



# GROWING GREAT COMMUNITIES

Growing Great Fruit ~ Growing Great People

**ANNUAL REPORT**

31 December 2017

## Key indicators

New Zealand dollars in thousands	2017	2016	2015
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>\$ 7,969</b>	<b>\$ 3,788</b>	<b>\$ 3,243</b>
Depreciation and amortisation	\$ 2,174	\$ 2,202	\$ 1,189
<b>Profit before finance costs (EBIT)</b>	<b>\$ 5,795</b>	<b>\$ 1,586</b>	<b>\$ 2,054</b>
Finance costs	\$ 505	\$ 287	\$ 408
Income tax expense	\$ 379	\$ 370	\$ 705
<b>Net profit attributable to shareholders (NPAT)</b>	<b>\$ 4,911</b>	<b>\$ 929</b>	<b>\$ 941</b>
Other comprehensive income	\$(235)	\$ 1,002	\$ 593
<b>Total comprehensive income attributable to shareholders</b>	<b>\$ 4,676</b>	<b>\$ 1,931</b>	<b>\$ 1,534</b>
Total assets	\$ 45,935	\$ 36,567	\$ 31,371
Total shareholder funds	\$ 23,205	\$ 19,526	\$ 17,554
Total shares on issue (thousands)	4,748	4,748	4,748
<b>Financial ratios</b>			
Shareholder equity ratio	51%	53%	56%
Dividends paid (in thousands)	\$ 997	-	\$ 484
Dividend per share	\$ 0.21	-	\$ 0.14
EBITDA per share	\$ 1.68	\$ 0.80	\$ 0.68
Net profit after tax per share	\$ 1.03	\$ 0.20	\$ 0.20
Net assets per share	\$ 4.89	\$ 4.11	\$ 3.70

**GROWING GREAT FRUIT**  
**GROWING GREAT PEOPLE**  
**GROWING GREAT COMMUNITIES**

**WHAKATIPU HUA**  
**WHAKAWHANAKE TĀNGATA**  
**WHAKAWHANUI IWI**  
**KI TONO IKEIKE**

## Chair and Chief Executive's Report

On behalf of the board and management we are pleased to present OPAC's annual report for the year ended 31 December 2017.

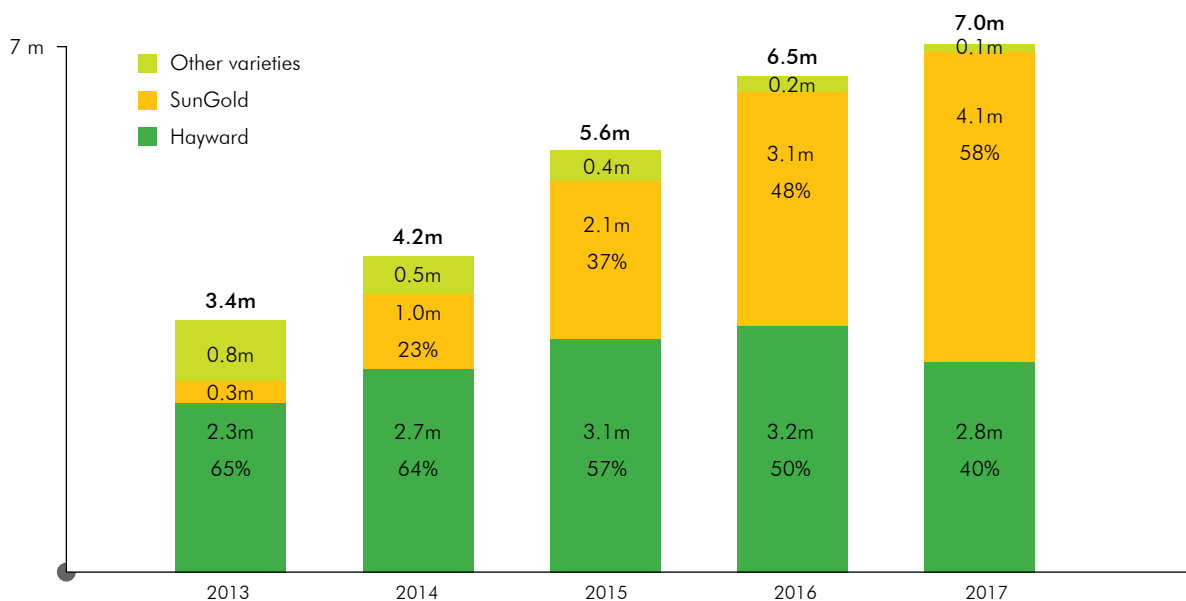
2017 was a successful year with OPAC delivering operational performance for grower clients, strong orchard returns and record earnings for investors. The year wasn't without its challenges and the company had to flex our investment in building capacity to match a seasonal drop in Hayward yields, and manage a complex harvest through a storm-afflicted autumn.

Harvest 2017 delivered a record 7m trays to our Opotiki operation; up 0.5m trays (7%) on 2016 with Zespri SunGold volumes increasing 31% to 4.1m trays. Following two seasons of high Hayward yields, our industry experienced a decline in Hayward productivity in 2017, with volumes to OPAC's post harvest operations dropping 14% to 2.8m trays.

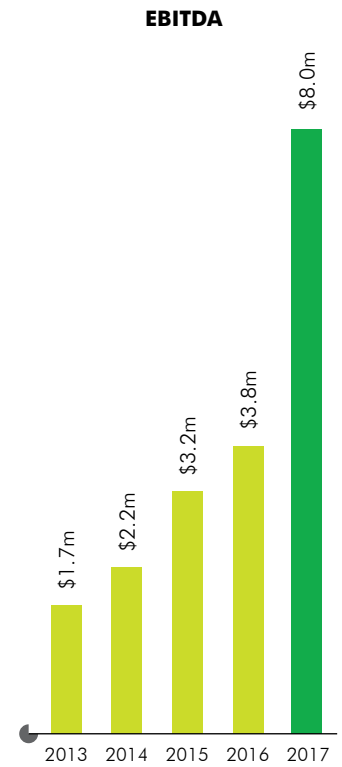
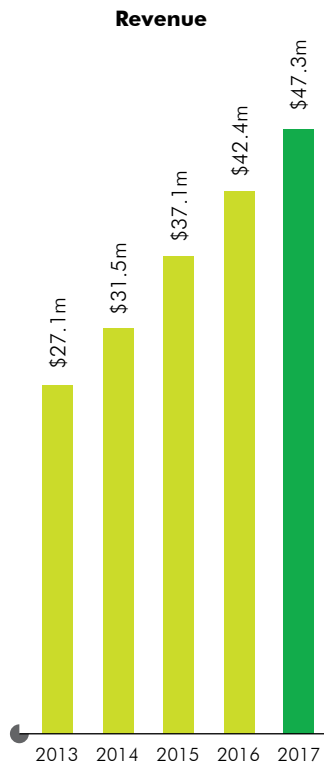
While Hayward yields are forecast to rebound, Zespri's success in marketing SunGold and their accelerated sales of SunGold licences, coupled with our catchment's proven ability to produce high-value SunGold crops, will contribute to the ongoing evolution of our varietal mix; in 2017 SunGold contributed 58% of total volumes, up from 48% in 2016 and 37% in 2015.

