recorded a billion dollars of revenue. Most of this revenue growth was through the consolidation of Worldwide Fruit in the UK contributing $212.6 million of revenue.

In addition, continued strong pricing for T&G's apple varieties and a good result for the New Zealand Markets contributed to organic revenue growth for the Pipfruit and New Zealand Produce divisions.

This landmark revenue result for T&G did not translate to operating profit growth as operating costs increased by $33.4 million from $226.8 million in 2016 to $260.2 million in 2017 and purchases, raw materials and consumables used increased by $203.9 million from $630.4 million in 2016 to $834.3 million in 2017.

The majority of the increase was again due to the consolidation of Worldwide Fruit. The growing maturity of T&G's international operations, inflationary increases in employee wages and salaries, and incentive payments to staff recognising the 2016 result, have also added to the increase in operating costs.

Operating profit was also affected by significant weather events in New Zealand and internationally. In the Pipfruit division, significant unseasonal rain in Hastings, New Zealand in the early part of 2017 impacted on apple quality and harvests, reducing the amount of quality fruit available for local and international markets.

Adverse weather conditions also impacted on most of the International Produce division's product lines, with the most affected being T&G's key grape and high margin cherry businesses. In Peru, the division's grape growing operations were severely impacted by flooding with extensive damage to the vines resulting in the loss of this season's harvest.

The New Zealand Produce division had an excellent year and outperformed 2016 on an operating profit level. This was possible due to a record result in the New Zealand Markets business which was driven by higher fresh produce prices overall in 2017 and hence higher commissions earned by the business.

Profit after tax for 2017 includes one-off gains of $15.4 million and $8.2 million, relating to the acquisition of Grandview Brokerage LLC and first-time consolidation of Worldwide Fruit respectively. These gains were offset by impairments recorded in the business.

Robust financial position

T&G continues to have a solid balance sheet with total net assets of $425.6 million representing a $78.8 million increase from 2016. $56.1 million of the increase was from the revaluations of commercial land and improvements, buildings, and orchard land and improvements in line with T&G's accounting policy for property, plant and equipment.

The consolidation of Worldwide Fruit and the investment in Grandview Brokerage LLC also contributed to the increase in net assets compared to 2016.

2017 saw continued investment in T&G's local infrastructure and growing operations as evidenced by a capital investment programme of $20.4 million. This included the planting of 62 hectares of new apple orchards and 140,000 new apple trees, ensuring a steady future supply of key variety apples for T&G's export programmes.

The increase in net assets has seen net tangible assets per share increase from $2.62 in 2016 to $3.17 in 2017, driven in part by a higher asset base from asset revaluations and the first-time consolidation of Worldwide Fruit. Earnings per share however has declined from 25.1 cents per share in 2016 to 15.8 cents per share in 2017 due to the difficult year experienced by T&G.

Wolfgang Loose
Chief Financial Officer


WOLFGANG LOOSE
CHIEF FINANCIAL OFFICER

Deloitte.

Independent Auditor's Report

To the Shareholders of T&G Global Limited

Opinion

We have audited the consolidated financial statements of T&G Global Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 10 to 66, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

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

Other than in our capacity as auditor including the provision of audit related services, agreed upon procedures and review of solvency return for a captive insurance subsidiary, the provision of whistle blower hotline services, and administration of the corporate tax payer group of which the Group is a member, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined the quantitative materiality for our audit of the Group's financial statements as a whole to be $7.0 million (2016: $6.5 million).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Valuation of Biological Assets (Note 14) The Group's biological assets of $27.0 million (2016: $22.9 million) predominantly represent produce including apples, blueberries, citrus fruit, kiwifruit and tomatoes growing on bearer plants (e.g. trees and vines) at balance date. Biological assets are measured at fair value less estimated point-of-sale costs. This is determined by the Group using discounted cash flow models. The valuation of biological assets is a key audit matter due to the subjective judgements and assumptions in the valuation models, many of which are specific to the present location and condition of the asset and therefore unobservable in the market. As disclosed in Note 14 of the Group's financial statements, these unobservable inputs and assumptions include the forecast production per hectare per annum by weight, prices expected to be received per season, costs expected to be incurred and a discount rate reflecting the risks inherent in growing the crops. The discount rate takes into account the risk of unknown adverse events including natural events, the possible impact of diseases and other adverse factors that may impact the quality, yield or price of the crop.	We held discussions with management to understand if there were changes in market or environmental conditions, or other risks inherent in the current crop valuations. Our audit procedures were focused on the higher value biological assets, or where in our professional judgement there is a greater level of uncertainty associated with the cash flow forecasts. We engaged our internal valuation specialist to consider whether the valuation methods applied were reasonable. We compared the forecast production per hectare, forecast prices, and forecast costs to the approved budgets for the relevant fruit growing activities, and assessed the historical accuracy of the Group's forecasts. With input from our internal valuation specialist we assessed the discount rates assumed in the model and evaluated changes from the prior year. We also performed sensitivity analysis to assess the impact that a change in the discount rate has on the valuation of the biological assets. We checked the mechanical accuracy of the discounted cash flow models.
Valuation of Land and Improvements and Buildings (Note 15) Commercial and orchard land, improvements and buildings ('land and buildings') of the Group amounting to $325.7 million (2016: $263.2 million) are measured at fair value less accumulated depreciation and impairment losses at balance date. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value. Land and buildings have been revalued this year and have increased by $56.1 million. As disclosed in Note 15, land and buildings were valued using a combination of market comparison, income capitalisation and depreciated replacement cost methodologies. The valuation of land and buildings is a key audit matter because changes to key assumptions used in the valuation methods could have a material impact on the carrying amount of land and buildings, with changes recognised in either other comprehensive income or profit or loss, as appropriate.	Our procedures have focused on the appropriateness of the valuation methodologies and the reasonableness of the underlying inputs and assumptions. We obtained an understanding of the Group's process for valuing the commercial and orchard land and buildings as at 31 December 2017. We evaluated the independence and competence of the Group's external valuers engaged to perform the valuation of land and buildings. On a sample basis: • We considered whether the underlying assumptions used by the external valuers were consistent with our knowledge of the properties in their specific locations; • We compared sales prices for similar properties to independently sourced information for consistency; and • We compared capitalisation rates used to market reports to check that those rates were within reasonable range of those market reports. We also performed sensitivity analysis to assess the robustness of the methods used by the Group's external valuers on valuation of the land and buildings.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Changes in Ownership of the Group's American Registered Entities (Note 19) In the previous year, the Group held a 15% direct shareholding interest in both David Oppenheimer & Company I, L.L.C. ('DOC') and David Oppenheimer Transport Inc. ('DOT'). Both DOC and DOT were accounted as investments in associates in the financial statements of the Group. On 6 April 2017, as a result of mergers involving a subsidiary - ENZA Fresh Inc. ('ENZA Fresh'), the Group now has a direct shareholding of 39.4% in Grandview Brokerage LLC ('GB LLC'), an associated company that wholly owns DOC and a 15% shareholding in DOT. The changes in ownership of the Group's investments in USA is a key audit matter as the Group has exercised significant judgement to determine the most appropriate accounting treatment based on the terms of the merger agreement. As stated in Note 19 to the financial statements, there is currently an accounting policy choice available when there is a contribution of a subsidiary to an associate or joint venture. Loss of control in a subsidiary results in the recognition of a full fair value gain on the portion retained, whereas only a partial gain can be recognised for the portion no longer retained when there is a non-monetary contribution to an associate. As a result of the above transaction and the related accounting policy choice, the Group has measured its investment in GB LLC on the transaction date at fair value with a corresponding gain amounting to $15.4 million recognised in profit or loss for the year.	We obtained an in-depth understanding of the transaction by: • Reading the relevant merger agreements; • Meeting with the directors and management of the Group to discuss the substance of the transaction; and • Reading the Group's assessment of the terms of the merger agreements against the relevant accounting standards. We assessed the process taken by the Group to conclude on the chosen accounting policy based on the commercial substance of the transaction. We evaluated and challenged the Group's accounting treatment of the transaction. We considered the requirements of the applicable accounting standards and evaluated whether the accounting policy applied reflected the substance of the transaction. We considered the appropriateness of the disclosures made by the Group concerning the accounting policy choice made and the factors leading to the choice.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

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

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities 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 NZ IFRS and IFRS, 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.

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:
http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Andrew Dick, Partner
for Deloitte Limited
Auckland, New Zealand
28 February 2018

INCOME STATEMENT

For the year ended 31 December 2017

	NOTES	2017 $'000	2016 $'000
Revenue	5	1,106,466	871,771
Other operating income	6	8,794	18,817
Purchases, raw materials and consumables used		(834,296)	(630,388)
Employee benefits expenses	7	(158,270)	(127,840)
Depreciation and amortisation expenses	7	(23,379)	(21,296)
Other operating expenses	7	(78,524)	(77,660)
Operating profit		20,791	33,404
Net financing expenses	8	(11,144)	(11,951)
Share of profit from joint ventures	20	908	2,865
Share of profit from associates	21	435	4,733
Other income	6	25,289	13,044
Other expenses	7	(13,954)	-
Profit before income tax		22,325	42,095
Income tax benefit / (expense)	9	272	(9,659)
Profit after income tax		22,597	32,436
Attributable to:			
Equity holders of the Parent		19,379	30,478
Non-controlling interests		3,218	1,958
Profit for the year		22,597	32,436
Earnings per share			
Basic and diluted earnings (in cents)	28	15.8	25.1

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 $'000	2016 $'000
Profit for the year		22,597	32,436
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment:			
Held by subsidiaries of the Group		55,120	-
Held by equity-accounted associate		600	-
Deferred tax effect on revaluation of property, plant and equipment	9	(8,300)	-
Deferred tax effect on sale of property, plant and equipment	9	-	1,286
		47,420	1,286
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of available-for-sale investments	26	1,265	404
Exchange differences on translation of foreign operations		3,167	(3,205)
Cash flow hedges:			
Fair value gain, net of tax		4,913	10,550
Reclassification of net change in fair value to profit or loss		(8,414)	(7,108)
		931	641
Other comprehensive income for the year		48,351	1,927
Total comprehensive income for the year		70,948	34,363
Total comprehensive income for the year is attributable to:			
Equity holders of the Parent		66,664	32,568
Non-controlling interests		4,284	1,795
		70,948	34,363

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	NOTES	Share capital $'000	Revaluation and other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2017							
Balance at 1 January 2017		176,357	81,289	86,793	344,439	2,383	346,822
Profit for the year		-	-	19,379	19,379	3,218	22,597
Other comprehensive income							
Revaluation of property, plant and equipment	26	-	55,720	-	55,720	-	55,720
Deferred tax effect on revaluation of property, plant and equipment	26	-	(8,300)	-	(8,300)	-	(8,300)
Revaluation of available-for-sale investments	26	-	1,265	-	1,265	-	1,265
Exchange differences on translation of foreign operations		-	2,108	-	2,108	1,059	3,167
Movement in cash flow hedge reserve	26	-	(3,508)	-	(3,508)	7	(3,501)
Total other comprehensive income		-	47,285	-	47,285	1,066	48,351
Transactions with owners							
Dividends	27	-	-	(7,353)	(7,353)	(2,261)	(9,614)
Purchase price adjustment to acquisition of non-controlling interest in subsidiary		-	-	387	387	-	387
Total transactions with owners		-	-	(6,966)	(6,966)	(2,261)	(9,227)
Sale of shares in subsidiary	19	-	215	9,422	9,637	2,747	12,384
Acquisition of subsidiary	18	-	(25)	25	-	4,666	4,666
Balance at 31 December 2017		176,357	128,764	108,653	413,774	11,819	425,593
2016							
Balance at 1 January 2016		170,317	85,740	62,193	318,250	2,696	320,946
Profit for the year		-	-	30,478	30,478	1,958	32,436
Other comprehensive income / (expense)							
Deferred tax effect on sale of property, plant and equipment	26	-	1,286	-	1,286	-	1,286
Revaluation of available-for-sale investments	26	-	404	-	404	-	404
Exchange differences on translation of foreign operations	26	-	(3,039)	-	(3,039)	(166)	(3,205)
Movement in cash flow hedge reserve	26	-	3,439	-	3,439	3	3,442
Total other comprehensive income / (expense)		-	2,090	-	2,090	(163)	1,927
Transactions with owners							
Dividends	27	-	-	(7,188)	(7,188)	(550)	(7,738)
Issued share capital	27	6,040	-	-	6,040	-	6,040
Acquisition of non-controlling interest in subsidiary		-	-	(5,231)	(5,231)	(1,558)	(6,789)
Total transactions with owners		6,040	-	(12,419)	(6,379)	(2,108)	(8,487)
Transfer from asset revaluation reserve due to asset disposal	26	-	(6,541)	6,541	-	-	-
Balance at 31 December 2016		176,357	81,289	86,793	344,439	2,383	346,822

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

As at 31 December 2017

	NOTES	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents		**26,400**	17,064
Trade and other receivables	11	**153,729**	108,544
Inventories	12	**37,536**	41,372
Taxation receivable		**6,087**	-
Derivative financial instruments	13	**3,682**	6,681
Biological assets	14	**27,047**	22,943
Total current assets		**254,481**	196,604
Non-current assets			
Trade and other receivables	11	**10,037**	8,903
Derivative financial instruments	13	**1,648**	2,826
Available-for-sale investments		**2,192**	928
Property, plant and equipment	15	**450,981**	393,974
Intangible assets	16	**37,632**	26,335
Investments in joint ventures	20	**4,543**	9,505
Investments in associates	21	**37,202**	11,511
Total non-current assets		**544,235**	453,982
Total assets		**798,716**	650,586
Current liabilities			
Trade and other payables	22	**135,444**	101,147
Borrowings	23	**18,497**	5,503
Taxation payable		**-**	679
Derivative financial instruments	13	**2,018**	1,582
Total current liabilities		**155,959**	108,911
Non-current liabilities			
Trade and other payables	22	**1,148**	3,851
Borrowings	23	**164,162**	144,564
Derivative financial instruments	13	**4,976**	4,825
Deferred tax liabilities	9	**46,878**	41,613
Total non-current liabilities		**217,164**	194,853
Total liabilities		**373,123**	303,764
Equity			
Share capital	26	**176,357**	176,357
Revaluation and other reserves	26	**128,764**	81,289
Retained earnings		**108,653**	86,793
Total equity attributable to equity holders of the Parent		**413,774**	344,439
Non-controlling interests		**11,819**	2,383
Total equity		**425,593**	346,822
Total liabilities and equity		**798,716**	650,586

