APATA GROUP LIMITED **ANNUAL REPORT 31 DECEMBER 2017**

Apata™
TOGETHER WE'RE BETTER

Apata TOGETHER WE'RE BETTER

BOARD OF DIRECTORS

Apata Group Limited Board of Directors from left to right: Tom Wilson, Mark Mayston (Deputy Chairman), Stuart Weston (Managing Director), Graham Cathie (Chairman), Alan Birley and Sean Carnachan.

CONTENTS

THE YEAR IN REVIEW

2017 WAS A CHALLENGING, BUT SUCCESSFUL YEAR FOR OUR COMPANY. IT HAS BEEN WELL-DOCUMENTED IN PREVIOUS SHAREHOLDER COMMUNICATIONS THAT THE KIWIFRUIT INDUSTRY EXPERIENCED ITS FIRST DROP IN OVERALL CROP HARVESTED FOR SEVERAL YEARS.

The size of the reduction in the kiwifruit harvested was significant at 17%, and Apata faced a similar decline in volumes processed through our facilities in 2017. The reduction resided in the Hayward variety, whether grown conventionally or organically, with the Gold volumes continuing to increase as new plantings come into production or areas previously grafted continue to mature.

As we earn our revenue on tray equivalents processed, our profitability is materially affected, but for our growers their returns per hectare in both Green and Gold improved in 2017 over that of 2016. Grower OGR performance in our pools again being above industry average is pleasing reward for effort out in the orchards, and by our packhouse, coolstore and quality teams.

Aside from the reduction in Hayward volumes, the year was challenging for several reasons:

- Avocado volumes also declined in line with the biennial bearing nature of the industry.
- We are carrying, for the short term, the fixed costs of the expansion build in Te Puke (interest, depreciation, labour, compliance and so on) ahead of the assets being fully utilised. This is a short term drag on profit, but leaves us very well-positioned medium and long term.
- We have undertaken a significant restructure of our balance sheet and financing arrangements.

The above said, the company has had another successful year and we are well-positioned to take advantage of opportunities in the years ahead. Apata Group Limited reported a net profit before tax of $5.1M, a drop from $8.6M in 2016 for the reasons outlined above.

DECEMBER 2017 FINANCIAL RESULT

The directors are reporting a profit for the 12 months before tax of $5.1M which we are very satisfied with given the circumstances.

Since 2015, we have invested $39M in new facilities or upgrading property, plant and equipment which leaves us well positioned as we enter 2018 with significant packhouse capacity and more than adequate coolstore infrastructure. Unlike each of the previous three 31 December balance dates, we have no major capital commitments to complete early in the new financial year and further scale can be added by building coolstores at our Old Coach Road site, as we require them. Apata's Old Coach Road site has been prepared, and consents granted, so that when required we can erect coolstores with relative ease at a good financial return.

For the 12 months ended 31 December 2017, the group net profit after tax was $3.9M on revenues of $53.6M. This compares with a profit after tax of $6.5M on revenues of $62.4M in 2016.

CAPITAL RESTRUCTURE AND EXTERNAL DEBT

Apata's major shareholder, director, and large grower, John Anderson, made the decision to sell most of his orchard holdings early in 2017. John also indicated a desire to sell his Apata shares and the Board, after careful deliberation and external advice, made the decision to buy them back and cancel them in June 2017, thereby controlling what happened to this 19.6% or 2.3M shares in the company.

The shares were bought back with the initial intent of re issuing them to a new cornerstone shareholder. The cornerstone shareholder process was halted in late 2017 after issuance of further information on future Gold license release and forward supply estimates by Zespri which enabled us to re-assess the capital needs of Apata over that period. At the time of writing, and in response to queries from several parties already associated with our business, we still intend to offer growers and shareholders the opportunity to invest in Apata through an Expression of Interest. We are working through that proposal at present.

The re-purchase of John's shares and the completion of the upgrade works in Te Puke has seen external debt increase from $26.7M to $30.9M. Net debt (external debt less cash in bank) has increased from $21.7M to $29.0M. With the major capital expansion work now complete we plan to retire $5M-$6M of external debt in each of the next 2 years, unless we require the stores at Old Coach Road sooner than we planned or acquire another business in that period. We still retain the option to re-issue the shares bought back. If it occurs, the proceeds would be applied to debt reduction in the short term.

The Group went to market mid-2017 and re-financed with the Bank of New Zealand to consolidate all forms of debt into one facility offering more flexibility, fewer restrictions and a better commercial outcome than had previously been the case.

The business is operating within all banking covenants and has a minimum of $3.9M of debt scheduled for repayment in 2018, but intends to retire more debt than this given current trading conditions and other requirements for capital.

Cash on hand of $1.8M at balance date has decreased from $5.0M in 2016.

DIVIDEND

The dividend which would normally be paid in March 2017 was held pending completion of the Te Puke upgrade and satisfactory 2017 financial performance. The dividend was paid in December 2017 in the gross amount of 8.33 cents per share. The dividend carried full imputation credits so equated to 6.00 cents per share fully imputed, or 5.58 cents per share cash payment to shareholders after Resident Withholding Tax deductions.

A dividend with respect to the 2017 financial year of 17.36 cents per share gross, or 12.50 cents per share fully imputed, was declared on the 27th February. The dividend will be paid to shareholders on the 9th March 2018.

The Group retained earnings increased $3.3M (+19%) during the period to $20.5M and shareholder equity decreased slightly to $33.2M (-3%) as at 31 December 2017.

INVESTMENT IN OPERATIONAL AREAS

$1.3M of cash generated from operations was invested in ongoing business capital items for the 12 months. In addition to this asset replacement or replenishment capital, the completion of the major components of the Te Puke upgrade saw a further $7.4M invested. We committed to these projects on the basis of lead times required to complete in anticipation of a crop uplift in 2017 which did not eventuate.

With the growth expected in the industry in coming years, we do not see the investment as anything other than a good one for shareholders as we are now well-placed to process what our growers will supply over that period of growth. The completed upgrade fully utilises most of the available land at both of our processing sites and will allow us to pack 16M-17M trays with no further major investment required in packhouse plant and equipment.

The upgrade included a new packing line and pallet strappers, new loadout store and container dock, new canopies and bin loading pad, and reconfigured effluent and site access at a total cost of just under $13M, spread over two financial years.

ASSOCIATES

PRIMOR PRODUCE LIMITED

Primor Produce Limited, our produce marketing associate located in Auckland, continues to outperform all expectations. The gross dividend received in the year of $1,437,500 represents an 89% return on original investment, or 59% on the net after tax dividend of $963,125, another great return for shareholders. 2016's pre-tax dividend was $944,444 so 2017 was an exceptional year for Primor given 2016 in itself was a great year. Primor is currently six months into its current financial year and profit is more in line with 2016 performance on the back of the biennial lower avocado crop. Apata's relationship with Primor remains excellent and we continue to instigate and investigate further opportunities to work together.

KIWIFRUIT 2017

THE INDUSTRY HARVESTED 123M TRAYS, WELL DOWN FROM THE PREVIOUS YEAR OF 148M AND IN LINE WITH THE 2015 HARVEST OF 122M TRAYS.

The 2016/2017 growing season failed to deliver the bumper crops of the earlier two years. Following winter bud-break it was obvious that fruit numbers were going to be much lower and there was considerable variability both between and within orchards. The highly floral SunGold was less affected with overall yields being only 3% down from the previous year, but the effect was exacerbated in Hayward conventional and Hayward organic being 27% and 25% down, respectively, across the industry, and Apata's experience was in line with this. Theories abound as to why this occurred. There was considerable discussion about low light levels during early 2016 contributing to low dry matter in the 2016 harvest. During this period the buds on which the 2017 harvest came from were in the process of initiation or development and sunlight is key to good bud development. The 2016 winter was also relatively mild and the less winter chilling there is, the lower the bud break, particularly if, as in the case of conventional, the hydrogen cyanamide application timings are not adjusted. Finally, the vines' reserves of carbohydrates or energy are likely to have been significantly depleted following two bumper seasons and the vines simply didn't have enough 'oomph' to do it again three years running.

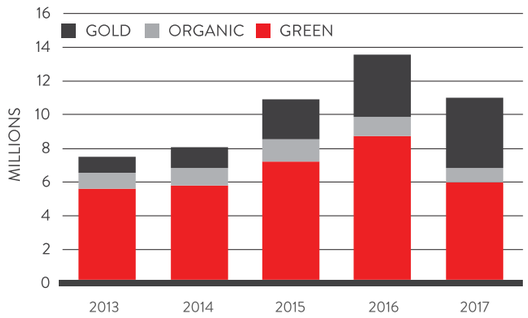
Fortunately, the 2017/2018 season is looking a lot brighter. Winter chill hours were back up and bud break looked a lot better. If Mother Nature was kind during SunGold pollination, she was benevolent during Hayward and both fruit numbers and size before Christmas were looking excellent. Lots of long, hot and sunny days had non-irrigated orchards facing drought conditions, but early New Year rain has replenished water supplies and most growers seemed to have survived the early January storm relatively unscathed. We are expecting an early season with good dry matter and tray numbers, but the key remains the weather in the six weeks before harvest.

As raised at recent Zespri Grower Roadshows, the number one threat on the horizon for our industry is a biosecurity incursion. We are currently in the high-risk period for both fruit fly and brown marmorated stink bug, which are Kiwifruit Vine Health's (KVH) number one and two unwanted organisms. Interceptions of both are regularly occurring at our border. Whilst we have both a government agency (Ministry for Primary Industries, about to be rebranded Biosecurity New Zealand) and our industry organisation (KVH) working to protect our orchards from further incursions, the number one biosecurity officer for an orchard should be the grower. We urge growers to consider establishing a biosecurity border around their property and ensure all workers and visitors are following sound biosecurity protocols.

In 2017, the Hayward conventional crop dropped from 93M trays to 66M, the Hayward organic from 4.0M to 2.8M, whilst the SunGold crop increased from 47M to 53M in spite of the 3% yield reduction discussed above. The SunGold crop continues to increase as canopies mature and new plantings come into production, a trend which will continue for some years yet.

The lower crop numbers allowed all fruit to be sold with much earlier loadouts to overseas markets than previous years which had seen crop management on shore and late loadouts. A good news story, but for post-harvest our margins were affected by not being required to store as much of the fruit on shore for as long.

APATA GROUP SUPPLY: CLASS 1 KIWIFRUIT TRAYS PACKED



THE APATA SUPPLY GROUP COMPRISES APATA (THE GROUP) AND ONE OTHER AFFILIATE POST-HARVEST SERVICE PROVIDER

The Apata Supply Group packed 11.0M Class I export trays in 2017 down 2.5M or 19% on the prior year. We expect the reduction in supply numbers to buck the trend of the next few years as industry growth continues, and, considering the fantastic yields of 2016, is unlikely to be repeated anytime soon. The Apata Supply Group estimate is accordingly up for 2018 with the latest estimate being 12.5M trays.

FRUIT LOSS

The lower overall crop, and continued demand for Gold kiwifruit, resulted in an earlier loadout window than the last two seasons. Fruit loss remains exceptional with our Gold fruit loss for the 2017 season at 0.3% against the industry 0.7%, Hayward organic at 0.3% against industry of 1.0% and Hayward conventional at 1.7% against industry 1.3%. Despite the fruit loss in the Hayward conventional pool being slightly higher than industry, we achieved better than average overall storage results for our growers, and our pool benefitted from participation in special programs that others chose to withdraw from.

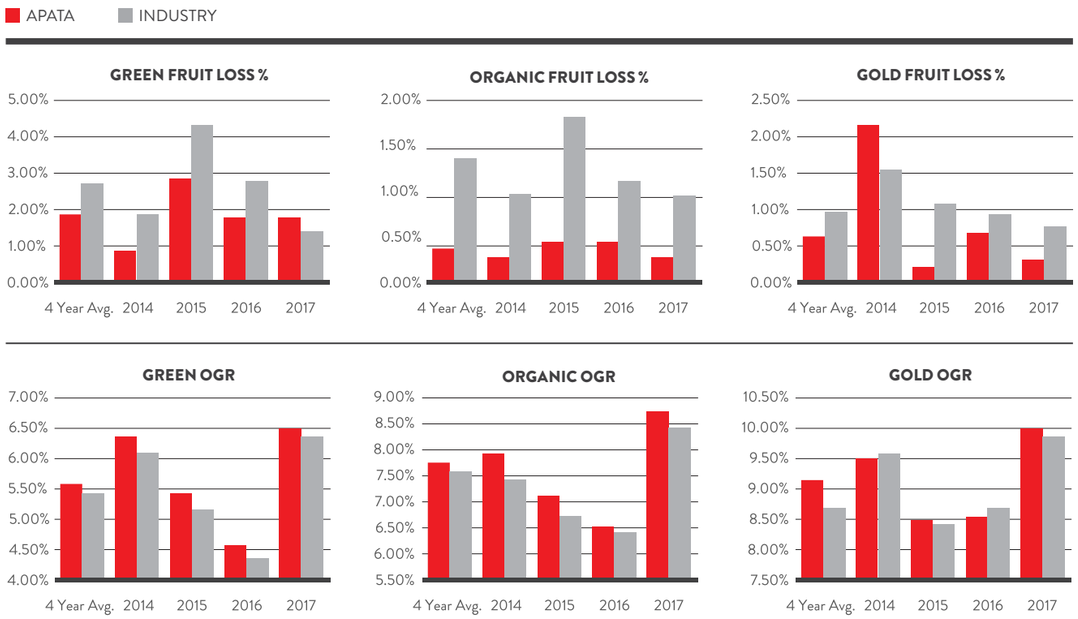
SunGold continues to perform well through the supply chain. With supply numbers forecast to double in the next few years, the storage characteristics of this variety continue to indicate that a later loadout program will suit.

