

GROWING GREAT FRUIT
GROWING GREAT PEOPLE
GROWING GREAT COMMUNITIES



Key indicators

New Zealand dollars in thousands	2016	2015	2014
Earnings before interest, tax, depreciation and amortisation (EBITDA)	\$ 3,788	\$ 3,243	\$ 2,204
Depreciation and amortisation	\$ 2,202	\$ 1,189	\$ 913
Profit before finance costs (EBIT)	\$ 1,586	\$ 2,054	\$ 1,291
Finance costs	\$ 287	\$ 408	\$ 145
Income tax expense	\$ 370	\$ 705	\$ 132
Net profit attributable to shareholders (NPAT)	\$ 929	\$ 941	\$ 1,013
Other comprehensive income	\$ 1,002	\$ 593	\$ 1,420
Total comprehensive income attributable to shareholders	\$ 1,931	\$ 1,534	\$ 2,433
Total assets	\$ 36,557	\$ 31,371	\$ 19,914
Total shareholder funds	\$ 19,526	\$ 17,554	\$ 11,981
Total shares on issue (thousands)	4,748	4,748	3,453
Financial ratios			
Shareholder equity ratio	53%	56%	60%
Dividends paid (in thousands)	-	\$ 484	\$ 501
Dividend per share	-	\$ 0.14	\$ 0.145
EBITDA per share	\$ 0.80	\$ 0.68	\$ 0.64
Net profit after tax per share	\$ 0.20	\$ 0.20	\$ 0.29
Net assets per share	\$ 4.11	\$ 3.70	\$ 3.47

Contents

- | | |
|--|---------------------------------------|
| 1. Chair and Chief Executive's Report | 10. Notes to the Financial Statements |
| 2. Financial Indicators | 31. Auditor's Report |
| 5. Audit Committee Report | 33. Statutory Information |
| 6. Statement of Profit and Loss and Other Comprehensive Income | 35. Directors |
| 7. Statement of Changes in Equity | 36. Management |
| 8. Statement of Financial Position | 37. Shareholders |
| 9. Statement of Cash Flows | 38. Company Directory |

Chair and Chief Executive's Report

On behalf of the board and management we are pleased to present the annual report for the company for the year ended 31 December 2016.

The successful August 2015 capital raising programme alongside targeted capital expenditure placed OPAC in an excellent position to handle the rapid growth in post harvest volumes, and allowed us to once again deliver an excellent service to our growers.

Harvest 2016 provided a record 6.5m trays to our Opotiki operation; up 1.0m trays on 2015 driven by another lift in Hayward yields alongside strong growth in SunGold as orchards progressively lift to full production with this highly-successful gold variety.

OPAC had extensively planned to handle this growth in demand for our post harvest services, with investment in a new optical grading seven-lane Compac grader, four new coolstores that added 500k trays static storage capacity, and an extended all-weather canopy to improve site efficiency.

A number of industry-wide issues impacted on the returns to growers, with unheralded Hayward yields leading to crop management, and Chinese phytosanitary controls adding a new layer of complexity to inventory management. It is a credit to our team and systems that we were able to efficiently handle these issues and deliver returns to our Hayward and SunGold growers that were once again well above industry averages.

Business performance

Total group revenue of \$42.38m was up 14% on 2015 (\$37.06m) on the back of record Hayward yields experienced across the industry, and the continuing strong growth of gold volumes through the Zespri SunGold variety.

The volume lift and good capacity utilisation contributed to a further improvement in OPAC's operating margin, producing a gross operating profit of \$4.13m, being a 19% increase on 2015 (\$3.48m).

Our investments in people training, new operational methods and technology also supported the delivery of this improvement in contribution margin.

The capacity build at Factory Road saw the value of property, plant and equipment increase to \$26.8m, up \$7.62m on the prior period as OPAC invested in new packing and coolstorage infrastructure. This included purchasing the orchard adjoining OPAC's Factory Road facility to secure land for site optimisation and future expansion.

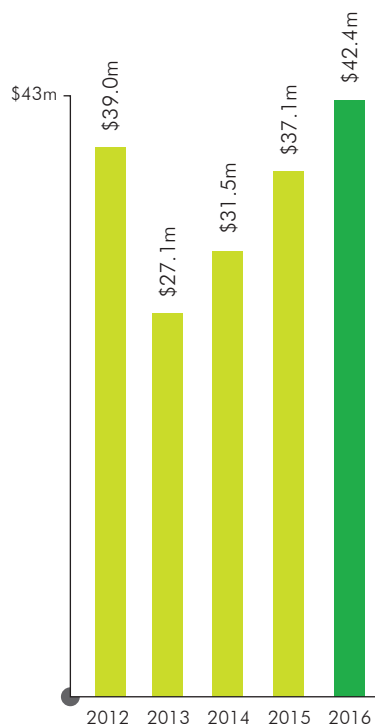
OPAC's investment in post harvest capacity flowed through to a higher depreciation expense (from \$1.16m in 2015 to \$2.11m in 2016), along with impairment of the investment in UPNZ of \$0.2m, which contributed to a drop in earnings before interest and tax (EBIT) to \$1.59m, down from \$2.05m in 2015.

Total comprehensive income attributable to shareholders has increased at a faster rate than revenue growth, lifting to \$1.93m (2015: \$1.53m) with earnings increasing to \$0.41 per share.

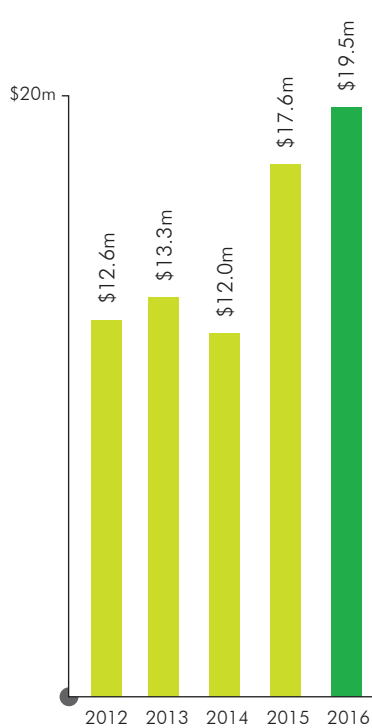
Total net assets increased to \$19.53m with a net asset backing per share of \$4.11 being a 11% increase on 2015 (\$3.70). The return on net assets in 2016 was 4.8% (2015: 5.4%).

Financial indicators

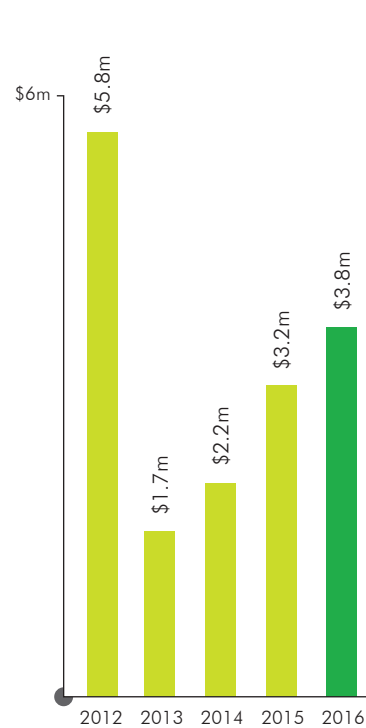
Revenue



Net Assets

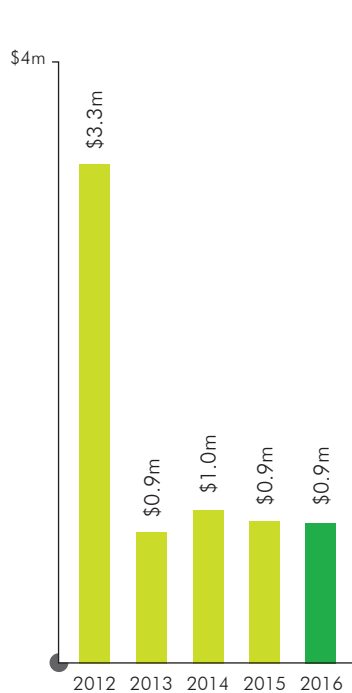


EBITDA

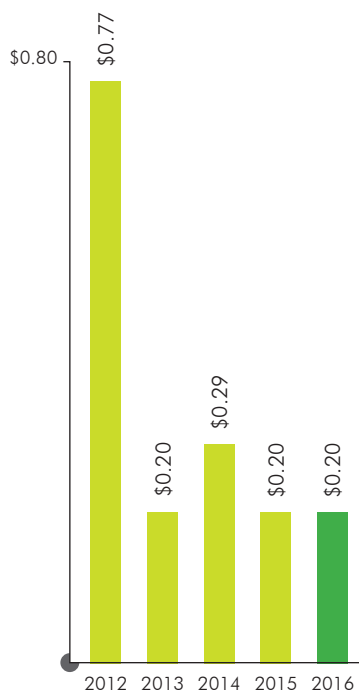


Returns

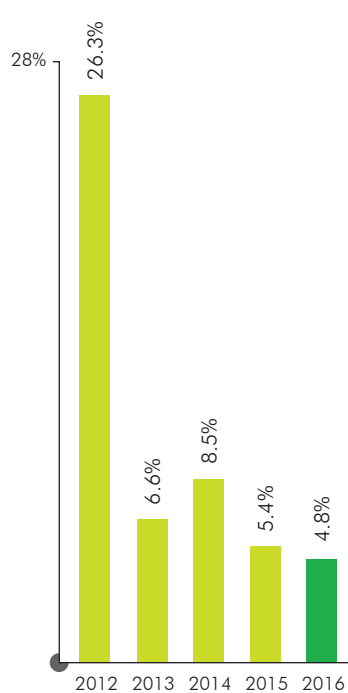
Net Profit After Tax



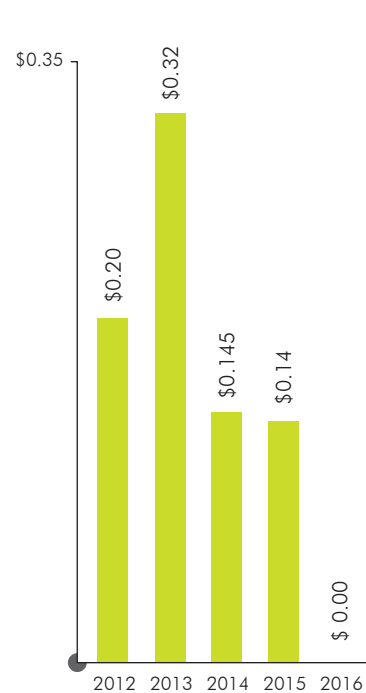
Earnings per Share NPAT



Return on Net Assets



Dividends Paid in Year



2016 Season

SunGold – strong growth of key product

While the new grader was scheduled to be ready prior to harvest, the industry-wide build programme over extended contractor capacity, delayed the commissioning of our new pack line, and constricted throughput at the start of the SunGold harvest.

