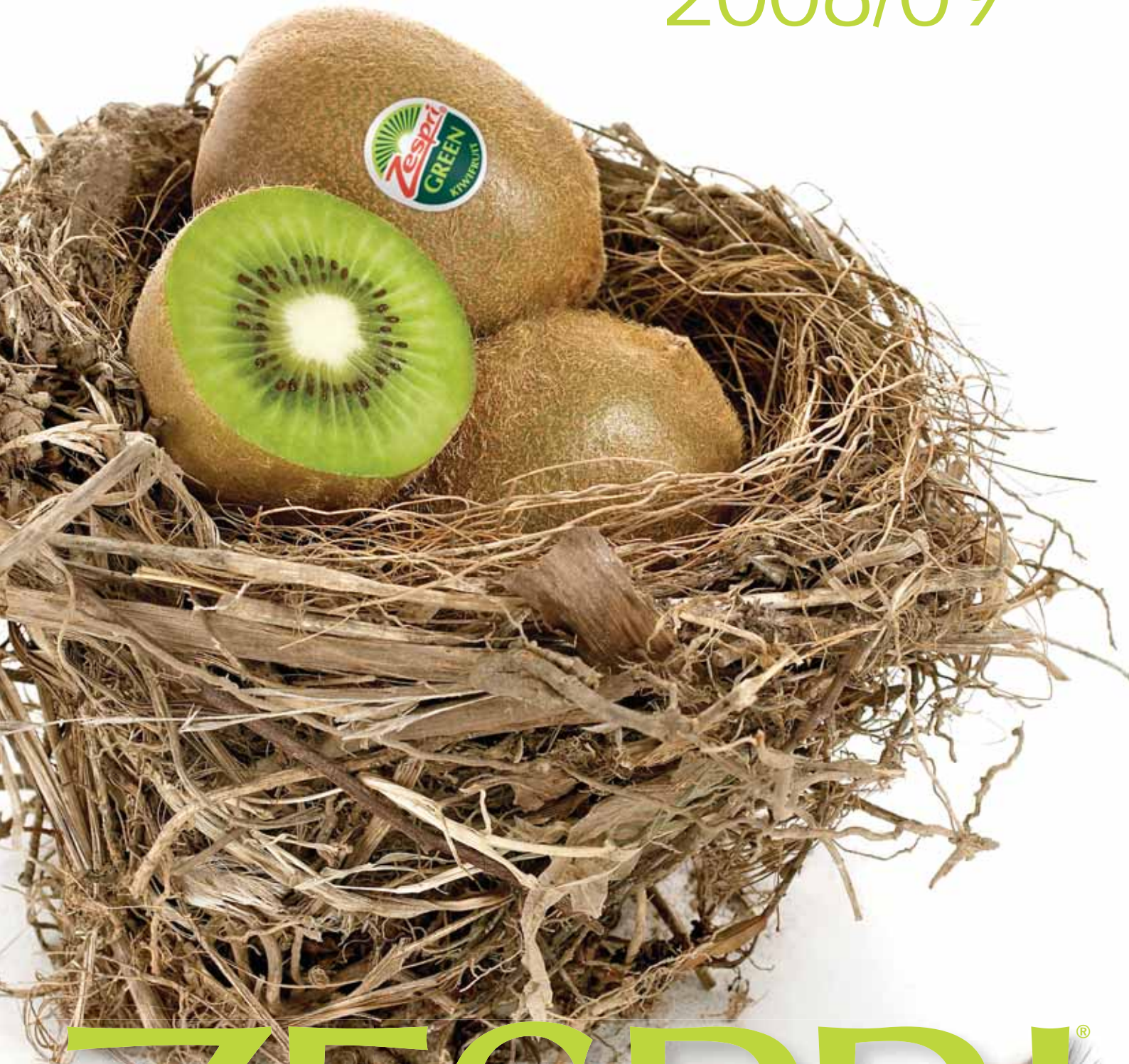


ZESPRI ANNUAL REPORT  
2008/09



ZESPRI<sup>®</sup>  
*Kiwifruit*  
FOCUSING ON GROWTH

# ZESPRI's focus is on growth.

## Growing healthier, more vibrant ZESPRI® Kiwifruit.

As the market leader in kiwifruit, managing 30 percent of globally traded volume, ZESPRI carries a significant responsibility. We take this responsibility very seriously by focusing on:

- ⊕ growing consistently great-tasting, healthy kiwifruit
- ⊕ growing the number of people around the world who regularly enjoy kiwifruit
- ⊕ growing returns for kiwifruit growers

Our shareholders are either New Zealand growers, or have been so in the past, and have an active voice in the strategic direction of the industry. In addition to our 2,700 New Zealand growers, we have partnered with over 1,300 growers around the world to leverage our strong customer relationships and the ZESPRI® Brand. We sell over 390,000 tonnes of premium quality kiwifruit to over 60 countries every year. With 250 employees across offices in Asia, Europe and North America, our head office is at the centre of New Zealand's kiwifruit region, Mount Maunganui. We work with growers and post-harvest operators to source top quality ZESPRI® Kiwifruit and supply this kiwifruit through our distribution partners to wholesale markets and retail customers.



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## Financial Highlights

	2008/09	2007/08	Variance
New Zealand-grown fruit and service payments (including loyalty premium)	\$795.5 million	\$660.5 million	+20%
– Per tray supplied	\$7.76	\$6.93	+12%
Net profit after tax	<b>\$23.9 million</b>	\$19.7 million	+21%
New Zealand-grown Orchard Gate Return (OGR) per hectare	<b>\$35,655 (average)</b>	\$28,169 (average)	+27%
– GREEN	\$30,067	\$24,051	+25%
– GREEN ORGANIC	\$39,441	\$34,744	+14%
– GOLD	\$60,885	\$46,067	+32%
Equity	<b>\$74.0 million</b>	\$68.3 million	+8%
Dividend per share (cents)			Both years' dividends represent 100% of available profits
– Interim	35.00	35.00	
– Final	56.00	33.00	
– Special*	7.41	12.67	
– Total	98.41	80.67	
Global kiwifruit sales	<b>\$1.451 billion</b>	\$1.164 billion	+25%
Global volume (trays sold)	108.7 million	98.0 million	+11%
<b>New Zealand-grown</b>	<b>100.0 million</b>	92.4 million	+8%
– GREEN	72.7 million	67.9 million	+7%
– GREEN ORGANIC	2.9 million	2.8 million	+4%
– GOLD	21.9 million	19.3 million	+13%
– OTHER	2.5 million	2.4 million	+1%
<b>Non-New Zealand-grown</b>	<b>8.7 million</b>	5.6 million	+55%
– GREEN	4.2 million	2.5 million	+68%
– GOLD	4.5 million	3.1 million	+45%

\* A special dividend of 7.41 cents per share (2008: 12.67) was paid in March 2009, this being the Company's 50 percent share (2008: 50 percent) of the ZESPRI® GOLD license tender proceeds for Tranche 3 (2008: Tranches 1 and 2).

## Season Overview

- 🔄 **Volumes of New Zealand-grown ZESPRI® Kiwifruit sold** during 2008/09 were 100.0 million trays, an increase of 8 percent over the prior year. While there was a small increase in production hectares, orchard yield on average increased 6 percent on the prior year.
- 🔄 **New Zealand Fruit and Service Payments** (including the loyalty premium) increased from \$660.5 million to \$795.5 million. Per tray, this resulted in an increase of 12 percent to \$7.76 from \$6.93 in 2007/08.
- 🔄 **The major factors impacting New Zealand-grown per tray returns** were improved in-market pricing, early season start and improved foreign exchange rates compared to the prior year.
- 🔄 **New Zealand Average Orchard Gate Return (OGR)** by hectare increased by \$7,486 (27 percent) to \$35,655.
- 🔄 **Non-New Zealand-grown kiwifruit volumes** increased 55 percent to 8.7 million trays. Sales from non-New Zealand-grown kiwifruit increased by 86 percent over 2007/08 to \$151.6 million with a profit before tax of \$5.9 million.
- 🔄 **222 hectares of New Zealand ZESPRI® GOLD licences** were successfully tendered during the year.
- 🔄 **Total dividends for the year** are 98.41 cents per share, compared with 80.67 cents in the previous year. An interim dividend of 35.00 cents per share was paid in December 2008 and an intention to declare a final dividend of 56.00 cents has been announced for payment in August 2009. A special dividend of 7.41 cents per share was paid in March 2009, this being the Company's 50 percent share of the ZESPRI® GOLD licence tender proceeds for the year.

## Notice of Annual General Meeting

The Annual General Meeting of shareholders of ZESPRI Group Limited will take place at 1.00pm on Wednesday 22 July 2009 at Baycourt Theatre, Durham Street, Tauranga.

## Financial Calendar

Financial year-end:	31 March 2009
Annual Report issued:	23 June 2009
Deadline for receipt of proxies for Annual General Meeting:	1.00pm, 20 July 2009
Annual General Meeting:	22 July 2009
Indicative dates for dividend payments:	December (interim) August (final)



## Chairman and Chief Executive Officer's Review

Growth was the key focus in 2008/09. Kiwifruit volumes, key markets, sales and returns for growers and shareholders all increased over the prior season. This strong focus resulted in more ZESPRI® Kiwifruit exported, more kiwifruit sold in the markets and greater returns for growers and shareholders than in previous years.

Global kiwifruit volumes sold increased by 11 percent from 98.0 million trays to 108.7 million trays. New Zealand kiwifruit volumes increased by 8 percent, leading to a record of more than 102.0 million trays of New Zealand ZESPRI® Kiwifruit shipped and 100.0 million trays sold.

Global kiwifruit sales increased 25 percent to \$1.45 billion, from \$1.16 billion in 2007/08. The overall increase in volume and sales had a positive effect on ZESPRI Group's performance, with net profit after tax increasing from \$19.7 million to \$23.9 million.

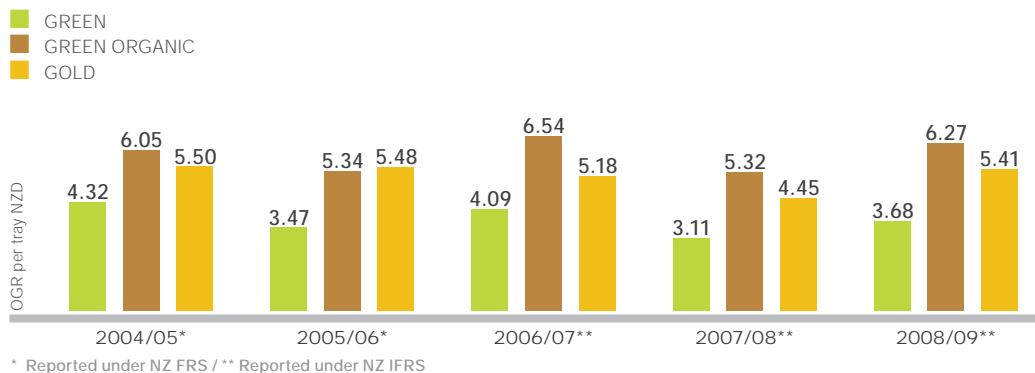
Europe remained our strongest market, with record sales of 60.0 million trays of kiwifruit from New Zealand and other supply sources. The

European market experienced increased demand for both ZESPRI® GREEN and ZESPRI® GOLD, with increases of 11 percent and 18 percent, respectively.

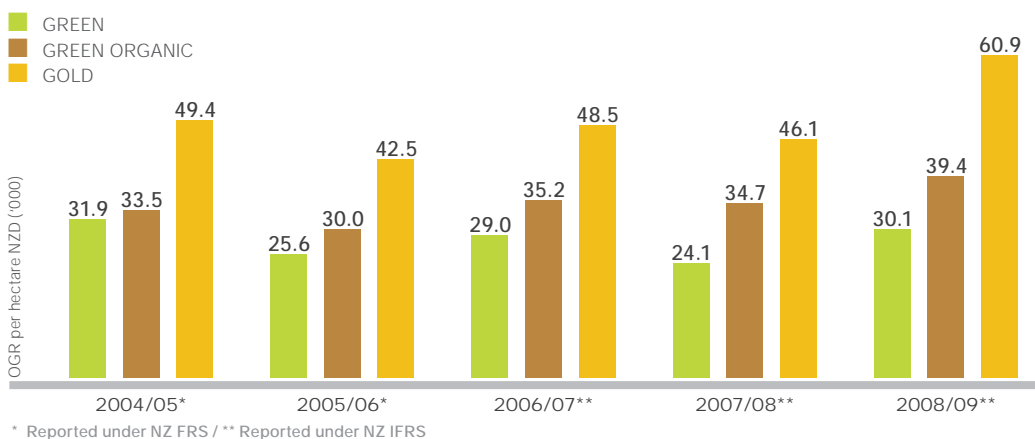
The emerging markets of China, South East Asia and North America showed the strongest year-on-year performances, growing from 10.8 million trays to 13.7 million trays (26 percent). These markets currently account for over 14 percent of the total New Zealand crop sold and will remain very important for the future growth of the business.

Overall, New Zealand Orchard Gate Returns (OGR) increased by \$96.6 million to \$439.9 million, a 28 percent increase over the previous season. New Zealand OGR per-hectare increased for ZESPRI® GREEN by 25 percent, for ZESPRI® GREEN ORGANIC by 14 percent, and for ZESPRI® GOLD by 32 percent. These significant increases are due to a higher yield of Class 1 fruit and improved size profiles, along with optimised pricing levels.

Orchard Gate Return per tray submitted  
 New Zealand-grown

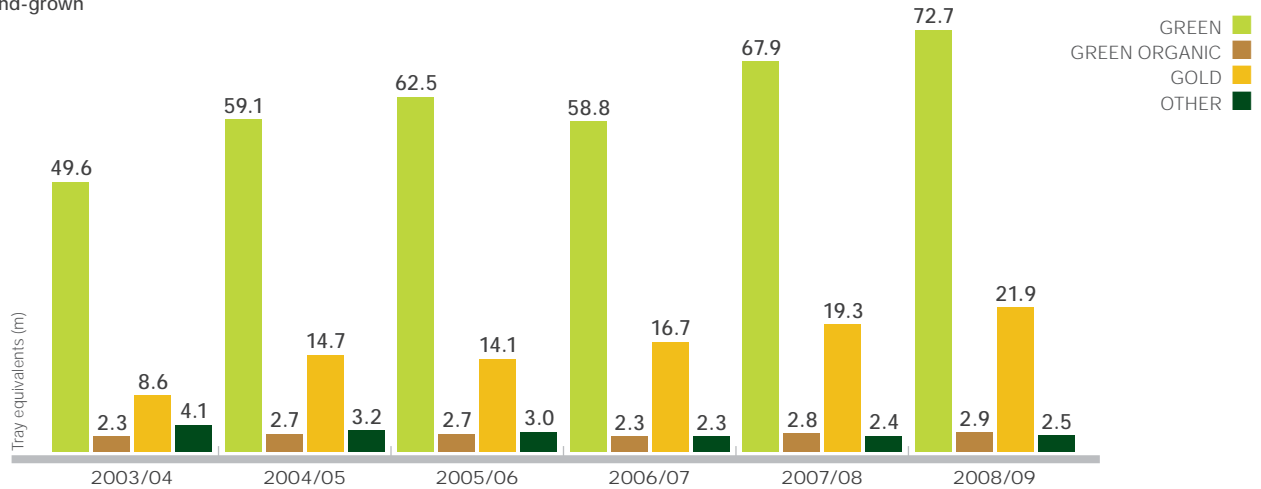


Orchard Gate Return per hectare  
 New Zealand-grown

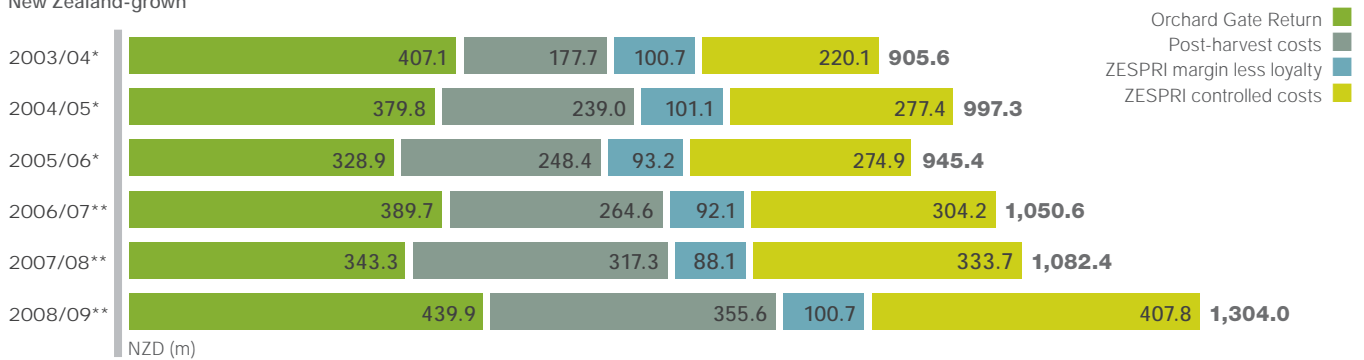


## Chairman and Chief Executive Officer's Review (continued)

Total Volume Sold  
 New Zealand-grown

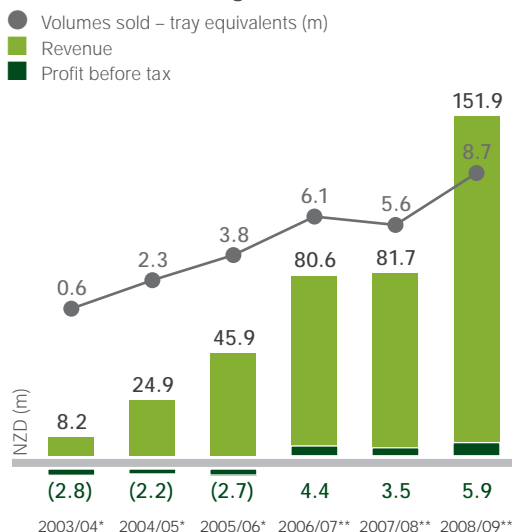


Net Revenue to Orchard Gate Return  
 New Zealand-grown



\* Reported under NZ FRS / \*\* Reported under NZ IFRS

Non-New Zealand-grown kiwifruit



\* Reported under NZ FRS / \*\* Reported under NZ IFRS

The increase in crop volumes and the ability to maintain price premiums throughout the season resulted in total fruit and service payments rising dramatically. Fruit and service payments, along with loyalty premiums paid to the New Zealand kiwifruit industry, increased by \$135.0 million to \$795.5 million (20 percent).

