



STANDING UP AND  
*Standing Out*



**STANDING UP  
STANDING OUT**



# TABLE OF CONTENTS

<b>04</b>	SEASON OVERVIEW AND ANNUAL MEETING
<b>05</b>	FINANCIAL HIGHLIGHTS
<b>06</b>	ORCHARD GATE RETURNS
<b>09</b>	CHAIRMAN AND CEO'S REPORT
<b>18</b>	CORPORATE GOVERNANCE
<b>22</b>	ALTERNATIVE REVENUE STATEMENT
<b>24</b>	CAUSE OF CHANGE
<b>26</b>	STANDING OUT
<b>30</b>	STANDING UP
<b>34</b>	RESULTS DRIVEN
<b>36</b>	THE NEXT HORIZON
<b>40</b>	INDEPENDENT AUDITOR'S REPORT
<b>44</b>	INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
<b>45</b>	BALANCE SHEET
<b>46</b>	STATEMENT OF CHANGES IN EQUITY
<b>47</b>	STATEMENT OF CASH FLOWS

# 48 NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies	<b>48</b>
2. Revenue	<b>52</b>
3. Operating expenses	<b>52</b>
4. Other net gains	<b>53</b>
5. Finance revenue and expense	<b>53</b>
6. Taxation	<b>53</b>
7. Earnings per share	<b>54</b>
8. Share capital	<b>55</b>
9. Dividends paid	<b>56</b>
10. Accounts receivable	<b>56</b>
11. Prepayments	<b>57</b>
12. Financial assets and liabilities	<b>57</b>
13. Inventories	<b>61</b>
14. Property, plant and equipment	<b>61</b>
15. Intangibles	<b>62</b>
16. Leases	<b>63</b>
17. Investment in subsidiary companies	<b>65</b>
18. Accounts payable and accruals	<b>66</b>
19. Provisions and insurance liabilities	<b>66</b>
20. Reconciliation of net profit after taxation with net cash from operating activities	<b>67</b>
21. Guarantees	<b>68</b>
22. Contingent assets and liabilities	<b>68</b>
23. Loans and borrowings	<b>68</b>
24. Related party transactions	<b>69</b>
25. Events occurring after balance date	<b>70</b>
26. Group segment results	<b>71</b>

**74** STATUTORY INFORMATION

**80** INDUSTRY PERFORMANCE

**84** ZESPRI GLOBAL SUPPLY  
STATISTICS 2019/20

**86** DEMAND FOR ZESPRI KIWIFRUIT

**88** ZESPRI BOARD

**90** EXECUTIVE TEAM

# SEASON

## Overview

Zespri and the kiwifruit industry together achieved excellent results in 2019/20, including record per hectare returns for both Green and SunGold and an increase in per tray returns across all categories.

In 2019/20, total sales volumes reached 164.4 million trays of New Zealand and non-New Zealand kiwifruit, a 2 percent reduction on the previous financial year. While volume decreased, global revenue generated by fruit sales has increased by 7 percent to \$3.14 billion, and Zespri's total fruit and service payments (including the loyalty premium) to New Zealand growers has increased by 8 percent to \$1.96 billion in 2019/20.

Growers have also seen an increase in 2019/20 per tray Orchard Gate Returns (OGR) across all categories. As a result of strong demand and lower volumes, the average Green per tray return increased from \$5.45 to \$6.67, with the average per hectare return for Green reaching \$67,295. Organic Green reached an average return per tray of \$9.88, with the average per hectare return reaching \$63,734. The SunGold average return per tray also increased to \$11.86, and the average return per hectare was a record \$161,660. Sweet Green achieved an average return per tray of \$7.66 and an average return per hectare of \$43,550. The results support our confidence across all categories and the opportunity to increase supply to fulfil strong demand.

Zespri's net profit after tax in 2019/20 was \$200.8 million, up from the \$179.8 million recorded last season. This reflects this season's excellent results and revenue generated from ongoing licence release.

The 2019 licence round generated gross licence revenues (excluding GST) of \$211.9 million, with other licence income for the year accounting for a further \$3.6 million. Zespri issued 700 hectares of conventional SunGold licence and 50 hectares of Organic SunGold licence.

The total dividend per share in the 2019/20 financial year is expected to be \$0.94 versus the \$0.92 recorded in 2018/19.

During 2019/20, Zespri Global Supply sales reached 19.1 million trays, up from 18.4 million trays in 2018/19, with revenue increasing from \$311.7 million to \$369.4 million in 2019/20. These were impressive results considering the difficult and supply constrained season, and reflect the good progress being made across all ZGS locations, particularly in the post-harvest space where we saw significant improvements in packout rates and fruit storage. Zespri Global Supply is critical in helping us to maximise long-term sustainable returns for our New Zealand and non-New Zealand producers. Our Northern Hemisphere supply supports the shoulders of our New Zealand season as holding shelf space becomes increasingly challenging with a range of seasonal fruits entering the market.

Overall, this has been another strong year for Zespri with continued growth in our largest markets including Japan, Greater China and Europe. We remain committed to building the brand as we continue to roll out our refreshed brand identity, and to providing the world with healthy, fresh and great-tasting kiwifruit all year round.

## ANNUAL MEETING



**31 MARCH 2020**  
Financial year-end



**13 JULY 2020**  
Annual Report circulated



**16 AUGUST 2020**  
Deadline for receipt  
of proxies for Annual  
Meeting



**18 AUGUST 2020**  
Annual Meeting



**DECEMBER  
AND AUGUST**  
Indicative dates for  
dividend payments, August  
(prior year final and current  
year first interim) and  
December (second interim)

### ANNUAL MEETING

The Annual Meeting of the Shareholders of Zespri Group Limited will be held at 1pm on Tuesday 18 August at Trustpower Arena, 81 Truman Lane, Mount Maunganui.

# FINANCIAL Highlights

	2019/20	2018/19	Variance
<b>Seasonal results</b>			
New Zealand-grown fruit and service payments (including loyalty premium)	\$1,962.5 million	\$1,821.8 million	8%
– Per tray supplied	\$13.25	\$11.83	12%
New Zealand-grown Orchard Gate Return (OGR) per hectare	\$107,142 (average)	\$96,033 (average)	12%
– Green	\$67,295	\$63,622	6%
– Organic Green	\$63,734	\$73,350	(13%)
– SunGold	\$161,660	\$145,991	11%
– Sweet Green	\$43,550	\$44,549	(2%)
<b>Financial Year results</b>			
<b>Net profit after tax</b>	<b>\$200.8 million</b>	<b>\$179.8 million</b>	<b>12%</b>
<b>Normalised profit after tax</b>	<b>\$200.8 million</b>	<b>\$180.1 million</b>	<b>11%</b>
Dividend per share (cents) <sup>1</sup>			
– Interim	75.0	75.0	
– Final	19.0	17.0	
– Total	94.0	92.0	
Percentage of available profit	80%	85%	
<b>Zespri global operating revenue<sup>2</sup></b>	<b>\$3.355 billion</b>	<b>\$3.138 billion</b>	<b>7%</b>
<b>Zespri global kiwifruit sales (net)</b>	<b>\$3.140 billion</b>	<b>\$2.944 billion</b>	<b>7%</b>
<b>Export earnings (New Zealand-grown)</b>	<b>\$2.272 billion</b>	<b>\$2.106 billion</b>	<b>8%</b>
<b>Equity</b>	<b>\$246.0 million</b>	<b>\$213.9 million</b>	<b>15%</b>
Zespri global volume (trays sold)	164.4 million	167.2 million	(2%)
<b>New Zealand-grown</b>	<b>145.3 million</b>	<b>148.8 million</b>	<b>(2%)</b>
– Green	66.8 million	76.5 million	(13%)
– Organic Green	2.8 million	3.5 million	(20%)
– SunGold	72.8 million	65.4 million	11%
– Sweet Green	0.4 million	0.9 million	(56%)
– Other	2.5 million	2.5 million	1%
<b>Non-New Zealand-grown</b>	<b>19.1 million</b>	<b>18.4 million</b>	<b>4%</b>
– Green	8.1 million	7.8 million	4%
– Gold	11.0 million	10.6 million	4%

<sup>1</sup> Prior year dividend per share figures have been amended to reflect the impact of the targeted share issue and buy-back transactions in November 2018 and the three-for-two share split in March 2019.

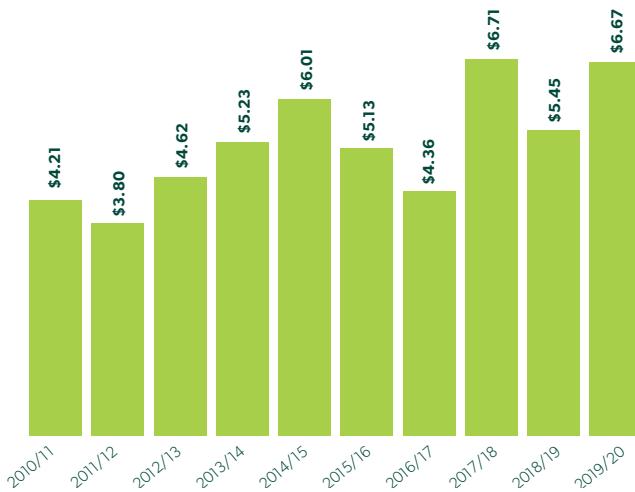
<sup>2</sup> Global operating revenue equals global kiwifruit sales plus new cultivars licence revenue as presented in the Alternative Revenue Statement, see page 22.

# ORCHARD GATE

## Returns

**ZESPRI GREEN KIWIFRUIT**  
New Zealand-grown kiwifruit

**\$6.67** AVERAGE ORCHARD GATE RETURN PER TRAY

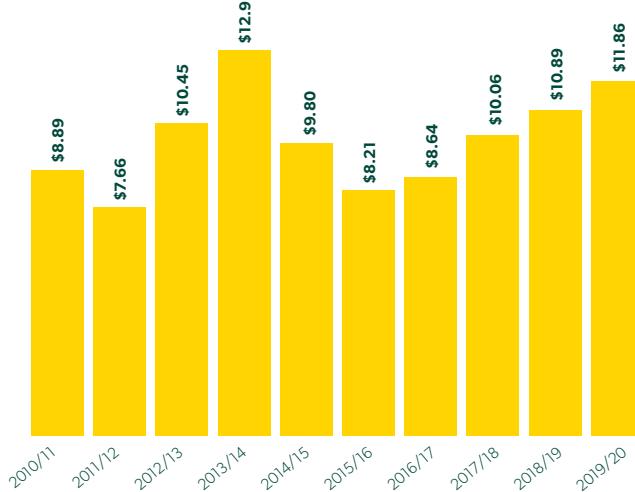


**\$67,295** AVERAGE ORCHARD GATE RETURN PER HECTARE

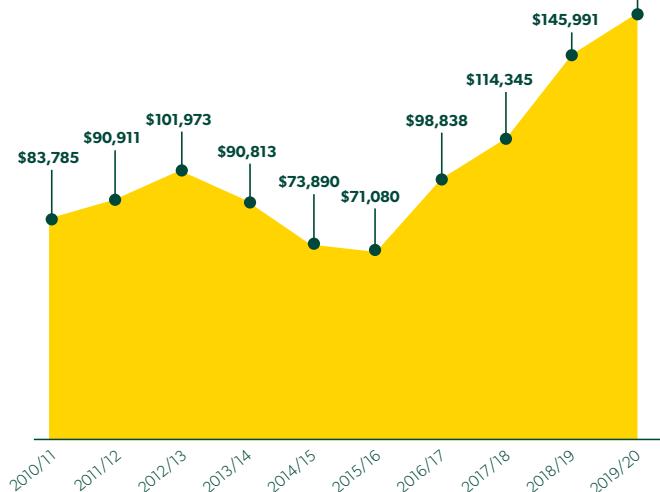


**ZESPRI GOLD KIWIFRUIT**  
New Zealand-grown kiwifruit

**\$11.86** AVERAGE ORCHARD GATE RETURN PER TRAY



**\$161,660** AVERAGE ORCHARD GATE RETURN PER HECTARE



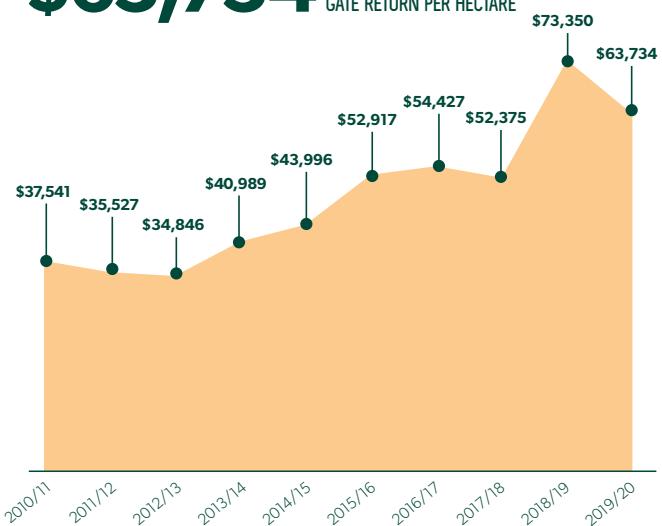
## ZESPRI ORGANIC GREEN KIWIFRUIT

New Zealand-grown kiwifruit

**\$9.88** AVERAGE ORCHARD GATE RETURN PER TRAY



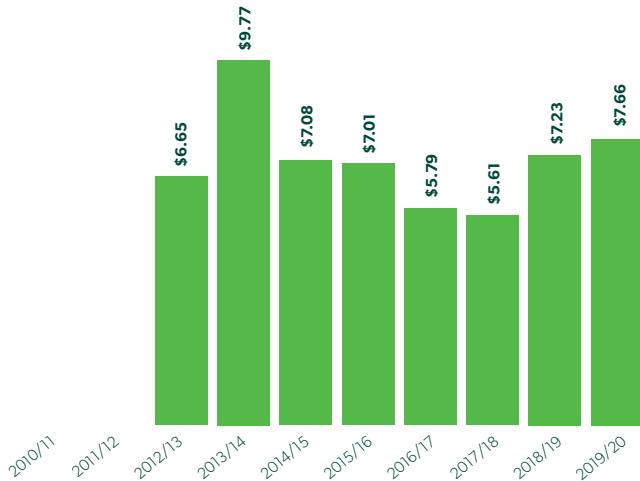
**\$63,734** AVERAGE ORCHARD GATE RETURN PER HECTARE



## ZESPRI SWEET GREEN KIWIFRUIT

New Zealand-grown kiwifruit

**\$7.66** AVERAGE ORCHARD GATE RETURN PER TRAY



**\$43,550** AVERAGE ORCHARD GATE RETURN PER HECTARE



# UNITY AND *Results* IN BOTH THE GOOD AND CHALLENGING TIMES





**As the world grapples with the turmoil and uncertainty caused by COVID-19, Zespri is pleased to confirm another strong financial result, with record returns to the New Zealand kiwifruit industry.**

We're proud to have seen our industry's contribution to its communities grow, our commitment to standing up and doing things the right way strengthened and the industry respond to the restrictions imposed as a result of COVID-19 to ensure we could continue to operate safely. And we're energised by the fact that we've stood out too, through innovation, a commitment to quality and by supplying the world's leading portfolio of branded kiwifruit for all 12 months of the year.

Today, as we consider the ongoing impacts of COVID-19 and the need to work together to prepare for the challenges we face, these commitments are more important than ever.

We are now operating in a new world. Shaped by the outbreak of the global COVID-19 pandemic, we are living, working and even shopping differently, as are our partners, customers and consumers across the world. As an export industry with markets around the world and an ambition to grow, we must be prepared to adapt and respond together in order to achieve our goals.

We have a history as an industry of doing just that.

While this event began to make its impact felt at the very end of the 2019/20 financial year, it's something we must acknowledge today. Through the early stages of the COVID-19 crisis, the industry was able to innovate, share ideas and work together to continue to operate and to give us the best chance to succeed in what will be a very challenging year ahead. And that work enabled us to get on with the job of delivering this year's crop.

But as we consider the challenges posed by COVID-19, we should reflect on our previous year's performance as it represents continued strong progress and stands us in good stead.

We established our new sustainability targets and invested in our communities, underlining our commitment to doing things the right way.

***We stood up.***

We also refreshed our brand identity and introduced our new Zespri Red variety because we know that even though we've built a strong brand and portfolio of outstanding fruit, we need to continue to innovate and improve so that we exceed the expectations of our consumers.

***We stood out.***

And as an industry we have again delivered strong returns, with this success meaning we're well placed to ensure we continue to stand up and stand out in the years ahead.

## ZESPRI GROUP LIMITED EQUITY, DIVIDEND RETURNED AND SHARE PRICE – 7 YEARS

Equity (NZD)    Dividend (NZD)    Share Price (NZD)



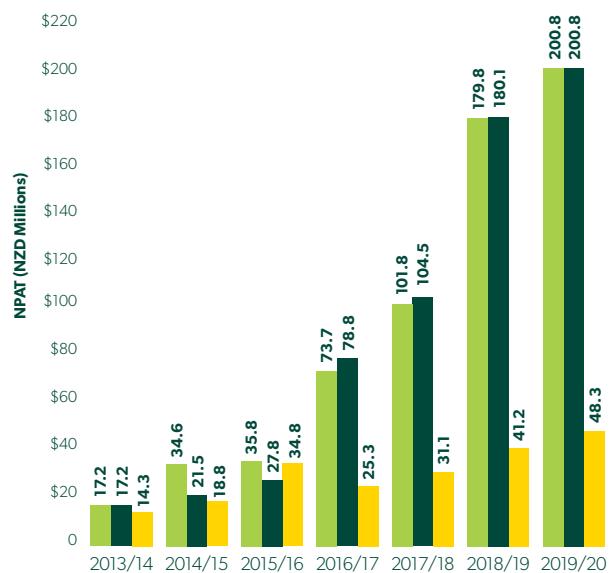
\* Adjusted to reflect the impact of the share issue and buyback transactions in November 2018 and the three-for-two share split in March 2019.

Over a five-year period from 1 April 2015 to 31 March 2020 Zespri has achieved a compound annual total shareholder return of 61 percent. This measure reflects a combination of the increase in share price and gross dividend over the period.

## ZESPRI GROUP LIMITED PROFITABILITY – 7 YEARS

Net Profit After Tax (NPAT)    Normalised Net Profit After Tax

Net Profit After Tax Excluding Licence Release Revenue



\* Net profit after tax excluding licence release revenue is a different metric to what was reported in this graph in prior years. Previously total licence revenue reported in the alternative revenue statement was excluded from net profit after tax. This included treasury stock and shelterbelt removal licence revenue which is an ongoing revenue stream once the licence release programme ends.

## Corporate results

In 2019/20, Zespri sold 164.4 million trays of New Zealand and non-New Zealand kiwifruit, a 2 percent reduction on the previous year.

However, global revenue from kiwifruit sales increased by 7 percent to \$3.14 billion. The total fruit and service payment to New Zealand growers, including the loyalty premium, increased by 8 percent to \$1.96 billion.

Our net profit after tax was \$200.8 million, versus \$179.8 million in the previous year. This was driven by revenue from the 750 hectares of conventional and organic SunGold licence released in April 2019. Excluding total licence release revenue, net profit after tax would have been \$48.3 million, compared with \$41.2 million in 2018/19. This has resulted in an expected total dividend per share of \$0.94, versus \$0.92 in 2018/19.

The margin percentage Zespri charges New Zealand growers reduced in 2019/20 in accordance with the industry enduring funding arrangement, equating to \$4.5 million reduction in margin and 3.0 cents per tray in additional fruit and service payments to New Zealand growers. Additional loyalty in 2019/20 of 6.0 cents per Class 1 tray supplied was also paid to New Zealand growers above the base 25.0 cents per tray under this arrangement.

Each year, we report the ratio of full-time employees to both revenue and sales volume. This is a way of measuring value and return from our overhead investment. During 2019/20, revenue per full-time employee equivalent was \$5.8 million, versus \$6.0 million in 2018/19, with 284,000 trays sold per full-time employee equivalent versus 316,000 trays in 2018/19. This was driven in part by a smaller crop as well as Zespri building in-house capability to help deliver

on our growth ambitions and generate greater returns to the New Zealand industry.

Looking at our operating segment performance, we consider four areas: New Zealand kiwifruit; non-New Zealand supply; new cultivars; and other.

The New Zealand kiwifruit segment generated revenue of \$2.77 billion in 2019/20. This compares with \$2.63 billion in 2018/19. New Zealand kiwifruit sales accounted for 88 percent of total global sales volume and generated \$36.8 million of segment profit before tax.

The non-New Zealand kiwifruit segment generated sales revenue of \$369.4 million, versus \$311.7 million in 2018/19. Profit before tax for this segment was \$11.1 million (2018/19: \$8.1 million).

Revenue from licensing, royalty streams and co-funded new cultivar research is recognised under our new cultivar segment. Zespri charges a royalty of 3.0 percent for SunGold, with 1.35 percent paid to Plant & Food Research and 1.65 percent being an income stream for Zespri. The segment generated revenue of \$254.0 million in 2019/20 and segment profit before tax of \$225.4 million.

The 2019 licence release generated gross licence revenues (excluding GST) of \$211.9 million, with other licence income for the year accounting for a further \$3.6 million. Revenues for future licence rounds will depend on the performance of SunGold in each successive season, the number of hectares licensed, and the value bid for the licence by growers.

The ‘other’ segment profit before tax of \$3.6 million comes from activities that do not belong to the other three segments, such as interest revenue and net income from land and buildings.



## FOREIGN EXCHANGE AND OIL HEDGING GAIN/LOSS



## ZESPRI GROUP NORMALISED PROFIT AFTER TAX

Zespri provides a normalised profit view to reflect normal operating profit. Normalised profit is derived by adjusting net profit after tax for significant extraordinary items. Extraordinary items adjusted below are historical and relate to: a historical China provision; and specific pre-2015/16 licence revenue.

	2019/20 \$m	2018/19 \$m	2017/18 \$m	2016/17 \$m	2015/16 \$m	2014/15 \$m	2013/14 \$m
Net profit after taxation	<b>200.8</b>	179.8	101.8	73.7	35.8	34.6	17.2
China provision	—	—	—	—	(13.0)	—	—
Licence revenue*	—	0.3	2.7	5.1	5.0	(13.1)	—
Normalised profit after taxation	<b>200.8</b>	180.1	104.5	78.8	27.8	21.5	17.2

\* The licence revenue adjustment relates to a change in revenue recognition for licences, subject to a specific Psa clause. The reduction from profit in 2014/15 is brought back over time as the revenue is received. The final adjustment has been made in 2018/19. Licence revenue releases from 2015/16 do not have these clauses and are not adjusted in normalised profit.

In 2019/20, \$3.6 million of foreign exchange gains were made from foreign exchange hedge contracts, compared to \$23.0 million in 2018/19. Zespri hedges grower returns in advance, in accordance with its Treasury Management Policy. 2019/20 saw spot foreign exchange rates reduce to levels close to Zespri's hedged foreign exchange rates, which led to lower foreign exchange gains in 2019/20.

We continue to experience strong growth in Zespri's share price with a 5-year compound annual total shareholder return of 61 percent. This measure reflects a combination of the increase in share price and gross dividends over the period.

## Category performance

Our teams have again worked hard across the industry in New Zealand and in our markets to manage quality and drive sales.

The average Green per tray return increased from \$5.45 to \$6.67. During the New Zealand season, the average per hectare return for Green also lifted to \$67,295, the highest result ever achieved for the Green category. This is the result of strong demand with average yields of 10,093 trays per hectare. It also reflects a reduction in fruit loss from last season when we extended the sales window due to higher volumes. Green has seen high yield volatility over recent seasons and we continue to forecast a gradual decline in supply of this variety over the next five years. This can be expected to support Green returns, with stabilised volumes and better quality and bigger sized fruit than our competitors – key drivers for maintaining and building future value in the category.

The Organic Green average return per tray was \$9.88, up from \$9.22, however the average per hectare return fell to \$63,734. This reflects that while we were able to lift the value of returns on a per tray level we were unable to lift those high enough to offset the drop in yields in order to deliver higher returns per hectare.

The SunGold average return per tray increased to \$11.86 and the average return per hectare was a record \$161,660, an increase of 11 percent. This was achieved through continued increases in average yields as SunGold orchards come into full production, and through stronger consumer demand supporting pricing, helping to further increase average returns on a per tray basis even with more supply.

The result supports our confidence in the category and the opportunity to increase supply to fulfil strong demand. Zespri's 2019 release of 700 hectares of conventional SunGold and 50 hectares of Organic SunGold via closed tender had good participation with 318 successful bidders. It was also positive to see a good regional spread with allocations in Northland, Auckland, the Bay of Plenty and Poverty Bay. As previously communicated, we intend to continue this annual licence release process through until 2022 and have also signaled the release of between 350 and 750 hectares per year from 2023 to 2026, subject to annual review, including assessing potential new risks to our demand outlook.

## GLOBAL KIWIFRUIT SALES – 7 YEARS

New Zealand-grown kiwifruit     Non-New Zealand-grown kiwifruit



Sweet Green achieved an average return per tray of \$7.66 and an average return per hectare of \$43,550. This was the result of market mix improvements, which helped offset the impact of a reduction in average yields of 8 percent to 5,685 trays per hectare. The reduction in yields, alongside reduced productive hectares, has seen Sweet Green volumes supplied decrease from peak production of around 1.5 million trays a year four seasons ago to just under 400,000 Class 1 trays a season. Zespri is continuing to manage Sweet Green as an earlier and sweeter proposition to Hayward in order to maximise the value of this variety.

## Zespri Global Supply

The non-New Zealand supply business remains critical to helping us to maximise long-term sustainable returns for our New Zealand and non-New Zealand producers. Our absence from the market during the three months when our New Zealand-grown fruit is unavailable leaves space for competing fruits and it is costly to win back share for New Zealand supply. Our Northern Hemisphere supply supports the shoulders of our New Zealand season as holding shelf space becomes increasingly challenging with a range of seasonal fruits entering the market. It is a complementary strategy for New Zealand kiwifruit sales.

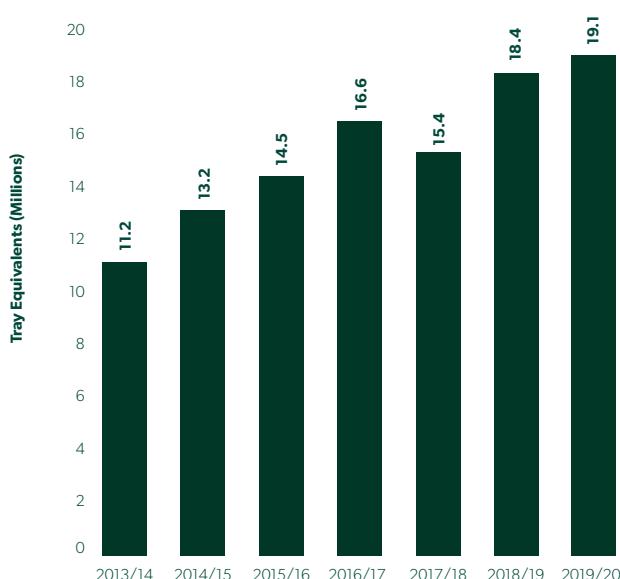
During 2019/20, Zespri Global Supply sales reached 19.1 million trays, up from 18.4 million trays in 2018/19, with revenue increasing from \$311.7 million to \$369.4 million in 2019/20. We achieved targeted growth in sales, particularly in Europe and Greater China, supported by an increase in SunGold volumes supplied from France and Italy.

With 3,340 hectares of SunGold currently planted, we expect non-New Zealand supply volumes to grow strongly over the next five years. We're also looking at increasing the number of countries we grow in, to potentially include Greece or North America, as well as expanding our footprint in Japan and South Korea. A continuing priority for us in Europe is to work with suppliers to improve storage of SunGold and to maintain fruit quality right throughout the season.