The Supplier Accountability programme continues to expand to different markets and offers a risk/reward to suppliers to ensure the best quality fruit is in the market in the later part of the selling season. Apata Group offshore earnings from Intercheck and Supplier Accountability programmes in 2017 were again nearly double the industry of 15.8 cents (industry 8.5 cents) and continues to validate the investment in people and systems to manage our fruit inventory.

POOL RETURNS

Apata Suppliers Entity kiwifruit pools continue to perform well and, in spite of the Hayward conventional yield dropping and impacting post-harvest revenue, the grower per tray returns are significantly improved on 2016 such that the per hectare returns are higher than 2016. The Hayward conventional pool December forecast is $6.49 vs industry at $6.37, or $2,800 per hectare higher than the industry average. The 2017 per hectare returns for Hayward conventional sit at just under $60,000 per hectare as compared to $58,000 in 2016. Apata's Hayward organic pool is $8.75 vs industry $8.46, a 3% advantage for Apata growers, or $5,600 per hectare. Apata's SunGold pool is $10.01 vs industry $9.92 and a higher forecast per hectare of $120,000 than industry at $113,000. The SunGold returns at circa $113,000 for the industry are very encouraging for growers given the record harvest of 49M trays. Zespri modelling suggests returns of >$100,000 can be maintained as these SunGold volumes double over the next 5 years.

We continue to hold the view that, as the forecast increase in Gold volumes occurs, the loadout window will be lengthened, as will the time the fruit is required to be handled and stored in our facilities. This changing dynamic of Gold storage in the next 5 years will enable the good performers to distinguish themselves more readily from the average, something not able to be done at present in the post-harvest industry with the Gold fruit inventory. Whilst the storage characteristics of SunGold have been extremely positive, Zespri has commented that they have experienced storage breakdown in some lines which indicates sound inventory management systems will be required in SunGold in coming seasons to ensure the best results are obtained for grower entity pools.



AVOCADOS

AS IS COMMON WITH AVOCADOS, THIS YEAR'S CROP WAS WELL DOWN FOLLOWING LAST YEAR'S RECORD CROP, WHICH THE INDUSTRY STATISTICS CLEARLY DEMONSTRATE.

This year saw 3.7M trays harvested compared to 7.5M last season, of which 2.25M were exported. This season Apata processed a total of 452,606 tray equivalents which included 307,468 export trays, which sees our export market share from the Bay of Plenty remain at 28%.

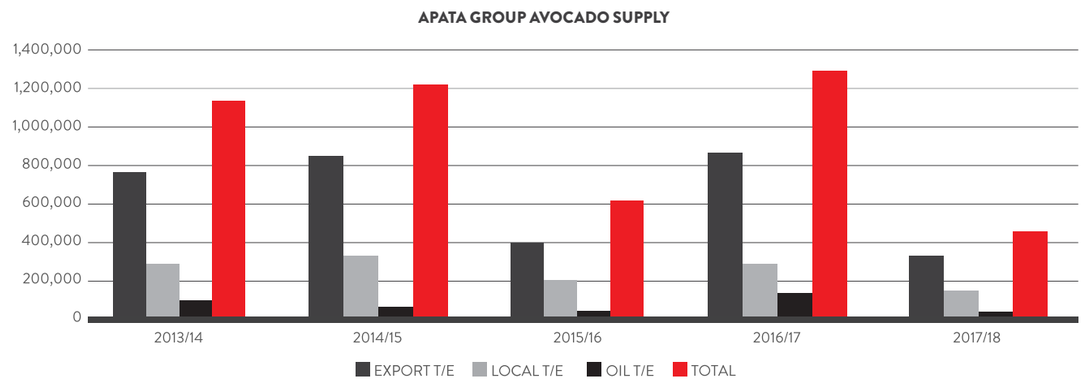
A lighter season did see our harvest shorten from 26 weeks down to 21 weeks as the export season started later this year and finished a week early as the supply of fruit dried up. This season we harvested 7,085 bins compared to the 25,550 in the 2016-2017 season. The feedback has been extremely positive on the performance of Apata, our staff and contractors. Despite it being a smaller season it doesn't necessarily convert to an easier harvest in terms of logistics and planning.

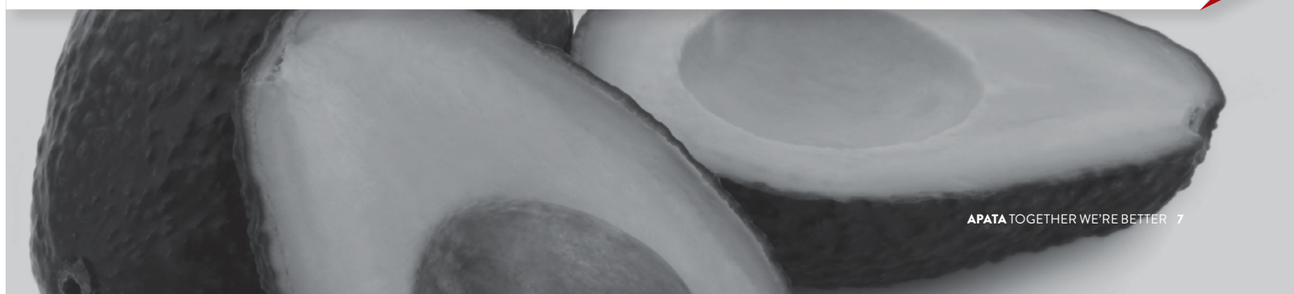
One real positive of a short season though is that OGRs are looking very good with an export OGR in the high $30s for premium sizes. The AVOCO market strategy and planning continues to reap reward for its suppliers.

Late last year we also saw the opening of the Chinese market for New Zealand avocados. This will see the industry have to step up to a higher level of traceability and accountability but is a great opportunity for the industry to add long term value in export markets others than Australia. There was one shipment of avocados to China in January 2018 to start this market development.

Looking forward to the 2018/19 season we certainly have a better set on the trees, but unfortunately not as good as it was two years ago. The current estimate is that the crop for Apata sits at somewhere between 550,000 – 650,000 and we'll know more as we get around and do further estimates in the coming weeks.

The success and growth of the industry in the last few years has seen several hundred hectares of avocado orchard development north of Auckland, but also in the Bay of Plenty. Often times a waiting list for rootstock, as opposed to capital or other logistical issues, is the constraint on the speed of these developments.





BUSINESS OUTLOOK

KIWIFRUIT 5 YEAR OUTLOOK

In the final quarter of 2017 Zespri outlined their vision for the industry to 2025 and provided some updated forecast information for the next 5 years. As part of Zespri's overarching vision of $4.5bn in global sales by 2025 they have announced the release of a further 3,750 hectares of SunGold license - 750 hectares per year for the next 5 years. Whilst this creates a platform for growth over the next 8-10 years, it also provides some short-term uncertainty in terms of how the license release will roll out, how much will go to new development, and how much cutover from Hayward will occur. Further, they have indicated that they will decide whether to release a new red and green variety perhaps as early as 2019. Both factors again are encouraging for the long term future, but are creating more near-term uncertainty.

Apata is the industry leader in organics and the industry's largest packer of organic kiwifruit, having set up the organic hub around Pyes Pa over 20 years ago. Each year the industry loses organic production to urban sprawl so it is pleasing to see Zespri recognise the worldwide trend towards organics and, in turn, the supply shortage, by allocating up to 250 hectares of Gold license to be released specifically for organic development over the next 5 years.

In conjunction with these announcements, Zespri have reviewed their yield assumptions for both Green and Gold in light of a further year of data being available and have reduced their yield estimates per hectare by approximately 10%. The result of all this work is the re-forecasting of industry volumes for the next 5 years which show a significant reduction in short – medium term volumes over that which Zespri were indicating 12 months ago, and is detailed in *Table 1* below.

Please note that the numbers in *Table 1* are a summary of extractions from various Zespri publications and presentations and are provided to give an indication for industry planning purposes only. The only thing we know is that the next 5 years won't play out exactly as indicated, but these numbers will provide confirmation of the general shape the industry is expected to take over that period. These estimates exclude the impact of the release of any further new proprietary varieties over that period.

There was significant orchard development activity prior to these announcements from Zespri and this will be further fuelled by the release of additional Gold license, potential new varieties, and continuing high OGRs for all varieties. It is readily conceivable that the industry will exceed these volume estimates.

We know the industry struggled to handle 148M trays in 2016 so clearly more investment is required across post-harvest, but Apata is well placed and ahead of the curve with the processing upgrade undertaken in Te Puke over the summer of 2016/17.

The outlook for the industry remains extremely positive in all areas and the implications on our planning are outlined below. In the immediate short term, the 2018 crop is looking like a significant improvement on 2017. The Hayward crop which dropped over 25% in yield in 2017 is indicating a bounce back of perhaps at least 20%. The Gold crops appear as good if not slightly better than 2017 which, coupled with further canopy maturing, will see the overall Gold numbers continue to rise. The latest industry crop estimate, released in February 2018, has the industry forecasting 150M trays and up on the Nov 17 estimate of 141M in the table above, reflecting a far better Hayward yield than earlier forecasts. 150M trays would see a bounce back to 2016 levels with the Hayward crop forecast to increase from 70M to 84M, and SunGold from 53M to 66M.

BUSINESS STRATEGY

Apata's board conducted its annual review of the business strategy in late 2017 and considered the implications of the revised information from Zespri. We are well placed for packing capacity till well beyond 2020, but clearly the reduction of supply volume in the medium term of up to 20% of previously forecasted volumes has altered the timing of the requirement for coolstore builds at our Old Coach Road site. We will build stores at that site as required in advance of the forecast need to handle growers' crops. The pushing back of the need for capital development at Old Coach Road led to a halt of the external capital raise in late 2017. We will shortly issue an Expression of Interest to existing growers and shareholders in Apata shares to recognise the demand we have from various parties already connected with the business in becoming a shareholder or sharing up further.

Shareholders can therefore be assured that our core strategy remains unchanged. We have packhouse capacity to handle 16M-17M trays and our job is to fill that as soon as possible. As we do that we will need to develop new coolstores in Te Puke to right-size packing and cooling on both sides of town and maximise use of available land and processing assets. A 16-17M tray business, fully utilising available assets, is a stable and stronger business for our shareholders, staff and stakeholders to be in partnership with and run efficiently. Shareholder returns can be stabilised and grown, and we can support and provide

TABLE 1: 5 YEAR INDUSTRY VOLUMES FORCAST

HARVEST YEAR	CURRENT (NOV 17)	PREVIOUS (NOV 16)	% CHANGE
CROP FORECAST 2018 (T/E'S)	141,250,000	165,600,000	-15%
CROP FORECAST 2019 (T/E'S)	145,853,334	173,800,000	-16%
CROP FORECAST 2020 (T/E'S)	150,846,424	184,400,000	-18%
CROP FORECAST 2021 (T/E'S)	159,244,385	196,200,000	-19%

opportunities for key staff. We would also have redundancy in the event of key staff departure or equipment failure.

We remain committed to being the best and pre-eminent second tier operator, supportive of industry structures, as our observation is that big is not always beautiful. We must continue to execute on-orchard, and in turn through our post-harvest operations and continued investment in people and equipment, to ensure that these standards are maintained.

Beyond core business execution we continue to investigate opportunities to leverage existing relationships or diversify our income streams within our broad areas of competency and expertise. Primor Produce is an example of one such opportunity executed successfully and our management team are working hard to secure other such long term investment opportunities within the robust due diligence framework and investment criteria.

OTHER CONSIDERATIONS FOR THE FUTURE

LABOUR

The key challenge facing kiwifruit is the same challenge facing the rest of New Zealand's primary industries and that is labour. The Government continues to respond to the need for labour across the horticultural industries by increasing the number of overseas workers, primarily from the Pacific Islands, that New Zealand employers can bring in for up to 7 months. The cap was 8,000 places in 2009 and is now 11,100 but still short of the numbers required to support the pool of available New Zealanders and holiday visas. As the numbers increase so does the compliance around such things as minimum standards for accommodation.

The on-orchard requirement for labour, if anything, is more acute than the packhouse requirement and the ability to harvest the fruit could become the bottleneck for the industry in coming seasons.

For skilled roles we continue to see new entrants to the industry, from re-locating Aucklanders or those returning from overseas, but still not at the level required to sustain the growth we are facing.

The minimum wage increases by 4.8% on the 1st April 2018 and the coalition Government has signalled a further 21% increase between 1 April 2018 and 1 April 2021. Increases in minimum wage will therefore materially impact the cost of our total labour force as relativity between roles will need to be maintained.

Therefore, both the availability and the changing cost of labour is at the forefront of our thinking. We have further explored automation options to displace labour and as labour becomes more expensive and short in supply, and the technology costs get cheaper, the return on investment dynamic changes. That noted, we will never eliminate completely the need for a large supply of labour in the field and in our packhouses. Housing our labour force is also increasingly complex and we have commenced several streams of work looking at options to resolve this issue in coming years. Essentially, they who control the labour in future seasons will control the game.

HEALTH AND SAFETY

The new health and safety legislation has been in place for nearly two years now and we are pleased to report that we have had no major issues. That is not to say we do not have significant ongoing work to do in this space to ensure our systems and processes are continually improving and all our staff return home in the same state they left for work. To that end we made some progress with fatigue management over the harvest period and have further refinements planned for the 2018 season.

SYNDICATED ORCHARDS

The competition amongst buyers of good quality orchards remains at unprecedented levels and the industry success of the last few years is now attracting large investment from on and off shore. We continue to work with a partner on a business model requiring little capital input from Apata which could take our orchard management division to a new level in the next couple of years.