With oil prices at record highs of US\$798 per tonne during 2008, freight costs for New Zealand-grown fruit increased by \$26.9 million. This was due to the bulk of shipping occurring during the peak in oil prices, resulting in an average per tonne rate of US\$667 for the season, up from US\$389 the previous season.

The movement in foreign exchange rates led to an increase of \$52.8 million in returns to growers compared to the previous year.

The ZESPRI Board has announced an intention to declare a final dividend of 56.00 cents per share. This is in addition to the 35.00 cents per share interim dividend payment paid in December 2008 and the 7.41 cents per share special dividend paid in March 2009. This will bring the total dividends for the year to 98.41 cents per share.

Looking forward, we are positive about our ability to continue our strong growth. The 2009/10 season will be challenging in the current global economic environment but we will continue to focus on the fundamentals of good business practice to maximise returns for our growers and shareholders. Thank you for your ongoing support.

John Loughlin – Chairman

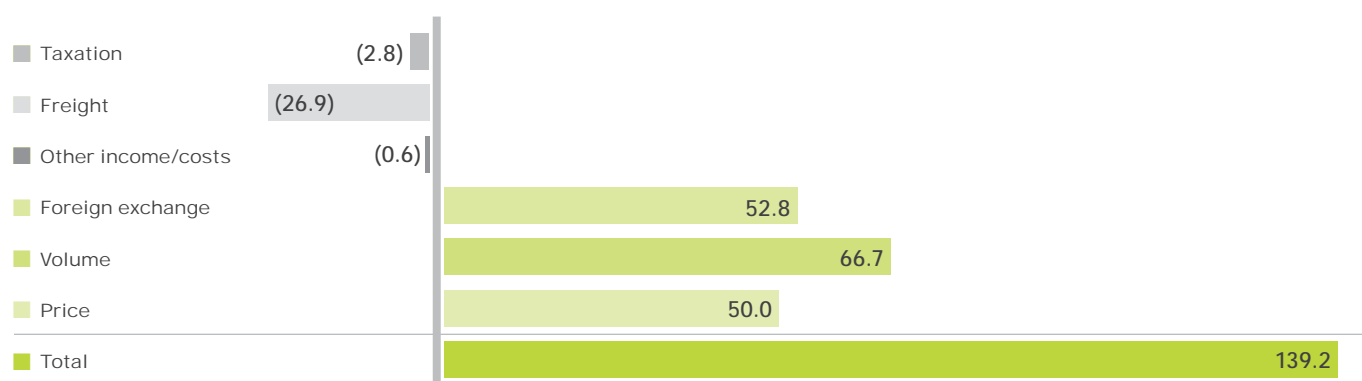
Lain Jager – Chief Executive Officer

## ZESPRI Alternative Revenue Statement

	2008/09 \$'000 NZ IFRS	2007/08 \$'000 NZ IFRS	2006/07 \$'000 NZ IFRS
Gross sales of New Zealand-grown kiwifruit	1,367,227	1,126,079	1,089,451
Promotional rebates, claims and discounts	(79,946)	(54,350)	(54,429)
Net sales of New Zealand-grown kiwifruit	1,287,281	1,071,729	1,035,022
Sales through collaborative marketers	12,558	10,441	9,816
Sales through other programmes	-	-	170
Other pool income	4,160	186	5,588
Revenue attributable to New Zealand pools <sup>1</sup>	1,303,999	1,082,356	1,050,596
Less pool costs:			
Freight	160,981	118,026	116,012
Insurance (onshore and offshore)	3,294	5,961	3,801
Duty and customs <sup>2</sup>	76,991	70,254	43,601
Other direct pool costs – onshore	29,605	23,911	22,073
Other direct pool costs – offshore	63,235	51,395	51,365
Promotion	69,384	61,374	66,735
Interest charge (income) <sup>3</sup>	3,394	1,940	(563)
KNZ/NZKGI costs <sup>4</sup>	888	834	1,173
Total pool costs	407,772	333,695	304,197
Return from fruit sales	896,227	748,661	746,399
Distributed as New Zealand fruit and service payments	779,006	651,254	633,942
ZESPRI margin <sup>5</sup>	117,221	97,407	112,457
Other non-pool revenue	2,815	3,034	5,050
ZESPRI income attributable to New Zealand-grown kiwifruit	120,036	100,441	117,507
Onshore costs:			
Innovation <sup>6</sup>	8,402	9,704	8,016
Onshore overheads	30,887	29,244	29,098
Offshore costs	37,669	33,894	34,204
Add operating surplus/(deficit) from other business units:			
Processed fruit products (before taxation) <sup>7</sup>	(1,125)	(284)	(61)
Non-New Zealand-grown supply (before taxation) <sup>7</sup>	5,862	3,534	4,355
Income from sale of ZESPRI® GOLD licences (before taxation)	2,327	4,695	-
EBIT before loyalty premium	50,142	35,544	50,483
Net interest income	5,028	5,409	3,457
ZESPRI profit before tax and loyalty premium	55,170	40,953	53,940
Loyalty premium @ 10 cents per Class 1 tray	10,015	9,283	7,888
Enhanced loyalty premium	6,517	-	12,475
	16,532	9,283	20,363
ZESPRI Group profit before taxation	38,638	31,670	33,577
Tax expense	14,704	11,940	11,478
ZESPRI Group profit after taxation	23,934	19,730	22,099
Total fruit and service payments	779,006	651,254	633,942
Loyalty premium	16,532	9,283	20,363
Total fruit and service payments (including loyalty premium)	795,538	660,537	654,305

The Alternative Revenue Statement is used for management information and is the basis for the calculation of the Supplier Return. Foreign exchange gains and losses are allocated differently to the way that they are allocated in the Financial Statements in that they are apportioned to the relevant line items above. The Alternative Revenue Statement is consistent with the business segment analysis in Note 30 of the Financial Statements.

## Cause of Change – 2008/09 vs 2007/08 \$m



	\$'000	
Total fruit and service payments 2007/08 (including loyalty premium)	660,537	The 'cause of change' chart outlines the increase in the return to the industry this season to \$819 million from \$680 million in 2007/08.
Add ZESPRI net profit after tax 2007/08	19,730	
<b>Return to industry 2007/08</b>	<b>680,267</b>	
Movements due to change in:		
Sales price/size profile	50,012	
Volume	66,682	
Foreign exchange	52,826	
Freight	(26,921)	
Other income/costs	(630)	
Taxation	(2,764)	
<b>Return to industry 2008/09</b>	<b>819,472</b>	
Total fruit and service payments 2008/09	779,006	
Add ZESPRI loyalty/enhanced premium 2008/09	16,532	
Total including loyalty premium 2008/09	795,538	
Add ZESPRI net profit after tax 2008/09	23,934	
<b>Return to industry 2008/09</b>	<b>819,472</b>	

## New Zealand Pool Costs as a Percentage of Pool Revenue

	2008/09	2007/08	2006/07
ZESPRI margin (net of loyalty premium) <sup>5</sup>	7.7%	8.1%	8.7%
Freight	12.3%	10.9%	11.0%
Insurance	0.3%	0.6%	0.4%
Duty and customs <sup>2</sup>	5.9%	6.5%	4.2%
Other onshore direct costs	2.3%	2.2%	2.1%
Other offshore direct costs	4.8%	4.7%	4.9%
Promotion	5.3%	5.7%	6.4%
Other	0.3%	0.2%	(0.1%)
KNZ/NZKGI <sup>4</sup>	0.1%	0.1%	0.1%
Total fruit and service payments (including loyalty premium)	61.0%	61.0%	62.3%
	<b>100.0%</b>	100.0%	100.0%
Revenue attributable to New Zealand pools (\$'000) <sup>1</sup>	<b>1,303,999</b>	1,082,356	1,050,596

- Net revenue attributable to the pools includes sales of New Zealand-grown kiwifruit, income from collaborative/other marketing programmes and other pool income as noted in the Alternative Revenue Statement.
- In 2008/09, \$33.1 million (2007/08: \$33.0 million, 2006/07: \$nil) of Korean duty was paid by ZESPRI. Prior to 2007/08 this charge was paid directly by the customer. A corresponding increase in the Korean sales price has been made from 2007/08 onwards to reflect the increase in Korean duty paid.
- The interest charge is made up of the following: interest income of \$5.1 million, interest paid of \$3.9 million and an interest charge from ZESPRI of \$4.6 million. This results in an overall interest expense to the pools of \$3.4 million.
- This comprises KNZ regulatory funding of \$220,000, NZKGI funding of \$520,000, industry good funding of \$90,000 and 2008 fruit loss review funding of \$58,000. Refer to Note 29 of the Financial Statements.
- ZESPRI margin is calculated in accordance with the Supply Agreement, being 6 percent (2007/08: 6 percent, 2006/07: 7 percent) of net sales (excluding collaborative marketing programmes) and 6 percent (2007/08: 6 percent, 2006/07: 7 percent) of fruit payments to suppliers.
- The Innovation result is net of the Research and Development Tax Credit of \$925,000 (2007/08: \$nil, 2006/07: \$nil).
- Further analysis of non-New Zealand-grown supply and Aragon are available within the segment reporting in Note 30 of the Financial Statements.

## New Zealand Regional Production Analysis

	2008/09		2007/08		2006/07		2005/06	
	Producing hectares	TE/HA*	Producing hectares	TE/HA*	Producing hectares	TE/HA*	Producing hectares	TE/HA*
<b>ZESPRI® GREEN Kiwifruit</b>								
Northland	291	5,839	319	7,014	314	6,290	323	5,867
Auckland	471	7,409	473	6,823	470	6,043	460	5,772
Bay of Plenty								
— Katikati	1,294	7,411	1,282	7,265	1,290	6,085	1,207	6,384
— Opotiki	559	8,502	545	7,492	517	7,051	463	8,489
— Tauranga	1,305	8,125	1,314	7,774	1,296	6,040	1,268	7,349
— Te Puke	3,904	8,451	3,797	7,921	3,659	6,763	3,437	8,188
— Waihi	179	6,810	182	6,251	179	5,569	170	5,910
— Whakatane	523	6,040	458	5,766	429	6,492	396	5,832
Waikato	264	5,770	278	6,112	279	5,001	255	5,243
Poverty Bay	176	5,173	180	5,370	190	5,314	184	5,971
Hawke's Bay	125	4,868	128	5,137	130	6,763	120	5,674
Lower North Island	91	3,886	104	4,627	115	5,293	120	4,692
South Island	584	6,509	615	5,400	611	4,785	585	5,880
Total producing hectares	<b>9,766</b>		<b>9,675</b>		<b>9,479</b>		<b>8,988</b>	
Average TE supplied per hectare		<b>7,649</b>		<b>7,241</b>		<b>6,275</b>		<b>7,129</b>
<b>ZESPRI® GREEN ORGANIC Kiwifruit</b>								
Northland	2	755	2	3,556	2	2,792	2	2,743
Auckland	2	1,640	2	2,340	2	1,703	2	1,636
Bay of Plenty								
— Katikati	27	6,211	28	7,047	30	5,002	31	5,468
— Opotiki	20	2,482	20	3,477	25	2,655	14	4,418
— Tauranga	210	6,793	198	6,618	198	5,146	207	5,951
— Te Puke	80	7,112	77	6,934	75	6,595	96	6,241
— Whakatane	3	2,971	8	4,057	8	4,855	9	4,101
Waikato	108	5,134	87	7,286	88	5,702	89	5,054
Poverty Bay	6	5,936	6	5,025	6	2,111	8	3,969
Hawke's Bay	1	933	1	1,556	1	3,109	14	4,706
Lower North Island	4	4,096	5	2,570	4	4,640	5	3,095
South Island	17	5,131	17	3,740	17	3,221	17	3,419
Total producing hectares	<b>480</b>		<b>451</b>		<b>456</b>		<b>494</b>	
Average TE supplied per hectare		<b>6,088</b>		<b>6,427</b>		<b>5,199</b>		<b>5,532</b>
<b>ZESPRI® GOLD Kiwifruit</b>								
Northland	182	9,951	183	12,062	185	8,846	181	8,084
Auckland	69	10,233	66	9,697	64	8,299	66	5,632
Bay of Plenty								
— Katikati	152	10,950	150	9,642	153	9,381	153	6,035
— Opotiki	189	10,655	192	9,993	191	8,761	177	8,678
— Tauranga	271	11,804	272	9,876	278	9,037	263	7,644
— Te Puke	955	11,150	919	9,450	901	8,308	891	7,674
— Waihi	18	10,629	18	10,166	18	9,010	18	7,259
— Whakatane	41	10,662	41	9,429	31	6,729	30	6,816
Waikato	66	9,537	73	8,165	66	7,860	67	6,232
Poverty Bay	78	7,967	73	7,419	73	6,423	73	6,960
Hawke's Bay	38	6,896	40	6,787	39	5,159	29	5,657
South Island	32	9,963	33	7,531	33	6,492	34	7,786
Total producing hectares	<b>2,091</b>		<b>2,060</b>		<b>2,032</b>		<b>1,982</b>	
Average TE supplied per hectare		<b>10,761</b>		<b>9,618</b>		<b>8,390</b>		<b>7,484</b>

\* TE/HA = tray equivalent supplied to ZESPRI for export per hectare. Producing hectares includes all hectares producing fruit in the relevant season.



**New Zealand  
 Total Fruit and Service Payments  
 (including loyalty premium)**

	Return \$million 2008/09 NZ IFRS	\$ per TE 2008/09 NZ IFRS	\$ per TE 2007/08 NZ IFRS	\$ per TE 2006/07 NZ IFRS	\$ per TE 2005/06 NZ FRS
<b>ZESPRI® GREEN Kiwifruit</b>					
Total tray equivalents supplied (m)		74.7	70.1	59.5	64.1
Fruit payments	319.0	4.26	3.79	5.52	4.41
Fruit incentives	109.6	1.47	1.31	0.79	0.70
Service payments	92.9	1.24	1.20	1.10	1.08
Loyalty premium	12.3	0.17	0.10	0.26	0.10
<b>Total fruit and service payments (including loyalty premium)</b>	<b>533.8</b>	<b>7.14</b>	<b>6.40</b>	<b>7.67</b>	<b>6.29</b>
<b>ZESPRI® GREEN ORGANIC Kiwifruit</b>					
Total tray equivalents supplied (m)		2.9	2.9	2.4	2.7
Fruit payments	16.9	5.76	5.07	6.11	6.06
Fruit incentives	7.7	2.63	2.13	2.02	0.96
Service payments	2.5	0.87	0.95	0.96	0.86
Loyalty premium	0.5	0.17	0.10	0.26	0.10
<b>Total fruit and service payments (including loyalty premium)</b>	<b>27.6</b>	<b>9.43</b>	<b>8.25</b>	<b>9.35</b>	<b>7.98</b>
<b>ZESPRI® GOLD Kiwifruit</b>					
Total tray equivalents supplied (m)		22.5	19.8	17.0	14.8
Fruit payments	110.8	4.92	4.50	5.11	5.44
Fruit incentives	62.2	2.76	2.51	2.70	2.49
Service payments	45.2	2.01	1.80	1.61	1.24
Loyalty premium	3.7	0.17	0.10	0.26	0.10
<b>Total fruit and service payments (including loyalty premium)</b>	<b>221.9</b>	<b>9.86</b>	<b>8.91</b>	<b>9.68</b>	<b>9.27</b>
<b>K1W1™ GREEN Kiwifruit</b>					
Total tray equivalents supplied (m)		1.6	1.7	1.6	1.5
Fruit payments	5.9	3.55	3.56	4.50	4.27
Service payments	0.9	0.57	0.64	0.47	0.51
<b>Total fruit and service payments</b>	<b>6.8</b>	<b>4.12</b>	<b>4.20</b>	<b>4.97</b>	<b>4.78</b>
<b>K1W1™ GREEN ORGANIC Kiwifruit</b>					
Total tray equivalents supplied (m)		0.1	0.1	0.1	0.1
Fruit payments	0.4	4.93	4.99	6.28	5.65
Service payments	–	0.59	0.39	0.32	0.35
<b>Total fruit and service payments</b>	<b>0.4</b>	<b>5.52</b>	<b>5.38</b>	<b>6.60</b>	<b>6.00</b>
<b>K1W1™ GOLD Kiwifruit</b>					
Total tray equivalents supplied (m)		0.2	0.3	0.2	0.2
Fruit payments	0.8	4.58	4.24	4.26	4.54
Service payments	0.1	0.68	0.70	0.56	0.57
<b>Total fruit and service payments</b>	<b>0.9</b>	<b>5.26</b>	<b>4.94</b>	<b>4.82</b>	<b>5.11</b>
<b>Non-Standard Supply</b>					
Total tray equivalents supplied (m)		0.6	0.5	0.3	1.3
Fruit payments	3.6	6.14	3.44	4.64	3.32
Fruit incentives	–	–	–	0.06	0.28
Service payments	0.5	0.79	1.00	0.54	1.11
<b>Total fruit and service payments</b>	<b>4.1</b>	<b>6.93</b>	<b>4.44</b>	<b>5.24</b>	<b>4.71</b>
<b>TOTAL ALL POOLS</b>					
Total tray equivalents supplied (m)		102.6	95.4	81.1	84.7
Total fruit payments	457.3	4.45	3.98	5.41	4.63
Total fruit incentives	179.5	1.75	1.55	1.21	1.00
Total service payments	142.2	1.39	1.30	1.19	1.09
Total loyalty premium	16.5	0.17	0.10	0.26	0.10
<b>Total fruit and service payments (including loyalty premium)</b>	<b>795.5</b>	<b>7.76</b>	<b>6.93</b>	<b>8.07</b>	<b>6.82</b>
Total fruit and service payments 2007/08 (NZ IFRS)	660.5				
Total fruit and service payments 2006/07 (NZ IFRS)	654.3				
Total fruit and service payments 2005/06 (NZ FRS)	577.2				

