2017

Growers at heart. Future in mind.

ANNUAL REPORT

EastPack
Growers at heart

An eye on future harvests

It's been a huge year at EastPack. After a period of growth and investment, we've taken the chance to have a fresh look at the values that will see us through the coming seasons. Growers at heart is who we are: we're owned by growers and centred on grower success. And with a strong infrastructural platform, we are well placed to deliver Growers the same high level of packing services they've come to enjoy, for harvests to come.

eastpack.co.nz

EastPack
Growers at heart

An expert hand around the orchard

2017 saw us expand and improve our Total Orchard Management Service (Prospa).

With over 800 hectares now in our care and a full time team of 33, we're working with investors and growers to help them achieve their lifestyle goals whilst maintaining outstanding returns.

prospa.nz

Prospa
Total Orchard Management by EastPack

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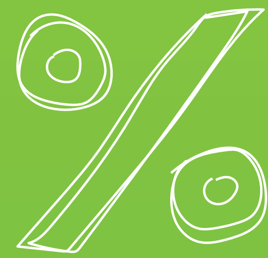
2017 EASTPACK HIGHLIGHTS

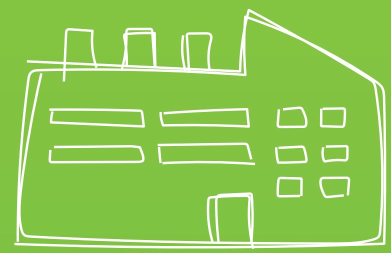


Equity Ratio

Equity Ratio at **48%** remains strong despite lower profitability on lower volumes packed

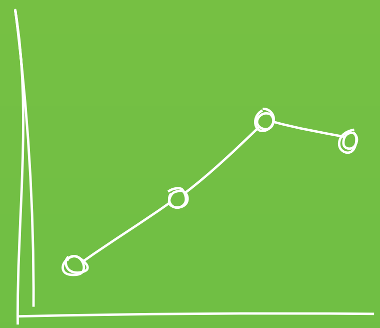
EBITDAFR

EBITDAFR of **$29.9m** down **$4.2m** on 2016, but was up per tray at **89.5c** per tray packed compared to **88.2c** per tray in 2016



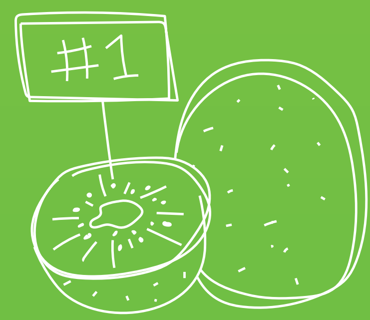
Property Plant & Equipment

A further **$34.9m** invested in PP&E in 2017 to increase capacity and improve performance. **$97.3m** invested in PP&E in last 3 years



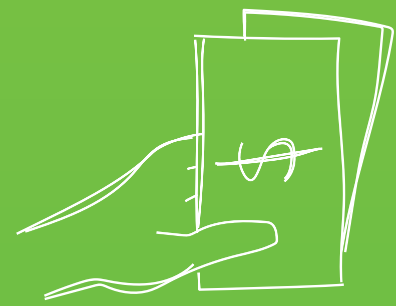
Revenue

Revenues decrease **$10.6m** on 2016 on reduced volumes



Class 1 Trays Packed

Class 1 Trays packed of **33.4m** trays down **5.3m** trays or **14%** on 2016. Total NZ Class 1 trays down **15.4%** on 2016, so EastPack market share improves to **27.9%**



Debt

Borrowings increase by **$14.35m** to fund capital expenditure programme

CEO & CHAIRMAN'S REPORT

Growers at heart. Future in mind.

The 2017 season was a challenging season with volumes significantly down on 2016 due to seasonal fluctuations, and a Gold crop that was difficult to pack. This has resulted in reduced profitability for the Group and we expect to see a rebound in 2018 and continuing growth in future seasons.

EastPack packed 33.4m trays of kiwifruit for its growers, a 5.3m tray or 14% decrease on 2016. This volume in total was similar to the 2015 crop. EastPack increased its market share slightly from 27.1% to 27.9%. Packing Gold in particular in 2017 was a challenge with soft and exploding fruit being prevalent in a number of grower lines, which slowed the packing lines and increased the cost of packing fruit both for EastPack and its growers. However, the teams were able to pack in grade and it was pleasing to see that despite the soft fruit at packing, Gold fruit loss was at a record low of 0.3% in 2017, well below the industry average. It was also pleasing to see Hayward fruit loss drop lower again to record low levels down from 2.6% in 2016 to 1.3%.

Zespri announced in late 2017 its intention to allocate 700 hectares of Gold3 licence in 2018 and extend the release of Gold3 licence out to 2022, meaning a total of 3,500 hectares are to be released over the next five years. Zespri's demand forecasts support the release of 700 hectares per year, but this is subject to an annual review. The market returns for the variety were very strong in 2017 which will no doubt lead to continuing high prices that growers are prepared to pay for licences. It is pleasing to see the on-going success of the Gold3 variety, but growth in volumes will bring challenges to the post-harvest industry due to the short harvest window of Gold3.

Hayward volumes in 2017 were down significantly on 2016 with EastPack growers average orchard yield dropping from in excess of 12,000 trays per hectare in 2016 to just over 9,000 trays per hectare. We are expecting some upward lift in yields in 2018, but the general industry view is that it is unlikely that Hayward yields on average will return to 2016 levels. With the reduced volumes, Zespri have been able to deliver a significant lift in per tray returns to increase slightly Hayward OGR per hectare on average.

During the year our grower/shareholders will have seen a change in our corporate branding. Our brand did not adequately reflect the co-operative business which we operate and the importance we put on our growers and hence the tag line "Growers at heart". We also changed the branding of our orchard management business to "Prospa" recognising the importance we place on our managed and leased orchard owners prospering under EastPack's management of their orchard assets.

2017 Capital Investment

Following significant growth in volumes in the past 3 years, the outlook for kiwifruit for 2017 and future years had been for further volume growth. Following the full utilisation of capacity that arose in 2016, EastPack determined that further packing and coolstore capacity was required to pack the increasing volumes of G3 and increasing yields from our Hayward growers and we could not rely on slow shipping from Zespri as a long-term storage solution. From the volume forecasts for the 2017 season and beyond, a capital investment plan was implemented to install a second grader and new coolstore at Washer Road and increase coolstore capacity at Opotiki, Quarry Road and Collins Lane.

The major investment in 2017 was the installation of a 14 lane grader at Washer Road with the latest Compac Spectrim grading technology and NIR on all 14 lanes. To support the grader, the packhouse building was extended significantly and a new coolstore constructed to store the additional throughput. Following later indications of a significant reduction in volume on 2017, the construction of additional coolstore capacity at Quarry Road was deferred to a future year.

We also continued to invest in coolstore capability across all our sites to ensure optimal fruit management within coolstores. The Company also upgraded to Compac's latest Spectrim grading technology on Grader 3 at Quarry Road and at Opotiki.

Board and Board Structure

A stable Board has again been in place in 2017 with six grower directors and two independent directors, being the optimal board size as planned following the Satara Merger.

Mike Maltby has advised that he will be stepping down from the Board in 2018. Mike has made a significant contribution to the Board during his tenure. He joined the Satara Board in 2008 and was involved significantly in bringing the Satara and EastPack merger to fruition in 2013. Mike served as Chair of the EastPack Audit Committee over the past 3 years. We would like to acknowledge Mike's service to our industry and thank him for his dedication and leadership.