SUSTAINABILITY

Increasingly, many of our projects and strategies were including environmental sustainability as a consideration and we found a groundswell of support from within our own team to incorporate sustainability as a key measure of success. In fact, the desire for an environmentally sustainable business has been driven by our staff and we applaud their determination to organise themselves and move the business down this path. We are now investing in sustainability projects and have included waste reduction targets in our 5 year strategic plan for the first time.

APATA IN THE COMMUNITY

THE BREAKFAST CLUB

Katikati Primary School is a decile 4 school servicing a community with diverse demographics. The apparent wealth of the community, thanks to a thriving horticultural sector, masks the reality of many families in financial crisis and this means children often go without food. Over 10 years ago, some concerned parents noted that many children were turning up to school without lunch and often had not had breakfast. So The Breakfast Club was born.

Since it started, a team of committed volunteers has served breakfast and prepared lunches for kids, every day, so that they can focus on their education. "The Breakfast Club is not just for those children whose families cannot afford it; we make it available for everyone so as not to stigmatise anyone. Many children enjoy hot chocolate, toast and cereal. Some days, there are sausages and other hot food to fill and warm their tummies. It makes a huge difference to so many," says school Principal Andrea Nicholson.

Along with many donations from the local community, Apata is proud to be the major sponsor of The Breakfast Club.

This year, Apata will be actively seeking an opportunity to match our support for The Breakfast Club in the Te Puke community as we had supported a youth programme in the centre of Te Puke until it was re-structured.

THE GROWERS CLASSIC CAR SHOW

Friday 13th October 2017, and by late morning muscle cars, classic engines, and a motorcycle hearse purred, roared, and rumbled as 30 entrants made their way to the inaugural Growers' Classic Car Show at the Tauranga Yacht and Power Boat Club.

Enjoyed by close to 100 enthusiasts, the range on show was spectacular and offered something for everyone. From the latest Shelby, to the ultimate prize-winner - Martin & Raewyn Carey's stunning 1927 Rolls Royce Phantom - a virtual history of motoring presented itself and was appreciated by a crowd who enjoyed both the company and hospitality of the day.

This year's event will incorporate a special day to make it even more enjoyable. More on that later...

ACKNOWLEDGEMENTS

We thank our growers, shareholders and staff who remain the lifeblood of our business. Their continued support and commitment to our business has enabled us to invest in assets and capability over the last three years which will enable the business to thrive in the next 10 years. This investment will return long term value and security to all parties.

We had one long serving director retire during the year. John Anderson retired after the process to sell some of his orcharding interests and shareholding in Apata. John founded the Aerocool site in the Mount 30 years ago and opened shareholding to the public in Aerocool in 2001. Aerocool changed its name to Apata Group Limited in 2013. We thank John for his contribution to our business over many years and wish him well in his other business ventures.

In February 2018 Tom Wilson also stood down from the board. Tom has been a director of Apata since 2013 and provided significant commercial acumen and pragmatism over that period. Tom was known to many in the industry before his involvement with us and, like John, has other business ventures that will keep him busy in the future. We wish Tom well in those ventures and thank him for his time on our board and contribution to the kiwifruit industry.

Finally, it has been another sad year for the Apata family with the sudden passing of Mike Muller in September. Mike's contribution to the kiwifruit industry could be measured simply by gauging the depth and breadth of industry participants that gathered to farewell him, from as far afield as Motueka.

Mike connected with growers, and indeed kiwifruit vines, as few can in a kiwifruit career dating back to 1974. Since that time Mike has been a grower, a packhouse operator, a contractor, a consultant and held numerous governance roles. It is in his time as a consultant and advisor to the industry that he was able to promote opportunities that have shaped the industry we see today such as Taste Zespri, the New Variety Programme and improvements to Hayward productivity.

Mike, along with the late Brian Earp, the late Jack Tangney and Peter Mayston, formed the original Apata Limited in 1983 and Mike held a board position from that time until 2012. Mike's soft spoken, polite and affable approach was supported by sound arguments and logical reasoning in his dealings as part of that board. This approach from Mike was no different in all other facets of his personal or professional life.

Mike's primary values were family and faith. Mike and his wife Trish raised 4 boys and they, with their extended families, remain an extremely tight knit family unit, a credit to Trish and Mike's core values and upbringing.

Mike earned a position of trust in all walks of life that few attain, and our condolences and thoughts go out to Trish and her family.

THANK YOU FOR YOUR SUPPORT.

GRAHAM CATHIE
Chairman

STUART WESTON
Managing Director

Apata™ TOGETHER WE'RE BETTER

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

INDEX

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

1. DIRECTORS AND REMUNERATION

The Group's remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Details of the nature and the amount of each major element of emoluments of each Director of the Company are:

IN NEW ZEALAND DOLLARS	FEES	OTHER BENEFITS	TOTAL
C G CATHIE	50,000	4,000	54,000
J D ANDERSON (RESIGNED 9 JUNE 2017)	10,417	-	10,417
A BIRLEY	25,000	-	25,000
C S CARNACHAN	25,000	-	25,000
P V M ELLIOT (APPOINTED 9 JUNE 2017, RESIGNED 31 OCTOBER 2017)	10,417	-	10,417
M N MAYSTON	25,000	5,000	30,000
T H WILSON (RESIGNED 28 FEBRUARY 2018)	25,000	-	25,000
S B WESTON	-	-	-

THE ABOVE PERSONS, EXCLUDING J D ANDERSON AND P V M ELLIOT, WERE HOLDING OFFICE AS DIRECTORS OF THE COMPANY AS AT 31 DECEMBER 2017.

P V M Elliot was appointed to the Board on 9 June 2017 as a requirement of the subordinated debt issued on the same date. The tenure of appointment was for the period the subordinated debt remained outstanding. After renegotiation banking arrangements, Apata Group Limited repaid the subordinated debt on 5 October 2017.

M N Mayston and C G Cathie receive Director fees for services as a Director of Primor Produce Ltd. These have been disclosed above as Other Benefits. S B Weston is an employee and a Director and is not remunerated separately for services as a Director.

2. ENTRIES RECORDED IN THE INTERESTS REGISTER

The following entries were recorded in the interest register of the Group during the period:

DIRECTORS' INTERESTS IN TRANSACTIONS

During the period the Group undertook transactions with the Directors as set out in Note 25 to the financial statements disclosing related party transactions.

USE OF COMPANY INFORMATION

During the period the board received no notices from Directors requesting authority to use Group information, which would not otherwise have been available to them.

SHARE DEALINGS OF DIRECTORS

John Anderson sold 2,278,462 shares to Apata Group Limited during the year ended 31 December 2017. The shares were subsequently cancelled by the Company.

The Aerocool Trust, of which John Anderson is a Trustee and Beneficiary, sold 22,885 shares to Apata Group Limited during the year ended 31 December 2017. The shares were subsequently cancelled by the Company.

Stuart Weston purchased 118,828 shares during the year ended 31 December 2017 from Apata Group ESI Trustee Limited (2016: 118,828 shares).

Bruntwood Investment Trust, of which Mark Mayston is a Beneficiary, purchased nil shares during the year ended 31 December 2017 (2016: 68,499 shares).

DIRECTORS' SHAREHOLDINGS

Directors held the following shares at 31 December 2017:

ALAN BIRLEY	570,334	
ALAN BIRLEY	533,296	SHARES HELD BY ALAN BIRLEY TRUST OF WHICH ALAN BIRLEY IS A TRUSTEE AND BENEFICIARY
ALAN BIRLEY	536,949	SHARES HELD BY PAT BIRLEY TRUST OF WHICH ALAN BIRLEY IS A TRUSTEE AND BENEFICIARY
GRAHAM CATHIE	95,109	SHARES HELD BY KIWIFRUIT MANAGEMENT SERVICES LIMITED OF WHICH GRAHAM CATHIE IS A SHAREHOLDER AND DIRECTOR
MARK MAYSTON	883,258	SHARES HELD BY BRUNTWOOD INVESTMENT TRUST OF WHICH MARK MAYSTON IS A BENEFICIARY
STUART WESTON	356,484	
STUART WESTON	20,000	SHARES HELD BY WESTON INVESTMENT TRUST OF WHICH STUART WESTON IS A TRUSTEE AND BENEFICIARY
SEAN CARNACHAN	58,333	SHARES HELD BY WESTERN ORCHARDS LIMITED OF WHICH SEAN CARNACHAN IS A SHAREHOLDER AND DIRECTOR

STATUTORY INFORMATION CONTINUED

LOANS TO DIRECTORS

During the year ended 31 December 2017, the Company repurchased shares from John Anderson and The Aerocool Trust, of which John Anderson is a Trustee and Beneficiary, for a total amount of $4,487,627. Consideration for the purchase was by way of Deeds of Debt issued to John Anderson and the Aerocool Trust. A requirement of the Deeds of Debt was that John Anderson resign as a Director of the Company at the date the shares were repurchased and the Deeds of Debt were entered. The Deeds of Debt were for a period of two years from 9 June 2017 to 9 June 2019. The Company had the option to repay the debt earlier than the expiry date if it wished. Consequently, after renegotiating banking arrangements, the Company repaid the subordinated debt on 5 October 2017.

There were no other loans to Directors issued during the year ended 31 December 2017 nor any loans outstanding by Directors at 31 December 2017.

DIRECTORS' INDEMNITY AND INSURANCE

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

3. EMPLOYEES' REMUNERATION

During the period the following number of employees received remuneration and benefits of at least $100,000:

NUMBER OF EMPLOYEES	DEC 2017	DEC 2016
100,000 - 109,999	0	3
110,000 – 119,999	2	2
120,000 – 129,999	3	1
130,000 – 139,999	1	0
140,000 – 149,999	4	3
210,000 – 219,999	0	1
220,000 – 229,999	1	0
290,000 – 299,999	0	1
300,000 – 309,999	1	0
530,000 – 539,999	0	1
540,000 – 549,999	1	0

BENEFITS INCLUDE THOSE TRANSFERRED UNDER THE EMPLOYEE SHARE SCHEME OPERATED BY THE GROUP.

4. AUDIT FEES

During the period audit fees were paid as disclosed in the Statement of Profit or Loss and Other Comprehensive Income.

5. DONATIONS

Donations of $15,020 were made during the period. (2016: $4,150)

DIRECTORS' DECLARATION

In the opinion of the Directors of Apata Group Limited, the financial statements and notes, on pages 15 to 40:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Group as at 31 December 2017 and the results of its operations and cash flows for the year ended on that date.
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as the integrity and reliability of the financial statements.

The Directors are pleased to present the financial statements of Apata Group Limited for the year ended 31 December 2017.

For and on behalf of the Board of Directors:

C G CATHIE
Director
27 February 2018

M MAYSTON
Director
27 February 2018

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		GROUP		COMPANY	
IN NEW ZEALAND DOLLARS	NOTE	**2017**	**2016**	**2017**	**2016**
ASSETS					
PROPERTY, PLANT AND EQUIPMENT	8	60,614,972	56,027,738	60,614,972	56,027,738
TERM RECEIVABLES	9	350,000	18,340	350,000	18,340
DEFERRED TAX ASSETS	12	-	272,179	-	272,179
INVESTMENT IN EQUITY ACCOUNTED ASSOCIATE	11(a)	1,785,630	1,841,864	1,620,000	1,620,000
OTHER INVESTMENTS	11	122,667	136,815	122,767	136,915
TOTAL NON-CURRENT ASSETS		**62,873,269**	**58,296,935**	**62,707,738**	**58,075,172**
INVENTORIES	13	1,450,713	1,360,909	1,450,713	1,360,909
BIOLOGICAL ASSETS	10	141,973	69,125	141,973	69,125
TRADE AND OTHER RECEIVABLES	14	3,626,033	5,246,356	4,141,369	5,759,296
CASH AND CASH EQUIVALENTS	15	1,844,686	4,965,123	184,808	2,687,651
TOTAL CURRENT ASSETS		**7,063,405**	**11,641,514**	**5,918,862**	**9,876,981**
TOTAL ASSETS		**69,936,674**	**69,938,449**	**68,626,601**	**67,952,153**
EQUITY					
SHARE CAPITAL	16	11,276,906	15,609,600	11,276,906	15,609,600
RESERVES	16	1,479,207	1,622,298	1,454,727	1,597,818
RETAINED EARNINGS	16	20,462,114	17,129,363	20,302,051	16,913,067
TOTAL EQUITY		**33,218,228**	**34,361,262**	**33,033,685**	**34,120,485**
LIABILITIES					
LOANS AND BORROWINGS	17, 20	26,999,510	21,662,593	26,999,510	21,662,593
DEFERRED TAX LIABILITIES	12	34,961	-	34,961	-
TOTAL NON-CURRENT LIABILITIES		**27,034,471**	**21,662,593**	**27,034,471**	**21,662,593**
LOANS AND BORROWINGS	17, 20	3,880,000	5,000,000	3,880,000	5,000,000
EMPLOYEE BENEFITS PAYABLE	18	266,773	469,147	266,773	469,147
CURRENT TAX LIABILITY		124,385	941,510	124,870	943,396
TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES	19	5,412,816	7,503,937	4,286,801	5,756,532
TOTAL CURRENT LIABILITIES		**9,683,975**	**13,914,594**	**8,558,445**	**12,169,075**
TOTAL LIABILITIES		**36,718,446**	**35,577,187**	**35,592,916**	**33,831,668**
TOTAL EQUITY AND LIABILITIES		**69,936,674**	**69,938,449**	**68,626,601**	**67,952,153**