## New Zealand Industry Statistics

	2008/09 NZ IFRS	2007/08 NZ IFRS	2006/07 NZ IFRS	2005/06 NZ FRS	2004/05 NZ FRS	2003/04 NZ FRS
<b>Distribution to Growers/Suppliers</b>						
Fruit payments (excluding loyalty premium)	7.59	6.83	7.81	6.72	7.49	8.99
Loyalty premium	0.17	0.10	0.26	0.10	0.10	–
<b>Total payments per tray</b>	<b>7.76</b>	<b>6.93</b>	<b>8.07</b>	<b>6.82</b>	<b>7.59</b>	<b>8.99</b>
<b>Crop Volumes ('000)</b>						
Trays submitted (gross)	109,386	102,012	89,919	87,752	85,799	66,093
Trays supplied	102,644	95,364	81,099	84,669	81,534	65,096
Trays sold	99,969	92,436	80,060	82,283	79,652	64,644
<b>Trays sold as a percentage of trays supplied</b>	<b>97%</b>	<b>97%</b>	<b>99%</b>	<b>97%</b>	<b>98%</b>	<b>99%</b>
<b>General Statistics</b>						
Production per hectare (trays submitted)	8,866	8,371	7,514	7,655	7,847	6,247
Producing hectares	12,337	12,186	11,967	11,464	10,934	10,580
Orchard Gate Return per hectare	\$35,655	\$28,169	\$32,566	\$28,687	\$34,738	\$38,488
Number of producers	2,710	2,727	2,754	2,748	2,760	2,703
Average number of trays supplied per producer	37,876	34,970	29,448	30,811	29,541	24,083
<b>Number of Orchards Registered</b>						
0 – 2 hectares	912	926	946	833	904	1,013
2 – 5 hectares	1,490	1,472	1,450	1,460	1,537	1,465
5 – 10 hectares	561	566	543	585	592	541
Over 10 hectares	147	142	138	147	157	134
<b>Total (KPINS)</b>	<b>3,110</b>	<b>3,106</b>	<b>3,077</b>	<b>3,025</b>	<b>3,190</b>	<b>3,153</b>
<b>Average Orchard Size (hectares)</b>						
GREEN	3.7	3.7	3.7	3.5	3.6	3.6
GOLD	2.7	2.7	2.6	2.5	2.6	2.5
<b>Number of Packhouses Used</b>						
0 – 500,000 trays	25	26	39	38	41	57
500,000 – 1,000,000 trays	12	17	13	17	16	18
1,000,000 – 2,000,000 trays	15	14	17	13	19	15
Over 2,000,000 trays	19	18	11	15	12	8
<b>Total</b>	<b>71</b>	<b>75</b>	<b>80</b>	<b>83</b>	<b>88</b>	<b>98</b>
<b>Average trays packed per packhouse ('000)</b>	<b>1,541</b>	<b>1,360</b>	<b>1,124</b>	<b>1,057</b>	<b>975</b>	<b>674</b>
<b>Number of Coolstores Used</b>						
0 – 500,000 trays	44	34	48	43	45	47
500,000 – 1,000,000 trays	16	17	11	13	14	15
1,000,000 – 2,000,000 trays	13	15	17	15	18	15
Over 2,000,000 trays	19	17	11	14	12	9
<b>Total</b>	<b>92</b>	<b>83</b>	<b>87</b>	<b>85</b>	<b>89</b>	<b>86</b>
<b>Average trays stored per coolstore ('000)</b>	<b>1,189</b>	<b>1,229</b>	<b>1,034</b>	<b>1,032</b>	<b>964</b>	<b>769</b>
<b>Number of Employees</b>						
Onshore (excludes seasonal employees)	132	136	127	117	103	109
Offshore	100	100	88	85	75	79
<b>Total</b>	<b>232</b>	<b>236</b>	<b>215</b>	<b>202</b>	<b>178</b>	<b>188</b>
Global revenue per employee (\$'000) – excluding seasonal employees	\$6,323	\$4,994	\$5,306	\$4,985	\$5,818	\$4,892
Global revenue (adjusted to 31 March 2009 10-year average foreign exchange rates) per employee (\$'000) – excluding seasonal employees	\$6,655	\$5,687	\$5,466	\$5,456	\$5,754	\$4,489
Onshore seasonal employees per year	17	18	17	14	21	20

## Corporate Governance

The Board considers it essential that a high standard of corporate governance practices are in place across the organisation, starting with the Directors themselves at Board level. Good corporate governance is not only about written policies and procedures – it is about acting and leading with integrity and maintaining a high standard of business ethics. Set out in this section is an overview of the key elements of ZESPRI's corporate governance framework.

### Legislative and regulatory framework

At the highest level, ZESPRI Group Limited is regulated by the provisions of the Companies Act 1993 and other relevant legislation governing the duties of directors, including financial reporting obligations, offering and trading in securities, employment, environment, and health and safety. As the Company also issues shares, it is required to comply with all requirements of the Securities Act 1978 and therefore share transactions and some company publications are overseen by the Securities Commission.

The Company and its Directors are bound by the ZESPRI Group Limited constitution which contains more detail in areas such as: shareholding, transfer and voting; procedures for shareholder meetings; and director election and tenure. The Kiwifruit Export Regulations 1999 also contain provisions that impact on the governance of the Company, and which are monitored and enforced by the industry regulator, Kiwifruit New Zealand. Under these Regulations:

- ⊕ ZESPRI must not discriminate other than on commercially justifiable grounds between suppliers and potential suppliers in relation to the purchase of kiwifruit for export;
- ⊕ ZESPRI must not carry out any activity, nor own nor operate assets, that are not necessary for the core business of exporting kiwifruit, unless approved by the majority of providers of capital (being the shareholders or the kiwifruit suppliers as the case may be), and only if the risks of the activity are minimised for those who have not given approval;
- ⊕ ZESPRI must comply with certain specific information disclosure requirements regarding its activities.

ZESPRI has policies and procedures in place to ensure compliance with all of the aforementioned obligations and, at the end of each financial year, both the Chief Financial Officer and the General Counsel provide an assurance to the Board regarding legislative and regulatory compliance.

During the year it became apparent that the Company had not properly adhered to contractual commitments that had been made by the Company in respect of the confidentiality of proxy tally information, and that tally information was received by some employees, and some Directors, in advance of the Annual General Meeting (AGM). While this action was not contrary to the Companies Act 1993, or the Company Constitution, it was in contravention of a Confidentiality Agreement that had been signed in 2004 between the Company and its Share Registrar. The matter was investigated by the Board and assurances were received that the information had not been mis-used. In response to this, the Board tightened company policies, amended the Directors' manual, committed to ethics training for the Board and is proposing amendments to the Company Constitution to ensure that this does not occur again in the future.

Following the 2008 AGM, a Director requested details of voting at an individual shareholder level in respect of an AGM resolution. This information was then included in an analysis of voting that was circulated to all Directors. This action was not prohibited by the Companies Act, the ZESPRI Constitution or company policies. The Directors reviewed this situation and have amended company policies and recommended changes to the Constitution to ensure future confidentiality of individual shareholder voting information.

Thus, at the 2009 AGM, the Company will propose a number of amendments to the ZESPRI Group Limited Constitution regarding confidentiality of shareholder proxy and voting information. These new provisions, which are explained more fully in the 2009 AGM Notice of Meeting, exceed legal and regulatory requirements, and reflect standards of corporate governance in relation to shareholder democracy that exceed those required of publicly listed companies.

### The Board

ZESPRI's eight-member Board is made up of five Directors drawn from the kiwifruit industry and three completely independent Directors. The convention of having at least three independent Directors is in line with good governance practice.

ZESPRI's eight Directors bring together a wide range of experience, from international marketing and agribusiness, to kiwifruit industry knowledge and financial expertise. Background profiles of each Director appear on ZESPRI's website ([www.zespri.com](http://www.zespri.com)) and the Company's grower website, The Canopy ([www.zespricanopy.com](http://www.zespricanopy.com)). The Board's task is to govern the Company, in particular by providing strong strategic direction to achieve maximum returns for shareholders, while at the same time safeguarding the interests of shareholders and other relevant stakeholders as appropriate.

The Directors are elected by the shareholders. Under the Company's constitution, at least one-third of the Directors must retire by rotation at each Annual General Meeting. Details of Directors' remuneration and interests are recorded on pages 49 to 52, under Directors' Disclosures and Director and Employee Remuneration.

### Board committees

The Board has a separate Audit and Risk Management Committee which reviews and monitors the Company's overall risk (both financial and non-financial) and its risk management strategies. It reviews the effectiveness of, and monitors compliance with, all internal controls including those relevant to finance and treasury. The Committee also reviews and monitors both the internal and external audit processes. The Committee has been Chaired by Craig Greenlees since August 2008, following the previous Chair, Graham Drury, stepping down as a Director.

The Board's Organisation and Administration Committee oversees appointment and remuneration of senior executives and strategic employment matters, such as general employee remuneration and incentive policies, and organisational development strategies. Graham Cathie has Chaired this Committee since August 2008, following the previous Chair, John Loughlin, stepping down to assume the Chairmanship of the Company's Board.

Minutes are kept of all Board and Board Committee meetings.

A table showing frequency of meetings of the ZESPRI Board and its Committees, and attendance by ZESPRI Directors at those meetings, is shown on page 49.

ZESPRI Directors also represent ZESPRI Group Limited in other industry bodies including the Industry Advisory Council and the Innovation Advisory Forum.

### Conflicts of interest

With five industry Directors on the Board, governance of the Company is partly in the hands of individuals who have their own private interests in the wider kiwifruit industry. The Company benefits greatly from the industry experience that these Directors bring to the boardroom table; however, it also means that conflicts of interest need to be managed carefully.

ZESPRI has comprehensive policies and practices to manage actual and potential conflicts of interest, at both Board member and employee level, that meet, and in some cases exceed, Companies Act 1993 requirements:

- ⊕ All Directors, including Independent Directors, are required to declare actual or potential conflicts of interest as soon as they arise. These are discussed and managed as necessary at the beginning of each Board meeting, and are recorded in the Company's Interests Register. Details of all relevant matters to 31 March 2009 which have been entered in the Interests Register by individual Directors are outlined under Directors' Disclosures on pages 49 to 51. Where the interests declared are entities in which a Director is involved in some capacity, these entries serve as notice that Directors may benefit from any transactions between ZESPRI and the entity concerned.

## Corporate Governance (continued)

### Conflicts of interest (continued)

- As a matter of good governance practice at Board meetings, Directors recall any relevant previously declared interests prior to the commencement of discussion on significant matters, so that appropriate action can be taken to manage any conflicts. Interested Directors excuse themselves from the meeting while the relevant issue is discussed or decided upon. Decisions in relation to legal disputes illustrate how this works in practice. In one instance, a Director who had potential conflict of interest as a result of his interest in the other party to the dispute was excluded from all discussion and decision-making regarding the dispute, and procedures were put in place to ensure that no significant information regarding the dispute was available to that Director.
- A Conflicts of Interest Policy is also in place for employees and contractors. Like Directors, employees are required to declare actual or potential conflicts of interest to ensure these are managed appropriately, and a Conflicts Register is maintained.

### Share trading

Comprehensive approval and disclosure policies and procedures are in place for trading in ZESPRI Group Limited shares by Directors. Shares may be traded:

- only with the approval of independent Director, David Pilkington;
- only within specified 'time windows' following the release of interim or year-end financial results;
- only when no other information, which may impact on the share price, is known to Directors or employees.

Up-to-date details of all share trading by Directors and their relevant interests are published on ZESPRI's website ([www.zespri.com](http://www.zespri.com)) and on the Company's grower website, The Canopy ([www.zespricanopy.com](http://www.zespricanopy.com)).

### Confidentiality

In order to support compliance for both Directors and employees with their obligations under law, comprehensive policies on confidential information and privacy are in place for them.

### Delegation of Board power

Under the Companies Act 1993, management of a company rests with its directors. However, decision-making on all but a few critical matters may be delegated to management. ZESPRI maintains a comprehensive Delegated Authorities Policy which is a key governance document specifying the kinds of decisions and approvals that can be made by managers at various levels within the Company, and identifies those which are reserved for the Board or one of its Committees. A number of other internal policies are in place which guide certain aspects of day-to-day management of the business and sit below the Delegated Authorities Policy.

### Evaluating Board performance

The Board has adopted the practice of reviewing its performance at the end of each of its meetings, so that it may continuously monitor and improve the quality of its meetings and meeting support. Prior to its annual Directors' conference, the Board also undertakes a comprehensive self-evaluation process to assess performance. This is discussed at the conference with a view to continuously improving performance. Any individual Director's training requirements may be identified at this time also.

### Compliance

ZESPRI maintains an internal audit function which regularly monitors compliance with all of the above policies and procedures, with any exceptions being reported to the Audit and Risk Management Committee.

Each Board member is issued with a comprehensive Director's Manual which contains detailed information on the corporate governance regime that applies to ZESPRI, and the Director's duties and responsibilities in that regard. This Manual is kept up to date by the General Counsel.

### Insurance

During the year, the Board resolved to continue with Directors' and Officers' liability insurance cover, with the premium costs met by ZESPRI Group Limited.

### Collaborative marketing

The Kiwifruit Export Regulations 1999 allow for any person to undertake collaborative marketing, if approved to do so by Kiwifruit New Zealand (KNZ). KNZ may grant approval for a third party to export and market kiwifruit provided that this is likely to increase the overall wealth of New Zealand kiwifruit suppliers (growers). Collaborative marketing provides a comparison against which ZESPRI can measure its own performance.

In the 2008/09 season, 14 collaborative marketers and 22 collaborative marketing programmes were approved by KNZ, representing 1.9 percent of total kiwifruit export volumes sold.

### Approval of diversified activities

Regulation 11 of the Kiwifruit Export Regulations 1999 requires that ZESPRI does not carry out activities that are not necessary for core business (i.e. the purchase and export of New Zealand kiwifruit) unless the providers of the capital used (or to be used) have agreed to their capital being used for those activities.

At ZESPRI's 2007 Annual General Meeting, shareholders approved the following activities until the 2010 Annual General Meeting:

- investment in the development of new kiwifruit varieties and new products derived from kiwifruit;
- the provision of financial services to growers, by way of making additional advances in the form of agreements to borrow.

At ZESPRI's 2008 Annual General Meeting, shareholders approved the following activity until the 2010 Annual General Meeting:

- the export of processed kiwifruit products that are no longer in the form of kiwifruit.

There has been no significant change to these activities and it is anticipated that in the 2009 season a total of \$1.5 million will be advanced in the way of financial services to growers.

The cost of developing new varieties is expected to be \$2.9 million in 2009/10 and the cost of research into, and development of, other new products (i.e. Aragorn products) is expected to be \$nil in 2009/10.

The export of processed kiwifruit products is expected to generate a small loss in 2009/10.

### Approval of major transactions

Shareholder approval for ZESPRI to enter into certain major transactions continues until 2010, following the five-year approval obtained at the 2005 Annual General Meeting. Major transactions are: acquisitions or disposal of assets whose value is more than half the value of the company's assets before the transaction; or a transaction that has the effect of the company acquiring rights or interests or incurring obligations or liabilities, the value of which is more than half the value of the company's assets before the transaction.

Transactions identified under this authority include entering into the seasonal funding facility with our banking syndicate, conversion of foreign currency into New Zealand Dollars, entering into the annual Supply Agreement, and entering into freight contracts with shipping companies.



# Financial Statements

for the year ended 31 March 2009

## Auditors' Report

### to the Shareholders of ZESPRI Group Limited

We have audited the financial statements on pages 13 to 47. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 16 to 20.

### Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2009 and their financial performance and cash flows for the year ended on that date.

### Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with, or interests in, the Company or any of its subsidiaries other than in our capacity as providers of assurance (including audit) and advisory services.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 13 to 47:
  - (i) comply with generally accepted accounting practice in New Zealand;
  - (ii) comply with International Financial Reporting Standards; and
  - (iii) give a true and fair view of the financial position of the Company and Group as at 31 March 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 21 May 2009 and our unqualified opinion is expressed as at that date.