Once at full capacity, our early SunGold inventory was then caught up in the discovery of small deposits of grease on a very small proportion of pocket packs supplied by UPNZ to the industry, and OPAC inventory in New Zealand and on ships bound for market was put on hold. Due to our early supply catchment, approximately 50% of the kiwifruit on route to market had been packed by OPAC.

All trays had to be checked for grease through a UV light scanning system, but unfortunately significant delays and inadequacies in the industry's response led to the affected trays being exposed to prolonged storage, inconsistent cool chains and high reworking costs, with extremely high fruit loss offshore.

While OPAC's large contribution to Zespri's early sales programme is a positive from our regional supply, it resulted in our business being directly charged for a high proportion of the consequential costs to deal with this issue offshore. We have disputed these costs with Zespri.

Despite these abnormal events, the OPAC team achieved an excellent performance for supplying growers, with onshore fruit loss contained to 0.30% compared to the industry average 0.89%. Along with high taste values, this contributed to an average return to OPAC growers of \$9.03 per tray, compared to the industry's \$8.56.

The significant jump in OPAC SunGold production to 3.1m trays, up 51% on 2015, means in 2016 volumes were on par with Hayward, with further strong growth forecast as orchards mature, and the likely uptake of new SunGold licences by our growers.

Hayward – unprecedented yields and a long selling season

Coming on the back of high yields in 2015, growers in 2016 produced a remarkable crop with yields averaging 12,261 trays per hectare across the industry. Heavy crop loads, however, contributed to low dry matter and a delayed harvest. The industry's inability to fill early-season shipping targets, combined with total crop volumes that exceeded Zespri's sales plans, led to a long storage programme with elevated fruit loss, and 5.3m trays of coolstore crop management that impacted on grower returns. The industry also had to contend with a mid-season China phytosanitary issue that constricted inventory management and contributed to additional reworking costs to meet China border controls.

OPAC harvested, packed and shipped a record 3.25m trays of Hayward. While the long loadout season elevated OPAC's fruit loss to 3.21%, our targeted inventory management helped return an average \$4.50 per tray to growers, compared to the forecast industry average \$4.35.

2016 Hayward grower returns were heavily impacted by seasonal issues, however Hayward remains an important component of OPAC's business, and we are continuously working to improve grower returns through efficiencies and low fruit loss.

Accountability delivers efficiency gains

OPAC continues to value and invest in our staff, providing support and important career pathways in regional New Zealand. As part of our ongoing drive for improvement, line managers are given more responsibility, and expectations, to directly manage issues. Tested by the series of industry-wide events in 2016, our process managers led excellent resolutions of production issues, improved efficiencies, and improved job satisfaction for our key staff.

We are a major employer through a mix of permanent positions and seasonal employment. Alongside our firm commitment to maximise employment opportunities for New Zealand residents, we have long-term relationships with Tongan and Samoan communities. This is the tenth year we have employed staff from these Pacific communities to supplement our seasonal workforce, and our connection with our Pacific partners goes far beyond a standard employment relationship. We are proud to be helping lift the economic and social wellbeing in Pacific communities, building long-term relationships (and friendships) that are making a real difference.

Revitalising our vision – growing our people and our communities

Our 2015 capital raising provided our business with new capital to invest in growth, and helped focus us on our core strengths – the strong relationship OPAC has with our regional location. This process reinvigorated our vision and recognised the important role OPAC has in building sustainable wealth and healthy communities.

“Growing great fruit, Growing great people, Growing great communities.”

Our vision reflects our aspiration to make a major difference in our communities, building on the shared objectives with our growers, staff, and shareholders. OPAC is a business that helps generate wealth from the land, with our success closely intertwined with the health of our communities.

Pocket packs – impact on dividends

Despite strong operational and financial performance in 2016, the discovery of small deposits of grease on some plexi pocket packs supplied by UPNZ to OPAC had a significant impact on OPAC’s financial performance for shareholders. A special report on this issue by the Audit Committee Chairman is included in this annual report.

The company has made a provision in the accounts for the expected amount required to settle this dispute, however with the issue still to be concluded the directors continue to consider it prudent to defer dividends from the 2016 financial year. We are working actively to resolve the dispute, and once the quantum of the impact is known, will review the amount and timing of a distribution to shareholders as quickly as possible.


2017 – preparing for new growth

Our industry continues on a strong growth path, with more SunGold licence being released over the next several years. We anticipate the area planted in SunGold to increase within our catchment as it is proving to deliver excellent growing conditions, producing high-taste SunGold fruit that generates rewarding returns for growers.

We enter 2017 well prepared to handle the intense harvest season, with an experienced and motivated workforce and the assets needed to efficiently process the crop. While Hayward yields appear down on the record 2015 and 2016 crops, SunGold volumes in our catchment have continued to grow strongly and will be well ahead of 2016 levels.

We have a healthy balance sheet, supportive shareholders and space to grow over the coming seasons. We are focusing on delivering performance for our grower clients, healthy and productive staff, and sustainable returns to our shareholders as well as working with our community to help grow prosperity and employment opportunities.

On behalf of the board and management, we thank growers, key stakeholders and shareholders for supporting us, and our dedicated workforce for delivering excellent operational performance.



AE (Tony) de Farias
Chairman



Ian Coventry
Chief Executive

Audit Committee Report

The audit of our 2016 financial statements has proceeded very smoothly benefitting from a well resourced finance team and the experience of KPMG, now auditing for the second year.

A material issue for the committee has been the recommendation to make a provision for the “pocket pack” event.

The pocket pack event arises from the discovery of small deposits of grease on plexi pocket packs supplied by UPNZ to OPAC and has been a significant event for the company to manage throughout the year.

Background

OPAC has purchased pocket packs from UPNZ Limited for many years and is a shareholder of the company alongside several other kiwifruit packers.

UPNZ are an accredited supplier of pocket packs to the kiwifruit industry and has historically supplied about half of industry requirements.

Grease was detected in UPNZ pocket packs in March 2016. These packs had been sourced by UPNZ from a Chinese manufacturer and the contamination was subsequently determined to be a food-grade grease.

By the time grease was detected OPAC had packed 570,141 trays using the potentially-contaminated packs with 407,222 trays loaded on ships in transit to the market. These trays were resorted or dumped in overseas markets.

162,919 trays were still in New Zealand including some already loaded to a vessel and these trays were regathered and all resorted in New Zealand.

Zespri managed the resorting process and reported that 0.042% of onshore and 0.002% of offshore trays were found to have been contaminated by grease.

The resorting and detection process onshore and offshore required the use of specialist UV light machines.

Zespri has made a claim against OPAC, and all similarly-affected suppliers, for the full cost of checking all the product onshore and offshore, including a substantial cost for fruit that was lost and dumped, irrespective of the cause or responsibility for that loss.

In this respect, OPAC has been disproportionately affected by the event compared to other suppliers; having supplied a much greater percentage of the affected trays (29%) than our industry share (7%).

Remedial actions taken by the board

We are in discussion with Zespri and UPNZ over where responsibility and the costs of the event should lie.

The directors have taken legal advice on all relevant parts of the event including the possibility of insurance recovery under our own policies, which appears negligible.

Ultimately the directors believe that the responsibility for costs will be settled between the parties and have made a provision in these accounts for the amount it believes OPAC will be liable for.

We have also fully impaired our investment in UPNZ. UPNZ has been advised by its lawyers that there is no merit in seeking recovery from its suppliers in Chinese courts and whilst it may obtain insurance it will not have enough assets to meet claims from OPAC and its other customers.



Tim Chrisp
Audit Committee Chairman

Statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 December 2016

New Zealand dollars in thousands	Notes	2016	2015
Revenue	4	42,380	37,058
Direct operating costs	5	38,247	33,575
Gross operating profit		4,133	3,483
Other income		66	86
Share of profits of equity accounted investments	9B	808	684
Gain on sale of equity accounted investments		-	152
Total other income		874	922
General and administrative costs	5	987	807
Losses associated with property, plant and equipment		1	355
Depreciation expense	7	2,106	1,159
Amortisation expense	10	96	30
Impairment of investments	11	231	-
Total other expenses		3,421	2,351
Profit before finance costs (EBIT)		1,586	2,054
Finance costs		287	408
Profit before income tax		1,299	1,646
Income tax expense	6A	370	705
Net profit attributable to shareholders		929	941
<i>Other comprehensive income</i>			
Revaluation of property, plant and equipment, net of tax	7	342	-
Revaluation of property, plant and equipment, in associates net of tax	7	178	583
Realised reserves on disposal of property, plant and equipment		-	-
Total of items that will not be reclassified to profit or loss		520	583
<i>Items that may be reclassified subsequently to profit or loss</i>			
Revaluation of available for sale financial assets, net of tax		691	26
Revaluation of available for sale financial assets in associates, net of tax		(209)	(16)
Total of items that may be reclassified subsequently to profit or loss		482	10
Total other comprehensive income net of tax		1,002	593
Total comprehensive income for the period attributable to shareholders		1,931	1,534

Statement of Changes in Equity

for the year ended 31 December 2016

New Zealand dollars in thousands	Notes	Share capital	Capital reserve	Associates revaluation reserve	Available for sale assets revaluation reserve	Property, plant & equipment revaluation reserve	Property, plant & equipment revaluation reserve associates	Retained earnings	Total
Equity at 1 January 2015		4,726	994	647	652	2,938	-	2,024	11,981
Net profit for the year		-	-	-	-	-		941	941
Other comprehensive income/(loss) for the year		-	-	(16)	26	-	583	-	593
Transfer from retained earnings		-	549	(422)	-	-		(127)	-
Total comprehensive income/(loss)		-	549	(438)	26	-	583	814	1,534
<i>Transactions with owners</i>									
Partly paid shares issued		45	-	-	-	-		-	45
Shares repurchased	14	4,770	-	-	-	-		-	4,770
Capital issuance costs		-	-	-	-	-		(292)	(292)
Dividends paid	15	-	-	-	-	-		(484)	(484)
Transactions with owners		4,815		-	-	-		(776)	4,039
Equity at 31 December 2015		9,541	1,543	209	678	2,938	583	2,062	17,554
Net profit for the year		-	-	-	-	-		929	929
Other comprehensive income/(loss) for the year		-	-	(209)	691	342	178	-	1,002
Transfer from retained earnings		-	-					-	-
Total comprehensive income/(loss)		-	-	(209)	691	342	178	929	1,931
<i>Transactions with owners</i>									
Partly paid shares issued	14	(45)	-	-	-	-	-	-	(45)
Fully paid shares issued	14	86	-	-	-	-	-	-	86
Dividends paid	15	-	-	-	-	-	-	-	-
Transactions with owners		41	-	-	-	-	-	-	41
Equity at 31 December 2016		9,582	1,543	-	1,369	3,280	761	2,991	19,526