Prof. K.J. Lutz
Director (Chairman)
28 February 2018

C.A. Campbell
Director (Chair of Finance, Risk and Investment Committee)
28 February 2018

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 $'000	2016 $'000
Cash flows from operating activities			
Cash was provided from:			
Cash receipts from customers		**1,111,642**	889,145
Income tax refund		**56**	2,111
Other		**527**	197
Cash was disbursed to:			
Payments to suppliers and employees		**(1,080,642)**	(837,829)
Interest paid		**(8,952)**	(9,041)
Income taxes paid		**(8,909)**	(4,827)
Net cash inflow from operating activities	10	**13,722**	39,756
Cash flows from investing activities			
Cash was provided from:			
Dividends received from joint ventures and associates		**5,167**	6,228
External loan repayments from suppliers, customers, joint ventures and associates		**228**	414
Proceeds from sale of Floramax		**2,280**	-
Proceeds from sale of the Fruit Case Company		**-**	15,391
Proceeds from sale of other property, plant and equipment		**140**	10,032
Acquisition of business	18	**2,094**	-
Other		**-**	260
Cash was disbursed to:			
Purchase of property, plant and equipment	15	**(20,374)**	(31,021)
Purchase of intangible assets	16	**(3,284)**	(3,024)
Purchase of equity interest		**(1,045)**	-
Other		**(224)**	-
Net cash (outflow) from investing activities		**(15,018)**	(1,720)
Cash flows from financing activities			
Cash was provided from:			
Net proceeds from short-term borrowings		**12,100**	-
Proceeds from long-term borrowings		**25,000**	-
Cash was disbursed to:			
Dividends paid to non-controlling interests	27	**(2,261)**	(550)
Dividends paid to Parent's shareholders	27	**(7,353)**	(1,148)
Repayment of long-term borrowings		**(9,812)**	(20,500)
Deferred consideration on purchase of non-controlling interests		**(3,094)**	(2,064)
Deferred consideration on purchase of business		**(500)**	(1,500)
Purchase of non-controlling interest in subsidiary		**-**	(4,421)
Bank facility fees and transaction fees	8	**(3,480)**	(3,055)
Other		**(514)**	(449)
Net cash inflow / (outflow) from financing activities	24	**10,086**	(33,687)
Net increase in cash and cash equivalents		**8,790**	4,349
Foreign currency translation adjustment		**546**	(939)
Cash and cash equivalents at the beginning of the year		**17,064**	13,654
Cash and cash equivalents at the end of the year		**26,400**	17,064

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Reporting entity and statutory base

T&G Global Limited (the Parent) and its subsidiary companies (the Group), are recognised as New Zealand's leading grower, distributor, marketer and exporter of premium fresh produce in over 60 countries around the world. Key categories for the Group include apples, pears, grapes, citrus (lemons, mandarins and navel oranges), kiwifruit, asparagus, berries and tomatoes.

These consolidated financial statements presented are for the Group which comprises the Parent and its subsidiaries, joint ventures and associates as at 31 December 2017.

The Parent is registered in New Zealand under the Companies Act 1993 and is a FMC Reporting Entity under the Financial Market Conducts Act 2013, and the Financial Reporting Act 2013.

The Parent is a limited liability company incorporated and domiciled in New Zealand and is listed on the New Zealand Stock Exchange. The address of its registered office is 1 Clemow Drive, Mount Wellington, Auckland.

BayWa Aktiengesellschaft (the Ultimate Parent) is the ultimate parent of the Group.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards and other applicable New Zealand Financial Reporting Standards as appropriate for profit-oriented entities (NZ IFRS), and International Financial Reporting Standards (IFRS).

These consolidated financial statements are expressed in New Zealand dollars which is the presentation currency. All financial information has been rounded to the nearest thousand ($'000) unless otherwise stated.

Measurement basis

The measurement basis adopted in the preparation of these consolidated financial statements is historical cost except for certain assets and liabilities identified in specific accounting policies which are stated at fair value.

Basis of consolidation

In preparing these consolidated financial statements, subsidiaries are fully consolidated from the date on which the Group gains control until the date on which control ceases. All intercompany transactions, balances, income and expenses between the Group's companies are eliminated. Accounting policies of subsidiaries, joint ventures and associates have been aligned where necessary to ensure consistency with policies adopted by the Group.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is initially remeasured at fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest and fair value of the acquirer's previously held interest (if any) over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Basis of accounting

Significant accounting policies are set out within the notes to which those policies are applicable and are designated with a symbol. Other significant accounting policies that are pervasive throughout the financial statements are set out on the following page. There have been no changes made to accounting policies during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Foreign currency translation

The assets and liabilities of the Group's companies that do not have New Zealand dollars as their functional currency are translated to New Zealand dollars at foreign exchange rates ruling at balance sheet date. The revenues and expenses of these foreign operations are translated to New Zealand dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to New Zealand dollars at the foreign exchange rate on the dates that the fair value was determined.

Fair value estimation

Where fair value measurement has been applied, a symbol designates the paragraph describing the valuation method used.

The Group uses various valuation methods to determine the fair value of certain assets and liabilities. The inputs to the valuation methods used to measure fair value are categorised into three levels:

- **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 (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Goods and Services Tax (GST)

The income statement, statement of comprehensive income and statement of cash flows have been presented with all items exclusive of GST. All items in the balance sheet are stated net of GST, except for receivables and payables, which include GST invoiced.

Critical accounting estimates and judgments

The Group makes estimates and judgments concerning the future. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and judgments that have a potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed within the notes to which those judgments are applicable and are designated with a symbol.

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

New standards, amendments and interpretations adopted in the current year

The following amendment is mandatory for the Group's current accounting period.

Disclosure Initiative - Amendments to NZ IAS 7 *Statement of Cash Flows* (NZ IAS 7)
Amendments to NZ IAS 7 requires disclosures that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The amendment is effective for periods beginning on or after 1 January 2017 and applies prospectively. This amendment has no impact on the financial statements, other than additional disclosures. Refer to note 24 for further information.

New standards, amendments and interpretations not yet adopted

New standards, amendments and interpretations have been published that will be mandatory for the Group's accounting periods beginning on or after 1 January 2018. The standards that will have an impact on the Group are discussed below. None of these have been early adopted:

NZ IFRS 9 *Financial Instruments* (NZ IFRS 9)
NZ IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a new impairment model for financial assets, and introduces new rules for hedge accounting. The standard is effective for periods beginning on 1 January 2018 and replaces the guidance currently in NZ IAS 39 *Financial Instruments: Recognition and Measurement* (NZ IAS 39).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

New standards, amendments and interpretations not yet adopted (continued)

NZ IFRS 9 *Financial Instruments* (NZ IFRS 9) (continued)

The Group has reviewed its financial assets and liabilities and is expecting the following impacts from the adoption of the new standard.

Classification and measurement

NZ IFRS 9 removes the existing NZ IAS 39 financial asset categories of 'Held to maturity', 'Loans and receivables', and 'Available for sale' and replaces these with new measurement categories of 'Measured at amortised cost' and 'Fair value'. 'Fair value' can be classified as 'Fair value through Other Comprehensive Income' (FVTOCI), or 'Fair value through Profit or Loss' (FVTPL).

The Group does not believe that the new classification and measurement requirements of NZ IFRS 9 will have a material impact on its balance sheet or equity.

The Group's cash and cash equivalents, loans receivable, and trade and other receivables are held to collect contractual cash flows that are expected to represent solely payments of principal and interest. On adoption of NZ IFRS 9 these financial assets will continue to be measured at amortised cost and classified as 'Measured at amortised cost'.

The Group has unlisted shares which it intends to hold for the foreseeable future. Fair value movements in the shares are currently recorded in other comprehensive income and the unlisted shares are classified as 'Available-for-sale'. On adoption of NZ IFRS 9, the Group will elect to classify these shares as FVTOCI. This will not have a significant impact on the accounting for the unlisted shares with some changes to presentation and disclosure in the financial statements.

There is no significant impact on the Group's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any material financial liabilities that are designated at fair value through profit or loss.

Impairment
NZ IFRS 9 introduces a new impairment model that requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as was the case under NZ IAS 39.

The new impairment model applies to the Group's financial assets measured at amortised cost and consequently the Group will be required to record expected credit losses, either on a 12-month or lifetime basis, on all loans receivable and trade and other receivables.

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. With its loans receivable, the Group intends on applying the general approach recognising 12-month expected credit losses as the Group expects there will not be any significant increases in credit risk for its credit exposures. This will be monitored on an on-going basis.

In general, the Group anticipates that the application of the new impairment model will result in earlier recognition of credit losses, and will increase the amount of loss allowance recognised on applicable items.

Hedging
The Group expects that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under NZ IFRS 9.

For its foreign exchange options, the Group expects to continue designating both the intrinsic value and time value of the option as the hedging instrument. Changes in the fair value of options will continue to be recorded in the 'cash flow hedge reserve' within equity.

For its forward exchange contracts, the Group expects to continue designating both the spot element and the forward element of the forward contract as the hedging instrument. Changes in the fair value of the forward contract will continue to be recorded in the 'cash flow hedge reserve' within equity.

Any ineffectiveness from the hedge relationship will be recognised in profit or loss.

Disclosure
NZ IFRS 9 also introduces expanded disclosure requirements and changes in presentation for financial instruments. These are expected to change the nature and extent of the Group's disclosures of its financial instruments particularly in the year of adoption.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

New standards, amendments and interpretations not yet adopted (continued)

NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15)

NZ IFRS 15 is the new standard for the recognition of revenue effective from 1 January 2018. This new standard replaces the guidance in NZ IAS 18 *Revenue*, which covers revenue from contracts for goods and services, and NZ IAS 11 *Construction Contracts*, which covers accounting for revenue earned through construction contracts.

NZ IFRS 15 is based on the core principle that revenue is recognised when control of goods or services transfers to a customer, and that the amount of revenue recognised reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services which are delivered or performed under contracts with customers.

The Group recognises revenue from the following major sources:

- Sale of fresh fruit and vegetables to local and export markets.
- Provision of coolstore and packhouse services.
- Agency commission earnt on fresh fruit and vegetables and processed food products.

Sale of goods and provision of services

Revenue from goods and services is currently recognised when ownership of goods changes hands, or when services are performed. Under NZ IFRS 15, revenue is recognised and allocated to performance obligations as they are met.

With regards to the sale of goods and provision of services it is expected that the timing of revenue recognition and allocation of revenue under NZ IFRS 15 will be consistent with current practices. No significant impacts are anticipated as there is a simultaneous transfer of goods and services on delivery of those goods and services.

Principal and agency arrangements

Currently the Group determines that it acts as an agent in specific arrangements as it does not have:

- Rights to the title of goods or responsibility in respect of goods sold.
- Credit risk in respect of the supply of the goods.
- Ability to vary the selling prices of the goods.
- Primary responsibility for providing the goods or services to the end-customer or for fulfilling the order.

Under NZ IFRS 15, to determine if the Group is acting as a principal or an agent the Group is required to assess whether it controls a specified good or service before it is transferred to the customer. This is not dissimilar to the Group's current practice in determining if it is acting as a principal or agent.

The Group intends to use the modified retrospective method to transition to NZ IFRS 15. The above represents the Group's initial analysis on adoption of NZ IFRS 15 and it will continue to refine its assessment.

NZ IFRS 16 *Leases* (NZ IFRS 16)

NZ IFRS 16 deals with the recognition, measurement, presentation and disclosure of leases and replaces the current guidance in NZ IAS 17 *Leases* (NZ IAS 17). The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a liability for the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the balance sheet, income statement and cash flows of the reporting entity. Lessor accounting remains largely unchanged from NZ IAS 17. This standard is effective for periods beginning 1 January 2019 with early adoption permitted. The Group is yet to assess the impact of adopting NZ IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

New standards, amendments and interpretations not yet adopted (continued)

Amendments to NZ IFRS 10 *Consolidated Financial Statements* (NZ IFRS 10) and NZ IAS 28 *Investments in Associates and Joint Ventures* (NZ IAS 28)

The amendments to NZ IFRS 10 and NZ IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its joint venture or associate. The amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with a joint venture or associate that is accounted for using the equity method, are recognised in the income statement only to the extent of the unrelated investors' interests in that joint venture or associate.

Gains and losses resulting from the remeasurement of investments retained in any former subsidiary to fair value are recognised in the income statement only to the extent of the unrelated investors' interests in the new joint venture or associate.

The effective date of the amendments has yet to be set by the International Accounting Standards Board. In New Zealand, an effective date for periods beginning on 1 January 2020 was determined. Early application of the amendments is permitted. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Other standards, amendments and interpretations

There are other standards, amendments and interpretations which have been approved but are not yet effective. The Group expects to adopt other standards when they become mandatory. None are expected to materially impact the Group's financial statements, although may result in change in disclosure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the Chief Executive Officer and the Chief Financial Officer for the Group.

The chief operating decision-makers assess the performance of the operating segments based on operating profit, which reflects earnings before net financing expenses, share of profit from joint ventures and associates, other income, other expenses and income tax benefit / (expense). Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

No single external customer's revenue accounts for 10% or more of the Group's revenue.