The Board is committed to high quality governance. It is intended that the Board should comprise a balance of experience and fresh thinking. Steps will be taken to achieve this balance and shareholders will also contribute to this process by nominating new candidates.

Financial Result

The 2017 season result shows reduced profitability for EastPack as a result of the reduced kiwifruit volumes. The financial performance across our sites was robust with emphasis on packing fruit efficiently and cost effectively, and maintaining strong fruit management in coolstore despite the challenges of the soft gold fruit at packing. Turnover decreased by 6.5% from $161m to $151m primarily as a result of the 25% reduction in Hayward volumes.

With the significant increase in capital investment over 2016 and 2017 depreciation was up $3m or 30% on 2016 at $13.4m in total. Earnings before interest, tax, fair value adjustments and rebates of $16.5m was $7.2m below 2016.

As a result of the reduced financial performance the Board determined that it was not prudent to pay an interim dividend to our investor shareholders in 2017. Following completion of the financial year and an improved result with the Group exceeding budgeted profit, the board announced a dividend of 5.04 cents fully imputed compared to 8.64 cents per share in 2016. This reflected the reduced profitability of the Group and the need to provide a level of reward to our investors. It was also considered in light of the financial position of the Group, the significant capital expenditure undertaken to date and debt levels.

Net profit before tax and fair value adjustments of $6.9m is 39% lower than the 2016 result of $11.3m.

The Company's land and buildings have not been revalued as at 31 December 2017. The last revaluation occurred in 2016 and the Board agreed that revaluations were not required in 2017.

Significant capital expenditure was undertaken during the year to provide EastPack with the capacity to pack and store the additional volumes anticipated in the next three years. The Company continues to produce good net cash flows from operating activities but increased borrowings to fund the capital expenditure. Year-end total borrowings of $67m compares to 2016 borrowings of $52.6m.

Future Growth Challenge

With Zespri's intention to allocate 3,500 hectares of Gold3 license over the next 5 years, Zespri has indicated this could lead to New Zealand kiwifruit volumes being in excess of 200 million trays by 2025, with the growth primarily coming in Gold3. We have undertaken a long-term analysis of what this means for the post-harvest industry and for EastPack if we maintain our current market share. The significant challenge is the short harvest window of Gold3 and therefore the need to invest in significant grading capacity for only a few weeks in a year.

EastPack's strategy and competitive strength is having sufficient capacity to pack growers' fruit reasonably promptly when each grower wants their fruit harvested and packed. The Company is committed to improving its operational performance, reducing fruit loss and providing strong Orchard Gate Returns to its growers.

Based on the future projections completed, no further additional grader capacity is forecast to be required in the next three years. However, from 2021 onwards, significant investment will be required unless new ways to pack and store fruit are determined. The level of future investment can be reduced if growers can widen the harvest window and/or if the Company can achieve greater throughput and utilisation of the current packing infrastructure. Therefore, EastPack will need to continue to invest in upgrading existing plant to provide best practice packing, cooling and storage of fruit and will invest in research and development, and new technologies where appropriate to support efficiency and effectiveness of the Company's operations. The extent of this investment has yet to be fully quantified, but it is likely to be significant.

EastPack has increased debt levels in the past two years to fund the significant capital expenditure to have sufficient capacity to pack up to 40 million trays. With increased grafting of Hayward to G3 our volume projections now indicate that volumes will not exceed this level for the next three years. We need to reduce debt over the next three years and therefore capital expenditure will be limited over this period. However, at the same time we need to invest to increase the ability of the current infrastructure to improve throughput and efficiency in preparation for the volume increases predicted from 2021.

> "The financial performance across our sites was robust with emphasis on packing fruit efficiently and cost effectively and maintaining strong fruit management in coolstore."

The Board has reviewed the future projections and it is clear that the Company's current capital base and capital structure will not support the future growth with sufficient resilience. The Board have appointed external consultants to assist the Board in reviewing the current capital structure and providing options on a revised capital structure. It is expected that this process will take place over the first half of 2018. As part of this process we will consult with our grower/shareholders on the preferred options.

EastPack Key Financial Statistics

	2017 ('000)	2016 ('000)	2015 ('000)
Revenues	**$150,377**	$160,935	$136,229
Earnings before interest, tax, depreciation, fair value adjustments and rebates (EBITDAFR)	**$29,900**	$34,146	$25,671
Rebates paid on transactor shares	**$6,188**	$9,776	$6,144
Operating profit (loss) (Earnings before tax and fair value adjustments)	**$6,860**	$11,231	$8,148
Net profit before taxation	**$6,860**	$11,321	$8,148
Net profit after taxation	**$4,884**	$8,153	$5,870
Earnings per investor share	**$0.16**	$0.27	$0.20
Dividends on investor shares	**$1,503**	$2,163	$1,067
Net tangible assets per investor share	**$2.36**	$2.17	$1.75
Total debt (term and current)	**$67,000**	$52,650	$37,000
Number of investor shares	**29,825**	29,825	29,825
Equity ratio (including transactor shares)	**0.48**	0.50	0.51

Transactor Share Capital

	2017	2016	2015
Number of transactor shares	**23,349**	17,859	19,040
Transactor shares to be issued pending the submission of EastPack Limited's Product Disclosure Statement		4,023	
TOTAL	**23,349**	**21,882**	**19,040**

Health and Safety

EastPack has a very strong focus on Health and Safety and this is a fundamental element of the Company's culture. Active participation in Health and Safety occurs from site level through to the Board. During the past year we have increased both the personnel and resources dedicated to Health and Safety. We have a principle of recognising improvement in Health and Safety at our sites, through recognition in the CEO Health and Safety Awards, our Opportunities for Improvement (OFIs) system, strong Health and Safety committees and a pro-active approach to improving safety on our sites. We have fully incorporated the requirements of the Health and Safety at Work Act 2015 into our Health and Safety systems. This includes ensuring all of our contractors including harvesting and harvest contractors comply with our Health and Safety requirements. EastPack, our growers and our various contractors all have a collective responsibility in this area.

EastPack has achieved tertiary performance level accreditation under the Accredited Employers Programme through ACC. This is the highest level of accreditation under the scheme and allows EastPack to manage our employees' injuries by 'standing in the shoes' of ACC.

"The major investment in 2017 was the installation of a 14 lane grader at Washer Road with the latest Compac Spectrim grading technology and NIR on all 14 lanes."

Our People

With the continuing shortage of requisite skilled people and competition from other employers, the Company is increasing its focus on good recruitment, welfare, training and retention of staff. With new technologies being implemented across our sites, the skill levels required by our staff is increasing. We also require significant numbers of seasonal workers to cope with the volumes being packed by the Company.

Overall our staffing levels peaked at just over 3,000 employees in 2017, the vast majority being seasonal employees. We have a large number of returning staff each year which provides good stability in our work force but with large numbers of new staff each year, a great induction and training is a key requirement. We have revamped our induction programme and implemented a dedicated training resource within the business to co-ordinate and oversee training across the business.

The team worked extremely hard through the season and it is a credit to our team that we managed not only to pack on time but were also able to manage through the challenge of soft and exploding Gold fruit.

Often Health and Safety practices focus more rigorously on the safety component within the business and we are putting equal focus on the health and wellbeing of our staff. We have implemented a number of initiatives across the business to focus in this area. We had a number of staff impacted by the Edgecumbe floods in April and a large amount of money was raised to assist those staff. We would like to thank and acknowledge those growers and other non-affected staff that also supported our staff through donations at this time.