The notes to the financial statements form part of and are to be read in conjunction with these financial statements

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
 STATEMENT OF CHANGES IN EQUITY
 STATEMENT OF FINANCIAL POSITION
 STATEMENT OF CASH FLOWS
 NOTES TO THE FINANCIAL STATEMENTS

Statement of Financial Position

as at 31 December 2016

New Zealand dollars in thousands	Notes	2016	2015
Equity			
Share capital	14	9,582	9,541
Reserves		6,953	5,951
Retained earnings		2,991	2,062
Total equity		19,526	17,554
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	7	26,813	19,190
Intangible assets	10	324	33
Equity accounted investments	9A	1,825	2,872
Available for sale financial assets	11	1,813	920
Total non-current assets		30,775	23,015
<i>Current assets</i>			
Cash and cash equivalents		1,091	3,496
Trade and other receivables	12	3,320	3,662
Inventories		483	341
Biological assets - Kiwifruit crop on vine	13	898	857
Total current assets		5,792	8,356
Total assets		36,567	31,371
Liabilities			
<i>Non-current liabilities</i>			
Borrowings	16	9,698	7,676
Deferred tax liabilities	6E	1,653	1,943
Total non-current liabilities		11,351	9,619
<i>Current liabilities</i>			
Borrowings	16	778	324
Trade and other payables	17, 18	4,808	3,790
Income tax liabilities	6C	104	84
Total current liabilities		5,690	4,198
Total liabilities		17,041	13,817
Net assets		19,526	17,554

On behalf of the board



A E de Farias
Chairman



T D Chrisp
Director

4 April 2017

Statement of Cash Flows

for the year ended 31 December 2016

New Zealand dollars in thousands	Notes	2016	2015
Operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		42,722	35,813
Interest income received		9	3
Dividends received		58	96
<i>Cash was distributed to:</i>			
Payments to suppliers and employees		(38,387)	(33,658)
Interest paid		(287)	(409)
Income taxes paid		(606)	(7)
Net cash flows from operating activities	22	3,509	1,838
Investing activities			
<i>Cash was provided from:</i>			
Proceeds from sale of equity accounted investee		-	326
Sale of property, plant and equipment		51	70
Repayment of loans to associates & subsidiaries		-	135
Capital distributions received from associates		928	1,348
Purchase of available for sale investments		72	-
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(9,138)	(8,835)
Purchase of intangible assets		(345)	(2)
Net cash flows from investing activities		(8,432)	(6,958)
Financing activities			
<i>Cash was provided from:</i>			
Issues of shares	14	42	4,815
Proceeds of long term bank borrowings		2,800	8,000
<i>Cash was applied to:</i>			
Transaction cost recognised directly in equity		-	(292)
Dividends paid		-	(484)
Repayment of short term bank borrowings		-	(3,580)
Repayment of term debt		(324)	(140)
Net cash flows from financing activities		2,518	8,319
Net increase/(decrease) in cash and cash equivalents		(2,405)	3,199
Cash and cash equivalents at beginning of year		3,496	297
Cash and cash equivalents at end of year		1,091	3,496

The notes to the financial statements form part of and are to be read in conjunction with these financial statements

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT OF CHANGES IN EQUITY
STATEMENT OF FINANCIAL POSITION
STATEMENT OF CASH FLOWS
NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

Reporting entity and statutory base

"Opotiki Packing and Cool Storage Limited ("the company"), its subsidiaries, its joint operations and its equity accounted investees (together the "group") provide and manage service activities to the horticultural industry. The company is a limited liability company incorporated and domiciled in New Zealand, registered under the New Zealand Companies Act 1993. The address of its registered office is Opotiki Packing and Cool Storage Limited, 93 Waioeka Road, Opotiki.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

The group was previously an issuer under the Financial Reporting Act 1993, and as a result had previously presented parent company financial statements. On 1 December 2016 the Financial Reporting Act 1993 ceased to apply, with the Financial Markets Conduct Act 2013 ("FMC Act 2013") and the Financial Reporting Act 2013 applying from this date. Parent company financial statements are no longer required to be presented under the new Acts. The group has determined that under the FMC Act 2013 they are not considered a FMC Reporting Entity, as they have less than 50 shareholders.

The financial statements were authorised for issue by the Board of directors on 4 April 2017. The directors do not have the authority to amend the financial statements after issue.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and within the notes to the financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A. Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The group financial statements are presented in New Zealand dollars, which is the group's functional and presentation currency. Foreign exchange differences are recognised in the statement of financial performance as part of the gain or loss on transactions.

Going concern assumption

Directors continue to adopt the going concern assumption in preparing the financial statements for the year ended 31 December 2016. In doing so they have, amongst other things, considered:

- Forecast information relating to operational profitability and cash flow requirements;
- The security of bank funding and compliance with bank covenants;
- The offshore growth in Zespri sales and increasing supply from existing growers of the Gold kiwifruit variety; and
- The company's ability to deliver high orchard gate returns to growers, retaining a loyal customer base.

B. Historical cost convention

The group financial statements have been prepared under the historical cost convention as modified by those assets carried at fair value, being financial instruments measured at fair value through the profit or loss, available for sale financial instruments, biological assets, and land, buildings, coolstore plant and equipment and bearer plants.

C. Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the group as at 31 December 2016 and the results of the group for the year then ended.

Accounting policies of subsidiaries, associates and joint operations have been changed where necessary to ensure consistency with the policies adopted by the company.

Inter-entity transactions, balances and unrealised gains on transactions between entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred.

D. Goods and Services Tax (GST)

The statement of financial performance and other comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

E. Application of new and revised New Zealand International Financial Reporting Standards

Standards, amendments and interpretations to existing standards that are now in effect

The following new standard and amendments are mandatory for the first time in the current year and adopted by the group:

- i) NZ IAS 41 (Amendment) 'Agriculture' (effective for annual periods beginning on or after 1 January 2016). Biological assets except for bearer plants are accounted for under IAS 41 while bearer plants are accounted for under IAS 16 'Property, Plant and Equipment'. The amendments also clarify that produce growing on bearer plants is to be accounted for under IAS 41. As a result of the adoption, a fair value increase of \$582,924 in the comparative year of bearer plants is reclassified from the profit or loss to other comprehensive income as appropriate for items of property, plant and equipment. The Associates' property plant and equipment revaluation reserve is increased by \$582,924 and retained earnings is decreased by \$582,924 as at 31 December 2015.

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

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

- i. NZ IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). This standard will replace the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The group has yet to assess NZ IFRS 15's full impact however it is anticipated that the changes will not be significant.
- ii. NZ IFRS 9 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). NZ IFRS 9 will replace IAS 39 Financial instruments and will simplify the mixed measurement model as well as establish three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through financial performance. The group has yet to fully assess the impact of this amendment.
- iii. NZ IFRS 'Leases' 16 (effective for annual periods beginning on or after 1 January 2019). This standard will replace all existing guidance on leases, including NZ IAS 17 Leases. The standard introduces a single, on balance sheet accounting model for leases that is similar to current financial lease accounting. The group has yet to assess NZ IFRS 16's full impact however it is anticipated that the changes will not be significant overall.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Management have made judgments, estimates and assumptions that affect the amounts reported in the financial statements. These are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to estimates are recognised in the period in which the estimate is revised.

The estimates and assumptions that have a significant risk of causing a material adjustment in the year ending 31 December 2016 are:

- Biological assets (note 13)
- Land, buildings, bearer plants and coolstore plant valuations (note 7)
- Provisions (note 18)

The Directors have assessed judgments and estimates at balance date based on information available up to the date of approving the financial statements.

NOTE 3. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including price risk, fair value interest rate risk, cash flow interest rate risk and currency risk), credit risk and liquidity risk.

The chief executive officer is required to identify and report the major risks affecting the business and develop strategies to mitigate these risks. The board reviews and approves overall risk management strategies covering specific areas such as market risk, use of derivative and non-derivative financial instruments and investments of excess liquidity.

A. Market risk

- i. Cash flow and fair value interest rate risk

The group's interest rate risk arises from both long and short term borrowing. Borrowing issued at variable rates expose the group to cash flow interest rate risk. Borrowing issued at fixed rates expose the group to fair value interest rate risk. At 31 December 2016 the group has no fixed rate borrowings (2015: Nil). The board continuously reviews the group's interest rate risk on term borrowing to ensure the most favourable interest rates are received.

Notes to the Financial Statements for the year ended 31 December 2016

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased or decreased profit and equity by \$104,760 (2015: \$80,000). This analysis assumes that all other variables remain constant.

The following table outlines the expected undiscounted cash flows relating to the group's outstanding term debt as at balance date:

Group	Total	Between 0 - 6 months	Between 6 - 12 months	Between 1-2 years	Between 2-5 years
31 December 2015					
Contractual undiscounted cash flows based on current market interest rates (\$'000)	602	183	179	135	105
Average variable rate (%)	3.84%	3.60%	3.61%	4.06%	4.10%
31 December 2015					
Contractual undiscounted cash flows based on current market interest rates (\$'000)	1,450	178	176	325	771
Average variable rate (%)	4.47%	4.46%	4.46%	4.47%	4.51%

ii. Price risk

The group is exposed to equity securities price risk. This arises from investments held by the group and classified on the statement of financial position as available for sale financial assets.

The majority of the group's equity instruments are in industry related entities, only some of which are publicly traded. If equity values had increased or decreased by 10% at the end of the period it would have a \$6,000/(\$6,000) impact on post tax profit (2015: \$7,000/(\$7,000)) and a \$181,000/(\$181,000) impact on equity (2015: \$94,000/(\$94,000)) assuming all other variables held constant and all the group's equity instruments moved in correlation with each other.

iii. Foreign currency risk

The group and the company have no material direct currency risk. The group is exposed to foreign currency risk indirectly through its fruit income received on leased orchards. The foreign currency risk associated with the offshore sales is managed by Zespri Group Limited (Zespri) and is not covered by the company.

B. Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. As part of the group's financial risk policy, exposure is monitored on a regular basis. For banks and financial institutions, only registered banks or their subsidiaries are accepted. For customers, including outstanding receivables, the group deals predominantly with growers for which it receives payment directly from OPAC Growers Limited. Credit risk is therefore not considered significant. The group does not generally require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

Refer to trade and other receivables note 12 for further information on the credit risk of loans and receivables.

C. Liquidity risk

Management and the board regularly monitor the group's liquidity reserves on the basis of expected cashflows, recognising the seasonal nature of the group's operations.