Chartered Accountants - Auckland

Income Statements	Notes	GROUP		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Operating revenue	2(a)	1,465,404	1,150,068	846,882	699,321
Other revenue	2(b)	4,348	3,292	1,421	1,334
Operating expenses	3	(1,437,237)	(1,138,892)	(849,915)	(692,217)
Other net gains/(losses)	5	6,216	15,037	350	(1,379)
Operating profit/(loss) before taxation		38,731	29,505	(1,262)	7,059
Finance revenue	6(a)	5,612	6,622	30,484	26,224
Finance expense	6(b)	(5,705)	(4,457)	(3,663)	(3,218)
Net profit before taxation		38,638	31,670	25,559	30,065
Taxation (expense)/income	7(a)	(14,704)	(11,940)	157	(3,400)
Net profit after taxation		23,934	19,730	25,716	26,665
Attributable to:					
Shareholders of the parent		23,934	19,730	25,716	26,665
Earnings per share: basic and diluted	8	\$0.99	\$0.82	\$1.07	\$1.10

Statements of Changes in Equity	Note	GROUP		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total equity at 1 April		68,318	67,845	22,682	15,274
Profit for the year		23,934	19,730	25,716	26,665
Total recognised income and expense for the year		23,934	19,730	25,716	26,665
Dividends paid	11	(18,227)	(19,257)	(18,227)	(19,257)
Total equity at 31 March		74,025	68,318	30,171	22,682

The above Income Statements and Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Balance Sheets at 31 March	Notes	GROUP		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current assets</b>					
Cash and cash equivalents	23(b)	124,923	93,695	113,264	79,374
Accounts receivable	12	32,253	22,276	76,722	31,159
Income tax receivable		6,014	10,678	-	179
Insurance assets from insurance offered	13(b)	374	183	28	-
Other financial assets	14(a)	76,375	7,491	63,467	2,296
Prepayments		31,987	18,625	22,496	9,522
Inventories	15	28,038	4,349	-	-
		<b>299,964</b>	<b>157,297</b>	<b>275,977</b>	<b>122,530</b>
<b>Non-current assets</b>					
Other financial assets	14(a)	24,234	595	19,150	518
Property, plant and equipment	16	4,432	4,491	-	-
Intangibles	17	4,456	5,752	536	1,549
Deferred tax assets	7(b)	2,738	3,685	-	769
Investments in subsidiary companies	18	-	-	94	94
Prepayments		818	727	-	-
		<b>36,678</b>	<b>15,250</b>	<b>19,780</b>	<b>2,930</b>
		<b>336,642</b>	<b>172,547</b>	<b>295,757</b>	<b>125,460</b>
<b>Current liabilities</b>					
Accounts payable and accruals	19	136,870	77,784	141,746	89,490
Income tax payable		1,730	3,759	-	235
Provisions	20	19,197	10,293	16,532	9,283
Insurance liabilities from insurance offered	13(b)	742	275	742	275
Other financial liabilities	14(b)	74,418	7,118	63,467	2,049
		<b>232,957</b>	<b>99,229</b>	<b>222,487</b>	<b>101,332</b>
<b>Non-current liabilities</b>					
Accounts payable and accruals	19	1,310	866	-	-
Deferred tax liabilities	7(b)	4,116	3,539	23,949	928
Other financial liabilities	14(b)	24,234	595	19,150	518
		<b>29,660</b>	<b>5,000</b>	<b>43,099</b>	<b>1,446</b>
<b>Equity</b>					
Share capital	10(b)	18,017	18,017	18,017	18,017
Other reserves	9(a)	7,335	5,220	7,335	5,220
Retained earnings	9(b)	48,673	45,081	4,819	(555)
		<b>74,025</b>	<b>68,318</b>	<b>30,171</b>	<b>22,682</b>
		<b>336,642</b>	<b>172,547</b>	<b>295,757</b>	<b>125,460</b>

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

The financial statements were authorised for issue by the Directors of ZESPRI Group Limited on 20 May 2009.  
Authorised for, and on behalf of, the Board:



J J Loughlin  
Chairman



C S Greenlees  
Director



Statements of Cash Flows	Notes	GROUP		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>					
Cash was provided from:					
Receipts from sales		1,455,241	1,139,128	844,008	678,774
Receipts from sales of ZESPRI® GOLD licences		5,901	8,120	5,901	8,120
Other sundry items		4,823	4,568	-	1,003
Insurance receipts – reinsurance assets	13(b)	2,588	1,494	-	-
Proceeds from derivatives	5	-	19,564	-	-
New Zealand contracted suppliers – share of proceeds from realised derivatives	5	44,386	-	44,386	-
Proceeds from inter-company derivatives	5	-	-	-	19,564
Taxation refunded		2,034	-	-	-
		<b>1,514,973</b>	<b>1,172,874</b>	<b>894,295</b>	<b>707,461</b>
Cash was applied to:					
Payments to contracted suppliers – New Zealand-grown fruit		780,560	650,604	780,560	650,604
Payments to contracted suppliers – non-New Zealand-grown fruit		111,775	61,106	-	-
Payments to other suppliers and employees		514,366	421,599	35,333	51,601
Other sundry items		-	-	260	-
Insurance claims	13(b)	2,634	1,673	2,662	1,566
Losses from derivatives	5	50,385	-	-	-
New Zealand contracted suppliers – share of proceeds from realised derivatives	5	-	17,586	-	17,586
Losses on inter-company derivatives	5	-	-	50,385	-
Taxation paid		12,579	14,819	-	2,577
		<b>1,472,299</b>	<b>1,167,387</b>	<b>869,200</b>	<b>723,934</b>
<b>Net cash available from/(used in) operating activities</b>	<b>22</b>	<b>42,674</b>	<b>5,487</b>	<b>25,095</b>	<b>(16,473)</b>
<b>Cash flows from investing activities</b>					
Cash was provided from:					
Dividends received	6(a)	-	3	25,500	20,004
Proceeds from sale of investments		569	862	-	-
Proceeds from sale of property, plant and equipment		17	739	-	657
Repayment of advances to growers		1,611	1,460	1,611	1,460
		<b>2,197</b>	<b>3,064</b>	<b>27,111</b>	<b>22,121</b>
Cash was applied to:					
Purchase of intangible assets		1,003	2,631	39	166
Purchase of property, plant and equipment		1,607	2,366	-	-
Advances to growers		1,611	1,460	1,611	1,460
		<b>4,221</b>	<b>6,457</b>	<b>1,650</b>	<b>1,626</b>
<b>Net cash (used in)/available from investing activities</b>		<b>(2,024)</b>	<b>(3,393)</b>	<b>25,461</b>	<b>20,495</b>
<b>Cash flows from financing activities</b>					
Cash was provided from:					
Interest received		5,680	6,202	4,984	5,873
Proceeds of bank loans		153,000	157,000	153,000	157,000
		<b>158,680</b>	<b>163,202</b>	<b>157,984</b>	<b>162,873</b>
Cash was applied to:					
Repayment of bank loans		153,000	157,000	153,000	157,000
Interest paid	6(b)	3,945	3,216	3,423	3,215
Dividend payment	11	18,227	19,257	18,227	19,257
		<b>175,172</b>	<b>179,473</b>	<b>174,650</b>	<b>179,472</b>
<b>Net cash used in financing activities</b>		<b>(16,492)</b>	<b>(16,271)</b>	<b>(16,666)</b>	<b>(16,599)</b>
<b>Net increase/(decrease) in cash held</b>					
Effect of exchange rate changes on foreign currency cash balances		7,070	955	-	-
Add opening cash brought forward		93,695	106,917	79,374	91,951
Ending cash carried forward		<b>124,923</b>	<b>93,695</b>	<b>113,264</b>	<b>79,374</b>
Represented by:					
Cash and cash equivalents	23(b)	124,923	93,695	113,264	79,374
		<b>124,923</b>	<b>93,695</b>	<b>113,264</b>	<b>79,374</b>

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

## Notes to the Financial Statements

### 1. Summary of significant accounting policies

#### Statement of compliance

The financial statements are those of the parent company, ZESPRI Group Limited ('the Company'), and its subsidiaries (collectively 'ZESPRI Group'). The Company is domiciled in New Zealand and is a profit-oriented entity incorporated under the Companies Act 1993 of New Zealand. ZESPRI Group's primary activity is the purchase, export and marketing of fresh kiwifruit.

The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 1993.

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

The financial statements and notes to the financial statements are presented in New Zealand Dollars, the functional currency of the Company and presentational currency of the Group.

#### Early adoption

ZESPRI Group elected to adopt NZ IFRS 8 Operating Segments early, replacing the requirements of NZ IAS 14 Segment Reporting during the year ended 31 March 2008. NZ IFRS 8 will become effective for all entities reporting for periods beginning on or after 1 January 2009.

#### Use of estimates and judgements

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

#### Critical accounting estimates in applying significant accounting policies

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in accounting for insurance, provisions and contingent liabilities. Assumptions applied, methods used and uncertainties pertaining to these areas are discussed in the related specific accounting policies below, and in Notes 13, 20 and 24 respectively.

#### Basis of preparation

The following accounting principles have been followed in the preparation of the consolidated financial statements:

- historical cost basis, modified by the revaluation of certain items as identified in the specific accounting policies below;
- accrual accounting.

Reliance is placed on the fact that ZESPRI Group is a going concern.

#### Specific accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

##### (a) Basis of consolidation

The consolidated financial statements include the results and balances of all entities over which the Company and its subsidiary companies (Note 18) have control. All companies in ZESPRI Group are wholly owned by companies within the Group and, as such, are ultimately fully controlled by the Company.

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

All significant inter-company transactions are eliminated on consolidation.

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

##### (b) Indirect tax

The Income Statements, Statements of Cash Flows, Statements of Changes in Equity and Balance Sheets have been presented so that all components are stated net of indirect tax (such as goods and services tax ('GST') and value added tax ('VAT')) where such taxes can be reclaimed from the relevant authorities with the exception of receivables and payables, which include indirect tax invoiced.

##### (c) Revenue recognition

Revenue is recognised as follows:

- (i) Sale of goods and licences: Sales revenue (including collaborative marketing sales) is recognised when the risks and rewards of ownership of the goods or licences have passed to the customer. Sales revenue reflects the fair value of the sale of goods, net of rebates and discounts.
- (ii) Interest: Interest income is recognised on a time-proportion basis using the effective interest method.
- (iii) Dividends: Dividend income is recognised when the right to receive payment is established.
- (iv) Sale of services: Revenue from the provision of services is recognised to the extent that the service has been provided. Services revenue reflects the fair value for the sale of services, net of rebates and discounts.

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

### (d) Borrowing costs

Borrowing costs are recognised in the Income Statement in the period in which they have been incurred.

### (e) Government grants

Government grants relating to research and development costs are recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate.

Grant revenue is offset against the expenses relating to the scientific project being funded.

### (f) Earnings per share

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

### (g) Taxation

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

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

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

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

#### (ii) Deferred tax:

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

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

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

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

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

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

### (h) Foreign currency translation

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

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

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

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

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

### (i) Share capital

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

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

### (j) Dividends

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

### (k) Other reserves

Retained earnings are set aside in other reserves where the Board of Directors resolve to separate certain funds from those able to be distributed from retained earnings. A separate Defence Fund Reserve has been transferred from retained earnings to hold funds for use in defending any challenges on plant variety rights and a separate GOLD Promotion Reserve has been set aside for future promotion from the sale of ZESPRI® GOLD licences in New Zealand.

Any movement in other reserves is by transfer to or from retained earnings as related revenues are earned and costs are incurred.

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

### (l) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities.

### (m) Accounts receivable and payable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for doubtful debts.

Collectability of accounts receivable is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

The movement in the provision is recognised in the Income Statement. When a receivable is uncollectable it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Accounts payable are stated at cost.

### (n) Inventories

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

### (o) Derivatives

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

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

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

#### (i) Recognition and derecognition:

Derivatives are recognised initially at cost. Subsequently, they are stated at fair value. Revenues and expenses relating to changes in fair value of derivatives are recognised in the Income Statement. The fair value of all financial instruments is recorded in the Balance Sheet. Derivatives are de-recognised when the contractual rights or obligations relating to the cash flow expire.

#### (ii) Embedded derivatives:

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

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

#### (iii) Fair value estimation:

The fair value of derivatives traded in an active market is based on the current bid price for assets, and the current ask price for liabilities.

The fair value of interest rate swaps is the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at balance date.

The fair value of derivatives that are not traded in an active market is determined by using valuation techniques.

### (p) Equity investments

Investments in subsidiaries are stated at cost or, where a decline in the value has occurred, at recoverable amount.

### (q) Property, plant and equipment

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

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

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



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

### (r) Depreciation

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

Leasehold improvements	Lower of 10 years or unexpired period of lease
Plant and equipment	3-10 years
Motor vehicles	5 years

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

### (s) Intangibles

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

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

Development costs include costs relating to the development of ZESPRI® GOLD markets and production offshore, including graftwood, legal fees and costs of obtaining plant variety rights. Development costs capitalised as an internally generated intangible asset have finite useful lives and are carried at cost less accumulated amortisation.

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

#### (ii) Computer software:

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

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

The cost of software developed by, and for the use of, ZESPRI Group includes the cost of all materials used in construction and direct labour on the project, and financing costs that are directly attributable to the project. Computer software has a definite useful life and is carried at cost less accumulated amortisation.

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

#### (iii) Intangibles work in progress:

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

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

### (t) Impairment of non-financial assets

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

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

### (u) Employee benefits

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

### (v) Provisions

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

### (w) Insurance cover offered

#### (i) Marine cargo insurance:

The Company insures New Zealand contractors to the New Zealand Supply Agreement for loss of kiwifruit resulting from specific risks between picking and 'Free on board stowed' ('FOBS'). The annual period of cover is from 1 April to 31 March the following year. ZESPRI Group purchases marine cargo insurance as reinsurance of this risk.

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

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

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

### (w) Insurance cover offered (continued)

#### (ii) Hail insurance:

The Company insures New Zealand contractors to the New Zealand Supply Agreement annually for kiwifruit lost as a result of hail during the New Zealand growing period. The annual period of cover is from 1 September to 31 August the following year.

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

### (x) Leases

ZESPRI Group leases land, buildings, certain plant and equipment, and motor vehicles. Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are included in the Income Statement in equal instalments over the lease term. Lease payments are shown net of any receipts earned from the sub-leases of these assets.

The cost of improvements to leasehold property is capitalised, disclosed as leasehold improvements and amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

### (y) Statements of cash flows

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

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

### (z) Segment reporting

ZESPRI Group determines its reportable segments by reference to the internal reporting of the activities of the Group to the Board of Directors. Reportable segments have been determined to follow the strategic business lines of the Group, which also reflect groups of similar products and services. ZESPRI Group has five reportable segments:

- (i) New Zealand fresh kiwifruit: The marketing and sale of New Zealand-grown kiwifruit;
- (ii) Non-New Zealand fresh kiwifruit: The marketing and sale of kiwifruit supplied from countries other than New Zealand;
- (iii) Research and development: Research activities undertaken by ZESPRI Group to develop new cultivars and to improve kiwifruit production, storage and handling practices;
- (iv) Processed fruit product: The sourcing and sale of processed product derived from kiwifruit;
- (v) Corporate services: The servicing and administration of all of the activities above, including the operation and support of supply chain functions, grower and shareholder services, legal and secretarial services, information systems, central treasury and cash management, finance and other typical head-office-type functions.

### (aa) Changes to standards and interpretations that are not yet effective

Certain new standards, amendments and interpretations issued by the International Accounting Standards Board ('IASB') and the Accounting Standards Review Board in New Zealand ('ASRB') have been published which will be mandatory for use in accounting periods beginning on or after 1 April 2009. Standards not yet adopted by ZESPRI Group which will have an impact are:

- Amendments to NZ IAS 23 Borrowing Costs. Borrowing costs incurred in relation to assets which take a substantial period of time to prepare for intended use must be capitalised as part of the cost of the asset. This is applicable for reporting periods beginning on or after 1 January 2009.
- Amendments to NZ IAS 1 Presentation of Financial Statements. Presentation and disclosure of certain financial information will be revised; there is no impact on measurement. This is applicable for reporting periods beginning on or after 1 January 2009.

### (ab) Changes in accounting policies

There have been no changes in accounting policies during the year.

### (ac) Comparative information

To ensure consistency with the current period comparative figures have been restated where appropriate. Proceeds from derivatives have been reclassified from investing activities to operating activities in the Statements of Cash Flows and foreign exchange gains/(losses) have been reclassified from operating expenses to other net gains/(losses) in the Income Statements.

## 2. Revenue

### (a) Operating revenue

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Sale of kiwifruit (at spot foreign exchange rates):				
— New Zealand-grown kiwifruit	1,297,762	1,046,751	831,658	684,032
— Non-New Zealand-grown kiwifruit	148,689	81,564	-	-
— Collaborative marketing	12,897	10,594	12,897	10,594
Total global fresh kiwifruit sales	1,459,348	1,138,909	844,555	694,626
Sale of processed product	846	1,795	-	-
Total revenue from kiwifruit product sales	1,460,194	1,140,704	844,555	694,626
Sale of ZESPRI® GOLD licences <sup>1</sup>	2,327	4,695	2,327	4,695
Insurance revenue <sup>2</sup>	2,883	4,669	-	-
	1,465,404	1,150,068	846,882	699,321

<sup>1</sup> The sale of ZESPRI® GOLD licences is recognised on the issue of the ZESPRI® GOLD licence to the tenderer. As at 31 March 2009, \$7,288,062 (2008: \$4,525,092) of licences successfully tendered in Tranche 1 (March 2007), Tranche 2 (July 2007) and Tranche 3 (July 2008) remain to be issued and have not been included in the revenue figure above but will be included in future season's revenue. Where cash has been received for ZESPRI® GOLD licences not issued, an amount is recognised as income in advance on the Balance Sheet (Note 19).

<sup>2</sup> Insurance revenue includes revenue received or receivable on policies taken out for pre-FOBS (Note 13) and post-FOBS kiwifruit losses.

### (b) Other revenue

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gain on sale of assets	15	299	-	294
Other income	4,333	2,993	1,421	1,040
	4,348	3,292	1,421	1,334

### 3. Operating expenses

	Notes	GROUP		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
ZESPRI Group's operating expenses include the following (at spot foreign exchange rates):					
Bad debts written off		-	1	-	1
Directors' fees		574	523	-	-
Donations		107	162	-	-
Employee benefits		41,372	31,256	-	-
Employee benefits – defined contribution plan		768	659	-	-
Inter-company charges	27	-	-	21,089	22,605
Litigation settlement		639	-	-	-
Loss on sale of assets		2	3	-	-
Write-down of intangible assets		16	-	16	-
Commissions		16,575	12,844	-	-
Freight, distribution and insurance		203,173	148,355	412	(23)
Inventory write-down		817	107	-	-
Other selling and direct costs		153,201	130,875	8,433	6,311
Promotion		80,260	63,600	-	-
Payments for kiwifruit including:					
— Fruit and service payments – New Zealand-grown kiwifruit <sup>1</sup>		779,006	651,254	779,006	651,254
— Fruit purchases – non-New Zealand-grown kiwifruit		114,538	60,144	-	-
— Loyalty premium – New Zealand-grown kiwifruit	20	16,532	9,283	16,532	9,283
Research <sup>2</sup>		8,402	9,704	-	-
Depreciation	16	1,690	1,504	-	1
Amortisation	17	2,434	1,965	1,036	1,074

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

<sup>2</sup> Research costs are net of government grants to ZESPRI Group for specific scientific contracts totalling \$168,722 (2008: \$206,430) and Research and Development Tax Credits receivable of \$925,000 (2008: \$nil).

### 4. Fees to auditors

Fees are paid to the auditors of the Company and its subsidiaries for the audit of the financial statements and for other services. The auditors of the Company are PricewaterhouseCoopers.

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Audit of the financial statements	274	251	83	108
Assurance and related services	8	56	-	-
Regulatory compliance	14	20	-	-
Financial advisory	-	26	-	-
NZ IFRS conversion	-	17	-	-
Tax advisory	5	-	-	-
Total fees paid to the Company's auditors	301	370	83	108

An amount of \$58,000 (2008: \$nil) has been paid to other auditors to meet new Italian tax authority requirements.