We are continuing to recruit over 400 staff from the Pacific islands and other areas under the Recognised Seasonal Employer (RSE) scheme. Being able to recruit these staff both for work on our sites and in growers' orchards is critical to being able to get our fruit to market. With the recent change in government we expect that recruiting overseas workers will be more difficult, and employment costs overall will increase at a greater rate than inflation as the minimum wage increases.

Glenbervie

In 2017, the Company made the decision to cease operating the leased Glenbervie packhouse in Northland. This site is leased and the lease expires in early 2019. We will utilise the site to cross-dock fruit prior to trucking to the Bay of Plenty for packing. The Glenbervie site is inefficient in comparison to our other sites and the opportunity to provide more optimal load out options for our Northland growers and pack more efficiently and take advantage of better storage opportunities enables both growers and EastPack to gain better outcomes from its closure. We remain committed to our growers in Northland and hope to expand the business in the future and will consider investing in a new site when there is sufficient scale of fruit volumes.

We would like to recognise and thank our team in Northland for all their efforts and skills they provided to both EastPack and to our growers.

Our Growers

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

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

The success of the 2018 harvest will again depend heavily on the spirit of teamwork and co-operation with EastPack and its grower shareholders.

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

Acknowledgements

We would like to thank the hard work of our staff at EastPack and the result that the team delivered in 2017. The dedication and commitment of the team in producing the result that we have seen in 2017 gives us a lot of confidence going into 2018 and future years.

We would like to acknowledge our Directors and the leadership they have demonstrated during a time of change and rapid growth. We are confident that with the EastPack team along with significant investment in training, systems and infrastructure, your company is well placed to deliver the service and quality outcome that you require as grower shareholders in 2018.

At EastPack a great legacy has been built over many years at EastPack, Satara and their forerunner organisations. That legacy owes much to the vision and commitment of many who have gone before us. The directors, management and people of EastPack today are committed to building on that legacy and serving growers outstandingly in 2018 and the years that follow.

John Loughlin - Chairman

Hamish Simson - Chief Executive Officer

BOARD OF DIRECTORS

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

John Loughlin

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

Committees:

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

John has extensive past board experience including directorships with Zespri Group Limited, AgResearch Limited, Port of Napier Limited and Toll NZ Limited. John is currently chairman of Powerco Limited, Tru-Test Corporation Limited, Hop Revolution Limited, Rockit Global Limited and Meat Industry Association of New Zealand Inc; and is a director of Augusta Capital Limited. John is the founder and owner of Askerne Winery.

Mark Hudson

Elected 1992, BSocSc

Committees:

- Member, Health and Safety Committee

Mark has been involved in the kiwifruit industry since 1982; he owns and manages orchards in the Edgecumbe region. He holds a BSocSc degree in Economics and Accounting and has been a member of NZKGI for ten years.

Michael Montgomery

Elected 2000

Committees:

- Member, Health and Safety Committee

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

Mark Giles

Independent Director, appointed 2014, B Ag Econ

Committees:

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

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

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

Adrian Gault

Elected 2009, BAgSci, IOD Directors Certificate

Committees:

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

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

Michael Maltby

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

Committees:

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

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

Murray McBride

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

Committees:

- Chairman, Health and Safety Committee

Murray has been involved in the kiwifruit industry since 1979. He managed the McBride family post-harvest facility and purchased his first orchard in 1990. Since then, Murray has been heavily involved in developing gold orchard plantings and is renowned in the industry as a leader in this field. Murray is an elected member of EastPack Entity Trust.

Hendrik Pieters

Elected 1999 (Satara), 2013 (EastPack)

Committees:

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

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

John Loughlin

Mark Hudson

Michael Montgomery

Mark Giles

Adrian Gault

Michael Maltby

Murray McBride

Hendrik Pieters

SENIOR MANAGERS

EastPack's senior managers comprise the following individuals.

Hamish Simson

BCOM
Chief Executive

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

Heather Burton

DIPBUS (HR MANAGEMENT)
General Manager – Human Resources

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

Braden Hungerford

BAV
General Manager – Grower & Orchard Performance

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

Kirsty Shores

DIPBUS (INFORMATION SYSTEMS)
Chief Technology Officer

Kirsty has over 25 years experience in delivering large IS projects. She has significant expertise in a number of sectors working in both the UK and NZ.

Neil Te Kani

Maori Relations Manager

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

Richard Fraser-Mackenzie

BCOM CA
General Manager – Supply & Logistics

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

Merv Dallas

BCOM CA
Chief Financial Officer

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

Ginny Moore

BTECH (FOOD TECHNOLOGY)
Business Improvement Manager

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

Phil Karl

DIPDAIRYTECH
General Manager – Operations

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

Hamish Simson | Richard Fraser-Mackenzie | Heather Burton | Merv Dallas | Braden Hungerford | Ginny Moore | Kirsty Shores | Phil Karl | Neil Te Kani

STATEMENT OF CORPORATE GOVERNANCE

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

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

Financial Statements

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

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

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

Board of Directors

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

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

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

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

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

The primary responsibilities of the Board include:

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

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

Conflicts of Interest and Related Parties

Directors disclose any general and specific interests that could be in conflict with their obligations to the Company. The Company maintains a register of disclosed interests. Transactions with related parties and balances outstanding relating to the year ending 31 December 2017 are disclosed in note 26 of the Notes to the Financial Statements.

Risk Management

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

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

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

Internal Controls

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

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

Committees

The Board operates the following standing committees:

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

Audit Committee

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

- Monitors and administers any conflicts of interest which may arise, in particular those resulting from the Group being a Grower Co-operative
- Reviews the recommendations and the audit conducted by the External Auditors
- Reviews the financial information presented by management and recommends to the Board the approval of Financial Statements for release to shareholders, regulators and the general public
- Monitors the appropriateness and effectiveness of the Group's administrative, operating and accounting controls
- Reviews and advises on the risk management practices of the Group
- Approves the internal audit programme, receives reports and addresses recommendations considered appropriate

This committee is chaired by Mike Maltby.

Health and Safety Committee

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

- Liaises with management and relevant staff in Health and Safety
- Reviews the annual Health and Safety audit plan
- Assesses the performance of Health and Safety
- Reviews Health and Safety reporting/policies/procedures/implementation
- Oversees compliance with statutory responsibilities relating to Health and Safety
- Understands the hazards that employees and contractors face in the course of their roles with and for the EastPack group and the management of those hazards
- Ensures recommendations are actioned by management

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

Remuneration and Appointments Committee

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

Directors' Remuneration Committee

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

The Board also currently operates the following Working committees:

- Information Systems Committee
- Leadership Committee
- Capital Structure Committee

Attendance at Meetings

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

Directors' Remuneration

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

Employee Remuneration

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

Entries in the Interests Register

In addition to the interests and related party transactions disclosures in note 26 of the Notes to the Financial Statements, there were no interests disclosed to the Board during the year.

STATUTORY INFORMATION

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

The Group's principle activities during the year were:

- Packing and coolstorage of kiwifruit
- Orchard management

Directors' Interests:

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

Share Dealing:

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

	SHARES ACQUIRED DURING THE YEAR		SHARES SOLD DURING THE YEAR	
	TRANSACTOR	INVESTOR	TRANSACTOR	INVESTOR
A.A. Gault	91,682	–	–	–
M.T. Giles	9,387	–	–	–
R.M. Hudson	16,776	–	–	–
J.J. Loughlin	–	–	–	–
M.R. McBride	138,412	519,945	–	–
M.C. Maltby	20,334	–	–	–
M.J. Montgomery	81,814	–	–	–
H.J. Pieters	24,897	–	–	–

All transactor shares were issued at $1 per share.