At balance date, the group had \$13,300,000 (2015: \$12,000,000) of available lines of credit of which \$10,476,000 (2015: \$8,000,000) were owing at balance date.

The group's interest bearing loans and borrowings maturity grouping is the same as the undiscounted cash flows in note 3Ai.

D. Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group primarily monitors capital on the basis of its shareholder equity ratio. The shareholder equity ratio at 31 December is:

New Zealand dollars in thousands	2016	2015
Total shareholder funds	19,526	17,554
Total assets	36,567	31,371
Shareholder equity ratio	53.40%	55.96%

The group is subject to and monitors financial covenants imposed by its lenders. As at balance date, the group was subject to the following specific lending covenants:

- times interest earned,
- quasi equity ratio.

At no stage during the year did the company breach any of its lending covenants.

E. Fair value estimation

Assets and liabilities carried at fair value, referenced in note 2, are categorised within one of the following levels of the fair value hierarchy. Of those assets and liabilities, all are categorised in level 3, with the exception of listed equity securities which are included within available for sale financial assets. These totalled \$1,055,000 this year (2015: \$326,000).

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

The following table shows a reconciliation from the beginning balances to the ending balances for level 3 fair value measurements:

New Zealand dollars in thousands	Land, buildings & coolstore plant and equipment	Biological assets	Unlisted equity securities	Total
Company				
Balance at 1 January 2015	7,961	857	588	9,406
Acquisitions / purchases	5,551	857	-	6,408
Sales / disposals	-	(857)	-	(857)
Depreciation	(615)	-	-	(615)
Change in value recognised in other comprehensive income	-	-	6	6
Balance at 31 December 2015	12,897	857	594	14,348
Acquisitions / purchases	5,906	898	-	6,804
Sales / disposals	(1)	(857)	-	(858)
Depreciation	(909)	-	-	(909)
Impairment	-	-	(231)	(231)
Change in value recognised in other comprehensive income	303	-	395	698
Balance at 31 December 2016	18,196	898	758	19,852

The valuation techniques used in the determination of fair values within level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation models are included within these financial statements within accounting policies or relevant notes.

Notes to the Financial Statements for the year ended 31 December 2016

F. Financial risk management strategies related to agricultural activity

The group undertakes agricultural activities through its associate and jointly controlled orchards and short term leased orchard operations. These operations are exposed to business risks including climatic and market returns. The board and management have adopted the following strategies to manage risk:

i. Market and price risks

The group has no direct market risk from its sale of class 1 kiwifruit harvested from its leased orchards, as all marketing activities are undertaken by Zespri Group Limited under statutory regulations. The group however, is exposed to price risk for fruit returns from Zespri which impact on the group's orchard profitability. The group monitors fruit returns from Zespri and uses techniques to analyse current and projected orchard income. This information is used when setting orchard lease terms.

ii. Disease and Pests

The group grows kiwifruit on orchards located throughout the Bay of Plenty and East Cape regions. Along with all horticultural undertakings kiwifruit crops are susceptible to disease and pest incursions. To minimise the risk of crop loss the group monitors its orchards and undertakes a recognised spray programme to protect its crops to the fullest extent possible. As at 31 December 2016 the bacteria *Pseudomonas syringae* pv. *actinidiae* (Psa) was confirmed in orchards throughout the group's catchment.

iii. Climatic risk

The group grows kiwifruit on orchards located throughout the Bay of Plenty and East Cape regions. This geographical spread provides risk diversification from localised climatic events. In addition, the group encourages the adoption of proactive crop protection on orchards operated by it and growers, who supply the group's post harvest division.

Accounting policy

A financial instrument is recognised if the group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining substantially all risks and rewards of the asset. Ordinary purchases and sales of financial assets are accounted for at trade date, the date that the group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the group's obligations as specified in the contract expire or are discharged or cancelled.

The group is not party to any derivative financial instruments.

Non-derivative financial instruments comprise investments in available for sale financial assets, loans and cash advances, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, other non-derivative financial instruments classified as loans and receivables or other liabilities are measured at amortised cost using the effective interest method, less any impairment losses. They comprise loans and cash advances, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The group assesses whether there is objective evidence that a financial asset or group of financial assets are impaired at least annually.

New Zealand dollars in thousands	2016	2015
NOTE 4. REVENUE AND OTHER INCOME		
Revenue		
Orchard services and sales	14,083	13,192
Post harvest sales	27,568	23,126
Other sales	729	740
Total revenue	42,380	37,058
Other income		
Interest income	8	3
Dividend income	58	72
Gain on sale of property, plant and equipment	-	3
Foreign currency gain	-	8
Total other income	66	86

Accounting policy

Revenue is measured at the fair value of consideration received or receivable for the sale of goods and services, net of GST, rebates and discounts and after eliminating sales within the group.

Revenue is recognised as follows:

i. Sales of services

Orchard services

This includes orchard management, and associated services provided to growers who supply fruit to the group. Fees for these services are invoiced and recognised as incurred on a monthly basis.

Post harvest services

This includes fruit packing, coolstorage and other associated activities. These services are predominantly provided during the period from April to October with the majority of revenues collected by the end of November each year. Revenue is recognised as the service is provided.

New Zealand dollars in thousands

2016

2015

NOTE 5. EXPENSES BY NATURE

Direct operating costs

Operating materials and services

20,448

18,213

Employee benefits expense

16,705

14,498

Rent and lease expenses

1,094

864

Total direct operating costs

38,247

33,575

Other expenses

General administrative expenses

706

601

Audit fee - KPMG

32

32

Fees paid for taxation services provided by KPMG

12

7

Directors fees

237

167

Total other expenses

987

807

Total packaging inventories expensed during the year were \$5,891,929 (2015: \$5,537,880).

Notes to the Financial Statements for the year ended 31 December 2016

New Zealand dollars in thousands

2016

2015

NOTE 6. TAXATION

A. Income tax

Income tax recognised in the statement of financial performance and other comprehensive income.

Current tax expense

Current year	654	263
Adjustments prior year	(29)	42
Total current tax expense	625	305

Deferred tax expense

Origination and reversal of temporary differences	6e	(255)	400
Total deferred tax expense/(credit)		(255)	400
Total income tax expense		370	705

The company tax rate in New Zealand is 28%.

B. Numerical reconciliation of income tax expense to prima facie tax payable/receivable

Profit before income tax	1,299	1,646
Tax at New Zealand tax rate of 28% (2015: 28%)	364	461
Tax effect of amounts which are not (taxable) in calculating taxable income	(39)	(8)
Tax exempt income	3	-
Effect of share of (loss) of equity accounted investments	(111)	(173)
Impairment	65	-
Imputation credits received	(4)	14
Dividends from associates	-	15
Imputation credits	-	(49)
Change in recognised deductible temporary differences	121	469
Under/(over) provided in prior years - income tax	(29)	41
Assessible (loss) brought forward	-	(65)
Total income tax expense	370	705

C. Current tax liability/(asset)

The following table shows the group's current tax liability/asset:

Opening balance of current tax liabilities/(assets)	84	(221)
Adjustments for prior periods	(29)	51
Current year tax	654	263
Less tax paid	(605)	(9)
Current tax liability	104	84

D. Imputation credit account

At 31 December 2016, imputation credits available for use in New Zealand by the group totalled \$3,516,427 (2015: \$2,613,000).

E. Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

New Zealand dollars in thousands	Net balance as at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Balance as at 31 December		
				Net	Deferred tax asset	Deferred tax liability
2016						
Property, plant and equipment	1,804	44	(36)	1,812	-	1,812
Biological assets	214	(14)	-	200	-	200
Employee benefits and accrued expenses	(75)	(284)	-	(359)	(359)	-
	1,943	(254)	(36)	1,653	(359)	2,012
2015						
Property, plant and equipment	1,407	397	-	1,804	-	1,804
Biological assets	214	-	-	214	-	214
Employee benefits and accrued expenses	(78)	3	-	(75)	(75)	-
	1,543	400	-	1,943	(75)	2,018

Accounting policy

The income tax expense comprises both current and deferred tax and is calculated using rates enacted or substantively enacted at balance date.

Current and deferred tax is recognised in the statement of financial performance except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Notes to the Financial Statements for the year ended 31 December 2016

New Zealand dollars in thousands	Land and buildings	Plant and machinery	Coolstore plant and equipment	Motor vehicles	Office equipment, fixtures and fittings	Bearer plants (kiwifruit vines)	Partially completed projects	Total
NOTE 7. PROPERTY, PLANT AND EQUIPMENT								
As at 1 January 2015								
Cost or valuation	6,223	7,243	1,890	604	154	-	1,596	17,710
Accumulated depreciation and impairment	(72)	(5,655)	(80)	(396)	(108)	-	-	(6,311)
Net book amount	6,151	1,588	1,810	208	46	-	1,596	11,399
Year ended 31 December 2015								
Opening net book amount	6,151	1,588	1,810	208	46	-	1,596	11,399
Additions	-	-	-	-	-	-	9,374	9,374
Disposals	-	(109)	-	(2)	-	-	(313)	(424)
Depreciation expense	(300)	(502)	(315)	(35)	(7)	-	-	(1,159)
Partially completed projects completed during year	4,268	1,186	1,283	-	3	-	(6,740)	-
Closing net book amount	10,119	2,163	2,778	171	42	-	3,917	19,190
As at 1 January 2016								
Cost or valuation	10,491	8,429	3,173	604	157	-	3,917	26,771
Accumulated depreciation and impairment	(372)	(6,266)	(395)	(433)	(115)	-	-	(7,581)
Net book amount	10,119	2,163	2,778	171	42	-	3,917	19,190
Year ended 31 December 2016								
Opening net book amount	10,119	2,163	2,778	171	42	-	3,917	19,190
Additions	-	-	-	-	-	-	9,169	9,169
Joint operation assets recognised (note 9D)	-	-	-	-	-	296	-	296
Revaluation through other comprehensive income	278	-	(42)	-	-	67	-	303
Revaluation through profit or loss	-	-	-	-	-	(38)	-	(38)
Disposals	(1)	-	-	-	-	-	-	(1)
Depreciation expense	(501)	(1,157)	(373)	(29)	(11)	(35)	-	(2,106)
Partially completed projects completed during year	4,047	4,029	953	-	52	678	(9,759)	-
Closing net book amount	13,942	5,035	3,316	142	83	968	3,327	26,813
As at 31 December 2016								
Cost or valuation	14,076	12,458	3,410	604	209	1,115	3,327	35,199
Accumulated depreciation and impairment	(134)	(7,423)	(94)	(462)	(126)	(147)	-	(8,386)
Net book amount	13,942	5,035	3,316	142	83	968	3,327	26,813

Partially completed projects

As at 31 December 2016, the group had commenced capital works on the site work foundation. Construction costs up to the statement of financial position date totalled \$3,327,350 (2015: \$3,917,538). Refer to note 20 capital commitments for capital works planned for the 2017 financial year.