Operating segments

The Group comprises the following main operating segments:

OPERATING SEGMENT	SIGNIFICANT OPERATIONS
Pipfruit	Growing, packing, cool storing, sales and marketing of pipfruit worldwide.
International Produce	International trading activities other than pipfruit. Major markets are Asia, Australia and the Pacific. Product is sourced from New Zealand, Australia, North America, South America and Europe.
New Zealand Produce	Growing, trading and transport activities within New Zealand. This incorporates the New Zealand wholesale markets and the tomato, kiwifruit and citrus growing operations.
Processed Foods	Processed foods includes manufacturing in New Zealand, global sales and marketing of processed foods, and trading activities in Australia, New Zealand, Hong Kong and North America.
Other	Includes properties and corporate costs, as well as flower auction activities until the sale of the Floramax business unit in March 2017.

Segment information provided to the chief operating decision-makers for the reportable segments is shown in the following tables:

	Pipfruit $'000	International Produce $'000	New Zealand Produce $'000	Processed Foods $'000	Other $'000	Total $'000
2017						
Total segment revenue	575,897	231,754	242,615	74,657	788	1,125,711
Inter-segment revenue	(672)	(8,357)	(10,216)	-	-	(19,245)
Revenue from external customers	575,225	223,397	232,399	74,657	788	1,106,466
Purchases, raw materials and consumables used	(442,792)	(198,861)	(124,737)	(68,225)	319	(834,296)
Depreciation and amortisation expenses	(11,877)	(749)	(6,341)	(2,630)	(1,782)	(23,379)
Net other operating expenses	(92,995)	(23,608)	(91,856)	(8,917)	(10,624)	(228,000)
Segment operating profit / (loss)	27,561	179	9,465	(5,115)	(11,299)	20,791
Net financing expenses						(11,144)
Share of profit from joint ventures						908
Share of profit from associates						435
Other income						25,289
Other expenses						(13,954)
Profit before income tax						22,325

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SEGMENT INFORMATION (CONTINUED)

	Pipfruit $'000	International Produce $'000	New Zealand Produce $'000	Processed Foods $'000	Other $'000	Total $'000
2016						
Total segment revenue	302,746	250,734	235,219	93,555	6,123	888,377
Inter-segment revenue	(1,428)	(7,749)	(7,429)	-	-	(16,606)
Revenue from external customers	301,318	242,985	227,790	93,555	6,123	871,771
Purchases, raw materials and consumables used	(208,077)	(216,491)	(120,228)	(83,162)	(2,430)	(630,388)
Depreciation and amortisation expenses	(9,764)	(538)	(6,405)	(2,757)	(1,832)	(21,296)
Net other operating expenses	(50,981)	(23,794)	(92,213)	(10,652)	(9,043)	(186,683)
Segment operating profit / (loss)	32,496	2,162	8,944	(3,016)	(7,182)	33,404
Net financing expenses						(11,951)
Share of profit from joint ventures						2,865
Share of profit from associates						4,733
Other income						13,044
Profit before income tax						42,095

The Group is domiciled in New Zealand. The total revenues from external customers in New Zealand and other regions are:

	2017 $'000	2016 $'000
New Zealand	301,401	278,702
Australia and Pacific Islands	136,345	141,592
Asia	277,950	296,802
Americas	79,138	79,005
Europe	311,632	75,670
Total	1,106,466	871,771

The total non-current assets other than trade and other receivables, derivative financial instruments and available-for-sale investments located in New Zealand and other countries are:

	2017 $'000	2016 $'000
New Zealand	480,086	408,163
Other	50,272	33,162
Total	530,358	441,325

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. REVENUE

Revenue is measured at the fair value of the consideration received or receivable net of discounts, returns and GST.

Revenue comprises commission earnings and amounts received and receivable by the Group for goods and services supplied in the ordinary course of business. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance date. Revenue from royalties is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Principal and agency arrangements

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction.

When the Group acts in the capacity of the principal, the portion of revenue earned is recognised as gross revenue. When the Group acts in the capacity of the agent, it recognises net commission revenue from the transaction.

The Group holds arrangements in which it acts as the principal and other arrangements in which it acts as the agent. The following factors have been used by the Group in distinguishing whether it acts as the principal or the agent in specific arrangements:

- Rights to the title of the goods and responsibility in respect of the goods sold.
- Credit risk in respect of the supply of the goods.
- Ability to vary the selling prices of the goods.
- Primary responsibility for providing the goods or services to the end-customer or for fulfilling the order.

	2017 $'000	2016 $'000
Sale of goods	**985,396**	775,311
Commissions	**45,842**	30,498
Services	**68,776**	61,821
Royalties	**6,452**	4,141
Total	**1,106,466**	871,771

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. OTHER INCOME

Other operating income

Other operating income consists of the following:

	NOTES	2017 $'000	2016 $'000
Gain on sale of investment		**-**	700
Net exchange gains		**960**	8,588
Net gain from changes in fair value of biological assets	14	**3,819**	7,352
Net gain from reversal of previous property, plant and equipment revaluation changes through profit and loss		**1,002**	-
Rent		**2,559**	2,082
Other		**454**	95
Total		**8,794**	18,817

Other income

Other income consists of the following non-operating activities:

	NOTES	2017 $'000	2016 $'000
Gain on acquisition of equity interest in Grandview Brokerage LLC	19	**15,381**	-
Gain on disposal of property, plant and equipment in Floramax		**1,702**	-
Gain on revaluation of investment in Worldwide Fruit Limited	18	**8,206**	-
Gain on sale of the Fruit Case Company		**-**	11,864
Gain on sale of other property, plant and equipment		**-**	1,180
Total		**25,289**	13,044

7. EXPENSES

Depreciation and amortisation expenses

	NOTES	2017 $'000	2016 $'000
Depreciation	15	**21,614**	19,970
Amortisation	16	**1,765**	1,326
Total		**23,379**	21,296

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. EXPENSES (CONTINUED)

Other operating expenses

Other operating expenses includes the following:

	NOTES	2017 $'000	2016 $'000
Directors' fees	30	455	480
Fleet costs		20,148	18,316
Net impairment of trade receivables	11	69	3,454
Net loss on disposal of property, plant and equipment		224	159
Professional fees		10,180	8,306
Promotion costs		7,004	5,694
Rental and property related costs		22,386	19,497
Repairs and maintenance		8,866	8,676
Research and development		1,984	1,390
Travel and accommodation		5,633	4,614

Employee benefits expenses

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term employee benefits

Employee entitlements to salaries and wages and annual leave, to be settled within twelve months of the reporting date, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

During the year, contributions of $3.8 million were made by the Group towards employees' superannuation schemes (2016: $2.7 million).

Audit fees

Audit fees of the Group and related services from the Group's auditors consist of the following:

	2017 $'000	2016 $'000
Deloitte Limited and affiliated firms		
Audit of the financial statements	679	644
Audit related services	16	31
Other services	36	34
Other auditors		
Audit services provided	314	104

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. EXPENSES (CONTINUED)

Audit fees (continued)

Services performed by Deloitte Limited in 2017 comprise the following:

- Audit of statutory financial statements for the Group and individual subsidiary companies, including offshore subsidiaries with local statutory audit requirements where Deloitte Limited, or a member of its network, is the auditor.
- Audit related services including procedures relating to the interim financial statements, scrutineering services at the annual shareholders' meeting and forensic services.
- Agreed upon procedures and review of solvency return for a captive insurance subsidiary.
- Other services including whistle blower hotline services and administration of the corporate tax payer group.

During the year, subsidiaries of the Group engaged other auditors to perform audit services and the fees paid were as follows:

	2017 $'000	2016 $'000
BDO for Delica (Shanghai) Fruit Trading Company Limited	9	7
Burgess Hodgson LLP for Worldwide Fruit Limited	49	-
EY for ENZAFRUIT New Zealand (U.K.) Limited	-	16
HLB Mann Judd for Delica Australia Pty Limited, Delica Domestic Pty Limited and T&G Vizzarri Farms Pty Limited	95	-
Hutchinson and Bloodgood LLP for Delica North America, Inc.	120	41
Moss Adams LLP for ENZAFRUIT Products Inc.	41	40
Total	314	104

Other expenses

Other expenses consists of the following non-operating activities:

	NOTES	2017 $'000	2016 $'000
Impairment of inventories		1,713	-
Impairment of intangible assets	16	890	-
Impairment of property, plant and equipment	15	11,351	-
Total		13,954	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. NET FINANCING EXPENSES

	2017 $'000	2016 $'000
Finance expenses		
Interest expense on borrowings	**(8,169)**	(8,817)
Effective interest on long-term receivables	**(252)**	(123)
Effective interest on deferred consideration	**(102)**	(155)
Interest expense on finance lease liabilities	**(32)**	(45)
Bank facility and line fees	**(3,480)**	(3,055)
Total	**(12,035)**	(12,195)
Finance income		
Interest income	**784**	244
Other	**107**	-
Total	**891**	244
Net financing expenses	**(11,144)**	(11,951)

9. TAXATION

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant taxation authorities based on the current period's taxable income and any adjustments in respect of previous years.

Deferred tax

Deferred tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Income tax is recognised in the income statement apart from when it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

(a) Taxation on profit before income tax

	2017 $'000	2016 $'000
Current tax (expense)	**(3,809)**	(11,339)
Deferred tax credit	**4,081**	1,680
Total	**272**	(9,659)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TAXATION (CONTINUED)

(b) Reconciliation of prima facie taxation and tax expense

The taxation expense that would arise at the standard rate of corporation tax in New Zealand is reconciled to the tax expense as follows:

	2017 $'000	2016 $'000
Profit before income tax	**22,325**	42,095
Prima facie taxation at 28% (2016: 28%)	**(6,251)**	(11,787)
(Add) / deduct tax effect of:		
Non-deductible items	**(364)**	(3,606)
Non-taxable items	**6,785**	6,314
Overstatement / (understatement) of prior year's provision	**516**	(766)
Imputation credit / foreign tax credits available for future periods	**164**	359
Other	**(578)**	(173)
Total	**272**	(9,659)

(c) Deferred taxation

Balance of temporary differences

	Property, plant and equipment $'000	Intangible assets $'000	Biological assets $'000	Provisions and accruals $'000	Other $'000	Total $'000
2017						
Balance as at 1 January	**(37,397)**	**(995)**	**(6,560)**	**3,251**	**88**	**(41,613)**
Recognised in income statement	**2,837**	**(47)**	**(1,013)**	**(490)**	**2,794**	**4,081**
Recognised in equity	**(8,300)**	**-**	**-**	**-**	**-**	**(8,300)**
Recognised on acquisition	**(399)**	**(647)**	**-**	**-**	**-**	**(1,046)**
Balance as at 31 December	**(43,259)**	**(1,689)**	**(7,573)**	**2,761**	**2,882**	**(46,878)**
2016						
Balance as at 1 January	(38,410)	(940)	(5,290)	2,619	14	(42,007)
Recognised in income statement	2,299	(55)	(1,270)	632	74	1,680
Recognised in equity	(1,286)	-	-	-	-	(1,286)
Balance as at 31 December	(37,397)	(995)	(6,560)	3,251	88	(41,613)

Expected settlement

	2017 $'000	2016 $'000
Deferred tax liabilities expected to be settled within 12 months	**(1,930)**	(3,221)
Deferred tax liabilities expected to be settled in more than 12 months	**(44,948)**	(38,392)
Total	**(46,878)**	(41,613)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TAXATION (CONTINUED)

(d) Imputation credits

The Group had a negative imputation credit account balance of $0.4 million as at 31 December 2017 (2016: $2.3 million negative balance) and the Group will be making a voluntary payment before 31 March 2018 to ensure the balance is in credit at that time.

10. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	NOTES	2017 $'000	2016 $'000
Profit for the year		22,597	32,436
Adjusted for non-cash items:			
Amortisation expense	16	1,765	1,326
Depreciation expense	15	21,614	19,970
Effective interest on deferred consideration	8	102	155
Movement in deferred tax	9	(4,081)	(1,680)
Movement in provision for receivables impairment	11	69	3,454
Share of profit of joint ventures	20	(908)	(2,865)
Share of profit of associates	21	(435)	(4,733)
Other movements		2,373	483
		20,499	16,110
Adjusted for investing and financing activities:			
Bank facility and line fees	8	3,480	3,055
(Gain) on acquisition of equity interest in Grandview Brokerage LLC	6	(15,381)	-
(Gain) on revaluation of investment in Worldwide Fruit Limited	6	(8,206)	-
(Gain) on reversal of previous property, plant and equipment revaluation changes through profit and loss	6	(1,002)	-
(Gain) on sale of investment	6	-	(700)
(Gain) on disposal of property, plant and equipment in Floramax	6	(1,702)	-
(Gain) on sale of the Fruit Case Company	6	-	(11,864)
(Gain) / loss on sale of other property, plant and equipment		224	(1,021)
Impairment of intangible assets	7	890	-
Impairment of property, plant and equipment	7	11,351	-
		(10,346)	(10,530)
Impact of changes in working capital items net of effects of non-cash items, and investing and financing activities			
(Increase) / decrease in debtors and prepayments		(25,411)	497
(Increase) in biological assets		(4,104)	(3,875)
Increase / (decrease) in creditors and provisions		11,191	(1,025)
Decrease in inventories		6,263	2,645
(Increase) / decrease in taxation receivable and increase / (decrease) in taxation payable		(6,967)	3,498
Total		(19,028)	1,740
Net cash inflow from operating activities		13,722	39,756

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. TRADE AND OTHER RECEIVABLES

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

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 receivables.