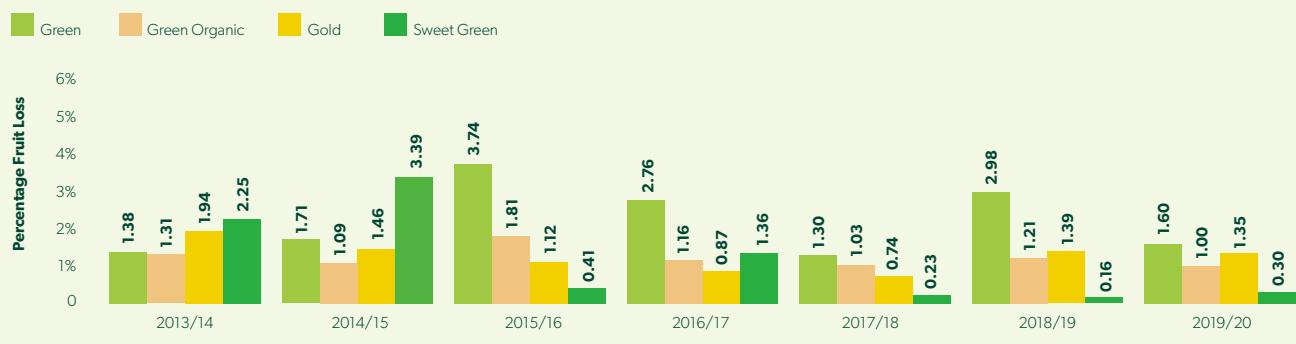
Zespri is building capability and supporting conversion from Hort16A to expand SunGold supply out of Japan and South Korea, with a focus on meeting demand in those local markets during the non-New Zealand season. We are supporting growers to increase orchard yields.

## TOTAL VOLUME SOLD – 7 YEARS

Non-New Zealand-grown kiwifruit

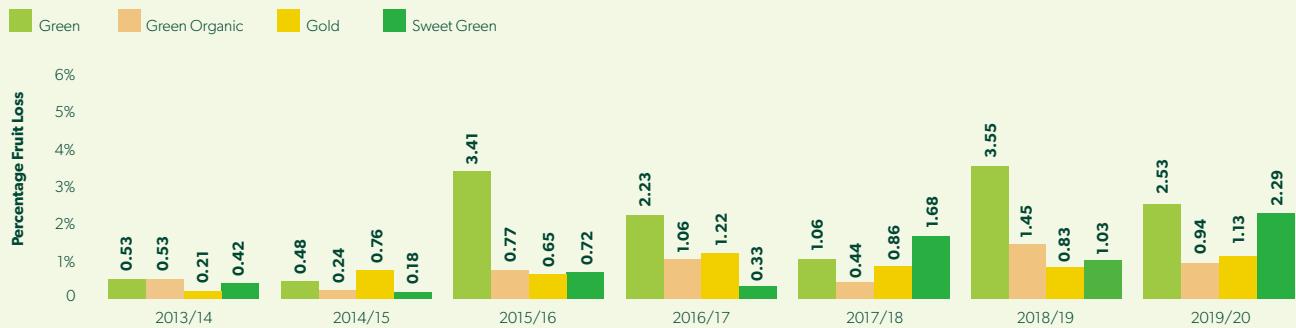


## ONSHORE FRUIT LOSS – 7 YEARS



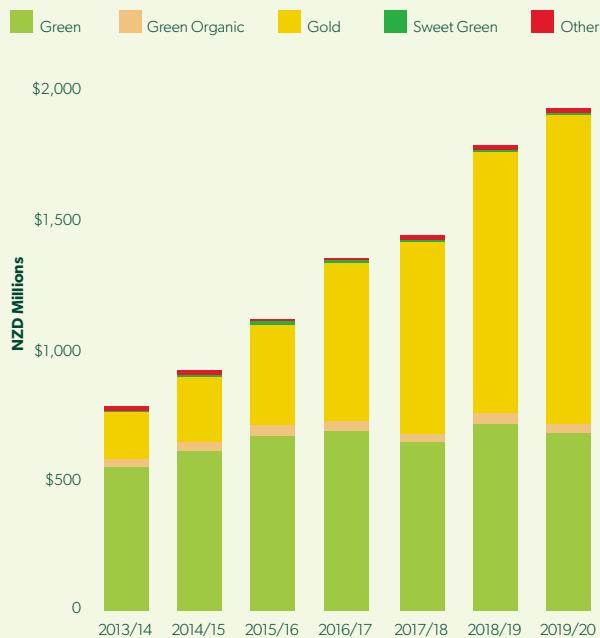
These fruit-loss percentages do not include crop management trays.

## OFFSHORE FRUIT LOSS – 7 YEARS



## TOTAL FRUIT AND SERVICE PAYMENTS – 7 YEARS

New Zealand-grown kiwifruit (excluding loyalty premium)



## TOTAL VOLUME SOLD – 7 YEARS

New Zealand-grown kiwifruit





## Season highlights

Looking beyond our financial results, 2019/20 has seen Zespri record some significant milestones.

The launch of our refreshed brand identity, initially at Berlin Fruit Logistica with our customers and again at Momentum 2020 where we were able to celebrate with many growers and industry partners, has allowed us to better reflect our purpose and values. It is the first refresh we've undertaken since our brand was established, with the new brand being progressively rolled out to consumers across our markets in the year ahead.

In December 2019, the Zespri Board announced its decision to commercialise our Zespri Red Kiwifruit. This cultivar has been years in the making and is the result of our successful new variety breeding programme undertaken in partnership with Plant & Food Research. That we could make this decision is a credit to the growers involved in our trials and the broader commitment to innovation that Zespri and the wider kiwifruit industry share. As we continue to ramp up to commercial volumes, consumers in New Zealand and selected markets like Singapore and Japan are already seeing this variety before it is launched more widely in Asia.

Momentum 2020 also saw us officially open our new head office including our meeting wing, and reconfirm our commitment to enhancing our natural environment, supporting our communities and increasing resources with the announcement of our sustainability targets. This included our pledge to use 100 percent recyclable, reusable or compostable packaging by 2025 and ambitious targets such as Zespri becoming carbon positive by 2035. We will also develop an industry-wide climate change adaptation plan by December 2022 and build a thriving workforce across our value chain by 2030.

We've also seen strong progress in our market development throughout 2019/20.

The decision to refocus our resources across our key regions of Greater China, Asia Pacific, Europe and North America has enabled us to deepen our relationships in our major markets. Our teams have delivered some exceptional results already in growing value and volume, particularly in Europe where the Gold OGR continues to progress well. We are committed to continuously developing and expanding more markets within the Market Development Framework strategy and these markets are known as our Future Markets.

## Our strategy

As we look ahead, our mission remains to provide the world's leading portfolio of branded kiwifruit all 12 months of the year.

Our 2019/20 results indicate we're making solid progress based on the efforts of our New Zealand and non-New Zealand growers, those working across our supply chain, and our in-market teams who continue to build value across our interdependent ecosystem.

Within Zespri, we're building a team of talented people who understand the strategy that is allowing us to lift our performance each year. We're driven by our mission for growers and inspired by our purpose to help people, communities and the environment around the world thrive through the goodness of kiwifruit.

Across our global offices, our refreshed Zespri values are uniting our increasingly diverse team.

We believe in guardianship (*kaitiakitanga*) and nurturing our lands so that we can nourish people across the world. We're results driven and challenge ourselves to think big and deliver better. And we are committed to developing our personal connections by acting with empathy and humility in all that we do. It's fantastic to see these values shining through in challenging times like those being experienced across the world today with the upheaval caused by COVID-19.

Our focus continues to be on growing demand for our product and building trust with consumers and customers.

We're driven by our mission to create value for growers, making sure we're optimising our performance by investing in our business and our systems, progressing our sustainability initiatives and commitments that we announced earlier this year so we are better tomorrow, and supporting the safety and wellbeing of our people so we can thrive together.

In the last year we've also continued to build a strong and experienced team at Zespri.

The election of Craig Thompson as a Grower Director has enabled our Zespri Board to retain significant industry experience following the retirement of former Chairman Peter McBride.

We have a strong and united Board who own their responsibilities to our shareholders, and who remain commercially focused for our continued growth.

Our advisory boards have also been strengthened, including by the presence of former Prime Minister, Rt Hon Sir John Key, who has joined our China Advisory Board, offering his insights into how we can further strengthen our performance in one of our largest markets and across our business. We're pleased to retain the experience of Peter McBride in his capacity as a member of the China Advisory Board.



We've also continued to make great progress aligning our executive leadership team with our strategy.

Our focus remains making sure we're bringing the voice of customers and consumers to our top-level decision-making, and better recognising the global nature of our supply function. That's evident in the appointment of Ichiro Anzai as our Executive Officer Asia Pacific, and more recently Giorgio Comino as our Executive Officer Europe and North America. We've also welcomed Edith Sykes to our team as Chief People Officer, Dave Scullin as our Executive Officer Digital and Les Greeff as Chief Transformation Officer.

The Zespri executive will also see further change in 2020/21 as we farewell our Chief Global Supply Officer Blair Hamill. Over his 20 years with Zespri, Blair has made a tremendous contribution to the industry, in particular our Zespri Global Supply programme which remains a fundamental part of our strategy to have the Zespri brand in front of consumers for all 12 months of the year. On behalf of the industry, we wish Blair well in his new role at the Port of Tauranga.





## The Horizon programme

A significant part of our strategic focus on optimising our performance is the investment we've made in the Horizon programme over the last 12 months.

The aim of this project is to ensure our organisation can become more efficient and effective so we can digitalise the key areas of our mission critical Zespri system across our interdependent supply chain. When complete, this project will improve our ability to collect and analyse data throughout the supply chain and make better decisions around our shipping and market allocation.

Building on the systems changes we're making, we've also seen continued innovation within the supply chain to prepare for growth. This includes a number of our partners investing significantly in their operations to create additional packing lines and increase coolstore capability. We're also looking for ways to maximise efficiencies through the supply chain, ensuring we only invest where necessary and where it adds value, and investing in learning about what we can do to improve the carbon we store in soil and through our growing systems.

## Conclusion

Our growers have continued to demonstrate their passion for the art of growing premium quality kiwifruit. On-orchard techniques have been refined further, and our consumers have benefitted from excellent quality and taste in 2019/20.

It has been a tremendous year, and while there is much more for us to do, we have a solid platform from which to continue to build upon.

The latest trends in the global fresh produce sector indicate consumers want products that are good for them.

Consumers are also increasingly supporting brands whose values they can connect with and which are addressing issues they care about – whether that be reducing plastics in the supply chain, preserving and enhancing local environments, or supporting local communities.

At Zespri, we're providing consumers with a product in our kiwifruit that is a nutritional powerhouse high in Vitamin C and which tastes amazing, allowing our consumers to make their healthy irresistible. We're also representing a brand which is more recognisable, which lives its purpose and values, and which consumers can trust and emotionally connect with.

In both the good and the challenging times, it's about standing up and standing out.

**Bruce Cameron**  
CHAIRMAN

**Dan Mathieson**  
CHIEF EXECUTIVE

# CORPORATE GOVERNANCE

Zespri prides itself on our commitment to provide a sustainable and safe business environment and our ongoing adherence to the regulatory and legislative frameworks applicable to our business. We have clear written procedures and policies in place to ensure we meet and maintain a high standard of integrity. This section outlines the key points of the corporate governance framework in which we operate.

## Ethical standards

At Zespri, we are committed to demonstrating integrity and maintaining a high standard of business ethics. The development and maintenance of corporate governance policies and processes are integral to ensuring we are always achieving these high ethical standards. There are clear expectations on all Directors, Officers and employees who represent and act for Zespri to do so with integrity and in compliance with applicable law and company policy. Zespri has a Code of Conduct and Directors Manual, which clearly articulate these expectations, and we conduct trainings and presentations on a range of ethical issues throughout the Company.

**Conflicts of interest:** With five industry Directors on the Board, careful management of conflicts of interest is required. Zespri has comprehensive policies and practices in place to address existing and potential Board conflicts, which meet, and in some cases exceed, the requirements of the Companies Act 1993. All Directors are required to declare any actual or potential conflict of interest as soon as it arises, and Directors with relevant conflicts excuse themselves from meetings while issues which may present a significant conflict are discussed and decided. Where a conflict is considered unmanageable, a Director may have to choose whether to continue as a Zespri Director or pursue their other business interests. A Conflict of Interest Policy and associated record is also in place for employees.

## Compliance

Zespri has policies and procedures in place that demonstrate our commitment to legal compliance including, among others, policies regarding gifts, anti-corruption, bribery, privacy and anti-competitive behaviour. Zespri staff are regularly trained across these policies to ensure communication and education of the latest compliance requirements. These policies are underpinned by audits and investigations conducted by an internal audit function, with exceptions being reported to the Audit and Risk Management Committee. Zespri has a dedicated and anonymous Speak Up line for anyone to report unethical or illegal behaviour, which enables the identification and proactive investigation of alleged misconduct. Zespri's expectations of compliant behaviour are also communicated to our customers and suppliers through the global

customer and supplier codes of conduct and we monitor such compliance through due diligence, and audits, on a risk basis, of compliance in target areas such as duty and customs declarations.

**Confidentiality and privacy:** Comprehensive policies support compliance for both Zespri Directors and employees with their legal obligations in the areas of confidentiality and privacy. Policies and procedures are periodically reviewed to ensure best practice, and training is provided to supplement understanding and adherence to policy. Consistent with the high degree of industry engagement, Zespri's Constitution also contains provisions pertaining to confidentiality and shareholder democracy. As a global business, Zespri is subject to extensive privacy legislation from many jurisdictions and continues to refine its processes to reflect changes associated with continually evolving international data privacy regulations and the collection, handling and processing of personal information.

## Board composition and performance

The Zespri Board comprises eight members – five Directors elected from the kiwifruit industry, and three Independent Directors – as required by the Zespri Constitution. This combination of members gives Zespri the benefit of a Board with a wide range of experience across key areas. Independent Directors are recommended by the Board for election by shareholders in line with the skills desired for Zespri's future strategic direction, through a formal independent recruitment and assessment process. The Board has adopted processes to consider the contribution of Independent Directors, the skills required, and the desirability of rotation. The Chair is elected each year following the Annual Meeting, providing an opportunity for managing succession as required; in February 2019, Peter McBride stepped down as Chair and retired from his directorship in July 2019.

The Board provides strategic direction drawing upon Directors' extensive collective knowledge, which includes expertise in the kiwifruit industry, international business, agribusiness, marketing and finance. As part of a continuous improvement plan, the Board reviews its performance on an ongoing basis. From this process individual training requirements may be identified, which are progressed with a view to ensuring that the Board's skill set is robust and appropriate for the business. Induction processes are in place for new Directors, as well as for each subcommittee when subcommittee memberships change. The Board periodically receives training on topical issues, such as ethics, supply chain integrity, cyber security, and health and safety. In addition, the Board undertakes a series of market visits each year, outlined on page 75, to better understand market strategies and execution, and to evaluate the capabilities of the Company Officers and Zespri culture.

The Board has formally delegated decision-making to management through a comprehensive Global Delegated Authorities Manual, which sets out what decisions are reserved for the Board and committees, as well as a stepped qualitative and quantitative cascade of approval processes at different levels of management. Further policies pertaining to decisions made in the daily management of the business are also in place.

## *Board committees*

Board committees have been established in certain key areas to increase effectiveness, and include the Audit and Risk Management Committee, People and Culture Committee and Board Innovation Subcommittee. The Board has also recently formed two Advisory Boards to support the Board in relation to the China market and global supply. The Advisory Boards consist of independent members with relevant expertise and are chaired by a Zespri Director, with direct reporting back to the Zespri Group Limited Board.

**Audit and Risk Management Committee:** The Audit and Risk Management Committee reviews risk management strategies, internal controls and compliance processes with a view to monitoring Zespri's overall risk. It also reviews the Financial Statements with the assistance of management and the Company's external auditor, KPMG, and supports and oversees management in its evaluation of key accounting judgements. Jonathan Mason currently chairs the committee.

**People and Culture Committee (formerly Organisation and Administration Committee):** The People and Culture Committee is chaired by Paul Jones. It attends to strategic employment matters including general remuneration and incentive policy, employee engagement, organisational development strategy and the appointment and remuneration of senior executives.

**Board Innovation Subcommittee:** Innovation is a key enabler of Zespri's business strategy, requiring innovation programmes to be aligned to Zespri's long-term strategic objectives. The Board Innovation Subcommittee reviews and endorses Zespri's strategy for science and innovation and applies appropriate governance principles to optimise innovation performance, challenge and guide future innovation vision and work with management to mitigate innovation risk. Nathan Flowerday currently chairs the committee.

Each committee and advisory board has terms of reference and all Directors receive copies of all papers and minutes. A verbal update on committee/advisory board meetings is also provided at each Board meeting, providing opportunity for discussion. A table displaying meeting attendance by each Director is provided on page 75.

The Board also convenes smaller informal committees and steering groups from time to time to address particular issues as the need arises. Directors also represent Zespri in industry bodies such as Kiwifruit Vine Health Incorporated (KVH) and the Industry Advisory Council (IAC).

## *Reporting and disclosure*

Zespri is subject to reporting and disclosure obligations under the Companies Act 1993, Financial Markets Conduct Act 2013 and other relevant legislation, which governs the duties of Directors including, but not limited to, financial reporting, securities, health and safety, environment and employment. The Board works with management to ensure that the Financial Statements are accurate and complete, including adoption of accounting policies and controls that mitigate against incorrect information or omissions. At the end of each financial year, the Chief Financial Officer and Chief Executive Officer ensure Zespri complies with accounting standards and controls.

In addition to normal corporate requirements of reporting and disclosure, the Kiwifruit Export Regulations 1999 (the Regulations) require Zespri to publicly disclose Financial Statements in accordance with the Kiwifruit Export Information Disclosure Handbook. The required disclosures are included within the New Zealand Industry Performance Section of the Annual Report, or within the Financial Statements of the Annual Report. Further disclosures are contained in the special purpose Financial Statements including the Audit Report from KPMG. The Regulations also require public disclosure of the terms of purchase of kiwifruit for each season.

Zespri seeks to communicate proactively and transparently to its shareholders and other stakeholders, in a manner largely consistent with the continuous disclosure obligations on public companies. This communication not only extends to updates regarding current matters, but also to future plans such as five-year plans, outlook documents and regular roadshows, newsletters and updates.

## *Remuneration*

The maximum amount of remuneration payable to Directors is set by shareholders as provided for in Zespri's Constitution. This is done on the recommendation of the Director Remuneration Committee, which typically has regard to independent benchmarking information provided by organisations such as the Institute of Directors. The details of remuneration paid to Directors during the financial year are available on page 76. The committee also considers governance succession within the New Zealand kiwifruit industry as a whole, and works with the Board in respect of industry initiatives such as the Industry Governance Development Programme. The committee comprises three elected shareholder members (presently John Cook, John Griffin and Michelle Dyer) and one independent member appointed by the Board (Graeme Milne). The committee's 2019/20 report is published within the Notice of Meeting booklet.

## *Health and safety*

Zespri recognises that its most important asset is its people. This means that ensuring the safety and wellbeing of both Zespri's employees and other workers is critical. The Company has a Board Charter on Health and Safety that is reviewed annually or as required by legislative or organisational requirements. The Board looks to fulfil its obligations by ensuring appropriate policies and procedures are adopted and implemented by reviewing and monitoring the identification, reporting and management of significant hazards and risks.

Directors receive targeted updates regarding health and safety matters at each Board meeting, and Zespri works with industry stakeholders to ensure the provision of safe workplaces. Directors also conduct health and safety visits to different working environments of Zespri.

In addition, the commitments made by Zespri pursuant to the enforceable undertaking entered into with WorkSafe continue to provide a platform to promote industry education, research and communication around health and safety.

## *Risk management*

Risk management forms an integral part of the Board's activities, with a view to ensuring that Zespri and its stakeholders are not exposed to undue risk as a result of business operations. Zespri has a comprehensive Risk Management Policy based on AS/NZS ISO 31000:2009 and the risk matrix developed by management and reviewed by the Board, together with processes to monitor and assess such risks on a continual basis throughout the year. The Board maintains an issues watch register, which identifies and updates the Board regularly on current risk items in the business. The Audit and Risk Management Committee and Board receive focused updates on internal audit matters, together with regular updates on risk areas such as health and safety, foreign exchange, cyber security and information systems stability.

The Board is committed to safeguarding the reputation and business of Zespri against instances of non-compliance by Zespri or our business partners. This initiative requires continuous improvement and monitoring of internal processes as well as a sound understanding of the legal obligations throughout the distribution chain. Taking these steps enables Zespri to mitigate opportunities for unlawful conduct by third parties, which may affect Zespri's business or operations.

The Board was pleased to see the discontinuance of the final legal proceeding arising from historical matters in China prior to 2011, as well as a positive result in Plant Variety Rights (PVRs) infringement proceedings taken by Zespri against a New Zealand grower which resulted in an award of just under \$15 million in Zespri's favour. Although this judgement is subject to an appeal, the Board is considering options for enforcing the judgement both in New Zealand and potentially China, as well as the potential to take further proceedings in China relating to the infringement. Zespri has responded to unauthorised plantings of Zespri's proprietary varieties in China; legal proceedings have commenced since the 2019/20 financial year.

From time to time Zespri is involved in commercial disputes relating to our business. We typically seek to resolve such disputes through commercial discussions or alternative dispute resolution processes such as mediation or arbitration. Where disputes are anticipated to have a quantifiable financial exposure or progress to formal proceedings, provisions are made for the costs of defending or pursuing such claims.

The Board works to ensure management has appropriate governance and discipline regarding the procurement of financially or strategically important suppliers. This includes competitive tendering or benchmarking, where appropriate, particularly around the renewal or expansion of high-value and long-term contracts or relationships. A strong focus is placed on areas of significant expenditure such as professional services, marketing and logistics, with higher value and longer term contracts over defined thresholds requiring approval by the Board as part of the Global Delegated Authorities Manual. Particular strategic emphasis is placed on building strong supplier relationships that drive value and support the key initiatives of the business.

## *Auditors*

The Board appoints the auditors for Zespri on an annual basis following approval from shareholders. KPMG have been Zespri's auditors since 2011 and operate a strict rotation of audit partners. Controls are in place to restrict what non-audit work may be provided by the auditor; in the 2019/20 financial year, non-audit work and fees paid to KPMG are shown on page 53. Representatives of the auditors attend meetings of the Audit and Risk Management Committee periodically to discuss the audit plans and outcomes, and attend the Board meetings if their input is required on particular matters or queries. The Board has not identified any issues that have compromised auditor independence.

## *Shareholder relations*

Zespri shares are listed on the USX share trading platform, which allows for a higher degree of transparency of information regarding share trading. USX is a Financial Product Market operating under an exemption from subpart 7 of Part 5 of the Financial Markets Conduct Act 2013. Craigs Investment Partners has been acting as market maker for Zespri shares since November 2016, which has led to increased market liquidity and a greater degree of share price stability.

Zespri has extensive approval and disclosure policies for trading in Zespri shares by its Directors and employees. Zespri seeks to emulate best-practice standards required by public companies, and thus these policies are largely consistent with the obligations for Director trading adopted by public companies, including prior notice of intention to trade, approval by an Independent Director and transparency of Director trading activities through regular reporting to shareholders. The policies also impose trading halts when any material information is known to Directors and employees. Further, the Board considers at the end of each meeting whether any price-sensitive information should further preclude Directors or employees from trading Zespri shares. Details of share trading by Directors as well as their relevant interests are published on Zespri's corporate website ([www.zespri.com](http://www.zespri.com)) and on the grower website, the Canopy (<https://canopy.zespri.com>). The Board endeavours to operate a highly transparent disclosure programme to ensure that the market is as informed as possible, including a Chairman's email following each Board meeting, virtual meetings, grower roadshows, regular updates of the USX platform (adhering to a market sensitive information policy) and publication of strategic information documents including a five-year outlook document.

The Board is focused on ensuring that shareholders can engage fully with Zespri and its Board. As part of its shareholder meetings, Zespri offers shareholders hybrid meeting options including online streaming and voting to ensure that all shareholders have the best ability to participate fully in the meetings and decisions arising from them.

## *Climate change and sustainability*

Zespri was proud to launch its sustainability framework at the Momentum Conference in February 2020, targeting priorities including packaging, water, climate change, labour and healthy lifestyles. Along with its targets for these areas, Zespri joined some of the world's biggest brands in 2019 to sign up to the Ellen MacArthur Foundation's New Plastics Economy Global Commitment. From a governance perspective, the Board and management are actively developing a governance framework to ensure that appropriate focus is given to climate change and sustainability at Board level and through the industry.

## *Other stakeholder interests*

**Kiwifruit industry stakeholder engagement:** The kiwifruit industry is a uniquely integrated sector that requires significant co-operation between all industry participants – growers, post-harvest operators, Zespri, and industry bodies (such as NZKGI and KVH) – together with our regulator KNZ and local and national Government. The Board is committed to working with all relevant stakeholders, within the regulatory framework, to achieve the best possible outcomes for shareholders, growers and the industry.

**Labour compliance:** Zespri seeks to ensure that all employees and workers within its supply chain are treated fairly and in accordance with applicable labour laws. The Board has committed to working with industry to protect workers' rights within the industry, including through adoption of the GRASP module of the Global GAP standard, focused on social responsibility.

**Supply chain integrity:** Zespri has global customer and supplier codes of conduct, which set expectations for supply chain participants, targeting a range of issues including legal and financial compliance, food safety and quality standards, fair competition, anti-bribery, anti-corruption, fair employment practices and labour standards, health and safety, and care for the environment. In addition, Zespri has published on its website specific supplier policies covering anti-bribery and anti-corruption, conflicts of interest, gifts, benefits and hospitality, IS devices and security and privacy.

During the last quarter of the 2019/20 financial year, Zespri began to feel the impact of the COVID-19 pandemic, first through movement restrictions placed on our China operations and gradually spreading through other locations until the restrictions imposed by the New Zealand Government at the end of March. In response to the pandemic, Zespri established a crisis management team to coordinate and implement Zespri's response locally and around the world, working closely with the Audit and Risk Management Committee and the Board to ensure that appropriate and timely action was taken to protect the safety and well-being of our personnel around the world. The co-operation we saw with our New Zealand and global partners during this unprecedented time was nothing short of remarkable, and a testament to the strength and cohesive nature of our operations from orchard to consumer.