Remuneration and Other Benefits:

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

	REMUNERATION ($)	
	2017	2016
A.A. Gault	42,000	41,500
M.T. Giles	42,000	41,500
R.M. Hudson	45,000	44,500
J.J. Loughlin	92,400	89,300
M.R. McBride	42,000	41,500
M.C. Maltby	42,000	41,500
M.J. Montgomery	45,000	44,500
H.J. Pieters	42,000	41,500

Remuneration of Employees:

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

	GROUP
$100,000 – $109,999	5
$110,000 – $119,999	2
$120,000 – $129,999	4
$130,000 – $139,999	6
$140,000 – $149,999	4
$150,000 – $159,999	1
$160,000 – $169,999	1
$200,000 – $209,999	3
$230,000 – $239,999	1
$240,000 – $249,999	1
$250,000 – $259,999	1
$680,000 – $689,999	1
	30

Donations:

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

Use of Company Information:

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

Co-operative Status:

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

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

For and on behalf of the Board:

John Loughlin – Chairman
14 March 2018

INCOME STATEMENT

For the year ended 31 December 2017

	NOTES	2017 ($000'S)	2016 ($000'S)
Revenue	6	150,377	160,935
Share of profit in associates	24	6	46
Packaging materials		(35,325)	(37,760)
Employee benefits expense		(48,852)	(52,403)
Directors compensation		(407)	(402)
Other expenses	7	(34,851)	(34,712)
Rental and operating lease expenses		(1,049)	(1,558)
		(120,484)	(126,835)
Earnings before interest, tax, depreciation, fair value adjustments and rebates		**29,900**	**34,146**
Depreciation	23	(13,353)	(10,362)
Earnings before interest, tax, fair value adjustments and rebates		**16,547**	**23,784**
Interest expense		(3,499)	(2,777)
Rebates paid		(6,188)	(9,776)
Earnings before tax and fair value adjustments		**6,860**	**11,231**
(Loss)/gain on revaluation of property, plant and equipment	23	–	90
Net profit/(loss) before taxation		**6,860**	**11,321**
Add/(less) taxation	8	(1,975)	(3,168)
Net profit/(loss) after taxation		**4,884**	**8,153**
Net profit/(loss) attributable to:			
Owners of the Company		4,884	8,153
Non controlling interest		–	–
Net profit/(loss) after taxation		**4,884**	**8,153**
Earnings per share			
Basic and diluted earnings per share	9	$0.16	$0.27

These financial statements should be read in conjunction with the Notes to the financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 ($000'S)	2016 ($000'S)
Net profit/(loss) after taxation		4,884	8,153
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(Loss) on revaluation of property, plant and equipment, net of tax	11	–	5,724
Items that may be reclassified subsequently to profit or loss			
Gain/(Loss) on fair value of available for sale financial assets, net of tax	11	2,291	733
Reclassification adjustments for gains/losses included in profit or loss, net of tax	11	–	(12)
Other comprehensive income for the year		**2,291**	**6,445**
Total comprehensive income for the year		**7,175**	**14,598**
Total comprehensive income attributable to:			
Owners of the company		7,175	14,598
Non controlling interests		–	–
Total comprehensive income for the year		**7,175**	**14,598**

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2017

	NOTES	SHARE CAPITAL ($000'S)	ASSET REVALUATION RESERVE ($000'S)	AVAILABLE FOR SALE RESERVE ($000'S)	RETAINED EARNINGS ($000'S)	TOTAL ($000'S)
Opening balance 1 January 2016		12,847	16,220	690	22,500	52,257
Net profit/(loss) after taxation		–	–	–	8,153	8,153
Other comprehensive income, net of tax	11	–	5,724	721	–	6,445
Total comprehensive income for the year		–	5,724	721	8,153	14,598
Dividends paid	12	–	–	–	(2,163)	(2,163)
Closing balance 31 December 2016		**12,847**	**21,944**	**1,411**	**28,490**	**64,692**
Net profit/(loss) after taxation		–	–	–	4,884	4,884
Other comprehensive income, net of tax	11	–	–	2,291	–	2,291
Total comprehensive income		–	–	2,291	4,884	7,175
Dividends paid	12	–	–	–	(1,502)	(1,502)
Closing balance 31 December 2017		**12,847**	**21,944**	**3,702**	**31,872**	**70,365**

These financial statements should be read in conjunction with the Notes to the financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017 ($000'S)	2016 ($000'S)
Equity			
Share capital	10	12,847	12,847
Reserves	11	25,646	23,355
Retained earnings		31,872	28,490
		70,365	64,692
Non current liabilities			
Deferred taxation	8	9,454	10,122
Income in advance		–	50
Transactor share capital	15	23,349	17,859
Refunds due to resigned shareholders	16	1,908	1,797
Borrowings	17	62,000	25,000
		96,711	54,828
Current liabilities			
Borrowings	17	5,000	27,650
Trade and other payables	13	21,879	21,348
Employee entitlements	14	927	927
Provision for taxation	8	1,539	1,133
Refunds due to resigned shareholders	16	648	1,036
Income in advance		–	538
		29,992	52,632
Total funds employed/liabilities		**197,068**	**172,152**
Non current assets			
Property, plant and equipment	23	172,918	151,421
Investments	24	4,644	3,297
Unpaid transactor shares	22	98	98
Trade and other receivables	19	160	160
		177,820	154,976
Current assets			
Cash and cash equivalents	18	5,082	2,465
Trade and other receivables	19	7,681	8,085
Biological assets	20	3,831	3,763
Inventories	21	2,655	2,863
		19,248	17,176
Total assets		**197,068**	**172,152**

For and on behalf of the Board

John Loughlin – Chairman
14 March 2018

Michael Maltby – Director
14 March 2018

These financial statements should be read in conjunction with the Notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 ($000'S)	2016 ($000'S)
Cashflows from operating activities			
Cash was provided from:			
Receipts from customers		150,341	154,069
Interest received		280	177
Net GST received		–	323
Dividends received		347	54
		150,968	154,623
Cash was applied to:			
Payments to suppliers and employees		(126,100)	(122,473)
Interest paid		(3,317)	(2,780)
Net GST paid		(192)	–
Taxation paid		(2,237)	(3,260)
		(131,846)	(128,513)
Net cash flows from operating activities	25	**19,122**	**26,110**
Cashflows from investing activities			
Cash was provided from:			
Associate dividends		–	125
Proceeds from sale of investments		288	26
Repayment of grower loans		7	500
Proceeds from sale of property, plant and equipment		82	48
		377	699
Cash was applied to:			
Purchase of investments		–	(28)
Advances to growers		–	(7)
Purchase of property, plant and equipment		(34,953)	(37,390)
		(34,953)	(37,425)
Net cash flows from investing activities		**(34,576)**	**(36,726)**
Cashflows from financing activities			
Cash was provided from:			
Issue of transactor shares		6,659	10
Proceeds from borrowings		14,350	15,650
		21,009	15,660
Cash was applied to:			
Payment of dividends		(1,502)	(2,163)
Redemption of shares		(1,436)	(1,541)
		(2,938)	(3,704)
Net cash flows from financing activities		**18,071**	**11,956**
Net increase/(decrease) in cash and cash equivalents		2,616	1,340
Opening cash and cash equivalents		2,465	1,125
Closing cash and cash equivalents	18	**5,082**	**2,465**

These financial statements should be read in conjunction with the Notes to the financial statements

NOTE 1: Statement of Significant Accounting Policies

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

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

The consolidated financial statements for the Group are for the economic entity comprising the Company and its subsidiaries per Note 24. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The financial statements were approved by the Board of Directors on 14 March 2018. Once issued, the Directors do not have the power to amend these financial statements.