### OPAC's changing product mix

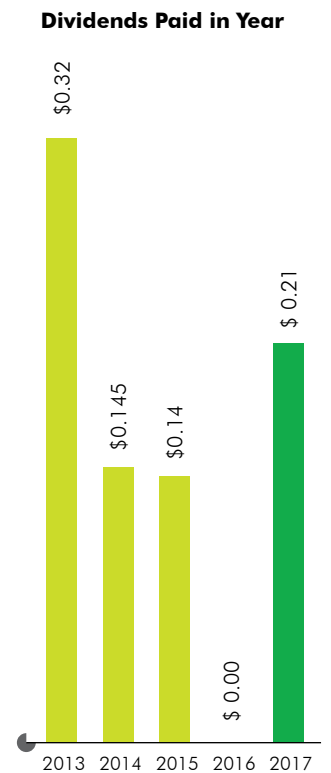
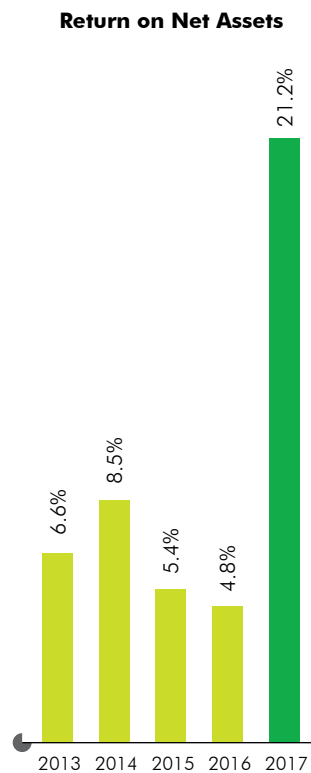
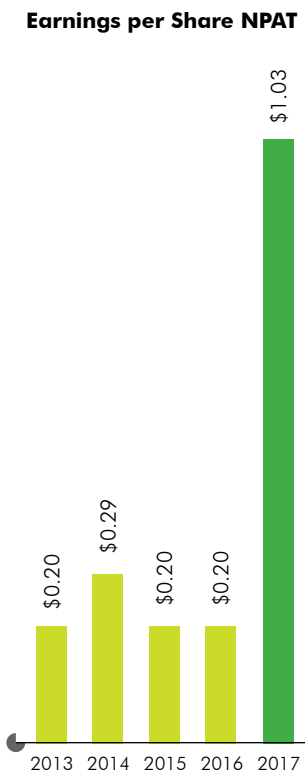
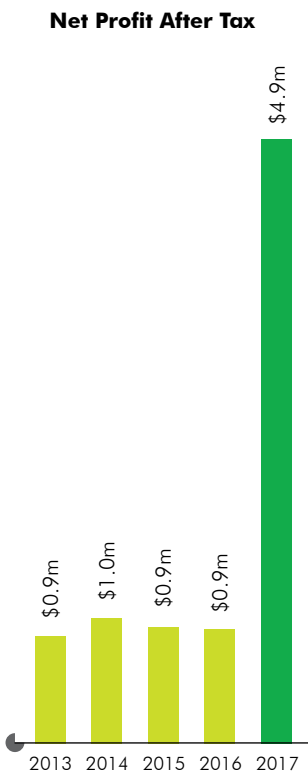
Millions of class 1 trays packed



## Financial indicators



## Returns



## Business performance

Total group revenue of \$47.30m was up 12% on 2016 (\$42.38m) as post harvest volumes increased 7% to 7.0m trays.

The volume lift and very good capacity utilisation from OPAC's grading equipment contributed to a further improvement in OPAC's operating margin, producing a gross operating profit of \$6.03m, a 46% increase on 2016 (\$4.13m).

Strong growth in New Zealand's kiwifruit industry is driving ongoing investment on the orchard and at post harvest. OPAC's core business is providing post harvest services and managing a large portfolio of orchards on behalf of our grower clients. To support the capital expansion programme and opportunities for further orchard development projects, in 2017 the Board made a strategic decision to sell OPAC's investment in Zespri shares (which were originally related to OPAC kiwifruit production). The gains on this decision to reallocate resources contributed to a further lift in earnings before interest and tax (EBIT) of \$1.85m to \$5.80m (2016: \$1.59m).

Total comprehensive income attributable to shareholders lifted to \$4.68m (2016: \$1.93m) with earnings increasing to \$0.98 per share (2016: \$0.41). If the one-off gain from the sale of Zespri shares was removed (\$1.85m), the underlying income attributable to shareholders would be \$2.83m with earnings per share of \$0.59; a 44% lift on 2016 with underlying shareholder income growing at a faster rate than revenue.

The ongoing capacity build programme saw a further \$12.64m invested in property, plant and equipment with total assets lifting to \$45.94m (2016: \$36.57m). The investments were funded from cash flow and borrowings, with total bank debt up \$6.73m to \$17.21m. While this raised OPAC's debt to tangible asset ratio to 38% (2016: 29%), our banking covenants provide sufficient room to fund future growth.

Total net assets increased to \$23.21m with a net asset backing per share of \$4.89 being a 19% increase on 2016 (\$4.11). The return on net assets in 2017 was 21.2% (2016: 4.8%).

The pocket pack issue which impacted 2016 financial performance was settled with Zespri in 2017, with final costs largely in line with the provision made in the 2016 accounts. OPAC continues to pursue the supplier for the full cost of the pocket pack event.

With settlement of the pocket pack issue complete, OPAC paid 13 cents per share dividend to investors on 12 May 2017, with a further 8 cents paid 14 December 2017. Total dividends paid in the year were 21 cents per share and the total amount distributed was \$1.00m (2016: nil, 2015: 14 cents per share or \$0.48m).

## Operations – performing for our grower clients

Early assessment of 2017 crops uncovered a seasonal drop in Hayward volumes across the New Zealand kiwifruit industry. This followed two outstanding growing seasons that delivered record yields for growers. OPAC accordingly adjusted its capital investments, completing the construction of three coolstores to handle volume growth, and deferring the construction of controlled atmosphere rooms that are reserved for long-term Hayward storage. SunGold yields were not affected by seasonal issues, with volumes up as more orchards came into production.

All growers have to contend with a natural tension between allowing fruit to mature on the vine to maximise fruit payments, while managing risk from fruit softening and associated storage losses. A new SunGold taste by size payment system added a new layer of complexity in 2017, leading to some growers using rounds of select picks to harvest the larger, more mature fruit.

With fruit slower to mature than prior seasons, harvest 2017 was punctuated by four cyclones and a localised but significant hail event, with our catchment receiving twice the average rainfall across the main harvest period. Wet weather frequently stopped harvest, put pressure on picking capacity and disrupted post harvest planning, and in some cases SunGold fruit went beyond the optimum pick period before orchards became dry enough to harvest.