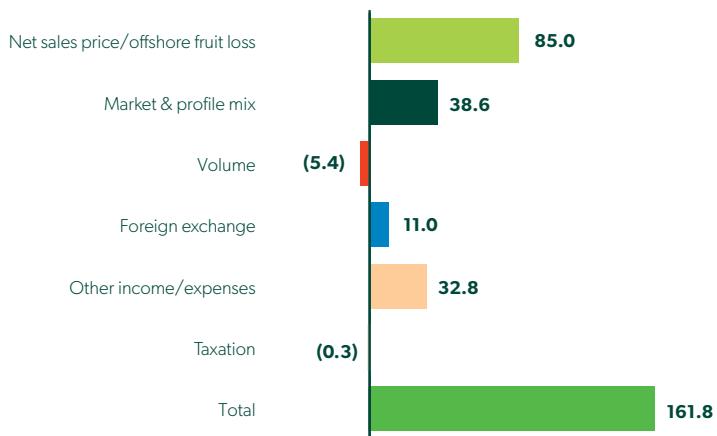
# ALTERNATIVE REVENUE STATEMENT

	2019/20	2018/19	2017/18
Zespri global kiwifruit sales – net ('000)	3,139,707	2,943,870	2,391,610
New Zealand grown kiwifruit tray equivalents supplied (millions)	148.2	154.1	124.4
Non-New Zealand grown kiwifruit tray equivalents supplied (millions)	19.3	18.5	15.5
<b>NEW ZEALAND KIWIFRUIT SEGMENT</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross sales of New Zealand kiwifruit	2,966,543	2,839,871	2,298,990
Promotional rebates, claims and discounts	(223,988)	(230,270)	(188,080)
<b>Net sales of New Zealand kiwifruit</b>	<b>2,742,555</b>	<b>2,609,601</b>	<b>2,110,910</b>
Net fruit return through collaborative marketers	27,768	22,595	17,191
Other pool income	990	1,662	570
<b>Revenue attributable to New Zealand pools<sup>1</sup></b>	<b>2,771,313</b>	<b>2,633,858</b>	<b>2,128,671</b>
<b>Less New Zealand pool costs:</b>			
Freight	169,102	172,701	135,621
Insurance (onshore and offshore excluding hail)	3,939	3,591	3,534
Hail self-insurance	2,665	326	4,509
Duty and customs	45,414	94,776	78,563
Other direct pool costs – onshore <sup>2&amp;3&amp;4&amp;6</sup>	86,384	78,613	62,618
Other direct pool costs – offshore	110,155	95,659	68,387
Promotion	170,546	161,180	134,090
Interest income <sup>5</sup>	(1,444)	(1,022)	(2,364)
<b>Total pool costs</b>	<b>586,761</b>	<b>605,824</b>	<b>484,958</b>
<b>Return from fruit sales</b>	<b>2,184,552</b>	<b>2,028,034</b>	<b>1,643,713</b>
New Zealand fruit and service payments <sup>11</sup>	1,917,709	1,775,408	1,433,956
<b>Zespri margin<sup>7</sup></b>	<b>266,843</b>	<b>252,626</b>	<b>209,757</b>
Other non-pool revenue	2,303	2,579	3,245
Innovation funding <sup>9</sup>	2,446	2,509	3,039
<b>New Zealand kiwifruit corporate revenue</b>	<b>271,592</b>	<b>257,714</b>	<b>216,041</b>
<b>Less corporate overhead expenses:</b>			
Innovation	15,073	15,762	12,344
Class 2 mainpack subsidy	–	–	96
Overhead costs – onshore	91,540	81,201	71,956
Overhead costs – offshore	83,093	76,950	70,742
Allocated excess taxation	(382)	2,636	1,832
<b>New Zealand kiwifruit corporate overhead expense</b>	<b>189,324</b>	<b>176,549</b>	<b>156,970</b>
<b>Zespri EBIT and loyalty premium from New Zealand kiwifruit segment</b>	<b>82,268</b>	<b>81,165</b>	<b>59,071</b>
Loyalty premium	45,475	46,347	34,101
<b>Zespri EBIT from New Zealand kiwifruit segment</b>	<b>36,793</b>	<b>34,818</b>	<b>24,970</b>
<b>NON-NEW ZEALAND SUPPLY SEGMENT<sup>8</sup></b>			
Net sales of non-New Zealand supply kiwifruit	369,384	311,674	263,509
<b>Less non-New Zealand supply costs:</b>			
Direct costs including fruit purchases	330,074	277,307	236,315
Overhead costs	26,743	25,823	18,160
Other expense/(income)	1,449	463	(175)
<b>Zespri EBIT from non-New Zealand supply segment</b>	<b>358,266</b>	<b>303,593</b>	<b>254,300</b>
	<b>11,118</b>	<b>8,081</b>	<b>9,209</b>

	2019/20	2018/19	2017/18
	\$'000	\$'000	\$'000
<b>NEW CULTIVARS SEGMENT</b>			
New cultivars licence revenue	215,513	194,420	101,746
New cultivars royalty income <sup>2</sup>	32,901	28,400	20,723
New cultivars innovation funding <sup>9</sup>	5,549	4,911	2,318
<b>Revenue attributable to new cultivars</b>	<b>253,963</b>	<b>227,731</b>	<b>124,787</b>
<b>Less new cultivars costs:</b>			
Amortisation of new cultivars	1,320	1,323	1,950
New cultivars costs <sup>10</sup>	27,237	19,005	14,386
	28,557	20,328	16,336
<b>Zespri EBIT from new cultivars segment</b>	<b>225,406</b>	<b>207,403</b>	<b>108,451</b>
<b>LAND AND BUILDINGS SEGMENT</b>			
Income	2,590	525	556
Overhead costs	796	593	1,242
	796	593	1,242
<b>Zespri EBIT from land and buildings segment</b>	<b>1,794</b>	<b>(68)</b>	<b>(686)</b>
<b>Zespri Group EBIT</b>	<b>275,111</b>	<b>250,234</b>	<b>141,944</b>
Net interest income	2,191	2,764	1,934
Add back allocated excess taxation	(382)	2,636	1,832
<b>Zespri Group profit before taxation</b>	<b>276,920</b>	<b>255,634</b>	<b>145,710</b>
Taxation	76,099	75,828	43,868
<b>Zespri Group profit after tax</b>	<b>200,821</b>	<b>179,806</b>	<b>101,842</b>
Total fruit and service payments	1,917,709	1,775,408	1,433,956
Loyalty premium	45,475	46,347	34,101
<b>Total fruit and service payments (including loyalty premium)</b>	<b>1,963,184</b>	<b>1,821,755</b>	<b>1,468,057</b>

The Alternative Revenue Statement is used for management information and is the basis for the calculation of the fruit and service payments. Foreign exchange gains and losses are allocated differently from the way that they are treated in the Financial Statements in that they are apportioned to the relevant line items above. For more detail on segment EBIT's, refer to Note 26 of the Financial Statements.

## CAUSE OF CHANGE 2019/20 VS 2018/19 \$MILLIONS



The 'Cause of Change' chart outlines the increase in the return to the industry this financial year to \$2,164 million from \$2,002 million in 2018/19.

	\$'000
Total fruit and service payments 2018/19 (including loyalty premium)	1,821,755
Add Zespri net profit after tax 2018/19	179,806
<b>Return to industry 2018/19 financial year</b>	<b>2,001,561</b>
Movements due to change in:	
Net sales price/offshore fruit loss	84,986
Market and profile mix	38,618
Volume	(5,378)
Foreign exchange	11,015
Other income/expenses	32,798
Taxation	(271)
<b>Return to industry 2019/20 season</b>	<b>2,163,329</b>
Future season total fruit and service payments accrued	676
<b>Return to industry 2019/20 financial year</b>	<b>2,164,005</b>
Total fruit and service payments 2019/20 season	1,917,033
Add future season total fruit and service payments accrued	676
Add Zespri loyalty premium 2019/20	45,475
Total including loyalty premium 2019/20 financial year	1,963,184
Add Zespri net profit after tax 2019/20	200,821
<b>Return to industry 2019/20 financial year</b>	<b>2,164,005</b>

### NEW ZEALAND POOL COSTS AS A PERCENTAGE OF POOL REVENUE

	2019/20	2018/19	2017/18
Zespri margin (net of loyalty premium)*	8.0%	7.8%	8.2%
Freight	6.1%	6.6%	6.4%
Insurance	0.2%	0.1%	0.4%
Duty and customs**	1.6%	3.6%	3.7%
Other direct pool costs – onshore <sup>2</sup>	3.1%	3.0%	2.9%
Other direct pool costs – offshore	4.0%	3.6%	3.2%
Promotion	6.2%	6.1%	6.3%
Interest income <sup>5</sup>	(0.1%)	(0.0%)	(0.1%)
Total fruit and service payments (including loyalty premium)	70.9%	69.2%	69.0%
	100.0%	100.0%	100.0%
<b>Revenue attributable to New Zealand pools (\$'000)<sup>1</sup></b>	<b>2,771,313</b>	<b>2,633,858</b>	<b>2,128,671</b>

\* Zespri margin (net of loyalty premium) as a percentage of pool revenue is higher in 2019/20 due to lower loyalty premium paid resulting from lower tray volumes. Lower New Zealand pool costs contributed to improved market returns, offset by a reduction in Zespri margin to 7.25% (2018/19: 7.50%).

\*\* Duties and customs as a percentage of pool revenue reduced in 2019/20 with removal of tariffs in Japan and reduction in tariffs in South Korea.

- 1 Net revenue attributable to the pools includes sales of New Zealand-grown kiwifruit, income from New Zealand collaborative marketing programmes and other pool income as noted in the Alternative Revenue Statement.
- 2 Within 'Other direct pool costs - onshore' is the 3.0 percent royalty from new cultivars on net sales for Gold3 and Green14. This royalty is made up of two components: 1.35 percent of this royalty is paid to The New Zealand Institute for Plant & Food Research Limited and 1.65 percent royalty cost charged by the new cultivars segment in Zespri Group Limited.
- 3 Other direct pool costs – onshore include: KVH funding, KNZ fees and NZKGI funding.
- 4 Zespri Group Limited pays two different levies to Kiwifruit Vine Health Incorporated (KVH) on behalf of growers, for kiwifruit grown in New Zealand and exported to markets other than Australia: (1) a Psa levy of \$0.002 per tray and (2) a biosecurity level of \$0.014 per tray.
- 5 Interest income is made up of the following: interest income of \$1.72 million, interest paid of \$0.24 million and an interest charge from Zespri corporate of \$0.04 million. This results in an overall interest income to the pools of \$1.44 million.
- 6 Zespri Group Limited is required, under Regulation 39 of the Kiwifruit Export Regulations 1999, to fund the statutory board Kiwifruit New Zealand. New Zealand Kiwifruit Growers Incorporated (NZKGI) is the kiwifruit grower representation body and Zespri Group Limited is required by The Commodity Levies (Kiwifruit) Order 2017 to pay a levy to NZKGI on behalf of growers. The rate for the 2019/20 year was \$0.01 per tray of kiwifruit grown in New Zealand and exported to markets other than Australia.
- 7 Zespri margin is calculated in accordance with the New Zealand Supply Agreement, being 5.0 percent of net sales (excluding collaborative marketing programmes) and 7.25 percent of fruit payments to suppliers.
- 8 Further analysis of non-New Zealand-grown supply is available within the segment reporting in Note 26 of the Financial Statements.
- 9 Innovation funding has been split between the New Zealand kiwifruit segment and the new cultivars segment based on the segment activity (refer Note 2(b) and Note 26 of the Financial Statements).
- 10 New Cultivars Costs include overhead costs and innovation costs (refer to Note 26 of the Financial Statements).
- 11 Fruit and service payments include an accrual of \$676k for 2020 season sales made before 1 April 2020.



# **STANDING OUT** *for brand and product*

Since our establishment, our industry has invested significantly in making sure people recognise Zespri as the world's leading provider of premium quality kiwifruit. Now, it's about making sure that people also recognise us for what the Zespri brand stands for.

Zespri unveiled our first new look in our 20-year history at Fruit Logistica in Berlin in February 2020. The refreshed brand vision, tagline and visual identity provides a strong platform for the company to continue its recent growth. The new look better reflects who we are as a company today and our desire to stand out by being bold, playfully unexpected and real.

The Zespri brand aligns with our purpose of helping people, communities and the environment around the world thrive through the goodness of kiwifruit. Most importantly, it connects with consumers who want to personally identify with brands that reflect their values and beliefs.

Having worked extensively with leading market research agencies on the development and validation of the new brand direction, we know the new brand will appeal not only to our existing customers but pique the interest of new ones, allowing us to grow demand for our premium quality kiwifruit across the world.

Our refreshed logo is the perfect embodiment of our distinctive brand, capturing the burst of flavor you get from biting into our Zespri Kiwifruit. The logo features the use of a green fan, inspired by the vibrant cross-section of a kiwifruit with different shades of green bursts, and a red wordmark reflecting the energy and dynamism of the Zespri brand. With the launch of the new brand guidelines, the Zespri brand will be more visually consistent in all of our markets around the world than ever before – something we are already seeing in those markets.

The new look is the result of an extensive process, including a review of how Zespri could better connect emotionally with consumers and build a stronger, more intuitive brand identity. The new Zespri brand was thoroughly researched with thousands of consumers across our key markets, yielding very reassuring results. We not only retain the same level of recognition, but consumers are able to recognise our brand faster. The research showed that the faster recognition and feelings evoked by the new brand increases the chances of purchase by those who saw it.





OUR NEW BRAND  
LOOK LAUNCHED  
IN 2020



We see evidence that consumers today are making more considered purchasing decisions and are looking for brands that have a purpose and set of values they can personally identify with. Strong brands are driven by a purpose, and such brands demonstrate resilience and longevity in a VUCA (volatile, uncertain, complex and ambiguous) world. That's why we have reignited the Zespri brand and identity, with a bold new look and distinctive voice, guided by our meaningful purpose.

Zespri Kiwifruit is one of nature's best treats, a fruit that is not only a nutritional powerhouse with more than 20 vitamins and minerals, but which also tastes amazing. We want to demonstrate that something naturally good for you can also be delightful.

We're also focused on empowering customers to make their healthy irresistible. A platform idea aimed at building our meaningful and salient brand, to stand out in the fruit bowl.

With wellness and immunity high on consumers' minds in 2019/20, we saw an increase in demand for our fresh healthy fruit around the world. We strengthened our messaging around the nutritional benefits of Zespri Kiwifruit and focused on the strongest allowable Vitamin C health claim.

Throughout the season, we continued to focus on sales excellence, increasing demand through growth in distribution coverage and building trust with consumers. We also evolved how we expressed our brand personality, conveying the dynamic, humble and playful nature of the brand more consistently across our markets.

The 2019/20 season showed that with any challenge, the number one priority is to support your people. For a global business like ours, it's about emphasising our brand values and personal connections based on empathy and understanding. We've risen to the challenges of a world that needs our nutritious kiwifruit. We've forged deeper connections with our consumers and will continue to support our communities in the years to come.



# STANDING UP *for sustainability*

Zespri is committed to building a brand that is as recognisable for what it stands for as much as for the quality of the fruit our growers produce and in 2019/20 we took a number of meaningful steps to help fulfil that ambition.

As an industry, the kiwifruit we produce is in demand around the world for its health benefits and the nutritional boost it offers. While we tread relatively lightly on the land and we support communities in New Zealand and around the world, we know we can do more. We take our responsibilities seriously, holding ourselves accountable and making sure we are standing up and standing out for the right reasons.

Zespri's sustainability strategy is one of the four strategic priorities for our business, helping us build a better tomorrow and deliver on our purpose, our brand promise and our premium product position. Our ambition is to make sure that as we continue to grow, we do so in a way that respects and enhances our people, the environment and the communities around us.

## *Setting out our priorities and targets*

Over the past year we've defined our sustainability priorities and set out our commitments. These have been driven by conversations we've had with key stakeholder groups including New Zealand and internationally based growers, packhouse and coolstore representatives, industry representative groups, Māori growers, Zespri's global distribution partners, our consumer insights team and Zespri employees. They have helped us understand what matters most and to identify how we can deliver more value to our customers and our consumers.

We shared our suite of sustainability commitments with growers, consumers and suppliers at our conference – Momentum 2020: Standing Up and Standing Out.

These ambitious targets demonstrate our purpose of helping people, communities and the environment around the world thrive through the goodness of kiwifruit. They also give consumers a sense of who we are as a company and of our values which we're starting to bring to life through our refreshed brand. Linked to our priorities, our eleven targets cover the following key areas:

- Our packaging will be 100 percent recyclable, reusable or compostable by 2025.
- By 2025 our industry will more effectively monitor nutrient inputs and losses as well as our impact on water, protecting and enhancing water quality.
- We will become carbon positive by 2035.
- We will be an industry where people want to work because they know it's a great place to work.
- And we will do even more to help people lead healthier lives.



**HELPING PEOPLE, COMMUNITIES  
AND THE ENVIRONMENT AROUND  
THE WORLD THRIVE THROUGH  
THE GOODNESS OF KIWIFRUIT**

## The progress we're making

We already have comprehensive programmes in place to address a number of our priority areas, for example, working together with Kiwifruit Vine Health on protecting our biodiversity. The people who work in our industry matter to us and this year, in partnership with New Zealand Kiwifruit Growers Inc (NZKGI), we've delivered a successful programme to attract more people to the industry and have done even more to ensure those who employ workers do so to the high standards our industry expects.

We recognise the hardship that COVID-19 has created for many New Zealanders, and are stepping up to support our community partners, providing financial support and kiwifruit to those in need. We're addressing how production, supply and sales impact the environment, with a particular focus on packaging, water quality and climate change.

On packaging, we've invested in understanding what matters to our customers and to consumers in our key markets around the world, as well as assessing the environmental impacts of our packaging as it moves through our supply chain. We're trialling fibre-based solutions and implementing improved recycling options, and we're aligning our packaging solutions with our targets. For example, in North America we've introduced a clamshell pack for Zespri SunGold made from 100 percent recycled plastic, which is fully recyclable and uses eight percent less plastic than the older designs.

We're standing up to protect and enhance the quality of water, which means having reliable scientific data, clear goals, an understanding of good agricultural practice, grower tools to support decisions and impactful engagement with the community. In November 2019, we published the He Wai Mō Āpōpō – Water for the Future strategy with NZKGI, Māori growers and Horticulture New Zealand and will continue our work to ensure best practice water management.

We know we need to ensure as an industry we are resilient to the impacts of climate change. Our innovation programme is investing in research on future growing systems, including how we develop new varieties of kiwifruit that are drought and pest resistant.

While we are a small contributor to New Zealand's greenhouse gas emissions, customers increasingly want to buy low-impact produce and we need to help them make those choices. In 2019, we assessed the footprint of Zespri Kiwifruit produced in New Zealand and consumed globally for the 2017 season. This was estimated to be 2kgs of CO<sub>2</sub>-e per kilogram of fruit consumed. This is just over 20 percent lower than for the 2009 crop. This resulted from a more efficient production and supply chain in the 2017 season, despite the increase in the crop between 2009 and 2017. These efficiencies also meant the total emissions for 2017 remained in line with those of 2009 at just over 600,000 tonnes CO<sub>2</sub>-e.

## CARBON FOOTPRINT OF ZESPRI KIWIFRUIT PRODUCED IN NEW ZEALAND AND CONSUMED GLOBALLY KG CO<sub>2</sub>-EQ PER KG CONSUMED

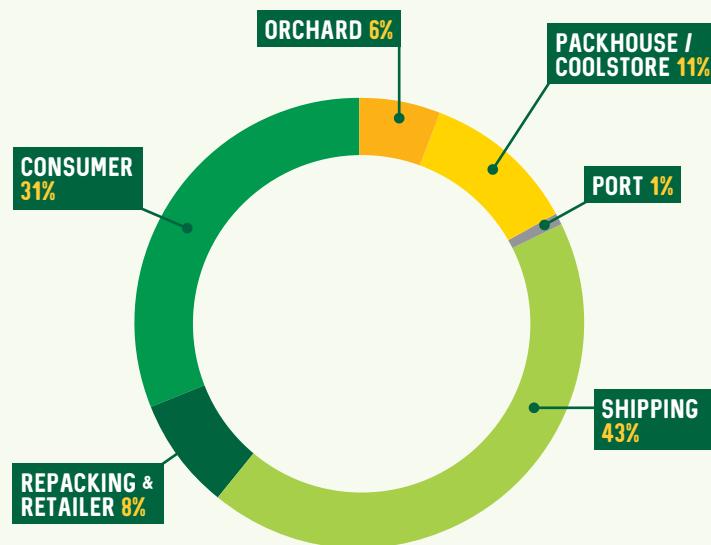


**"FOR THE 2017 CROP,  
THE CARBON FOOTPRINT  
PER KG OF FRUIT CONSUMED  
WAS JUST OVER 20 PERCENT  
LOWER THAN IN 2009."**



## OUR INDUSTRY CARBON FOOTPRINT

INDICATIVE CONTRIBUTION OF EACH STAGE IN THE SUPPLY CHAIN TO THE CARBON FOOTPRINT OF ZESPRI KIWIFRUIT PRODUCED IN NEW ZEALAND AND CONSUMED GLOBALLY<sup>1</sup>



<sup>1</sup> For the 2017 crop, calculated in accordance with the PAS2050:2011 specification for the assessment of the life cycle greenhouse gas emissions of goods and services standard.

## ZESPRI'S ORGANISATIONAL GREENHOUSE GAS EMISSIONS<sup>2</sup>

This year, we have also measured Zespri's organisational greenhouse gas emissions. This includes our scope one, scope two and selected scope three emissions. The outcomes (shown in the table below) provide us with a baseline and help identify opportunities for reducing our impact. We aim to expand the scope of our measurement over time to include additional indirect emission sources from across our supply chain.

Scope	Source	t CO <sub>2</sub> e
Scope 1	Vehicle fuel	345
Scope 2	Office electricity	310
Scope 3	Air travel	7,669
	Staff mileage and taxis	164
<b>Total</b>		<b>8,488</b>

<sup>2</sup> Zespri's core greenhouse gas emissions for 2019/20 calculated in accordance with the ISO 14641-1:2018 organisational reporting standard.

### Standing together

We've been weaving sustainability into our business practices for many years, and we're proud to have set ambitious targets which give us clear direction. We know we'll only be able to achieve these if we work together as an industry, playing our part with growers and post-harvest partners, customers and distributors to build value and help our people, the environment and communities to thrive.

# RESULTS Driven

**We are results driven** and we're constantly looking at how we can overcome challenges, to do better and lead the world in the production of high-quality, healthy, great-tasting fruit, grown in a way that looks after the environment and our people. Innovation is a big part of what's driving our success and it is fundamental in creating value for growers and consumers.

Orchard Gate Returns (OGRs) per hectare and tray volumes are growing and our innovation work continues to create a strong foundation for our business. This includes Zespri Red, which returned to New Zealand and Singapore supermarkets and is available in Japan for the first time in 2019/20.

Zespri Red's commercialisation in December 2019 follows more than 10 years of research and development and strong consumer support in limited releases in New Zealand and Singapore. The fruit is a testament to the hard work and ambition of the kiwifruit industry, and offers consumers an exciting new product. Demand for the fruit is strong and its naturally berry sweet taste and vibrant red flesh has proved popular.

It was a great privilege to offer New Zealand, Singaporean and Japanese consumers a chance to try our Zespri Red variety following a slightly earlier harvest this season. Despite the challenges posed by COVID-19, the launch of Zespri Red was a reminder of the industry's collective strength. There was a tremendous effort from everyone within the kiwifruit industry to respond to added challenges with the new variety. Under strict safety protocols the industry continued to work hard to get our fresh and healthy new variety to market.

The new cultivar development programme is our largest single investment, accounting for over half our total innovation spend. The world's largest kiwifruit breeding programme, run in partnership with Plant & Food Research, aims to develop a differentiated portfolio of proprietary products to underpin our industry's competitive advantage.

New cultivar development is a long process and we aim to accelerate the pace at which new cultivars can be developed.

The other half of our innovation investment goes into Value Chain research in areas including; sustainable orchard productivity, protecting global supply, supply chain efficiencies and health and nutrition research. Zespri's investment to protect supply has a high degree of urgency, in light of new and emerging threats such as fruit fly and Brown Marmorated Stink Bug (BMSB).

This year, our operational teams have continued their value chain research, including:

- Testing the parameters of dry matter limits for minimum taste standards (MTS). This allowed us to expand those parameters which resulted in mitigating some of the capacity challenge in post-harvest during peak periods by bringing harvesting forward. This is an area we continue to monitor, linking in closely with consumer acceptance for taste.



- Refreshing our digital health toolkit for marketing managers to ensure consistent messaging. Aligned with our brand refresh, this new tool kit covers our foundation position on gut health and nutrient richness (includes Vitamin C) as well as some new health communications from trials on vitality and mood, gut microbiota and protein digestion. In the last quarter and continuing through 2020, there has been a major refocus on the high Vitamin C content of our kiwifruit and communications around the role of Vitamin C in immunity.

Looking ahead, Zespri remains committed to further improving its innovation process. We are focusing on meeting consumer needs through developing new products, raising productivity sustainably, optimising fruit quality, protecting against pests and diseases, ensuring our fruit is safe to eat, and proving the health attributes of the amazing kiwifruit that we market to consumers.

**"WE ARE RESULTS DRIVEN AND  
WE'RE CONSTANTLY LOOKING  
AT HOW WE CAN OVERCOME  
CHALLENGES, TO DO BETTER  
AND LEAD THE WORLD..."**

# THE NEXT Horizon

**Zespri is underway with a programme that will help define the future of the industry and generate value for growers and shareholders for decades to come.**

The majority of our processes and systems were designed over 20 years ago. Since then our industry has evolved dramatically in scale, international presence and complexity but our investment hasn't always kept pace. With ageing processes and systems built to support a much smaller industry, Zespri is in a position today where doing nothing with our operating systems is simply not an option.

This year, Zespri launched its largest-ever investment in processes and systems, via an initiative called the Horizon programme. It will fundamentally overhaul the foundations of the business. Beyond mitigating a number of risks, the investment will help sustain our industry's strong growth trajectory and enable Zespri to become more agile and efficient.

During the last 12 months, we have completed a detailed blueprint for the programme scope that reaches across our value chain from grower to consumer. It will address global finance, grower enablement, supply chain, sales processes and systems and digitise the sales and operations planning processes and system. Put simply, it involves investment in the platforms that enable us to get much more value in the way we get our fruit to market and money back to growers.

We have an opportunity through the Horizon programme to digitalise the Zespri system, bring transformational change and support integrated business.

One example is in global supply chain management. Our investment in this area will lift our ability to capture real time data, to draw insights and to make better decisions. This includes areas such as track and trace, freight planning and forecasting and in our tactical choices on storage locations to meet future market demand. It will allow more proactive management of fruit in the supply chain for quality issues. Ultimately, there will be value for growers from streamlined, efficient processes underpinned by robust data and scalable systems.

It will also improve our ability to measure sustainability performance from orchard and through the supply chain and to provide better data to support inspection and reporting requirements.

This point touches on an important aspect of our investment. Consumer trends include growing concern for food safety, ethical production, origin and authenticity in the products that people buy. Governments, customers and consumers are increasingly demanding credible proof and verification on these points.



We must be able to satisfy this need through our tracking, tracing and reporting systems. If not, we put our brand and market access at risk. This trend will be accelerated by the factor of COVID-19 and what it means for consumer trust, especially in the food space.

## **"WE HAVE AN OPPORTUNITY THROUGH THE HORIZON PROGRAMME TO DIGITALISE THE ZESPRI SYSTEM, BRING TRANSFORMATIONAL CHANGE AND SUPPORT INTEGRATED BUSINESS."**

Another critical area for us is how we engage and enable growers. Our current online tools were designed to meet growers' needs well over a decade ago. Today we're acutely aware of the need to better harness data from the orchard, such as crop count results and yield, water use, fertiliser input and environmental performance. We need solutions to help consolidate, simplify, automate and disseminate this information.

We have an opportunity through the Horizon programme to reduce, as much as possible, the burden on growers to meet the ever-growing list of compliance data requirements. But more than that, better information services will provide access for growers to quality tools and insights that enable improved operations and productivity.

There is a clear need to invest in modern systems to consolidate and integrate data and share insights that add value for growers.