THE NOTES ON PAGES 19 TO 40 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
IN NEW ZEALAND DOLLARS	NOTE	**2017**	**2016**	**2017**	**2016**
CONTINUING OPERATIONS					
REVENUE	5	**53,576,339**	**62,371,502**	**53,731,829**	**61,884,228**
WAGES AND SALARIES		16,396,610	17,929,443	16,396,610	17,929,443
PACKAGING MATERIALS		11,601,068	13,726,250	11,601,068	13,726,250
PICKING & CARTAGE		2,921,685	3,330,628	2,921,685	3,330,628
DEPRECIATION	8	3,387,883	2,860,956	3,387,883	2,860,956
ELECTRICITY		1,572,273	1,642,365	1,572,273	1,642,365
REPAIRS & MAINTENANCE		1,312,562	1,486,802	1,312,562	1,486,802
OPERATING LEASE EXPENSES		1,342,073	1,391,444	1,342,073	1,391,444
FINANCE COSTS	6	1,545,379	1,174,912	1,545,379	1,174,912
GROWER PAYMENTS - CLASS 2 AND LOCAL MARKET		1,479,415	1,003,725	1,479,415	1,003,725
ORCHARD GROWING EXPENSES		529,138	925,551	529,138	925,551
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		4,524	458,804	4,524	458,804
DIRECTORS' FEES		179,833	184,000	179,833	184,000
AUDITORS' REMUNERATION - AUDIT FEES		29,700	27,414	29,700	27,414
AUDITORS' REMUNERATION - OTHER SERVICES		3,405	5,150	3,405	5,150
OTHER EXPENSES		7,153,819	8,586,813	6,274,309	7,419,538
		49,459,368	**54,734,257**	**48,579,858**	**53,566,982**
SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES, NET OF TAX	11(a)	978,767	965,614	-	-
IMPAIRMENT OF AVAILABLE FOR SALE INVESTMENTS	11	(27,625)	-	(27,625)	-
PROFIT/(LOSS) BEFORE INCOME TAX		**5,068,112**	**8,602,859**	**5,124,345**	**8,317,245**
INCOME TAX EXPENSE / (BENEFIT)	7	1,182,110	2,151,997	1,182,110	2,151,997
PROFIT/(LOSS) FOR THE PERIOD		**3,886,002**	**6,450,863**	**3,942,235**	**6,165,249**
OTHER COMPREHENSIVE INCOME					
GAIN/(LOSS) ON REVALUATION OF LAND	8	(167,485)	907,058	(167,485)	907,058
NET CHANGE IN FAIR VALUE OF CASHFLOW HEDGE	16	24,395	(58,567)	24,395	(58,567)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**(143,091)**	**848,491**	**(143,091)**	**848,491**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16	**3,742,912**	**7,299,354**	**3,799,145**	**7,013,740**

THE NOTES ON PAGES 19 TO 40 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

IN NEW ZEALAND DOLLARS	NOTE	SHARE CAPITAL	SHARE BASED PAYMENTS RESERVE	REVALUATION RESERVE	HEDGING RESERVE	ASSOCIATE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
GROUP								
OPENING BALANCE 1 JANUARY 2016		15,358,721	211,249	587,143	(49,065)	24,480	11,840,207	27,972,734
PROFIT/(LOSS) FOR THE PERIOD		-	-	-	-	-	6,450,863	6,450,863
OTHER COMPREHENSIVE INCOME		-	-	907,058	(58,567)	-	-	848,491
DIVIDEND PAID		-	-	-	-	-	(1,161,706)	(1,161,706)
EMPLOYEE SHARE SCHEME		250,879	-	-	-	-	-	250,879
CLOSING BALANCE AT 31 DECEMBER 2016		**15,609,600**	**211,249**	**1,494,201**	**(107,632)**	**24,480**	**17,129,363**	**34,361,262**
PROFIT/(LOSS) FOR THE PERIOD		-	-	-	-	-	3,886,002	3,886,002
OTHER COMPREHENSIVE INCOME		-	-	(167,485)	24,395	-	-	(143,091)
DIVIDEND PAID		-	-	-	-	-	(553,251)	(553,251)
SHARE CAPITAL REPURCHASED		(4,535,923)	-	-	-	-	-	(4,535,923)
EMPLOYEE SHARE SCHEME		203,229	-	-	-	-	-	203,229
CLOSING BALANCE AT 31 DECEMBER 2017	**16**	**11,276,906**	**211,249**	**1,326,715**	**(83,237)**	**24,480**	**20,462,115**	**33,218,228**
COMPANY								
OPENING BALANCE 1 JANUARY 2016		15,358,721	211,249	587,143	(49,065)	-	11,909,524	28,017,572
PROFIT/(LOSS) FOR THE PERIOD		-	-	-	-	-	6,165,249	6,165,249
OTHER COMPREHENSIVE INCOME		-	-	907,058	(58,567)	-	-	848,491
DIVIDEND PAID		-	-	-	-	-	(1,161,706)	(1,161,706)
EMPLOYEE SHARE SCHEME		250,879	-	-	-	-	-	250,879
CLOSING BALANCE AT 31 DECEMBER 2016		**15,609,600**	**211,249**	**1,494,201**	**(107,632)**	**-**	**16,913,067**	**34,120,485**
PROFIT/(LOSS) FOR THE PERIOD		-	-	-	-	-	3,942,235	3,942,235
OTHER COMPREHENSIVE INCOME		-	-	(167,485)	24,395	-	-	(143,091)
DIVIDEND PAID		-	-	-	-	-	(553,251)	(553,251)
SHARE CAPITAL REPURCHASED		(4,535,923)	-	-	-	-	-	(4,535,923)
EMPLOYEE SHARE SCHEME		203,229	-	-	-	-	-	203,229
CLOSING BALANCE AT 31 DECEMBER 2017	**16**	**11,276,906**	**211,249**	**1,326,715**	**(83,237)**	**-**	**20,302,051**	**33,033,685**

THE NOTES ON PAGES 19 TO 40 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
IN NEW ZEALAND DOLLARS	NOTE	**2017**	**2016**	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES					
CASH RECEIPTS FROM CUSTOMERS		59,715,119	64,061,344	57,750,529	61,996,634
CASH PAID TO SUPPLIERS AND EMPLOYEES		(51,548,376)	(51,681,482)	(48,963,085)	(50,640,722)
INTEREST PAID		(1,307,242)	(1,148,533)	(1,307,242)	(1,148,533)
INCOME TAX RECEIVED (PAID)		(1,692,094)	(2,037,303)	(1,693,495)	(2,038,740)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**24**	**5,167,406**	**9,194,026**	**5,786,707**	**8,168,639**
CASH FLOWS FROM INVESTING ACTIVITIES					
INTEREST RECEIVED		15,343	39,507	13,636	32,773
DIVIDENDS RECEIVED		1,057,270	697,861	1,057,270	697,861
PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT		5,150	16,867	5,150	16,867
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		(8,683,100)	(18,653,165)	(8,683,100)	(18,653,165)
ACQUISITION OF OTHER INVESTMENTS		(13,477)	(13,780)	(13,477)	(13,780)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(7,618,815)**	**(17,912,709)**	**(7,620,522)**	**(17,919,443)**
CASH FLOWS FROM FINANCING ACTIVITIES					
DRAWDOWN OF LOANS		41,844,836	16,533,167	41,844,836	16,533,167
REPAYMENT OF LOANS		(37,627,919)	(7,000,000)	(37,627,919)	(7,000,000)
RE-ISSUE OF SHARE CAPITAL		203,229	250,879	203,229	250,879
RE-PURCHASE OF SHARE CAPITAL		(4,535,923)	-	(4,535,923)	-
DIVIDENDS PAID		(553,251)	(1,161,706)	(553,251)	(1,161,706)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(669,028)**	**8,622,340**	**(669,028)**	**8,622,340**
NET INCREASE IN CASH AND CASH EQUIVALENTS		(3,120,437)	(96,343)	(2,502,844)	(1,128,464)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		4,965,123	5,061,466	2,687,651	3,816,115
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**15**	**1,844,687**	**4,965,123**	**184,808**	**2,687,651**

THE NOTES ON PAGES 19 TO 40 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

Apata Group Limited (the "Company") is a company domiciled and incorporated in New Zealand, registered under the Companies Act 1993. The Company is a Financial Markets Conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The financial statements presented are those of Apata Group Limited and its wholly owned subsidiaries, Apata Suppliers Limited and Apata Group ESI Trustee Limited (collectively "the Group") as at and for the year ended 31 December 2017.

The Group is primarily involved in the packing and coolstorage of kiwifruit and avocados.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

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

The Group is profit oriented.

The financial statements have been prepared on a going concern basis.

The financial statements were approved by the Board of Directors on 27 February 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- non-derivative financial instruments at fair value through profit or loss are measured at fair value
- biological assets are measured at fair value, approximated by cost
- land is measured at fair value
- The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. All financial information has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 8 – valuation of property
- Note 10 – valuation of biological assets
- Note 21 – valuation of financial instruments

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are entities over which the Group has significant influence but not control, generally evidenced by a holding of 20% to 50% of the voting rights or in combination with other forms of influence, such as representation on the Board of Directors. Investments in associates are accounted for in the Parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post acquisition profits or losses are recognised in the Statement of Profit or Loss, and its share of post acquisition movements in reserves are recognised in Other Comprehensive Income. The cumulative post acquisition movements are adjusted against the carrying value of the investment. Dividends received from associates in the consolidated financial statements reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other secured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the entity.

(iv) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given and shares issued at the date of exchange. Acquisition costs such as professional advisor fees are not included in the costs of acquisition but are recognised as an expense in the period in which they are incurred. Where equity instruments are issued in an acquisition, these are measured at the fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration at acquisition date over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Except for land, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is measured at fair value on an annual basis.

Movements in fair value are recognised directly in equity to the extent that the reserve balance is positive. Any negative balance in the revaluation reserve is transferred to the Statement of Profit or Loss and Other Comprehensive Income.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

(iii) Depreciation
Depreciation is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a diminishing value or straight-line basis over the estimated useful life. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

- buildings, 4 - 50 years
- vehicles and plant, 1 - 40 years
- office equipment, 3 - 8 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(c) Biological assets
Biological assets relate to the rights to kiwifruit grown under orchard lease arrangements and are measured at fair value. Any change in fair value is recognised in the Statement of Profit or Loss and Other Comprehensive Income. Due to the stage of growth at reporting date, the Group has determined that cost approximates fair value. Costs include labour, materials and other direct costs allocated to the asset.

(d) Leased property development costs
Where the Group enters into long term lease agreements of an orchard and part of the lease agreement is for the Group to develop the orchard, development costs incurred by the Group will be recognised as a long term receivable and will be recovered from crop proceeds over time.

(e) Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership would be classified as finance leases. Upon initial recognition the leased asset would be measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset would be accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's Statement of Financial Position.

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

The cost of items transferred from biological assets is their fair value less point-of-sale costs at the date of transfer.

(g) Financial instruments
(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Accounting for finance income and expense is discussed in note 3(m).

Instruments at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the Statement of Profit or Loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses.

Loans and borrowings
Loans and borrowings are classified as other non-derivative financial instruments.

Trade and other payables
Trade and other payables are stated at cost.

(ii) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

(iii) Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in Other Comprehensive Income and presented in equity in the hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Statement of Profit or Loss and Other Comprehensive Income. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(iv) Share capital
Ordinary shares
Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

(h) Impairment
The carrying amounts of the Group's assets that are not recognised at fair value through profit or loss are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(i) Impairment of equity instruments
Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. For this purpose prolonged is regarded as any period longer than nine months and significant as more than 20 percent of the original purchase price of the equity instrument.

Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the Statement of Profit or Loss and Other Comprehensive Income.

(ii) Impairment of debt instruments and receivables
Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

Receivables that are not individually significant and debt instruments for which, based on the individual assessment, it was determined that no objective evidence of impairment existed, are collectively assessed for impairment.

(iii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods would be assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss would be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss would be reversed only to the extent that the asset's carrying amount did not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits
Employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(i) Employee share scheme
The Group operates a share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, as determined by the directors.

The Group operates an Employee Share Scheme (ESS) under which shares are held by a trustee company which is a subsidiary of the Company. Certain employees have an option to subscribe to shares held by the trustee company and this benefit is recognised as a share based payment and recorded as an expense over the vesting period.

The total amount expensed is recognised over the period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance date, the Group revises its estimates of the number of options that are expected to vest based on the market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Profit or Loss and Other Comprehensive Income.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options vest.

The scheme is a trust administered by a company established in 2014 and directors of the trustee company (Apata Group ESI Trustee Limited) also hold office as directors of Apata Group Limited.

Shares may be issued at the Directors' discretion at a price set by the Directors', except that the ESS cannot be issued with further shares if that issue would result in the ESS having an interest of more than 9% of the issued capital of the Company.

The ESS has a non-beneficial interest in all the shares allocated to employees. Annually the Company will review the scheme and decide upon any further allocation of shares to employees and the fair value of those shares. All shares allocated are fully paid up. The Trustees of the ESS are not appointed for any term and may be removed by the Company at any time.

The shares held by the ESS carry the same voting rights as other issued ordinary shares, however the Trust Deed prohibits the Trustees from exercising any votes on the shares. Further, the employees participating in the ESS are unable to exercise voting rights while monies are owed on the shares.

(j) Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Revenue

(i) Services

Revenue from services rendered is recognised in the accounting period in which the services are rendered.

(ii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iii) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(l) Lease payments

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases would be apportioned between the finance expense and the reduction of the outstanding liability. The finance expense would be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on hedging instruments that are recognised in the statement of profit or loss and other comprehensive income. All borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

(n) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) New standards adopted and interpretations not yet adopted

(i) Application of new and revised New Zealand International Financial Reporting Standards

There were no new standards effective for the period ended 31 December 2017 that had a material impact on the financial reporting.