Borrowing costs

As at 31 December 2016, borrowing costs of \$59,706 were capitalised using a capitalisation rate of 3.8%.

Security

At 31 December 2016, assets with a carrying amount of \$26,557,599 (2015: \$19,190,146) are subject to a registered debenture to secure bank loans (see note 16).

Fair values of land, buildings and coolstore plant and equipment

Land, buildings, coolstore plant and equipment and bearer plants - kiwifruit vines were valued on 6 October 2016 at \$17,950,000. The valuation techniques used in the determination of fair values for land, buildings, cool store plant and equipment and kiwifruit vines, as well as the key unobservable inputs used in the valuation models are shown below.

Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement.
The fair value of land, buildings, coolstore plant and equipment and owned bearer plants is determined on a rolling 3 year cycle using valuations prepared by an independent valuer Telfer Young.	Comparative market rents and the income capitalisation rate – 10.25% to 10.75%	The estimated fair value increases the higher the market rental.
Telfer Young considers four approaches in determining the market value of land, buildings, coolstore plant and equipment and owned bearer plants at 93 Waioeka Road Opotiki:	Comparative market sales.	
<ul style="list-style-type: none"> Replacement cost approach (considers current level of building costs in Bay of Plenty region, physical depreciation and obsolescence due to age and condition.) 	Current level of building costs.	The estimated fair value increases the higher the building cost.
<ul style="list-style-type: none"> Sales approach (considers sales of comparable types of properties including factors such as location, size, and technology.) 	Physical depreciation allowance – 31.6%.	The estimated fair value increases the lower the depreciation allowance.
<ul style="list-style-type: none"> Investment approach (assumes a hypothetical lease with current market rentals that are capitalised at an appropriate rate of return and considers type of development, location, terms of lease and financial capability.) 	Terminal capitalisation rate – 10.75%.	
<ul style="list-style-type: none"> Discounted Cash Flow approach (considers expected income and expense growth and CAPEX forecasts to determine expected cash flows which are discounted to get the present value.) 	Discount rate – 10%	The estimated fair value increases the lower the discount rate.
The fair value of bearer plants –kiwifruit vines is determined annually using a Discounted Cash Flow model (DCF) prepared internally.	Weighted cost of capital – 15%.	The estimated fair value increases the lower the weighted cost of capital.

If carrying amount of land, buildings and cool store plant and equipment were stated on the historical cost basis, the amounts for the group would be as follows:

New Zealand dollars in thousands	2016	2015
Cost	20,424	11,606
Accumulated Depreciation	5,363	3,243
Carrying Amount	15,061	8,363

Accounting policy

Land, buildings, cool store plant and equipment and owned bearer plants (kiwifruit vines) are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Increases in the carrying amounts arising on revaluation are credited to reserves in shareholders' equity. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Bearer plants – kiwifruit vines (equity accounted investees and joint operations) are shown at fair value, based on periodic valuations using a discounted cash flow model, less any subsequent depreciation. The fair value of orchard areas under development is determined at cost due to insufficient biological transformation.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the Financial Statements for the year ended 31 December 2016

Depreciation of PPE, other than land, is calculated using the straight line (SL) or diminishing value (DV) method and expensed over their estimated useful lives, as follows:

- Buildings: 10 - 40 years (SL) or 4% - 26.4% (DV)
- Plant and machinery: 40 years (SL) or 7.5% - 63.5% (DV)
- Coolstore plant and equipment: 40 years (SL) or 7.5% - 63.5% (DV)
- Motor vehicles: 4 - 7 years (SL) or 18% to 60% (DV)
- Office equipment, fixtures and fittings: 3 - 10 years (SL) or 11.4% - 60% (DV)
- Bearer plants: 10 years (SL) or 7.5% (DV)
- Partially completed projects: nil

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. 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.

Gains and losses on disposals are recognised in the statement of financial performance. When revalued assets are sold the amounts included in other reserves in respect of those assets are transferred to retained earnings.

NOTE 8. SUBSIDIARIES

Opotiki Packing and Cool Storage Limited is the ultimate parent company of the group. The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries listed below in accordance with the accounting policy described in note 1C.

Name	Country of operation	Nature of business	Interest held by parent	Balance date
OPAC Properties Limited	New Zealand	Investment in associates and joint ventures	100%	31 December
OPAC Growers Supply Limited	New Zealand	Kiwifruit supply and logistics	100%	31 December

Accounting policy

Subsidiaries are entities controlled by the group. The group controls an entity when it 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 company based on the most recently available financial statements. They are no longer consolidated from the date that control ceases.

NOTE 9. EQUITY ACCOUNTED INVESTMENTS

Opotiki Packing and Cool Storage Limited uses the equity accounting method for associates, associates of subsidiaries and the group's joint ventures. Where equity accounted investments hold assets in orchards these assets are measured at fair value. Fair value is measured on a discounted cash flow model for fully developed orchard areas, or at cost for orchard areas under development. The valuation techniques used in the determination of fair values for orchard assets as well as the key unobservable inputs used in the valuation models are shown below.

Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement.
The fair value of fully developed kiwifruit orchards (bearer plants) is determined using the net present value of future cashflows.	Discount rate applied to cashflow - 15%.	The estimated fair value increases the lower the discount rate.
The fair value of the vines under development is deemed at cost due to insufficient biological transformation having occurred at balance date.	Estimated OGR per tray and yields per hectare.	The estimated fair value increases the higher the OGR return per tray and the higher the yield per hectare.
Cost is tested for impairment at balance date.	Orchards costs per hectare.	The estimated fair value increases the lower the cost per hectare.
In assessing the fair value of crop at cost, consideration is given to the level of uncertainty that exists as to the ability of the grafts to survive through to full production and the recoverability of the crop's fair value.	Cost of grafting.	The estimated fair value reduces if cost is impaired at balance date.

New Zealand dollars in thousands

A. Financial position of equity accounted investments

The amounts recognised in the statement of financial position are as follows:

Associates	1,825	2,408
Joint ventures	-	464
Equity accounted investments	1,825	2,872

B. Share of profits of equity accounted investments

The amounts recognised in the statement of financial performance are as follows:

Associates	808	687
Joint ventures	-	(3)
Share of profits of equity accounted investments	808	684

C. Investment in associates

Set out below are the associates of the group as at 31 December 2016, which, in the opinion of the directors, are material to the group. Thornton Orchards Limited had share capital consisting solely of ordinary shares, which were held directly by the group; the country of incorporation or registration was also their principal place of business. Te Kaha Gold Investments Partnership is structured as a partnership.

Nature of investment in associates 2016 and 2015

Name of entity	Country of incorporation	Percentage of ownership interest	Nature of relationship	Measurement method
Thornton Orchards Limited	New Zealand	42.8% (2015: 42.8%)	Thornton's main activity is the growing of kiwifruit, supplying OPAC. Currently being liquidated.	Equity
Te Kaha Gold Investment Partnership	New Zealand	33.3% (2015: 33.3%)	TKGIP's main activity is the growing of kiwifruit, supplying OPAC.	Equity

The group holds over 20%, but not more than half of the voting rights in all entities reported as associates above and has assessed that there are currently no indicators that the group does not have significant influence consistent with these voting rights.

Summarised financial information for associates

Set out below are the summarised financial information for associate entities which are accounted for using the equity method. The below table represents the group's share of financial information.

New Zealand dollars in thousands	Assets	Liabilities	Equity	Revenue	Profit
2016					
Thornton Orchards Limited	238	25	214	496	434
Te Kaha Gold Investment Partnership	2,091	480	1,610	641	374
Share in associates	2,329	505	1,824	1,137	808
2015					
Fraser Road Orchards Limited	-	-	-	-	(25)
Thornton Orchards Limited	994	36	957	832	564
Te Kaha Gold Investment Partnership	1,593	144	1,451	374	145
Share in associates	2,587	180	2,408	1,206	684

Notes to the Financial Statements for the year ended 31 December 2016

New Zealand dollars in thousands

2016

2015

Reconciliation of movement in the carrying values of associate's financial information

Reconciliation of summarised financial information presented to the carrying amounts of its interest in the associate entities:

Carrying amount at 1 January	2,408	2,810
Share of profit	808	684
Dividends and capital distributions received	(1,360)	(1,476)
Movements in other comprehensive income	(31)	563
Gain on sale of investment	-	152
Proceeds on sale of equity accounted investee	-	(325)
Carrying amount at 31 December	1,825	2,408

Accounting policy

The group's interests in equity accounted investees comprise interests in associates being those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and other comprehensive income in equity accounted investees, until the date on which significant influence ceases.

D. Investment in joint ventures

Set out below are the joint operations of the group as at 31 December 2016, which, in the opinion of the directors, are material to the group.

Name of entity	Country of incorporation	Percentage of ownership interest	Nature of relationship	Measurement method
Apanui Road Orchards Joint Venture	New Zealand	50%	Apanui's main activity is the growing of kiwifruit, supplying OPAC.	Proportionate method.

The orchards of Apanui Road Orchards Joint Venture have a finite life and are therefore carried at their fair value.

At the beginning of the year management reviewed all investments held to determine the level of influence or control the group has and therefore the appropriate accounting treatment in the consolidated financial statements. It was identified the Apanui Road Orchards Joint Venture investment which has historically been considered a Joint Venture and equity accounted was actually a Joint Operation for accounting purposes. This results in a change of accounting treatment from the equity method to the accounting for proportionate method as at 1 January 2016. Comparative balances have not been changed as the impact is not considered to have a material impact.

The Apanui Road Orchards Joint Venture investment is considered a joint operation based on the following:

- There is equal voting rights and influence in the first 20 years of operation;
- There is no separate investment vehicle that separate it from the parties to the arrangement; and,
- The legal form and contractual arrangements through which the investee operates give the parties rights to the individual assets and liabilities of the investee (rather than the net assets as a whole).

Set out below is a reconciliation between the investment derecognised and the assets and liabilities recognised at 1 January 2016:

New Zealand dollars in thousands

2016

Carrying amount at 1 January

464

Transfer of joint operation

(464)

Joint operation assets recognised

477

Joint operation liabilities recognised

(13)

Total as at 1 January 2016

464

Summarised financial information for joint operations

New Zealand dollars in thousands	Assets	Liabilities	Equity	Revenue	Profit
2016					
Apanui Road Orchards	408	19	389	109	(75)
Total share of joint operations	408	19	389	109	(75)

Accounting policy

Joint operations are those entities which the group jointly controls. The consolidated financial statements include the assets and the liabilities of the joint operations in respect of the groups interest in the joint operation, until the date on which joint control ceases.