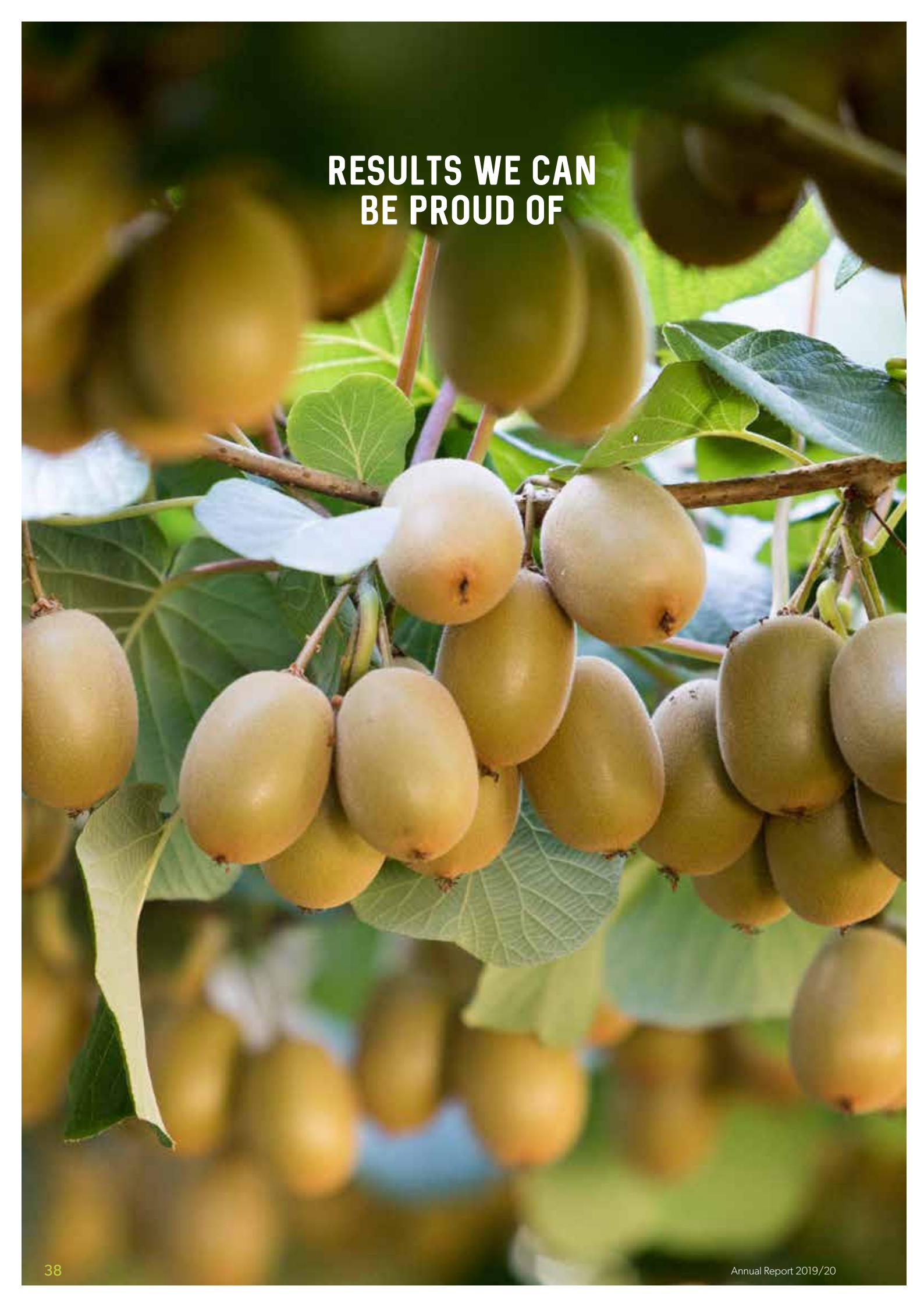
The Horizon programme is possibly the most significant investment that we will ever make in our processes and systems. It will challenge our current way of working to determine the most effective and efficient operating model that will deliver real value.

The Zespri Board is focused on a prudent governance and funding approach given the scale of the investment over four years. This includes disciplined financial management and a focus on Zespri growing revenue faster than cost. Every aspect and phase of the programme requires a full business case while Zespri is aiming to help fund the investment through efficiencies such as improved procurement processes and economies of scale.

Following a competitive tender process, Zespri will begin work in 2020 with an external partner whose role is to provide expert support to design, build, acquire, test and deploy our new business processes and solutions. We will also start the high-level design this year. This will lead to the first release of systems and solutions in 2021. The full scope of the project, including more far-reaching change, is not expected to be complete until 2024.

The Horizon programme is an exciting undertaking, aimed at supporting our industry's success for decades to come. It builds on the already considerable investment being made through the industry and it needs involvement and input of partners across the value chain. We're looking forward to engaging with you on progress over the coming months.





## RESULTS WE CAN BE PROUD OF

# **FINANCIAL STATEMENTS AND STATUTORY INFORMATION**

**For the year ended 31 March 2020**

Your Directors take pleasure in presenting the Financial Statements of the Company and its subsidiaries (collectively Zespri Group) and Statutory Information for the year ended 31 March 2020.

For and on behalf of the Directors



**B L Cameron**  
Chairman



**J P Mason**  
Director

# Independent Auditor's Report

To the Shareholders of Zespri Group Limited

## Report on the audit of the consolidated financial statements

### Opinion

In our opinion, the accompanying consolidated financial statements of Zespri Group Limited (the 'Company') and its subsidiaries (the 'Group') on pages 44 to 73:

- i. Present fairly in all material respects the Group's financial position as at 31 March 2020 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 balance sheet as at 31 March 2020;
- The consolidated income statement, statement of 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 consulting, climate change consulting and sustainability reporting, reasonable assurance engagements in relation to New Zealand Kiwifruit pools and overhead allocations between segments, review engagement in relation to Callaghan Innovation Growth grant and agreed upon procedures relating to; Unlisted submission, margin statement and 2019 Annual General Meeting. 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.



## Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$9 million determined with reference to a benchmark of Total Fruit and Service Payments. We chose the benchmark because, in our view, this is a key metric most relevant to users of the financial statements.



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the Shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

### The key audit matter

#### Operating Revenue (\$3.3 billion)

Refer to Note 2(a) to the Financial Statements.

Key operating revenue streams include sales of kiwifruit (\$3.12 billion) and sales of Zespri Plant Variety Right licences (\$214.52 million).

The Group recognises revenue from sales of kiwifruit and licences when control has transferred, being when the goods are delivered to the customer. Sales revenue is recorded at the invoiced price of the kiwifruit less volume discounts provided to a customer.

Sales revenue is generated from customers in many markets. There is a risk that revenue may be recognised or measured incorrectly due to the complexities of selling under a range of different commercial terms, currencies and shipping arrangements.

Plant Variety Licences are allocated to growers who submit the highest bids in a tender process run by the Group. There is risk that licence revenue is incorrectly recognised as judgement is required to determine the point at which control of the license transfer to the successful growers.

### How the matter was addressed in our audit

Our audit procedures included:

- Reviewing processes and controls for New Zealand sourced sales operations and Zespri Global Supply activities, including customer acceptance processes;
- Assessing the recognition criteria against applicable accounting standards;
- Testing accuracy of sales data by vouching to cash receipts on a sample basis;
- Using Data & Analytics tools to analyse kiwifruit sales revenue per tray by variety, packtype, packsize and customer to identify unusual transactions;
- Testing cut off around balance date to ensure sales are recognised in the correct period;
- Reviewing the license tender process to understand and challenge the determination of the point at which control of the license transfers; and
- Testing a sample of license sales by agreeing them to bid documentation and confirming payment has been received.

We did not identify any material misstatements in relation to operating revenue.

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<b>Intangibles (\$35.0 million)</b>	
<p>Refer to Note 1(q)(ii) and 15 to the Financial Statements.</p> <p>During the year ended 31 March 2020, the Group had intangible additions of \$9.717 million, the majority of which relate to computer software and process development.</p> <p>The Group purchases and develops computer software for use in its own business. Judgement must be applied to account for costs incurred in the development of computer software as either an asset or an expense.</p> <p>There is a risk that costs incurred on computer software development are incorrectly recorded as an asset, resulting in an overstatement of the Group's intangible assets.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Obtaining and analysing business cases and approvals of key projects, including approval by the board of directors;</li> <li>— Reviewing processes and IT infrastructure around internal approval of invoices and how costs are reflected in the consolidated financial statements;</li> <li>— Obtaining an understanding from and challenging, key management personnel, on project objectives and timelines, including the current status of projects;</li> <li>— On a sample basis, testing the accuracy of intangible additions by obtaining 3rd party evidence; and</li> <li>— We did not identify any material misstatements in relation to intangibles.</li> </ul>



## **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 the Season Overview and Annual Meeting, Financial Highlights, Chair and CEO's report, Orchard Gate Returns, Corporate Governance, Alternative Revenue Statement, Cause of Change, Standing Out, Standing Up, Results Driven, The Next Horizon, Statutory Information, Industry Performance, Zespri Global Supply Performance, Demand for Zespri Kiwifruit, Zespri Board and Executive Team. 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) 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:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

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

The engagement partner on the audit resulting in this independent auditor's report is Ian Proudfoot.

For and on behalf of

KPMG.

KPMG  
Tauranga

17 June 2020

## INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Income Statement	Notes	2020 \$'000	2019 \$'000
Operating revenue	2(a)	3,340,542	3,104,453
Other revenue	2(b)	45,717	37,558
Operating expenses	3	(3,131,083)	(2,919,058)
Other net gains	4	18,529	28,479
<b>Operating profit before taxation</b>		<b>273,705</b>	<b>251,432</b>
Finance revenue	5(a)	5,359	6,028
Finance expense	5(b)	(2,144)	(1,826)
<b>Net profit before taxation</b>		<b>276,920</b>	<b>255,634</b>
Taxation expense	6(a)	(76,099)	(75,828)
<b>Net profit after taxation</b>		<b>200,821</b>	<b>179,806</b>
Earnings per share: basic	7	\$1.10	\$0.99

Statement of Comprehensive Income	2020 \$'000	2019 \$'000
Profit for the year	200,821	179,806
<b>Total comprehensive income for the year</b>	<b>200,821</b>	<b>179,806</b>

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

# BALANCE SHEET

<b>Balance Sheet at 31 March</b>	Notes	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Current assets</b>			
Cash and cash equivalents	12(a)	322,821	192,612
Accounts receivable	10	104,260	100,813
Income tax receivable		777	3,540
Other financial assets	12(a)	127,102	47,809
Prepayments	11	52,519	51,739
Inventories	13	178,627	90,103
		<b>786,106</b>	486,616
<b>Non-current assets</b>			
Accounts receivable	10	–	16,368
Other financial assets	12(a)	148,860	70,437
Property, plant and equipment	14	67,162	57,067
Intangibles	15	34,963	37,142
Deferred tax assets	6(b)	13,700	4,360
Prepayments	11	5,685	4,711
Right of use assets	16(a)	13,246	–
		<b>283,616</b>	190,085
<b>Total assets</b>		<b>1,069,722</b>	676,701
<b>Current liabilities</b>			
Accounts payable and accruals	18	484,109	320,035
Income tax payable		14,001	13,533
Provisions and insurance liabilities	19	1,433	6,743
Other financial liabilities	12(b)	127,102	47,809
Lease liabilities	16(c)	4,486	–
		<b>631,131</b>	388,120
<b>Non-current liabilities</b>			
Accounts payable and accruals	18	2,866	1,924
Interest bearing liabilities	23	30,000	–
Deferred tax liabilities	6(b)	1,474	2,328
Other financial liabilities	12(b)	148,860	70,437
Lease liabilities	16(c)	9,403	–
		<b>192,603</b>	74,689
<b>Equity</b>			
Share capital	8(b)	26,539	26,539
Retained earnings		219,449	187,353
		<b>245,988</b>	213,892
<b>Total liabilities and equity</b>		<b>1,069,722</b>	676,701

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

The Financial Statements were authorised for issue by the Directors of Zespri Group Limited on 17 June 2020.  
Authorised for, and on behalf of, the Board:

**B L Cameron**  
Chair

**J P Mason**  
Director

## STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity	Notes	Share capital	Retained earnings	Total
		\$'000	\$'000	\$'000
Attributable to shareholders:				
<b>Balance as at 1 April 2019</b>		26,539	187,353	213,892
Comprehensive income:				
Net profit after taxation		–	200,821	200,821
<b>Total comprehensive income for the year</b>		–	200,821	200,821
Transactions with owners:				
Dividends paid during the year	9	–	(168,725)	(168,725)
<b>Balance as at 31 March 2020</b>		26,539	219,449	245,988
<b>Balance as at 1 April 2018</b>		3,160	165,180	168,340
Comprehensive income:				
Net profit after taxation		–	179,806	179,806
<b>Total comprehensive income for the year</b>		–	179,806	179,806
Transactions with owners:				
Share capital raised through targeted share issue	8	81,928	–	81,928
Treasury stock issued through targeted share issue	8	14,246	–	14,246
Purchase of shares through targeted share buy-back	8	(70,322)	–	(70,322)
Targeted share issue and buy-back expenses	8	(2,473)	–	(2,473)
Dividends paid during the year	9	–	(157,633)	(157,633)
<b>Total transactions with owners in their capacity as owners</b>		23,379	(157,633)	(134,254)
<b>Balance as at 31 March 2019</b>		26,539	187,353	213,892

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

# STATEMENT OF CASH FLOWS

Statement of Cash Flows	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Receipts from sales		3,156,584	2,912,020
Receipts from sales of Zespri licences		231,938	211,708
Receipts from research co-funding		7,096	7,076
Insurance receipts – reinsurance assets		–	247
Proceeds from derivatives	4	3,553	22,963
Taxation refunded		3,953	5,204
		3,403,124	3,159,218
Cash was applied to:			
Payments to contracted suppliers – New Zealand-grown fruit		1,958,023	1,825,316
Payments to contracted suppliers – non-New Zealand-grown fruit		269,160	227,608
Payments to other suppliers and employees		794,059	808,926
Insurance claims – reinsurance liabilities		4,731	2,166
Other sundry items		5,902	1,942
Taxation paid		86,990	77,347
		3,118,865	2,943,305
<b>Net cash provided from operating activities</b>	20	<b>284,259</b>	<b>215,913</b>
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Proceeds from sale of property, plant and equipment, and intangibles		12	26
		12	26
Cash was applied to:			
Purchase of property, plant and equipment		14,713	32,649
Purchase of intangible assets		9,717	14,576
		24,430	47,225
<b>Net cash used in investing activities</b>		<b>(24,418)</b>	<b>(47,199)</b>
<b>Cash flows from financing activities</b>			
Cash was provided from:			
Proceeds from borrowings		30,000	–
Interest received		4,401	4,316
Share issue		–	93,701
		34,401	98,017
Cash was applied to:			
Interest paid		329	530
Share buy-back		–	70,322
Lease liabilities payments		3,700	–
Dividend payments	9	168,725	157,633
		172,754	228,485
<b>Net cash used in financing activities</b>		<b>(138,353)</b>	<b>(130,468)</b>
Net increase in cash held		121,488	38,246
Effects of exchange rate changes on foreign currency cash balances		8,721	652
Add opening cash brought forward		192,612	153,714
<b>Ending cash carried forward</b>		<b>322,821</b>	<b>192,612</b>
<b>Represented by:</b>			
Cash and cash equivalents	12(a)	322,821	192,612
		322,821	192,612

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies

### Statement of compliance

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

The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Financial Statements of the Group comply with the Financial Markets Conduct Act 2013 and Financial Reporting Act 2013.

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

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

### Basis of preparation

The consolidated Financial Statements have been prepared according to historical cost basis, modified by the revaluation of certain items as identified in the specific accounting policies below.

### Use of estimates and judgements

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

### Critical accounting estimates in applying significant accounting policies

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the assumptions applied, methods used and uncertainties pertaining to these, are discussed in the related accounting policies below and in the relevant notes:

- Accounts receivable (Note 10)
- Derivatives (Note 12)
- Intangible assets (Note 15)
- Leases (Note 16)
- Provisions and insurance liabilities (Note 19)
- Contingent assets and liabilities (Note 22)

### Specific accounting policies

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

#### (a) Basis of consolidation

The consolidated Financial Statements include the results and balances of all entities over which the Company and its subsidiary companies (refer Note 17) have control. All companies in Zespri Group are wholly owned by companies within the Group and, therefore, are ultimately fully controlled by the Company.

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

All inter-company transactions are eliminated on consolidation.

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

#### (b) Indirect tax

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

#### (c) Revenue recognition

Revenue is recognised as follows:

##### (i) Sale of goods and licences:

###### *Sale of kiwifruit*

The Group generates revenues primarily from the sale of kiwifruit to its customers. Sales of kiwifruit are recognised when control of the goods has transferred, being when the goods are delivered to the distributor or retailer. Delivery occurs when the goods have been shipped to the destination port and (if relevant) have received the relevant food safety approvals in the country of destination, the risks of loss have been transferred to the distributor, and the distributor has accepted the goods. Kiwifruit is often sold with volume incentives based on aggregate sales over a 12 month period. Revenue from these sales is recognised net of estimated volume discounts. Historical experience is used to estimate and provide for these incentives, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

###### *Collaborative marketing*

Revenue from the sale of kiwifruit under collaborative marketing agreements are recognised when the goods are delivered to the agreed destination and the risks of loss have been transferred to the collaborative marketer.

###### *Licence and royalty sales*

Revenue from sales of new cultivar licences is recognised when control of the licence has transferred, being when the licence application has been accepted. Royalty income is recognised when the sales of licenced PVR kiwifruit occurs.

# NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

## 1. Summary of significant accounting policies (continued)

### (ii) Interest:

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

### (d) Co-funding

Co-funding is recognised as follows:

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

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

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

### (e) Borrowing costs

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

### (f) Earnings per share

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

### (g) Taxation

#### (i) Current tax payable or receivable:

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

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

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

#### (ii) Deferred tax:

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

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

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

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

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

### (h) Foreign currency translation

#### (i) Functional and presentation currency:

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

#### (ii) Transactions and balances in functional currency:

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

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

### (i) Share capital

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

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

### (j) Dividends

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

### (k) Cash and cash equivalents

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

### (l) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method and adjusted for credit impairment losses. Discounting is not applied to receivables where collection is expected to occur within the next 12 months.

In assessing credit losses for trade receivables, the Group applies the simplified approach and records lifetime expected credit losses ("ECLs") on trade receivables. Lifetime ECLs result from all possible default events over the expected life of a trade receivable. The Group considers the probability of default upon initial recognition of the trade receivable, based on reasonable and available information on the Group's customers and groups of customers.

### (m) Inventories

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

# NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

## 1. Summary of significant accounting policies (continued)

### (n) Derivatives

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

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

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

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

#### (i) Recognition and derecognition:

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

#### (ii) Embedded derivatives:

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

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

#### (iii) Fair value estimation:

The fair value of derivatives traded in an active market is based on a price within the bid-ask spread that is most representative of fair value (refer Note 12).

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

The fair value of derivatives that are not traded in an active market is determined by using valuation techniques as specified in Note 12, adjusted for credit risk of the counter-party.

### (o) Property, plant and equipment

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

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

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

### (p) Depreciation

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

Buildings	Lower of 50 years or useful life of the building
Leasehold improvements	Lower of 10 years or unexpired portion of lease
Plant and equipment	2–25 years
Motor vehicles	5 years
Building fit-out	5–25 years
Land	not depreciated

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

### (q) Intangibles

#### (i) Research and development costs:

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

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

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

#### (ii) Computer software:

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

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

An intangible asset arising from the development of software is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use it;
- the ability to use the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

# NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

## 1. Summary of significant accounting policies (continued)

The cost of software developed by, and for the use of, Zespri Group includes the cost of all materials used to develop the software, direct labour on the project and financing costs that are directly attributable to the project. The amount initially recognised as an intangible asset is the sum of this expenditure incurred from the date the above recognition criteria is met. Computer software has a finite useful life and is carried at cost less accumulated amortisation.

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

(iii) Intangibles work in progress:

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

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

(r) **Impairment of non-financial assets**

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

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

(s) **Employee benefits**

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

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

(t) **Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

(u) **Statement of Cash Flows**

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

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

(v) **Segment reporting**

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

- (i) New Zealand kiwifruit: all activities related to the production and sale of New Zealand-grown kiwifruit varieties, other than activities included in the new cultivar segment. Activities include but are not limited to innovation, procurement, transport, marketing, selling and administration overheads.
- (ii) Non-New Zealand supply: all activities related to the production and sale of non-New Zealand-grown kiwifruit varieties, other than activities included in the new cultivar segment. Activities include but are not limited to innovation, production, procurement, transport, marketing, selling and administration overheads.
- (iii) New cultivars: all pre-commercialised activities related to any Zespri PVR kiwifruit. Activities include but are not limited to innovation, production, procurement, transport, marketing, selling and administration overheads. This segment also covers activities related to the selling and administration of PVR licences, and the associated ongoing royalty income.
- (iv) All other segments: all other segments not covered above including ownership of land and buildings.

(w) **Changes in accounting policies, disclosures and legislation**

On 1 April 2019 the following accounting standard was adopted:

**NZ IFRS 16 Leases:**

The Group applied NZ IFRS 16 using the modified retrospective transition approach. Comparative information and opening equity are therefore not restated and continue to be reported under NZ IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. Refer to Note 16 for details of accounting policies and impact from adoption of NZ IFRS 16.

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 2. Revenue

(a) Operating revenue	2020 \$'000	2019 \$'000
Sale of kiwifruit (at spot foreign exchange rates):		
New Zealand-grown kiwifruit	2,727,232	2,576,045
Non-New Zealand-grown kiwifruit	369,417	311,875
Collaborative marketing	27,513	22,851
Total revenue from kiwifruit product sales	3,124,162	2,910,771
Sale of Zespri Plant Variety Right licences	214,521	192,707
Revenue from branding royalties	189	251
Insurance revenue <sup>1</sup>	1,670	724
	3,340,542	3,104,453

<sup>1</sup> Insurance revenue includes revenue received or receivable on policies taken out for pre-'Free on board stowed' (FOBS) and post-FOBS kiwifruit losses.

(b) Other revenue	2020 \$'000	2019 \$'000
Gain on sale of assets	17	11
Zespri Plant Variety Right royalty income	32,713	28,149
Co-funding from Callaghan Innovation for research and development <sup>1</sup>	5,000	5,000
Co-funding for other projects	1,028	584
Other income	6,959	3,814
	45,717	37,558

<sup>1</sup> On 19 October 2015, Zespri Group Limited entered into a co-funding research and development agreement with Callaghan Innovation. The agreement had an initial term of three years and a Callaghan Innovation contribution value of up to \$15,000,000 (excluding GST) over the three years. On 12 February 2018, Zespri Group Limited entered into a two year extension with an additional Callaghan Innovation contribution value of up to \$10,000,000 (excluding GST) over a further two years. This provides a maximum contribution value of up to \$25,000,000 (excluding GST) over five years. Zespri Group Limited recognises Callaghan Innovation contributions as co-funding revenue in the year the associated research and development is incurred.

### 3. Operating expenses

Operating expenses include the following (at spot foreign exchange rates):	2020 \$'000	2019 \$'000
Bad debts written off/movement in provision for doubtful debts	–	56
Commissions	23,124	21,382
Directors' fees	883	856
Employee remuneration and benefits	102,569	82,031
Employee remuneration and benefits – defined contribution plan	2,788	1,426
Fruit and service payments – New Zealand-grown kiwifruit <sup>1</sup>	1,917,453	1,775,663
Fruit purchases – non-New Zealand-grown kiwifruit	273,647	230,911
Innovation	31,137	29,293
Kiwifruit New Zealand <sup>2</sup>	640	571
Kiwifruit Vine Health Incorporated <sup>3</sup>	2,332	2,367
Loss on sale of assets	111	106
Loyalty premium – New Zealand-grown kiwifruit	45,475	46,347
New Zealand Kiwifruit Growers Incorporated <sup>4</sup>	1,457	1,498
Promotion	179,085	167,424

<sup>1</sup> Contracted-supplier fruit returns by means of fruit and service payments reflect the value of sales from New Zealand-grown kiwifruit after deducting those expenses defined under the annual New Zealand Supply Agreement, including derivative gains and losses.

Zespri Group is required to fund certain Statutory Board and Grower Representation industry initiatives. These are stated below:

<sup>2</sup>The Company is required, under Regulation 39 of the Kiwifruit Export Regulations 1999, to fund the statutory board Kiwifruit New Zealand.

<sup>3</sup> Zespri Group Limited pays two different levies to Kiwifruit Vine Health Inc. on behalf of growers: (1) a Psa levy of \$0.002 per tray of Class 1 Green and Class 1 Gold exported to markets other than Australia; and (2) a biosecurity levy of \$0.014 per tray for all varieties exported to markets other than Australia.

<sup>4</sup> Zespri Group Limited is required by The Commodity Levies (Kiwifruit) Order 2017 to pay a levy to New Zealand Kiwifruit Growers Incorporated on behalf of growers. The rate for 2019/20 was \$0.01 per tray of kiwifruit grown in New Zealand and exported to markets other than Australia (2019: \$0.01 per tray).

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 3. Operating expenses (continued)

#### Fees paid to auditors

Fees were paid to KPMG as follows:

- Audit of financial statements: \$432,500 (2019: \$361,000)
- Other audit-related fees: \$44,000 (2019: \$96,000)<sup>1</sup>
- Non-audit fees: \$208,227 (2019: \$13,616)<sup>2</sup>

<sup>1</sup>Other audit-related fees include fees for a reasonable assurance engagement in relation to the overhead allocation between segments. Agreed-upon procedures related to the Unlisted submission, 2019 Annual General Meeting, and the 2020 margin reset calculation.

<sup>2</sup>Non-audit fees include fees for a review engagement related to the Callaghan Innovation Growth grant, the reasonable assurance engagement in relation to the New Zealand Kiwifruit pools, tax consulting, climate change consulting and sustainability reporting.

Other audit fees of \$61,373 (2019: \$32,401) have been paid to other auditors to meet local requirements.

### 4. Other net gains

	2020 \$'000	2019 \$'000
Net gains from derivatives	3,553	23,024
Net foreign exchange gains from non-derivatives	14,976	5,455
Total other net gains	18,529	28,479

### 5. Finance revenue and expense

(a) Finance revenue	2020 \$'000	2019 \$'000
Interest revenue <sup>1</sup>	5,359	6,028
Total finance revenue	5,359	6,028

<sup>1</sup>Interest revenue includes interest on short-term deposits of \$4,366,905 (2019: \$4,315,781) and implied interest of deferred licence revenue \$992,530 (2019: \$1,712,527).

(b) Finance expense	2020 \$'000	2019 \$'000
Interest expense	298	530
Interest on leases	389	–
Fee expense	1,457	1,296
Total finance expense	2,144	1,826

### 6. Taxation

(a) Taxation expense	2020 \$'000	2019 \$'000
Net profit before taxation	276,920	255,634
Taxation at 28%	77,538	71,578
Tax effect of:		
Non-deductible or non-assessable items	930	1,816
Translation (gain)/loss differences on foreign tax	(881)	4
Tax (over)/under provided in prior year	(3,186)	980
Foreign income at different tax rates	836	230
Movement in distribution of accumulated retained earnings of subsidiaries	862	1,220
Taxation expense	76,099	75,828
Effective tax rate	27.48%	29.66%
Taxation expense is represented by:		
Current taxation expense:		
Current income tax charge	88,399	76,381
Adjustments of prior years	(1,970)	980
Deferred taxation expense:		
Reversal of temporary differences	(10,330)	(1,533)
Taxation expense	76,099	75,828

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

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 6. Taxation (continued)

(b) Components of deferred taxation	2020 \$'000	2019 \$'000
Property, plant and equipment, and intangibles	(1,752)	(1,986)
Inventories and receivables	4,701	(1,160)
Retained earnings in subsidiaries	(1,570)	(1,661)
Provisions and accruals	8,016	4,795
Other financial assets and liabilities	(1,663)	(1,572)
Employee entitlements	4,403	3,616
Tax losses carried forward	91	–
Net deferred assets	12,226	2,032
Deferred tax assets	13,700	4,360
Deferred tax liabilities	(1,474)	(2,328)
Net deferred assets	12,226	2,032

(c) Net change in deferred tax balances	2020 \$'000	2019 \$'000
Net deferred assets at 1 April	2,032	467
Charged to Income Statement	10,330	1,533
Exchange differences and other	(136)	32
Net deferred assets at 31 March	12,226	2,032

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

(d) Tax credits available to shareholders	2020 \$'000	2019 \$'000
<b>New Zealand imputation credit account</b>		
Balance as at 1 April	1,507	1,334
Income tax payments made to New Zealand tax authorities during the year	65,910	61,313
Imputation credits attached to dividends paid	(65,431)	(61,140)
Refunds	(106)	–
Total tax credits available for use at 31 March	1,880	1,507

### 7. Earnings per share

	2020	2019
Net profit after taxation attributable to shareholders (\$'000)	200,821	179,806
Weighted average shares ('000)	183,252	182,382
Basic average per share (\$)	1.10	0.99

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 8. Share capital

(a) Number of shares issued	2020 No. of shares	2019 No. of shares
Number of ordinary shares issued (fully paid) at 1 April	183,252,240	118,936,547
Number of new shares issued through targeted share issue	–	10,240,934
Number of shares purchased through targeted share buy-back	–	(8,790,211)
Number of treasury stock shares reissued through targeted share issue	–	1,780,788
Additional shares issued under three-for-two share split	–	61,084,182
Number of ordinary shares (fully paid) issued at 31 March	183,252,240	183,252,240
Number of shares held as treasury stock at 1 April	–	1,780,788
Number of treasury stock shares reissued through targeted share issue	–	(1,780,788)
Number of shares held as treasury stock at 31 March	–	–
Total shares as at 31 March	183,252,240	183,252,240
(b) Share capital value	2020 \$'000	2019 \$'000
Share capital at 1 April	26,539	18,017
Share capital raised through targeted share issue	–	81,928
Purchase of shares through targeted share buy-back	–	(70,322)
Targeted share issue and buy-back expenses	–	(2,473)
Treasury stock reissued at below purchase value	–	(611)
Balance as at 31 March	26,539	26,539
(c) Treasury Stock	2020 \$'000	2019 \$'000
Treasury stock as at 1 April	–	(14,857)
Treasury stock issued through targeted share issue	–	14,246
Treasury stock reissued at below purchase value	–	611
Balance as at 31 March	–	–

Ordinary shares: All ordinary shares rank equally subject to the voting cap and are classified as equity. Each shareholder is entitled to one vote per ordinary share up to a maximum that is calculated by reference to the lesser of the number of shares held or that shareholder's New Zealand production supplied to Zespri Group.