(a) Basis of preparation of the financial report

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

Compliance with IFRS

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

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

Historical Cost Basis

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

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

Functional and Presentation Currency

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

Accounting for Goods and Services Tax

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

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries and associates of the Company as at 31 December 2017 and their results for the year then ended.

Subsidiaries

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

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

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

NOTE 1: Statement of Significant Accounting Policies (continued)

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

Associate companies

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

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

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

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

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

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

(c) Revenue

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

Sales of goods

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

Sales of services

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

Interest revenue

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

Dividend revenue

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

Rent revenue

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

NOTE 1: Statement of Significant Accounting Policies (continued)

(d) Inventories

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

(e) Biological assets

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

(f) Property, plant and equipment

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

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

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

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

Depreciation

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

The depreciation rates used for each class of assets are:

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

(g) Leases

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

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

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

NOTE 1: Statement of Significant Accounting Policies (continued)

(h) Income tax

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

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

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

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

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

(i) Foreign currency

Transactions and Balances

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

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

(j) Employee benefits

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

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

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

Bonus plan

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

Superannuation plans

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

(k) Cash and cash equivalents

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

(l) Finance costs

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

Finance costs are expensed using the effective interest method.

NOTE 1: Statement of Significant Accounting Policies (continued)

(m) Impairment of non-financial assets

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

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

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

(n) Financial assets

Classification

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity investments

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

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

NOTE 1: Statement of Significant Accounting Policies (continued)

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

Impairment of financial assets

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

(o) Financial liabilities

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

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

(p) Transactor shares

Transactor share capital is classified as a liability as they are redeemable at the option of the shareholder and the Group has five years to make the repayment (see Note 15). When Transactor share capital is redeemed it becomes a "Refund Due to Resigned Shareholders" until repayment is made (see Note 16). Rebates payable to Transactor shareholders are recognised in profit or loss on an accruals basis.

(q) Dividend distribution

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

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

(r) Trade receivables

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

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

(s) Change in Accounting Policy

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

NOTE 2: Critical accounting estimates, judgements and assumptions

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

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

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

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

Valuation of land and improvements and buildings

Land and improvements and buildings are measured at fair value as determined by an independent valuer. The independent valuer uses valuation techniques which are inherently subjective and involve estimation. Further information is provided in Note 23.

Investment in unlisted companies

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Further information is provided in Note 24.

Biological assets

Management has made the judgement that cost approximates fair value for biological assets on the basis that the vines have undergone insufficient biological transformation as at balance date. For further details, refer Note 20.

NOTE 3: New standards

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

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

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

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

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

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

NZ IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019) requires a lessee to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for lease contracts and replaces the current leases guidance in NZ IAS 17 "Leases".

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

NOTE 4. Financial risk management

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

(a) Credit Risk

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

Exposures to credit risk at balance date are:

	2017 ($000'S)	2016 ($000'S)
Cash and cash equivalents	5,082	2,465
Trade and other receivables	7,402	7,779
Unpaid transactor shares	98	98
Total net receivables	7,500	7,877

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

Concentrations of Credit Risk

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

Status of trade and other receivables

Group	2017 GROSS ($000'S)	2017 IMPAIRMENT ($000'S)	2016 GROSS ($000'S)	2016 IMPAIRMENT ($000'S)
Not yet due	6,800	–	7,328	–
Overdue 0–31 days	404	–	408	–
Overdue 31–91 days	82	–	20	–
Overdue 92–184 days	44	–	105	82
Overdue more than 184 days	107	36	177	177
Total trade and other receivables	7,438	36	8,038	259

The Group provides for specific receivables where recovery of the amount is unlikely. The Group raised a specific impairment at reporting date for $36,546 (2016: $259,470). Impairment for receivables is also assessed collectively at reporting date. There was no collective provision at reporting date (2016: $Nil).

NOTE 4. Financial risk management (continued)

(b) Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations in relation to financial liabilities as they fall due. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. See Note 17 for further details regarding the Group's borrowing facilities.

2017	STATEMENT OF FINANCIAL POSITION ($000'S)	CONTRACTUAL CASH FLOWS ($000'S)	6 MONTHS OR LESS ($000'S)	6 – 12 MONTHS ($000'S)	1 – 2 YEARS ($000'S)	2 – 5 YEARS ($000'S)	> 5 YEARS ($000'S)
Borrowings	67,000	75,067	6,658	1,620	12,768	54,021	–
Transactor share capital	23,349	23,349	–	–	–	–	23,349
Trade and other payables	21,019	21,019	21,019	–	–	–	–
Refunds due to resigned shareholders	2,557	2,557	401	246	1,274	635	–
	113,925	121,992	28,078	1,867	14,042	54,656	23,349

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

(c) Market Risk

(i) Currency risk

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

(ii) Interest rate risk

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

BNZ borrowings

An increase/decrease of 1% in interest rates would decrease/increase pre-tax profit and equity of the Group by +/- $670,000 (2016: +/- $589,000) if the interest rate change was apparent for the full year. There are no other significant interest bearing financial instruments subject to interest rate risk.

(iii) Risk Management related to horticulture activities

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

NOTE 4. Financial risk management (continued)

(d) Capital Risk

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

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

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

The shareholder equity ratio at 31 December is:

	2017 ($000'S)	2016 ($000'S)
Total equity (including transactor shares)	93,714	82,551
Total assets	197,068	172,152
Shareholder equity ratio	48%	48%

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

The Group has current bank facilities of $110 million with the Bank of New Zealand, of which $43 million remains undrawn as at balance date.

NOTE 5. Determination of fair value

Fair value measurement for financial assets and liabilities

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

Fair value measurement

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

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

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

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

2017	LEVEL 1 ($000'S)	LEVEL 2 ($000'S)	LEVEL 3 ($000'S)
Unlisted equity shares	–	4,002	–
Land and improvements and buildings	–	–	123,896
	–	4,002	123,896

2016	LEVEL 1 ($000'S)	LEVEL 2 ($000'S)	LEVEL 3 ($000'S)
Unlisted equity shares	–	1,710	–
Land and improvements and buildings	–	–	103,261
	–	1,710	103,261

NOTE 5. Determination of fair value (continued)

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

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

(a) Land and improvements and buildings

The fair value of land and improvements and buildings is determined using valuations by an independent valuer as set out in Note 23. In conducting the valuations, the valuer considered 3 different approaches to arrive at the fair value of the land and improvements and buildings. A weighted average of the 3 valuation methods is applied to derive the final valuation. A weighting of 70% is applied to the income capitalisation approach, 20% to the market comparison approach and 10% to the replacement cost approach. The information below relates to the valuations undertaken at 31 December 2016.

Replacement cost less depreciation approach

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

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

Income capitalisation approach

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

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

Market comparison

Considers recent sales of other comparable type properties.