**GROWING  
GREAT PEOPLE**

Growing Great Fruit ~ Growing Great Communities

**OPAC**

OPAC's strong relationship with our growers allowed us to largely mitigate the impacts of the adverse weather events as we coordinated harvest across our three major catchments of Opotiki, Te Kaha and Gisborne. Inventory management then prioritised early movement of softer lines.

While the longer storage season and lines of soft fruit increased OPAC's average fruit loss, our growers benefited from higher taste incentive payments and OPAC outperformed the industry on the key measures of average orchard gate tray and hectare returns for all three varieties; SunGold, Hayward and Sweet Green.

Our ability to manage adverse weather events, and optimise returns from longer selling seasons, will be key performance indicators for our grower clients, and our marketer Zespri, as our industry learns to deal with changing weather patterns and much higher volumes.

## Investing in new capacity and new technology

For harvest 2018, OPAC is planning to handle more than 8.2m trays – an 18% jump on 2017. OPAC is investing in new post harvest capacity for 2018 that is focused on delivering an effective and efficient service to growers, and incremental returns to investors.

To manage SunGold's compact harvest window, complex clearance protocols and pack combinations, and efficiently handle capacity growth over the coming years, the company is investing \$16m in additional coolstorage and supporting infrastructure, including a new sprinkler system to protect OPAC's main post harvest assets, and a new MAF RODA packline being commissioned for harvest 2018.

MAF RODA is a French-based, family business that will bring a new level of international expertise to our post harvest operations. They are highly experienced in providing post harvest solutions, including for the New Zealand kiwifruit industry, and will deliver an integrated service for full accountability from bin tip to tray. Replacing grader 1, OPAC's new MAF RODA line will use automated optical and softness grading to deliver world-class fruit segregation, improve labour utilisation, and significantly lift peak packing capacity. Enhancements are also being made to the existing Compac grader to further lift capacity for SunGold.

Entering harvest 2018, our grower clients will benefit from the latest packing technology, with all packing equipment less than three years old, and modern coolstore infrastructure, with 60% of OPAC's coolstores having been built in the last five years. Our infrastructure will be able to pack 10m trays a season. Moreover, it will provide the packing power to efficiently manage adverse weather events for the benefit of our grower clients.

## Investing in our team, investing in our community

OPAC is committed to lean manufacturing processes that deliver value to grower clients and to our shareholders. As our business grows to handle higher fruit volumes, we are able to and must add depth to our management and leadership teams.

We have an extremely loyal workforce and it is highly rewarding to see how the growth in our kiwifruit industry is having a major positive impact in our community. The development of key positions allows us to promote long-term seasonal workers to permanent roles. This certainty of employment can be life changing, delivering a range of positive social benefits. Moreover, OPAC can further invest in skill development as we empower our people to resolve issues and take responsibility for operational performance.

Our vision is "growing great fruit, growing great people, growing great communities". We are a business that helps generate wealth from the land, and our success is closely intertwined with the health of our communities. OPAC remains committed to supporting our local growers; we provide expertise and facilitate partnerships to develop land, boost regional employment and create wealth in our communities.


## 2018 – well prepared for growth

Early season indicators show Hayward yields up by 14% with SunGold up 23%. This will be the third season operating the Compac pack line with its optical grading system, and the first with the addition of the new MAF RODA with its enhanced grading technology.

Our key catchment areas are delivering excellent growing conditions, with our supplying growers producing strong yields of high-taste SunGold and Hayward fruit that generate rewarding returns. We have the technology and capacity to manage volume growth over the coming years and a skilled and dedicated workforce to efficiently process crops.

OPAC has a healthy balance sheet, supportive shareholders and we are focused on delivering performance for our loyal grower clients. We have developed lean manufacturing processes, added depth to our team, are making a positive contribution to our communities, and continue to grow shareholder returns.

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





## Financial Report

### Financial statements

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# Statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 December 2017

New Zealand dollars in thousands	Notes	2017	2016
Revenue	4	47,302	42,380
Direct operating costs		41,269	38,247
<b>Gross operating profit</b>		<b>6,033</b>	<b>4,133</b>
Other income	5	2,513	66
Share of profits of equity accounted investments	10	632	808
<b>Total other income</b>		<b>3,145</b>	<b>874</b>
General and administrative costs	5	1,185	987
Losses associated with property, plant and equipment		229	1
Depreciation expense	7	2,029	2,106
Amortisation expense	8	145	96
Impairment of investments		(205)	231
<b>Total other expenses</b>		<b>3,383</b>	<b>3,421</b>
<b>Profit before finance costs (EBIT)</b>		<b>5,795</b>	<b>1,586</b>
Finance costs		505	287
<b>Profit before income tax</b>		<b>5,290</b>	<b>1,299</b>
Income tax expense	6A	379	370
<b>Net profit attributable to shareholders</b>		<b>4,911</b>	<b>929</b>
<i>Other comprehensive income</i>			
Revaluation of property, plant and equipment, net of tax	7	196	342
Revaluation of property, plant and equipment, in associates net of tax		(34)	178
<b>Total of items that will not be reclassified to profit or loss</b>		<b>162</b>	<b>520</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Revaluation of available for sale financial assets, net of tax	11A	364	691
Revaluation of available for sale financial assets in associates, net of tax		-	(209)
Revaluation of available for sale financial assets reclassified to profit or loss	11B	(761)	-
<b>Total of items that may be reclassified subsequently to profit or loss</b>		<b>(397)</b>	<b>482</b>
<b>Total other comprehensive income / (loss) net of tax</b>		<b>(235)</b>	<b>1,002</b>
<b>Total comprehensive income for the period attributable to shareholders</b>		<b>4,676</b>	<b>1,931</b>

# Statement of Changes in Equity

for the year ended 31 December 2017

New Zealand dollars in thousands	Notes	Share capital	Capital reserve	Associates revaluation reserve	Available for sale revaluation reserve	Property, plant and equipment revaluation reserve	Property, plant and equipment revaluation reserve associates	Retained earnings	Total
<b>Equity at 1 January 2016</b>		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
<b>Total comprehensive income/(loss)</b>		-	-	(209)	691	342	761	929	1,931
<i>Transactions with owners</i>									
Partly paid shares issued		(45)	-	-	-	-	-	-	(45)
Shares repurchased	14	86	-	-	-	-	-	-	86
<b>Transactions with owners</b>		41	-	-	-	-	-	-	41
<b>Equity at 31 December 2016</b>		9,582	1,543	-	1,369	3,280	761	2,991	19,526
Net profit for the year		-	-	-	-	-	-	4,911	4,911
Other comprehensive income/(loss) for the year		-	-	-	(397)	196	(34)	-	(235)
<b>Total comprehensive income/(loss)</b>		-	-	-	(397)	196	(34)	4,911	4,676
<i>Transactions with owners</i>									
Dividends paid	15	-	-	-	-	-	-	(997)	(997)
<b>Transactions with owners</b>		-	-	-	-	-	-	(997)	(997)
<b>Equity at 31 December 2017</b>		9,582	1,543	-	972	3,476	727	6,905	23,205