## 5. Other net gains/(losses)

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Unrealised losses on derivatives	(82,617)	(16,039)	-	-
Unrealised losses on inter-company derivatives	-	-	(82,617)	(16,039)
Unrealised gains on other financial liabilities				
– New Zealand-contracted future supplier agreement, future seasons	82,617	14,582	82,617	14,582
	-	(1,457)	-	(1,457)
Realised (losses)/gains from derivatives	(50,385)	19,564	-	-
Realised (losses)/gains from inter-company derivatives	-	-	(50,385)	19,564
Realised gains/(losses) from other financial liabilities				
– New Zealand supplier agreement, current season	44,386	(17,586)	44,386	(17,586)
Realised gains/(losses) from other financial liabilities	5,999	(521)	5,999	(521)
Foreign exchange gains/(losses)	6,216	15,037	350	(1,379)
Total other net gains/(losses)	6,216	15,037	350	(1,379)

## 6. Finance revenue and expense

(a) Finance revenue	Note	GROUP		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest revenue		5,612	6,619	4,984	6,220
Dividend income		-	3	-	-
Inter-company dividend income	27	-	-	25,500	20,004
Total finance revenue		5,612	6,622	30,484	26,224

(b) Finance expense	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest expense	3,945	3,216	3,423	3,215
Fee expense	1,760	1,241	240	3
Total finance expense	5,705	4,457	3,663	3,218

## 7. Taxation

(a) Taxation expense	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net profit before taxation	38,638	31,670	25,559	30,065
Taxation at 30% (2008: 33%)	11,591	10,451	7,668	9,921
Tax effect of:				
– Non-deductible or non-assessable items	590	904	(7,842)	(6,495)
– Translation differences on foreign tax	(929)	(265)	-	-
– Tax under/(over) in prior year	1,228	(1,192)	17	(26)
– Foreign income at different tax rates	460	767	-	-
– Distribution of accumulated retained earnings of subsidiaries	1,764	1,275	-	-
Taxation expense/(income) from continuing operations	14,704	11,940	(157)	3,400
Effective tax rate (%)	38.1%	37.7%	(0.6%)	11.3%
Taxation expense is represented by:				
Current taxation expense:				
– Current income tax charge	11,857	11,223	(23,963)	2,838
– Adjustments of prior years	1,228	(1,192)	17	(26)
Deferred taxation expense:				
– Origination and reversal of temporary differences	1,619	1,909	23,789	588
Taxation expense/(income)	14,704	11,940	(157)	3,400

The 30% tax rate used above is the corporate tax rate payable by New Zealand corporate entities on taxable profit under New Zealand tax law (the corporate tax rate has changed from 33% to 30%, effective from 1 April 2008).

## 7. Taxation (continued)

(b) Components of deferred taxation	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Property, plant and equipment, and intangibles	514	654	656	577
Inventories and receivables	6	24	-	(82)
Retained earnings in subsidiaries	(4,116)	(2,352)	-	-
Provisions and accruals	1,450	1,089	181	192
Other financial assets and liabilities	-	12	(24,786)	(846)
Employee entitlements	768	719	-	-
Net deferred (liabilities)/assets	(1,378)	146	(23,949)	(159)
Net deferred assets/(liabilities) analysed as:				
Deferred tax assets	2,738	3,685	-	769
Deferred tax liabilities	(4,116)	(3,539)	(23,949)	(928)
	(1,378)	146	(23,949)	(159)

(c) Net change in deferred tax balances	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net deferred assets/(liabilities) at 1 April	146	1,877	(159)	429
Charged to Income Statement	(1,493)	(2,592)	(23,845)	(588)
Additions	-	754	-	-
Effect of changes in tax rates	(8)	-	55	-
Exchange differences and other	(23)	107	-	-
Net deferred (liabilities)/assets at 31 March	(1,378)	146	(23,949)	(159)

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

(d) Tax credits available to shareholders	GROUP	
	2009 \$'000	2008 \$'000
Imputation credit account:		
Balance at 1 April credit	25,132	24,482
Income tax payments made during the year	2,300	10,100
Imputation credits attached to dividends paid	(8,948)	(9,451)
Transfers/refunds and other adjustments	(2,032)	-
Balance at 31 March credit	16,452	25,131
Foreign tax withholding credit account:		
Balance at 31 March credit	161	1
Total tax credits available to shareholders at 31 March	16,613	25,132
Credits available directly and indirectly to shareholders of the parent company through:		
— ZESPRI Group consolidated account <sup>1</sup>	-	649
— ZESPRI Group Limited – pre 1 April 2005 <sup>1</sup>	5,935	5,935
— ZESPRI Group subsidiary companies – pre 1 April 2005 <sup>1</sup>	10,678	18,548
	16,613	25,132

<sup>1</sup> The Inland Revenue Department in New Zealand approved the operation of a consolidated imputation account by ZESPRI Group from 1 April 2005. Consequently, the Company no longer operates separate imputation accounts. However, ZESPRI Group Limited and subsidiary imputation account balances existing before 1 April 2005 could not be transferred to the consolidated account upon its creation, and are allowed to be transferred to the consolidated account only as they are utilised. All imputation credits held within the accounts dated before 1 April 2005 are available to the consolidated account for future utilisation.

On 20 May 2009, the Board of Directors announced an intention to declare a 56 cents dividend which will not be recognised in the financial statements until July 2009. It is intended that the dividend will be fully imputed. On payment, \$6,659,273 of imputation credits will be attached to dividends paid, decreasing the 31 March 2009 closing balance.



## 8. Earnings per share: basic and diluted

	GROUP		PARENT	
	2009	2008	2009	2008
Net profit after taxation attributable to shareholders (\$'000)	23,934	19,730	25,716	26,665
Weighted average shares ('000)	24,143	24,143	24,143	24,143
Basic and diluted earnings per share (\$)	0.99	0.82	1.07	1.10

## 9. Reconciliation of movements in reserves

	GROUP AND PARENT					
	Defence fund reserve		GOLD promotion reserve		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Other reserves</b>						
Balance at 1 April	2,162	2,000	3,058	-	5,220	2,000
Revenue transferred from retained earnings	465	242	2,581	4,610	3,046	4,852
Expenses transferred from retained earnings	-	-	(25)	(45)	(25)	(45)
Income tax effect on items transferred from retained earnings	(140)	(80)	(766)	(1,507)	(906)	(1,587)
Balance at 31 March	2,487	2,162	4,848	3,058	7,335	5,220

On 18 February 2009, the Board of Directors resolved to transfer \$1,789,245 (2008: \$3,058,489) to other reserves from retained earnings to the GOLD promotion reserve. The transfer amounts to 50% (2008: 50%) of the net cash proceeds after taxation of Tranche 3 of the ZESPRI® GOLD licence tender programme (2008: Tranches 1 and 2). The intention of the reserve is to promote ZESPRI® GOLD in future years when the issued ZESPRI® GOLD licences are in full production.

	Note	GROUP		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(b) Retained earnings</b>					
Balance at 1 April		45,081	47,828	(555)	(4,743)
Dividend paid during the year	11	(18,227)	(19,257)	(18,227)	(19,257)
Net profit after taxation attributable to shareholders		23,934	19,730	25,716	26,665
Revenue attributed to Defence Fund and ZESPRI® GOLD promotion transferred to other reserves		(3,046)	(4,852)	(3,046)	(4,852)
Expenses attributed to Defence Fund and ZESPRI® GOLD promotion transferred to other reserves		25	45	25	45
Income tax effect on items transferred to other reserves		906	1,587	906	1,587
Balance at 31 March		48,673	45,081	4,819	(555)

## 10. Share capital

<b>(a) Number of shares issued</b>	GROUP AND PARENT	
	2009 Number of shares	2008 Number of shares
Number of authorised and fully paid issued ordinary shares at 31 March, at no par value	24,143,467	24,143,467
<b>(b) Share capital value</b>	GROUP AND PARENT	
	2009 \$'000	2008 \$'000
Balance at 31 March	18,017	18,017

### Ordinary shares

All ordinary shares rank equally subject to the voting cap. Each shareholder is entitled to one vote per ordinary share up to a maximum that is calculated by reference to that shareholder's share of total production supplied to ZESPRI Group.

### (c) Capital management

ZESPRI Group Limited's shareholders are or have been kiwifruit growers in New Zealand.

The Company's activities are restricted under the Kiwifruit Regulations 1999 in order to protect shareholders and contracted suppliers. The shareholders must agree to the use of capital for any non-core activities and those who have not agreed cannot be exposed to more than minimal risk.

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

## 10. Share capital (continued)

Under its constitution, the Company may issue, buy-back, consolidate or subdivide shares. Since incorporation in 2000, the Company has:

- issued shares under the Kiwifruit Industry Restructuring Act 1999 in line with the production of New Zealand kiwifruit vines existing at the time;
- issued shares in a pro-rata offer in 2001 to obtain equity required to support activities stemming from increases in new plantings in New Zealand;
- issued shares in 2005 in a targeted offer to growers to realign shareholdings with levels of production of growers, while offering a voluntary share buy-back to dry shareholders or growers holding more shares than their proportion of production;
- transferred retained earnings to other reserves (Notes 1(k) and 9(a)) to separate funds from those available for distribution to shareholders.

### Share capital

The regulations do not restrict the levels of share capital able to be authorised for issue by the Company. The Company's constitution provides some restriction over the scale of individual offers for share issues made in relation to new plantings, based on hectares planted and to whom offers may be made. To date, in line with the Kiwifruit Export Regulations 1999, shares have been issued by the Company to producing New Zealand kiwifruit growers.

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

Future issues or buy-backs may occur to support increases in core or other approved activities, or to achieve a closer alignment between production levels and shareholdings of shareholders.

### Payment of dividends

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

Information provided to the Board of Directors includes a measure of liquidity, a balance sheet test, and a cash-flow forecast to 31 March. A summary of the liquidity test and balance sheet test at 31 March is set out below:

	Note	GROUP		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Liquidity test:					
Current assets		299,964	157,297	275,977	122,530
Less non-liquid items		(38,001)	(29,303)	(22,496)	(9,701)
Less current liabilities		(232,957)	(99,229)	(222,487)	(101,332)
Current assets in excess of current obligations		29,006	28,765	30,994	11,497
Balance sheet test:					
Net assets		74,025	68,318	30,171	22,682
Less estimated value of contingent liabilities	24	(143)	(784)	-	-
		73,882	67,534	30,171	22,682

There has been no change in the requirements, policies or processes from the prior year.

## 11. Dividends paid

	GROUP AND PARENT	
	2009 \$'000	2008 \$'000
Ordinary dividends:		
On ordinary shares – interim	8,450	8,451
On ordinary shares – final	7,968	7,726
Supplementary dividends (to non-residents)	18	18
	<b>16,436</b>	<b>16,195</b>
Special dividends:		
On ordinary shares	1,789	3,058
Supplementary dividends (to non-residents)	2	4
	<b>1,791</b>	<b>3,062</b>
Total dividends	<b>18,227</b>	<b>19,257</b>

The dividends are fully imputed. Supplementary dividends of \$19,813 (2008: \$22,151) were paid to shareholders not tax resident in New Zealand, for which ZESPRI Group received a foreign investor tax credit entitlement.

A special dividend of 7.41 cents per share (2008: 12.67 cents per share) was announced on 18 February 2009, being a 50% (2008: 50%) distribution of ZESPRI® GOLD tender proceeds received in the year net of expenses. The remaining 50% (2008: 50%) has been transferred to an equity reserve for use for future ZESPRI® GOLD promotions (Note 9(a)).

On 20 May 2009, the Board of Directors announced an intention to pay a fully imputed final dividend of 56.00 cents per share (2008: 33.00 cents per share), totalling \$13,520,341 (2008: \$7,967,344). This dividend will be paid in August 2009. Because the intention was announced after balance date, the financial effect has not been recognised in the financial statements. During the year, the 2008 final dividend declared on 16 July 2008 of 33.00 cents per share and the 2009 interim dividend declared on 19 November 2008 of 35.00 cents per share were paid and recognised in the financial statements.

## 12. Accounts receivable

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	16,146	11,786	625	889
Receivable from sale of investment in associate	-	569	-	-
Other receivables	4,875	5,614	2,518	837
Less: Provision for doubtful debts	(132)	(199)	(110)	(110)
	<b>20,889</b>	<b>17,770</b>	<b>3,033</b>	<b>1,616</b>
Receivables from subsidiaries	-	-	67,653	27,698
Short-term advances	-	79	-	23
Indirect taxation	11,364	4,427	6,036	1,822
Total receivables	<b>32,253</b>	<b>22,276</b>	<b>76,722</b>	<b>31,159</b>
Total gross receivables	<b>32,385</b>	<b>22,475</b>	<b>76,832</b>	<b>31,269</b>
Less: Total provision for doubtful debts	<b>(132)</b>	<b>(199)</b>	<b>(110)</b>	<b>(110)</b>
Total receivables	<b>32,253</b>	<b>22,276</b>	<b>76,722</b>	<b>31,159</b>

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

Amounts receivable from related parties are disclosed at Note 27.

A provision for doubtful debts is recognised where there is evidence that an individual trade receivable is impaired. As at 31 March 2009, trade receivables of \$132,000 (2008: \$199,000) were impaired and provided for. It was assessed that a portion of these receivables is expected to be recovered. These receivables were all in excess of 12 months overdue.

## 12. Accounts receivable (continued)

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Movement in provision for doubtful debts</b>				
Balance at 1 April	199	264	110	-
Reversal of provision	(89)	(264)	-	-
Additional provision	22	199	-	110
Balance at 31 March	132	199	110	110
<b>(b) Accounts receivable past due but not impaired</b>				
Less than 3 months overdue	3,358	3,861	349	218
Between 3 and 6 months overdue	1,303	765	-	-
Between 6 and 12 months overdue	16	315	13	-
More than 12 months overdue	63	27	14	13
Accounts receivable past due but not impaired at 31 March	4,740	4,968	376	231

No collateral is held for the above accounts receivable past due but not impaired.

## 13. Insurance cover offered

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Insurance offered revenue and insurance offered expense</b>				
Insurance revenue from insurance offered: <sup>1</sup>				
Included in operating revenue:				
— Marine cargo pre-FOBS for current season	1,174	-	-	-
— Marine cargo pre-FOBS for prior seasons	1,605	(612)	-	-
	2,779	(612)	-	-
Insurance expense from insurance offered: <sup>1</sup>				
Included in operating expenses 'freight, distribution and insurance':				
Insurance claims and costs for prior seasons:				
— Marine cargo pre-FOBS	-	35	-	35
Insurance claims and costs for current season:				
— Hail	(186)	235	(186)	235
— Marine cargo pre-FOBS	(2,173)	(107)	(2,173)	-
Insurance claims and costs for next season:				
— Hail	(742)	(247)	(742)	(247)
	(3,101)	(84)	(3,101)	23
Net insurance (expense)/income from insurance cover offered <sup>2</sup>	(322)	(696)	(3,101)	23

<sup>1</sup> The disclosures above relate only to the pre-FOBS activities of the Company with the New Zealand-contracted suppliers. As such, the balances exclude any effect of insurance purchased by ZESPRI Group to cover risks post-FOBS whether ultimately attributed to New Zealand-contracted suppliers' fruit return under the New Zealand Supply Agreement or to the results of ZESPRI Group.

<sup>2</sup> The net insurance (expense)/income is a (cost)/income to the New Zealand-contracted suppliers under the New Zealand Supply Agreement.

### 13. Insurance cover offered (continued)

(b) Insurance assets and insurance liabilities from insurance offered	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Movements in assets:				
Balance at 1 April	183	2,289	-	-
Additional claims	2,779	-	-	-
Reversal of assets – reassessment of claims	-	(612)	-	-
Amounts (received)/paid	(2,588)	(1,494)	28	-
Insurance assets from insurance offered at 31 March	374	183	28	-
Consisting of:				
— Marine cargo – pre-FOBS	374	183	28	-
Movements in liabilities:				
Balance at 1 April	275	1,864	275	1,864
Additional claims and costs	3,101	354	3,101	247
Reversal of liabilities – reassessment of claims	-	(270)	-	(270)
Claims and costs settled	(2,634)	(1,673)	(2,634)	(1,566)
Insurance liabilities from insurance offered at 31 March	742	275	742	275
Consisting of:				
— Hail	742	275	742	275

#### (c) Objectives in managing risks

Under the Kiwifruit Export Regulations 1999 as amended, the Company is obliged to provide appropriate protection for its shareholders and contracted suppliers. The insurance offered to New Zealand-contracted suppliers for hail and marine cargo pre-FOBS is agreed annually and is set out in the Supply Agreement. The Company's objective in managing these risks is to protect the New Zealand-contracted suppliers for losses that would otherwise be compensated by the Company's sale of their fruit; that is, to cover costs incurred by the contracted supplier up to the date of the loss. The Company's ultimate financial exposure to the risks of insurance offered and related reinsurance is limited because the cost of the insurance is a deductible item in calculating the final fruit return payable to New Zealand-contracted suppliers.

#### (d) Terms and conditions of insurance

##### Hail cover

An annual policy is offered to New Zealand-contracted suppliers on approval by the Company's Board of Directors and the Industry Advisory Council ('IAC'). The terms of cover are contained in the *Insurance Update* published annually circa October, and the annual Supply Agreement.

The insurance period is 1 September to 31 August the following year. The Company indemnifies contracted suppliers in New Zealand for any loss of yield of kiwifruit which results from a hail event in the locality of any grower, whose kiwifruit on the vine is destined for the Company's export markets. The Company's indemnity is limited to \$2 million for each of the GREEN and GOLD pools per policy period.

Claims are paid at the end of the insurance period. If total claims for either pool exceed the \$2 million indemnity limit, all claims will be pro-rated in proportion to the indemnity limit for that pool.

##### Marine cargo cover pre-FOBS

Cover for marine cargo insurance offered to New Zealand-contracted suppliers is dependent on the terms of cover able to be obtained annually by the Company as reinsurance. The terms of cover are contained in the annual Supply Agreement issued annually to New Zealand-contracted suppliers and in April's edition of the *Kiwiflier*.

The basis of valuation is the agreed FOBS value, as declared by the insurer in monthly *Kiwiflier* declarations, less costs not incurred after discovery of the loss or damage. Claims are paid when the value of the loss is agreed upon, net of a deductible amount disclosed in the annual Supply Agreement.

##### Assumptions

The Company's assumptions are:

- Volume assessed as lost: Actual agreed volumes plus assessor estimate where settlement is pending
- Settlement timing: Within 12 months of the claim; therefore no interest rate or inflation adjustment is applied
- Claim unit value:
  - Hail – as documented in the *Insurance Update* published in October each year
  - Marine cargo – pre-FOBS – as published in the *Kiwiflier* at the time of the claim.

### 13. Insurance cover offered (continued)

#### (e) Insurance and reinsurance risks

##### Credit risk

No premiums are charged directly by the Company to the parties covered by hail and marine cargo insurance pre-FOBS. Instead, certain costs of cover are deducted from the calculation of the fruit return payable to New Zealand-contracted suppliers.