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

Valuer's assumptions

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

Valuer's disclaimers

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

NOTE 6. Revenue

	2017 ($000'S)	2016 ($000'S)
Services rendered	147,750	158,544
Dividends received	383	54
Rent revenue	102	254
Interest revenue	282	177
Other revenue	1,859	1,906
	150,377	160,935

NOTE 7. Other expenses

	2017 ($000'S)	2016 ($000'S)
Items included in other expenses:		
Repairs and maintenance	3,213	3,624
Insurance	1,534	1,458
Electricity	4,358	3,594
Transport costs	355	402
Sundry packaging expenses	744	809
Licence fees	899	773
Plant and equipment hire	1,425	1,508
Vehicle expenses	815	1,261
Loss compensations	962	578
Leased orchard expenses	11,961	12,753
Administration costs	2,290	1,277
Wharf costs	511	675
Sponsorship	187	232
Auditor's remuneration:		
Amounts paid or payable to the auditors for:		
Auditing the financial statements	95	72
Other services:		
Tax compliance work and advice	24	30
Scrutineering and other services	–	2
	119	104

NOTE 8. Income tax

	2017 ($000'S)	2016 ($000'S)
Income tax expense:		
Current tax expense/(income)	2,643	3,685
Deferred tax expense/(income)	(668)	(517)
	1,975	3,168

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

Prima facie income tax payable on profit before tax	2017 ($000'S)	2016 ($000'S)
Income tax at 28% (2016: 28%)	1,921	3,170
Tax effect of		
• Non deductible expenses	173	90
• Non assessable income	(13)	(146)
• Imputation credits received	(106)	(22)
• Adjustments of prior years	–	76
Income tax expense	1,975	3,168

There are no unrecognised tax losses or temporary differences carried forward (2016: Nil).

Deferred taxation balances	2017 ($000'S)	2016 ($000'S)
Deferred tax assets		
Stock obsolescence	155	193
Employee entitlements	180	179
Trade and other payables	154	87
Trade and other receivables	11	72
	500	531
Deferred tax liabilities		
Property, plant and equipment	(9,089)	(9,589)
Biological assets	(865)	(1,064)
	(9,954)	(10,653)
Net deferred tax assets/(liabilities)	(9,454)	(10,122)

Deferred taxation movements recognised in income	2017 ($000'S)	2016 ($000'S)
Deferred tax assets		
Stock obsolescence	(38)	51
Employee entitlements	1	(10)
Trade and other payables	67	(3)
Trade and other receivables	(61)	–
Tax losses recognised	–	–
	(31)	38
Deferred tax liabilities		
Property, plant and equipment	500	289
Biological assets	199	190
	699	479
Net deferred tax income/(expense)	668	517

NOTE 8. Income tax (continued)

Deferred taxation movements in equity	2017 ($000'S)	2016 ($000'S)
Deferred tax liabilities		
Property, plant and equipment	–	(2,009)
	–	(2,009)

Provision for Taxation	2017 ($000'S)	2016 ($000'S)
Balance as at 1 January	(1,133)	(708)
Income tax expense	(1,975)	(3,168)
Income tax expense attributable to deferred tax	(668)	(517)
Income tax payments during the year	2,237	3,260
Balance as at 31 December	(1,539)	(1,133)

Imputation Credit Account	2017 ($000'S)	2016 ($000'S)
Balance as at 1 January	11,418	8,962
Income tax payments during the year	2,237	3,260
Imputation credits on dividends received	147	30
Imputation credits on dividends paid	(584)	(834)
Balance as at 31 December	13,217	11,418

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

Through direct holding in the parent company	13,217	11,418
Through direct interest in subsidiaries	–	–
	13,217	11,418

NOTE 9. Earnings per share

	2017 ($000'S)	2016 ($000'S)
Profit attributable to ordinary shareholders	4,884	8,153
Weighted average number of ordinary shares issued	29,825,154	29,825,154
Basic and diluted earnings per share	$0.16	$0.27

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

NOTE 10. Share capital

	2017 NO OF SHARES	2016 NO OF SHARES	2017 ($000'S)	2016 ($000'S)
Balance as at 1 January	29,825,154	29,825,154	12,847	12,847
Movements during the year	–	–	–	–
Balance as at 31 December	29,825,154	29,825,154	12,847	12,847

The shareholding in the Company is divided into two classes of shares, being Transactor and Investor shares. Transactor shares are classified as term liabilities. For further details, refer to Notes 15 and 22.

Investor Shares

Investor shares are issued under the Companies Act 1993 and are tradable. All Investor shares rank equally and carry 40% of the voting power (Transactor shares carry 60% of the voting power; for further details, refer to Note 15) of all shares on issue and carry the right to participate in any annual dividends declared by the directors of the Company. Investor shareholders can participate in any surplus assets upon liquidation after the holders of Transactor shares have been paid. There have been no changes to the terms and rights of the shares during the year. All Investor shares issued are fully paid and have no par value.

NOTE 11. Reserves

Available for sale reserve	2017 ($000'S)	2016 ($000'S)
Balance as at 1 January	1,411	690
Gains/losses during the year	2,291	733
Reclassification of gains/losses to profit or loss	–	(12)
Balance as at 31 December	3,702	1,411

The available for sale reserve relates to fair value adjustments to investments classified as available-for-sale financial assets. For further details refer to Note 24.

Asset revaluation reserve	2017 ($000'S)	2016 ($000'S)
Balance as at 1 January	21,944	16,220
Revaluation movement during the year	–	7,733
Deferred tax on revaluation	–	(2,009)
Balance as at 31 December	21,944	21,944
Total reserves	25,646	23,355

The asset revaluation reserve relates to the revaluation of land and improvements and buildings. For further details, refer to Note 23.

NOTE 12. Distribution to owners

	2017 ($000'S)	2016 ($000'S)
Investor shares – dividend paid	1,503	2,163
Investor shares – dividend payable	–	–
Total dividends	1,503	2,163

Dividends paid on investor shares amounted to 5.04 cents per share fully imputed (2016: 7.2 cents per share).

NOTE 13. Trade and other payables

	2017 ($000'S)	2016 ($000'S)
Trade payables	3,388	4,156
Sundry payables	9,081	12,570
GST payable	859	916
Related party payables	8,550	3,696
Associate payables	–	10
	21,879	21,348

NOTE 14. Employee entitlements

	2017 ($000'S)	2016 ($000'S)
Balance as at 1 January	927	963
Net movement in provision	0	(36)
Balance as at 31 December	927	927
This is represented by:		
Current liability	927	927
Non-current liability	–	–
	927	927

NOTE 15. Transactor share capital

	2017 NO OF SHARES	2016 NO OF SHARES	2017 ($000'S)	2016 ($000'S)
Balance as at 1 January	17,858,505	19,039,821	17,859	19,040
Transactor shares issued or re-instated during the year	6,448,217	35,083	6,448	35
Transactor shares sold during the year	(958,000)	(1,216,399)	(958)	(1,216)
Balance as at 31 December	23,348,722	17,858,505	23,349	17,859

Transactor Shares

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

NOTE 16. Refunds due to resigned shareholders

	2017 ($000'S)	2016 ($000'S)
Balance as at 1 January	2,833	2,950
Movement during the year	(277)	(117)
Balance as at 31 December	2,556	2,833
This is represented by:		
Current liability	648	1,036
Non-current liability	1,908	1,797
	2,556	2,833

Refunds due to Transactor shareholders who have resigned from the Company are unsecured and repayable by the Company over a five year period after resignation is accepted by the Board. Fair value is estimated as the present value of the future cash flows using a discount rate of 5.5% (2016: 5.5%).

NOTE 17. Borrowings

	2017 ($000'S)	2016 ($000'S)
Current portion	5,000	27,650
Non current portion	62,000	25,000
	67,000	52,650

The current portion represents borrowings which have a maturity date of less than twelve months from reporting date. The Group's total facility with the Bank of New Zealand is $110m (2016: $72m). The current interest rates on the secured borrowings range from 2.69% to 5.42% (2016: 2.75% to 5.42%).

Security

The Bank of New Zealand holds a perfected security interest in all present and after acquired property of the Group and a registered first mortgage over all land and buildings of the Group.