New Zealand dollars in thousands

Software

Licences

Other

Total

NOTE 10. INTANGIBLE ASSETS

As required under NZ IAS 39, equity investments not otherwise held for trading are classified as available for sale.

As at 1 January 2015

Cost or valuation	490	-	-	490
Accumulated depreciation and impairment	(429)	-	-	(429)
Net book amount	61	-	-	61

Year ended 31 December 2015

Opening net book amount	61	-	-	61
Additions	2	-	-	2
Amortisation expense	(30)	-	-	(30)
Closing net book amount	33	-	-	33

As at 1 January 2016

Cost or valuation	492	-	-	492
Accumulated amortisation and impairment	(459)	-	-	(459)
Net book amount	33	-	-	33

Year ended 31 December 2016

Opening net book amount	33	-	-	33
Transferred from partially completed projects	140	252	-	392
Joint operation assets recognised (note 9D)	-	15	27	42
Revaluation before tax	-	-	3	3
Disposals	-	(50)	-	(50)
Amortisation expense	(89)	(7)	-	(96)
Closing net book amount	84	210	30	324

As at 31 December 2016

Cost or valuation	632	217	30	879
Accumulated amortisation and impairment	(548)	(7)	-	(555)
Net book amount	84	210	30	324

Notes to the Financial Statements for the year ended 31 December 2016

Accounting policy

Intangible assets are initially measured at cost and subsequently stated at any accumulated amortisation and impairment loss. Kiwifruit licenses are amortised using the straight line method over their useful life (23 years). Computer Software is amortised using the diminishing value method at 48%.

New Zealand dollars in thousands

2016

2015

NOTE 11. AVAILABLE FOR SALE FINANCIAL ASSETS

As at 1 January

920

875

Additions

433

19

Impairment recognised in statement of comprehensive income

(231)

-

Revaluation recognised in other comprehensive income

691

26

As at 31 December

1,813

920

Available for sale financial assets include the following:

Unlisted equity securities

Zespri Group Limited

1,055

326

Ballance Agri Nutrients Limited

95

95

Farmlands Trading Society

15

15

OTK Orchards Limited

602

207

Ravensdown Fertiliser Co-operative Limited

24

24

UPNZ Limited

-

231

G3 Kiwi Supply Ltd

6

6

The Nutritious Kiwifruit Company Ltd

16

16

Total available for sale financial assets

1,813

920

During the period, the UPNZ Limited (UPNZ) investment was fully impaired. In March 2016, UPNZ, an importer of pocket packs from China and Chile for distribution in New Zealand, supplied the kiwifruit industry (including the group) with pocket packs which were later found to have small traces of grease deposits on some trays. Zespri Group Limited (Zespri) placed all kiwifruit packed into UPNZ sourced pocket packs on hold until they could determine if the grease posed any potential food issue. UPNZ was forced to recall this product and as a result may incur significant costs. The group believes that this will have a significant impact on the value of the investment.

The valuation techniques used in the determination of fair values for unlisted equity securities as well as the key unobservable inputs used in the valuation models are shown below.

Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement.
Fair value is based on the most recent information made available from the respective entities' management.	Information provided by respective entities' management	The estimated fair value increases the higher the share price information or financial position and performance.
Fair value is assessed at each balance date.		
Where there is no indication that fair values has deviated materially from original cost, cost is deemed to equal fair value.	Discount rate applied to cash flow - 15%.	The estimated fair value increases the lower the discount rate.

Accounting policy

As required under NZ IAS 39, equity investments not otherwise held for trading are classified as available for sale.

Subsequent to initial recognition, available for sale financial assets are measured at fair value after recognition. Unrealised gains and losses arising from changes in the fair value of such assets are recognised in the available for sale assets revaluation reserve. When they are sold, the accumulated fair value adjustments are included in the statement of financial performance as gains or losses. Where the investments are not valued on a quoted market (the bid price), the group establishes fair value by using valuation techniques, including discounted cash flow models and recent sales prices of the same or similar instruments. These assets are included in non-current assets unless management intends to dispose of those investments within 12 months of balance date.

In the case of available for sale assets, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists, the cumulative loss, is removed from equity and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance on equity instruments are not reversed through the statement of financial performance and other comprehensive income.

New Zealand dollars in thousands

2016

2015

NOTE 12. TRADE AND OTHER RECEIVABLE

Trade and other receivables	1,447	1,538
Prepayments and accrued income	1,873	2,124
Total trade and other receivables	3,320	3,662

Within trade receivables, \$116,292 (2015: \$66,168) are past due, of which \$Nil (2015: \$Nil) are more than 90 days. Trade receivables are considered to be recoverable. The fair value of receivables equals their carrying value.

Accounting policy

Trade and other receivables are initially recognised at fair value. They are subsequently adjusted for impairment losses.

A provision for doubtful debts is considered based on the collectability of outstanding receivables, which is reviewed on an ongoing basis. Where a receivable is known to be uncollectible, it is written off to the statement of financial performance.

NOTE 13. BIOLOGICAL ASSETS – KIWIFRUIT CROP ON VINE

The group, as part of its operations, leases kiwifruit orchards for terms not exceeding three years. Harvesting of orchards takes place from approximately April to June each year. The orchards are situated in the Bay of Plenty and East Cape, New Zealand.

New Zealand dollars in thousands

2016

2015

Carrying amount at beginning of year	857	857
Harvested and sold	(857)	(857)
Costs incurred in growing crop	898	857
	898	857

As at 31 December 2016 the group had leases on a total of 45 hectares (2015: 51) of kiwifruit orchards. During the year ending 31 December 2016, the group harvested 430,564 trays of kiwifruit (2015: 430,166) from its leased orchards.

Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement.
The fair value of the crop is deemed at cost due to insufficient biological transformation having occurred at balance date. Cost is tested for impairment at balance date. In assessing the fair value of crop at cost, consideration is given to the level of uncertainty that exists as to the ability of the crop to survive through to full production and the recoverability of the crop's fair value.	Orchard costs incurred.	The estimated fair value reduces if cost is impaired at balance date.

Accounting policy

At annual balance date kiwifruit grown by the group under short term leases are measured at fair value. The fair value is deemed to be cost as insufficient biological transformation has occurred.

The gain or loss in the previously assessed fair value of the kiwifruit is recorded in the statement of financial performance.

The valuation techniques used in the determination of biological assets – kiwifruit crop on vine fair values as well as the key unobservable inputs used in the valuation approach are shown above.

Notes to the Financial Statements for the year ended 31 December 2016

New Zealand dollars in thousands	Number of shares (thousands)	Ordinary shares (amount)	Total
NOTE 14. SHARE CAPITAL			
As at 1 January 2015	3,453	4,726	4,726
Issue of fully paid shares	1,272	4,770	4,770
Issue of partly paid shares	23	45	45
As at 31 December 2015	4,748	9,541	9,541
Issue of fully paid shares	-	86	86
Issue of partly paid shares	-	(45)	(45)
	-	41	41
As at 31 December 2016	4,748	9,582	9,582

All shares are authorised and issued with no par value.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of fully paid shares held.

Accounting policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown as a reduction in retained earnings, net of tax, from the proceeds and are therefore not included in the issuance value of shares within share capital. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

New Zealand dollars	2016		2015	
	Amount (thousands)	Per share (cents)	Amount (thousands)	Per share (cents)
NOTE 15. DIVIDENDS PAID				
19 June 2015	-	-	242	7.0
14 December 2015	-	-	242	7.0
Total dividend paid	-	-	484	14.0

The dividends are imputed to the extent allowable in the tax year. At the end of December 2016, no further dividends have been declared by the parent company.

Accounting policy

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

NOTE 16. LOANS AND BORROWINGS

This note provides information about the contractual terms of the group's interest-bearing loans and borrowings. For more information about the group's exposure to interest rate and foreign currency risk, see note 3.

New Zealand dollars in thousands	2016	2015
Non current loans and borrowings		
Term loans	9,698	7,676
Total non current loans and borrowings	9,698	7,676
Current Loans and borrowings		
Term loans	778	324
Multi option credit line	-	-
Total current loans and borrowings	778	324
Total loans and borrowings	10,476	8,000

The bank overdraft and term debt are secured under the same debentures and mortgages over all group assets (see note 7). The group has total facilities of \$13,300,000 made up of the facilities in the table below.

Term loans	Multi option credit line	Overdraft facility
\$10,800,000 with maturity dates of 31 January 2018 (\$8,000,000) and 21 November 2019 (\$2,800,000). Repayments started in August 2016 at a rate of \$64,796 per month.	\$2,000,000 Multi option credit line on call.	\$500,000 Bank overdraft.

Accounting policy

Borrowings are recognised initially at fair value, net of costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for intended use. Other borrowing costs are expensed in the period in which they are incurred and are reported in the statement of financial performance under "finance costs".

New Zealand dollars in thousands	2016	2015
NOTE 17. TRADE AND OTHER PAYABLES		
Trade creditors	1,996	721
Employee entitlements	262	271
Sundry creditors and accruals	2,550	2,798
Total trade and other payables	4,808	3,790

All trade and other payables will be settled within one year. The fair value of trade payables equals their carrying value.

Accounting policy

Liabilities for wages and salaries, including non monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in sundry creditors and accruals in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 18. PROVISIONS

In March 2016, UPNZ, supplied the group with pocket packs which were found to have small traces of grease deposits (refer to note 11 for further details). Before this contamination was discovered the group had packed 570,141 trays of kiwifruit into UPNZ pocket packs which had been supplied to Zespri and mostly shipped offshore. 162,919 of these were resorted in New Zealand and found to have a contamination rate of 0.042%. The trays that had been shipped were resorted at destination and while only 12 (0.002%) of these trays were reported by Zespri to be contaminated with grease Zespri has made a claim of \$3,105,347 against the group for the costs of checking the product and fruit loss, irrespective of cause or responsibility. OPAC is currently in dispute over these claims with Zespri, while also seeking recovery from UPNZ. Zespri is the sole marketer of New Zealand kiwifruit for export and holds marine cargo and contamination policies on behalf of the kiwifruit industry, which to date have failed to respond to this issue. Management have recognised a provision for the most likely amount that they believe the group could be liable for. The provision is not disclosed while the dispute is in progress as it is considered commercially sensitive.

Accounting policy

A provision is recognised where the likelihood of a resultant liability is more probable than not, and the amount required to settle that liability can be reliably estimated.

New Zealand dollars in thousands

2016

2015

NOTE 19. OPERATING LEASES

The group leases vehicles, equipment and office space under non-cancellable operating leases as follows:

Payable within one year	156	143
Payable between one and two years	61	95
Payable between two and five years	23	68
	240	306

Accounting policy

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 statement of financial performance on a straight line basis over the period of the lease, except for short term orchard leases where lease costs are recognised at the same time as other crop related income and expenses.