Where the Company purchases its own equity share capital (treasury stock), the consideration paid (which includes any directly attributable incremental costs) is deducted from equity attributable to the shareholders until the shares are cancelled or reissued. Where such shares are reissued, any consideration that is received, net of directly attributable incremental costs, is included in equity attributable to shareholders.

#### (d) Capital management

The Company's activities are restricted under the Kiwifruit Export Regulations 1999 in order to protect shareholders and contracted suppliers.

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

Under its Constitution, the Company may issue, buy-back, consolidate or subdivide shares, and most recently has:

- issued shares in a targeted share offer in November 2018, and bought back shares in a targeted buy-back offer, following a Special Meeting approving changes to the Zespri Constitution in March 2018; and
- performed a share split in March 2019 to achieve a better alignment between trays supplied and total shares.

#### Share capital

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

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

#### Payment of dividends

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

Following the approval of an updated constitution in March 2018, dividends will not be paid to non-producer shareholders from March 2025 on shares held as at 14 March 2018. Shares held by a person that becomes a non-producer subsequent to this date will not receive dividends from three years following becoming a non-producer.

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 9. Dividends paid

	2020 \$'000	2019 \$'000
Ordinary dividends:		
On ordinary shares – final (prior year)	31,153	21,408
On ordinary shares – interim (current year)	137,439	136,108
Supplementary dividends (to non-residents)	133	117
Total dividends paid	<b>168,725</b>	157,633

During the year, the 2019 final dividend of 17 cents per share and the 2020 interim dividend of 67 cents per share were paid in August 2019. An additional 2020 interim dividend of 8 cents per share was paid in December 2019. All of these dividends are recognised in the Financial Statements and were fully imputed. Supplementary dividends of \$133,085 were paid to shareholders not tax resident in New Zealand, for which Zespri Group received a foreign investor tax credit entitlement. An intention by the Board of Directors to pay a fully imputed final dividend is detailed in Note 25.

### 10. Accounts receivable

	2020 \$'000	2019 \$'000
Current:		
Trade receivables	46,437	43,378
Other receivables <sup>1</sup>	23,347	16,461
Less: expected credit loss provision	–	–
	<b>69,784</b>	59,839
Indirect taxation	34,476	40,974
Total current accounts receivables	<b>104,260</b>	100,813
Non-current:		
Trade receivables <sup>2</sup>	–	16,368
Total non-current accounts receivables	–	16,368
Total gross receivables	<b>104,260</b>	117,181
Less: Total expected credit loss provision	–	–
Total accounts receivables	<b>104,260</b>	117,181

<sup>1</sup> Other receivables include an amount of \$Nil (2019: \$2,670,221) of hail receivable against the New Zealand pool to offset the insurance provision. Research and development co-funding of \$77,892 is receivable from Callaghan Innovation (2019: \$640,239).

<sup>2</sup> There is no longer deferred licence revenue in non current receivables. All licence revenue is classed as a current receivable and the amount is \$16,443,839.

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

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

Amounts receivable from related parties are disclosed in Note 24.

<b>Accounts receivable past due but not impaired</b>	2020 \$'000	2019 \$'000
Less than 3 months overdue	3,414	3,861
Between 3 and 6 months overdue	64	2
Between 6 and 12 months overdue	32	109
More than 12 months overdue	52	–
Accounts receivable past due but not impaired as at 31 March	<b>3,562</b>	3,972

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

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 11. Prepayments

		2020 \$'000	2019 \$'000
Current:			
Prepaid submit payments for next season's fruit not recorded in inventory		34,866	34,738
Insurance		5,599	4,580
Option premiums		5,954	5,650
Other		6,100	6,771
Total current prepayments		<b>52,519</b>	51,739
Non-current:			
Option premiums		5,367	4,428
Other		318	283
Total non-current prepayments		<b>5,685</b>	4,711
Total prepayments		<b>58,204</b>	56,450

### 12. Financial assets and liabilities

(a) Financial assets per Balance Sheet	Notes	Loans and receivables		Assets designated at fair value through the Income Statement		Total	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Derivatives – held for trading		–	–	92,199	118,246	92,199	118,246
Contracted future suppliers		–	–	183,763	–	183,763	–
Accounts receivable	10	104,260	117,181	–	–	104,260	117,181
Cash and cash equivalents		322,821	192,612	–	–	322,821	192,612
Total other financial assets		<b>427,081</b>	309,793	<b>275,962</b>	118,246	<b>703,043</b>	428,039
Represented by:							
Current		427,081	293,425	127,102	47,809	554,183	341,234
Non-current		–	16,368	148,860	70,437	148,860	86,805
Total other financial assets		<b>427,081</b>	309,793	<b>275,962</b>	118,246	<b>703,043</b>	428,039
(b) Financial liabilities per Balance Sheet	Notes	Liabilities at amortised cost		Liabilities designated at fair value through the Income Statement		Total	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Derivatives – held for trading		–	–	275,962	14,914	275,962	14,914
Contracted future suppliers		–	–	–	103,332	–	103,332
Accounts payable and accruals	18	486,975	321,959	–	–	486,975	321,959
Lease liabilities	16(c)	13,889	–	–	–	13,889	–
Interest bearing liabilities	23	30,000	–	–	–	30,000	–
Total other financial liabilities		<b>530,864</b>	321,959	<b>275,962</b>	118,246	<b>806,826</b>	440,205
Represented by:							
Current		488,595	320,035	127,102	47,809	615,697	367,844
Non-current		42,269	1,924	148,860	70,437	191,129	72,361
Total other financial liabilities		<b>530,864</b>	321,959	<b>275,962</b>	118,246	<b>806,826</b>	440,205

Financial assets and financial liabilities, except for derivatives, are measured initially at fair value plus directly attributable transaction costs. The consolidated entity has determined that the business model within which debt instruments are held has the objective to collect contractual cash flows, and those contractual cash flows are solely payments of principal and interest. Therefore, debt instruments such as trade receivables and amounts receivable from related parties are subsequently measured at amortised cost and subject to regular review for impairment. The entity has applied the practical expedient permitted and used the simplified approach for establishing the expected credit loss on financial assets carried at amortised cost with a maturity of 12 months or less.

#### Fair value of financial assets and liabilities

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

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 12. Financial assets and liabilities (continued)

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of financial assets and liabilities valuation hierarchy	Level 2	
	2020 \$'000	2019 \$'000
Assets:		
Derivatives – held for trading	92,199	118,246
Contracted future suppliers	183,763	–
	275,962	118,246
Liabilities:		
Derivatives – held for trading	275,962	14,914
Contracted future suppliers	–	103,332
	275,962	118,246

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

#### (c) Liquidity risk

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

Contractual maturities as at 31 March	Notes	< 1 year	1–2 years	2–5 years	>5 years	Total	
		\$'000	\$'000	\$'000	\$'000	\$'000	
<b>2020</b>							
Non-derivatives:							
Trade creditors	18	71,153	–	–	–	71,153	
Accruals and other payables	18	412,956	–	2,866	–	415,822	
Lease liabilities	16(d)	4,660	3,134	4,635	3,155	15,584	
Interest bearing liabilities	23	–	–	–	30,000	30,000	
		488,769	3,134	7,501	33,155	532,559	
Derivatives:							
Derivatives – held for trading		127,102	88,616	60,244	–	275,962	
Total contractual maturities		615,871	91,750	67,745	33,155	808,521	

#### 2019

Non-derivatives:						
Trade creditors	18	53,271	–	–	–	53,271
Accruals and other payables	18	266,764	–	1,924	–	268,688
	18	320,035	–	1,924	–	321,959
Derivatives:						
Derivatives – held for trading		5,117	7,203	2,594	–	14,914
Contracted future suppliers		42,692	30,997	29,643	–	103,332
		47,809	38,200	32,237	–	118,246
Total contractual maturities		367,844	38,200	34,161	–	440,205

#### (d) Credit risk

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

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

##### (i) Credit risk counter-parties:

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

In assessing credit losses for trade receivables, the Group applies the simplified approach and records lifetime expected credit losses ("ECLs") on trade receivables. Lifetime ECLs result from all possible default events over the expected life of a trade receivable. The Group considers the probability of default upon initial recognition of the trade receivable, based on reasonable and available information on the customers.

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 12. Financial assets and liabilities (continued)

In assessing ECLs on trade receivables the Group considers both quantitative and qualitative inputs. Quantitative data includes past collection rates, industry statistics, ageing of receivables, and trading outlook. Qualitative inputs include past trading history with the Group.

Zespri Group continuously monitors the credit quality of the counter-parties to its financial instruments. Zespri Group does not anticipate non-performance by any of its counter-parties, except where already provided for in ECL's.

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

Maximum exposures to credit risk	Notes	2020 \$'000	2019 \$'000
Bank balances		211,766	88,372
Short-term deposits		111,055	104,240
Cash and cash equivalents		322,821	192,612
Accounts receivable	10	69,784	76,207
Derivatives – held for trading		92,199	118,246
Contracted future suppliers		183,763	–
Total maximum exposures to credit risk		668,567	387,065

The amounts above have been determined by the Board of Directors to be the fair value of these classes of financial instruments. Exposure risk on guarantees pledged is further disclosed in Note 21.

- (iii) Concentration of credit risk:

Concentration of credit risk by geographical location is indicated below:

Location of counter-party	Europe	Japan	China <sup>1</sup>	South Korea	Other Asia	New Zealand	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>								
Bank balances	11,542	3,522	96,584	13,201	2,724	79,925	4,268	211,766
Short-term deposits	–	–	–	–	–	111,055	–	111,055
Cash and cash equivalents	11,542	3,522	96,584	13,201	2,724	190,980	4,268	322,821
Accounts receivable	23,224	931	–	89	–	45,166	374	69,784
Derivatives – held for trading	9,281	–	–	–	–	81,719	1,199	92,199
Contracted future suppliers	–	–	–	–	–	183,763	–	183,763
Total location of counter-party	44,047	4,453	96,584	13,290	2,724	501,628	5,841	668,567
<b>2019</b>								
Bank balances	8,904	1,278	29,961	9,391	3,633	31,364	3,841	88,372
Short-term deposits	–	–	–	–	–	104,240	–	104,240
Cash and cash equivalents	8,904	1,278	29,961	9,391	3,633	135,604	3,841	192,612
Accounts receivable	13,976	189	104	172	4,845	53,090	3,831	76,207
Derivatives – held for trading	20,584	–	–	–	–	93,250	4,412	118,246
Total location of counter-party	43,464	1,467	30,065	9,563	8,478	281,944	12,084	387,065

<sup>1</sup>The increase in bank balances in China is mainly due to income in advance and retained earnings yet to be repatriated.

#### (e) Market risk

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

- (i) Interest rate risk:

Zespri Group's policy relating to interest rate risk management aims to achieve the lowest cost of funds.

Zespri Group may put in place seasonal funding facilities if required (refer Note 23). Zespri Group is primarily a short-term borrower and investor and generally carries any interest rate risk itself. Investments consist of on-call funds and short-term deposits. Interest rate derivative instruments may be used at Zespri Group's discretion within the confines of the Treasury Management Policy. No interest rate derivative contracts were entered into during the year (2019: Nil contracts).

Zespri Group has put in place long term floating interest rate building funding, however may look at interest rate swaps in the future. Interest rate derivative instruments may be used at Zespri Group's discretion within the confines of the Treasury Management Policy. No Interest rate derivative contracts were entered into during the year (2019: Nil contracts).

- (ii) Currency risk:

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

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

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 12. Financial assets and liabilities (continued)

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

#### Foreign exchange contracts

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

At fair value through the Income Statement – held for trading	Notional value		Fair value gain/(loss)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Sell forward exchange contracts	5,239,332	2,759,461	(148,179)	81,489
Currency option contracts	1,065,722	992,128	(35,584)	21,843
	6,305,054	3,751,589	(183,763)	103,332
<b>Represented by:</b>				
Other financial assets			92,199	118,246
Other financial liabilities			(275,962)	(14,914)
			(183,763)	103,332
<b>By currency:</b>				
EUR/NZD	1,463,614	771,614	(25,763)	44,880
JPY/NZD	1,374,184	819,253	(65,497)	27,524
USD/NZD <sup>1</sup>	1,875,562	1,211,313	(144,275)	13,453
USD/KRW <sup>1</sup>	320,599	280,976	26,214	8,681
USD/CNY <sup>1</sup>	1,271,095	668,433	25,558	8,794
	6,305,054	3,751,589	(183,763)	103,332

<sup>1</sup>A portion of the USD/NZD transactions are utilised in conjunction with the USD/KRW and USD/CNY transactions to translate these currencies back to NZD.

Maturity of foreign exchange contracts	Notional value		Fair value gain/(loss)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Less than one year	2,438,881	1,800,383	(91,745)	42,692
Within one to two years	1,930,910	1,138,773	(63,459)	30,997
More than two years	1,935,263	812,433	(28,559)	29,643
	6,305,054	3,751,589	(183,763)	103,332

#### (f) Market risk sensitivity as at 31 March

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

As a result of the seasonal nature of the business, the impact on the Income Statement and equity resulting from movements in foreign exchange rates that could have occurred at 31 March is unrepresentative of the exposure during the year and is immaterial to the results for the year ended 31 March 2020.

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

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

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

#### (g) Embedded derivatives

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

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

Contracted future suppliers	Notional value		Fair value gain/(loss)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Contracted future suppliers	6,305,054	3,751,589	183,763	(103,332)

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 13. Inventories

		2020 \$'000	2019 \$'000
New Zealand-grown kiwifruit inventory (next season)		161,064	75,580
Non-New Zealand-grown kiwifruit inventory		4,876	2,588
Packaging materials		12,602	11,464
Other		85	471
Total inventories		178,627	90,103

#### Security pledged

Refer to Note 23 for details of security pledged by Zespri Group.

### 14. Property, plant and equipment

2020	Land and improvements	Leasehold improvements	Buildings	Plant and equipment	Motor vehicles	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net book value as at 1 April 2019	9,548	1,475	–	5,154	193	40,697	57,067
Depreciation expense	–	(648)	(1,333)	(2,414)	(78)	–	(4,473)
Additions	–	891	9,733	4,364	93	378	15,459
Disposals (net)	(423)	(180)	–	(273)	(15)	–	(891)
Transfers	338	65	37,649	2,646	–	(40,698)	–
Net book value as at 31 March 2020	9,463	1,603	46,049	9,477	193	377	67,162
Cost as at 31 March 2020	9,463	4,612	47,382	16,791	444	377	79,069
Accumulated depreciation	–	(3,009)	(1,333)	(7,314)	(251)	–	(11,907)
Net book value as at 31 March 2020	9,463	1,603	46,049	9,477	193	377	67,162
2019							
Net book value as at 1 April 2018	9,568	1,231	323	2,394	466	13,234	27,216
Depreciation expense	(20)	(865)	(323)	(1,298)	(146)	–	(2,652)
Additions	–	1,109	–	3,941	26	27,664	32,740
Disposals (net)	–	–	–	(84)	(153)	–	(237)
Transfers	–	–	–	201	–	(201)	–
Net book value as at 31 March 2019	9,548	1,475	–	5,154	193	40,697	57,067
Cost as at 31 March 2019	9,610	4,402	2,771	12,298	416	40,697	70,194
Accumulated depreciation	(62)	(2,927)	(2,771)	(7,144)	(223)	–	(13,127)
Net book value as at 31 March 2019	9,548	1,475	–	5,154	193	40,697	57,067

#### Property, plant and equipment commitments

As at 31 March 2020 there are outstanding capital commitments totalling \$45,308 for property, plant and equipment (2019: \$7,890,894).

#### Security pledged

Refer to Note 23 for information on non-current assets pledged as security by Zespri Group.

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 15. Intangibles

2020	Development costs	Computer software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Net book value as at 1 April 2019	3,305	15,303	18,534	37,142
Amortisation expense	(1,320)	(10,571)	–	(11,891)
Additions	1,961	4,411	3,345	9,717
Disposals (net)	–	(5)	–	(5)
Transfers	–	12,596	(12,596)	–
Net book value as at 31 March 2020	3,946	21,734	9,283	34,963
Cost as at 31 March 2020	21,429	66,332	9,283	97,044
Accumulated amortisation	(17,483)	(44,598)	–	(62,081)
Net book value as at 31 March 2020	3,946	21,734	9,283	34,963
<b>2019</b>				
Net book value as at 1 April 2018	3,173	20,712	9,730	33,615
Amortisation expense	(1,323)	(9,696)	–	(11,019)
Additions	1,474	2,019	11,100	14,593
Disposals (net)	(19)	(28)	–	(47)
Transfers	–	2,296	(2,296)	–
Net book value as at 31 March 2019	3,305	15,303	18,534	37,142
Cost as at 31 March 2019	19,699	58,626	18,534	96,859
Accumulated amortisation	(16,394)	(43,323)	–	(59,717)
Net book value as at 31 March 2019	3,305	15,303	18,534	37,142

#### Development costs

The Company was granted PVRs for the Gold3 and Green14 varieties, effective 9 September 2016, which were commercialised for production in mid-2010. The Company was also granted the PVR for Red19 effective 19 March 2020. The PVR establishes exclusive intellectual property rights in the jurisdictions where they apply. A royalty is payable to The New Zealand Institute for Plant and Food Research Limited (Plant & Food Research) on all post-commercialisation sales of the new cultivars.

In New Zealand, the Company holds the exclusive right to propagate and distribute plant material, and market and sell the following commercialised varieties of Zespri Kiwifruit:

- ZESY002 (Gold3/SunGold), until 6 September 2039;
- ZESH004 (Green14/Sweet Green), until 6 September 2039; and
- ZES008 (Red 19/Zespri Red), until 19 March 2043.

#### Intangibles work in progress

As at 31 March 2020, 100 percent (2019: 100 percent) of the Group intangibles work in progress relates to ongoing computer software projects.

#### Intangible commitments

As at 31 March 2020 there are outstanding capital commitments totaling \$697,602 for intangible assets (2019: \$1,098,429).

#### Security pledged

Refer to Note 23 for details of security pledged by Zespri Group.

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 16. Leases

	Buildings	Land	Motor vehicles	Office equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(a) Right of use assets</b>					
Net book value as at 1 April 2019	–	–	–	–	–
Movements on transition	11,338	2,778	1,414	201	15,731
Additions	1,507	–	237	14	1,758
Depreciation expense	(3,312)	(271)	(575)	(85)	(4,243)
Net book value as at 31 March 2020	9,533	2,507	1,076	130	13,246
Cost	12,845	2,778	1,651	215	17,489
Accumulated depreciation	(3,312)	(271)	(575)	(85)	(4,243)
Net book value as at 31 March 2020	9,533	2,507	1,076	130	13,246
<b>(b) Movements on transition</b>					
Undiscounted operating lease commitment as at 31 March 2019					10,952
Discounted operating lease using the incremental borrowing rate at 1 April 2019					10,172
Recognition exemption for short-term and low value leases					(644)
Extension options reasonably certain to be exercised					6,627
Net changes in leases					(424)
Movements on transition as at 1 April 2019					15,731
<b>Transition</b>					
The Group applied NZ IFRS 16 Leases from 1 April 2019 using a modified retrospective approach. Comparative amounts for the year prior to first adoption will not be restated. All ROU assets will be measured at the amount of the lease liability on adoption.					
Leases entered into and identified by the Group include property, motor vehicle and office equipment leases.					
In assessing whether an arrangement is, or contains a lease, the Group considers whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.					
On transition, the Group applied the following practical expedient available from NZ IFRS 16:					
• to not recognise ROU assets and lease liabilities for short-term leases with lease terms ending within 12 months from the date of transition. The costs related to these leases are recognised in the Income Statement;					
• to not reassess whether an arrangement is, or contains a lease, at the date of transition if such arrangement was previously identified as a lease applying NZ IAS 17 and IFRIC 4; and					
• used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.					
<b>(c) Lease liabilities</b>					
Current					4,486
Non-current					9,403
Total lease liabilities					13,889
<b>(d) Maturity analysis – contractual undiscounted cash flows from minimum lease payments</b>					
Less than one year					4,660
One to five years					7,769
More than five years					3,155
Total contractual undiscounted cash flows from minimum lease payments					15,584
<b>(e) Lease expenses included in the Income Statement</b>					
Short-term leases					1,131
Variable lease payments					11
Interest on leases					389
Gain on leases					(7)
Total lease expenses					1,524

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 16. Leases (continued)

	2020 \$'000
<b>(f) Lease cash flows included in the Statement of Cash Flows</b>	
Total cash outflow in relation to leases	5,131

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. As at 1 April 2019, the weighted average rate applied was 2.7%. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable if the Group changes its assessment of whether it will exercise a purchase, extension or termination options. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use (ROU) asset, or is recorded in the Income Statement if the carrying amount of the ROU asset has been reduced to zero. ROU assets are initially recognised at cost, comprising the initial amount of the lease liability less any unamortised lease incentives.

ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

In considering the lease term, the Group applies judgement in determining whether it is reasonably certain that an extension or termination option will be exercised.

The majority of the Group's leases are property leases. These, in the main, give the Company the right to renew the leases at the end of their lease term.

#### (g) Lessor income

Lease income from lease contracts in which the Group acts as a lessor is as below:

	2020 \$'000
<b>Lessor income</b>	
Finance lease income	–
Operating lease income <sup>1</sup>	61
Total lessor income	61

<sup>1</sup>The Group leases out part of the head office building to New Zealand Kiwifruit Growers Incorporated and Kiwifruit Vine Health. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020 \$'000
<b>(h) Maturity analysis – undiscounted lessor income</b>	
Less than one year	81
One to five years	406
More than five years	649
Total undiscounted lessor income	1,136

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 17. Investment in subsidiary companies

Zespri Group Limited is the ultimate holding company for the Zespri Group of companies. All subsidiaries have a 31 March balance date with the exception of Shaanxi Zespri Fresh Produce Company Limited, Zespri Jia Pei Fruit (Shanghai) Co. Limited, Zespri Fruit (Shanghai) Co. Limited, and Zespri Fruit Consultoria (Brasil) Ltda which all have a 31 December balance date due to local requirements. The results of the operations of the following wholly owned subsidiaries for the year ending 31 March 2020 have been included in the consolidated Financial Statements.

<b>Subsidiary</b>	<b>Incorporated</b>	<b>Nature of activities</b>
Zespri International Limited	New Zealand	Management of the export, sale and marketing of New Zealand-grown kiwifruit and management of the sale and marketing of non-New Zealand-grown kiwifruit
Aragorn Limited	New Zealand	Non-trading company
Zespri Global Supply Holding Company Limited	New Zealand	Holding company of Zespri Global Supply entities
Zespri Innovation Company Limited	New Zealand	Research
Zespri International (Asia) Limited	New Zealand	Marketing and promotion services, includes Taiwan Branch
Zespri International (Japan) Limited	New Zealand	Non-trading company
Zespri International Trading Limited	New Zealand	Investment company, includes South African Branch
Zespri New Zealand Limited	New Zealand	Investment company
Zespri International (Australia) Pty Limited	Australia	Management of the growing, sourcing and sale of Zespri Gold Kiwifruit grown in Australia and in-market support and marketing services
Zespri International (Europe) N.V.	Belgium	Management of sales and marketing in Europe of all New Zealand-grown kiwifruit and non-New Zealand-grown Zespri Gold Kiwifruit. Management of trading in non-New Zealand-grown Zespri Green Kiwifruit produced in Europe
Zespri Service Centre N.V.	Belgium	Service provision to Zespri Group companies
Zespri Fruit Consultoria (Brasil) Ltda	Brazil	In-market support and marketing services
Shaanxi Zespri Fresh Produce Company Limited	China	Management of the growing and sourcing of kiwifruit grown in China
Zespri Jia Pei Fruit (Shanghai) Co. Limited	China	Non-trading company
Zespri Fruit (Shanghai) Co. Limited	China	Management of the sale of New Zealand-grown kiwifruit and non-New Zealand-grown kiwifruit
Zespri Fresh Produce France S.A.R.L.	France	Management of the growing and sourcing of Zespri Gold3 Kiwifruit grown in France
Zespri International France E.U.R.L.	France	In-market support of Belgian companies
Zespri International Germany GmbH	Germany	In-market support of Belgian companies
Zespri International (India) Pvt Ltd	India	In-market support and marketing services
Zespri Fresh Produce Italy S.r.l.	Italy	Management of the growing and sourcing of Zespri Gold3 Kiwifruit and management of the growing, sourcing and sale of Zespri Kiwifruit grown in Italy
Zespri International Italy S.r.l.	Italy	In-market support of Belgian companies
Zespri International (Japan) K.K.	Japan	Management of the sale of Japan-grown kiwifruit and New Zealand-grown kiwifruit
Zespri Fresh Produce (Japan) K.K.	Japan	Management of the growing and sourcing of Japan-grown kiwifruit
Zespri International (Korea) Co. Limited	South Korea	Management of the sale of South Korean-grown kiwifruit and New Zealand-grown kiwifruit
Zespri Fresh Produce (Korea) Co. Limited	South Korea	Management of the growing and sourcing of South Korean-grown kiwifruit
Zespri International (Singapore) Pte Limited	Singapore	Global sales and marketing strategy services
Zespri International Iberica SL	Spain	In-market support of Belgian companies
Zespri International Nordic AB	Sweden	In-market support of Belgian companies
Zespri Fruit (Middle East) DMCC	United Arab Emirates	In-market support and marketing services
Zespri International (United Kingdom) Limited	United Kingdom	In-market support of Belgian companies
Zespri Fresh Produce North America Inc.	United States of America	Non-trading company
New Zealand Kiwi Holdings Inc.	United States of America	Management of the growing, sourcing and sale of Zespri Gold Kiwifruit grown in the USA, and management of the sale of New Zealand-grown kiwifruit
New Zealand Kiwi Corporation Inc.	United States of America	Non-trading company
Zespri International (Vietnam) Company Limited (incorporated November 2019)	Vietnam	In-market support and marketing services

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 18. Accounts payable and accruals

	2020 \$'000	2019 \$'000
Current:		
Trade creditors	71,153	53,271
Loyalty accrual <sup>1</sup>	30,907	31,195
Accrued expenses	113,162	91,959
New Zealand fruit and service payments accrued – current season <sup>2</sup>	77,465	43,886
New Zealand fruit and service payments accrued – next season <sup>3</sup>	137,759	79,977
Income in advance	30,744	814
Payroll tax deductions payable	1,318	2,045
Employee entitlements	21,601	16,888
Total current accounts payable and accruals	<b>484,109</b>	320,035
Non-current:		
Employee entitlements	2,866	1,924
Total non-current accounts payable and accruals	<b>2,866</b>	1,924
Total accounts payable and accruals	<b>486,975</b>	321,959

<sup>1</sup> The loyalty premium is paid to the New Zealand growers who have signed a three-year rolling grower contract and met the conditions of that contract. This loyalty premium has been reclassified and prior year restated from Provisions Note 19 to Accounts payable and accruals Note 18 as a loyalty payment accrual. Zespri Group Limited have incurred the expenses and has an obligation to pay the loyalty premium to the New Zealand growers. Provisions are probable and uncertain future obligations. This is only a reclassification and there has been no impact on the Group's basic earnings per share and on the total operating, investing or financing cash flows.