Banking covenants

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

NOTE 18. Cash and cash equivalents

	2017 ($000'S)	2016 ($000'S)
Funds in bank	5,082	2,465

NOTE 19. Trade and other receivables

	2017 ($000'S)	2016 ($000'S)
Current		
Trade receivables	3,581	4,035
Provision for doubtful debts	(37)	(259)
Sundry receivables	3,543	3,758
Prepayments	477	466
Related party receivables	82	50
Associate receivables	36	35
Current balance at 31 December	7,681	8,085
Non-current		
Sundry receivables	160	160
Non-current balance as at 31 December	160	160

NOTE 20. Biological assets

	2017 ($000'S)	2016 ($000'S)
Balance at 1 January	3,763	4,694
Costs capitalised	3,831	3,763
Costs released to profit and loss	(3,763)	(4,694)
Balance at 31 December	3,831	3,763

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

NOTE 21. Inventories

	2017 ($000'S)	2016 ($000'S)
Packaging stock	2,651	3,018
Provision for obsolesence	(553)	(690)
Other materials and chemicals	557	535
	2,655	2,863

All inventories are subject to retention of title clauses.

NOTE 22. Unpaid transactor shares

	2017 ($000'S)	2016 ($000'S)
97,786 shares valued at $1.00 (2016: 97,786 shares valued at $1.00)	98	98
Opening balance	98	98
Rebate withheld	–	–
Closing balance	98	98

Where the Company has issued shares and payment has not been made in full, there is a deferred settlement over a set period of time. Payment for calls on transactor shares is then deducted from rebates and dividends payable to those shareholders. The current portion of unpaid transactor shares is based on the expected share call for the 2017 season. The expected share call for the 2017 season is Nil. (2016: Nil).

NOTE 23. Property, plant and equipment

	2017			2016		
	COST/ VALUATION ($000'S)	ACCUMULATED DEPRECIATION ($000'S)	BOOK VALUE ($000'S)	COST/ VALUATION ($000'S)	ACCUMULATED DEPRECIATION ($000'S)	BOOK VALUE ($000'S)
Buildings	134,551	31,849	102,702	109,933	27,408	82,525
Land and improvements	23,324	2,130	21,194	22,624	1,888	20,736
Plant and equipment	115,748	75,490	40,258	98,786	67,324	31,462
Furniture and fittings	2,308	1,605	703	2,298	1,475	823
Capital work in progress	8,051	–	8,051	15,875	–	15,875
	283,982	111,074	172,908	249,516	98,095	151,421

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

	2017 ($000'S)	2016 ($000'S)
Buildings	80,342	59,055
Land and improvements	18,858	18,383

Each class of land and improvements and buildings is revalued to their estimated fair value on a rolling three year cycle unless there is evidence that indicates the carrying value of these may differ significantly from the fair value. The directors made the decision not to revalue land and improvements and buildings as at 31 December 2017. Land and improvements and buildings were last revalued to their estimated fair value in accordance with the valuation reports dated between 13 February 2017 and 22 February 2017 by independent registered valuer, Alastair Pratt (FNZIV, FPINZ) of the firm Telfer Young (Tauranga) Limited ("valuer"). The effective date of these valuation reports was 31 December 2016.

NOTE 23. Property, plant and equipment (continued)

Valuation	2016 ($000'S)
Impact of valuation	
Revaluation through profit or loss	90
Revaluation through asset revaluation reserve	7,733
	7,823

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

Movements in carrying amounts

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

	BUILDINGS ($000'S)	FURNITURE AND FITTINGS ($000'S)	PLANT AND EQUIPMENT ($000'S)	LAND AND IMPROVEMENTS ($000'S)	CAPITAL WIP ($000'S)	TOTAL ($000'S)
2017						
Balance at 1 January 2017	82,525	823	31,462	20,736	15,875	151,421
Additions	19,470	15	7,925	700	6,826	34,936
Transfers from Capital WIP	5,149	–	9,501	–	(14,650)	–
Disposals	–	–	(87)	–	–	(87)
Write off of assets	–	–	(10)	–	–	(10)
Depreciation expense	(4,442)	(135)	(8,534)	(242)	–	(13,353)
Carrying amount at 31 December 2017	102,702	703	40,258	21,194	8,051	172,908
2016						
Balance at 1 January 2016	62,826	534	22,078	19,839	10,102	115,379
Additions	13,417	280	8,639	404	15,875	38,615
Transfers from Capital WIP	2,538	151	7,335	78	(10,102)	–
Revaluations	7,176	–	–	648	–	7,824
Disposals	–	–	(35)	–	–	(35)
Depreciation expense	(3,432)	(142)	(6,555)	(233)	–	(10,362)
Carrying amount at 31 December 2016	82,525	823	31,462	20,736	15,875	151,421

NOTE 24. Investments

	2017 ($000'S)	2016 ($000'S)
Investments in shares	4,569	2,269
Investments in associates	75	1,028
	4,644	3,297

a) Investments in shares	2017 ($000'S)	2016 ($000'S)
Shares in unlisted companies	4,569	2,269
Shares in unlisted companies		
Opening balance	2,269	1,473
Transfer of investments on amalgamation of subsidiary	–	–
Additions, including bonus share issues	36	64
Disposals	(27)	(1)
Impairment	–	–
Revaluation	2,291	733
Closing balance	4,569	2,269
Shares in listed companies		
Opening balance	–	17
Disposals	–	(17)
Closing balance	–	–
Total Investments in shares	**4,569**	**2,269**

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

b) Investments in associates	2017 ($000'S)	2016 ($000'S)
The Nutritious Kiwifruit Company Ltd	75	68
Kiwi Produce Ltd	–	960
Tauranga Kiwifruit Logistics Ltd	–	–
	75	1,028

The amount of goodwill in the carrying value of equity accounted investees for the 2017 year was $Nil (2016: $576,000). The movement relates to the sale of interest in Kiwi Produce Limited during the year.

Associate companies	PERCENTAGE HELD 2017	PERCENTAGE HELD 2016	BALANCE DATE	INCORPORATED IN
The Nutritious Kiwifruit Company Ltd	50%	50%	31 March	New Zealand
Kiwi Produce Ltd	0%	20%	31 March	New Zealand
Tauranga Kiwifruit Logistics Limited	34%	34%	28 February	New Zealand

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

NOTE 24. Investments (continued)

All associate companies are incorporated in New Zealand and are accounted for using the equity method. There are no significant restrictions on the ability of any associate companies to pay dividends, repay loans or otherwise transfer funds to the investor company. No associate companies have a quoted market price for the investment. No commitments or contingencies are present with associate companies. The financial performance of all associates for the period ending 31 December 2017 has been incorporated in these financial statements.

	2017 ($000'S)	2016 ($000'S)
Results of associate companies		
Share of profit before income tax	8	64
Share of income tax	(2)	(18)
Net profit	6	46
Other recognised loss	–	–
Share of total recognised revenues and expenses	6	46
Interests in associate companies		
Opening Carrying value	1,028	1,107
Disposal of associates	(460)	–
Loss on disposal of associates	(499)	–
Share of total recognised revenues and expenses	6	46
Dividends received	–	(125)
	75	1,028

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

c) Subsidiaries:	PERCENTAGE HELD 2017	PERCENTAGE HELD 2016	BALANCE DATE	INCORPORATED IN
Southlink Supply Ltd	100%	100%	31 December	New Zealand
EastPack Kiwifruit Operations Ltd	0%	100%	31 December	New Zealand
Satara Kiwifruit Supply Ltd	100%	100%	31 March	New Zealand
EastPack Avocado Company Ltd	100%	100%	31 December	New Zealand
Zest BOP Ltd	100%	100%	31 December	New Zealand
Bay Hort (1991) Ltd	100%	100%	31 December	New Zealand
Bay of Plenty Fruitpackers Ltd	100%	100%	31 December	New Zealand
BayPak Growers Ltd	100%	100%	31 December	New Zealand
Bay Pack Ltd	100%	100%	31 December	New Zealand
New Zealand Orchard Investment Ltd	100%	100%	31 December	New Zealand
Satara Ventures Ltd	100%	100%	31 December	New Zealand
Te Matai Kiwi No 1 Ltd	100%	100%	31 December	New Zealand
Stroba Systems Ltd	100%	100%	31 December	New Zealand
Stroba Ltd	50%	50%	31 December	New Zealand

Southlink Supply Ltd provide admin services and industry representation in respect of produce supplied.