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. The group has no finance leases at 31 December 2016 (2015: Nil).

Where a lease is onerous, the cost of the onerous portion is recognised immediately.

NOTE 20. CAPITAL COMMITMENTS

The estimated capital expenditure for Property, Plant and Equipment contracted for at balance date but not provided is \$1,929,395 (2015:\$4.8 million).

NOTE 21. CONTINGENCIES

There are no contingent liabilities as at 31 December 2016.

New Zealand dollars in thousands

2016

2015

NOTE 22. NET CASHFLOW FROM OPERATING ACTIVITIES

The following is a reconciliation between the surplus after income tax shown in the statement of comprehensive income and the net cashflow from operating activities:

Net operating profit/(loss) after taxation

929

941

Add non cash items:

Share of (profit)/loss of associates

(808)

(684)

Gain on sale of equity accounted investee

-

(152)

Loss on sale of property, plant and equipment

1

352

Depreciation

2,106

1,159

Amortisation of intangible assets

96

30

Movement in deferred taxation

(255)

400

Impairment of investments

231

-

Dividend income not in profit and loss

-

24

Loss on transfer of shares in equity accounted investee

-

92

Add items not classified as an operating activity:

Gain on sale of property, plant and equipment

-

(3)

Movements in working capital:

Movement in trade and other payables

1,018

582

Movement in income taxes due

19

305

Movement in trade and other receivables

320

(1,252)

Movement in inventory

(144)

41

Movement in biological assets - Kiwifruit crop on vine

(4)

-

Net cash from operating activities

3,509

1,838

NOTE 23. RELATED PARTY TRANSACTIONS

Related parties of the group include the associates, joint operations (see note 9), key management personal (directors and senior executives) and OPAC Growers Limited (a related party which administers all monies from the sale of kiwifruit on behalf of growers with whom it holds a contract).

The group undertakes transactions with all related parties in the normal course of business, and all transactions are on normal commercial terms.

Transactions with associates and joint operations

The group received dividends and capital distributions as per note 9C. The group have made no loans and advances to certain associates and joint ventures (2015: \$163,667). All loans and advances to subsidiary companies and associates are payable on demand.

Transactions with OPAC Growers Limited

In the current period the group received post-harvest payments for services from its grower entity to the value of \$23,367,757 (2015: \$19,407,271). As at the end of 31 December the group owed \$Nil (2015: \$Nil) to the grower entity.

Notes to the Financial Statements for the year ended 31 December 2016

Transactions with key management personnel

The company undertakes transactions with these persons in the normal course of business on normal commercial terms. A company which the Chief Executive Officer has a shareholding, purchased 25,000 shares in the parent company during 2015.

New Zealand dollars in thousands	2016	2015
Executive salaries	910	1,129
Director fees	237	167
Total compensation expense	1,147	1,296

Transactions with other related parties

The following table shows transactions that were entered into with other related parties during the period (excluding transactions outlined above).

New Zealand dollars in thousands	2016	2015
Sales of services		
Associates	1,570	2,227
Joint operations and unlisted equity securities	1,298	1,114
Key management personnel	3,015	3,728
Purchase of services		
Associates	11	9
Key management personnel	795	1,306

In addition to the above, the parent company provides secretarial services and the use of offices for administrative purposes to group entities for no consideration (2015: Nil).

The following table shows the outstanding balances at the reporting date in relation to transactions with related parties.

New Zealand dollars in thousands	2016	2015
Current trade receivables		
Associates	218	245
Joint operations	189	121
Key management personnel	249	411
Current trade payables		
Key management personnel	-	220

No related party debts have been forgiven or written off during the year.

NOTE 24. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the following event has occurred requiring disclosure in the financial statements:

On 15 February 2017, the group restructured its financing arrangements. Borrowings are now provided by two banking providers. The restructure involves a term facilities of \$10,800,000, a revolving facility of \$9,100,000, which includes \$5,000,000 for working capital.



Independent Auditor's Report

To the shareholders of Opotiki Packing and Cool Storage Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Opotiki Packing and Cool Storage Limited (the company) and its subsidiaries (the Group) on pages 6 to 30:

- i. Present fairly in all material respects the Group's financial position as at 31 December 2016 and its financial performance and cash flows for the year ended on that date; and
- ii. Comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- The consolidated statement of financial position as at 31 December 2016;
- The consolidated statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

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

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

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

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



Other Information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes key indicators, Chair and Chief Executives report, Audit Committee report and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of 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 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.



Use of this Independent Auditor's Report

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



Responsibilities of the Directors for the consolidated financial statements

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

- The preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- Implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



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

Our objective is:

- 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 Independent Auditor's Report that includes our opinion.

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

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

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

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx.

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

KPMG

KPMG
Tauranga

4 April 2017

Statutory Information for the year ended 31 December 2016

Principal activities

The principal activity of the company is to provide and manage service activities to the horticulture industry. The nature of the group's business has not changed in the year under review.

Dividends

No dividends were paid during the year.

Directors holding office during the year

A E de Farias (*Chairman*)

T D Chrisp (*Audit Committee Chairman*)

I J Craig

D J Emslie

A S Hamilton (*Appointed 3 February 2016*)

N J King (*Appointed 10 February 2017*)

T B Hunia (*Appointed 3 February 2016, resigned 10 February 2017*)

D R Birch (*Resigned 3 February 2016*)

Use of company information

During the year the board received no notices from directors requesting authority to use company information, which would not otherwise have been available to them.

Director's shareholding

Directors held the following shares at 31 December 2016:

Shareholder / Director	Beneficially held shares	Non-beneficially held shares
I J Craig	204,081	250,000
D J Emslie - DJ & DJ Emslie Family Trust	-	478,000

Share dealings

No directors noted above acquired or sold interests, either directly or indirectly, in ordinary shares issued by the company during the year.

Director's remuneration and other benefits

Director	Fees	Other benefits	Total
A E de Farias	57,500	2,000	59,500
T D Chrisp	38,500	12,000	50,500
I J Craig	33,500	2,000	35,500
D J Emslie	33,500	2,000	35,500
T B Hunia	33,500	2,000	35,500
A S Hamilton	30,708	2,000	32,708
Total	237,208	22,000	249,208

Other benefits include reimbursements, bonuses and employee benefits.

Subsidiaries

No directors' remuneration was paid during the year by subsidiaries to their directors.

Employee remuneration

During the year 6 (2015: 5) employees who are not directors received remuneration of \$100,000 or more.

Salary band	2016 number of employees	2015 number of employees
\$100,000 - \$110,000	3	-
\$110,000 - \$120,000	-	2
\$170,000 - \$180,000	2	1
\$200,000 - \$210,000	-	1
\$220,000 - \$230,000	-	1
\$260,000 - \$270,000	1	-

Remuneration includes employee benefits, vehicles and all bonus payments.

Entries recorded in the interests register

The following additional entries were recorded in the interest's registers of the company and its subsidiaries during the year:

Directors' interests in transactions

Company: During the year the directors undertook transactions with the company as set out in note 23 to the Financial Statements, Related party transactions. At 31 December 2016, the following general disclosures of interests have been made by the directors in terms of section 140(2) of the Companies Act 1993.

Subsidiaries: Other than directors stating their directorships in the parent company and its subsidiaries, no other interests were noted.

Other interests: Directors have disclosed the following interests held by them:

A E de Farias

Grasslands Consultants LLC	Director
Zespri International Limited	Director
Zespri Group Limited	Director
The Fresh Fruit Company of Nelson Limited	Chairman
Canterbury Grasslands Limited	Director
Horizon Energy Distribution Limited	Chairman
OPAC Properties Limited	Director
Opotiki Packing and Coolstorage Ltd	Director
DFR Consultants Limited	Director & Shareholder
Maxwell Farms Limited and associated entities	Chairman
Biolumic Limited	Director
Chiefs Rugby Club GP Limited	Independent Director
Grow Whakatane Advisory Board	Chairman
Rivas Orchards Limited	Shareholder
Ngati Awa Group Holdings Limited	Director
Ngati Awa Asset Holdings Limited	Director
Lirich Limited	Director
Aquaheat New Zealand Limited	Director
Bay of Plenty Rugby Promotions Limited	Director

I J Craig

Tablelands Hail Machines Company Limited	Director
TKG 9 Limited	Director
Orangewood Limited	Director
Ian Craig Opotiki Limited	Director & Shareholder
OTK Orchards Limited	Director
OTK Management Limited	Director
OPAC Properties Limited	Director
Opotiki Packing and Coolstorage Limited	Director & Shareholder
Whakatohea Fisheries AHC Limited	Director
OPAC Growers Limited	Director
Eastern Seafarms Limited	Director
Punchbowl Investments Limited	Shareholder
Golf Course Orchard GP Limited	Shareholder/Director
Fraser Road Orchard GP Limited	Director/Shareholder
Whakatohea Mussels (Opotiki) Limited	Director & Shareholder
Whakatohea Aquaculture (Opotiki) Limited	Director/Shareholder
Te Kaha Orchards Limited	Director & Shareholder
CD Te Kaha Limited	Director
Whakatohea Fisheries Asset Holding Company Ltd	Director
Te Kaha Gold Spraying Limited	Director
Mussel Men Opotiki Limited	Director & Shareholder

T D Chrisp

Links PHC Limited	Director & Shareholder
Cedenco Foods New Zealand Limited	Director
OPAC Properties Limited	Director
Opotiki Packing & Coolstorage Limited	Director
Coroglen Investments Limited	Director & Shareholder
Convenience Foods Limited	Director
Cedenco Aquaculture Limited	Managing Director
North Island Mussels Limited	Chairman

D J Emslie

Fraser Road Orchards Limited	Director & Shareholder
Highcrest Limited	Director & Shareholder
D.C.D. Orchards Limited	Director & Shareholder
Fortuna Orchard Limited	Director & Shareholder
Kaiaua Holdings Limited	Director & Shareholder
Arohena Pastoral Limited	Director & Shareholder
Opotiki Packing and Coolstorage Limited	Director & Shareholder
OPAC Properties Limited	Director
Kaiaaponi Farms Limited	Director
TKG Agent Limited	Director
Trixl Enterprises Limited	Director
31 A Bridge Street Company Limited	Director
BKLP GP Limited	Director

D R Birch (Appointed 22 December 2015, resigned 3 February 2016)

Crown Irrigation Investment Limited	Director
Manuka Research Partnership Limited	Director
MTD1	Chair & Director
RDF1	Director
Ngati Awa Group Holdings Limited	Chair IC & Director
Manu Hou Limited	Director
Ngati Awa Asset Holding Limited	Director
Wellington Free Ambulance Trust	Trustee & Deputy Chair
Climate Change Iwi Leader Group	Member
The Maori Trustee	Senior Manager
Ngati TuwhareToa / Ngati Apa / Ngati Hauiti	Shareholder / Owner or affiliated to

T B Hunia (Appointed 3 February 2016, resigned 10 February 2017)

Ngati Awa Group Holdings Limited	Director
Manu Hou GP Limited	Director
Rangitia Investments Limited	Director
Rangitia Associates Limited	Director
Iwi Collective Partnership	Director
Putauaki Trust	Chairman
Nga Maunga Kaitiaki trust	Chairman
Tarawera Lands Company	Chairman
Maori Investments Limited	Chairman
Te Tumu Miere	Chairman
Te Tumu Paeroa	Deputy Maori Trustee
Opotiki Packing and Coolstorage Limited	Director
OPAC Properties Limited	Director

A S Hamilton

WNT Ventures General Partner Limited	Director
WNT Ventures Management Limited	Director
Quayside Holdings Limited	CEO
Quayside Securities Limited	
Quayside Properties Limited	
Port of Tauranga Limited	
Opotiki Packing and Coolstorage Limited	Director
OPAC Properties Limited	Director
Oriens Capital Limited	Shareholder
Rhondium Holdings Limited	Director

Directors' indemnity and insurance

The company has insured all its directors and the directors of its subsidiaries against liabilities to other parties (except the company or a related party of the company) that may arise from their positions as directors. The insurance does not cover liabilities arising from criminal actions.