	NOTES	2017 $'000	2016 $'000
Current			
Gross trade receivables		132,806	97,996
Less: Provision for doubtful debts		(540)	(4,190)
Prepayments		13,748	9,890
GST and other taxes		4,990	3,386
Receivables from joint ventures	20	48	507
Receivables from associates	21	1,768	534
Receivables from Ultimate Parent	30	536	181
Receivables from Ultimate Parent's associate	30	83	-
Other receivables		290	240
Total		153,729	108,544
Non-current			
Trade receivables		7,744	6,320
Prepayments		1,677	1,689
Receivables from associates	21	179	252
Other receivables		437	642
Total		10,037	8,903

	2017 $'000	2016 $'000
Analysis of non-impaired trade receivables		
Not past due	98,222	76,355
Past due 1-30 days	28,471	16,430
Past due 31-60 days	6,610	4,932
Past due 61-90 days	4,393	792
Past due over 90 days	2,314	1,617
Total	140,010	100,126

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

	2017 $'000	2016 $'000
Analysis of movements in the provision for doubtful debts		
Balance at 1 January	4,190	736
Additions to provision for doubtful debts	556	3,821
Reversal of unused provision for doubtful debts	(487)	(241)
Receivables written off during the year as uncollectible	(3,719)	(126)
Balance at 31 December	540	4,190

The Group has numerous credit terms for various customers. These credit terms vary depending on the services provided and the customer relationship.

All trade receivables are individually reviewed regularly for impairment as part of normal operating procedures and provided for where appropriate.

The Group makes advances to customers, suppliers, joint ventures and associates. All advances are within the agreed credit periods. The Group's policy requires security to be taken for advances to third parties. This security ranges from charges over property and assets to personal guarantees.

12. INVENTORIES

Inventories are stated at the lower of cost (first in, first out basis) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

	2017 $'000	2016 $'000
Finished and semi-finished goods	31,003	32,967
Raw materials	689	1,122
Consumables (including packaging)	5,844	7,283
Total	37,536	41,372

The cost of inventories recognised as an expense and included in 'Purchases, raw materials and consumables used' in the income statement for the year ended 31 December 2017 amounted to $768.9 million (2016: $576.0 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to hedge exchange rate and interest rate risks. The Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised at fair value. Any resulting gains or losses are recognised in the income statement unless the derivative financial instrument has been designated into a hedge relationship that qualifies for hedge accounting.

Cash flow hedges

Cash flow hedges are currently applied to forecast transactions that are subject to foreign currency fluctuations and future interest cash flow on loans. The Group recognises the effective portion of changes in the fair value of derivative financial instruments that qualify as cash flow hedges in other comprehensive income. These accumulate as a separate component of equity in the cash flow hedge reserve.

Gains or losses relating to the ineffective portion of a cash flow hedge are recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

	2017 $'000	2016 $'000
Current assets		
Cash flow hedges		
Forward foreign exchange contracts	2,521	2,911
Foreign currency options	1,056	3,741
Fair value through profit or loss		
Forward foreign exchange contracts	105	29
Total	3,682	6,681
Non-current assets		
Cash flow hedges		
Forward foreign exchange contracts	1,293	1,696
Foreign currency options	297	614
Interest rate swaps	58	516
Total	1,648	2,826
Current liabilities		
Cash flow hedges		
Forward foreign exchange contracts	1,256	1,224
Foreign currency options	466	248
Interest rate swaps	253	59
Fair value through profit or loss		
Forward foreign exchange contracts	43	51
Total	2,018	1,582

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2017 $'000	2016 $'000
Non-current liabilities		
Cash flow hedges		
Forward foreign exchange contracts	**963**	738
Foreign currency options	**250**	312
Interest rate swaps	**3,763**	3,775
Total	**4,976**	4,825

14. BIOLOGICAL ASSETS

Biological assets consist of unharvested fruit growing on bearer plants, and are stated at fair value based on their present location and condition less estimated point-of-sale costs. Any gain or loss from changes in the fair value of biological assets is recognised in the income statement.

Point-of-sale costs include all other costs that would be necessary to sell the assets.

The fair value of the Group's apples, blueberries, citrus fruit, kiwifruit and tomatoes is determined by management using a discounted cash flow approach.

Costs are based on current average costs and referenced back to industry standard costs. The costs are variable depending on the location, planting and the variety of the biological asset. A suitable discount rate has been determined in order to calculate the present value of those cash flows. The fair value of biological assets at or before the point of harvest is based on the value of the estimated market price of the estimated volumes produced, net of harvesting and growing costs. Changes in the estimates and assumptions supporting the valuations could have a material impact on the carrying value of biological assets and reported profit.

The following significant assumptions and considerations have been taken into account in determining the fair value of the Group's biological assets:

- Forecasts for the following year based on management's view of projected cash flows, including sales and margins, adjusted for inflation, location and variety of crops.
- Discount rates to adjust for risks inherent to the crop, including natural events, disease or any other adverse factors that may impact the quality, yield or price.
- Any significant changes to management of the crop in the current and following year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. BIOLOGICAL ASSETS (CONTINUED)

	2017 $'000	2016 $'000
Balance at 1 January	**22,943**	19,068
Capitalised costs	**36,573**	28,715
Change in fair value less costs to sell	**3,819**	7,352
Decrease due to harvest	**(36,288)**	(32,192)
Balance at 31 December	**27,047**	22,943

Fair value measurement

Techniques applied by the Group which are used to value biological assets are considered to be **level 3** in the fair value hierarchy. Inputs are not based on observable market data (that is, unobservable inputs). There have been no transfers between levels during the year.

The unobservable inputs used by the Group to fair value its biological assets are detailed below:

PRODUCE	UNOBSERVABLE INPUTS	RANGE OF UNOBSERVABLE INPUTS 2017	2016
Apples	Tray carton equivalent (TCE) per hectare per annum	**1,800 to 6,000**	2,500 to 4,750
	Export prices per export TCE	**$20 to $60**	$20 to $50
	Risk-adjusted discount rate	**25%**	25%
Blueberries	Tonnes per hectare per annum	**6.1**	10.9
	Annual gate price per kilogram (kg) per season	**$12.95 to $19.65**	$9.65 to $19.65
	Risk-adjusted discount rate	**18%**	18%
Citrus	Tonnes per hectare per annum	**16 to 35**	23 to 40
	Annual gate price per tonne per season	**$1,000 to $1,800**	$1,300 to $2,430
	Risk-adjusted discount rate	**14%**	14%
Kiwifruit	Trays per hectare per annum	**8,500 to 15,000**	8,500 to 15,000
	Annual gate price per trays per season	**$2.20 to $8.77**	$4.67 to $7.10
	Risk-adjusted discount rate	**18%**	18%
Tomatoes	Tonnes per hectare per annum	**174 to 620**	182 to 580
	Annual price per kg per season	**$1.21 to $17.59**	$1.73 to $17.80
	Risk-adjusted discount rate	**25%**	25%

As the yield per hectare and gate price or export price per TCE increases, the fair value of biological assets increases. As the discount rate used increases, the fair value of biological assets decreases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. BIOLOGICAL ASSETS (CONTINUED)

Fair value measurement (continued)

The following table details the fair values of the Group's biological assets at 31 December:

	2017 $'000	2016 $'000
Apples	19,926	17,822
Blueberries	496	453
Citrus	2,203	1,962
Kiwifruit	1,913	1,335
Tomatoes	2,509	1,065
Other [1]	-	306
Total	27,047	22,943

[1] Included in 'Other' are grapes and strawberries.

Risk

Being involved in agricultural activity, the Group is exposed to financial risks arising from adverse climatic or natural events. Financial risk also arises through adverse changes in market prices or volumes harvested, and adverse movements in foreign exchange rates.

Price risk is mitigated by close monitoring of commodity prices and factors that influence those commodity prices. The Group also takes reasonable measures to ensure that harvests are not affected by climatic and natural events, disease, or any other factors that may negatively impact on the quality and yield of crop. Foreign currency risk is mitigated by using derivative instruments such as foreign currency hedging contracts to hedge foreign currency exposure.

Activity on productive owned and leased land

The owned and leased land growing different types of biological assets are detailed in the table below:

	2017 HECTARES	2016 HECTARES
Apples	756	721
Blueberries	11	11
Citrus	153	155
Grapes	48	74
Kiwifruit	46	42
Tomatoes	29	29
Other	1	2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. BIOLOGICAL ASSETS (CONTINUED)

Activity on productive owned and leased land (continued)

The production on owned and leased land by agricultural produce type for the 2016 and 2017 years is presented in the table below:

	2017	2016	PRODUCTION UNITS
Apples	1,800,272	2,046,889	TCE
Blueberries	58,996	69,454	kg
Citrus	3,825,968	4,014,432	kg
Grapes	-	349,320	kg
Kiwifruit	340,712	416,471	class 1 trays
Tomatoes	12,265,000	12,375,159	kg
Other	32,870	23,880	kg

15. PROPERTY, PLANT AND EQUIPMENT

Commercial land and improvements, orchard land and improvements, and buildings are stated at their fair value less accumulated depreciation and impairment losses. All other items of property, plant and equipment are stated at their cost less accumulated depreciation and impairment losses.

Revaluations

The Group's policy is to revalue commercial land and improvements, orchard land and improvements, and buildings every three years with valuations being performed by independent registered valuers based on the price that would be received to sell the asset in an orderly transaction between market participants under current market conditions. Valuation assessments are performed earlier than every three years if market evidence suggests that property values have moved materially since the time of the last valuation assessment.

All property valuers used are members of the New Zealand Institute of Valuers, with the exception of the valuers appointed in Belgium, Peru and the United Kingdom who have the appropriate expertise as required in those jurisdictions.

The revaluations are conducted on a systematic basis across the Group so that the asset revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at balance date. Where valuations are not obtained for land and improvements, and buildings, the carrying values of these assets are reassessed for any material change.

Any increase in value that offsets a previous decrease in value of the same asset is charged to the income statement. Any other increase is recognised directly in other comprehensive income and accumulated in the asset revaluation reserve. Any decrease in value that offsets a previous increase in value of the same asset is charged against the revaluation reserve. Any other decrease in value is charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation

Depreciation of property, plant and equipment, other than commercial and orchard land which is not depreciated, is calculated on a straight-line basis so as to expense the cost of the assets, or the revalued amounts, to their expected residual values over their useful lives as follows:

- Commercial land improvements — 15 to 50 years
- Orchard land improvements — 15 to 50 years
- Buildings — 15 to 50 years
- Bearer plants — 7 to 40 years
- Glasshouses — 33 years
- Motor vehicles — 5 to 7 years
- Plant and equipment and hire containers — 3 to 15 years

Impairment

Items of property, plant and equipment are assessed for indicators of impairment at each reporting date. Impairment losses are recognised in profit or loss in the period in which they arise.

	Commercial land and improvements $'000	Orchard land and improvements $'000	Buildings $'000	Bearer plants $'000	Glasshouses $'000	Motor vehicles $'000	Plant and equipment and hire containers $'000	Work in progress $'000	Total $'000
At 1 January 2016									
Cost or valuation	69,491	55,759	157,153	25,186	27,845	6,351	224,515	15,825	582,125
Accumulated depreciation and impairment	(198)	(455)	(5,196)	(2,227)	(8,044)	(3,956)	(160,654)	-	(180,730)
Net carrying amounts	69,293	55,304	151,957	22,959	19,801	2,395	63,861	15,825	401,395
Year ended 31 December 2016									
Opening net carrying amounts	69,293	55,304	151,957	22,959	19,801	2,395	63,861	15,825	401,395
Additions and transfers	925	478	566	1,262	4	530	14,847	12,409	31,021
Depreciation	(860)	(413)	(5,639)	(1,361)	(1,252)	(541)	(9,904)	-	(19,970)
Impairment through profit or loss	-	-	-	-	-	-	(254)	-	(254)
Disposals	(2,658)	(528)	(5,233)	(824)	-	(14)	(8,921)	(136)	(18,314)
Foreign exchange movements	(12)	-	(18)	-	-	(14)	36	104	96
Closing net carrying amounts	66,688	54,841	141,633	22,036	18,553	2,356	59,665	28,202	393,974
At 31 December 2016									
Cost or valuation	67,745	55,697	152,281	25,495	27,850	6,626	207,651	28,202	571,547
Accumulated depreciation	(1,057)	(856)	(10,648)	(3,459)	(9,297)	(4,270)	(147,986)	-	(177,573)
Net carrying amounts	66,688	54,841	141,633	22,036	18,553	2,356	59,665	28,202	393,974

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Commercial land and improvements $'000	Orchard land and improvements $'000	Buildings $'000	Bearer plants $'000	Glasshouses $'000	Motor vehicles $'000	Plant and equipment and hire containers $'000	Work in progress $'000	Total $'000
Year ended 31 December 2017									
Opening net carrying amounts	66,688	54,841	141,633	22,036	18,553	2,356	59,665	28,202	393,974
Additions and transfers	(1,403)	2,874	3,430	6,947	4	996	7,753	(227)	20,374
Additions through business acquisition	1,725	-	8,323	-	-	-	2,895	-	12,943
Depreciation	(925)	(461)	(6,160)	(1,695)	(1,247)	(629)	(10,497)	-	(21,614)
Impairment through profit or loss	-	-	(1,870)	-	-	(7)	(9,254)	(220)	(11,351)
Disposals	(4)	(6)	(473)	-	-	(103)	(291)	(234)	(1,111)
Revaluations	12,295	15,135	15,999	-	-	-	-	-	43,429
Depreciation write back on revaluations	1,720	594	10,379	-	-	-	-	-	12,693
Foreign exchange movements	221	34	1,107	-	-	(63)	499	(154)	1,644
Closing net carrying amounts	80,317	73,011	172,368	27,288	17,310	2,550	50,770	27,367	450,981
At 31 December 2017									
Cost or valuation	80,564	73,682	178,498	32,652	27,854	7,122	204,422	27,367	632,161
Accumulated depreciation	(247)	(671)	(6,130)	(5,364)	(10,544)	(4,572)	(153,652)	-	(181,180)
Net carrying amounts	80,317	73,011	172,368	27,288	17,310	2,550	50,770	27,367	450,981

Leased assets

'Glasshouses' and 'Plant and equipment and hire containers' asset classes include the following amounts where the Group is a lessee under a finance lease:

	2017 $'000	2016 $'000
Cost of capitalised finance leases	3,114	3,114
Accumulated depreciation	(2,439)	(2,080)
Carrying amount	675	1,034

The Group leases glasshouses and other sundry equipment under non-cancellable finance lease agreements. The lease terms are between three and six years, and ownership of the assets lies with the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluations

The methods and valuation techniques used for assessing the current market value of commercial land and improvements, orchard land and improvements, and buildings by external valuers are disclosed on the following pages. Changes in the estimates and assumptions underlying the valuation approaches could have a material effect on the carrying amounts of the properties, with changes in value reflected either in other comprehensive income or through the income statement as appropriate in accordance with the Group's accounting policy.