The Company is exposed to credit risk in relation to the reinsurance taken out with its insurer of marine cargo. Its insurer has a Standard & Poors' credit rating of A+ and is not considered by the Board of Directors to pose a credit risk should significant claims be made by the Company under the terms of the cover.

##### Interest rate risk

Because of the short life of the insurance cover, there is no material interest rate risk associated with the cover offered by or to the Company.

##### Concentration of insurance risks

Hail cover: The risk of a hail event is concentrated from 1 September each season until harvest is complete, which is normally mid-June. The contracted suppliers' kiwifruit orchards are situated throughout New Zealand, but a significant proportion are located in the Bay of Plenty.

Marine cargo cover pre-FOBS: The risk of a pre-FOBS insurance claim is concentrated from the beginning of each season's harvest, normally April, until all produce is shipped, which is normally November. Produce at risk is situated throughout New Zealand, but a significant proportion of the produce is located in the Bay of Plenty prior to shipping. In addition, produce is concentrated within individual post-harvest facilities prior to shipping.

#### (f) Sensitivity of results to changes in variables

##### Hail cover

The quantum of hail insurance expense is dependent on three variables:

- the volume assessed as lost as a result of a hail event;
- whether the hail event occurred pre or post the setting of kiwifruit on the vines;
- the claims history of the insured.

A movement in any one of these factors could cause a change in the insurance expense, reinsurance revenue, asset or liability balances. The results are contingent on weather variables and growing conditions prevailing during the season of cover.

By 31 March, however, most of these variables are measurable because of the annual nature of the insurance cover, the timing of the activities covered and the requirement of claim notification within 48 hours. The hail insurance exposure is limited to a total of \$4 million per insurance period, as documented in the insurance policy terms. Any sensitivity in the above factors is, therefore, not deemed by the Board of Directors to be material to the results of the Company.

##### Marine cargo cover – pre-FOBS

The quantum of marine cargo insurance expense is dependent on:

- the volume assessed as lost as a result of an insurable event;
- the grade of kiwifruit assessed as lost;
- the forecast return published. The return is dependent on the market mix of export volumes, offshore office predictions of revenues and costs, foreign exchange movements and hedge cover.

A movement in any one of these factors could cause a change in the insurance expense, reinsurance revenue, insurance asset or liability balances.

By 31 March, however, most of these variables are measurable because of the annual nature of the insurance cover and the timing of the activities covered. Any sensitivity in the above factors is therefore not deemed by the Board of Directors to be material to the results of the Company.



## 14. Financial assets and liabilities

(a) Financial assets per Balance Sheet	Notes	Loans and receivables		Assets at fair value through the profit and loss		Total	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Group</b>							
Derivatives – held for trading		-	-	17,992	5,272	17,992	5,272
Contracted future suppliers		-	-	82,617	2,814	82,617	2,814
Insurance assets from insurance offered	13(b)	374	183	-	-	374	183
Accounts receivable	12	32,253	22,276	-	-	32,253	22,276
Cash and cash equivalents	23(b)	124,923	93,695	-	-	124,923	93,695
		157,550	116,154	100,609	8,086	258,159	124,240
Represented by:							
Current		157,550	116,154	76,375	7,491	233,925	123,645
Non-current		-	-	24,234	595	24,234	595
		157,550	116,154	100,609	8,086	258,159	124,240
<b>Parent</b>							
Contracted future suppliers		-	-	82,617	2,814	82,617	2,814
Insurance assets from insurance offered	13(b)	28	-	-	-	28	-
Accounts receivable	12	76,722	31,159	-	-	76,722	31,159
Cash and cash equivalents	23(b)	113,264	79,374	-	-	113,264	79,374
		190,014	110,533	82,617	2,814	272,631	113,347
Represented by:							
Current		190,014	110,533	63,467	2,296	253,481	112,829
Non-current		-	-	19,150	518	19,150	518
Total other financial assets		190,014	110,533	82,617	2,814	272,631	113,347

(b) Financial liabilities per Balance Sheet	Notes	Liabilities at amortised costs		Liabilities at fair value through the profit and loss		Total	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Group</b>							
Derivatives – held for trading		-	-	98,652	7,713	98,652	7,713
Insurance liabilities from insurance offered	13(b)	742	275	-	-	742	275
Accounts payable and accruals	19	138,180	78,650	-	-	138,180	78,650
		138,922	78,925	98,652	7,713	237,574	86,638
Represented by:							
Current		137,612	78,059	74,418	7,118	212,030	85,177
Non-current		1,310	866	24,234	595	25,544	1,461
		138,922	78,925	98,652	7,713	237,574	86,638
<b>Parent</b>							
Inter-company derivatives – held for trading		-	-	82,617	2,567	82,617	2,567
Insurance liabilities from insurance offered	13(b)	742	275	-	-	742	275
Accounts payable and accruals	19	141,746	89,490	-	-	141,746	89,490
		142,488	89,765	82,617	2,567	225,105	92,332
Represented by:							
Current		142,488	89,765	63,467	2,049	205,955	91,814
Non-current		-	-	19,150	518	19,150	518
Total other financial assets		142,488	89,765	82,617	2,567	225,105	92,332

## 15. Inventories

	GROUP	
	2009 \$'000	2008 \$'000
Fruit inventories	25,802	1,746
Processed products	1,214	1,611
Packaging materials	889	827
Other	133	165
	<b>28,038</b>	4,349

### Security pledged

Refer to Note 25 for details of security pledged by ZESPRI Group.

## 16. Property, plant and equipment

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cost	11,503	11,013	-	-
Accumulated depreciation	(7,071)	(6,522)	-	-
Net book value at 31 March	<b>4,432</b>	4,491	-	-

### Movements in property, plant and equipment net book value

	Net book value 1 April \$'000	Depreciation expense \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Net book value 31 March \$'000
Group – 2009						
Leasehold improvements	1,035	(200)	172	-	-	1,007
Plant and equipment	3,107	(1,400)	1,106	(4)	53	2,862
Motor vehicles	296	(90)	130	-	-	336
Capital work in progress	53	-	227	-	(53)	227
	<b>4,491</b>	<b>(1,690)</b>	<b>1,635</b>	<b>(4)</b>	<b>-</b>	<b>4,432</b>
Group – 2008						
Leasehold improvements	1,575	(204)	28	(364)	-	1,035
Plant and equipment	2,177	(1,213)	2,186	(49)	6	3,107
Motor vehicles	314	(87)	99	(30)	-	296
Capital work in progress	6	-	53	-	(6)	53
	<b>4,072</b>	<b>(1,504)</b>	<b>2,366</b>	<b>(443)</b>	<b>-</b>	<b>4,491</b>
Parent – 2009						
Leasehold improvements	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Parent – 2008						
Leasehold improvements	364	(1)	-	(363)	-	-
	<b>364</b>	<b>(1)</b>	<b>-</b>	<b>(363)</b>	<b>-</b>	<b>-</b>

### Security pledged

Refer to Note 25 for details of security pledged by ZESPRI Group.

## 17. Intangibles

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cost	14,247	13,888	6,278	7,033
Accumulated amortisation	(9,791)	(8,136)	(5,742)	(5,484)
Net book value at 31 March	4,456	5,752	536	1,549

	Net book value 1 April \$'000	Amortisation expense \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Net book value 31 March \$'000
<b>Movements in intangible net book value</b>						
<b>Group – 2009</b>						
Development costs	1,549	(1,036)	39	(16)	-	536
Computer software	3,975	(1,398)	793	-	228	3,598
Intangibles work in progress	228	-	322	-	(228)	322
	5,752	(2,434)	1,154	(16)	-	4,456
<b>Group – 2008</b>						
Development costs	2,457	(1,074)	166	-	-	1,549
Computer software	2,547	(891)	2,237	-	82	3,975
Intangibles work in progress	82	-	228	-	(82)	228
	5,086	(1,965)	2,631	-	-	5,752
<b>Parent – 2009</b>						
Development costs	1,549	(1,036)	39	(16)	-	536
	1,549	(1,036)	39	(16)	-	536
<b>Parent – 2008</b>						
Development costs	2,457	(1,074)	166	-	-	1,549
	2,457	(1,074)	166	-	-	1,549

### Development costs

The Company purchased Hort16A (ZESPRI® GOLD kiwifruit) Plant Variety Rights ('PVR') from The New Zealand Institute for Plant and Food Research Limited (previously known as The Horticulture and Food Research Institute of New Zealand Limited ('HortResearch')), effective 1 April 2004. The purchase of the PVR gives the Company the worldwide, exclusive intellectual property rights on all Hort16A kiwifruit. As part of the purchase, the Company will continue to pay a royalty to The New Zealand Institute for Plant and Food Research Limited, and as collateral for these future royalty payments, The New Zealand Institute for Plant and Food Research Limited holds a security interest in the Hort16A PVR and all Hort16A intellectual property. In addition, the assignment of the Hort16A PVR and its associated rights and obligations outside ZESPRI Group requires the consent of The New Zealand Institute for Plant and Food Research Limited.

In New Zealand, the Company holds the exclusive right to propagate and distribute plant material, and market and sell the variety of kiwifruit known in New Zealand as Hort16A, until 14 November 2018.

### Intangibles work in progress

As at 31 March 2009, 100% (2008: 100%) of the intangibles work in progress relates to ongoing computer software projects.

### Security pledged

In addition to The New Zealand Institute for Plant and Food Research Limited security interest mentioned above, refer to Note 25 for additional detail of security pledged by ZESPRI Group.

## 18. Investment in subsidiary companies

Investment in subsidiary companies	PARENT	
	2009 \$'000	2008 \$'000
Value at 31 March	94	94

ZESPRI Group Limited is the ultimate holding company for the ZESPRI Group of companies. All subsidiaries have a 31 March balance date with the exception of ZESPRI Management Consulting (Shanghai) Co., Ltd which has a 31 December balance date. The results of the operations of the following wholly owned subsidiaries have been included in the consolidated financial statements:

Subsidiary	Incorporated	Nature of activities
ZESPRI International Limited	New Zealand	Management of the export and marketing of New Zealand-grown kiwifruit and management of the sale of offshore-grown kiwifruit
Aragorn Limited	New Zealand	Development and marketing of processed kiwifruit products
Kiwifruit Marketing NZ Limited	New Zealand	Non-trading company
ZESPRI Innovation Company Limited	New Zealand	Research
ZESPRI International (Asia) Limited	New Zealand	Marketing and promotion services
ZESPRI International (Japan) Limited	New Zealand	Non-trading company
ZESPRI International Trading Limited	New Zealand	Investment company
ZESPRI New Zealand Limited	New Zealand	Investment company
ZESPRI International (Australia) Pty Limited	Australia	Management of the growing, sourcing and marketing of ZESPRI® GOLD Kiwifruit grown in Australia
ZESPRI International (Europe) NV	Belgium	Management of the trading of non-New Zealand ZESPRI® GREEN Kiwifruit. Management of the marketing of non-New Zealand ZESPRI® GOLD Kiwifruit and all New Zealand-grown kiwifruit
ZESPRI Service Centre NV	Belgium	Service provision to ZESPRI Group companies
ZESPRI Management Consulting (Shanghai) Co., Ltd	China	Service provision to ZESPRI Group companies
ZESPRI Fresh Produce France S.A.R.L.	France	Management of the growing, sourcing and marketing of ZESPRI® GOLD Kiwifruit grown in France
ZESPRI International France S.A.R.L.	France	In-market support of Belgian companies
ZESPRI International Germany GmbH	Germany	In-market support of Belgian companies
ZESPRI Fresh Produce Italy S.r.l.	Italy	Management of the growing, sourcing and marketing of ZESPRI® GOLD Kiwifruit grown in Italy
ZESPRI International Italy S.r.l.	Italy	In-market support of Belgian companies
ZESPRI International (Japan) K.K.	Japan	Management of the growing, sourcing and marketing of ZESPRI® GOLD Kiwifruit grown in Japan, and management of the sale of New Zealand-grown kiwifruit
ZESPRI International (Korea) Co. Limited	Korea	Management of the growing, sourcing and marketing of ZESPRI® GOLD Kiwifruit grown in Korea, and management of the sale of New Zealand-grown kiwifruit
ZESPRI International Iberica SL	Spain	In-market support of Belgian companies
ZESPRI International Nordic AB	Sweden	In-market support of Belgian companies
ZESPRI International (United Kingdom) Limited	United Kingdom	In-market support of Belgian companies
New Zealand Kiwi Corporation Inc.	United States of America	Non-trading company
New Zealand Kiwi Holdings Inc.	United States of America	Marketing and promotion services
ZESPRI Fresh Produce North America Inc.	United States of America	Management of the growing, sourcing and marketing of ZESPRI® GOLD Kiwifruit grown in the United States of America

## 19. Accounts payable and accruals

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current:				
Trade creditors	19,422	13,885	9	543
Accrued expenses	35,303	27,904	1,032	1,864
New Zealand fruit and service payments accrued – current season <sup>1</sup>	26,214	18,189	26,214	18,189
New Zealand fruit and service payments accrued – future season	42,461	9,352	42,461	9,352
Amounts payable to subsidiaries	-	-	64,742	55,017
Income in advance <sup>2</sup>	7,288	4,529	7,288	4,525
Payroll tax deductions payable	2,211	1,311	-	-
Employee entitlements	3,971	2,614	-	-
<b>Total current accounts payable and accruals</b>	<b>136,870</b>	<b>77,784</b>	<b>141,746</b>	<b>89,490</b>
Non-current:				
Employee entitlements	1,310	866	-	-
<b>Total non-current accounts payable and accruals</b>	<b>1,310</b>	<b>866</b>	<b>-</b>	<b>-</b>
<b>Total accounts payable and accruals</b>	<b>138,180</b>	<b>78,650</b>	<b>141,746</b>	<b>89,490</b>

<sup>1</sup> Relates to contracted suppliers of New Zealand-grown kiwifruit. As at 31 March 2009, 97% (2008: 98%) of fruit and service payments had been made.

<sup>2</sup> As at 31 March 2009, \$7,288,062 (2008: \$4,525,092) relates to the issue of ZESPRI® GOLD licences (Note 2(a)).

The carrying value of the items above has been determined by the Board of Directors as representative of the fair value of the liabilities. Amounts payable to, or accrued to, related parties are disclosed at Note 27.

## 20. Provisions

	Loyalty premium		Other provisions		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Group</b>						
Value at 1 April	9,283	20,385	1,010	349	10,293	20,734
Amounts charged	(9,283)	(20,385)	(296)	(119)	(9,579)	(20,504)
Reversal of provision	-	-	(417)	-	(417)	-
Additional provision	16,532	9,283	2,368	780	18,900	10,063
<b>Value at 31 March</b>	<b>16,532</b>	<b>9,283</b>	<b>2,665</b>	<b>1,010</b>	<b>19,197</b>	<b>10,293</b>
Represented by:						
Current	16,532	9,283	2,665	1,010	19,197	10,293
<b>Parent</b>						
Value at 1 April	9,283	20,385	-	-	9,283	20,385
Amounts charged	(9,283)	(20,385)	-	-	(9,283)	(20,385)
Reversal of provision	-	-	-	-	-	-
Additional provision	16,532	9,283	-	-	16,532	9,283
<b>Value at 31 March</b>	<b>16,532</b>	<b>9,283</b>	<b>-</b>	<b>-</b>	<b>16,532</b>	<b>9,283</b>
Represented by:						
Current	16,532	9,283	-	-	16,532	9,283

### Loyalty premium

Loyalty premium includes the loyalty premium and the enhanced loyalty premium as defined in the New Zealand three-year rolling grower contract. A loyalty premium of up to 10.0 cents per tray equivalent of Class 1 kiwifruit is paid subject to ZESPRI Group's EBIT on New Zealand-grown Class 1 kiwifruit exceeding 2% of net revenue. After calculation of the loyalty premium, should ZESPRI Group's EBIT on New Zealand-grown Class 1 kiwifruit exceed 2% of net revenue, the amount in excess of 2% is paid 100% as an enhanced premium if average Orchard Gate Return targets are not met, or 50% if they are exceeded. The loyalty premium of 10.0 cents (2008: 10.0 cents) and enhanced premium of 6.5 cents (2008: \$nil) per Class 1 tray equivalent will be paid on 15 June 2009.

### Other provisions

The provision for arbitration for marine cargo claims as at 31 March 2009 is \$nil (2008: \$320,000). In the normal course of business, ZESPRI Group is party to various lawsuits and claims (Note 24). Included in other provisions is an amount of \$1,500,000 (2008: \$690,000) representing the estimate of legal costs and amounts payable in identified claims. A provision of \$1,165,000 (2008: \$nil) has been made to cover the costs associated with overseas ZESPRI® GOLD kiwifruit plantings.

## 21. Operating lease commitments

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-cancellable operating leases payments:				
Payable within one year	2,387	1,867	-	-
Payable between one and five years	2,256	1,990	-	-
Payable after five years	3	141	-	-
	<b>4,646</b>	<b>3,998</b>	-	-
Total future non-cancellable operating sublease receipts:				
Receivable within one year	(19)	(24)	-	-
	<b>(19)</b>	<b>(24)</b>	-	-
Lease expense recognised in the Income Statement under operating expenses:				
— Minimum lease payments	2,372	1,795	-	-
— Sublease receipts	(27)	(24)	-	-
	<b>2,345</b>	<b>1,771</b>	-	-

ZESPRI Group leases premises, motor vehicles and office equipment under operating leases, and sublets excess office capacity. Operating leases for premises give ZESPRI Group companies, in most cases, the right to renew the lease subject to a redetermination of the lease rental by the lessor. There is no option to purchase any of the leased assets at the expiry of the lease period.