(ii) Standards and interpretations issued, not yet effective

Standards, amendments, and interpretations issued but not yet effective which are relevant to the Company are:

• NZ IFRS 9 Financial Instruments (effective for years beginning from 1 January 2018) – NZ IFRS 9 is to replace IAS 39. The new standard will impact three main areas; classification and measurement of financial assets, impairment, and hedge accounting. Management assesses that there may be some minor changes to the way financial assets are reported within the financial instruments disclosures, but there are unlikely to be any material changes to impairment and hedge accounting within the Group's financial statements.

• NZ IFRS 15 – Revenue from Contracts with Customers (effective date from 1 January 2018) – The new standard establishes principles for reporting about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. It prescribes when an entity will recognise revenue, how much revenue to recognise, and what disclosures to make about revenue. Management assesses that, based on the short-period of the average revenue contract entered into by the Group, the new standard is will not have a material impact on the timing of current revenue recognition.

• NZ IFRS 16 – Leases (effective date from 1 January 2019) – The new standard specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities on balance sheet for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance, with the new standard's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Management have yet to assess the impact of the changes on the Group's financial statements.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings for disclosure purposes is based on the Director's valuation.

(b) Biological assets

Biological assets are the crops growing on kiwifruit vines on the Group's leased orchards. Kiwifruit on vine is valued at fair value at reporting date in accordance with NZ IAS 41 Agriculture. The method to determine fair value depends on the degree of biological transformation at balance date. When insufficient biological transformation has occurred, the fair value is the cost incurred at balance date to grow the crops, adjusted for any cost not deemed recoverable. When sufficient biological transformation has occurred, fair value is the estimated net market return less selling costs and costs to market. The estimated market return less selling costs is established by reference to current and expected sales returns when available. When market data is not available an assessment is made based on historical data.

(c) Investments in equity securities

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date, if available, or otherwise by reference to other market information.

(d) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis including debts past due but not considered impaired. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due, and is recognised in the statement of financial performance.

(e) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5 REVENUE

	GROUP		COMPANY	
	2017	2016	2017	2016
SERVICES	40,728,222	46,989,698	39,850,419	45,829,158
SALES	12,383,347	15,012,380	12,383,347	15,012,380
COMMISSION	427,156	312,056	427,156	312,056
INTEREST & DIVIDEND	37,613	57,368	1,070,906	730,634
TOTAL REVENUES	**53,576,339**	**62,371,502**	**53,731,829**	**61,884,228**

6 FINANCE INCOME AND EXPENSE

	GROUP		COMPANY	
	2017	2016	2017	2016
INTEREST INCOME	15,343	39,507	13,636	32,773
SHARES AND DIVIDEND INCOME	22,270	17,861	1,057,270	697,861
FINANCE INCOME	**37,613**	**57,368**	**1,070,906**	**730,634**
INTEREST EXPENSE ON FINANCIAL LIABILITIES	1,545,379	1,174,912	1,545,379	1,174,912
FINANCE EXPENSE	**1,545,379**	**1,174,912**	**1,545,379**	**1,174,912**
NET FINANCE COSTS	**1,507,766**	**1,117,543**	**474,473**	**444,278**

7 INCOME TAX EXPENSE

	GROUP		COMPANY	
	2017	2016	2017	2016
CURRENT TAX EXPENSE				
CURRENT PERIOD	874,970	2,412,690	874,970	2,412,690
	874,970	**2,412,690**	**874,970**	**2,412,690**
DEFERRED TAX EXPENSE				
ORIGINATION AND REVERSAL OF TEMPORARY DIFFERENCES	307,140	(260,694)	307,140	(260,694)
LOSSES CARRIED FORWARD TAX BENEFIT	-	-	-	-
	307,140	**(260,694)**	**307,140**	**(260,694)**
TOTAL INCOME TAX EXPENSE / (BENEFIT)	**1,182,110**	**2,151,997**	**1,182,110**	**2,151,997**
RECONCILIATION OF EFFECTIVE TAX RATE				
PROFIT BEFORE INCOME TAX	5,068,112	8,602,859	5,124,345	8,317,245
IMPUTATION CREDITS ON DIVIDENDS RECEIVED	6,385	6,018	408,885	270,462
TAXABLE INCOME	**5,074,498**	**8,608,877**	**5,533,231**	**8,587,708**
INCOME TAX USING THE GROUP'S DOMESTIC TAX RATE 28% (2016 28%)	1,420,859	2,410,486	1,549,305	2,404,558
NON-DEDUCTIBLE EXPENSES	42,738	17,901	42,738	17,901
IMPUTATION CREDITS RECEIVED	(6,385)	(6,018)	(408,885)	(270,462)
LESS TAX ON SHARE OF ASSOCIATES PROFIT RECORDED NET OF TAX	(274,055)	(270,372)	-	-
PRIOR PERIOD ADJUSTMENT	(1,047)	-	(1,047)	-
	1,182,110	**2,151,997**	**1,182,110**	**2,151,997**
IMPUTATION CREDITS				
IMPUTATION CREDITS AT THE BEGINNING OF THE PERIOD	3,472,294	1,614,867	3,472,294	1,614,867
TAX PAYMENTS, NET OF REFUNDS	1,693,495	2,038,740	1,693,495	2,038,740
IMPUTATION CREDITS ATTACHED TO DIVIDENDS RECEIVED	408,885	270,462	408,885	270,462
IMPUTATION CREDITS ATTACHED TO DIVIDENDS PAID	(215,153)	(451,774)	(215,153)	(451,774)
IMPUTATION CREDITS AT THE END OF THE PERIOD	**5,359,522**	**3,472,294**	**5,359,522**	**3,472,294**

8 PROPERTY, PLANT AND EQUIPMENT (COMPANY & GROUP)

	LAND	LAND LEASED TO LESSEES	BUILDINGS	BUILDINGS LEASED TO LESSEES	VEHICLES & PLANT	VEHICLES & PLANT LEASED TO LESSEES	OFFICE EQUIPMENT	TOTAL
COMPANY AND GROUP								
COST / VALUATION								
BALANCE AT 1 JANUARY 2017	5,284,255	1,452,000	43,878,163	2,199,151	14,206,890	55,643	1,306,235	68,382,338
ADDITIONS	86,230		2,978,763	-	4,740,804	-	348,742	8,154,539
DISPOSALS	-		-	-	(39,722)	-	(5,617)	(45,339)
TRANSFERS	320,179	(320,179)	-	-	-	-		-
INCREASE FROM REVALUATIONS	(167,485)		-	-	-	-	-	(167,485)
BALANCE AT 31 DECEMBER 2017	**5,523,179**	**1,131,821**	**46,856,927**	**2,199,151**	**18,907,972**	**55,643**	**1,649,360**	**76,324,053**
BALANCE AT 1 JANUARY 2016	4,068,000	1,237,844	30,832,397	1,894,657	11,055,103	-	1,027,415	50,115,415
ADDITIONS	523,353	-	13,639,554	304,495	3,614,056	55,643	280,071	18,417,172
DISPOSALS	-	-	(593,787)	-	(462,269)	-	(1,251)	(1,057,308)
TRANSFERS	321,750	(321,750)	-	-	-	-	-	-
INCREASE FROM REVALUATIONS	371,152	535,906	-	-	-	-	-	907,058
BALANCE AT 31 DECEMBER 2016	**5,284,255**	**1,452,000**	**43,878,163**	**2,199,151**	**14,206,890**	**55,643**	**1,306,235**	**68,382,337**
DEPRECIATION AND IMPAIRMENT LOSSES								
BALANCE AT 1 JANUARY 2017	-	-	5,988,021	77,414	5,430,571	1,391	857,200	12,354,597
DEPRECIATION FOR THE PERIOD	-	-	1,709,526	52,616	1,384,814	3,339	237,588	3,387,883
DISPOSALS	-	-	-	-	(31,574)	-	(1,827)	(33,401)
BALANCE AT 31 DECEMBER 2017	**-**	**-**	**7,697,547**	**130,030**	**6,783,811**	**4,730**	**1,092,962**	**15,709,079**
BALANCE AT 1 JANUARY 2016	-	-	4,814,070	23,539	4,597,060	-	643,643	10,078,312
DEPRECIATION FOR THE PERIOD	-	-	1,407,280	53,875	1,184,039	1,391	214,372	2,860,956
DISPOSALS	-	-	(233,328)	-	(350,528)	-	(814)	(584,670)
BALANCE AT 31 DECEMBER 2016	**-**	**-**	**5,988,021**	**77,414**	**5,430,571**	**1,391**	**857,200**	**12,354,598**
CARRYING AMOUNTS								
AT 31 DECEMBER 2017	5,523,179	1,131,821	39,159,380	2,069,122	12,124,161	50,913	556,398	60,614,974
AT 31 DECEMBER 2016	5,284,255	1,452,000	37,890,142	2,121,738	8,776,319	54,252	449,035	56,027,738

Security
At 31 December 2017 land and buildings with a carrying amount of $47,883,501 (2016: $46,748,135) are subject to a registered debenture to secure bank loans (see notes 17 & 20).

Revaluation
The land values for the Mends Lane, Te Puke facility and the Turntable Hill Road, Apata facility were assessed by Telfer Young (Tauranga) Limited (independent valuers, ANZIV) at 1 November 2017. Assessed values were a market value of $35.09 per square metre on 5.70ha or $2,000,000 for the Mends Lane, Te Puke facility (2016: $32.54 per square metre on 5.70ha or $1,855,000) and a market value of $26.38 per square metre on 9.80ha or $2,585,000 for the Turntable Hill Road, Apata facility (2015: $29.01 per square metre on 9.22ha or $2,675,000). The Old Coach Road, Te Puke facility was assessed by Property Solutions Limited (independent valuers, ANZIV) in December 2016, using a market value of $35.38 per square metre on 5.58ha or $2,070,000. The valuation at 1 November 2017 resulted in the recognition of other comprehensive expense of $167,485. (2016: other comprehensive income of $907,058).The total cost of land at 31 December 2017 was $5,328,284. (2016: $5,242,054).

Fully depreciated assets
Assets with a cost of $1,087,434 (2016: $359,681) are fully depreciated.

Fair values
For property, plant and equipment that are carried at cost less accumulated depreciation and impairment losses, the Directors have determined that the fair value is not significantly different from the carrying amounts above.

Lease payments received from lessees
The Company leases land and buildings on its Old Coach Road, Te Puke site to an external lessee for a five year period to 31 March 2021, with a further right of renewal of five years in favour of the lessee. A residential dwelling and orchard land on the same property is leased to another external lessee for a five year period to 19 July 2020. During the year to 31 December 2017, $299,791 was received from Lessees in relation to leased assets. (2016: $296,261)

MINIMUM FUTURE LEASE PAYMENTS RECEIVABLE ARE AS FOLLOWS:	COMPANY AND GROUP	
	2017	2016
LESS THAN ONE YEAR	300,123	306,685
BETWEEN ONE AND FIVE YEARS	655,715	972,791
MORE THAN FIVE YEARS	-	-
CLOSING BALANCE	**955,837**	**1,279,476**

9 TERM RECEIVABLES (COMPANY AND GROUP)

	COMPANY AND GROUP	
	2017	2016
DEVELOPMENT LEASE RECEIVABLE	-	18,340
PREPAID SUPPLY AGREEMENT	350,000	-
CLOSING BALANCE	**350,000**	**18,340**

DEVELOPMENT LEASE RECEIVABLE		
OPENING BALANCE	18,340	-
ORCHARD COSTS	(18,340)	18,340
FUNDS RECEIVED	-	-
CLOSING BALANCE	**-**	**18,340**

The development lease receivable in 2016 consists of development costs to 31 December 2016 on one 10ha lease. Terms of the lease allowed the Group to recover development costs from proceeds prior to any profit share arrangement. During 2017 the Company advised the Lessor that the Company would no longer be participating in the development.

PREPAID SUPPLY AGREEMENT		
OPENING BALANCE	-	-
PREPAID SUPPLY AGREEMENT ENTERED INTO IN CURRENT YEAR	437,500	-
CURRENT PORTION OF PREPAID SUPPLY AGREEMENT	(87,500)	-
CLOSING BALANCE	**350,000**	**-**

The prepaid supply agreement relates to an agreement entered into for the supply of 1.75m trays of class 1 kiwifruit to the Group over a five year period from 2018 to 2022 inclusively. Should the supply of fruit occur earlier than the five years, the amortisation of the prepayment will adjust accordingly.

10 BIOLOGICAL ASSETS (COMPANY AND GROUP)

	COMPANY AND GROUP	
	2017	2016
OPENING BALANCE	69,125	330,090
INCREASE DUE TO EXPENDITURE ON THE VINES	141,973	69,125
HARVESTED KIWIFRUIT TRANSFERRED TO INVENTORIES	(69,125)	(330,090)
CLOSING BALANCE	**141,973**	**69,125**

At 31 December 2017 biological assets consists of kiwifruit on leased vines. Leased orchards are expected to produce an estimated 72,000 tray equivalents from four orchards for the 2018 season crop (2017 season: 78,000 tray equivalents from five orchards). These will be harvested between April and June 2018. Insufficient biological transformation has occurred at balance date. As such, the fair value of biological assets is the growing costs incurred at balance date. All biological assets are subject to a general security arrangement referred to in note 17.

The Group is exposed to a number of risks related to the kiwifruit on vines:

Supply and demand risk
The Group is exposed to risks arising from fluctuations in the price and volume of kiwifruit produced and sale price obtained. Where possible the Group manages this risk by aligning its crop management practices to maximise returns. The price is determined by global markets.