The following table presents the valuers and valuation techniques of the most recent valuation of the Group's commercial land and improvements, and buildings, carried out between September and November 2017.

PROPERTY	VALUER
Depreciation replacement cost / discounted cash flow / income capitalisation approach	
153 Waipapa Road, Kerikeri	Telfer Young
29 Stuart Road, Pukekohe	Telfer Young
20 Mihaere Drive, Roslyn, Palmerston North	Telfer Young
39 Dakota Crescent, Wigram, Christchurch	Telfer Young
484 Nayland Road, Stoke, Nelson	Telfer Young
490 Nayland Road, Stoke, Nelson	Telfer Young
220 Fryatt Street, Dunedin Central, Dunedin	Telfer Young
Depreciation replacement cost / discounted cash flow / income capitalisation / market comparison approach	
2-6 Monahan Road, Mt Wellington, Auckland	Telfer Young
Depreciation replacement cost / income capitalisation approach	
5125 Roxburgh-Ettrick Road, Ettrick, Roxburgh	Telfer Young
Depreciation replacement cost / market comparison approach	
153 Harrisville Road, Tuakau, Waikato	Telfer Young
292 Harrisville Road, Tuakau, Waikato	Telfer Young
133 Lynd Road, Ohaupo, Waipa	Telfer Young
3057 Broadlands Road, Broadlands, Rotorua	Telfer Young
657 Main Road, Riwaka, Motueka	Telfer Young
99 Swamp Road, Riwaka, Motueka	Telfer Young
83 Swamp Road, Riwaka, Motueka	Telfer Young
101 Motueka River West Bank Road, Brooklyn, Motueka	Telfer Young
Income capitalisation approach	
241 Evenden Road, Twyford, Hastings	Logan Stone
22-32 Whakatu Road, Whakatu, Hastings	Logan Stone
2 Anderson Road, Whakatu, Hastings	Logan Stone
Market comparison approach	
37 Goodall Road, Riwaka, Motueka	Telfer Young
655 Main Road, Riwaka, Motueka	Telfer Young
3800 Sint-Truiden, Belgium	Vangronsveld & Vranken
Apple Way, Pinchbeck, Spalding, United Kingdom	Jones Lang LaSalle

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluations (continued)

The following table presents the valuers and valuation techniques of the most recent valuation of the Group's orchard land and improvements, carried out between October and December 2017.

PROPERTY	VALUER
Depreciation replacement cost / market comparison approach	
Kerikeri orchards, Kerikeri	Logan Stone
Apollo orchards, Heretaunga Plains, Hawke's Bay	Logan Stone
2 Anderson Road, Whakatu, Hastings	Logan Stone
66 Trotter Road, Twyford, Hastings	Logan Stone
Ormond Road, Twyford, Hastings	Logan Stone
Raupare Road, Twyford, Hastings	Logan Stone
Tambo Grande District, Sullana Province, Piura, Peru	Invalsa

The principal valuation approaches used by the valuers during their valuations of commercial land and improvements, orchard land and improvements, and buildings, and the impact of a change in a significant unobservable valuation input are described below.

PRINCIPAL VALUATION APPROACH AND DESCRIPTION OF APPROACH	RELATIONSHIPS OF UNOBSERVABLE INPUTS TO FAIR VALUE
Depreciation replacement cost approach This approach involves assessing the replacement cost of building and site improvements, adjusting this cost for depreciation and any obsolescence and the market value of land.	The higher the replacement cost after adjustments, the higher the fair value.
Discounted cash flow approach This approach is based on the future projection of rental income cash flows discounted back to their present value, with inputs which include:	
• Discount rates with a range from 8.5% to 13.5% (2016: 8.5% to 13.5%).	The higher the discount rate, the lower the fair value.
• Terminal yield rates with a range from 7.5% to 12.3% (2016: 8.0% to 12.5%).	The higher the terminal yield rate, the lower the fair value.
• Investment horizon of 10 years (2016: 10 years).	The longer the investment horizon, the higher the fair value.
• Rental growth estimated at between 0.1% to 9.3% per annum (2016: 0.1% to 12.0%).	The higher the rental growth rate, the higher the fair value.
Income capitalisation approach This approach capitalises the actual contract and/or potential income at an appropriate market derived rate of return. Capitalisation rates applied range from 7.3% to 12.0% (2016: 7.8% to 12.5%).	The higher the capitalisation rate, the lower the fair value.
Market comparison approach This approach analyses comparable sales evidence to a sale price per square metre of floor area and makes adjustment to these rates to reflect differences in the location, size and quality of the buildings, together with an adjustment for any market movement since the sales occurred.	The higher the sale price per square metre after adjustments, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings at historical cost

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017 $'000	2016 $'000
Commercial land and improvements		
Cost	36,470	36,201
Accumulated depreciation and impairment	(6,220)	(5,300)
Net carrying amount	30,250	30,901
Orchard land and improvements		
Cost	74,149	71,332
Accumulated depreciation and impairment	(19,893)	(19,484)
Net carrying amount	54,256	51,848
Buildings		
Cost	146,643	138,037
Accumulated depreciation and impairment	(50,080)	(44,762)
Net carrying amount	96,563	93,275

Fair value measurement

Techniques applied by the Group which are used to value certain classes of property, plant and equipment are considered to be **level 3** in the fair value hierarchy. Inputs are not based on observable market data (that is, unobservable inputs). There have been no transfers between levels during the year.

The following values represent fair value at the time of valuation, plus additions and less disposals and accumulated depreciation, since the date of valuations. Management have assessed that these values represent fair value.

	2017 $'000	2016 $'000
Commercial land and improvements	80,317	66,688
Orchard land and improvements	73,011	54,841
Coolstores	83,933	73,851
Packhouses	4,249	2,808
Orchard buildings	6,785	4,172
Processing plant	6,255	7,660
Commercial buildings	71,146	53,142
Total	325,696	263,162

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. INTANGIBLE ASSETS

Intangible assets, except for goodwill, that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Software, licences and capitalised costs of developing systems are recorded as intangible assets, unless they are directly related to a specific item of hardware and recorded as property, plant and equipment, and are amortised over a period of three to eight years.

Acquired brands are amortised over their anticipated useful lives of 10 to 25 years where they have a finite life.

Goodwill is recorded at cost less any accumulated impairment losses. Goodwill and any other intangible assets with indefinite useful lives are tested for impairment at each reporting date.

	Goodwill $'000	Software $'000	Plant variety rights $'000	Other intangibles $'000	Total $'000
At 1 January 2016					
Cost	15,007	19,274	3,760	6,046	44,087
Accumulated amortisation	-	(14,826)	(3,669)	(439)	(18,934)
Net carrying amounts	15,007	4,448	91	5,607	25,153
Year ended 31 December 2016					
Opening carrying amounts	15,007	4,448	91	5,607	25,153
Additions	-	2,774	166	84	3,024
Amortisation	-	(1,093)	(1)	(232)	(1,326)
Disposals	-	(135)	-	-	(135)
Foreign exchange movements	(149)	(92)	-	(140)	(381)
Net carrying amounts	14,858	5,902	256	5,319	26,335
At 31 December 2016					
Cost	14,858	20,892	3,926	5,978	45,654
Accumulated amortisation	-	(14,990)	(3,670)	(659)	(19,319)
Net carrying amounts	14,858	5,902	256	5,319	26,335
Year ended 31 December 2017					
Opening carrying amounts	14,858	5,902	256	5,319	26,335
Additions	-	2,244	709	331	3,284
Additions through business acquisition	5,595	111	-	3,582	9,288
Amortisation	-	(1,338)	(2)	(425)	(1,765)
Impairment through profit or loss	-	(890)	-	-	(890)
Disposals	-	47	-	(5)	42
Foreign exchange movements	616	26	1	695	1,338
Net carrying amounts	21,069	6,102	964	9,497	37,632
At 31 December 2017					
Cost	21,069	22,822	4,637	10,632	59,160
Accumulated amortisation	-	(16,720)	(3,673)	(1,135)	(21,528)
Net carrying amounts	21,069	6,102	964	9,497	37,632

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill

The discount rate used for the purposes of goodwill impairment testing is based on a calculated weighted average cost of capital adjusted for risks specific to the cash-generating units. The weighted average cost of capital is based on the cost of debt and cost of equity weighted accordingly between the relative percentages of debt and equity. The cost of debt is the actual cost of debt and the cost of equity is calculated using the capital asset pricing model.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as to future profitability of the relevant cash-generating units to which goodwill has been allocated and the choice of a suitable discount rate in order to calculate the present value of those cash flows.

Goodwill held by the Group relates to acquisitions of the Status Produce Group, the Delica Group (including cash-generating units of Delica Limited, Delica Australia Pty Limited and T&G Vizzarri Farms Pty Limited) and Worldwide Fruit. Of the Group's goodwill balance, 38% is allocated to the Status Produce Group (2016: 54%), 34% is allocated to the Delica Group (2016: 46%) and 28% is allocated to Worldwide Fruit (2016: 0%).

The calculation uses cash flow projections based on budgets approved by management to December 2018, and a discount rate of between 10.6% and 13.0% (2016: 10.3%) which approximates the Group's weighted average cost of capital. Cash flows beyond December 2018 have been extrapolated using a steady growth rate of 2.0% (2016: 1.5%).

The calculations support the carrying amount of recorded goodwill. Management believes that any reasonable change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.

17. COMMITMENTS

Capital commitments

As at 31 December, the Group is committed to the following capital expenditure:

	2017 $'000	2016 $'000
Property, plant and equipment	**2,876**	5,543
Intangible assets	**-**	7
Total	**2,876**	5,550

Operating leases

When the Group is the lessee

The Group leases certain property, plant and equipment. Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the lease term.

When the Group is the lessor

Rental revenue (net of any incentives given to lessees) is recognised as revenue on a straight-line basis over the lease term. Assets leased to third parties under operating leases are included in 'Property, plant and equipment' on the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. COMMITMENTS (CONTINUED)

Operating leases payable

Operating leases held over properties give the Group the right, in most cases, to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of operating plant and equipment.

The following amounts have been committed to by the Group, but are not recognised in the financial statements:

	2017 $'000	2016 $'000
Within one year	**15,940**	14,767
One to two years	**12,417**	12,662
Two to five years	**24,802**	24,126
Later than five years	**25,721**	31,632
Total	**78,880**	83,187

Operating leases receivable

The following amounts are minimum committed lease payments receivable from tenants / sub-tenants, but are not recognised in the financial statements:

	2017 $'000	2016 $'000
Within one year	**1,584**	1,940
One to two years	**1,060**	1,210
Two to five years	**1,695**	2,141
Later than five years	**19**	484
Total	**4,358**	5,775

Operating leases receivable amounts are generated from the following properties:

	2017 $'000	2016 $'000
Commercial land and buildings		
Cost or valuation at 31 December	**8,654**	13,943
Accumulated depreciation	**(23)**	(314)
Carrying amounts	**8,631**	13,629
Depreciation charged during the year	**227**	277

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. COMMITMENTS (CONTINUED)

Operating leases receivable (continued)

All properties, including those leased to third parties, are revalued on a cyclical basis (refer to note 15). This results in accumulated depreciation up to the date of revaluation being reversed and subsequently the asset is depreciated on the revalued amount from the date of revaluation.

The properties leased to third parties are still part occupied by the Group. The proportion leased externally has been estimated based on land area occupied by third party tenants and this estimation method has been applied consistently across all leased properties.

18. BUSINESS COMBINATIONS

Worldwide Fruit Limited

Worldwide Fruit Limited (Worldwide Fruit) is a company based in Spalding, United Kingdom, that predominantly sources apples for packaging and distribution within the United Kingdom. On 2 January 2017, the shareholders' agreement of Worldwide Fruit was renegotiated. ENZAFRUIT New Zealand (U.K.) Limited (ENZAFRUIT UK), a wholly owned subsidiary of the Group, is a 50% shareholder of Worldwide Fruit and the remaining 50% is owned by Fruition PO Limited.

The renegotiated shareholders' agreement now specifies that ENZAFRUIT UK has the right to approve Worldwide Fruit's annual business plan and annual budget, and the right to approve the appointment of the Chief Executive Officer. This satisfies the criteria set out in NZ IFRS 10 *Consolidated Financial Statements* around achieving control over an entity. Consequently, from 2 January 2017 Worldwide Fruit was accounted for as a subsidiary.

The carrying value of the Group's equity interest in Worldwide Fruit immediately prior to the acquisition was $4.9 million. The fair value of the Group's investment of $13.1 million resulted in a gain arising from remeasurement of $8.2 million, recognised in 'Other income' in the income statement. Acquisition related costs have been excluded from the consideration transferred and recognised in 'Other operating expenses' in the income statement for the period ended 31 December 2017.

Non-controlling interest is recognised by the Group based on the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable assets.

Goodwill arose upon the acquisition of Worldwide Fruit because the cost of combination included amounts relating to its future profitability expectations, forecast revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Worldwide Fruit contributed $212.6 million of revenue and $1.4 million of profits to the Group for the period from 2 January 2017 to 31 December 2017.