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

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net profit after taxation	23,934	19,730	25,716	26,665
Non-cash items:				
Net (gain) on sale of property, plant and equipment	(13)	(296)	-	(294)
Write-down of intangible assets	16	-	16	-
Impairment of inventory	817	107	-	-
Net (gain) on foreign currency cash balances	(7,070)	(955)	-	-
Additional provisions net of reversals	18,483	10,063	16,532	9,283
Depreciation	1,690	1,504	-	1
Amortisation of intangibles	2,434	1,965	1,036	1,074
Movement in deferred taxation	1,524	1,732	23,790	588
	<b>17,881</b>	<b>14,120</b>	<b>41,374</b>	<b>10,652</b>
Movement in working capital:				
(Increase) in inter-company receivables	-	-	(39,955)	(16,590)
(Increase) in receivables and prepayments	(23,430)	(16,814)	(18,583)	(7,784)
Decrease/(increase) in net current income tax	2,635	(4,611)	(56)	236
(Increase)/decrease in insurance assets	(191)	2,106	(28)	-
(Increase)/decrease in other financial assets	(92,523)	12,495	(79,803)	8,438
(Increase) in inventories	(24,506)	(1,520)	-	-
Increase in inter-company payables	-	-	9,725	8,564
Increase in payables to contracted suppliers <sup>1</sup>	51,146	15,442	48,383	3,365
(Decrease) in accounts payable, accruals, provisions and employee entitlements	(1,374)	(19,876)	(15,134)	(14,773)
Increase/(decrease) in insurance liability	467	(1,589)	467	(1,589)
Increase/(decrease) in other financial liabilities	90,939	(10,145)	80,050	(10,995)
	<b>3,163</b>	<b>(24,512)</b>	<b>(14,934)</b>	<b>(31,128)</b>
Items classified as investing activities	(569)	(865)	(25,500)	(20,004)
Items classified as financing activities	(1,735)	(2,986)	(1,561)	(2,658)
Net cash available from/(utilised by) operating activities	<b>42,674</b>	<b>5,487</b>	<b>25,095</b>	<b>(16,473)</b>

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



## 23. Financial instruments

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

### (a) Liquidity risk

ZESPRI Group is primarily a short-term borrower and investor. ZESPRI Group manages liquidity risk by managing daily cash flows through investment and borrowing activities, and managing long-term counterparty relationships including negotiating committed facilities.

ZESPRI Group operates a central treasury function from New Zealand and, as such, cash management includes the repatriation of funds from, and funding disbursement accounts to, non-New Zealand based operations.

This risk is managed by:

- comparing forecasts to actual cash flows;
- monitoring maturity profiles of financial assets and liabilities;
- investing and making available surplus cash according to the Treasury Management Policy.

ZESPRI Group has a seasonal funding facility which is negotiated annually (Note 25). Facility draw-down occurs after 1 April, and the facility is repaid prior to 31 March. The short-term nature of the liquidity risk is indicated by the contractual maturities of ZESPRI Group's financial liabilities below.

ZESPRI Group is not required by its lenders to hold an internationally recognised credit rating.

### Contractual maturities as at 31 March

	Notes	< 1 year \$'000	1-2 years \$'000	Total \$'000
<b>Group – 2009</b>				
Trade creditors	19	19,422	-	19,422
Accruals and other payables	19	117,448	1,310	118,758
Insurance liabilities from insurance offered	13(b)	742	-	742
Provisions	20	19,197	-	19,197
Derivatives	14(b)	74,418	24,234	98,652
		<b>231,227</b>	<b>25,544</b>	<b>256,771</b>
<b>Group – 2008</b>				
Trade creditors	19	13,885	-	13,885
Accruals and other payables	19	63,899	866	64,765
Insurance liabilities from insurance offered	13(b)	275	-	275
Provisions	20	10,293	-	10,293
Derivatives	14(b)	7,118	595	7,713
		<b>95,470</b>	<b>1,461</b>	<b>96,931</b>
<b>Parent – 2009</b>				
Trade creditors	19	9	-	9
Accounts payable to subsidiaries	19	64,742	-	64,742
Accruals and other payables	19	76,995	-	76,995
Insurance liabilities from insurance offered	13(b)	742	-	742
Provisions	20	16,532	-	16,532
Inter-company derivatives	14(b)	63,467	19,150	82,617
		<b>222,487</b>	<b>19,150</b>	<b>241,637</b>
<b>Parent – 2008</b>				
Trade creditors	19	543	-	543
Accounts payable to subsidiaries	19	55,017	-	55,017
Accruals and other payables	19	33,930	-	33,930
Insurance liabilities from insurance offered	13(b)	275	-	275
Provisions	20	9,283	-	9,283
Inter-company derivatives	14(b)	2,049	518	2,567
		<b>101,097</b>	<b>518</b>	<b>101,615</b>

## 23. Financial instruments (continued)

### (b) Credit risk

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

ZESPRI Group has a credit approval policy which restricts the exposure to individual receivables and the Board of Directors reviews exposures to trade debtors on a regular basis. Amounts owed by trade debtors are secured by way of bank guarantees or other collateral in certain regions, with all others being unsecured. ZESPRI Group does not require any collateral or security from financial institutions to support its transactions with those institutions. The counterparties used for banking and finance activities are financial institutions with high credit ratings.

(i) Credit risk counterparties:

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

ZESPRI Group continuously monitors the credit quality of the counterparties to its financial instruments. ZESPRI Group does not anticipate non-performance by any of its counterparties.

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

	Notes	GROUP		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Bank balances		11,669	14,330	10	9
Short-term deposits		113,254	79,365	113,254	79,365
Cash and cash equivalents		124,923	93,695	113,264	79,374
Accounts receivable	12	20,889	17,770	3,033	1,616
Short-term advances	12	-	79	-	23
Insurance assets from insurance offered	13(b)	374	183	28	-
Receivables from subsidiaries	12	-	-	67,653	27,698
Derivatives	14(a)	17,992	5,272	-	-
Contracted future suppliers	14(a)	82,617	2,814	82,617	2,814
		246,795	119,813	266,595	111,525

The amounts above have been determined by the Board of Directors to be the fair value of these classes of financial instruments. No collateral is held on the above amounts. Exposure risk on guarantees pledged is further disclosed in Note 24.

Refer to Note 12 for further information on credit risk of accounts receivable.

## 23. Financial instruments (continued)

(iii) Concentration of credit risk:

Concentration of credit risk by geographical location is indicated below:

Location of counterparty	Europe \$'000	Japan \$'000	Other Asia \$'000	USA Canada \$'000	New Zealand \$'000	Australia \$'000	Other \$'000	Total \$'000
<b>Group – 2009</b>								
Bank balances	3,513	195	7,438	308	144	70	1	11,669
Short-term deposits	-	-	-	-	113,254	-	-	113,254
Cash and cash equivalents	3,513	195	7,438	308	113,398	70	1	124,923
Accounts receivable	15,289	96	-	52	5,452	-	-	20,889
Insurance assets from insurance offered	-	-	-	-	374	-	-	374
Derivatives	-	-	-	-	12,942	5,050	-	17,992
Contracted future suppliers	-	-	-	-	82,617	-	-	82,617
	<b>18,802</b>	<b>291</b>	<b>7,438</b>	<b>360</b>	<b>214,783</b>	<b>5,120</b>	<b>1</b>	<b>246,795</b>
<b>Group – 2008</b>								
Bank balances	4,988	108	7,686	1,506	31	11	-	14,330
Short-term deposits	-	-	-	-	79,365	-	-	79,365
Cash and cash equivalents	4,988	108	7,686	1,506	79,396	11	-	93,695
Accounts receivable	8,019	67	250	938	8,083	413	-	17,770
Short-term advances	-	-	-	-	23	-	56	79
Insurance assets from insurance offered	-	-	-	-	183	-	-	183
Derivatives	-	-	-	-	2,358	2,914	-	5,272
Contracted future suppliers	-	-	-	-	2,814	-	-	2,814
	<b>13,007</b>	<b>175</b>	<b>7,936</b>	<b>2,444</b>	<b>92,857</b>	<b>3,338</b>	<b>56</b>	<b>119,813</b>
<b>Parent – 2009</b>								
Bank balances	-	-	-	-	-	-	10	10
Short-term deposits	-	-	-	-	-	-	113,254	113,254
Cash and cash equivalents	-	-	-	-	-	-	113,264	113,264
Accounts receivable	-	-	-	-	-	-	3,033	3,033
Insurance assets from insurance offered	-	-	-	-	-	-	28	28
Receivables from subsidiaries	-	-	-	-	-	164	67,489	67,653
Contracted future suppliers	-	-	-	-	-	-	82,617	82,617
	<b>164</b>	<b>266,431</b>	<b>266,595</b>					
<b>Parent – 2008</b>								
Bank balances	-	-	-	-	-	-	9	9
Short-term deposits	-	-	-	-	-	-	79,365	79,365
Cash and cash equivalents	-	-	-	-	-	-	79,374	79,374
Accounts receivable	-	-	-	-	-	-	1,616	1,616
Short-term advances	-	-	-	-	-	-	23	23
Receivables from subsidiaries	-	-	-	-	-	164	27,534	27,698
Contracted future suppliers	-	-	-	-	-	-	2,814	2,814
	<b>164</b>	<b>111,361</b>	<b>111,525</b>					

## 23. Financial instruments (continued)

### (c) Market risk

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

#### (i) Interest rate risk:

ZESPRI Group's policy relating to interest rate risk management aims to achieve the lowest cost of funds while meeting seasonal funding needs.

ZESPRI Group has a seasonal funding facility (Note 25) which is negotiated annually. ZESPRI Group is primarily a short-term borrower and investor and generally carries any interest rate risk itself. Investments consist of on-call funds and short-term deposits. Interest rate derivative instruments may be used at ZESPRI Group's discretion. No interest rate derivative contracts were entered into during the year (2008: nil).

#### (ii) Currency risk:

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

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

Net exposures of expected foreign currency income and expenditures are estimated. The Treasury Management Policy provides guidelines within which ZESPRI Group may enter into contracts to manage the expected net exposures. Based on these guidelines, contracts are taken out for the current year and up to two years in advance. The Treasury Management Policy is reviewed by the Board of Directors and is approved annually.

#### Foreign exchange contracts

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

	Notional value		Fair value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>At fair value through the Income Statement – held for trading</b>				
Buy forward exchange contracts	17,859	59,178	5,058	(2,891)
Sell forward exchange contracts	818,666	198,774	(63,192)	1,572
Currency option contracts	214,290	98,696	(19,517)	(1,122)
	<b>1,050,815</b>	<b>356,648</b>	<b>(77,651)</b>	<b>(2,441)</b>
Represented by:				
Other financial assets			17,992	5,272
Other financial liabilities			(95,643)	(7,713)
			<b>(77,651)</b>	<b>(2,441)</b>
By currency:				
EUR/NZD	588,813	178,352	(42,641)	1,250
JPY/NZD	318,272	108,658	(38,182)	(657)
USD/NZD	96,354	69,638	(3,907)	(3,034)
USD/KRW	47,376	-	7,079	-
	<b>1,050,815</b>	<b>356,648</b>	<b>(77,651)</b>	<b>(2,441)</b>

	Notional value		Fair value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Maturity of foreign exchange contracts</b>				
Less than one year	683,748	302,500	(58,501)	(1,767)
Within one to two years	291,756	43,154	(15,822)	(582)
More than two years	75,311	10,994	(3,328)	(92)
	<b>1,050,815</b>	<b>356,648</b>	<b>(77,651)</b>	<b>(2,441)</b>

The fair value of these classes of financial instruments was independently calculated by the counterparty banks as at 31 March.

## 23. Financial instruments (continued)

### (iii) Commodity price risk

During the course of business, ZESPRI Group exports fruit and processed fruit product, incurring significant freight expenses which are impacted by fluctuations in the price of oil.

As part of the commodity hedging strategy, oil forward contracts were entered into during the year (2008: \$nil). The value of these contracts held at balance date were:

	GROUP			
	Notional value		Fair value	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>At fair value through the Income Statement – held for trading</b>				
Oil price forward contracts	21,021	-	(3,009)	-
	21,021	-	(3,009)	-
Represented by:				
Other financial liabilities			(3,009)	-
			(3,009)	-

	GROUP			
	Notional value		Fair value	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Maturity of oil price forward contracts</b>				
Less than one year	21,021	-	(3,009)	-

The fair value of these classes of financial instruments was independently calculated by the counterparty banks as at 31 March.

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

ZESPRI Group and the Company are exposed to various market risks in relation to balances held at 31 March. The impacts on the Income Statement and Equity, resulting from changes in the risks that could have occurred at 31 March, are unrepresentative of the exposure during the year due to the seasonal nature of the business and are immaterial to the results for the year ending 31 March 2009.

### (e) Embedded derivatives

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

The Company has entered into back-to-back arrangements with New Zealand-contracted suppliers and with ZESPRI International Limited, reflecting the results of any derivatives taken out for the purposes of managing risk to the New Zealand fruit return.

	Notional value		Fair value	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
Contracted future suppliers	1,071,836	356,648	80,660	2,441
<b>Parent</b>				
Contracted future suppliers	1,071,836	356,648	80,660	2,441
Inter-company derivatives	1,071,836	356,648	(80,660)	(2,441)

## 24. Guarantees and contingent liabilities

(a) Guarantees	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
ZESPRI International Limited has secured, by letter of intent, a credit facility with Dexia Bank for ZESPRI Service Centre NV. The maximum exposure level is \$1,628,258 (2008: \$1,389,588). Under this letter of intent, the current exposure level is:				
ZESPRI Service Centre N.V. had provided a guarantee in favour of Amministrazione Finanziaria – Aganzia delle Entrate Ufficio di Milano 1 – Italy, for Italian VAT reimbursement of ZESPRI Fresh Produce NV.	-	133	-	-
ZESPRI Service Centre N.V. has provided a guarantee in favour of Metropool Vastgoed NV for a lease guarantee on the office building.	143	-	-	-
ZESPRI Service Centre N.V. had provided a guarantee in favour of Agencia Estatal de la Administracion Tributaria for a Spanish duty claim for 1994 and 1995.	-	651	-	-
	143	784	-	-

The Company has given an undertaking to continue to financially support its subsidiaries.

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

### (b) Contingent liabilities

In the normal course of business, ZESPRI Group is party to various lawsuits and claims, both as a plaintiff and as a defendant. Current claims and threatened litigation against ZESPRI Group include:

- claims initiated or threatened by post-harvest operators regarding recovery of expenses, penalties and lost revenue as a result of fruit loss in the 2006/07 season;
- claims initiated in relation to offshore ZESPRI® GOLD production.

It is not possible to predict with certainty whether ZESPRI Group will ultimately be successful in defending lawsuits and claims taken against it or, if not, what the impact might ultimately be. Management does not expect that the outcome of these legal proceedings will have a material adverse effect on ZESPRI Group's financial position, results of operations or cash flows. Provisions have been made as required and disclosed in Note 20.

Also refer to Note 28, with regards to events occurring after balance date.

## 25. Funding facilities

Funding facilities for the 2009/10 season have been arranged.

The security for the funding facility and other day-to-day operational treasury activities is a first-ranking general security deed dated 30 April 2007 registered to the ANZ National Bank Limited for ZESPRI Group companies that form a Guaranteeing Group. Pursuant to the general security deed under which debt certificates have been issued, the collateral at risk is all property for those entities within the Guaranteeing Group, except where The New Zealand Institute for Plant and Food Research Limited (previously known as The Horticulture and Food Research Institute of New Zealand Limited) has a higher priority security interest in the Hort16A PVR and Hort16A intellectual property (Note 17). Property within the definition of collateral includes (but is not limited to) cash balances, inventory, accounts receivable, other financial assets, intangible assets, and property, plant and equipment.

The facility requires the Company to measure and report on the financial performance of the Guaranteeing Group. The current members of the Guaranteeing Group are:

- ZESPRI Group Limited
- Aragorn Limited
- Kiwifruit Marketing New Zealand Limited
- ZESPRI Innovation Company Limited
- ZESPRI International Limited
- ZESPRI International (Asia) Limited
- ZESPRI International (Japan) K.K.
- ZESPRI International (Japan) Limited
- ZESPRI International (Korea) Co. Limited.
- ZESPRI International Trading Limited
- ZESPRI New Zealand Limited

As at 31 March 2009, the outstanding borrowing under the funding facility was \$nil (2008: \$nil). The maximum exposure relating to the operational treasury activities as at 31 March 2009 is \$98,652,000 (2008: \$7,713,000).



## 26. Capital commitments

### (a) Property, plant and equipment commitments

As at 31 March 2009, there are outstanding capital commitments totalling \$8,833 for property, plant and equipment (2008: \$92,242).

### (b) Intangibles commitments

As at 31 March 2009, there are outstanding capital commitments totalling \$207,884 for intangible assets (2008: \$156,169).

## 27. Related party transactions

### (a) Key management personnel

ZESPRI Group's key management personnel include:

- Directors of the Company;
- Members of the executive of ZESPRI Group.

During the year, key management personnel received the following compensation:

	GROUP	
	2009 \$'000	2008 \$'000
Short-term employee benefits (including Directors' fees)	7,779	5,867
Short-term employee benefits outstanding as at 31 March	1,315	396

Certain Directors, including M F Bayly (appointed 17 July 2008), C G Cathie, G M Drury (resigned 17 July 2008), C S Greenlees, P J McBride and A E De Farias, conduct business with the Company and its subsidiaries in the normal course of their business activities as growers and as shareholders. All these transactions are conducted on commercial terms and conditions. Directors are required to record all interests in the Company's Interests Register.

### (b) External related parties through shareholding of the Company, common directorship or control by key management personnel

During the year ended 31 March 2009, the Company conducted transactions with the following entities in the normal course of business:

Apata Suppliers Limited, Ashton Orchard Holding Limited, DMS Pro growers Limited, Direct Management Services Limited, G6 Kiwi Limited, Eastpack Limited, Kiwi Produce Limited, Mangatarata Orchards Limited, Opotiki Packing and Coolstorage Limited, Pacific View Pack & Cool Limited, Port of Tauranga Limited, Seeka Growers Limited, Satara Kiwifruit Supplies Limited and UPNZ Limited.

(2008: Aongatete Coolstores Kiwifruit Growers' Trust, Apata Suppliers Limited, DMS Pro growers Limited, Direct Management Services Limited, G6 Kiwi Limited, Eastpack Limited, Kiwi Produce Limited, Opotiki Packing and Coolstorage Limited, Port of Tauranga Limited, Seeka Growers Limited, Satara Kiwifruit Supplies Limited, South Auckland Pack and Cool Limited and Traypac Growers Limited.)