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 2017

New Zealand dollars in thousands	Notes	2017	2016
<b>EQUITY</b>			
Share capital	14	9,582	9,582
Reserves		6,718	6,953
Retained earnings		6,905	2,991
<b>Total equity</b>		<b>23,205</b>	<b>19,526</b>
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	7	37,431	26,813
Intangible assets	8	343	324
Equity accounted investments	10	1,883	1,825
Available for sale financial assets	11	1,124	1,813
<b>Total non-current assets</b>		<b>40,781</b>	<b>30,775</b>
<i>Current assets</i>			
Cash and cash equivalents		728	1,091
Trade and other receivables	12	3,245	3,320
Inventories		361	483
Biological assets - Kiwifruit crop on vine	13	820	898
<b>Total current assets</b>		<b>5,154</b>	<b>5,792</b>
<b>Total assets</b>		<b>45,935</b>	<b>36,567</b>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Borrowings	16	16,946	9,698
Deferred tax liabilities	6D	1,744	1,653
<b>Total non-current liabilities</b>		<b>18,690</b>	<b>11,351</b>
<i>Current liabilities</i>			
Borrowings	16	260	778
Trade and other payables	17	3,458	4,808
Income tax liabilities	6C	322	104
<b>Total current liabilities</b>		<b>4,040</b>	<b>5,690</b>
<b>Total liabilities</b>		<b>22,730</b>	<b>17,041</b>
<b>Net assets</b>		<b>23,205</b>	<b>19,526</b>

On behalf of the board



**A E de Farias**  
Chairman



**T D Chrisp**  
Director

27 March 2018

# Statement of Cash Flows

for the year ended 31 December 2017

New Zealand dollars in thousands	Notes	2017	2016
<b>Operating activities</b>			
<i>Cash was provided from:</i>			
Receipts from customers		47,769	42,722
Interest income received		1	9
Dividends received		231	58
<i>Cash was distributed to:</i>			
Payments to suppliers and employees		(44,159)	(38,387)
Interest paid		(505)	(287)
Income taxes paid		(352)	(606)
<b>Net cash flows from operating activities</b>		<b>2,985</b>	<b>3,509</b>
<b>Investing activities</b>			
<i>Cash was provided from:</i>			
Proceeds from sale of investments		2,349	-
Sale of property, plant and equipment		-	51
Repayment of loans to associates and subsidiaries		-	-
Capital distributions received from associates		821	928
Proceeds from available for sale investments		142	72
<i>Cash was applied to:</i>			
Loans to related parties		(125)	-
Purchase of property, plant and equipment		(12,104)	(9,138)
Purchase of intangible assets		(164)	(345)
<b>Net cash flows from investing activities</b>		<b>(9,081)</b>	<b>(8,432)</b>
<b>Financing activities</b>			
<i>Cash was provided from:</i>			
Issues of shares	14	-	42
Proceeds of long term bank borrowings		7,043	2,800
<i>Cash was applied to:</i>			
Dividends paid		(997)	-
Repayment of term debt		(313)	(324)
<b>Net cash flows from financing activities</b>		<b>5,733</b>	<b>2,518</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(363)</b>	<b>(2,405)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,091</b>	<b>3,496</b>
<b>Cash and cash equivalents at end of year</b>		<b>728</b>	<b>1,091</b>

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 2017

## 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 registered under the New Zealand Companies Act 1993.

The group has prepared consolidated financial statements in accordance with the Companies Act 1993, and therefore a separate set of financial statements for the company is not required to be prepared in accordance with that Act.

### 1A. 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 – Reduced Disclosure Regime ("NZ IFRS RDR") and other applicable Financial Reporting Standards, as appropriate for Tier 2 for-profit entities. The group is eligible and has elected to report in accordance with Tier 2 for-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity. The group has adopted the Reduced Disclosure Regime for the financial year ended 31 December 2017, which has had no effect on comparatives within the financial statements.

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.

### 1B. 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.

### 1C. Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the group as at 31 December 2017 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.

### 1D. 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.

## 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 2017 are:

- Land, buildings, bearer plants and coolstore plant valuations (Note 7)
- Equity accounted investments (Note 10)
- Available for sale investments (Note 11)

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. The group has disclosed the following risks in relation to these financial statements;

i. Interest rate risk

The group's interest rate risk arises from both long and short term borrowing. The group adopts a policy of ensuring that between 25% and 80% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate.

ii. Foreign currency risk

The group and the company have no material direct currency risk aside from when purchasing equipment in a foreign currency. The group hedges 100% of its contractual obligations to purchase equipment denominated in a foreign currency where the value is deemed significant at the time of entering into such purchase agreements. Most hedges have a maturity of less than 1 year from the reporting date.

The group is also 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.

### NOTE 4. REVENUE

New Zealand dollars in thousands	2017	2016
<b>Revenue</b>		
Orchard services and sales	14,434	14,083
Post harvest services	32,030	27,568
Other sales	838	729
<b>Total revenue</b>	<b>47,302</b>	<b>42,380</b>

#### 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:

*Orchard services and sales*

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 and goods such as packaging. 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.

# Notes to the Financial Statements for the year ended 31 December 2017

## NOTE 5. INCOME AND EXPENSES

New Zealand dollars in thousands	2017	2016
<b>5A. OTHER INCOME</b>		
Interest income	1	8
Dividend and distribution income	373	58
Reversal of bearer plant revaluation in prior period	38	-
Foreign currency gain	252	-
Gain on sale of investments	1,849	-
<b>Total other income</b>	<b>2,513</b>	<b>66</b>
<b>5B. EXPENSES</b>		
<i>General and administration costs include the following paid to KPMG:</i>		
Audit fees	40	32
Audit disbursements	4	4
Taxation services	9	7
Share registry audit	1	-
<b>Total</b>	<b>54</b>	<b>43</b>



**NOTE 6. TAXATION**

New Zealand dollars in thousands	Notes	2017	2016
<b>6A. INCOME TAX</b>			
<i>Income tax recognised in the statement of financial performance and other comprehensive income</i>			
<b>Current tax expense</b>			
Current year	6C	574	654
Adjustments prior year	6C	(4)	(29)
<b>Total current tax expense</b>		<b>570</b>	<b>625</b>
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences	6D	(191)	(255)
<b>Total deferred tax (credit)</b>		<b>(191)</b>	<b>(255)</b>
<b>Total income tax expense</b>		<b>379</b>	<b>370</b>
<b>6B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE/RECEIVABLE</b>			
<b>Profit before tax</b>		<b>5,290</b>	<b>1,299</b>
Tax at New Zealand tax rate of 28% (2016: 28%)		1,481	364
Tax effect of amounts which are not (taxable) in calculating taxable income		(558)	(39)
Tax exempt income		4	3
Effect of share of (loss) of equity accounted investments		(48)	(111)
Impairment		(57)	65
Imputation credits received		43	(4)
Dividends from associates		58	-
Imputation credits		(154)	-
Change in recognised deductible temporary differences		-	121
Impact on deferred tax of reduction in classification of buildings with tax base nil		(541)	-
Recognition of deferred tax on equity accounted investments valuation of bearer plants classified to profit or loss		155	-
(Over) provided income tax in prior years		(4)	(29)
<b>Total income tax expense</b>		<b>379</b>	<b>370</b>
<b>6C. CURRENT TAX LIABILITY/(ASSET)</b>			
<i>The following table shows the group's current tax liability/asset:</i>			
Opening balance of current tax liabilities		104	84
Adjustments for prior periods	6A	(4)	(29)
Current year tax	6A	574	654
Less tax paid		(352)	(605)
<b>Current tax liability</b>		<b>322</b>	<b>104</b>