The loyalty premium is 31.0 cents (2019: 31.0 cents) per tray equivalent of New Zealand Class 1 kiwifruit supplied to the Company. The premium is paid in two instalments. The first instalment of 10.0 cents per Class 1 tray equivalent was paid 20 January 2020 (2019: 18 January 2019). The remaining 21.0 cents (2019: 21.0 cents) of loyalty premium per Class 1 tray equivalent was paid on 15 June 2020 (2019: 14 June 2019).

<sup>2</sup> Relates to contracted suppliers of New Zealand-grown kiwifruit. As at 31 March 2020, 96 percent (2019: 98 percent) of fruit and service payments had been made.

<sup>3</sup> New Zealand fruit and service payments accrued - next season has increased in 2020 due to the earlier season, resulting in a significant increase in the accrued fruit and service payments balance.

The carrying value of the items above has been determined by the Board of Directors as representative of the fair value of the liabilities. Amounts payable to, or accrued to, related parties are disclosed in Note 24.

### 19. Provisions and insurance liabilities

2020	Insurance liabilities \$'000	Other provisions \$'000	Total \$'000
Value as at 1 April 2019	2,670	4,073	6,743
Amounts charged	(2,670)	(3,171)	(5,841)
Reversal of provision	–	(493)	(493)
Additional provision	–	1,009	1,009
Exchange differences	–	15	15
Value as at 31 March 2020	–	1,433	1,433
Represented by:			
Current	–	1,433	1,433
Value as at 31 March 2020	–	1,433	1,433

#### Insurance liabilities

##### Marine cargo insurance

The Company insures New Zealand contractors to the New Zealand Supply Agreement for loss of kiwifruit resulting from specific risks between picking and FOBS. Zespri Group purchases marine cargo insurance as reinsurance of this risk. The terms of cover are contained in the annual New Zealand Supply Agreement issued every year to New Zealand contracted suppliers.

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

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

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 19. Provisions and insurance liabilities (continued)

#### Hail insurance

The Company insures New Zealand contractors to the New Zealand Supply Agreement annually for kiwifruit lost as a result of hail during the New Zealand growing period. The terms of cover are contained in the annual New Zealand Supply Agreement.

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

#### Other provisions

Other provisions include: legal costs relating to ongoing proceedings, legal and other costs relating to the unauthorised transfers of Zespri plant material and costs relating to the enforceable undertaking entered into with Worksafe.

In the normal course of business, the Zespri Group is party to various lawsuits and claims (refer Note 22).

### 20. Reconciliation of net profit after taxation with net cash from operating activities

	Notes	2020 \$'000	2019 \$'000
Net profit after taxation		200,821	179,806
Non-cash items:			
Net loss on sale of property, plant and equipment, and intangibles		139	148
Net (gain) on foreign currency cash balances		(8,721)	(652)
Depreciation of property, plant and equipment	14	4,473	2,652
Depreciation and interest of leases		4,632	–
Amortisation of intangibles	15	11,891	11,019
Movement in deferred taxation		(10,194)	(1,565)
		2,220	11,602
Movement in working capital:			
Decrease/(Increase) in receivables and prepayments		8,872	(20,345)
Increase in net current income tax		3,256	5,247
(Increase) in other financial assets		(157,715)	(9,185)
(Increase) in inventories		(88,524)	(43,293)
Increase in payables to contracted suppliers <sup>1</sup>		97,468	62,027
Increase in other financial liabilities		157,715	9,185
Increase in accounts payable, accruals, provisions and employee entitlements		64,218	24,655
		85,290	28,291
Items classified as financing activities:		(4,072)	(3,786)
Net cash available from operating activities		284,259	215,913

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

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 21. Guarantees

(a) Guarantees	2020 \$'000	2019 \$'000
The Bank of New Zealand on behalf of Zespri Group Limited has provided a guarantee to Vero Insurance Limited in relation to insurance excesses payable for marine cargo insurance.	3,500	3,500
Zespri International Limited has guaranteed by way of a standby letter of credit issued by Bank of China (New Zealand) Limited, a credit facility between Zespri Fruit (Shanghai) Co. Limited and Bank of China Shanghai. The maximum exposure level is \$5,000,000 (2019: \$5,000,000).	5,000	5,000
Zespri International Limited has guaranteed, by way of bank guarantees, the credit card facility for Zespri Fruit (Shanghai) Co. Limited, Zespri International (Singapore) Pte Limited, Zespri International (Korea) Co. Limited and New Zealand Kiwi Holdings Inc.	1,440	574
Zespri International Limited has secured, by letter of intent, a credit facility with Belfius Bank for Zespri Service Centre N.V. The Maximum exposure level is \$340,194 (2019: \$329,870). Under this letter of intent, Zespri Service Centre N.V. has provided a guarantee in favour of Baloise Belgium N.V. for a lease guarantee on an office building.	152	152
	10,092	9,226

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

### 22. Contingent assets and liabilities

The Group has assessed its previous contingent liabilities and has determined that the possibility of an outflow of resources embodying economic benefits is remote and therefore no material contingent liabilities have been identified.

Zespri received a judgement of \$14,849,000 from the New Zealand High Court against the New Zealand grower who infringed Zespri's PVRs. The grower has appealed this judgement to the Court of Appeal, and has been granted a partial stay of execution against their home, which is a large portion of their assets in New Zealand of approximately \$1.0m to \$1.5m. In the meantime, Zespri is progressing the enforcement of this judgement against those assets which are not subject to the stay and considering potential options for enforcement of the judgement against assets located in China.

In the normal course of business, Zespri Group is party to various lawsuits and claims, both as a plaintiff and as a defendant. It is not possible to predict with certainty whether Zespri Group will ultimately be successful in defending lawsuits and claims taken against it or, if not, what the impact might ultimately be. Provisions are made in accordance with accounting policy and disclosed in Note 19.

The Group has identified non-compliance with the New Zealand Holidays Act for a small number of employees that will be remedied in 2020.

### 23. Loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings.

Maturity date	Committed facilities	Undrawn facilities	Carrying value
	\$'000	\$'000	\$'000
Current:			
Seasonal funding facilities - variable rate	Oct 2020	350,000	350,000
Total current		350,000	350,000
Non-current:			
Bank loan – variable rate	Mar 2027	30,000	30,000
Total non-current		30,000	30,000
Total loans and borrowings		380,000	380,000

Borrowings are initially recognised at fair value net of attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.

#### Seasonal funding facilities

Seasonal funding arrangements for Zespri Group Limited are made when required following the assessment of cash requirements for the season. As at 31 March 2020 the outstanding borrowing under the funding facility is \$Nil (2019: \$Nil). The banks associated with the funding facility are ANZ, BNZ, Citibank and Rabobank. The facility has an expiry date of 31 October 2020, unless cancelled earlier.

#### Bank loan

In March 2020 Zespri received a loan of \$30,000,000 to finance the head office land and buildings at 400-410 Maunganui Road, Mt Maunganui, New Zealand. The loan matures in March 2027.

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 23. Loans and borrowings (continued)

#### Security

The security for the day-to-day operational treasury activities and the funding facilities is a first-ranking general security deed dated 30 April 2007 in favour of Bank of New Zealand (as security representative for Zespri bankers, Bank of New Zealand has been security representative since 2016) entered into by the Zespri Group of companies that form a Guaranteeing Group. Pursuant to the general security deed the collateral at risk is all property for those entities within the Guaranteeing Group, other than the Head Office Assets (described below) and other assets over which another creditor has a higher ranking claim. The registered security interests include a priority security interest in favour of Plant & Food Research in relation to all assigned varieties PVR, and assigned varieties intellectual property and a priority security interest in favour of Coöperatieve Rabobank U.A., New Zealand Branch in relation to the Head Office Assets. Property within the definition of collateral includes (but is not limited to) cash balances, inventory, accounts receivable, other financial assets, intangible assets, and property, plant and equipment.

In March 2020, Zespri granted security over its head office land and buildings at 400-410 Maunganui Road, Mt Maunganui, New Zealand together with its rights under its lease (to Zespri International Limited) and all related insurances, contracts and its designated head office account with Coöperatieve Rabobank U.A., New Zealand Branch (together the 'Head Office Assets'). Rabobank has a first ranking security interest over those assets, which is provided on a limited recourse basis in relation to the specific loan provided by it.

As at 31 March 2020 the members of the Guaranteeing Group are:

- Zespri Group Limited;
- Aragorn Limited (non-trading, refer Note 17);
- Zespri Innovation Company Limited;
- Zespri International Limited;
- Zespri International (Asia) Limited;
- Zespri International (Japan) Limited (non-trading, refer Note 17);
- Zespri International Trading Limited; and
- Zespri New Zealand Limited.

The maximum exposure relating to the operational treasury activities as at 31 March 2020 is \$275,961,594 (2019: \$14,914,324). This exposure relates entirely to the unrealised mark-to-market losses on derivatives as at 31 March 2020.

#### Covenants

Borrowings are subject to various lending covenants. Zespri has complied with all covenants during the reporting period.

### 24. Related party transactions

#### (a) Key management personnel

Zespri Group's key management personnel include:

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

During the year, key management personnel received the following:

	2020 \$'000	2019 \$'000
Short-term key employee benefits for key management personnel <sup>1</sup>	10,052	7,375
Directors' fees	883	856
Short-term employee benefits outstanding as at 31 March for key management personnel <sup>2</sup>	3,726	2,547

<sup>1</sup>Short-term employee benefits for key management personnel has increased in 2019/20 due to internal realignment resulting in an increase in senior executive members. The Company has not provided post-employment benefits or other long term benefits.

For 2019/20, the short-term employee benefits for key management personnel include all salary and other short-term employee benefits received by the employee during the year.

<sup>2</sup>The short-term employee benefits for key management personnel outstanding include any committed benefits that are payable by the Company to the employee as at 31 March. The short-term employee benefits for key management personnel outstanding as at 31 March for 2018/19 have been restated to represent any committed benefits payable by the Company at 31 March.

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

Directors are required to record all interests in the Company's Interests Register and key management personnel must disclose any conflict of interests.

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 24. Related party transactions (continued)

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

	2020 \$'000	2019 \$'000
Revenue/(expenses):		
Sale of Zespri variety licences <sup>1</sup>	12,657	25,914
Sundry income	965	716
Fruit and service payments <sup>2</sup>	(314,992)	(284,676)
Loyalty premium <sup>3</sup>	(6,691)	(6,507)
Expenses paid to KVH	(2,365)	(2,382)
Dividends paid	(17,880)	(14,640)
Other expenses	(7,120)	(7,091)
Balances receivable/(payable):		
Sundry income	3	3
Fruit and service payments <sup>2</sup>	(11,859)	(6,871)
Loyalty premium <sup>3</sup>	(4,545)	(4,384)
Other expenses	(198)	(274)

<sup>1</sup> In 2019/20, external related parties purchased 44.13 ha of new variety licences (2019: 98.46 ha). Licence fee revenue of \$12,657,420 (2019: \$25,914,473) has been recognised. As at 31 March 2020 \$360,797 of licence fee revenue is due in future years (2019: \$799,186).

In 2019/20, external related parties conducted new variety block trials on 0.75 ha (2019: 1.35 ha) of kiwifruit orchards. Payments are made to trialists when crops are producing. Upon completion or termination of a trial, trialists can generally obtain at no cost a licence to cultivate a Zespri commercial kiwifruit variety for an agreed area. For pre-commercial blocks, this is for a new or existing variety upon commercialisation or an existing variety on trial completion or early termination by Zespri. For demonstration blocks, this is for an existing variety on completion of each year of the trial or early termination by Zespri. In 2019/20, external related parties obtained 2.07ha of new variety licence from trialist entitlement.

<sup>2</sup> In 2019/20, fruit and service payments of \$254,466,053 (including \$8,733,562 payable) relate to payments made to related party supply entities on behalf of grower entities. Of this, \$66,547,871 (including \$1,767,348 payable) relates to fruit supplied by related party grower entities. An additional \$60,526,366 of fruit and service payments (including \$3,125,122 payable) relates to payments made to other supply entities for fruit supplied by related party grower entities.

Fruit and service payments for 2018/19 have been restated to include payments made to other supply entities on behalf of related party grower entities. Fruit and service payments of \$244,072,602 for 2018/19 (including \$6,396,072 payable) relate to payments made to related party supply entities on behalf of grower entities. Of this, \$34,241,464 (including \$780,392 payable) relates to fruit supplied by related party grower entities. An additional \$40,603,520 of fruit and service payments (including \$475,239 payable) relates to payments made to other supply entities for fruit supplied by related party grower entities.

<sup>3</sup> In 2019/20 loyalty premiums of \$5,436,121 (including \$3,689,248 payable) were paid to external related party Supplier entities, and were assigned by the Grower entity to receive these payments on their behalf. Of this, \$1,598,341 of these payments (including \$1,085,889 payable) were on behalf of external related party Grower entities. An additional \$1,153,479 of loyalty premiums (including \$786,675 payable) were made to other Supplier entities on behalf of external related party Grower entities and \$101,677 of loyalty premiums (including \$69,037 payable) were paid directly to external related party Grower entities.

Loyalty premiums for 2018/19 have been restated to include payments made to other Supplier entities on behalf of external related party Grower entities. Loyalty premiums of \$5,636,876 for 2018/19 (including \$3,794,759 payable) relate to external related party Supplier entities that were assigned by the Grower entity to receive these payments on their behalf. Of this, \$885,301 of these payments (including \$599,720 payable) related to fruit supplied by external related party Grower entities. An additional, \$870,507 (including \$589,699 payable) related to payments made to other Supplier entities on behalf of external related party Grower entities.

### 25. Events occurring after balance date

On 10 June 2020 the Board of Directors of Zespri Group Limited announced its intention to pay a final dividend of 19.0 cents per fully paid ordinary share (2019: 17.0 cents) to be paid in August 2020. As the intention was announced after balance date, the financial effect has not been recognised in the Financial Statements.

In April 2020 700 hectares of Gold3, 50 hectares of Gold3 Organic and 150 hectares of Red19 licences were released. The total revenue (excluding GST) was \$302,052,138. Full settlement of the related licence receivables is due by 20 July 2020.

The Group has identified non-compliance with the New Zealand Holidays Act for a small number of employees that will be remedied in 2020.

The New Zealand kiwifruit industry continues to monitor and work through the effects COVID-19 has on its business and operations. As an essential service the kiwifruit industry operated through the differing COVID-19 alert levels. Through its efforts, the industry ensured packout rates and timings were not materially impacted. Beyond the packhouse, fruit has flowed well through the supply chain and into our markets. Early season sales have started well and we will continue to monitor the situation throughout the season and regularly update shareholders and growers on progress.

Subsequent to 31 March 2020, no other events have occurred which require adjustment or disclosure in the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 26. Group segment results

Revenues, direct costs, promotion and overheads are identified and recognised for each business unit under the application of NZ IFRS 8. Zespri's key business units are New Zealand kiwifruit, non-New Zealand kiwifruit, new cultivars, and land and buildings. Land and buildings has been recorded within the segment "all other segments".

The internal management information on which segment results are based uses a different method for allocating realised gains and losses on treasury activities. For internal management reporting, realised gains and losses from the management of foreign exchange risk are allocated to the business unit's individual revenue and expense lines based on the underlying currencies of the transactions to effect what would be a 'hedged' rate on the cumulative transactions. For financial reporting purposes, these net realised foreign exchange gains/(losses) on derivatives are disclosed separately from the operating revenue and operating expense within other net gains/(losses), (refer Note 4).

2020	New Zealand kiwifruit	Non-New Zealand kiwifruit	New cultivars	All other segments	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total sales revenue – external customers	2,770,323	369,384	–	–	–	3,139,707
Inter-segment revenue	–	–	32,901	2,208	(35,109)	–
Interest revenue	–	–	–	3,635	–	3,635
Licence income	–	–	215,513	–	–	215,513
Other revenue	5,348	467	5,549	–	–	11,364
<b>Total revenue</b>	<b>2,775,671</b>	<b>369,851</b>	<b>253,963</b>	<b>5,843</b>	<b>(35,109)</b>	<b>3,370,219</b>
Freight	169,102	11,740	–	–	–	180,842
Insurance (onshore and offshore)	6,604	–	–	–	–	6,604
Duty and customs	45,414	10,973	–	–	–	56,387
Promotion	170,546	10,819	–	–	–	181,365
Other direct costs – onshore	57,564	–	–	–	–	57,564
Other direct costs – offshore	110,155	18,816	–	–	–	128,971
Fruit and service payments	1,917,709	273,647	–	–	–	2,191,356
Loyalty premium	45,475	–	–	–	–	45,475
Innovation	14,601	855	17,857	–	–	33,313
Depreciation and amortisation	17,511	934	1,613	549	–	20,607
Inter-segment expense	31,028	4,081	–	–	(35,109)	–
Inter-segment interest (income)/expense	(1,444)	–	–	1,444	–	–
Other onshore overhead costs	76,461	7,583	9,087	247	–	93,378
Other offshore overhead costs	78,152	17,370	–	–	–	95,522
Other expenses	–	1,915	–	–	–	1,915
<b>Total expense</b>	<b>2,738,878</b>	<b>358,733</b>	<b>28,557</b>	<b>2,240</b>	<b>(35,109)</b>	<b>3,093,299</b>
<b>Segment profit before taxation</b>	<b>36,793</b>	<b>11,118</b>	<b>225,406</b>	<b>3,603</b>	<b>–</b>	<b>276,920</b>

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 26. Group segment results (continued)

2019	New Zealand kiwifruit \$'000	Non- New Zealand kiwifruit \$'000	New cultivars \$'000	All other segments \$'000	Eliminations \$'000	Total \$'000
Total sales revenue – external customers	2,632,451	311,674	–	–	–	2,944,125
Inter-segment revenue	252	–	28,400	3,161	(31,813)	–
Interest revenue	–	–	–	3,786	–	3,786
Licence income	–	–	194,420	–	–	194,420
Other revenue	6,498	882	4,911	–	–	12,291
<b>Total revenue</b>	<b>2,639,201</b>	<b>312,556</b>	<b>227,731</b>	<b>6,947</b>	<b>(31,813)</b>	<b>3,154,622</b>
 Freight	172,701	12,199	–	–	–	184,900
Insurance (onshore and offshore)	3,917	–	–	–	–	3,917
Duty and customs	94,776	7,472	–	–	–	102,248
Promotion	161,180	9,159	–	–	–	170,339
Other direct costs – onshore	53,577	–	–	–	–	53,577
Other direct costs – offshore	95,659	14,202	–	–	–	109,861
Fruit and service payments	1,775,663	230,911	–	–	–	2,006,574
Loyalty premium	46,347	–	–	–	–	46,347
Innovation	15,729	927	15,263	–	–	31,919
Depreciation and amortisation	11,868	159	1,323	321	–	13,671
Inter-segment expense	28,197	3,364	252	–	(31,813)	–
Inter-segment interest (income)/expense	(1,022)	–	–	1,022	–	–
Other onshore overhead costs	70,347	7,981	3,490	272	–	82,090
Other offshore overhead costs	75,444	16,756	–	–	–	92,200
Other expenses	–	1,345	–	–	–	1,345
<b>Total expense</b>	<b>2,604,383</b>	<b>304,475</b>	<b>20,328</b>	<b>1,615</b>	<b>(31,813)</b>	<b>2,898,988</b>
 Segment profit before taxation	34,818	8,081	207,403	5,332	–	255,634

#### Methods and assumptions

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

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

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

Zespri Group does not allocate income tax to reportable segments.

## NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

### 26. Group segment results (continued)

Group sales revenue – by location of external customers	2020 Local currency '000		2019 Local currency '000	2020 \$'000	2019 \$'000
Total Europe and North America				1,105,782	1,055,882
Total Europe				950,581	920,964
Spain	EUR	167,674	EUR	158,912	274,004
Germany	EUR	118,064	EUR	117,707	203,730
France	EUR	82,616	EUR	83,816	145,006
Italy	EUR	70,271	EUR	65,114	112,286
Netherlands	EUR	61,362	EUR	59,846	103,187
Belgium	EUR	51,951	EUR	47,939	82,637
Total North America				155,201	134,918
USA	USD	87,294	USD	72,175	132,514
Canada	USD	14,953	USD	18,208	27,169
Total Asia Pacific				935,023	860,512
Japan	JPY	47,902,174	JPY	46,225,438	615,617
South Korea	KRW	131,319,492	KRW	124,339,581	167,100
Australia	AUD	40,581	AUD	29,333	31,740
Singapore	SGD	24,934	SGD	25,638	27,686
Vietnam	USD	14,012	USD	12,266	18,369
Total Greater China				926,483	842,610
China	CNY	3,312,404	CNY	2,871,351	649,109
Taiwan	USD	98,113	USD	102,814	153,592
Hong Kong	USD	27,288	USD	26,715	39,909
Total Other				172,419	185,121
New Zealand	NZD	1,012	NZD	4,943	4,943
Other <sup>1</sup>	Various	–	Various	–	180,178
Total revenue from product sales to external customers				3,139,707	2,944,125

<sup>1</sup> Other markets include sales in markets where sales revenue is less than \$20.0m in each market.

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

	2020 Local currency '000		2019 Local currency '000	2020 \$'000	2019 \$'000
Joy Wing Mau formerly traded as Golden Wing Mau Agricultural Produce Company (China)	CNY	1,585,150	CNY	1,342,352	344,072
<b>Non-current assets – by location of asset</b>					
New Zealand				103,116	109,346
Belgium				5,226	2,490
China				2,794	724
Singapore				2,482	559
Japan				2,304	489
Italy				2,212	585
Other				2,922	1,095
				121,056	115,288
Other non-current assets (no assigned location):					
Deferred tax assets				13,700	4,360
Other financial assets				148,860	70,437
Total non-current assets				283,616	190,085

# STATUTORY INFORMATION

## Shareholder information

### Top 20 shareholders as at 31 March 2020

	Number of shares	%
Trinity Lands Limited	4,428,838	2.42
Whitehall Fruitpackers Holdings Limited	2,998,488	1.64
Liberty Foundation 1977 Limited	2,451,968	1.34
Mangatarata Farms Limited	2,036,976	1.11
Kiwi Green New Zealand Limited	2,033,524	1.11
Mangatarata Orchards Limited	1,627,965	0.89
Fruit Force Partnership	1,600,476	0.87
Ngā Tukairangi No. 2 Trust	1,545,855	0.84
Progeny Kiwifruit Limited	1,306,413	0.71
Birdhurst Limited	1,135,118	0.62
Golf Course Orchard Limited Partnership	1,065,000	0.58
The Wotton Trust	1,060,135	0.58
High Fives Orchard Limited	995,773	0.54
Strathboss Kiwifruit Limited	994,695	0.54
Montrose Partnership	982,552	0.54
Cameron Orchards Limited	976,029	0.53
Aerocool Developments Limited	908,205	0.50
D M & B A Reid Family Trust	894,675	0.49
Sunnyvale Enterprises Limited	852,773	0.47
Wedge Co Limited	820,003	0.45
	<b>30,715,461</b>	<b>16.77</b>

### Distribution of ordinary shares and registered shareholders as at 31 March 2020

Size of holding	Number of shareholders	%	Number of shares	Size of holding %
1–10,000	242	12.88	1,156,847	0.63
10,001 – 75,000	993	52.85	36,080,707	19.69
75,001 – 200,000	454	24.16	54,288,533	29.63
200,001 – 300,000	76	4.04	18,320,230	10.00
Over 300,000	114	6.07	73,405,923	40.05
Total	<b>1,879</b>	<b>100.00</b>	<b>183,252,240</b>	<b>100.00</b>

### Shareholder statistics

	2020	2019
Number of shares ('000)	183,252	183,252
Interim and final dividend (per share) – fully imputed	\$0.94	\$0.92
Share price at year-end	\$7.80	\$6.00
Earnings per share	\$1.10	\$0.99
Net dividend yield	12.05%	15.33%
Gross dividend yield at 28% tax rate	16.74%	21.30%
Share trading*		
Number of shares sold and/or transferred: on-market trades	1,747,965	4,097,409
Number of shares sold and/or transferred: off-market trades	12,741,562	12,982,744
Equity ratio	23.00%	31.61%
Net tangible assets value per share	\$1.15	\$0.96

\* On/off market trading reported is exclusive of any shares traded as part of the targeted share issue/buy back and minority buy-out. The shares involved in these transactions are disclosed in Note 8: Share capital.

## STATUTORY INFORMATION [CONTINUED]

### Directors' disclosures

#### Directors' meeting attendances and business travel overseas

	B L Cameron – Chair	J P Mason	N W Flowerday	P R Jones	C M Thompson (appointed July 2019)	P M Springford	T Ciprian	P J McBride (ceased July 2019)	A J Hawken
Zespri Group Limited Board	12	12	10	10	6	12	12	4	12
Audit and Risk Management Committee	7	7	6	4	3	6	2	–	7
People and Culture Committee <sup>1</sup>	5	6	–	5	3	–	6	–	5
Industry Advisory Council	3	–	3	2	2	–	–	–	4
Board Innovation Subcommittee	6	–	6	4	2	–	5	1	6
China Advisory Board	2	–	–	1	–	1	–	1	–
Number of business travel overseas	5	2	5	4	2	1	2	1	1
Market regions visited	SEAA*, Greater China, Japan and Korea, Europe	SEAA and Americas	Japan and Korea, SEAA, Americas and Europe	Americas, Europe and Greater China	Americas and Japan	Greater China	Americas and Japan	Japan and Greater China	Japan, Korea, Greater China

<sup>1</sup> In addition to the scheduled People and Culture Committee, there were two special meetings convened at short notice 17 April 2019 and 17 June 2019 that required immediate consideration by the People and Culture Committee.

All Directors have a standing invitation to attend meetings of all committees, irrespective of whether or not they are a member of that committee. In addition to the meetings detailed above, Directors' attendances included planning meetings, Directors' conferences, grower meetings and Special and Annual Meetings.

\* South East Asia and Australia (SEAA)

#### Committee members – Directors

##### Audit and Risk Management Committee

J P Mason (Chair)	P R Jones
N W Flowerday	A J Hawken

##### People and Culture Committee

P R Jones (Chair)	J P Mason
T Ciprian	C Thompson

##### Board Innovation Subcommittee

N W Flowerday (Chair)	P R Jones
T Ciprian	A J Hawken

##### Industry Advisory Council

A J Hawken (Chair)	P R Jones
B L Cameron	N W Flowerday

##### China Advisory Board

P M Springford (Chair)

##### Zespri Global Supply Advisory Board (ZGS)

C M Thompson (Chair)

## STATUTORY INFORMATION [CONTINUED]

### Directors' disclosures (continued)

Remuneration of Directors	2020 \$	2019 \$
B L Cameron	210,787	119,988
T Ciprian	87,781	84,405
A E de Farias (ceased 26 July 2018)	–	27,493
N W Flowerday	93,067	89,405
A J Hawken	95,275	56,911
P R Jones	113,689	91,601
J P Mason	103,567	99,905
P J McBride (ceased 24 July 2019)	31,266	192,009
P M Springford	87,781	94,405
C M Thompson (appointed 25 July 2019)	59,474	–
Total	882,687	856,122

The Chair of each committee receives \$5,000 of remuneration per annum, except for the Chair of the Audit and Risk Management Committee who receives \$15,500 remuneration per annum.