Donations

During the year various small amounts were donated to various charities by either the company or its subsidiaries.

Directors

Tony de Farias

Chairman

Tony is an experienced director and currently holds a number of directorships within New Zealand, both in the horticultural and dairy sectors. These include the boards of Zespri Group Limited and the Fresh Fruit Company of Nelson Limited. He is also a director of Horizon Energy Distribution Limited and an independent director of the Chiefs Rugby Club Limited.

Other roles in the dairy sector include the board of iwi-owned Ngati Awa Farms Limited in the Eastern Bay of Plenty, and the chair of Maxwell Farms Limited, one of New Zealand's largest family-owned dairy farming enterprises, with properties in Reporoa, Tokoroa, Napier-Taupo and northern Hawke's Bay.

Tony is also chairman of the Grow Whakatane Advisory Board, and a member of the Ngati Awa Group Holdings Board.

Tony has been a member of the OPAC board since 2006.

Tim Chrisp

Tim has been involved in the production and export of New Zealand food products for the past 30 years.

He is managing director of the Cedenco group of companies which own and operate fruit, vegetable and shellfish processing businesses in Gisborne and Tauranga and is or has been a director in several roles across the primary sector.

Tim has served as an OPAC director for 13 years and is chairman of the audit committee.

Ian Craig

A co-founder of OPAC in 1987, Ian was OPAC's general manager from its inception until July 2004. Ian has also been a director of OPAC since the company was formed, the first eight years serving as chairman.

He is currently chairman of TKG Agent, the TKG Joint Ventures and Orangewood Limited, a Kerikeri kiwifruit post harvest facility.

David Emslie

A founding director of OPAC, David has extensive industry and orchard experience developed from his roles at OPAC in leadership and field operations. David is a director of several orchard-owning companies, as well as other horticultural and agricultural enterprises, and has been orcharding with his wife Debbie since purchasing their own holding in 1980.

Scott Hamilton

Quayside Holdings Limited appointed director

Scott is the CEO of Quayside Holdings Limited and has been with the company since 2010. Scott brings ten-years of funds management experience including senior investment and operations management roles in both New Zealand with ASB Group Investments and the United Kingdom with Barclays Global Investors. Scott also brings New Zealand banking and commercial sector financial, acquisition and restructuring experience to the role.

Scott is a director of WNT Ventures, a licensed Callaghan Innovation technology-focused incubator. He is also a member of the Institute of Directors, a chartered accountant and mentor with the New Zealand Institute of Chartered Accountants.

Neville King

The Maori Trustee appointed director (replacing Tiaki Hunia)

Neville is the governance and capability manager and representative for Te Tumu Paeroa. From Ngati Pikiao, Tainui and Ngati Porou, Neville is passionate about Maori land development and capability building and with a background in management and education he has developed and leads the governance and trusteeship programmes developed by Te Tumu Paeroa in their endeavour to develop Maori land and assets.

Management

Ian Coventry

Chief Executive Officer

Ian was appointed CEO in August 2015. He has been with OPAC for 11 years with previous roles as OPAC Commercial Manager and Grower Services Manager. Ian is a qualified accountant and in his previous roles oversaw OPAC's financial, IT and strategic planning processes as well as key areas of grower liaison and administration of the grower pools.

Ian has first-hand knowledge of the industry's grower oriented structures, gained from personal experience as an OPAC grower, as well as bringing previous experience from senior financial roles in the pulp and paper, forestry, research, and education sectors.

Nick Lawrence

Chief Financial Officer

Nick is responsible for leading robust financial and risk management, managing the finance and information technology teams, secretary to the Board, and ensuring the long term financial vitality of the company. A chartered accountant with experience in a range of different sized businesses and industries, including eight years as a finance leader in the UK food manufacturing industry, Nick plays an active role influencing performance across the business.

Sonia McAllister

HR Manager

Sonia completed university studies in commerce management and human resources, which has provided her with the knowledge she needs to support and enable managers to fulfil the company's HR responsibilities. Sonia works closely with the wider OPAC management group to ensure that OPAC has the right people in place and at the right time and to support the ongoing development of a high performing workforce.

Nicki Paget

Post Harvest Operations Manager

Nicki joined the OPAC team late in 2013 and is now the Operations Manager in charge of OPAC's post harvest quality and production functions.

Nicki has a Bachelor of Agriculture from Massey University. Nicki has worked in the kiwifruit industry in various roles including orchard operations, site management, post-harvest operations, quality management and grower liaison for several Northland and Bay of Plenty companies since the year 2000.

Simon Dondi

Orchard Operations Manager

Simon joined OPAC nine years ago after coming to New Zealand from Kenya; initially working as a Senior Orchard Manager before being appointed as the Orchard Operations Manager in early 2016. Simon holds a Bachelor of Science degree in agriculture from University of Nairobi-Kenya. He had a strong background in managing large-scale horticultural operations before joining OPAC, and has now added an excellent knowledge of growing kiwifruit.

Warren Short

Supply Chain Manager

Warren's career involved managing all aspects of the kiwifruit supply chain, from growing quality fruit in New Zealand, through to marketing kiwifruit in Europe.

Over the past decade, Warren has worked in key roles across OPAC, including Grower Services Manager, Logistics Manager, Post-Harvest Operations Manager, and currently as Supply Chain Manager. In this position, Warren and his team work with the business to deliver best-practice supply chain processes across all OPAC operations. Warren is OPAC's representative on the Industry Supply Group, an industry-wide body involved with ensuring the effectiveness of the industry's integrated supply chain.

Shareholders

as at 31 December 2016

Shareholder	Number of shares	Percentage of total shareholding
Quayside Holdings Limited	479,538	10.10%
The Maori Trustee	479,538	10.10%
David Emslie, Deborah Emslie, Sharp & Cookson Trustee Services Ltd	478,000	10.07%
Sheryl Tebbutt	400,000	8.42%
Robert Tait, Jane Tait, Ian Craig	321,595	6.77%
Ann Davidson	236,086	4.97%
Murray & Marilyn Thompson	220,016	4.63%
Ian Craig	204,081	4.30%
Craig Murray Thompson	183,558	3.87%
Development Enterprises Limited	147,489	3.11%
Sally Spencer	137,154	2.89%
Roger & Colleen Clark	128,729	2.71%
Ian & Denise Robertson	104,634	2.20%
Mary-Anne Barton	96,974	2.04%
Selby & Judy Fisher	96,000	2.02%
Christopher Urry, Sally Urry, Donald Finlayson	96,000	2.02%
Susan Cowie, Sheryl Herbert	91,151	1.92%
Peter Anstis, Marian Anstis, Robert Tait	78,700	1.66%
John Connor	71,600	1.51%
Michelle Ruth Thompson	66,880	1.41%
Ian Palmer	63,360	1.33%
Donald & Katherine Murray	62,000	1.31%
Hamish Spencer	53,212	1.12%
Sharp & Cookson Trustee Services, Anne Larkey, Shona Devoy	48,000	1.01%
WD & BA Orchard-Farming Limited	36,194	0.76%
Brian Young, Kathleen Young, Cookson Forbes BDR Trustees Limited	29,200	0.62%
Hamish Deuchar Spencer, Sally Gibbons Spencer, Brett Anthony Hart	29,111	0.61%
Rex & Ngaire Henderson	26,880	0.57%
Tom & Jennifer Newman, Jock Sutherland	26,750	0.56%
Julian and Nghaire Lowe Family Trust	25,000	0.53%
Ian & Justine Coventry & Hammertons Trustee Services	25,000	0.53%
Richard Anstis, Peter Anstis, Beverley Butchart	24,000	0.51%
Hedley Farms Ltd	24,000	0.51%
Jerome & Jean Smithson	24,000	0.51%
Ian Greaves, Nicola Greaves, Craig Thompson	24,000	0.51%
Te Kaha 15B Ahuwhenua Trust	23,000	0.48%
Rushaven Farms	13,682	0.29%
Te Kaha 9b Trust	13,333	0.28%
Andrew Taylor, Robert Tait,	11,094	0.23%
Te Kaha 86 Lands Trust	9,600	0.20%
Anthony Donald Palmer, Carol June Palmer, Ian Rex palmer, Sharp & Cookson Trustee Services	9,600	0.20%
Graeme & Delwyn Redpath	9,600	0.20%
Robert Tait, Jane Tait	9,556	0.20%
Alan & Krystene Connolly, Jake Mcleary Connolly Family Trust	5,000	0.11%
Te Ehutu Lands Trust	5,000	0.11%
	4,747,895	100.00%

Company Directory

Directors

A E de Farias (Chairman)
T D Chrisp
I J Craig
D J Emslie
A S Hamilton
N J King

Contact Details

93 Waioeka Road, Opotiki
Telephone: (07) 315 8700
Facsimile: (07) 315 8577
Email: info@opac.co.nz
Website: www.opac.co.nz

Address for Service and Registered Office

93 Waioeka Road, Opotiki

Auditors

KPMG, Tauranga



Opotiki Packing and Cool Storage Limited

93 Waioeka Road, Opotiki

Telephone: (07) 315 8700

Facsimile: (07) 315 8577

Email: info@opac.co.nz

Website: www.opac.co.nz