On the following page is an analysis of the assets and liabilities acquired as at acquisition date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. BUSINESS COMBINATIONS (CONTINUED)

Worldwide Fruit Limited (continued)

	2017 $'000
Current assets	
Cash and cash equivalents	2,094
Trade and other receivables	20,837
Inventories	4,321
Total current assets	27,252
Non-current assets	
Property, plant and equipment	12,943
Intangible assets	3,693
Investments in associates	706
Total non-current assets	17,342
Current liabilities	
Trade and other payables	(26,404)
Borrowings	(776)
Total current liabilities	(27,180)
Non-current liabilities	
Borrowings	(4,171)
Deferred tax liabilities	(1,046)
Total non-current liabilities	(5,217)
Total identifiable net assets	12,197
Goodwill on acquisition	5,595
Total	17,792
Total consideration is comprised of:	
Fair value of Group's investment	13,126
Non-controlling interest's share of identifiable net assets	4,666
Total	17,792

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CHANGES IN OWNERSHIP OF THE GROUP'S AMERICAN REGISTERED ENTITIES

Delica North America, Inc.

The Group previously wholly owned Delica North America, Inc. (Delica North America). As part of its merger agreement with Grandview Brokerage LLC, on 6 April 2017 the Group sold 50% of its shares in Delica North America to Grandview Brokerage Limited, which holds a majority shareholding in Grandview Brokerage LLC.

The terms of the renegotiated shareholders' agreement of Delica North America specify that the Group has the right to appoint three of the entity's five directors. The Group therefore has the ability to approve the annual business plan and annual budget, as well as dictate the direction of other fundamental business matters of the entity.

This satisfies the criteria set out in NZ IFRS 10 *Consolidated Financial Statements* around control over an entity and consequently, Delica North America is still accounted for as a subsidiary by the Group. As the Group has not lost control, the sale of 50% of its shares has been accounted for as an equity transaction with the recognition of non-controlling interests. The net impact of this transaction in equity attributable to equity holders of the Parent is summarised as follows:

	2017 $'000
Consideration received from Grandview Brokerage Limited	12,384
Recognition of 50% non-controlling interest in Delica North America	(2,747)
Net impact in equity attributable to equity holders of the Parent	9,637

Grandview Brokerage LLC

ENZA Investments USA, Inc. (ENZA Investments), a wholly owned subsidiary of the Group, previously held a 15% direct shareholding in two US based produce businesses, David Oppenheimer & Company I, L.L.C. and David Oppenheimer Transport Inc. (Oppy US). On 20 March 2017, ENZA Investments merged into ENZA Fresh, Inc. (ENZA Fresh), also a wholly owned subsidiary of the Group.

On 6 April 2017, the Group and Total Produce plc, through its subsidiary Grandview Brokerage LLC (GB LLC), agreed to combine their activities related to Oppy US. As a result of the merger, the Group lost its controlling interest in ENZA Fresh and obtained a 39.39% shareholding in GB LLC. The Group's interests in Oppy US are now held indirectly through GB LLC.

There is currently an accounting policy choice available between NZ IFRS 10 *Consolidated Financial Statements* and NZ IAS 28 *Investments in Associates and Joint Ventures* when there is a contribution of a subsidiary to an associate or joint venture. Losing control of a subsidiary results in the recognition of a full fair value gain on the portion retained, whereas only a partial gain can be recognised for the portion no longer retained when there is a non-monetary contribution to an associate.

The Group has elected to recognise its investment in GB LLC at fair value, which is supported by a commercial transaction with a third party. The difference between the fair value of the Group's investment in GB LLC and the consideration provided to acquire the investment (the full fair value gain) has been recognised in 'Other income' in the income statement.

In making this accounting policy choice, the Group considers that there has been a substantive change in the nature of its investments in Oppy US and subsequent relationship with GB LLC. Shareholder agreements have changed the Group's decision-making rights in relation to its interests in Oppy US, and the Group is now only permitted to sell part or all of its interests in Oppy US subject to agreement between the Group and GB LLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CHANGES IN OWNERSHIP OF THE GROUP'S AMERICAN REGISTERED ENTITIES (CONTINUED)

Grandview Brokerage LLC (continued)

The impact of the Group disposing of its investment in ENZA Fresh and acquiring the equity interest in GB LLC is summarised as follows:

	2017 $'000
Disposal of carrying amount of investment in ENZA Fresh on date of merger	(12,692)
Acquisition of equity investment in GB LLC at fair value	28,073
Net gain recognised in the income statement	15,381

The Group has equity accounted for GB LLC in accordance with NZ IAS 28 *Investments in Associates and Joint Ventures* since the date of the merger.

20. INVESTMENTS IN JOINT VENTURES

Under the equity method, an investment in a joint venture is initially recognised in the balance sheet at cost. The investment is adjusted for the Group's share of the profit or loss and other comprehensive income of the joint venture which is recognised from the date that joint control begins, until the date that joint control ceases.

Investments in joint ventures are assessed for indicators of impairment at each reporting date.

Set out below are the joint ventures of the Group as at 31 December 2017. The joint ventures have share capital consisting solely of ordinary shares, which are held directly by the Group.

The Group's investments in joint ventures in 2017 and 2016 are:

NAME OF ENTITY	PLACE OF BUSINESS AND COUNTRY OF INCORPORATION	OWNERSHIP INTEREST (%) 2017	OWNERSHIP INTEREST (%) 2016	PRINCIPAL ACTIVITY
Growers Direct Limited [1]	United Kingdom	**50**	-	Pipfruit importer
Wawata General Partner Limited	New Zealand	**50**	50	Horticulture operations
Worldwide Fruit Limited [2]	United Kingdom	**50**	50	Pipfruit importer and packing services

[1] Worldwide Fruit has a 50% direct shareholding in Growers Direct Limited. From 2 January 2017, the Group has equity accounted for this entity.

[2] From 2 January 2017, the Group has accounted for Worldwide Fruit as a subsidiary in accordance with NZ IFRS 10 *Consolidated Financial Statements*. Refer to note 18 for further information.

The balance date of all joint ventures is 31 December.

For the purposes of applying the equity method of accounting, management accounts of the companies for the period ended 31 December 2017 have been used. Differences in accounting policies between the Group and the joint ventures have been adjusted for.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

None of the Group's joint ventures as at 31 December 2017 are considered to be material to the Group during the period. In the prior period, Worldwide Fruit was considered to be material to the Group.

The Group's share of profit and the carrying amounts of the Group's interest in all joint ventures are presented below:

	2017 $'000	2016 $'000
Group's share of profit and comprehensive income of joint ventures		
Worldwide Fruit Limited	-	1,968
Other	908	897
Total	908	2,865
Carrying amount of the Group's interest in joint ventures		
Worldwide Fruit Limited	-	4,920
Other	4,543	4,585
Total	4,543	9,505

Transactions with joint ventures of the Group

The Group has entered into the following transactions with its joint ventures during the year:

	2017 $'000	2016 $'000
Sale of produce to joint ventures	1,726	24,038
Purchase of produce from joint ventures	(371)	(296)
Services provided to joint ventures	1,040	1,653
Current receivables owing from joint ventures	48	507
Dividends from joint ventures received by the Group	950	3,159

21. INVESTMENTS IN ASSOCIATES

Under the equity method, an investment in an associate is initially recognised in the balance sheet at cost. The investment is adjusted for the Group's share of the profit or loss and other comprehensive income of the associate which is recognised from the date that significant influence begins, until the date that significant influence ceases.

Investments in associates are assessed for indicators of impairment at each reporting date.

Set out on the following page are the associates of the Group as at 31 December 2017. The associates have share capital consisting solely of ordinary shares, which are held directly by the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group's investments in associates in 2017 and 2016 are:

NAME OF ENTITY	PLACE OF BUSINESS AND COUNTRY OF INCORPORATION	OWNERSHIP INTEREST (%) 2017	OWNERSHIP INTEREST (%) 2016	PRINCIPAL ACTIVITY
Allen Blair Properties Limited	New Zealand	33	33	Property investment
David Oppenheimer & Company I, L.L.C. [1]	United States of America	-	15	Produce wholesale distributors
David Oppenheimer Transport Inc. [1]	United States of America	-	15	Transport
Grandview Brokerage LLC [1]	United States of America	39	-	Investment company
Intelligent Fruit Vision Limited [2]	United Kingdom	24	-	Orchard technology development
McKay Shipping Limited	New Zealand	25	25	Transport
Mystery Creek Asparagus Limited [3]	New Zealand	15	15	Horticulture operations
N.Z. Kumara Distributors Limited [4]	New Zealand	-	20	Horticulture operations
POP Worldwide Limited [2]	United Kingdom	24	-	Stonefruit importer
The Fruit Firm Limited [2]	United Kingdom	20	-	Stonefruit importer and packing services

[1] On 6 April 2017, the Group obtained a 39.39% shareholding in GB LLC, which replaced its previous shareholdings of 15% in David Oppenheimer & Company I, L.L.C., and 15% in David Oppenheimer Transport Inc. Refer to note 19 for further information.

[2] Worldwide Fruit has a direct shareholding between 20% and 24% in Intelligent Fruit Vision Limited, POP Worldwide Limited and The Fruit Firm Limited. From 2 January 2017, the Group has equity accounted for these entities.

[3] Although the Group holds less than 20% of the ownership of Mystery Creek Asparagus Limited (Mystery Creek), the Group is deemed to have significant influence over this entity. A member of the Group's management sits on the Board of Directors of Mystery Creek, and transactions between Mystery Creek and the Group are significant to its operations.

[4] During 2017, N.Z. Kumara Distributors Limited ceased trading and on 14 July 2017, the Company was liquidated with a final dividend paid to the Group.

POP Worldwide Limited has a balance date of 28 February, and Allen Blair Properties Limited, Mystery Creek Asparagus Limited and The Fruit Firm Limited have a balance date of 31 March. These were the reporting dates established when these companies were incorporated and it is impractical for these companies to change their balance dates. The remaining associates of the Group have a balance date of 31 December.

For the purposes of applying the equity method of accounting, management accounts of the companies for the period ended 31 December 2017 have been used. Differences in accounting policies between the Group and the associates have been adjusted for.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information for material associate

Set out below is the summarised financial information for Grandview Brokerage LLC, the associate considered to be material to the Group for the period. In the prior period, David Oppenheimer & Company I, L.L.C was considered to be a material associate for the Group. This entity is no longer a direct shareholding of the Group.

Grandview Brokerage LLC summarised financial information

	2017 $'000
Balance sheet	
Current assets	113,303
Current liabilities	(117,971)
Non-current assets	17,436
Net assets	12,768
Cash and cash equivalents	1,609
Income statement	
Revenue	643,292
Depreciation and amortisation expenses	(214)
Interest expense	(675)
Income tax expense	(1,382)
Profit after tax and total comprehensive income	(1,992)
Group's share of carrying amount	
Carrying amount from Group's share in associate	5,029
Goodwill on acquisition	25,796
Other adjustments	(2,176)
Group's adjusted share of carrying amount in associate	28,649
Group's share of profit from continuing operations	
Loss from Group's share in associate	(785)
Other adjustments	1,361
Group's adjusted share of profit from continuing operations in associate	576
Dividend received from associate	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group's share of profit and the carrying amounts of the Group's interest in all associates are presented below:

	2017 $'000	2016 $'000
Group's share of profit and comprehensive income of associates		
Grandview Brokerage LLC	576	-
David Oppenheimer & Company I, L.L.C.	108	1,653
Other	(249)	3,080
Total	435	4,733
Carrying amount of the Group's interest in associates		
Grandview Brokerage LLC	28,649	-
David Oppenheimer & Company I, L.L.C.	-	2,816
Other	8,553	8,695
Total	37,202	11,511

Transactions with associates of the Group

The Group has entered into the following transactions with its associates during the year:

	2017 $'000	2016 $'000
Sale of produce to associates	45,650	52,301
Purchase of produce from associates	(20,880)	(23,730)
Services provided to associates	314	-
Services received from associates	(2,694)	(153)
Current receivables owing from associates	1,768	534
Non-current receivables owing from associates	179	252
Current payables owing to associates	(8,239)	(9,754)
Dividends received from associates	4,217	3,069

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and then subsequently measured at amortised cost.

	NOTES	2017 $'000	2016 $'000
Current			
Trade payables		84,103	56,905
Employee entitlements		14,281	11,166
Accrued expenses		26,538	19,839
Payables to associates	21	8,239	9,754
Payables to Ultimate Parent	30	16	-
Payables to Ultimate Parent's subsidiary	30	586	38
Deferred payments		611	-
Deferred payments to related parties	30	1,070	3,445
Total		135,444	101,147
Non-current			
Employee entitlements		84	-
Deferred payments		1,064	2,828
Deferred payments to related parties	30	-	1,023
Total		1,148	3,851

23. LOANS AND BORROWINGS

Borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

Borrowing costs are recognised in the income statement using the amortised cost method.

	2017 $'000	2016 $'000
Current		
Secured borrowings	17,964	5,000
Unsecured borrowings	-	150
Finance lease liabilities	533	353
Total	18,497	5,503
Non-current		
Secured borrowings	163,778	144,000
Finance lease liabilities	384	564
Total	164,162	144,564

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND BORROWINGS (CONTINUED)

Interest rates

As at 31 December 2017 the weighted average interest rate on the secured and unsecured borrowings is 3.1% (2016: 3.3%), fixed for periods up to three months.

	2017 $'000	2016 $'000
Secured and unsecured borrowings repayment schedule		
Within one year	17,964	5,150
Between one and two years	163,778	-
Between two and five years	-	144,000
Total	181,742	149,150

Security and bank facilities

As at 31 December 2017 the Group had a term debt facility from Bank of New Zealand, HSBC, Rabobank and Westpac amounting to $200.0 million (2016: $210.0 million). The seasonal facility is renewed annually and is not drawn as at 31 December 2017. These facilities are secured by a guarantee from the Ultimate Parent for no consideration.