### Directors' interests – shareholdings

The following table sets out the shareholdings in Zespri Group Limited held by each Director or related entity as at 31 March 2020.

	Shareholding as at 31 March 2019	Date of transaction	Share price \$	Number purchased and transferred	Number sold	Shareholding as at 31 March 2020
B L Cameron	1,277,429		–	–	–	1,277,429
T Ciprian	–		–	–	–	–
N W Flowerday	1,080,984	01/08/19	8.15	25,000	–	–
	–	01/08/19	8.15	–	25,000	1,080,984
A J Hawken	75,000		–	–	–	75,000
P R Jones	8,536,515	13/01/20	5.33	525,000	–	–
	–	13/01/20	5.33	–	525,000	–
	–	09/03/20	8.00	32,000	–	–
	–	11/03/20	8.00	5,000	–	–
	–	16/03/20	8.00	60,000	–	–
	–	16/03/20	8.00	3,000	–	8,636,515
J P Mason	–		–	–	–	–
P M Springford	–		–	–	–	–
C M Thompson (appointed 25 July 2019)	–	03/03/20	8.65	52,000	–	1,750,195

A full list of Directors' interests is included on the following pages.

\*The trades by N W Flowerday in August 2019 and P R Jones in January 2020 were the transfer of shares between related parties. These trades did not result in an overall increase in shareholding.

## STATUTORY INFORMATION [CONTINUED]

### Directors' disclosures (continued)

#### Directors' interests – Directors in office as at 31 March 2020

##### **B L Cameron**

Director and Chairman of, and shareholder in, Zespri Group Limited  
Director of Zespri International Limited  
Chairman and Trustee of Waipuna Hospice Foundation Board  
Director of Eves Realty Group Ltd  
Director and Chairman of Realty Service Holdings Limited (formerly Realty Services Limited)  
Director of, and shareholder in, Cameron Dairy Farms Limited  
Director of, and shareholder in, Cameron Farms Limited  
Director of, and shareholder in, Cameron Orchards Limited  
Director of, and shareholder in, Gilston Mains Limited and subsidiary  
Director of, and shareholder in, Strathlea Holdings Limited  
Trustee of Rawenga Trust  
Trustee of B Land G M Cameron Family Trust

##### **T Ciprian**

Director of Zespri Group Limited  
Director of Zespri International Limited  
Director of Aspeq Limited and subsidiaries  
Director of Firstlight Foods Limited  
Director of Food Standards Australia New Zealand  
Director of Prolife Foods Limited  
Director of, and shareholder in, Superthriller Jet Sprint Limited  
Director of, and shareholder in, Zenoch Management Limited

##### **N W Flowerday**

Director of, and shareholder in, Zespri Group Limited  
Director of Zespri International Limited  
Director of Kiwifruit Vine Health Incorporated (interest ceased November 2019)  
Director of, and shareholder in, High Fives Orchard Limited  
Director of, and shareholder in, NWF Holdings Limited  
Director of, and shareholder in, Pro Kiwi Limited

##### **A J Hawken**

Director of, and shareholder in, Zespri Group Limited  
Director of Zespri International Limited  
Chairman of Tapawera Hops Limited Partnership  
Director and Chairman of Korokipo Apple GP Limited  
Director and Chairman of Rakete Orchards GP Limited  
Director and Chairman of Wairau Hops Limited  
Director of, and shareholder in, Eastern Gold Limited  
Director of, and shareholder in, Hawken Farm Limited  
Director of, and shareholder in, Pipt Limited  
Director of, and shareholder in, Rochford Farms Limited  
Director of, and shareholder in, Willows Rd Gold Limited (commenced interest July 2019)  
Shareholder in EastPack Limited  
Shareholder in Ryan Hawken Enterprises Limited  
Trustee of Kenmore Trust  
Business Development Manager at Trinity Lands Limited

## STATUTORY INFORMATION [CONTINUED]

### Directors' disclosures (continued)

#### Directors' interests – Directors in office as at 31 March 2020 (continued)

<b>P R Jones</b>	<b>J P Mason</b>
Director of, and shareholder in, Zespri Group Limited	Director of Zespri Group Limited
Director of Zespri International Limited	Director of Zespri International Limited
Director of DMS Group Limited and subsidiaries	Director of Air New Zealand Limited
Director of DMS Progrowers Supply Entity Limited	Director of Allagash Limited
Director of Mangatarata Orchards Limited and Mangatarata Orchard Partnership	Director of Alvarium Wealth NZ Limited (previously New Zealand Assets Management Limited)
Director of New Zealand Avocado Marketing Limited	Director of Vector Limited
Director of Tane-Mahuta Orchard Developments Limited	Director of Westpac New Zealand Limited
Director of Willow Rd Gold Limited	Member of the Board of Directors of the American Chamber of Commerce
Director of, and shareholder in, Direct Management Services Limited	Trustee of University of Auckland Endowment Fund
Director of, and shareholder in, DMS Progrowers Limited	Trustee of Beloit College (USA)
Director of, and shareholder in, Eastern Gold Limited	Trustee of Dilworth School
Director of, and shareholder in, Elizabeth Heights Limited	Trustee of World Wildlife Fund for Nature (NZ)
Director of, and shareholder in, Fraser Rd Orchard GP Limited and Limited Partnership	Member of Institute of Directors of NZ National Council (interest commenced August 2019)
Director of, and shareholder in, Fruit Force Partnership	
Director of, and shareholder in, Golf Course Orchard GP Limited and Limited Partnership	
Director of, and shareholder in, OTK Orchards Limited	
Director of, and shareholder in, TKG Agent Limited and TKG Partnership	
Shareholder in Hopai Holdings Limited	
Shareholder in Mangatarata Farms Limited	
Shareholder in Progeny Kiwifruit Limited	
Trustee of, and beneficiary of, the Patricia Jones Trust	
Trustee of, and beneficiary of, the P R Jones Family Trust	
<b>P M Springford</b>	<b>C M Thompson</b>
Director of Zespri Group Limited	Director of, and shareholder in, Zespri Group Limited
Director of Zespri International Limited	Director of Zespri International Limited
Director of Aussie Frost Fans 2012 Limited	Director of DCD Orchards Limited
Director of Infratil Limited	Director of Kaiaponi Farms
Director of Loncel Technologies 2014 Limited	Director of Kiwifruit Vine Health Incorporated (interest commenced November 2019)
Director of Mondiale Technologies Limited (interest ceased December 2019)	Director of Ohiwa Hort Limited
Director of New Zealand Frost Fans Limited	Director of Ohiwa Investments Limited
Director of Omahu Ventures Limited	Director of OPAC Properties Limited
Director of Springford and Newick Limited	Director of Paradise Kiwis Limited
Director, and shareholder, of Cerbere Investments Ltd (interest commenced November 2019)	Director, and shareholder of, Alandale Farms Limited
Director of, and shareholder in, Charlie Farley Forestry Limited	Director, and shareholder, of Double M Orchards Limited
Director of, and shareholder in, Medicann Investments Limited	Director, and shareholder of, Opotiki Packing & Coolstorage Limited
Shareholder of New Zealand Wood Products Limited (interest as Director ceased March 2020)	Shareholder of G.I.K. ss
Trustee of Medicine Mondiale (interest ceased December 2019)	Trustee of CM Thompson Family Trust
Trustee of The Dunstan Trust	Trustee of Gibbons Family Trust
Trustee of The Springford Family Trust	Trustee of ID & N Greaves Family Trust

## STATUTORY INFORMATION [CONTINUED]

### Employee remuneration

For the year ended 31 March 2020, the number of employees whose total remuneration and value of any benefits received or receivable exceeded \$100,000 between the following bands was:

Number of non-New Zealand-based employees	Number of New Zealand-based employees	Total remuneration and benefits (\$)
12	16	\$100,000 to \$109,999
17	13	\$110,000 to \$119,999
16	15	\$120,000 to \$129,999
10	8	\$130,000 to \$139,999
7	5	\$140,000 to \$149,999
8	5	\$150,000 to \$159,999
7	11	\$160,000 to \$169,999
5	4	\$170,000 to \$179,999
9	4	\$180,000 to \$189,999
2	8	\$190,000 to \$199,999
0	3	\$200,000 to \$209,999
7	5	\$210,000 to \$219,999
6	1	\$220,000 to \$229,999
3	6	\$230,000 to \$239,999
3	1	\$240,000 to \$249,999
0	2	\$260,000 to \$269,999
2	1	\$270,000 to \$279,999
5	2	\$280,000 to \$289,999
1	2	\$290,000 to \$299,999
1	0	\$300,000 to \$309,999
2	1	\$330,000 to \$339,999
1	0	\$340,000 to \$349,999
2	0	\$350,000 to \$359,999
0	1	\$360,000 to \$369,999
1	0	\$370,000 to \$379,999
1	0	\$380,000 to \$389,999
2	0	\$390,000 to \$399,999
1	0	\$410,000 to \$419,999
0	1	\$420,000 to \$429,999
2	0	\$430,000 to \$439,999
1	0	\$440,000 to \$449,999
0	1	\$450,000 to \$459,999
1	0	\$480,000 to \$489,999
0	1	\$500,000 to \$509,999
0	1	\$540,000 to \$549,999
1	0	\$570,000 to \$579,999
0	1	\$640,000 to \$649,999
0	1	\$670,000 to \$679,999
1	0	\$790,000 to \$799,999
1	0	\$800,000 to \$809,999
1	0	\$820,000 to \$829,999
1	0	\$850,000 to \$859,999
1	0	\$880,000 to \$889,999
1	0	\$1,860,000 to \$1,869,999

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

# INDUSTRY PERFORMANCE

## REGIONAL PRODUCTION ANALYSIS – NEW ZEALAND-GROWN KIWIFRUIT

Tray Equivalents (TEs) supplied to Zespri	2019/20		2018/19		2017/18		2016/17	
	Producing hectares	TE supplied per ha						
<b>ZESPRI GREEN KIWIFRUIT</b>								
Northland	100	6,835	106	8,498	109	5,779	113	9,559
Auckland	256	7,175	262	9,974	273	7,719	272	9,502
Bay of Plenty								
– Katikati	830	8,960	859	9,882	940	7,678	966	11,972
– Opōtiki	444	10,834	455	11,315	457	8,917	464	11,758
– Tauranga	1,066	9,773	1,087	12,014	1,086	9,193	1,116	12,533
– Te Puke	3,190	11,058	3,292	12,380	3,419	9,641	3,508	13,088
– Waihi	132	7,771	138	9,858	100	6,569	100	8,701
– Whakatāne	331	8,369	366	10,541	402	7,728	439	9,889
Waikato	204	9,113	203	9,076	200	8,339	204	9,664
Poverty Bay	44	6,801	52	7,745	54	8,366	54	5,828
Hawke's Bay	41	6,916	45	7,358	43	6,620	45	7,290
Lower North Island	69	9,062	70	9,291	70	8,696	65	7,056
South Island	208	6,519	223	7,258	229	5,663	258	7,246
<b>Total producing hectares</b>	<b>6,915</b>		<b>7,158</b>		<b>7,382</b>		<b>7,604</b>	
<b>Average TE supplied per hectare</b>		<b>9,932</b>		<b>11,320</b>		<b>8,812</b>		<b>11,933</b>
<b>ZESPRI ORGANIC GREEN KIWIFRUIT</b>								
Northland	–	–	–	–	–	–	–	–
Auckland	1	2,626	1	5,364	1	2,614	1	5,856
Bay of Plenty								
– Katikati	30	6,095	30	9,061	30	6,593	31	9,208
– Opōtiki	21	7,092	21	7,493	22	5,786	22	8,616
– Tauranga	174	6,599	182	8,604	203	6,033	210	8,652
– Te Puke	37	7,924	38	8,775	42	6,979	38	10,408
– Waihi	22	5,077	22	6,589	19	3,964	20	4,219
– Whakatāne	4	3,178	4	4,594	4	4,197	4	5,323
Waikato	147	6,047	148	6,885	151	5,310	151	6,536
Poverty Bay	0	2,728	1	4,042	1	3,676	2	4,637
Hawke's Bay	–	–	–	–	–	–	–	–
Lower North Island	2	3,763	2	4,439	2	5,552	2	6,524
South Island	–	–	–	–	–	–	21	4,516
<b>Total producing hectares</b>	<b>437</b>		<b>448</b>		<b>475</b>		<b>502</b>	
<b>Average TE supplied per hectare</b>		<b>6,386</b>		<b>7,863</b>		<b>5,802</b>		<b>7,841</b>
<b>ZESPRI SUNGOLD AND ORGANIC SUNGOLD KIWIFRUIT (GOLD3)</b>								
Northland	368	11,738	356	12,327	319	8,044	189	9,069
Auckland	227	12,865	214	12,143	206	10,701	187	8,928
Bay of Plenty								
– Katikati	537	13,421	497	13,531	525	11,299	501	12,302
– Opōtiki	543	14,132	520	13,871	506	12,172	478	11,028
– Tauranga	500	13,133	476	14,100	437	12,320	413	12,484
– Te Puke	2,085	14,228	1,811	13,744	1,655	12,390	1,516	12,746
– Waihi	105	11,887	92	12,811	53	9,168	51	11,027
– Whakatāne	274	12,074	240	11,931	211	13,211	206	11,175
Waikato	197	11,239	192	10,712	183	7,937	157	7,029
Poverty Bay	267	12,321	244	11,937	208	9,740	146	8,728
Hawke's Bay	156	12,559	152	10,840	149	8,263	131	6,815
Lower North Island	1	11,093	2	5,955	2	7,799	2	5,349
South Island	224	14,897	200	14,135	176	8,693	139	9,635
<b>Total producing hectares</b>	<b>5,483</b>		<b>4,996</b>		<b>4,630</b>		<b>4,116</b>	
<b>Average TE supplied per hectare</b>		<b>13,443</b>		<b>13,216</b>		<b>11,292</b>		<b>11,366</b>

	2019/20		2018/19		2017/18		2016/17	
Tray Equivalents (TEs) supplied to Zespri	Producing hectares	TE supplied per ha						
<b>ZESPRI GOLD AND ORGANIC GOLD KIWIFRUIT (HORT16A)</b>								
Northland	-	-	-	-	11	8,615	52	12,721
Auckland	-	-	-	-	-	-	1	5,822
Bay of Plenty								
– Katikati	-	-	-	-	-	-	-	-
– Ōpōtiki	-	-	-	-	-	-	-	-
– Tauranga	-	-	-	-	-	-	-	-
– Te Puke	-	-	-	-	-	-	-	-
– Waihi	-	-	-	-	-	-	-	-
– Whakatāne	-	-	-	-	-	-	-	-
Waikato	-	-	-	-	-	-	1	9,394
Poverty Bay	-	-	-	-	-	-	48	9,245
Hawke's Bay	-	-	-	-	2	7,793	12	11,484
Lower North Island	-	-	-	-	-	-	-	-
South Island	-	-	-	-	17	10,647	47	9,349
<b>Total producing hectares</b>	-	-	-	30			161	
<b>Average TE supplied per hectare</b>	-	-	-	9,689			10,561	
<b>ZESPRI SWEET GREEN KIWIFRUIT (GREEN14)</b>								
Northland	-	-	1	5,809	1	3,041	1	7,210
Auckland	14	2,894	18	4,916	14	5,238	14	6,256
Bay of Plenty								
– Katikati	9	4,718	8	5,871	11	7,377	15	8,571
– Ōpōtiki	5	7,353	8	8,003	12	7,790	14	9,758
– Tauranga	1	7,380	4	7,254	6	5,845	8	6,899
– Te Puke	17	7,778	59	6,944	80	7,711	88	9,148
– Waihi	-	-	-	-	-	-	-	-
– Whakatāne	7	5,674	17	6,863	18	7,550	20	5,984
Waikato	8	6,248	11	5,032	15	5,428	18	5,686
Poverty Bay	-	-	3	5,298	4	6,985	4	6,072
Hawke's Bay	7	5,920	8	3,682	8	4,415	8	4,363
Lower North Island	2	3,181	4	2,602	4	6,486	4	3,679
South Island	-	-	2	4,013	2	2,789	1	6,506
<b>Total producing hectares</b>	70		145		175		195	
<b>Average TE supplied per hectare</b>		5,668		6,150		6,925		7,813
<b>ALL ZESPRI KIWIFRUIT</b>								
Northland	467	10,694	463	11,440	440	7,481	355	9,755
Auckland	497	9,642	494	10,716	494	8,887	475	9,165
Bay of Plenty								
– Katikati	1,407	10,575	1,395	11,140	1,505	8,916	1,513	11,991
– Ōpōtiki	1,012	12,510	1,004	12,533	996	10,486	978	11,302
– Tauranga	1,741	10,420	1,750	12,215	1,733	9,599	1,747	12,029
– Te Puke	5,328	12,266	5,200	12,767	5,197	10,465	5,150	12,900
– Waihi	259	9,218	253	10,656	172	7,071	171	8,871
– Whakatāne	614	9,962	626	10,940	634	9,528	669	10,141
Waikato	555	9,016	554	8,978	549	7,291	531	7,860
Poverty Bay	312	11,526	300	11,123	267	9,399	254	8,135
Hawke's Bay	204	11,197	205	9,802	203	7,757	196	7,110
Lower North Island	75	8,749	78	8,720	78	8,463	73	6,810
South Island	433	10,861	426	10,473	425	7,101	466	8,046
<b>Total producing hectares</b>	12,905		12,747		12,693		12,578	
<b>Average TE supplied per hectare</b>		11,281		11,883		9,579		11,500

TE/ha = tray equivalents of Zespri supplied Class 1 standard supply sizes per hectare.

Producing hectares includes all hectares producing fruit in the relevant season.

Producing hectare amounts are not rounded to whole numbers; therefore, rounding differences may apply to totals.



## INDUSTRY PERFORMANCE [CONTINUED]

### NEW ZEALAND KIWIFRUIT INDUSTRY STATISTICS

	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
<b>Distribution to growers/suppliers</b>								
Fruit and service payments (excluding loyalty premium)	12.94	11.52	11.53	9.21	9.27	9.57	9.02	9.08
Loyalty premium	0.31	0.30	0.27	0.25	0.24	0.24	0.24	0.24
<b>Total payments per tray<sup>1</sup></b>	13.25	11.83	11.80	9.46	9.51	9.81	9.26	9.32
<b>Crop volumes ('000)</b>								
Trays submitted (gross)	150,341	157,715	125,822	148,902	123,763	97,304	87,725	105,580
Trays supplied <sup>3</sup>	148,134	154,058	124,433	145,871	120,145	95,683	86,510	102,860
Trays sold <sup>3</sup>	145,223	148,843	123,246	137,748	117,094	95,187	86,094	101,313
<b>Trays sold as a percentage of trays supplied</b>	98.0%	96.6%	99.0%	94.4%	97.5%	99.5%	99.5%	98.5%
<b>General statistics</b>								
Production per hectare (trays submitted)	11,650	12,373	9,913	11,838	10,157	8,662	8,016	8,610
Producing hectares	12,905	12,747	12,692	12,578	12,185	11,233	10,944	12,263
Orchard Gate Return per hectare (average)	107,142	96,033	79,361	68,868	60,758	57,369	49,385	51,153
Number of producers <sup>2</sup>	2,792	2,756	2,405	2,435	2,516	2,540	2,350	2,636
Average number of trays supplied per producer	53,057	55,899	51,739	59,906	47,752	37,670	36,813	39,021
<b>Number of orchards registered</b>								
0 – 2 hectares	738	717	774	791	807	834	802	855
2 – 5 hectares	1,540	1,575	1,509	1,508	1,499	1,428	1,458	1,483
5 – 10 hectares	693	702	607	589	568	515	487	573
Over 10 hectares	211	207	165	161	147	128	126	146
<b>Total (KPINs)</b>	3,182	3,201	3,055	3,049	3,021	2,905	2,873	3,057
<b>Average orchard size (hectares)</b>								
Green	3.3	3.4	3.5	3.5	3.5	3.6	3.6	3.7
Gold*	3.3	2.8	2.7	2.6	2.3	1.9	2.0	2.1
* Includes Gold3 (first season producing 2012/13), Hort16A and Gold9 (decommercialised 2015/16)								
<b>Number of packhouses used</b>								
0 – 500,000 trays	10	7	15	16	17	15	20	23
500,001 – 1,000,000 trays	3	6	6	7	5	8	9	6
1,000,001 – 2,000,000 trays	9	8	4	5	9	8	7	12
Over 2,000,000 trays	22	23	22	22	20	19	18	18
<b>Total</b>	44	44	47	50	51	50	54	59
<b>Average trays stored per packhouse ('000)</b>	3,417	3,584	2,677	2,978	2,427	1,956	1,626	1,792
<b>Number of coolstores used</b>								
0 – 500,000 trays	22	25	31	35	29	26	33	35
500,001 – 1,000,000 trays	8	6	8	10	5	9	8	10
1,000,001 – 2,000,000 trays	9	8	6	7	9	8	11	12
Over 2,000,000 trays	24	25	22	21	21	19	16	19
<b>Total</b>	63	64	67	73	64	62	68	76
<b>Average trays stored per coolstore ('000)</b>	2,386	2,464	1,878	2,040	1,934	1,577	1,291	1,391
<b>Number of employees</b>								
New Zealand based (includes seasonal employees)	294	251	239	233	194	184	163	164
Non-New Zealand based	284	279	239	203	159	133	123	122
<b>Total</b>	578	530	478	436	353	317	286	286
Global revenue per employee (\$'000), including seasonal employees	5,830	5,952	5,244	5,379	5,457	5,062	4,764	5,554
Global revenue (adjusted to 31 March 2020 7-year average foreign exchange rates) per employee (\$'000) – including seasonal employees	5,435	5,582	5,060	5,202	5,284	5,345	4,598	4,869

<sup>1</sup> Per tray amounts are not rounded to two decimal places; therefore, rounding differences may apply to totals.

<sup>2</sup> In accordance with the revised Constitution definition of Producer, from 2018/19 the number of producers includes lessees. The historical numbers exclude lessees.

<sup>3</sup> Excludes 53,000 trays sold in the 2019/20 financial year relating to the 2020 season.

## NEW ZEALAND TOTAL FRUIT AND SERVICE PAYMENTS INCLUDING LOYALTY PREMIUM

	Return \$m 2019/20	\$ PER TE <sup>4</sup> 2019/20	\$ PER TE 2018/19	\$ PER TE 2017/18	\$ PER TE 2016/17
<b>CLASS 1 KIWIFRUIT</b>					
					
Total tray equivalents supplied (millions)		68.7	81.0	65.1	90.8
Fruit payments	281.6	4.10	4.10	5.35	4.19
Fruit incentives	285.3	4.15	3.01	2.96	1.84
Service payments	109.4	1.59	1.67	1.55	1.52
Loyalty premium	21.5	0.31	0.31	0.28	0.25
<b>Total fruit and service payments (including loyalty premium)</b>	<b>697.8</b>	<b>10.16</b>	<b>9.09</b>	<b>10.14</b>	<b>7.80</b>
					
Total tray equivalents supplied (millions)		2.8	3.5	2.8	3.9
Fruit payments	15.7	5.64	6.74	7.72	5.96
Fruit incentives	15.9	5.71	4.10	2.84	2.54
Service payments	2.5	0.90	1.00	0.87	1.07
Loyalty premium	0.9	0.31	0.31	0.28	0.25
<b>Total fruit and service payments (including loyalty premium)</b>	<b>35.0</b>	<b>12.56</b>	<b>12.14</b>	<b>11.71</b>	<b>9.82</b>
					
Total tray equivalents supplied (millions)		73.7	66.0	52.6	48.5
Fruit payments	466.2	6.32	7.17	6.86	6.00
Fruit incentives	600.2	8.14	6.31	5.76	4.98
Service payments	115.8	1.57	1.58	1.28	1.39
Loyalty premium	23.0	0.31	0.31	0.28	0.25
<b>Total fruit and service payments (including loyalty premium)</b>	<b>1,205.2</b>	<b>16.35</b>	<b>15.37</b>	<b>14.18</b>	<b>12.62</b>
					
Total tray equivalents supplied (millions)		0.4	0.9	1.2	1.5
Fruit payments	2.6	6.59	6.53	5.68	6.68
Fruit incentives	1.5	3.92	3.37	2.70	2.11
Service payments	–	–	0.12	0.22	0.46
Loyalty premium	0.1	0.31	0.31	0.28	0.25
<b>Total fruit and service payments (including loyalty premium)</b>	<b>4.3</b>	<b>10.82</b>	<b>10.34</b>	<b>8.88</b>	<b>9.50</b>
<b>CLASS 2 KIWIFRUIT</b>					
					
Total tray equivalents supplied (millions)		1.1	1.4	0.7	0.4
Fruit payments	8.0	7.01	5.97	6.18	5.00
Service payments	–	–	0.04	–	0.10
<b>Total fruit and service payments</b>	<b>8.0</b>	<b>7.01</b>	<b>6.01</b>	<b>6.18</b>	<b>5.10</b>
					
Total tray equivalents supplied (millions)		0.1	0.1	0.1	0.1
Fruit payments	0.5	10.02	9.86	9.67	7.15
Service payments	–	0.13	0.19	0.22	0.18
<b>Total fruit and service payments</b>	<b>0.5</b>	<b>10.15</b>	<b>10.05</b>	<b>9.89</b>	<b>7.33</b>
					
Total tray equivalents supplied (millions)		0.5	0.7	1.1	–
Fruit payments	4.3	8.44	7.68	6.20	–
Service payments	–	0.03	0.08	0.13	–
<b>Total fruit and service payments</b>	<b>4.3</b>	<b>8.47</b>	<b>7.76</b>	<b>6.33</b>	<b>–</b>
<b>NON-STANDARD SUPPLY</b>					
					
Total tray equivalents supplied (millions)		0.8	0.5	1.0	0.6
Fruit payments	3.6	4.20	5.60	7.66	6.24
Fruit incentives	2.9	3.49	2.79	–	–
Service payments	0.8	0.96	0.54	0.05	–
<b>Total fruit and service payments</b>	<b>7.3</b>	<b>8.65</b>	<b>8.93</b>	<b>7.71</b>	<b>6.24</b>
Total all pools					
Total tray equivalents supplied (millions)		148.1	154.1	124.4	145.9
Fruit payments	782.5	5.28	5.53	6.08	4.88
Fruit incentives	905.9	6.12	4.41	4.07	2.89
Service payments	228.6	1.54	1.59	1.38	1.44
Loyalty premium	45.5	0.31	0.30	0.27	0.25
<b>Total fruit and service payments (including loyalty premium)</b>	<b>1,962.5</b>	<b>13.25</b>	<b>11.83</b>	<b>11.80</b>	<b>9.46</b>
<b>Total fruit and service payments 2018/19</b>	<b>1,821.8</b>				
<b>Total fruit and service payments 2017/18</b>	<b>1,468.1</b>				
<b>Total fruit and service payments 2016/17</b>	<b>1,380.0</b>				

<sup>4</sup> \$ Per TE amounts are not rounded to two decimal places; therefore, rounding differences may apply to totals.

# ZESPRI

## *Global Supply*

### STATISTICS 2019/20

**Zespri has partnered with growers in the Northern Hemisphere over the last 20 years to keep Zespri Kiwifruit on shelves all year round.**

Our Northern Hemisphere harvest currently makes up around 10 percent of Zespri's total production, and this is expected to grow significantly along with demand.