Climate and other risks
The Group's kiwifruit on vine is exposed to the risk of damage from climatic changes, diseases, viruses such as Psa, and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating these risks, including regular inspections and preventative measures on the vines. The Group also insures itself against natural disasters.

11 OTHER INVESTMENTS

	GROUP		COMPANY	
	2017	2016	2017	2016
AVAILABLE FOR SALE INVESTMENTS				
MG MARKETING LIMITED	106,843	93,366	106,843	93,366
UPNZ LIMITED	-	27,625	-	27,625
BALANCE AGRI-NUTRIENTS LIMITED	12,981	12,981	12,981	12,981
FARMLANDS	2,843	2,843	2,843	2,843
TOTAL AVAILABLE FOR SALE INVESTMENTS	**122,667**	**136,815**	**122,667**	**136,815**
INVESTMENTS IN SUBSIDIARIES (AT COST AND ELEMINATED ON CONSOLIDATION)				
APATA SUPPLIERS LIMITED	-	-	100	100
APATA GROUP ESI TRUSTEE LIMITED	-	-	-	-
TOTAL OTHER INVESTMENTS	**122,667**	**136,815**	**122,767**	**136,915**

IMPAIRMENT OF UPNZ LIMITED SHAREHOLDING
The Group owns 125 shares (1.02%) of UPNZ Limited (UPNZ). During the year the directors fully impaired the Group's $27,625 investment in UPNZ. UPNZ imports plastic pocket packs from China and Chile and distributes them to the New Zealand Kiwifruit industry. In 2016, grease deposits were found on pocket packs supplied by UPNZ. As a result, Zespri placed all UPNZ pocket packs sourced from China on hold until they could determine the toxicity of the grease. UPNZ was forced to recall the product, which caused its customers, including the Group, to incur costs in checking the packed kiwifruit to remove all affected trays. The costs incurred by the Group have been invoiced to UPNZ for recovery. The amount of cost is undisclosed for commercial and liability reasons. UPNZ are currently denying liability. Total claims by the industry against UPNZ are significant. As such, the directors have made the assessment that the claims will have a major impact on the value of the Group's investment in UPNZ and has recognised an impairment in the statement of profit or loss and other comprehensive income.

	2017	2016	2017	2016
IMPACT OF IMPAIRMENT ON VALUE OF SHARES IN UPNZ LIMITED				
OPENING BALANCE	27,625	27,625	27,625	27,625
IMPAIRMENT OF INVESTMENT	(27,625)	-	(27,625)	-
CLOSING VALUE	**-**	**27,625**	**-**	**27,625**

11 (a)
INVESTMENT IN EQUITY ACCOUNTED ASSOCIATE
Investments in associates are accounted for in the Parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

		SHARE OF ISSUED CAPITAL AND VOTING RIGHTS	
THE GROUP'S ASSOCIATES ARE:	**BUSINESS ACTIVITY**	**2017**	**2016**
PRIMOR PRODUCE LIMITED	FRUIT MARKETING	33%	33%

Primor Produce Limited is incorporated in New Zealand and has a 30th June balance date. The Group does not have significant influence over the management of the associate, but does have Board representation. There are no restrictions on the ability of Primor to distribute funds.

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
RESULTS OF ASSOCIATE COMPANIES				
SHARE OF PROFIT BEFORE INCOME TAX	1,180,720	1,416,398	-	-
INCOME TAX	(201,954)	(450,784)	-	-
NET PROFIT	**978,766**	**965,614**	**-**	**-**
MOVEMENT IN CARRYING VALUE OF ASSOCIATES				
CARRYING VALUE AT BEGINNING OF PERIOD	1,841,864	1,556,250	1,620,000	1,620,000
NET EARNINGS	978,766	965,614	-	-
DIVIDENDS RECEIVED	(1,035,000)	(680,000)	-	-
REVALUATION TO FAIR VALUE	-	-	-	-
BALANCE AT END OF PERIOD	**1,785,630**	**1,841,864**	**1,620,000**	**1,620,000**

ASSOCIATES SUMMARY FINANCIAL INFORMATION

OWNERSHIP			ASSETS 31 DECEMBER	LIABILITIES 31 DECEMBER	NET ASSETS 31 DECEMBER	INCOME	EXPENSES	PROFIT (NET OF TAX)	GROUP SHARE NET ASSETS 31 DECEMBER	GROUP SHARE OF PROFIT (NET OF TAX)
AS AT 31 DECEMBER 2017										
PRIMOR PRODUCE LIMITED	33%	TOTAL	13,589,803	8,232,911	5,356,892	51,516,797	48,580,496	2,936,301	1,785,631	978,767
		CURRENT	12,489,658	8,082,662						

OWNERSHIP			ASSETS 31 DECEMBER	LIABILITIES 31 DECEMBER	NET ASSETS 31 DECEMBER	INCOME	EXPENSES	PROFIT (NET OF TAX)	GROUP SHARE NET ASSETS 31 DECEMBER	GROUP SHARE OF PROFIT (NET OF TAX)
AS AT 31 DECEMBER 2016										
PRIMOR PRODUCE LIMITED	33%	TOTAL	9,213,209	3,687,618	5,525,591	48,595,933	45,699,092	2,896,842	1,841,864	965,614
		CURRENT	8,240,996	2,769,861						

12 DEFERRED TAX ASSETS AND LIABILITIES (COMPANY AND GROUP)

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES
DEFERRED TAX ASSETS AND LIABILITIES ARE ATTRIBUTABLE TO THE FOLLOWING:

	2017			2016		
	ASSETS	**LIABILITIES**	**NET**	**ASSETS**	**LIABILITIES**	**NET**
PROPERTY, PLANT AND EQUIPMENT	-	(127,909)	(127,909)	-	(12,978)	(12,978)
BIOLOGICAL ASSETS	-	(39,752)	(39,752)	-	(19,355)	(19,355)
OTHER ITEMS	132,700	-	132,700	304,511	-	304,511
TAX ASSETS/(LIABILITIES)	**132,700**	**(167,661)**	**(34,961)**	**304,511**	**(32,333)**	**272,179**

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE PERIOD	BALANCE	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN EQUITY	BALANCE
	1 JANUARY 2017			**31 DECEMBER 2017**
2017				
PROPERTY, PLANT AND EQUIPMENT	(12,978)	(114,932)	-	(127,909)
BIOLOGICAL ASSETS	(19,355)	(20,397)	-	(39,752)
OTHER ITEMS	304,511	(171,811)	-	132,700
	272,179	**(307,140)**	**-**	**(34,961)**
	1 JANUARY 2016			**31 DECEMBER 2016**
2016				
PROPERTY, PLANT AND EQUIPMENT	(15,271)	2,293	-	(12,978)
BIOLOGICAL ASSETS	(92,425)	73,070	-	(19,355)
OTHER ITEMS	59,188	245,324	-	304,511
	(48,509)	**320,687**	**-**	**272,179**

13 INVENTORIES (COMPANY AND GROUP)

	COMPANY AND GROUP	
	2017	**2016**
PACKAGING MATERIALS AT COST	1,683,988	1,632,177
LESS PROVISION FOR OBSOLESCENCE	(233,275)	(271,268)
PACKAGING MATERIALS	**1,450,713**	**1,360,909**
OPENING PROVISION FOR OBSOLESCENCE	271,268	137,729
EXPENSED (RELEASED) TO STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	(37,993)	133,538
CLOSING PROVISION FOR OBSOLESCENCE	**233,275**	**271,268**

In 2017 raw materials, consumables and changes in inventory recognised as cost of sales amounted to $11,601,068 (2016: $13,726,250). In 2017 the write-down of inventories to net realisable value amounted to $233,275 (2016: $271,267). No inventories are subject to retention of title clauses (2016: nil). All inventories are subject to a general security arrangement referred to in note 17.

14 TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
	NOTE	2017	2016	2017	2016
TRADE AND OTHER RECEIVABLES DUE FROM RELATED PARTIES	25	1,336,520	2,578,081	1,873,804	3,198,045
TRADE RECEIVABLES FROM THIRD PARTIES		1,510,088	1,644,476	1,488,139	1,598,600
OTHER RECEIVABLES		779,425	1,023,799	779,425	962,651
		3,626,033	**5,246,356**	**4,141,369**	**5,759,296**

All trade and other receivables are subject to a general security arrangement referred to in note 17.

RECONCILIATION OF MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS

		GROUP		COMPANY	
	NOTE	2017	2016	2017	2016
OPENING PROVISION FOR DOUBTFUL DEBTS		290,626	-	290,626	-
EXPENSED (RELEASED) TO STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		(290,626)	290,626	(290,626)	290,626
CLOSING PROVISION FOR DOUBTFUL DEBTS		**-**	**290,626**	**-**	**290,626**

During the year $290,626 of trade receivables was written off as a bad debt (2016: $nil). All other trade and other receivables are considered fully collectible (2016: provision $290,626).

15 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2017	2016	2017	2016
BANK BALANCES	310,581	2,411,282	130,799	133,810
CALL DEPOSITS	1,534,105	2,553,841	54,009	2,553,841
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	**1,844,686**	**4,965,123**	**184,808**	**2,687,651**

During the year the Group moved their banking facilites from ANZ Bank New Zealand Limited to Bank of New Zealand. The average effective interest rate on call deposits in 2017 was 0.4 percent (2016: 1.0 percent). All cash and cash equivalents are subject to a general security arrangement referred to in note 17. In addition, all balances are subject to setoff against loans. The Group has available a $250,000 overdraft facility at 31 December 2017, which is unutilised at balance date. (2016: $250,000, which was unutilised).

16 CAPITAL AND RESERVES

RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

	SHARE CAPITAL	TREASURY SHARE CAPITAL	SHARE BASED PAYMENTS RESERVE	REVALUATION RESERVE	HEDGING RESERVE	ASSOCIATES RESERVE	RETAINED EARNINGS	TOTAL EQUITY
GROUP								
BALANCE AT 1 JANUARY 2017	16,100,703	(491,102)	211,249	1,494,201	(107,632)	24,480	17,129,363	34,361,262
TOTAL COMPREHENSIVE INCOME	-	-	-	(167,485)	24,395	-	3,886,002	3,742,912
DIVIDEND PAID	-	-	-	-	-	-	(553,251)	(553,251)
SHARE CAPITAL REPURCHASED	(4,535,923)	-	-	-	-	-	-	(4,535,923)
EMPLOYEE SHARE SCHEME	36,581	166,647	-	-	-	-	-	203,229
BALANCE AT 31 DECEMBER 2017	**11,601,361**	**(324,455)**	**211,249**	**1,326,715**	**(83,237)**	**24,480**	**20,462,115**	**33,218,228**
BALANCE AT 1 JANUARY 2016	16,055,544	(696,823)	211,249	587,143	(49,065)	24,480	11,840,206	27,972,734
TOTAL COMPREHENSIVE INCOME	-	-	-	907,058	(58,567)	-	6,450,863	7,299,354
DIVIDEND PAID	-	-	-	-	-	-	(1,161,706)	(1,161,706)
EMPLOYEE SHARE SCHEME	45,159	205,721	-	-	-	-	-	250,880
BALANCE AT 31 DECEMBER 2016	**16,100,703**	**(491,102)**	**211,249**	**1,494,201**	**(107,632)**	**24,480**	**17,129,363**	**34,361,262**
COMPANY								
BALANCE AT 1 JANUARY 2017	16,100,703	(491,102)	211,249	1,494,201	(107,632)	-	16,913,067	34,120,485
TOTAL COMPREHENSIVE INCOME	-	-	-	(167,485)	24,395	-	3,942,235	3,799,145
DIVIDEND PAID	-	-	-	-	-	-	(553,251)	(553,251)
SHARE CAPITAL REPURCHASED	(4,535,923)	-	-	-	-	-	-	(4,535,923)
EMPLOYEE SHARE SCHEME	36,581	166,647	-	-	-	-	-	203,229
BALANCE AT 31 DECEMBER 2017	**11,601,361**	**(324,455)**	**211,249**	**1,326,715**	**(83,237)**	**-**	**20,302,051**	**33,033,685**
BALANCE AT 1 JANUARY 2016	16,055,544	(696,823)	211,249	587,143	(49,065)	-	11,909,524	28,017,572
TOTAL COMPREHENSIVE INCOME	-	-	-	907,058	(58,567)	-	6,165,249	7,013,740
DIVIDEND PAID	-	-	-	-	-	-	(1,161,706)	(1,161,706)
EMPLOYEE SHARE SCHEME	45,159	205,721	-	-	-	-	-	250,880
BALANCE AT 31 DECEMBER 2016	**16,100,703**	**(491,102)**	**211,249**	**1,494,201**	**(107,632)**	**-**	**16,913,067**	**34,120,485**

AUTHORISED AND ISSUED SHARE CAPITAL

	COMPANY AND GROUP	
	2017	**2016**
ORDINARY SHARES	9,012,263	11,102,361
TREASURY SHARES	422,503	633,752
	9,434,766	**11,736,113**

ORDINARY SHARES		
OPENING BALANCE	11,102,361	10,891,112
SHARES REPURCHASED AND CANCELLED BY THE COMPANY	(2,301,347)	-
SHARES VESTED TO EMPLOYEES UNDER THE EMPLOYEE SHARE SCHEME	211,249	211,249
CLOSING BALANCE	**9,012,263**	**11,102,361**

All authorised shares have been issued and all issued shares are fully paid. The shares have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time, rank equally with regard to the Group's residual assets and are entitled to one vote per share at meetings of the Company. Treasury shares relate to the employee share scheme and are held in trust by Apata Group ESI Trustee Limited.

The shares have no par value.

During the year, Apata Group Limited re-purchased 2,278,462 shares from John Anderson and 22,885 shares from The Aerocool Trust. The shares were subsequently cancelled by the Company.