# Notes to the Financial Statements for the year ended 31 December 2017

## 6D. 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
<b>2017</b>						
Property, plant and equipment	1,812	(651)	-	1,161	-	1,161
Property, plant and equipment in associates	-	155	282	437	-	437
Biological assets	200	-	-	200	-	200
Employee benefits and accruals	(359)	305	-	(54)	(54)	-
	<b>1,653</b>	<b>(191)</b>	<b>282</b>	<b>1,744</b>	<b>(54)</b>	<b>1,798</b>
<b>2016</b>						
Property, plant and equipment	1,804	44	(36)	1,812	-	1,812
Biological assets	214	(14)	-	200	-	200
Employee benefits and accruals	(75)	(284)	-	(359)	(359)	-
	<b>1,943</b>	<b>(254)</b>	<b>(36)</b>	<b>1,653</b>	<b>(359)</b>	<b>2,012</b>

### 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.

**NOTE 7. PROPERTY, PLANT AND EQUIPMENT**

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
<b>As at 1 January 2016</b>								
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)
<b>Net book amount</b>	<b>13,942</b>	<b>5,035</b>	<b>3,316</b>	<b>142</b>	<b>83</b>	<b>968</b>	<b>3,327</b>	<b>26,813</b>
<b>Year ended 31 December 2017</b>								
<b>Opening net book amount</b>	<b>13,942</b>	<b>5,035</b>	<b>3,316</b>	<b>142</b>	<b>83</b>	<b>968</b>	<b>3,327</b>	<b>26,813</b>
Additions	-	-	-	-	-	-	12,643	12,643
Revaluation through other comprehensive income	-	-	-	-	-	196	-	196
Revaluation through profit or loss	-	-	-	-	-	37	-	37
Disposals	(73)	(144)	-	(1)	(11)	-	-	(229)
Depreciation expense	(778)	(587)	(525)	(25)	(60)	(54)	-	(2,029)
Partially completed projects completed during year	2,896	651	1,244	8	609	-	(5,408)	-
<b>Closing net book amount</b>	<b>15,987</b>	<b>4,955</b>	<b>4,035</b>	<b>124</b>	<b>621</b>	<b>1,147</b>	<b>10,562</b>	<b>37,431</b>
<b>As at 31 December 2017</b>								
Cost or valuation	16,899	12,965	4,654	611	807	1,348	10,562	47,846
Accumulated depreciation and impairment	(912)	(8,010)	(619)	(487)	(186)	(201)	-	(10,415)
<b>Net book amount</b>	<b>15,987</b>	<b>4,955</b>	<b>4,035</b>	<b>124</b>	<b>621</b>	<b>1,147</b>	<b>10,562</b>	<b>37,431</b>

**Partially completed projects**

As at 31 December 2017, the group had commenced capital works on the site work foundation. Construction costs up to the statement of financial position date totalled \$10,562,112 (2016: \$3,327,350). Refer to note 20 capital commitments for capital works committed for the 2018 financial year.

**Borrowing costs**

As at 31 December 2017, nil borrowing costs were capitalised (2016: \$59,706).

**Security**

At 31 December 2017, assets with a carrying amount of \$36,156,000 (2016: \$26,558,000) are subject to a registered debenture to secure bank loans (see note 16).

**Fair values of land, buildings and coolstore plant and equipment**

A valuation was obtained by an independent valuer of land, buildings, coolstore plant and equipment and bearer plants (kiwifruit vines) at 31 December 2017. The valuation was materially the same as the current carrying value of land, buildings, coolstore plant and equipment and bearer plants (kiwifruit vines), therefore no adjustment was made to the carrying values.

# Notes to the Financial Statements for the year ended 31 December 2017

## 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.

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: 5 - 40 years (SL) or 4% - 26.4% DV
- Plant and Machinery: 5 - 40 years (SL) or 7.5% - 63.5% DV
- Coolstore Plant and Equipment: 5 - 40 years (SL) or 10% - 40% DV
- Motor Vehicles: 4 - 7 years (SL) or 18% to 60% DV
- Office Equipment, Fixtures and Fittings: 3 - 10 years (SL) or 10% - 67% 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. INTANGIBLE ASSETS

New Zealand dollars in thousands	Software	Licences	Other	Total
<b>Year ended 31 December 2017</b>				
Opening net book amount	84	210	30	324
Additions	163	1	-	164
Amortisation expense	(132)	(9)	(4)	(145)
<b>Closing net book amount</b>	<b>115</b>	<b>202</b>	<b>26</b>	<b>343</b>
<b>As at 31 December 2017</b>				
Cost or valuation	795	218	30	1,043
Accumulated amortisation and impairment	(680)	(16)	(4)	(700)
<b>Net book amount</b>	<b>115</b>	<b>202</b>	<b>26</b>	<b>343</b>

## 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%.

## NOTE 9. SUBSIDIARIES AND JOINT OPERATIONS

### 9A. 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.

### 9B. JOINT OPERATIONS

Set out below are the joint operations of the group as at 31 December 2017, which, in the opinion of the directors, are material to the group.

Name	Country of incorporation	Percentage of ownership interest	Nature of relationship	Measurement method
Apanui Road Orchards Joint Venture	New Zealand	50%	Growing of kiwifruit supplying OPAC	Proportionate

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 separates 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).

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

### Summarised financial information for joint operation

New Zealand dollars in thousands	Assets	Liabilities	Equity	Revenue	Profit / (loss)
<b>2017</b>					
Apanui Road Orchards JV	400	19	381	206	64
<b>Total share of joint operations</b>	<b>400</b>	<b>19</b>	<b>381</b>	<b>206</b>	<b>64</b>
<b>2016</b>					
Apanui Road Orchards JV	408	19	389	109	(75)
<b>Total share of joint operations</b>	<b>408</b>	<b>19</b>	<b>389</b>	<b>109</b>	<b>(75)</b>

### 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.

# Notes to the Financial Statements for the year ended 31 December 2017

## NOTE 10. EQUITY ACCOUNTED INVESTMENTS

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

New Zealand dollars in thousands	2017	2016
Associates	1,883	1,825
<b>Equity accounted investments</b>	<b>1,883</b>	<b>1,825</b>

### 10A. INVESTMENTS IN ASSOCIATES

Set out below are the associates of the group as at 31 December 2017, which, in the opinion of the directors, are material to the group. Te Kaha Gold Investments Partnership is structured as a partnership. 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 its principal place of business.