The banking facilities for the 2018 year are as follows:

	Amount $'000	Expiry date
Banking facilities in New Zealand		
Term debt facility	190,000	January 2019
Seasonal facility	90,000	November 2019
Money market facility	40,000	January 2019
Overdraft facility	3,000	Uncommitted
Banking facilities in the United Kingdom		
Term debt facility	7,851	March 2019
Overdraft facility	3,925	Uncommitted
Banking facilities in Australia		
Overdraft facility	3,318	Uncommitted

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND BORROWINGS (CONTINUED)

Gross finance lease liabilities – minimum lease payments

	2017 $'000	2016 $'000
Within one year	554	381
Between one and five years	394	581
	948	962
Future finance charges on finance leases	(31)	(45)
Present value of finance lease liabilities	917	917
The present value of finance lease liabilities is as follows:		
Within one year	533	353
Between one and five years	384	564
Total	917	917

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table on the following page details changes in the Group's liabilities from financing activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows from financing activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Notes	Balance at 1 January 2017 $'000	Reclassifications $'000	Non-cash changes $'000	Recognised on acquistion $'000	Non-financing cash flows $'000	Financing cash flows [1] $'000	Balance at 31 December 2017 $'000
Current borrowings								
Secured borrowings	23	5,000	864	36	776	-	11,288	17,964
Unsecured borrowings	23	150	-	-	-	(150)	-	-
Finance lease liabilities	23	353	533	161	-	-	(514)	533
Total		5,503	1,397	197	776	(150)	10,774	18,497
Non-current borrowings								
Secured borrowings	23	144,000	(864)	471	4,171	-	16,000	163,778
Finance lease liabilities	23	564	(533)	353	-	-	-	384
Total		144,564	(1,397)	824	4,171	-	16,000	164,162
Other current liabilities								
Deferred payments	22	-	557	554	-	-	(500)	611
Deferred payments to related parties	22	3,445	1,070	(351)	-	-	(3,094)	1,070
Total		3,445	1,627	203	-	-	(3,594)	1,681
Other non-current liabilities								
Deferred payments	22	2,828	(557)	(108)	-	(1,099)	-	1,064
Deferred payments to related parties	22	1,023	(1,070)	47	-	-	-	-
Total		3,851	(1,627)	(61)	-	(1,099)	-	1,064
Total liabilities arising from financing activities		157,363	-	1,163	4,947	(1,249)	23,180	185,404

[1] Financing cash flows are made up of the net cash inflow / (outflow) from financing activities in the statement of cash flows with the exception of dividends paid, and bank facility fees and transaction fees, which do not result in liabilities on the balance sheet.

25. CONTINGENCIES

The Group has the following guarantees:

	2017 $'000	2016 $'000
Bonds and sundry facilities	80	80
Guarantees of bank facilities for associated companies	24,595	3,236
Total	24,675	3,316

During 2015, the Group received a statement of claim from a grower regarding materials supplied by the Group. The Group continues to defend this claim.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. CAPITAL AND RESERVES

Share capital

	2017 SHARES	2016 SHARES	2017 $'000	2016 $'000
Balance at 31 December	**122,543,204**	122,543,204	**176,357**	176,357

All ordinary shares on issue are fully paid and have no par value. All ordinary shares rank equally with one vote attached to each fully paid ordinary share. There are no other classes of shares issued and no ordinary shares were issued during the year.

Revaluation and other reserves

	2017 $'000	2016 $'000
Asset revaluation reserve		
Balance at 1 January	**83,224**	88,479
Gain on revaluation of property, plant and equipment	**55,720**	-
Deferred tax effect on revaluation of property, plant and equipment	**(8,300)**	-
Transfer to retained earnings due to sale of property, plant and equipment	**-**	(6,541)
Deferred tax effect on sale of property, plant and equipment	**-**	1,286
Movements from acquisition of subsidiary	**(25)**	-
Balance at 31 December	**130,619**	83,224
Foreign currency translation reserve		
Balance at 1 January	**(4,790)**	(1,751)
Exchange differences on translation of foreign operations	**2,323**	(3,039)
Balance at 31 December	**(2,467)**	(4,790)
Cash flow hedge reserve		
Balance at 1 January	**2,293**	(1,146)
Movements in fair value	**3,552**	11,861
Reclassification of net change in fair value to income statement	**(8,421)**	(7,111)
Taxation on reserve movements	**1,361**	(1,311)
Balance at 31 December	**(1,215)**	2,293
Available-for-sale investment reserve		
Balance at 1 January	**562**	158
Gain on revaluation of available-for-sale investments	**1,265**	404
Balance at 31 December	**1,827**	562
Total	**128,764**	81,289

26. CAPITAL AND RESERVES (CONTINUED)

Revaluation and other reserves (continued)

Revaluation and other reserves consists of the following:

RESERVE	PARTICULARS OF RESERVE
Asset revaluation reserve	The revaluation reserve relates to commercial land and improvements, orchard land and improvements, and buildings.
Foreign currency translation reserve	The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations into New Zealand dollars.
Cash flow hedge reserve	The cash flow hedge reserve accounts for the fair value movements of hedging instruments designated as cash flow hedges.
Available-for-sale investment reserve	The available-for-sale investment reserve accounts for the fair value movements of available-for-sale investments.

27. DIVIDENDS

	2017 $'000	2016 $'000
Ordinary shares		
Dividend to shareholders	**7,353**	7,188
Dividends to non-controlling interests in Group subsidiaries	**2,261**	550
Total	**9,614**	7,738

On 7 April 2017, the Group declared and paid a dividend of $0.06 per share, resulting in a total cash dividend of $7.4 million (2016: dividend declared of $0.06 per share, of which $1.15 million was paid in cash and $6.04 million was settled through new shares issued as part of a dividend reinvestment plan).

28. EARNINGS PER SHARE

The earnings used to calculate basic and diluted earnings per share is net profit after tax attributable to equity holders of the Parent of $19.4 million (2016: $30.5 million).

The weighted average number of shares used to calculate basic and diluted earnings per share is 122,543,204 shares (2016: 121,390,355 shares).

The basic and diluted earnings per share is 15.8 cents (2016: 25.1 cents).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK MANAGEMENT

The Group is subject to a number of financial risks which arise as a result of its activities, including importing, exporting and domestic trading. Treasury activities are performed by a central treasury function and the use of derivative financial instruments is governed by the Group's policies approved by the Board. The Group does not engage in speculative transactions.

Market risk

(i) Foreign exchange risk

The Group operates internationally and has exposure to foreign currency risk as a result of transactions denominated in foreign currencies from normal trading activities. Major trading currencies include the Australian dollar, United States dollar, Euro, Japanese yen and British pounds.

At year end, the Group had foreign exchange exposures relating to cash, debtors and creditors.

Foreign exchange risk is identified by detailed cash flow forecasting, in conjunction with the allocation of produce to the various markets.

The Group uses forward foreign exchange contracts and currency options to manage these exposures. As at 31 December 2017, the Group held foreign exchange contracts and currency options with a contract value of $300.8 million (2016: $279.2 million).

Exchange rate sensitivity

Reasonable fluctuations in foreign exchange rates were determined based on a review of the last two years' historical movements. A movement of plus or minus 10% has therefore been applied to the exchange rates to demonstrate the sensitivity to foreign currency risk of the Group.

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date. The impact of a plus or minus 10% foreign exchange movement on New Zealand dollars against all trading currencies, with all other variables held constant, is illustrated below:

	-10%		+10%	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Pre-tax (profit) / loss	220	(996)	(180)	852
Equity	(6,680)	(15,978)	4,003	12,773

(ii) Interest risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

Interest rate risk is identified by forecasting cash flow requirements, short-term through to long-term. Short-term seasonal funding is provided by a syndicate of three banks. These funding arrangements are negotiated at the start of each season, on behalf of pipfruit growers who bear the interest cost.

The Group has floating rate borrowings used to fund ongoing activities, which are repriced on roll-over dates.

As at 31 December 2017, $181.7 million of interest bearing loans are subject to interest rate repricing within the next 15 months (2016: $149.0 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

(ii) Interest risk (continued)

The table below highlights the weighted average interest rate and the currency profile of interest bearing loans and borrowings:

	2017		2016	
	Weighted average interest rate	Loans and borrowings $'000	Weighted average interest rate	Loans and borrowings $'000
Australian dollars	12%	23	8%	28
British pounds	3%	4,828	0%	-
New Zealand dollars	3%	177,621	3%	149,963
United States dollars	5%	187	4%	76
Total		182,659		150,067

Interest rate derivatives

The Group's treasury policy allows up to 100% (2016: 100%) of forecasted core debt to be fixed via interest rate derivatives to protect the Group from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 70% (2016: 83%) of the principal outstanding. The fixed interest rates average 3.8% (2016: 3.8%). The variable rates are set at the BBR 90 day settlement rate, which at balance date was 2.0% (2016: 2.2%). The contracts require settlement of net interest receivable or payable each 90 days as appropriate, and are settled on a net basis. As at 31 December 2017, the Group held swaps with a contract value of $114.6 million (2016: $130.0 million).

Interest rate sensitivity

At year end, $160.0 million (2016: $144.0 million) of loans are at fixed rates for defined periods of up to three months, after which interest rates will be reset. Additionally, the Group has overnight deposits that are subject to fluctuations of interest rates. If the Group's year end loan and deposit balances had remained the same throughout the year and interest rates moved by 1% then the impact would be a $1.8 million gain or loss on pre-tax profits (2016: $1.5 million).

A 1% sensitivity has been used as this is what management estimates is a likely interest rate movement for the year.

(iii) Price / commodity risk

The Group does not trade in commodity instruments and therefore is not exposed to commodity price risk.

Credit risk

In the normal course of business, the Group is exposed to counterparty credit risks. The maximum exposure to credit risk at 31 December 2017 is equal to the carrying value for cash and cash equivalents, trade and other receivables and derivative financial instruments. Credit risk is managed by restricting the amount of cash and derivative financial instruments which can be placed with any one institution and these institutions are all New Zealand registered banks with at least a Standard & Poor's rating of A. The financial condition and credit evaluation of trade and other receivables are continuously considered.

Due to the nature and dispersion of the Group's customers and growers, the Group's concentration of credit risk is not considered significant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

The Group manages liquidity risk by continuously monitoring cash flows and forecasts, and matching maturity profiles of financial assets and liabilities. The Group also maintains adequate headroom on its loan facilities.

Policies are established to ensure all obligations are met within a timely and cost effective manner.

The following table analyses the Group's financial liabilities into relevant contractual maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For the purpose of this table, it is assumed that year end interest rates applicable to the term loan will apply through to expiry of the term loan facility, even though the Group has the option to repay the loan prior to its expiry date. For cash flow hedges, the impact on the profit and loss is expected to occur at the same time as the cash flows occur.

The amounts disclosed below are contractual undiscounted cash flows at reporting date:

	Carrying amount $'000	Less than six months $'000	Between six months and one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000	Total $'000
2017							
Borrowings	181,742	20,184	3,066	164,472	-	-	187,722
Trade and other payables (excluding employee entitlements)	122,227	121,239	-	557	579	-	122,375
Derivative financial instruments - cash flow hedges:	6,951						
Inflows		(3,906)	(99,694)	(48,146)	(2,103)	(100)	(153,949)
Outflows		4,955	103,644	51,200	3,739	58	163,596
Derivative financial instruments - fair value through profit or loss:	43						
Inflows		(2,958)	-	-	-	-	(2,958)
Outflows		3,002	-	-	-	-	3,002
Finance lease liabilities	917	229	325	301	93	-	948
Financial guarantees	24,675	24,675	-	-	-	-	24,675
Total	336,555	167,420	7,341	168,384	2,308	(42)	345,411
2016							
Borrowings	149,150	7,390	2,390	4,780	144,163	-	158,723
Trade and other payables (excluding employee entitlements)	93,832	89,981	-	3,385	645	-	94,011
Derivative financial instruments - cash flow hedges:	6,356						
Inflows		(24,551)	(73,681)	(66,538)	(7,640)	(12,365)	(184,775)
Outflows		25,845	75,869	69,295	10,357	12,639	194,005
Derivative financial instruments - fair value through profit or loss:	51						
Inflows		(1,709)	-	-	-	-	(1,709)
Outflows		1,762	-	-	-	-	1,762
Finance lease liabilities	917	191	190	381	200	-	962
Financial guarantees	3,316	3,316	-	-	-	-	3,316
Total	253,622	102,225	4,768	11,303	147,725	274	266,295

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

The main objective of capital risk management is to ensure that the Group operates as a going concern, meeting debts as they fall due, maintaining the best possible capital structure and reducing the cost of capital. Group capital consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure, the Group has the ability to review the size of dividends paid to shareholders, return capital or issue new shares, reduce or increase debt, or sell assets.

There are a number of externally imposed bank financial covenants required as part of seasonal and term debt facilities. These covenants are calculated monthly and reported to the banks on a monthly and quarterly basis.

The key covenants are as follows:

FINANCIAL COVENANT	REQUIREMENT IMPOSED
Contingent liabilities	Contingent liabilities of the Group shall not at any time exceed 6% (2016: 5%) of total tangible assets of the Group.
Debt to debt and equity	The debt to debt and equity percentage shall not exceed the specified percentage as at the end of each month. This percentage ranges from 45% to 55% (2016: 45% to 55%).
Tangible net worth	The tangible net worth of the Group shall not be less than $270.0 million (2016: $250.0 million).
Seasonal facility stock and debtors	Seasonal facility stock and debtors of the Group shall at all times be equal to or exceed the specified ratio as at the end of each month. This ratio ranges from 1.1:1 to 1.25:1 (2016: 1.1:1 to 1.25:1).
Total net worth	The total net worth of the Ultimate Parent shall not at any time be less than EUR 750 million (2016: EUR 750 million).

In addition, the Group also makes the following undertakings:

- At all times, the tangible assets of the Group entities that form part of the guaranteeing group shall not be less than 90% (2016: 90%) of the total tangible assets of the whole Group.
- At all times, the total earnings before interest and tax (EBIT as defined within the banking agreement) of the Group entities that form part of the guaranteeing group shall not be less than 75% (2016: 80%) of the total EBIT of the Group.