TREASURY SHARES		
OPENING BALANCE	633,752	845,001
SHARES VESTED TO EMPLOYEES UNDER THE EMPLOYEE SHARE SCHEME	(211,249)	(211,249)
CLOSING BALANCE	**422,503**	**633,752**

Treasury shares and Share based payments reserve
The Group operates an employee share scheme under which shares are held by a trustee company which is a subsidiary of the Company. The scheme came into operation in December 2014, at which time the employees were granted the shares. Those shares were held by the trustee company and the benefit is recognised as a share based payment and recorded as an expense over the vesting period. The first vesting date was February 2015 with the last vesting date being February 2018.

At 31 December 2017 the number of shares which have been granted to employees but remain outstanding under the scheme was 211,249, representing 2.2% of the issued shares of the Company. (2016: 422,498 shares, representing 3.6% of the issued shares of the Company).

Shares granted under the scheme were granted at fair value as determined by the directors of the Company. For the shares granted in December 2014, the Board assessed fair value to be $1.00 per share, which was based on the share buy back value used in October 2014. Shares not yet granted under the scheme carry no voting rights. There are 211,254 shares not granted at balance date (2016: 211,254 shares not granted). Shares granted but not yet vested do carry a dividend, though the dividend is paid to, and held by, the trustee of the share scheme until the shares are vested, at which time the dividend is paid to the employee. During the year shares to the value of $211,249 vested with employees (2016: $211,249).

Revaluation reserve
The revaluation reserve relates to the revaluation of land. Apata Group Limited is restricted in distributing this unrealised reserve.

DIVIDENDS (COMPANY AND GROUP)

The following dividends were declared and paid by the Group for the year ended 31 December 2017:

	COMPANY AND GROUP	
	2017	**2016**
$0.0600 PER QUALIFYING ORDINARY SHARE (2016: $0.1008)	**553,251**	**1,161,706**

On the 5th December 2017 the Directors declared a gross dividend of $0.0833 or $0.0600 per share fully imputed, which was paid on 14th December 2017. (2016: On 23rd February 2016 the Directors declared a gross dividend of $0.1400 or $0.1008 per share fully imputed, which was paid on 18th March 2016.)

17 LOANS AND BORROWINGS

THIS NOTE PROVIDES INFORMATION ABOUT THE CONTRACTUAL TERMS OF THE GROUP'S LOANS AND BORROWINGS. FOR MORE INFORMATION ABOUT THE GROUP'S EXPOSURE TO INTEREST RATE RISK, SEE NOTE 20.

	COMPANY AND GROUP	
	2017	**2016**
NON-CURRENT LIABILITIES		
SECURED BANK LOANS	26,999,510	21,662,593
CURRENT LIABILITIES		
SECURED BANK LOAN	3,880,000	5,000,000

The Group's borrowings consist of a Customised Average Rate Term Loan (CARL) which matures in October 2020. The current portion represents required capital repayments due within twelve months from reporting date. The average interest rate at 31 December 2017 on the secured borrowings is 4.45% (December 2016: 4.30%).

TERMS AND DEBT REPAYMENT SCHEDULE

TERMS AND CONDITIONS OF OUTSTANDING LOANS WERE AS FOLLOWS

	FACE VALUE DEC 2017	CARRYING AMOUNT DEC 2017	FACE VALUE DEC 2016	CARRYING AMOUNT DEC 2016
SECURED BANK LOANS	30,879,510	30,879,510	26,662,593	26,662,593
TOTAL INTEREST-BEARING LIABILITIES	**30,879,510**	**30,879,510**	**26,662,593**	**26,662,593**

The bank loans are secured over land and buildings with a carrying amount of $47,883,501 (2016: $46,748,135).
The bank has a first ranking general security arrangement over all present and acquired property.

18 EMPLOYEE BENEFITS PAYABLE

	COMPANY AND GROUP	
	2017	**2016**
ANNUAL LEAVE	266,773	469,147
TOTAL EMPLOYEE BENEFITS PAYABLE	**266,773**	**469,147**

19 TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
	NOTE	**2017**	**2016**	**2017**	**2016**
TRADE PAYABLES		1,050,302	2,301,494	1,050,302	1,773,479
PAYABLE TO INLAND REVENUE		618,523	1,015,335	447,215	853,451
PAYABLE TO APATA SUPPLIERS ENTITY LTD	25	2,275,749	2,711,143	1,606,267	1,849,785
PAYABLE TO OTHER RELATED PARTIES	25	-	-	-	-
DERIVATIVES		83,237	107,632	83,237	107,632
NON-TRADE PAYABLES AND ACCRUED EXPENSES		1,385,006	1,368,333	1,099,781	1,172,185
		5,412,816	**7,503,937**	**4,286,801**	**5,756,532**

20 FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and liquidity risks arises in the normal course of the Group's business.

Credit risk
In order to determine which customers are classified as having payment difficulties, the Group applies a mix of duration and frequency of default. The Group does not require collateral in respect of trade and other receivables. The Group's exposure to credit risk is mainly influenced by its customer base. The majority of revenue is generated from transactions with growers. However, payment for packing, packaging and coolstorage is received directly by the Group via third parties as a deduction from returns to growers.

Liquidity risk
Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. Working capital is usually negative at balance date. However, this is a timing issue only, as most cash in the business is generated between April and December. The non-cash generating months of January to March are covered by available undrawn secured bank loans. At balance date there was $8,520,490 of secured bank loans undrawn (2016: $8,236,407 undrawn). In addition, of the working capital position at balance date, $3,880,000 repayment of secured bank debt is payable in December 2018 (2016: $5,000,000 payable in December 2017) at which time sufficient cash from operating activities will have been generated to pay the amount due.

Interest rate risk
The Group is exposed to interest rate risk primarily through its cash balances, bank overdrafts and borrowings. The Group enters into derivative arrangements in the ordinary course of business to manage these interest rate risks. The corporate services manager, managing director and Board of Directors are responsible for overseeing the management of interest rate risk, derivative activities, monitoring and reporting.

Quantitative disclosures
Credit risk
The carrying amount of financial assets represents the Group's maximum credit exposure. There is considered to be no impairment of financial assets at the reporting date, and therefore no impairment allowance has been recorded (2016: nil). Within trade receivables there is $223,292 of past due receivables between 30 and 120 days (2016: $478,607).

Liquidity risk
The Group's contractual cashflows for financial assets and liabilities excluding secured bank loans fall within 12 months. The following table sets out the contractual cash flows for secured bank loans as at the reporting date.

	STATEMENT OF FINANCIAL POSITION	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
DECEMBER 2017							
SECURED BANK LOANS	30,879,510	34,659,697	687,307	4,567,307	5,254,614	24,150,470	-
TRADE AND OTHER PAYABLES	5,412,816	5,412,816	5,412,816	-	-	-	-
TOTAL NON-DERIVATIVE LIABILITIES	**36,292,326**	**40,072,513**	**6,100,123**	**4,567,307**	**5,254,614**	**24,150,470**	**-**
DECEMBER 2016							
SECURED BANK LOANS	26,662,593	29,230,778	573,112	5,573,112	5,940,506	17,144,048	-
TRADE AND OTHER PAYABLES	7,503,937	7,503,937	7,503,937	-	-	-	-
TOTAL NON-DERIVATIVE LIABILITIES	**34,166,530**	**36,734,714**	**8,077,049**	**5,573,112**	**5,940,506**	**17,144,048**	**-**

20 FINANCIAL INSTRUMENTS *CONTINUED*

Interest rate risk – repricing analysis
The Group has interest rate swaps in place for $12,000,000; being $6,000,000 with an effective interest rate of 4.71% which matures on 5 October 2020, and $6,000,000 with an effective interest rate of 5.05% which matures on 5 October 2022. (2016: $7,000,000; being $5,000,000 with an effective interest rate of 4.56% which was to mature on 31 October 2019, and $2,000,000 with an effective interest rate of 4.71% which was to mature on 29 October 2021).

Capital management
The Group's capital includes share capital, reserves and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is not subject to any externally imposed capital requirements.

The Group's policies in respect to capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

Sensitivity analysis
In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit.

At 31 December 2017 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $188,000 (2016: $57,000).

CLASSIFICATION AND FAIR VALUES (GROUP)	NOTE	DESIGNATED AT FAIR VALUE	AVAILABLE FOR SALE	LOANS & RECEIVABLES	OTHER AMORTISED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
DECEMBER 2017							
ASSETS							
INVESTMENTS	11	1,785,630	122,667	-	-	1,908,297	1,908,297
TERM RECEIVABLES	9	-	-	350,000	-	350,000	350,000
TOTAL NON-CURRENT ASSETS		**1,785,630**	**122,667**	**350,000**	**-**	**2,258,297**	**2,258,297**
TRADE AND OTHER RECEIVABLES	14	-	-	3,626,033	-	3,626,033	3,626,033
CASH AND CASH EQUIVALENTS	15	-	-	-	1,844,686	1,844,686	1,844,686
TOTAL CURRENT ASSETS		**-**	**-**	**3,626,033**	**1,844,686**	**5,470,719**	**5,470,719**
TOTAL ASSETS		**1,785,630**	**122,667**	**3,976,033**	**1,844,686**	**7,729,016**	**7,729,016**
LIABILITIES							
LOANS AND BORROWINGS	17	-	-	-	26,999,510	26,999,510	26,999,510
TOTAL NON-CURRENT LIABILITIES		**-**	**-**	**-**	**26,999,510**	**26,999,510**	**26,999,510**
LOANS AND BORROWINGS	17	-	-	-	3,880,000	3,880,000	3,880,000
DERIVATIVES	19	83,237	-	-	-	83,237	83,237
TRADE AND OTHER PAYABLES	19	-	-	-	5,329,579	5,329,579	5,329,579
TOTAL CURRENT LIABILITIES		**83,237**	**-**	**-**	**9,209,579**	**9,292,816**	**9,292,816**

20 FINANCIAL INSTRUMENTS *CONTINUED*

TOTAL LIABILITIES		**83,237**	**-**	**-**	**36,209,089**	**36,292,326**	**36,292,326**
CLASSIFICATION AND FAIR VALUES (GROUP)	NOTE	**DESIGNATED AT FAIR VALUE**	**AVAILABLE FOR SALE**	**LOANS & RECEIVABLES**	**OTHER AMORTISED COST**	**TOTAL CARRYING AMOUNT**	**FAIR VALUE**
DECEMBER 2016							
ASSETS							
INVESTMENTS	11	1,841,864	136,815	-	-	1,978,679	1,978,679
TOTAL NON-CURRENT ASSETS		**1,841,864**	**136,815**	**-**	**-**	**1,978,679**	**1,978,679**
TRADE AND OTHER RECEIVABLES	14	-	-	5,246,356	-	5,246,356	5,246,356
CASH AND CASH EQUIVALENTS	15	-	-	-	4,965,123	4,965,123	4,965,123
TOTAL CURRENT ASSETS		**-**	**-**	**5,246,356**	**4,965,123**	**10,211,479**	**10,211,479**
TOTAL ASSETS		**1,841,864**	**136,815**	**5,246,356**	**4,965,123**	**12,190,158**	**12,190,158**
LIABILITIES							
LOANS AND BORROWINGS	17	-	-	-	21,662,593	21,662,593	21,662,593
TOTAL NON-CURRENT LIABILITIES		**-**	**-**	**-**	**21,662,593**	**21,662,593**	**21,662,593**
LOANS AND BORROWINGS	17	-	-	-	5,000,000	5,000,000	5,000,000
DERIVATIVES	19	107,632	-	-	-	107,632	107,632
TRADE AND OTHER PAYABLES	19	-	-	-	7,396,305	7,396,305	7,396,305
TOTAL CURRENT LIABILITIES		**107,632**	**-**	**-**	**12,396,305**	**12,503,937**	**12,503,937**
TOTAL LIABILITIES		**107,632**	**-**	**-**	**34,058,898**	**34,166,530**	**34,166,530**

Estimation of fair values
The methods used in determining the fair values of financial instruments are discussed in note 4.

Fair Value Hierarchy
The table below analyses, by valuation method, those financial instruments carried at fair value. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identified assets and 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).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**TOTAL**
DECEMBER 2017 (GROUP)				
FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE	-	122,667	-	122,667
FINANCIAL ASSETS IN ASSOCIATES	-	1,785,630	-	1,785,630
DERIVATIVE FINANCIAL LIABILITIES	-	(83,237)	-	(83,237)
	-	**1,825,060**	**-**	**1,825,060**
DECEMBER 2016 (GROUP)	.			
FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE	-	136,815	-	136,815
FINANCIAL ASSETS IN ASSOCIATES	-	1,841,864	-	1,841,864
DERIVATIVE FINANCIAL LIABILITIES	-	(107,632)	-	(107,632)
	-	**1,871,047**	**-**	**1,871,047**

21 OPERATING LEASES

LEASES AS LESSEE
NON-CANCELLABLE OPERATING LEASE RENTALS ARE PAYABLE AS FOLLOWS:

	COMPANY AND GROUP	
	2017	**2016**
LESS THAN ONE YEAR	994,475	750,436
BETWEEN ONE AND FIVE YEARS	2,423,476	1,475,195
MORE THAN FIVE YEARS	225,000	325,000
	3,642,951	**2,550,631**

Operating leases include orchards, coolstores, land and office leases, forklifts, trucks and other vehicles, and photocopiers.

The Group leases orchards to grow kiwifruit. The leases typically run for a period of 1-3 years, with an option to renew the lease after that date. The leases require that returns are shared with the owners once certain profit levels are attained. In addition, the Group has entered into leases whereby the Group is committed to pay up to $0.50 per Class 1 tray based on fruit packed at Apata Group Limited. The amount of the liability can only be quantified once the fruit has been packed, or when the amount of profits from the orchard have been determined.