Name	Country of incorporation	Percentage of ownership interest	Nature of relationship	Measurement method
Te Kaha Gold Investment Partnership	New Zealand	33.3% 2016 - 33.3%	TKGIP's main activity is the growing of kiwifruit, supplying OPAC.	Equity
Thornton Orchards Limited	New Zealand	42.8% 2016 - 42.8%	Thornton's main activity was the growing of kiwifruit, supplying OPAC. Currently being liquidated.	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.

### 10B. 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 / (loss)
<b>2017</b>					
Thornton Orchards Limited	-	-	-	-	(8)
Te Kaha Gold Investment Partnership	2,604	721	1,883	959	640
<b>Share in associates</b>	<b>2,604</b>	<b>721</b>	<b>1,883</b>	<b>959</b>	<b>632</b>
<b>2016</b>					
Thornton Orchards Limited	238	25	214	496	434
Te Kaha Gold Investment Partnership	2,091	480	1,610	641	374
<b>Share in associates</b>	<b>2,329</b>	<b>505</b>	<b>1,824</b>	<b>1,137</b>	<b>808</b>

### 10C. 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:

New Zealand dollars in thousands	2017	2016
<b>Carrying amount at 1 January</b>	<b>1,825</b>	<b>2,408</b>
Share of profit	632	808
Dividends and capital distributions received	(822)	(1,360)
Movements in other comprehensive income	248	(31)
<b>Carrying amount at 31 December</b>	<b>1,883</b>	<b>1,825</b>

### 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 accounting 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. 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.

### NOTE 11. AVAILABLE FOR SALE FINANCIAL ASSETS

New Zealand dollars in thousands	2017	2016
<b>11A. INVESTMENTS IN AVAILABLE FOR SALES FINANCIAL ASSETS</b>		
As at 1 January	1,813	920
Additions	2	433
Disposals	(1,055)	-
Impairment recognised in statement of profit and loss and comprehensive income	-	(231)
Revaluation recognised in other comprehensive income	364	691
<b>As at 31 December</b>	<b>1,124</b>	<b>1,813</b>
<b>Available for sale financial assets include the following:</b>		
<i>Unlisted equity securities</i>		
Zespri Group Limited	-	1,055
Ballance Agri Nutrients Limited	96	95
Farmlands Trading Society	15	15
OTK Orchards Limited	966	602
Ravensdown Fertiliser Co-operative Limited	24	24
UPNZ Limited	-	-
G3 Kiwi Supply Limited	6	6
The Nutritious Kiwifruit Company Limited	17	16
<b>Total available for sale financial assets</b>	<b>1,124</b>	<b>1,813</b>
<b>11B. RECONCILIATION OF REVALUATION OF AVAILABLE FOR SALE FINANCIAL ASSETS – RECLASSIFIED TO PROFIT OR LOSS</b>		
Revaluation reserve attributable to Zespri investment reclassified upon disposal	(556)	-
Revaluation reserve attributable to UPNZ investment reclassified	(205)	-
<b>Revaluation of available for sale financial assets - reclassified to profit or loss</b>	<b>(761)</b>	<b>-</b>

During the year the Company sold its shareholding in Zespri Group Limited which resulted in a gain of sale of \$1,849,000 as per note 5A. As a result of this transaction, \$556,000 previously held within the available for sale revaluation reserve was reclassified to profit and loss in the current year and is included within the gain on sale of investments in note 5A.

A further \$205,000 included within the available for sale revaluation reserve relating to the UPNZ Limited investment was also reclassified to profit and loss in the current year.

# Notes to the Financial Statements for the year ended 31 December 2017

## Accounting policy

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.

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.

## NOTE 12. TRADE AND OTHER RECEIVABLES

New Zealand dollars in thousands	2017	2016
Trade and other receivables	1,659	1,447
Loans to related parties	125	-
Prepayments and accrued income	1,461	1,873
<b>Total trade and other receivables</b>	<b>3,245</b>	<b>3,320</b>

Within trade receivables \$118,652 (2016: \$116,292) are past due, of which \$2,148 (2016: \$nil) are more than 90 days. Trade receivables are considered to be recoverable.

## 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. Trade and other receivables are classed as a 'loans and receivable financial asset'.

## 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 March to June each year. The orchards are situated in the Bay of Plenty and East Cape, New Zealand.

New Zealand dollars in thousands	2017	2016
Carrying amount at beginning of year	898	857
Harvested and sold	(898)	(857)
Costs incurred in growing crop	820	898
<b>Total biological assets – kiwifruit crop on vine</b>	<b>820</b>	<b>898</b>

As at 31 December 2017 the group had leases on a total of 42 hectares (2016: 45) of kiwifruit orchards. During the year ending 31 December 2017, the group harvested 353,129 trays of kiwifruit (2016: 430,564) from its leased orchards.

## Accounting policy

At 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.



**NOTE 14. SHARE CAPITAL**

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

New Zealand dollars in thousands	Number of shares (thousands)	Ordinary shares (amount)	Total
<b>As at 1 January 2016</b>	<b>4,748</b>	<b>9,541</b>	<b>9,541</b>
Issue of fully paid shares	-	86	86
Issue of partly paid shares	-	(45)	(45)
<b>As at 31 December 2016</b>	<b>4,748</b>	<b>9,582</b>	<b>9,582</b>
Issue of fully paid shares	-	-	-
Issue of partly paid shares	-	-	-
<b>As at 31 December 2017</b>	<b>4,748</b>	<b>9,582</b>	<b>9,582</b>

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.

**NOTE 15. DIVIDENDS PAID**

New Zealand dollars in thousands	2017		2016	
	Amount	Per share (cents)	Amount	Per share (cents)
Dividend paid 12 May 2017	617	13.0	-	-
Dividend paid 14 December 2017	380	8.0	-	-
<b>Total dividend paid</b>	<b>997</b>	<b>21.0</b>	<b>-</b>	<b>-</b>

The dividends are imputed to the extent allowable in the tax year. At the end of December 2017, no further dividends have been declared by the parent company.

**NOTE 16. LOANS AND BORROWINGS**

New Zealand dollars in thousands	2017	2016
<b>Non current loans and borrowings</b>		
Term loans	16,946	9,698
<b>Total non current loans and borrowings</b>	<b>16,946</b>	<b>9,698</b>
<b>Current loans and borrowings</b>		
Loans	260	778
<b>Total current Loans and borrowings</b>	<b>260</b>	<b>778</b>
<b>Total loans and borrowings</b>	<b>17,206</b>	<b>10,476</b>

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 \$26,044,000 made up of the facilities in the table below.

Term loans	Overdraft facility
\$21,044,000 with maturity dates of 20 March 2019 (\$3,844,000), 20 December 2020 (\$6,300,000), and 15 February 2020 (\$10,900,000). Repayments started in March 2017 at a rate of \$31,250 per month, reducing to \$20,833 from February 2018.	\$5,000,000 bank overdraft (nil drawn as at 31 December 2017).