EastPack Kiwifruit Operations Ltd was amalgamated into EastPack Limited on 31 December 2017.

EastPack Avocado Company Ltd is an avocado supplier.

All other subsidiaries are non operating.

NOTE 25. Reconciliation of net surplus with cash inflow from operating activities

	2017 ($000'S)	2016 ($000'S)
Net profit/(loss) after tax	4,884	8,153
Add/(less) Non cash items		
Depreciation	13,353	10,362
Bonus issue of shares in unlisted companies	(36)	(37)
Deferred tax expense/(income)	(668)	(517)
Fair value movement in loans and refunds due to resigned shareholders	(10)	199
Share of profit in associates	(6)	(46)
	12,633	9,961
Movement in Working Capital		
Increase/(decrease) in trade and other payables, excluding movement relating to purchases of property, plant and equipment	154	1,798
(Decrease)/increase in employee entitlements	–	(36)
(Increase)/decrease in trade and other receivables	647	4,371
Increase/(decrease) in GST payable	(57)	701
Decrease/(increase) in biological assets	(68)	931
(Increase)/decrease in inventory	208	(172)
Increase/(decrease) in income in advance	(180)	101
Increase/(decrease) in tax payable	406	425
	1,110	8,119
Items classified as investing/financing activities		
Loss/(gain) on sale of investments	492	(19)
Loss/(gain) on sale of property, plant and equipment	3	(14)
Loss/(gain) on revaluation of land and improvements and buildings	–	(90)
	495	(123)
Net cash flow from operating activities	19,122	26,110

NOTE 26. Transactions with related parties

(a) Key management personnel

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

(i) Key management personnel compensation:

	2017 ($000'S)	2016 ($000'S)
Short-term employee benefits (including directors remuneration)	1,969	2,502

(ii) Transactions with entities controlled by key management personnel

Post-harvest charges, rebates and dividends

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

	2017 ($000'S)	2016 ($000'S)
Rebates	484	648
Dividends	226	202

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

	2017 ($000'S)	2016 ($000'S)
Orchard contractor charges	528	1,313
Operating lease costs	292	250
Kiwifruit bin cartage	1	–

Loans and advances

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

(b) Other related parties

EastPack Entity Trust

EastPack Entity Trust is a related party that acts as an administrator of revenues and expenses for the sale of kiwifruit on behalf of growers. EastPack Limited received $129,968,000 (2016: $140,046,000) for the provision of services to EastPack Entity Trust and paid EastPack Entity Trust $275,000 (2016: $579,000) for second hand packaging purchased from the Trust. A balance of $8,550,000 (2016: $3,679,000) was payable to EastPack Entity Trust as at 31 December 2017.

Subsidiaries and associates

Transactions between subsidiaries and associates (refer note 24) include receipts for interest on intercompany advances, sales of Non-class 1 kiwifruit and payments for the provision of administration services and cartage services.

NOTE 26. Transactions with related parties (continued)

Transactions and balances

Transactions during the year and balances outstanding at year end with subsidiaries and associates are as follows (transactions with subsidiaries of EastPack Limited are eliminated on consolidation of the financial statements):

	2017 ($000'S)	2016 ($000'S)
Receipts		
Associates	4,632	3,424
Subsidiaries	2,546	205
Payments		
Associates	(3,322)	(3,885)
Subsidiaries	(3,795)	(438)
Trade balances receivable		
Associates	36	35
Subsidiaries	790	563
Trade balances payable		
Associates	(5)	(10)
Subsidiaries	(161)	–
Intercompany advances receivable		
Subsidiaries	–	3,523

There were no significant transactions between subsidiaries and associates during the year (2016: $Nil).

Guarantees with related parties

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

No related party debts have been written off or forgiven during the year (2016: $Nil).

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

NOTE 27. Contingent liabilities

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

An orchard managed by EastPack Limited was adversely affected by the incorrect application of Kasumin prior to the 2017 harvest. The crop on this orchard was unable to be sold with a total value of $205,000. A claim has been made against EastPack and against the third party spray contractor, contracted to apply sprays on this orchard. An insurance claim has been made with the Group's insurer and is expected to cover the full amount of any damages payable.

NOTE 28. Commitments

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

	2017 ($000'S)	2016 ($000'S)
Estimated capital expenditure contracted for at balance date but not provided for:	6,817	15,055
Operating lease commitments		
Lease commitments under operating leases		
Less than 1 year	881	1,027
Between one and five years	568	1,265
Greater than five years	–	–
Total operating lease commitments	1,449	2,292

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

NOTE 29. Significant events after balance date

The board of directors has approved a payment of a final dividend of 5.04 cents per investor share fully imputed, to be paid on 16 March 2018.

TOP 20 SHAREHOLDERS

For the year ended 31 December 2017

Shareholder	TRANSACTOR SHARES HELD	INVESTOR SHARES HELD	TOTAL SHAREHOLDING
Trinity Lands Ltd	452,502	2,223,418	2,675,920
Pine Valley Orchard Ltd	407,712	1,680,000	2,087,712
Montrose Partnership	203,914	1,483,736	1,687,650
Wotton Trust	348,783	948,942	1,297,725
Cape Fruit Co Ltd	280,548	874,954	1,155,502
Farmgold Ltd	–	934,183	934,183
Tirohanga Fruit Co - Sharp	214,742	709,852	924,594
Franklin C A	249,763	567,194	816,957
Reekie KJ Family Trust	257,887	548,954	806,841
Flowers R J	138,244	632,186	770,430
Blennerhassett & Son Ltd	170,408	580,108	750,516
Casey E & N	349,904	390,197	740,101
Windmill Trust	178,689	561,286	739,975
Kiwimac Ltd	300,373	400,000	700,373
Steele Family Trust	243,350	435,544	678,894
West Partnership R J & K	216,858	422,080	638,938
Maple Orchards Ltd	131,795	400,000	531,795
Kopuatawhiti Trust	194,988	310,850	505,838
Baygold Joint Venture	498,573	–	498,573
Otara Land Co	193,836	298,778	492,614

INDEPENDENT AUDITOR'S REPORT

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staplesrodway CHARTERED ACCOUNTANTS

To the Shareholders of EastPack Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of EastPack Limited and its subsidiaries ('the Group') on pages 18 to 46, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements 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').

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

Basis for Opinion

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

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017 (but does not include the consolidated financial statements and our auditor's report thereon).

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

An independent member of BAKER TILLY INTERNATIONAL

STAPLES RODWAY AUDIT LIMITED INCORPORATING THE AUDIT PRACTICES OF CHRISTCHURCH, HAWKES BAY, TARANAKI, TAURANGA, WAIKATO AND WELLINGTON

staplesrodway CHARTERED ACCOUNTANTS

Responsibilities of the Directors 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 the 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 (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 the auditor's responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:
https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5/

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

Staples Rodway Audit Ltd

STAPLES RODWAY AUDIT LIMITED
Tauranga, New Zealand

14 March 2018

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2017 ANNUAL REPORT

EastPack

Growers at heart