Material leases include the following leases:
- Site lease at Wairoa Road, from Whakapapa Coolstores Limited. During the period ended 31 December 2017, payments amounting to $250,000 (2016: $250,000) were made to the lessor. The lease is for five years concluding 29th February 2020, with a further five year right of renewal in favour of the lessee.

- Site lease at Maketu Road, from Jackall Holdings Coolstores Limited. This lease commences on 1 January 2018 for five years concluding 31st December 2022 with a further five year right of renewal in favour of the lessee. Rental is $169,000 per annum.

22 CAPITAL COMMITMENTS

Prior to 31 December 2017 the Group entered into capital contracts of which $791,428 (2016: $7,665,066) has yet to be completed by period-end. Outstanding contracts include residual payment for Mends Lane building modifications, stormwater and retaining wall at Mends Lane, and coolstore racking at Mends Lane. For 2016, the majority of the capital contracts related to a new packing line and new coolstores being built at Mends Lane.

23 CONTINGENCIES

There were no material contingent liabilities at balance date.

24 RECONCILIATION OF THE PROFIT FOR THE PERIOD WITH THE NET CASH FROM OPERATING ACTIVITIES

		GROUP		COMPANY	
	NOTE	2017	2016	2017	2016
PROFIT FOR THE PERIOD	PAGE 16	3,886,002	6,450,863	3,942,235	6,165,249
ADJUST FOR:					
DEPRECIATION	8	3,387,883	2,860,956	3,387,883	2,860,956
NET FINANCE COSTS	6	1,507,766	1,117,543	474,473	444,278
LOSS (GAIN) ON SALE OF PROPERTY, PLANT AND EQUIPMENT		6,789	455,770	6,789	455,770
IMPAIRMENT OF INVESTMENT		27,625	-	27,625	-
SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES	11(a)	(978,767)	(965,614)	-	-
INCOME TAX EXPENSE	7	1,182,110	2,151,997	1,182,110	2,151,997
CHANGE IN INVENTORIES	13	(89,804)	313,373	(89,804)	313,373
CHANGE IN CURRENT BIOLOGICAL ASSETS DUE TO ACQUISITIONS & SALES	10	(72,848)	260,965	(72,848)	260,965
CHANGE IN TRADE AND OTHER RECEIVABLES	14	1,832,387	(2,118,352)	1,747,312	(2,023,004)
CHANGE IN PREPAYMENTS		(461,046)	(98,020)	(461,046)	(98,020)
CHANGE IN TRADE AND OTHER PAYABLES	19	(1,620,844)	1,844,605	(916,775)	718,573
CHANGE IN TRADE AND OTHER PAYABLES RELATING TO FINANCING ACTIVITIES		(238,137)	(26,379)	(238,137)	(26,379)
CHANGE IN EMPLOYEE BENEFITS	18	(202,374)	132,155	(202,374)	132,155
INTEREST PAID		(1,307,242)	(1,148,533)	(1,307,242)	(1,148,533)
INCOME TAX RECEIVED/(PAID)		(1,692,094)	(2,037,303)	(1,693,495)	(2,038,740)
NET CASH FROM OPERATING ACTIVITIES	**PAGE18**	**5,167,406**	**9,194,026**	**5,786,707**	**8,168,639**

25 RELATED PARTIES

Transactions with Directors and key management personnel

Transactions with key management personnel
Key management personnel are defined as all Directors and senior executives that set strategic direction and manage the Group. The Group undertakes transactions with these persons in the normal course of business on normal commercial terms. Included in expenses is an amount of $1,784,843 (2016: $1,679,347) for salaries, benefits and Directors fees and of this $363,093 (2016: $355,655) relates to share-based transfers under the employee share scheme. Short term benefits owing at 31 December 2017 are $363,093 (2016: $355,655)

Loans to directors
There were no loans to Directors issued during the year ended 31 December 2017 nor any loans outstanding by Directors at 31 December 2017 (2016: nil).

Other transactions with directors and key management personnel
Directors of the Group control 32.4 percent of the voting shares of the Group at 31 December 2017 (2016: 44.6 percent).

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to directors and key management personnel and entities over which they have control or significant influence were as follows:

		TRANSACTION VALUE FOR PERIOD ENDED		BALANCE OUTSTANDING AS AT	
	NOTE	2017	2016	2017	2016
INCOME AND RECEIVABLE TRANSACTIONS					
DIRECTORS					
J D ANDERSON					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(I)	273,964	2,274,107	-	-
A BIRLEY					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(II)	1,469,350	1,808,660	-	18,009

25 RELATED PARTIES *CONTINUED*

		TRANSACTION VALUE FOR PERIOD ENDED		BALANCE OUTSTANDING AS AT	
	NOTE	2017	2016	2017	2016
S CARNACHAN					
AVOCADO HARVESTING SERVICES	(III)	9,189	9,847	3,393	11,324
SALE OF PACKAGING MATERIALS	(IV)	474,767	511,162	56,508	26,535
M MAYSTON					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(V)	1,233,255	1,245,034	-	-
G CATHIE					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(VI)	1,003,480	858,446	-	-
SENIOR EXECUTIVES					
E CROSBY					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(VII)	160,419	55,885	8,783	-
E CROSBY & D YOUNG					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(VIII)	283,852	335,858	-	-
ASSOCIATES					
PRIMOR PRODUCE LIMITED	(IX)	2,036,494	3,861,388	560,218	978,989
RELATED PARTIES					
TEAM KIWI LIMITED	(X)	1,534,466	1,794,055	463,413	1,145,401
NEW ZEALAND GOLDEN KIWIFRUIT COMPANY LIMITED	(XI)	566,156	590,645	244,205	397,823
TOTAL RECEIVABLES BALANCE OUTSTANDING - GROUP				**1,336,520**	**2,578,081**
SUBSIDIARIES					
APATA SUPPLIERS LTD	(XII)	1,012,809	999,603	537,285	619,964
TOTAL RECEIVABLES BALANCE OUTSTANDING - COMPANY				**1,873,804**	**3,198,045**
EXPENSE AND PAYABLE TRANSACTIONS					
DIRECTORS					
M MAYSTON					
KIWIFRUIT HARVEST SERVICES	(XIII)	40,766	67,061	-	-
G CATHIE					
COOLSTORE LEASE	(XIV)	100,000	97,125	-	-
TOTAL PAYABLES BALANCE OUTSTANDING - GROUP				**-**	**-**
SUBSIDIARIES		-	-	-	-
TOTAL PAYABLES BALANCE OUTSTANDING - COMPANY				**-**	**-**

(I) During the period the Group provided packing, coolstorage and orchard services to Aerocool Horticulture Limited, of which John Anderson, who was a Director of Apata Group Limited until 9 June 2017, is a director, at standard commercial terms and conditions.

(II) During the period the Group provided packing, coolstorage and orchard services to Birley Family Trust, of which Alan Birley, Director of Apata Group Limited, is a trustee, at standard commercial terms and conditions.

(III) During the period the Group provided packing and coolstorage services to Twin Kauri Trust, of which Sean Carnachan, Director of Apata Group Limited, is a trustee, at standard commercial terms and conditions.

(IV) During the period the Group sold packaging materials to Western Orchards Limited, of which Sean Carnachan, Director of Apata Group Limited, is a director, at standard commercial terms and conditions.

(V) During the period the Group provided packing, coolstorage and orchard services to Bruntwood Farms Limited, of which Mark Mayston, Director of Apata Group Limited, is a director, at standard commercial terms and conditions.
(VI) During the period the Group provided packing, coolstorage and orchard services to Lowland Greenstone Orchard Trust, of which Graham Cathie, Director of Apata Group Limited, is a trustee, at standard commercial terms and conditions.
(VII) During the period the Group provided packing, coolstorage and orchard services to Race Limited, of which Eugene Crosby, senior executive of Apata Group Limited, is a director, at standard commercial terms and conditions.
(VIII) During the period the Group provided packing, coolstorage and orchard services to KiwiBOP Limited, of which Eugene Crosby and Damian Young, both senior executives of Apata Group Limited, are directors, at standard commercial terms and conditions.
(IX) During the period the Group provided packing and coolstorage services to Primor Produce Ltd, of which the Group owns 33%, at standard commercial terms and conditions.

25 RELATED PARTIES *CONTINUED*

(X) During the period the Group provided class 2 and local market kiwifruit for sale to Team Kiwi Limited at standard commercial terms and conditions. Team Kiwi Limited, of which S Weston is a director, markets Class 2 and local market fruit in the Australian and New Zealand markets. This entity does not form part of the Group.

(XI) During the period the Group provided gold local market kiwifruit for sale to New Zealand Golden Kiwifruit Company Limited at standard commercial terms and conditions. New Zealand Golden Kiwifruit Company Limited, of which S Weston is a director, markets gold local market kiwifruit into the New Zealand local market. This entity does not form part of the Group.

(XII) During the period the Group provided administration services to Apata Suppliers Limited, a wholly owned subsidiary of Apata Group Limited, at standard commercial terms and conditions.

(XIII) During the period the Group received kiwifruit harvest services from Bruntwood Farms Limited, of which Mark Mayston is a director, at standard commercial terms and conditions.

(XIV) The Group leases a coolstore from Omniscient Holdings Limited of which Graham Cathie, Director of Apata Group Limited, is a director, at standard commercial terms and conditions.

From time to time Directors and key management personnel of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

Apata Suppliers Entity Limited

Apata Suppliers Entity Limited (ASEL) is a separate legal entity with directors elected by Apata Group growers and appointed by the Group and other independent coolstore facilities. This entity does not form part of the Group. During the year to 31 December 2017, the Group received $39,335,472 (2016: $47,773,268) from ASEL in respect of post-harvest services and fruit proceeds; the amount outstanding as at 31 December 2017 is $105,854 (2016: nil). During the year to 31 December 2017, payments were made to ASEL of $4,353,055 (2016: $4,085,529) in respect of post-harvest services, the amount outstanding at 31 December 2017 is $2,275,249 (2016: $2,711,143).

26 SUBSEQUENT EVENTS

On 27th February 2018 the Directors declared a dividend of $0.1736 per share gross or $0.1250 per share fully imputed. (2016: no events).

Apata™ TOGETHER WE'RE BETTER

INDEPENDENT AUDITOR'S REPORT

INGHAM MORA

To the Shareholders of Apata Group Limited

Opinion

We have audited the financial statements of Apata Group Limited ("the Company") and its subsidiaries (together "the Group") on pages 15 to 40, which comprise the consolidated and separate statements of financial position as at 31 December 2017, the consolidated and separate statements of profit or loss and other comprehensive income, and consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended and a summary of significant accounting policies and notes to the consolidated financial statements.

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

Basis for Opinion

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

Other than in our capacity as auditor, we were engaged to provide taxation services for the Company and Group. This matter has not impaired our independence as auditors of the Company and Group. We have no other relationship with, or interest in, Apata Group Limited or any of its subsidiaries or associates.

Audit 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 $740,000, determined with reference to a weighted benchmark of total Group profit (before income tax and other comprehensive income), net assets and income (comprising revenue, share of associates profit and gain on land revaluations as disclosed in the consolidated income statement). We chose total income, net assets and profit on the basis they are benchmarks against which the performance of the Group is commonly measured.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' reports on pages 3 to 11, Statutory Information and Director's Declaration on pages 13 to 14 and the Company Details on page 47 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Those Charged with Governance for the Financial Statements

The Directors are responsible on behalf of the Company and Group for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INGHAM MORA

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Ingham Mora

INGHAM MORA
Tauranga
1 March 2018

NOTES

NOTES

NOTES

COMPANY DETAILS

COMPANY NAME
Apata Group Limited

COMPANY NUMBER
1107843

DATE OF INCORPORATION
02 February 2001

NATURE OF BUSINESS
Packhouse and coolstore operators

DIRECTORS APATA GROUP LIMITED AS AT 31 DECEMBER 2017
Alan Birley
Colin Graham Cathie
Clinton Sean Carnachan
Mark Nolan Mayston
Stuart Barry Weston
Thomas Haines Wilson (resigned 28 February 2018)

EXECUTIVE
Stuart Weston, Managing Director
Eugene Crosby, CFO and Company Secretary
Damian Young, GM Operations
Kate Trufitt, Avocado Business Manager and Group Compliance and Safety Manager
Jason Gibbs, Commercial Manager

AUDITORS
Ingham Mora, Tauranga

SOLICITORS
Sharp Tudhope, Tauranga

REGISTERED OFFICE
9 Turntable Hill Road, RD 4, Katikati, 3181.

NUMBER OF SHARES
9,434,766

DISTRIBUTION OF SHAREHOLDING – AS AT 27 FEBRUARY 2018

SHARE RANGE	NO OF SHAREHOLDERS	SHARES HELD	% OF SHAREHOLDING	% OF SHARES	AVERAGE HOLDING
UP TO 1,999 SHARES	10	15,179	0%	4%	1,518
2,000 TO 9,999	145	742,959	8%	58%	5,124
10,000 TO 24,999	49	758,097	8%	20%	15,471
25,000 TO 99,999	25	1,378,220	15%	10%	55,129
100,000 PLUS	19	6,540,311	69%	8%	344,227
TOTALS	**248**	**9,434,766**	**100%**	**100%**	**38,043**

APATA KATIKATI
9 TURNTABLE HILL ROAD, RD4, KATIKATI 3181
PHONE 07 552 0911 FAX 07 552 0666

APATA TE PUKE
15 MENDS LANE, RD6, TE PUKE 3186
PHONE 07 533 6212 FAX 07 533 1354

WWW.APATA.CO.NZ