# Notes to the Financial Statements for the year ended 31 December 2017

## Accounting policy

Borrowings are recognised initially at fair value, net of costs incurred. Borrowings are subsequently stated at amortised cost.

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. Borrowings are classed as 'other amortised cost financial liability'.

## NOTE 17. TRADE AND OTHER PAYABLES

New Zealand dollars in thousands	2017	2016
Trade creditors	1,945	1,996
Employee entitlements	269	262
Sundry creditors and accruals	1,244	2,550
<b>Total trade and other payables</b>	<b>3,458</b>	<b>4,808</b>

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

## Accounting policy

Trade creditors, sundry creditors and accruals are recognised at cost. They are classed as an 'other amortised cost financial liability'.

Employee entitlements which remain unused at balance date and amounts expected to be paid under short term cash bonus plans are accrued for.

## NOTE 18. OPERATING LEASES

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

New Zealand dollars in thousands	2017	2016
Payable within one year	242	156
Payable between one and two years	222	61
Payable between two and five years	257	23
<b>Total operating leases</b>	<b>721</b>	<b>240</b>

## Accounting policy

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.

## NOTE 19. CAPITAL COMMITMENTS

The estimated capital expenditure for Property, Plant and Equipment contracted for at balance date but not provided is \$6,210,285 (2016: \$1,929,395).

## NOTE 20. CONTINGENCIES

There are no contingent liabilities as at 31 December 2017.

## NOTE 21. RELATED PARTY TRANSACTIONS

Related parties of the group include the associates (see note 10), 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).

### Transactions with associates and joint operations

The group received dividends and capital distributions as per note 10C. The group have made no loans and advances to associates and joint operations (2016: nil). 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 \$27,236,079 (2016: \$23,367,757). As at the end of 31 December the group owed \$nil (2016: \$nil) to the grower entity. OPAC Growers Limited owed the group \$125,000 (2016: \$nil) by way of an advance that is repayable on demand.

### Transactions with key management personnel

New Zealand dollars in thousands	2017	2016
Executive salaries	1,032	910
Director fees	235	237
<b>Total compensation expense</b>	<b>1,267</b>	<b>1,147</b>

### 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	2017	2016
<b>Sales of services</b>		
Associates	1,794	1,570
Joint operations and unlisted equity securities	1,441	1,298
Key management personnel	4,554	3,015
<b>Purchase of services</b>		
Associates	1	11
Key management personnel	1,632	795

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 (2016: nil).

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

New Zealand dollars in thousands	2017	2016
<b>Current trade receivables</b>		
Associates	288	218
Joint operations	183	189
Key management personnel	786	249

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

## NOTE 22. EVENTS SUBSEQUENT TO BALANCE DATE

No events occurred subsequent to balance date requiring adjustment to or disclosure in the financial statements.



# 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 8 to 25:

- i. Present fairly in all material respects the Group's financial position as at 31 December 2017 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 Reduced Disclosure Regime.

We have audited the accompanying consolidated financial statements which comprise:

- The consolidated statement of financial position as at 31 December 2017;
- The consolidated statements of profit and loss and other comprehensive income, changes in equity and 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 and a share registry audit. 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. 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 independent auditor's 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 independent auditor's report, or any of the opinions we have formed.



## Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Company, 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 Reduced Disclosure Regime);
- 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:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

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

*KPMG*

Tauranga

27 March 2018

# Statutory Information for the year ended 31 December 2017

## 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

Imputed dividends of 13.0 cents per share was paid on 12th May 2017 and 8.0 cents per share was paid on 14th December 2017.

## Directors holding office during the year

A E de Farias (*Chairman*)

I J Craig

A S Hamilton

T B Hunia (*Resigned 10 February 2017*)

T D Chrisp (*Audit Committee Chairman*)

D J Emslie

N J King (*Appointed 10 February 2017*)

## 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 2017:

Shares	Beneficially held shares	Non-beneficially held shares
I J Craig	204,081	321,595
D J Emslie	-	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

New Zealand dollars	Fees	Other benefits	Total
A E de Farias	58,750	2,000	60,750
T D Chrisp	39,500	2,000	41,500
I J Craig	34,250	2,000	36,250
D J Emslie	34,250	2,000	36,250
A S Hamilton	34,250	2,000	36,250
N J King	31,396	1,833	33,229
T Hunia	2,854	167	3,021
<b>Total</b>	<b>235,250</b>	<b>12,000</b>	<b>247,250</b>

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 7 (2016: 6) employees who are not directors received remuneration of \$100,000 or more.

Number of employees by salary band in New Zealand dollars	2017	2016
\$100,000 - \$110,000	1	3
\$110,000 - \$120,000	3	-
\$170,000 - \$180,000	-	2
\$180,000 - \$190,000	1	-
\$200,000 - \$210,000	1	-
\$260,000 - \$270,000	-	1
\$300,000 - \$310,000	1	-

Remuneration includes employee benefits, vehicles and all bonus payments.

## 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.

## 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 2017, 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

A S Hamilton and N J King are Investor Directors, as defined in the shareholder agreements with Quayside Holdings Limited and The Maori Trustee, and have been nominated by such entities respectively.

Directors have disclosed the following interests held by them:

#### A E de Farias *Chairman*

Ngati Awa Farms Limited	Director
White Island Tours Limited	Director
Zespri International Limited	Director
Zespri Group Limited	Director
Whakatane District Council Commercial Advisory Board	Chairman
The Fresh Fruit Company of Nelson Limited	Chairman
Kawerau Dairy Group GP Limited	Director
Maxwell Farms Limited and Associated Entities	Independent Chairman
Horizon Energy Distribution Limited & Associated Entities	Chairman
Aquaheat New Zealand Limited	Director
Opotiki Packing & Cool Storage Limited	Chairman
Chiefs Rugby Club Limited	Director
DFR Consultants Limited	Director and Principle
Melreben Limited	Shareholder
Aquaheat Facility Serviced Limited	Director
Coollogic Refridgeration Limited	Director
Grasslands Consultants LLC	Director
Grasslands Nominee Limited	Director
Lirich Limited	Director
Mamaku South Limited	Director
Ngati Awa Asset Holdings Limited	Director
Ngati Awa Farms (Rangitaiki) Limited	Director
Ngati Awa Group Holdings Limited	Director
OPAC Properties Limited	Director
Tumurau GP Limited	Director

#### T D Chrisp

Links PHC Limited	Director & Shareholder
Cedenco Foods New Zealand Limited	Managing Director
OPAC Properties Limited	Director
Opotiki Packing & Cool Storage Limited	Director
Coroglen Investments Limited	Director & Shareholder
Convenience Foods Limited	Director
Cedenco Aquaculture Limited	Managing Director
North Island Mussels Limited	Chairman
Cedenco Dairy Limited	Director
Kawerau Dairy General Partner Limited	Director
TCS Aquaculture Limited	Director
CEDENZA Limited	Managing Director