The Group has complied with all financial covenants during the year.

Seasonality

Due to the seasonal nature of the business the risk profile at year end is not representative of all risks faced during the year. Seasonality causes large fluctuations in the size of borrowings and debtors.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments by category

The classification of the Group's financial assets and liabilities depends on the purpose for which the assets were acquired or liabilities were incurred. Management determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date.

Financial assets classed as loans and receivables and financial liabilities classed as measured at amortised cost are carried at amortised cost less any impairment. Loans and receivables includes cash and cash equivalents which comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in current liabilities in the balance sheet and as a financial liability measured at amortised cost, unless there is a right of offset, and included as a component of cash and cash equivalents in the statement of cash flows.

Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value. Realised and unrealised gains arising from changes in fair value are included in the income statement.

Financial assets and financial liabilities classed as derivatives for hedging are recognised at fair value. The Group recognises the effective portion of changes in the fair value of derivative financial instruments that qualify as cash flow hedges in other comprehensive income. Gains or losses relating to the ineffective portion of a cash flow hedge are recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

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

Financial assets

	Loans and receivables $'000	Fair value through profit or loss $'000	Derivatives for hedging $'000	Available-for-sale $'000	Total $'000
2017					
Cash and cash equivalents	26,400	-	-	-	26,400
Trade and other receivables (excluding prepayments and taxes)	143,351	-	-	-	143,351
Available-for-sale financial assets	-	-	-	2,192	2,192
Derivative financial instruments	-	105	5,225	-	5,330
Total	169,751	105	5,225	2,192	177,273
2016					
Cash and cash equivalents	17,064	-	-	-	17,064
Trade and other receivables (excluding prepayments and taxes)	102,482	-	-	-	102,482
Available-for-sale financial assets	-	-	-	928	928
Derivative financial instruments	-	29	9,478	-	9,507
Total	119,546	29	9,478	928	129,981

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liabilities

	Measured at amortised cost $'000	Fair value through profit or loss $'000	Derivatives for hedging $'000	Total $'000
2017				
Borrowings	181,742	-	-	181,742
Trade and other payables (excluding employee entitlements)	122,227	-	-	122,227
Finance lease liabilities	917	-	-	917
Derivative financial instruments	-	43	6,951	6,994
Total	304,886	43	6,951	311,880
2016				
Borrowings	149,150	-	-	149,150
Trade and other payables (excluding employee entitlements)	93,832	-	-	93,832
Finance lease liabilities	917	-	-	917
Derivative financial instruments	-	51	6,356	6,407
Total	243,899	51	6,356	250,306

Fair value measurement

Techniques applied by the Group which use methods and assumptions to estimate the fair value of financial assets and liabilities are considered to be **level 2** in the fair value hierarchy. Inputs other than quoted prices included within level 1 of the fair value hierarchy are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). There have been no transfers between levels during the year.

The estimated fair values of all of the Group's other financial assets and liabilities approximate their carrying values.

30. RELATED PARTY TRANSACTIONS

Transactions with the Group's related parties comprise of sales and purchases of produce, and services, in the ordinary course of business. Related party sales and purchases of produce are at amounts similar to those with third parties, and services provided and received are agreed at negotiated amounts between the related parties.

Transactions with the Ultimate Parent

The Group has related party transactions with the Ultimate Parent as follows:

	2017 $'000	2016 $'000
Services provided to the Ultimate Parent	259	181
Services received from the Ultimate Parent	(61)	-
Current receivables owing from the Ultimate Parent	536	181
Current payables owing to the Ultimate Parent	(16)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with the Ultimate Parent's subsidiaries and associates

The Group has related party transactions with R.I. Solution GmbH, a wholly-owned subsidiary of the Ultimate Parent, and the transactions with this subsidiary are detailed as follows:

	2017 $'000	2016 $'000
Services received from the Ultimate Parent's subsidiary	**(553)**	(1,047)
Current payables owing to the Ultimate Parent's subsidiary	**(586)**	(38)

The Group also has related party transactions with Obst vom Bodensee Vertriebsgesellschaft mbH, an associate of the Ultimate Parent, and the transactions with this associate are detailed as follows:

	2017 $'000	2016 $'000
Sale of produce to the Ultimate Parent's associate	**4,462**	3,621
Services provided to the Ultimate Parent's associate	**4**	-
Services received from the Ultimate Parent's associate	**(3,344)**	(1,698)
Current receivables owing from the Ultimate Parent's associate	**83**	-

Transactions with joint ventures and associates

The Group has related party transactions with its joint ventures and associates. The details of the transactions are contained in notes 20 and 21 respectively.

Transactions with directors and key management personnel

In previous years, the Group signed agreements to purchase the remaining shares in Delica Limited and Delica North America which included deferred consideration to the entities' former directors and management.

The Group has a $1.1 million payable due within 12 months to former directors and management of Delica North America (2016: $2.1 million due within 12 months to former directors and mangement of Delica Limited and $1.3 million due within 12 months to former directors and management of Delica North America, and $1.0 million due in more than 12 months to former directors and management of Delica North America).

The final deferred consideration payment owing to the former directors and management of Delica Limited was made in the current year.

Key management personnel compensation

	2017 $'000	2016 $'000
Short-term employee benefits	**3,612**	3,476
Long-term employee benefits	**236**	138
Termination benefits	**1,611**	-
Directors' remuneration	**455**	480
Total	**5,914**	4,094

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. INVESTMENTS IN SUBSIDIARIES

Significant subsidiaries of the Group are listed below:

NAME OF ENTITY	PLACE OF BUSINESS AND COUNTRY OF INCORPORATION	OWNERSHIP INTEREST (%) 2017	OWNERSHIP INTEREST (%) 2016	PRINCIPAL ACTIVITY
Apollo Apples (2014) Limited	New Zealand	**100**	100	Horticulture operations
Berryfruit New Zealand Limited	New Zealand	**100**	100	Horticulture operations
Delica Limited	New Zealand	**100**	100	Fruit exporter
Delica Australia Pty Limited	Australia	**100**	100	Fruit exporter
Delica Domestic Pty Limited	Australia	**80**	80	Fruit and produce wholesale distributor
Delica North America, Inc. (1)	United States of America	**50**	100	Fruit exporter
Delica (Shanghai) Fruit Trading Company Limited	China	**100**	100	In-market services and fruit importer
ENZA Fresh, Inc. (2)	United States of America	**-**	100	Pipfruit promotion
ENZA Investments USA, Inc. (3)	United States of America	**-**	100	Investment company
ENZAFOODS New Zealand Limited	New Zealand	**100**	100	Manufacturer of processed fruit and vegetable products
ENZAFRUIT New Zealand (CONTINENT)	Belgium	**100**	100	Pipfruit marketing
ENZAFRUIT New Zealand (U.K.) Limited (4)	United Kingdom	**-**	100	Investment company
ENZAFRUIT New Zealand International Limited	New Zealand	**100**	100	Pipfruit sales and marketing
ENZAFRUIT Peru S.A.C	Peru	**100**	100	Horticulture operations
ENZAFRUIT Products Inc.	United States of America	**100**	100	Fruit variety development and propagation
Fruit Distributors Limited	New Zealand	**100**	100	Investment company
Fruitmark NZ Limited	New Zealand	**100**	100	Processed foods broking
Fruitmark Pty Limited	Australia	**100**	100	Processed foods broking
Fruitmark USA Inc.	United States of America	**100**	100	Processed foods broking
Great Lake Tomatoes Limited (5)	New Zealand	**-**	100	Horticulture operations
Invercargill Markets Limited	New Zealand	**100**	100	Investment company
Safer Food Technologies Limited (6)	New Zealand	**-**	100	Investment company
Status Produce Limited	New Zealand	**100**	100	Horticulture operations
Status Produce Favona Road Limited	New Zealand	**100**	100	Leased property holding
T&G Fruitmark HK Limited	Hong Kong	**100**	100	Processed foods broking
T&G Insurance Limited (7)	New Zealand	**100**	-	Captive insurance provider
T&G Japan Limited	Japan	**100**	100	In-market services and fruit importer
T&G South East Asia Limited	Thailand	**100**	100	In-market services and fruit importer
T&G Vizzarri Farms Pty Limited	Australia	**50**	50	Fruit and produce wholesale distributor
Taipa Water Supply Limited	New Zealand	**65**	65	Water supply
Turners & Growers (Fiji) Limited	Fiji	**70**	70	Fresh produce importer
Turners & Growers Fresh Limited	New Zealand	**100**	100	Fresh produce wholesale distributor
Turners & Growers New Zealand Limited	New Zealand	**100**	100	Shared services provider
Turners and Growers Horticulture Limited	New Zealand	**100**	100	Horticulture operations
Worldwide Fruit Limited (8)	United Kingdom	**50**	50	Pipfruit importer and packing services

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(1) On 6 April 2017, the Group sold 50% of its shares in Delica North America to Grandview Brokerage Limited, which holds a majority shareholding in GB LLC. Refer to note 19 for further information.

(2) On 6 April 2017, ENZA Fresh, Inc. merged into GB LLC. Refer to note 19 for further information.

(3) On 20 March 2017, ENZA Investments USA, Inc. merged into ENZA Fresh, Inc.

(4) On 2 October 2017, the assets of ENZAFRUIT New Zealand (U.K.) Limited were distributed to ENZAFRUIT New Zealand International Limited and the entity was liquidated.

(5) On 1 August 2017, Great Lake Tomatoes Limited was amalgamated into Status Produce Limited.

(6) On 10 October 2017, Safer Foods Technologies Limited was amalgamated into Invercargill Markets Limited.

(7) On 7 August 2017, T&G Insurance Limited was incorporated. The entity is located in Auckland, New Zealand.

(8) From 2 January 2017, the Group has accounted for Worldwide Fruit as a subsidiary in accordance with NZ IFRS 10 C*onsolidated Financial Statements*. Refer to note 18 for further information.

The balance date of all subsidiaries is 31 December.

32. EVENTS OCCURING AFTER THE BALANCE DATE

Potential sale of ENZAFOODS New Zealand Limited

As at the date of these accounts being issued, the Group was in negotiations to sell the assets and business of its wholly-owned subsidiary, ENZAFOODS New Zealand Limited. This entity forms part of the Processed Foods segment and has processing operations in Hastings, New Zealand and Nelson, New Zealand.

Amalgamation of Apollo Apples (2014) Limited

On 1 January 2018, Apollo Apples (2014) Limited (Apollo) was amalgamated into ENZAFRUIT New Zealand International Limited (ENZAFRUIT NZ), bringing together the horticultural operations in Apollo with the pipfruit sales and marketing activities in ENZAFRUIT NZ.

Final dividend announced

On 28 February 2018, the Board resolved to pay a final dividend to the shareholders of $0.06 per share.

There are no other events post balance date that would cause a material misstatement to the financial information presented in this report.

FIVE YEAR FINANCIAL REVIEW

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Revenue					
Continuing activities	**1,106,466**	871,771	812,764	727,022	732,221
Profit					
Pre-tax profit	**22,325**	42,095	24,669	16,840	23,420
Net profit after tax	**22,597**	32,436	19,450	10,614	17,238
Funds employed					
Paid up capital	**176,357**	176,357	170,317	165,147	165,147
Retained earnings and reserves	**237,417**	168,082	147,933	110,058	102,324
Non-controlling interests	**11,819**	2,383	2,696	1,761	1,200
Non-current liabilities	**217,164**	194,853	214,855	167,951	99,005
Current liabilities	**155,959**	108,911	118,167	106,531	92,140
	798,716	650,586	653,968	551,448	459,816
Assets					
Property, plant and equipment	**450,981**	393,974	401,395	338,299	250,773
Other non-current assets	**93,254**	60,008	57,426	34,937	52,219
Current assets	**254,481**	196,604	195,147	178,212	156,824
	798,716	650,586	653,968	551,448	459,816

	2017	2016	2015	2014	2013
Statistics					
Number of ordinary shares on issue	**122,543,204**	122,543,204	119,803,316	117,010,550	117,010,550
Earnings per share - cents	**15.8**	25.1	15.4	8.4	13.8
Net tangible assets per security	**$3.17**	$2.62	$2.47	$2.27	$2.19
Percentage of equity holders funds to total assets	**53%**	53%	49%	50%	58%
Ratio of current assets to current liabilities	**1.63**	1.81	1.65	1.67	1.70
Ratio of debt to equity (1)	**0.88**	0.88	1.04	0.99	0.71
Dividends					
Cents per share on paid up capital	**6**	6	6	5	-
Total dividend paid	**$7,352,592**	$7,188,199	$7,020,633	$5,850,528	-

(1) Debt includes trade payables.

DIRECTORY

DIRECTORS

Prof. K.J.Lutz
Chairman and Non-independent Director

C.U.G. Bell
Non-independent Director

C.A. Campbell
Independent Director

A. Helber
Non-independent Director

M.W. Liu
Non-independent Director

R.T. Priske
Non-independent Director

J.S. Wilson
Independent Director

AUDITORS

Deloitte Limited

PRINCIPAL BANKERS

Bank of New Zealand

HSBC

Rabobank

Westpac New Zealand

PRINCIPAL SOLICITORS

Russell McVeagh

REGISTERED OFFICE

1 Clemow Drive
Mt Wellington
Auckland 1060, New Zealand

SHARE REGISTRY

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622, New Zealand

REGISTERED OFFICE CONTACT DETAILS

PO Box 290
Shortland Street
Auckland 1140, New Zealand

Telephone: (09) 573 8700
Website: www.tandg.global
Email: info@tandg.global

SHARE REGISTRY CONTACT DETAILS

Private Bag 92119
Victoria Street West
Auckland 1142, New Zealand

Investor enquiries: (09) 488 8700
Website: www.computershare.co.nz
Email: enquiry@computershare.co.nz

www.tandg.global