Our global supply strategy means an increasing number of consumers have greater access to our fruit and its health benefits. It also allows us to make positive contributions to local communities through the strong returns we provide to local growers in Europe and Asia, the investment we're generating in the industry, and the strong research and development and innovation partnerships we're forging.

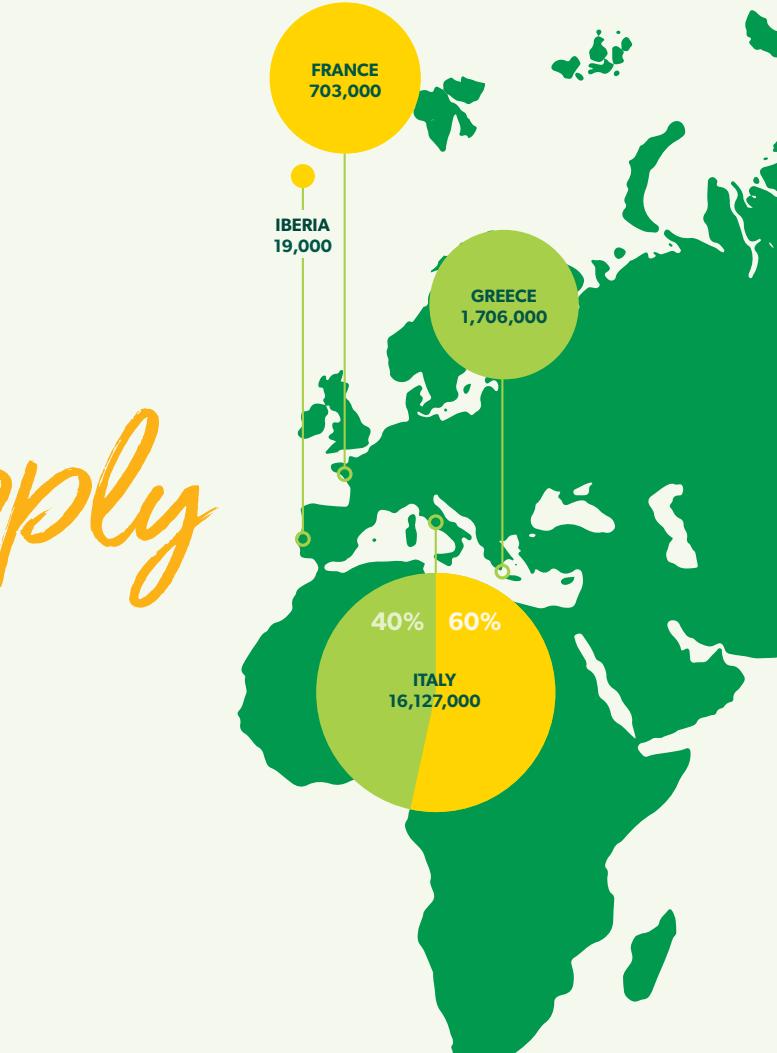
It also helps us maintain shelf space during the Northern Hemisphere season and makes Zespri's marketing spend more efficient.

Zespri's European growers play a key role in Zespri's global supply strategy which supplies premium Zespri Kiwifruit for all 12 months of the year. Zespri sources kiwifruit from around 750 families located in Italy, France, Greece, Korea and Japan.

To meet supply growth targets, Zespri aims to increase the total area of SunGold licensed offshore to around 5,000 hectares over the next five years.

During the 2019/20 financial year, global trays supplied reached around 19.3 million trays or almost 70,000 tonnes of kiwifruit from global supply regions, including Italy, France, Greece, Korea and Japan.

We're also fostering further collaboration including technical exchange through research and development, grower workshops and nursery visits in New Zealand and other general support which are helping boost production.



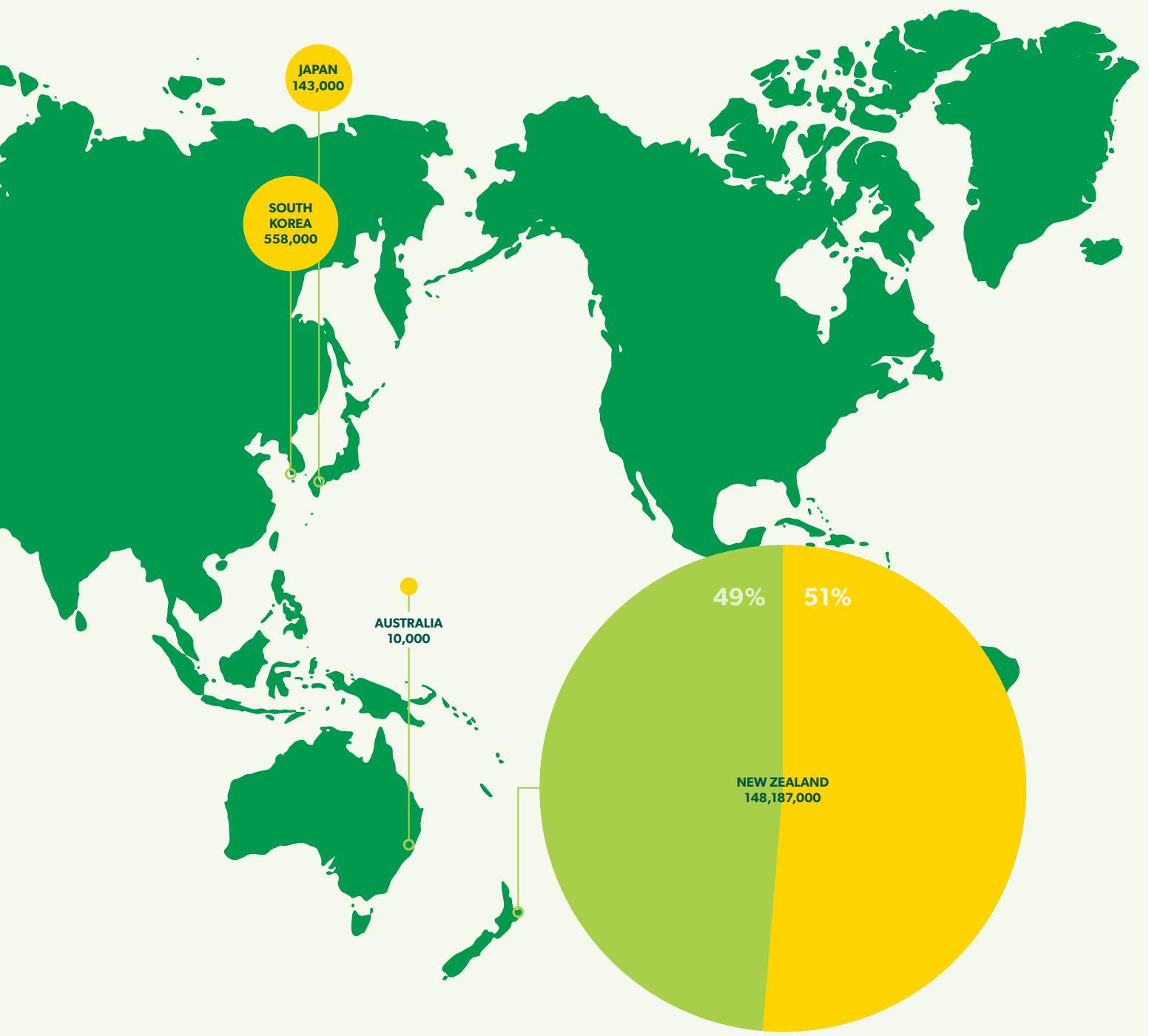
PERCENTAGE OF GREEN TRAYS SUPPLIED

PERCENTAGE OF SUNGOLD TRAYS SUPPLIED

Zespri is involved in a number of trials to help local growers overcome the threats posed by pests and diseases and is investing in ongoing research collaboration with Italian universities.

We're also investing in the skills and leadership needed for our industry for the long-term future of our industry to ensure we have the leaders and expertise to continue to deliver for our communities.

The relationships we've formed with our growers in Europe, Japan and Korea over 20 years are providing local employment, delivering greater orchard gate returns for growers and leading to significant investment in orchards and post-harvest facilities.



Region	Trays supplied ('000)	Percentage of supply	Producing hectares <sup>1</sup>	Number of orchards <sup>1</sup>
Australia	10	0.0%	-	-
France	703	0.4%	206	72
Greece	1,706	1.0%	-	-
Iberia	19	0.0%	9	5
Italy	16,127	9.6%	1,899	663
Japan	143	0.1%	60	354
South Korea	558	0.3%	89	256
New Zealand	148,187	88.5%	12,905	3,082

<sup>1</sup> Zespri Global Supply producing hectares and orchards figures for regions other than New Zealand represent supply of Zespri licenced varieties only. Legacy trial areas in Iberia and Australia currently produce supply for the Zespri Global Supply business. The intention is that these will be phased out over the coming years as Zespri focuses on major growing regions. Zespri also has a number of trial sites in the US.

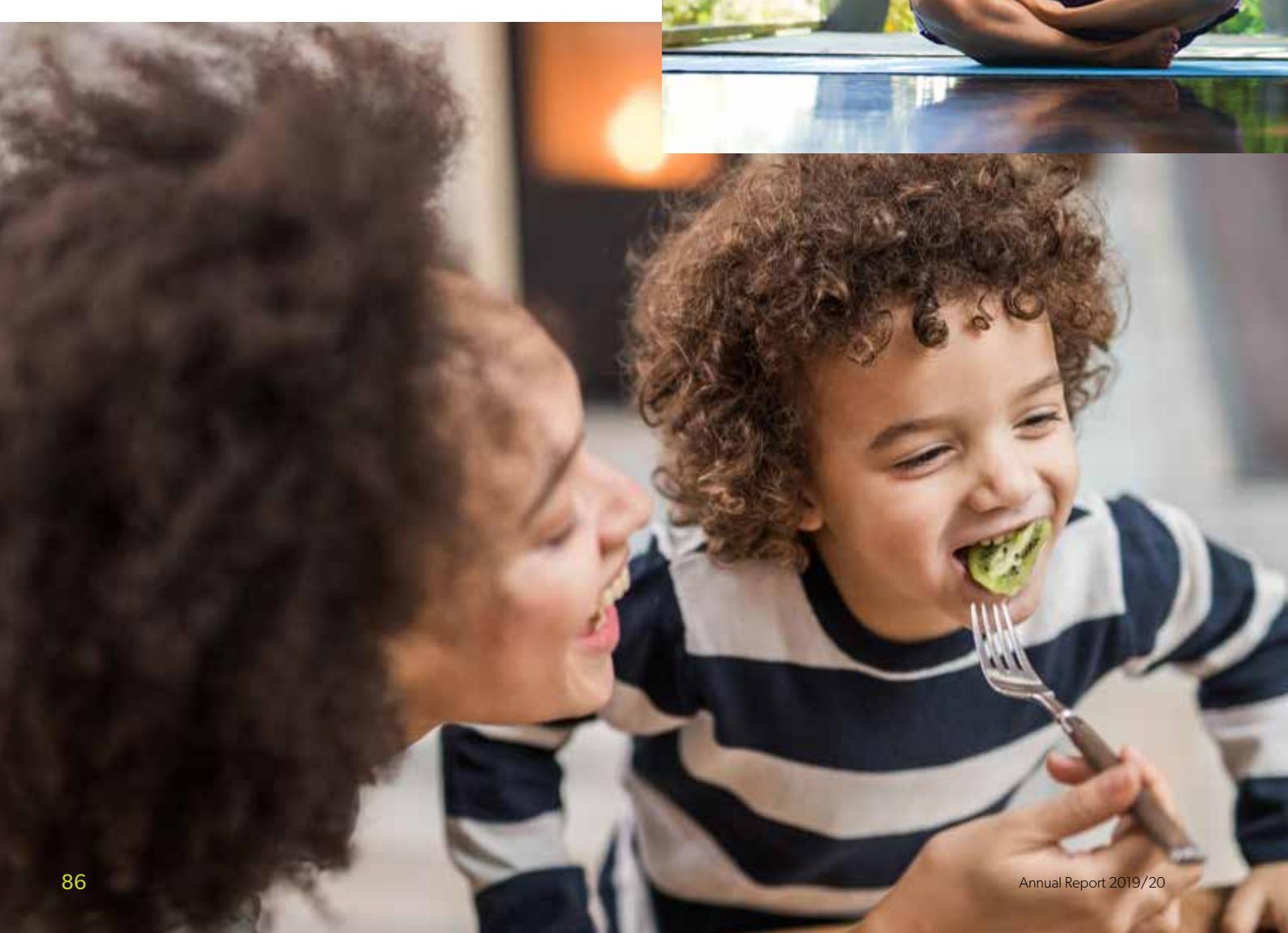
# DEMAND FOR ZESPRI

*Kiwifruit*

KIWIFRUIT IS STILL AN  
UNDERDEVELOPED CATEGORY WITHIN  
THE FRUIT BOWL BUT WITH HUGE  
GROWTH POTENTIAL.

Zespri has developed good quality demand through market development, brand and category growth, underpinned by the popularity of SunGold, high-quality supply of Green and strong marketing. The new Zespri brand identity and positioning strengthens our ability to create demand into the future, allowing us to connect emotionally with customers who are looking beyond the product to a brand's purpose and values.

We are in a period of strong demand creation and an unrelenting focus on taste and quality continues to place us ahead of our competitors. However, competition is dynamic and if we do not accelerate growth, we risk falling behind.





Our outlook should be tempered with an understanding of the risks on both the supply and market side. These include: forfeiting the opportunity to bring further value back to New Zealand growers and the broader industry; giving other developing fruit items the opportunity to strengthen consumer preference; failing to supply Zespri customers with sufficient volumes, meaning they might need to seek alternative supply; and losing share within the fruit bowl so that it is then more costly to build mental and physical availability of our brand.

From a position of strong overall demand creation and strong consumer acceptance of SunGold, Zespri is looking to continue to develop its position in Greater China – a vitally important market. A significant piece of work was undertaken during the 2019/20 season to strengthen our roadmap for growth in China. Zespri is also growing its position in the USA as another major market.

The strength of demand is such that hard market choices sometimes have to be taken, supported through a market development framework. Each market is categorised according to its stage of development, with investment planned accordingly and performance measured against targets.

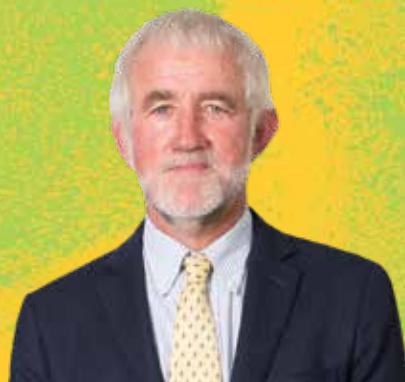
Ultimately, Zespri's sales and marketing strategy is focused on ensuring consumers are at the heart of the strategy; making harder choices prioritising markets; strengthening relationships with key customers; going deeper before going wider; balancing short-term and long-term goals; and focusing on performance in the prioritised markets. Zespri continues to build its own capability as well as the capability of its distributor partners to ensure we can service our customers and execute with excellence against the demand we create.

# ZESPRI *Board*



## **BRUCE CAMERON CHAIRMAN**

- ZGL/ZIL Grower Director since August 2010
- Zespri Chairman since February 2019
- Member of the Industry Advisory Council



## **PAUL JONES DEPUTY CHAIR**

- ZGL/ZIL Grower Director since July 2014
- Zespri Deputy Chair since February 2019
- Chair of the People and Culture Committee
- Member of the Industry Advisory Council
- Member of the Board Innovation Subcommittee
- Member of Audit and Risk Management Committee



## **TERESA CIPRIAN DIRECTOR**

- ZGL/ZIL Independent Director since November 2014
- Member of the People and Culture Committee
- Member of the Board Innovation Subcommittee



## **NATHAN FLOWERDAY DIRECTOR**

- ZGL/ZIL Grower Director since July 2012
- Chair of the Board Innovation Subcommittee
- Member of the Audit and Risk Management Committee
- Member of the Industry Advisory Council

\* In 2018/19 the Organisation and Administration Committee was renamed the People and Culture Committee.

**ZESPRI'S EIGHT BOARD MEMBERS BRING A WIDE RANGE OF EXPERIENCE, FROM INTERNATIONAL MARKETING AND CORPORATE GOVERNANCE TO INDUSTRY KNOWLEDGE AND FINANCIAL EXPERTISE.**



**TONY HAWKEN  
DIRECTOR**

- ZGL/ZIL Grower Director since July 2018
- Chair of the Industry Advisory Council
- Member of the Audit and Risk Management Committee
- Member of the Board Innovation Subcommittee



**JONATHAN MASON  
DIRECTOR**

- ZGL/ZIL Independent Director since May 2013
- Chair of the Audit and Risk Management Committee
- Member of the People and Culture Committee



**PETER SPRINGFORD  
DIRECTOR**

- ZGL/ZIL Independent Director since May 2017
- Chair of the China Advisory Board



**CRAIG THOMPSON  
DIRECTOR**

- ZGL/ZIL Grower Director since July 2019
- Chair of the Zespri Supply Advisory Board
- Member of People and Culture Committee
- Zespri Board appointed Director of Kiwifruit Vine Health (Kvh)

# ZESPRI Executive Team



DANIEL [DAN] MATHIESON  
CHIEF EXECUTIVE OFFICER

Dan was appointed as Chief Executive Officer in September 2017, following a 15-year career with Zespri and international roles in Japan, South Korea, Belgium and Singapore. Prior to his appointment as CEO, he was President of Global Sales and Marketing, where he delivered a demand-led strategy that helped Zespri grow in its mature markets and diversify into new ones. Dan also led the development of Zespri's sales and marketing function, overseeing an increased focus on consumer insights, distributor and retailer relationships, and marketing excellence.

Edith joined Zespri as Chief People Officer in September 2019. She brings a passion for organisations being more successful through a people-centric approach, leading best practice, cultural excellence and capability development – attributes that relate strongly to what we value around people and performance.

Edith has over 25 years' experience in both strategic and operational Human Resources roles, building organisation capability and culture, leadership and talent development, employee engagement, change leadership and performance.

EDITH SYKES  
CHIEF PEOPLE OFFICER



DAVID [DAVE] COURTNEY  
CHIEF GROWER AND  
ALLIANCES OFFICER

Dave joined Zespri in 2011 and has been responsible for addressing some significant challenges, including overseeing the Kiwifruit Industry Strategy Project which has strengthened grower ownership of Zespri and reconfirmed the business' ability to invest in its 12-month supply strategy and ownership of PVRs. He has previously held roles as Communications Manager and Special Projects Manager. Before joining Zespri, Dave worked for the New Zealand Defence Force and the Ministry of Foreign Affairs and Trade, and as a journalist working both in New Zealand and overseas.

Les joined Zespri in July 2019 and is responsible for driving the whole of company transformation programme. He is an experienced executive Programme Director who has successfully led a number of business transformation programmes and projects both in New Zealand, as well as in Australia. Les has extensive experience in the development of business strategies and programme delivery. Les also has considerable experience in procurement and commercial and contract management including the management of multiple vendor contracts associated with large complex programmes of work.

LES GREEFF  
EXECUTIVE TRANSFORMATION  
OFFICER



BLAIR HAMILL  
CHIEF GLOBAL SUPPLY  
OFFICER

Blair joined Zespri in 2000 and has developed a deep understanding of Zespri's global supply chain from the range of roles he has held both domestically and offshore. This included a secondment to the non-New Zealand supply side of the business where he focused on our Northern Hemisphere supply in Italy and France, and in 2011 he was appointed General Manager Global Supply, based in Italy. In 2014, Blair was appointed General Manager of Supply Chain and before joining Zespri, he worked in chartered accountancy and as a management accountant.



**RICHARD HOPKINS**  
CHIEF FINANCIAL OFFICER

Richard joined Zespri in March 2019 as Chief Financial Officer. He is responsible for the organisation's finance, corporate performance, compliance and legal services functions. Prior to joining Zespri, Richard was CFO at Ballance Agri-Nutrients and he has significant experience in the financial services industry having previously held senior roles with Credit Suisse, HSBC, Samuel Montagu and Westpac Institutional Bank.

Michael joined Zespri in January 2019 as General Manager of Greater China. He is responsible for driving business in Mainland China, Hong Kong and Taiwan and is based in Shanghai. Michael has more than 20 years of marketing and sales experience, and enjoys an outstanding reputation in the field of fast moving consumer goods. He has served at Fortune Global 500 consumer brand companies such as Johnson & Johnson, Danone and Mondelez. His intimate knowledge of the China market and diverse range of channels complements his extensive industry experience and excellent leadership skills.

**MICHAEL JIANG**  
EXECUTIVE OFFICER  
GREATER CHINA



**SHEILA MCCANN-MORRISON**  
EXECUTIVE OFFICER NORTHERN  
HEMISPHERE SUPPLY

Sheila joined Zespri in 2016 and has extensive experience in the global fruit industry where she has worked across several continents. A former General Manager for Dole where she began her corporate career in Costa Rica, she has also held Innovation and Packaging and Regional Directorship roles at Chiquita Brands in Latin America and Europe. Sheila is from the US and speaks several languages.

Linda joined Zespri in 2009 and is responsible for market allocation and optimisation, and sales and operations planning. She is also involved in market development and longer-term strategic demand planning. Before joining Zespri, Linda worked in the kiwifruit industry for over 15 years in a variety of roles, ranging from grading kiwifruit to being General Manager of the G6 Kiwi Supply Group.

**LINDA MILLS**  
CHIEF MARKET  
PERFORMANCE OFFICER



**DAVID SCULLIN**  
EXECUTIVE OFFICER  
DIGITAL

David joined Zespri in October 2019 and leads our Digital Services team which is at the heart of our goal of creating a digital business – delivering a personalised service for our growers and customers, real-time data to drive decision-making, and more simplified business processes. David was previously Chief Digital Officer at Ballance Agri-Nutrients and prior to that Chief Information Officer at Livestock Improvement Corporation. David is a firm believer that any sort of digital change or transformation is not about the technology. It's about enabling business strategy and solving business problems.

# ZESPRI Executive Team

Tracy joined Zespri in April 2010 as the Executive Assistant to the CEO and Board of Directors, and is responsible for managing the CEO's Office. Prior to joining Zespri, she spent almost a decade working at the Bay of Plenty District Health Board supporting the GM of Planning and Funding, the Chief Medical Director and Director of Nursing. Tracy has more than 20 years administrative experience within the horticultural, health and hospitality industries and is Group President for the Tauranga Association of Administrative Professionals NZ Inc.

**TRACY SHERLOCK**  
**CHIEF EXECUTIVE ASSISTANT**



**JIUNN SHIH**  
**CHIEF GROWTH OFFICER**

Jiunn joined Zespri in 2016 as the Global General Manager Marketing. Prior to joining Zespri, he was a Senior Global Category Director on the Global Beverages Executive Team at Unilever where he led brand development for brands such as Lipton and Carte D'Or. His career has also seen him work across Latin America, Asia and Europe, marketing some of the world's biggest consumer brands.

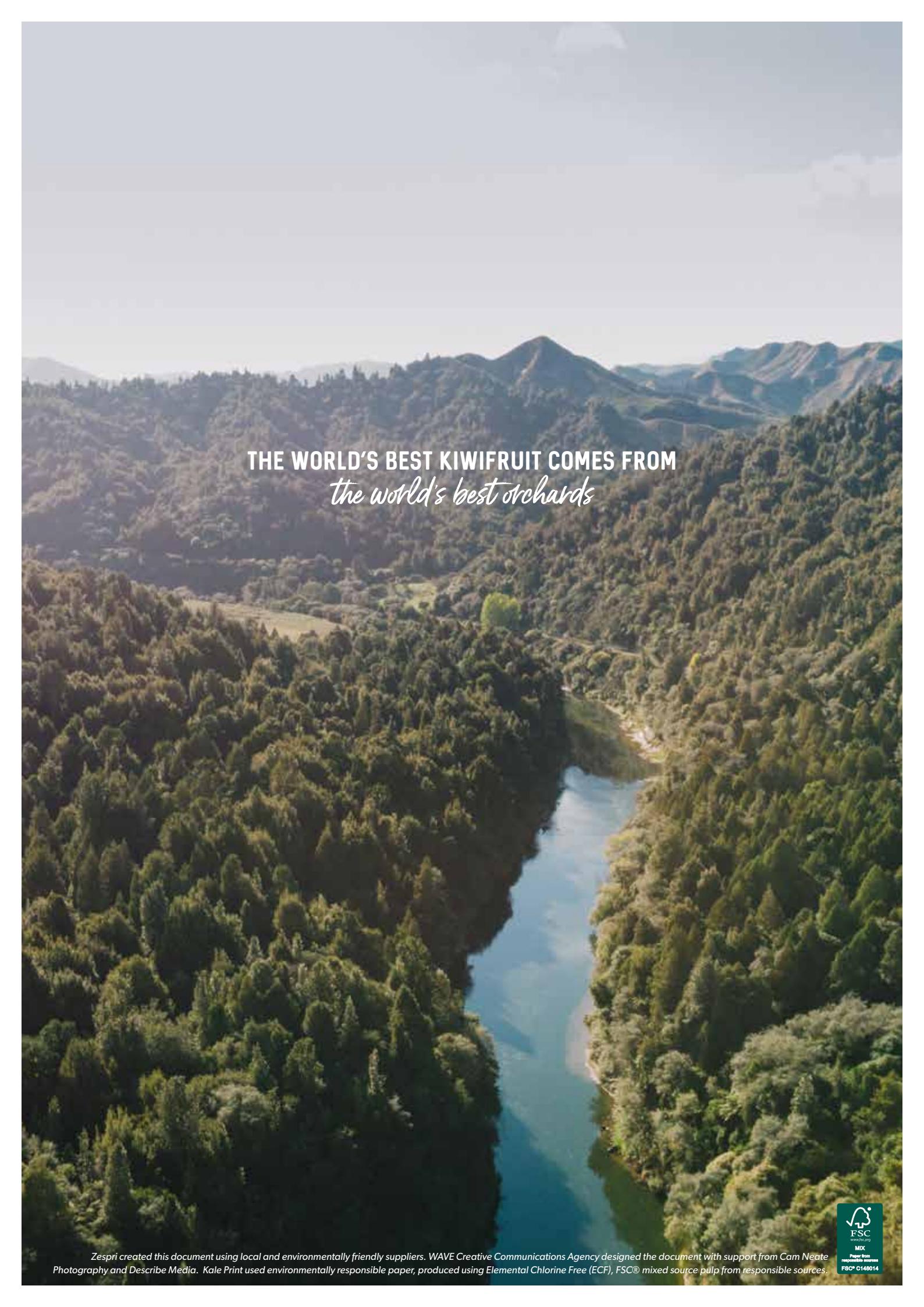
Ichiro Anzai joined Zespri Japan in September 2014 as Country Manager. His responsibility was expanded to Korea as GM, Japan/Korea. Recently in October 2019, Ichiro was appointed as Executive Officer APAC. Before joining Zespri, Ichiro held senior sales and marketing roles across a number of top level FMCG organisations including Bristol Myers Squib, Bausch & Lomb, Unilever and McDonald's. Ichiro holds MBA from Thunderbird Graduate School of International Management in Arizona.

**ICHIRO ANZAI**  
**EXECUTIVE OFFICER  
ASIA PACIFIC**



**CAROL WARD**  
**CHIEF INNOVATION AND  
SUSTAINABILITY OFFICER**

Carol joined Zespri in 2002 and has held a number of roles within the company. Having spent time based in Belgium, Taiwan and Singapore, she is a former General Manager Marketing, Director Corporate and Grower Services, Planning & Supply Manager and Marketing Manager for Gold. Carol now applies her broad experience into building Zespri's success for the future through innovation and driving the sustainability strategy.



**THE WORLD'S BEST KIWIFRUIT COMES FROM**  
*the world's best orchards*



© 2020 Zespri Group Limited. All rights reserved.