#### D J Emslie

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 Cool Storage Limited	Director & Shareholder
OPAC Properties Limited	Director
Kaiaponi Farms Limited	Director
Trixl Enterprises Limited	Director
31 A Bridge Street Company Limited	Director
BKLP GP Limited	Director
Anderson Lloyd Administration Limited	Shareholder
Highcrest Properties Limited	Shareholder
Hika Farms Limited	Director
Raepahu Forests Limited	Shareholder

#### 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 Cool Storage Limited	Director & Shareholder
OPAC Growers Limited	Director
Eastern Seafarms Limited	Director
Punchbowl Investments Limited	Shareholder
Golf Course Orchard GP Limited	Director & Shareholder
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 Limited	Director
Te Kaha Gold Spraying Limited	Director
Mussel Men Opotiki Limited	Director & Shareholder
Arohena Pastoral Limited	Shareholder
Highcrest Limited	Shareholder
Junction Road Orchard Limited	Director
Melness Farm Limited	Shareholder
Milparinga Holdings Limited	Shareholder
Okoki Orchard Limited	Director
Pakihī Trading Company Limited	Director
Tait Fleming Consulting Limited	Shareholder
Sypton Farm General Partner Limited	Director & Shareholder

#### A S Hamilton

WNT Ventures General Partner Limited	Chairman
WNT Ventures Management Limited	Director
Quayside Holdings Limited	Officer
Quayside Securities Limited	Officer
Quayside Properties Limited	Officer
Opotiki Packing and Cool Storage Limited	Director
OPAC Properties Limited	Director
Oriens Capital Limited	Director
Rhondium Holdings Limited and Associated Entities	Director
Huakiwi Services Limited	Chairman

#### N J King

Opotiki Packing and Cool Storage Limited	Director
OPAC Properties Limited	Director
Te Tumu Paeroa	Business Relationship Consultant
	Officer
Rotoma No.1 Incorporated	Officer
Rotoma Power Company	Director

#### C Anstis

Anstis Orchards II	Director
Anstis Dairies	Director
Opotiki Packing and Cool Storage Limited	Associate Director
OPAC Growers Limited	Chairman

# 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**

*Director*

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, shellfish and dairy processing businesses in regional New Zealand, 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**

*Director*

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**

*Director*

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, the investment arm of the Bay of Plenty Regional Council. Scott brings banking and commercial sector financial, acquisition and restructuring experience to the role.

Scott is a director of financial institutions WNT Ventures and Oriens Capital. He is chair of Huakiwi Services Limited, the Maori Land orchard development partnership between Te Tumu Paeroa and Quayside. Scott joined the OPAC board in 2016 and is a member of the Institute of Directors and 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.

## **Chris Anstis**

*Associate director*

A second generation Opotiki grower, Chris has been working in the kiwifruit industry for the past 15 years. His experience spans both sides of the kiwifruit supply chain, having spent six years as OPAC's Technical Manager and Grower Liaison before returning to his grower roots to manage the family kiwifruit operations.

Chris is a representative on New Zealand Kiwifruit Growers Incorporated (NZKGI) and the Industry Supply Group (ISG) and a director of Anstis Dairies. He is also chairman of OPAC Growers Limited (OGL).



# Management

## **Ian Coventry**

*Chief Executive Officer*

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

As an OPAC grower he has first-hand knowledge of the industry's grower-oriented structure, and brings knowledge and experience from senior financial roles in the pulp and paper, forestry, research and education sectors.

## **Nick Lawrence**

*Chief Financial Officer*

Nick is responsible for business partnering to enhance financial performance, lead robust financial control, and manage risk to ensure OPAC's long-term vitality. Nick manages the finance team and is secretary to the Board since joining OPAC in 2015. He is a chartered accountant experienced in a range of different sized businesses and industries, including eight years as a finance leader in the UK food manufacturing industry.

## **Sonia McAllister**

*Human Resource Manager*

Sonia's university studies in commerce management and human resources provide her with the knowledge and skills she needs to support and enable OPAC managers as she fulfils the company's HR responsibilities. Sonia works closely with the wider OPAC management group to ensure OPAC has the right people in place and at the right time while supporting the ongoing development of a high performing workforce.

## **Nicki Paget**

*Post Harvest Operations Manager*

Nicki joined the OPAC team late 2013 and is now the Operations Manager in charge of OPAC's post harvest quality, production, planning, fruit optimisation, coolstore and logistics functions. Nicki 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.

Nicki has a Bachelor of Agriculture from Massey University and since 2000 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.

## **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 early 2016. Simon holds a Bachelor of Science degree in agriculture from University of Nairobi-Kenya. Before joining OPAC he had a strong background in managing large-scale horticultural operations, and has now added an excellent knowledge of growing kiwifruit.

## **Jaco Grobbelaar**

*Commercial Manager*

Jaco joined OPAC in late 2017. He is a commercial and agricultural production specialist, having previously worked as a commercial and agribusiness manager for ANZ. Jaco made New Zealand his home in 2013, having prior to his family's relocation worked in various customer-facing and management roles in South Africa's agribusiness sector. A key focus for Jaco as Commercial Manager is delivering a high standard of service to OPAC's grower clients through his leadership of the grower liaison team. Jaco is also responsible for OPAC's communication, marketing and business development strategies.

## **Mark Forsyth**

*Information Technology Manager*

Mark joined the OPAC team early 2018 having returned to New Zealand after spending 13 years in London managing multiple Information Technology (IT) teams for a successful multi-utilities company. Mark has a strong background in the management of IT infrastructure, IT support teams and designing technical solutions. He is responsible for the continued improvement of IT systems, IT services, identifying technology opportunities and ensuring information and technology are key enablers of OPAC's success.

# 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%
Peter Anstis, Marian Anstis, Robert Tait	78,700	1.66%
I-Hort Limited	72,960	1.54%
John Connor	71,600	1.51%
Michelle Ruth Thompson	66,880	1.41%
Susan Cowie, Sheryl Herbert	62,151	1.31%
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%
Te Kaha 15B Ahuwhenua Trust	40,000	0.84%
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	26,750	0.56%
Julian and Nghaire Lowe Family Trust	25,000	0.53%
Ian and 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%
Rushaven Farms	13,682	0.29%
Te Kaha 9b Trust	13,333	0.28%
Andrew Taylor, Robert Tait	11,094	0.23%
Ocean Ridge Trust	10,000	0.21%
Te Kaha 86 Lands Trust	9,600	0.20%
Graeme & Delwyn Redpath	9,600	0.20%
Robert Tait, Jane Tait	9,556	0.20%
Alan & Krystene Connolly	5,000	0.11%
Te Ehutu Lands Trust	5,000	0.11%
Helen Brown	2,000	0.04%
	4,747,895	100.00%

## 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](mailto:info@opac.co.nz)

Website: [www.opac.co.nz](http://www.opac.co.nz)

### Address for Service and Registered Office

93 Waioeka Road, Opotiki

### Auditors

KPMG, Tauranga



**GROWING  
GREAT FRUIT**

Growing Great People ~ Growing Great Communities

**OPAC**



**Opatiki Packing and Cool Storage Limited**

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