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

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

- The Company pays fruit and service payments under the terms of the New Zealand Supply Agreement;
- The entities are charged penalties and other charges under the terms of the New Zealand Supply Agreement and the Quality Manual. There are standard dispute procedures which may be enacted if the entities receiving the charges do not agree with these charges;
- Where the entities are also growers they can elect to take grower advances, which are offered to all growers who have entered into a contract for supply directly with the Company. During the year, advances were made and interest and repayments were received by the Company. Loyalty premiums are paid to growers who enter into the loyalty contract;
- Under the terms of the Supply Agreement, growers and contracted suppliers are able to make insurance claims to the Company for specific risks (Note 13). In certain cases, the Company pays out insurance for losses under these claims.

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

## 27. Related party transactions (continued)

(ii) Transactions during the year and balances outstanding as at 31 March with external related parties

All related party disclosures are GST exclusive.

	GROUP		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue and expenses:				
Sundry income	1,031	3,350	168	408
Fruit and service payments	655,127	579,281	655,127	579,281
Loyalty premium	12,394	8,829	12,394	8,829
Other expenses	3,929	5,446	1,170	2,508
Balances outstanding:				
Sundry income receivable	350	781	112	310
Fruit and service payments outstanding	15,677	15,002	15,677	15,002
Loyalty premium payable	12,394	8,829	12,394	8,829
Advances owed to the Company at 1 April	23	-	23	-
Advances made	1,562	1,218	1,562	1,218
Interest earned by the Company	30	25	30	25
Repayments received	(1,615)	(1,220)	(1,615)	(1,220)
Advances owed to the Company at 31 March	-	23	-	23

No related parties to Directors of the Company, except for those listed below, obtained Hort16A licences in Tranche 3 of the ZESPRI® GOLD licence tender process during the year;

- OPAC Properties Limited, of which A E de Farias is a Director, is a 20.0% shareholder in OTK Orchards Limited which purchased a total of 3.24 hectares of ZESPRI® GOLD licences in Tranche 3.

(2008: The following entities which are related parties to certain Directors of the Company were successful in tendering for Hort16A licences in Tranches 1 or 2 of the ZESPRI® GOLD licence tender process:

- Aronia Corporation, in which C S Greenlees has a management interest, purchased 1.83 hectares of ZESPRI® GOLD licence in Tranche 2;
- OPAC Properties Limited, of which A E de Farias is a Director, is a 20.0% shareholder in OTK Orchards Limited which purchased a licence in Tranche 2;
- OPAC Properties Limited, of which A E de Farias is a Director, has a 33.3% ownership in Te Kaha Gold Investments Partnership, which purchased a total of 4.89 hectares of ZESPRI® GOLD licences in Tranches 1 and 2 as part of a joint venture with orchards administered by The Maori Trustee.)

### (c) Inter-company related parties

Subsidiaries, listed at Note 18, are considered to be related parties to the Company.

The Company has recorded the following material related party transactions:

- Inter-company sale of New Zealand kiwifruit to ZESPRI International Limited, \$831,291,000 (2008: \$683,620,963);
- Inter-company sale of New Zealand kiwifruit to Aragorn Limited, \$130,030 (2008: \$288,600);
- Inter-company sale of New Zealand kiwifruit to ZESPRI Innovation Company Limited, \$159,012 (2008: \$184,724);
- Funding to ZESPRI Innovation Company Limited for research and development \$8,402,000 (2008: \$9,704,000);
- Service fee and expense for the recharge of overheads incurred on its behalf \$12,611,000 (2008: \$12,825,000);
- Commission expense payable to ZESPRI International Europe N.V. for work done on its behalf \$76,050 (2008: \$76,576);
- Payment or receipt of Group GST on behalf of the GST tax group in New Zealand;
- Receipt of dividends from subsidiaries \$25,500,000 (2008: \$20,004,000) (Note 6(a)).

The total of balances owing to or from the Company's subsidiaries is disclosed in Notes 12, 14, 19 and 23. All of these balances are unsecured, and payable on demand.

## 28. Events occurring after balance date

Subsequent to 31 March 2009, summary judgement was granted to ZESPRI in a litigation claim initiated in relation to offshore ZESPRI® GOLD production (refer Note 24). It is not possible to predict with any certainty if any future appeal (if any) by the claimants would be successful.

On 20 May 2009, the Board of Directors of ZESPRI Group Limited announced their intention to pay a final dividend of 56 cents per fully paid ordinary share (2008: 33 cents), to be paid in August 2009. As the intention was announced after balance date, the financial effect has not been recognised in the financial statements.

## 29. Statutory board and grower representation funding

ZESPRI Group Limited is required, under regulation 39 of the Kiwifruit Export Regulations 1999, to fund the statutory board, Kiwifruit New Zealand. The Company also funds New Zealand Kiwifruit Growers Incorporated, being a kiwifruit grower representative body.

	GROUP AND PARENT	
	2009 \$'000	2008 \$'000
Kiwifruit New Zealand	220	271
New Zealand Kiwifruit Growers Incorporated	520	504
2008 season fruit loss review	58	-
Industry-good funding	90	59
	<b>888</b>	<b>834</b>

Industry-good funding of \$89,846 for the 2009 year (2008: \$59,375) was allocated to the '5+ a day' campaign, Environment Bay of Plenty for the control of wild kiwifruit and agri-chemical monitoring. The increase in expenditure for industry-good funding is due to attendance at the World Trade Organisation meetings to support the Single Point of Entry. The 2008 Fruit Loss Review (2009: \$58,029, 2008: \$nil) was as a result of high losses in ungraded fruit inventory, the results of which identified best practice for improving storage results.

The financial statements of Kiwifruit New Zealand and New Zealand Kiwifruit Growers Incorporated are available for viewing, on request, from Kiwifruit New Zealand or New Zealand Kiwifruit Growers Incorporated.

## 30. Group segment results

Revenues, direct costs, promotion and overheads are identified and recognised for each business unit under the application of NZ IFRS. The internal management information on which segment results are based uses a different method for allocating realised gains and losses on treasury activities. For internal management reporting, realised gains and losses from the management of foreign exchange risk are allocated to the respective business unit's individual revenue and expense lines based on the underlying currencies of the transactions to effect what would be a 'hedged' rate on the cumulative transactions. For financial reporting purposes these net realised foreign exchange gains/losses on derivatives are disclosed separately from the operating revenue and operating expense within other net gains/(losses) (Note 5).

	New Zealand fresh kiwifruit \$'000	Non-New Zealand fresh kiwifruit \$'000	Research and development \$'000	Processed fruit product \$'000	Corporate services \$'000	Eliminations \$'000	Total \$'000
<b>Group – 2009</b>							
Total sales revenue – external customers	1,299,550	151,637	-	838	-	-	1,452,025
Inter-segment revenue	289	-	8,402	-	-	(8,691)	-
Inter-segment commission	-	-	-	-	117,221	(117,221)	-
Interest revenue	-	-	-	-	5,028	-	5,028
Other revenue	4,160	284	-	307	5,142	-	9,893
<b>Total revenue</b>	<b>1,303,999</b>	<b>151,921</b>	<b>8,402</b>	<b>1,145</b>	<b>127,391</b>	<b>(125,912)</b>	<b>1,466,946</b>
Freight	160,981	6,679	-	112	-	-	167,772
Insurance (onshore and offshore)	3,294	68	-	29	-	-	3,391
Duty and customs	76,991	152	-	-	-	-	77,143
Promotion	69,384	6,302	-	-	-	-	75,686
Other direct costs – offshore	63,235	5,484	-	-	-	-	68,719
Other direct costs – onshore	29,605	-	-	1,492	-	-	31,097
Interest expense	3,394	-	-	-	-	-	3,394
KNZ/NZKGI costs	888	-	-	-	-	-	888
Fruit and service payments	779,006	114,538	-	-	-	-	893,544
Loyalty premium	-	-	-	-	16,532	-	16,532
Research	-	-	8,243	-	-	-	8,243
Gold commercialisation costs	-	333	-	-	-	-	333
Inter-segment expense	117,221	-	159	130	8,402	(125,912)	-
Other offshore costs	-	6,467	-	-	37,669	-	44,136
Other onshore costs	-	6,036	-	507	30,887	-	37,430
<b>Total expense</b>	<b>1,303,999</b>	<b>146,059</b>	<b>8,402</b>	<b>2,270</b>	<b>93,490</b>	<b>(125,912)</b>	<b>1,428,308</b>
<b>Net profit before taxation</b>	<b>-</b>	<b>5,862</b>	<b>-</b>	<b>(1,125)</b>	<b>33,901</b>	<b>-</b>	<b>38,638</b>
<b>Total assets at 31 March 2009</b>	<b>157,249</b>	<b>18,358</b>	<b>1,788</b>	<b>1,288</b>	<b>157,959</b>	<b>-</b>	<b>336,642</b>

### 30. Group segment results (continued)

	New Zealand fresh kiwifruit \$'000	Non-New Zealand fresh kiwifruit \$'000	Research and development \$'000	Processed fruit product \$'000	Corporate services \$'000	Eliminations \$'000	Total \$'000
<b>Group – 2008</b>							
Total sales revenue – external customers	1,081,696	81,564	-	1,795	-	-	1,165,055
Inter-segment revenue	474	-	9,704	-	-	(10,178)	-
Inter-segment commission	-	-	-	-	97,407	(97,407)	-
Interest revenue	-	-	-	-	5,409	-	5,409
Other revenue	186	96	-	200	7,729	-	8,211
<b>Total revenue</b>	<b>1,082,356</b>	<b>81,660</b>	<b>9,704</b>	<b>1,995</b>	<b>110,545</b>	<b>(107,585)</b>	<b>1,178,675</b>
Freight	118,026	4,743	-	125	-	-	122,894
Insurance (onshore and offshore)	5,961	154	-	29	-	-	6,144
Duty and customs	70,254	254	-	-	-	-	70,508
Promotion	61,374	3,412	-	-	-	-	64,786
Other direct costs – offshore	51,395	2,953	-	-	-	-	54,348
Other direct costs – onshore	23,911	-	-	1,437	-	-	25,348
Interest expense (income)	1,940	-	-	-	-	-	1,940
KNZ/NZKGI costs	834	-	-	-	-	-	834
Fruit and service payments	651,254	60,144	-	-	-	-	711,398
Loyalty premium	-	-	-	-	9,283	-	9,283
Research	-	-	9,519	-	-	-	9,519
Gold commercialisation costs	-	1,073	-	-	-	-	1,073
Inter-segment expense	97,407	-	185	289	9,704	(107,585)	-
Other offshore costs	-	3,293	-	-	33,894	-	37,187
Other onshore costs	-	2,100	-	399	29,244	-	31,743
<b>Total expense</b>	<b>1,082,356</b>	<b>78,126</b>	<b>9,704</b>	<b>2,279</b>	<b>82,125</b>	<b>(107,585)</b>	<b>1,147,005</b>
<b>Net profit before taxation</b>	<b>-</b>	<b>3,534</b>	<b>-</b>	<b>(284)</b>	<b>28,420</b>	<b>-</b>	<b>31,670</b>
<b>Total assets at 31 March 2008</b>	<b>26,485</b>	<b>9,484</b>	<b>864</b>	<b>2,124</b>	<b>133,590</b>	<b>-</b>	<b>172,547</b>

#### Methods and assumptions

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

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

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

ZESPRI Group does not allocate income tax to reportable segments.

### 30. Group segment results (continued)

Sales revenue – by location of external customers	2009		GROUP		2008	
	Local currency	'000	Local currency	'000	NZ\$ '000	NZ\$ '000
Japan	JPY	24,037,914	JPY	23,438,692	306,013	272,339
Spain	EUR	97,999	EUR	88,275	206,585	168,561
Germany	EUR	66,032	EUR	60,867	137,725	116,225
The Netherlands	EUR	59,213	EUR	46,484	124,833	88,801
South Korea	KRW	95,723,914	KRW	82,110,320	121,993	118,656
Taiwan	USD	45,928	USD	38,553	66,899	51,645
France	EUR	30,922	EUR	25,203	64,116	48,125
Italy	EUR	30,274	EUR	24,945	63,012	47,632
China	USD	38,386	USD	22,553	56,224	30,254
Belgium	EUR	25,057	EUR	21,660	52,421	41,359
United States of America	USD	27,005	USD	21,149	38,393	28,331
New Zealand	NZD	1,863	NZD	2,627	1,863	2,627
Other		various		various	211,948	150,500
<b>Total revenue from product sales</b>					<b>1,452,025</b>	<b>1,165,055</b>

Individual customers account for less than 10% of sales across the Group.

Non-current assets – by location of asset	GROUP	
	2009	2008
	\$'000	\$'000
Japan	668	483
Belgium	721	477
New Zealand	7,661	9,526
Other	656	484
	<b>9,706</b>	10,970
Other non-current assets (no assigned location):		
— Deferred tax	2,738	3,685
— Non-current other financial assets	24,234	595
<b>Total non-current assets</b>	<b>36,678</b>	15,250

## Statutory Information

### Shareholder Information

#### Top 20 shareholders at 31 March 2009

	Number of shares	%
Christopher Warren Dunstan and Shirley Margaret Dunstan and Murray Crossman Trustee Company Ltd	349,727	1.45%
Maketu Estates Limited	308,288	1.27%
DMS Horticulture Limited	281,500	1.16%
Seeka Kiwifruit Industries Limited	267,139	1.11%
Hopai Holdings Ltd	233,204	0.97%
Mark Lionel William Gardiner and Robyn Anne Gardiner	225,961	0.94%
Lichfield Lands Incorporated	216,413	0.90%
South-East Hort Limited	170,000	0.70%
Anaru Timutimu and Mahaki Ellis and Mere Lambert and Ngawa Hall and Ratahi Cross and Riri Ellis and Te Timatanga Neil Te Kani	163,318	0.68%
Lindisfarne Limited	159,307	0.66%
Birdhurst Limited	135,122	0.56%
Long View Trustee Limited	123,202	0.51%
John David Anderson and D Arnold Trustees Ltd and Independent Trustees (Tauranga) Limited	121,094	0.50%
Beverley Ann Reid and David Murray Reid and John Alexander Stewart	119,290	0.49%
S J Brennan Trust and S M Wild Trust	115,522	0.48%
Mangatarata Orchards Limited	112,466	0.47%
Eastpack Limited	109,287	0.45%
Aronia Corporation Limited	107,100	0.44%
Proprietors of Wakatu	106,272	0.44%
Christopher Warren Dunstan and Shirley Margaret Dunstan and HTT 2003 Ltd	92,131	0.38%
	<b>3,516,343</b>	<b>14.56%</b>

#### Distribution of ordinary shares and registered shareholders at 31 March 2009

##### Size of holding

	Number of shareholders	%	Number of shares	%
1 – 1,000	151	6.7%	93,824	0.4%
1,001 – 5,000	883	39.1%	2,521,108	10.4%
5,001 – 10,000	559	24.8%	4,045,921	16.8%
10,001 – 50,000	599	26.5%	11,110,474	46.0%
Over 50,000	65	2.9%	6,372,140	26.4%
Total	<b>2,257</b>	<b>100.0%</b>	<b>24,143,467</b>	<b>100.0%</b>

#### Shareholder Statistics

	2008/09	2007/08	2006/07
Number of shares ('000)	<b>24,143</b>	24,143	24,143
Interim and final dividend (per share) – fully imputed	<b>\$0.91</b>	\$0.68	\$0.82
Special dividend (per share) – fully imputed	<b>\$0.0741</b>	\$0.1267	-
Share price at year-end	<b>\$4.80</b>	\$4.60	\$5.00
Earning per share	<b>\$0.99</b>	\$0.82	\$0.92
Net dividend yield <sup>1</sup>	<b>20.5%</b>	17.5%	16.4%
Gross dividend yield at 33% tax rate <sup>1</sup>	<b>30.6%</b>	26.1%	24.5%
Share trading:			
Number of shares sold: on-market trades	<b>463,143</b>	639,601	450,351
Number of shares sold: off-market trades	<b>381,740</b>	343,068	217,282
Number of shares transferred with sale of property	<b>210,464</b>	42,837	107,286
Family Trust share transfers	<b>488,350</b>	692,731	888,145
Partly paid shares fully paid during year	-	-	645,639
Equity ratio	<b>22.0%</b>	39.6%	38.7%
Net tangible assets value per share	<b>\$2.88</b>	\$2.59	\$2.60

<sup>1</sup> Includes special dividends

## Directors' Disclosures

### Directors' meeting attendances and business travel overseas

	ZESPRI Group Limited Board	Audit and Risk Management Committee	Organisation and Administration Committee	Industry Advisory Council	Innovation Advisory Forum	Aragorn Limited	Number of business trips overseas	Regions visited
M F Bayly <sup>1</sup>	8	3	3	-	3	-	2	Europe, Asia
C G Cathie	13	5	3	-	-	-	1	Europe, Asia, South America
G M Drury <sup>1</sup>	4	3	2	-	-	-	-	-
A E de Farias	13	3	3	3	-	-	1	Asia
C S Greenlees	12	8	3	6	-	3	3	Europe, Asia
J J Loughlin	13	6	5	1	-	3	1	Europe, Asia
P J McBride	12	-	-	6	4	-	3	Europe, Asia, South America
D A Pilkington	13	-	-	-	6	4	2	Europe, Asia
K L Thorpe	12	-	5	-	-	5	2	Europe, Asia

<sup>1</sup> M F Bayly was appointed as a Director on 17 July 2008. G M Drury resigned as a Director on the same date.

In addition to the meetings detailed above, the Directors' attendances included planning meetings, Directors' conferences and grower roadshows. From time to time Directors also attend meetings of committees of which they are not members. Attendance in these circumstances is not recorded as meeting attendance in the above table.

### Directors' interests – shareholdings

The following table sets out the shareholdings in ZESPRI Group Limited held by each Director as at 31 March 2009:

	Shareholding as at 31 March 2008	Date of purchase/transfer	Number purchased/transferred	Purchase price	Sales	Shareholding as at 31 March 2009
M F Bayly <sup>1</sup>	-	13/05/2008	17,388	-	-	17,388
C G Cathie	65,484	-	-	-	-	65,484
A E de Farias	51,554	-	-	-	-	51,554
C S Greenlees <sup>2</sup>	411,692	05/12/2008 30/12/2008	15,000 5,000	\$5.25 \$4.98	-	431,692
J J Loughlin	-	-	-	-	-	-
P J McBride <sup>3</sup>	90,000	03/07/2008	80,000	\$5.00	-	170,000
D A Pilkington	-	-	-	-	-	-
K L Thorpe	-	-	-	-	-	-

Shares above are held either personally by Directors or are held by way of relevant interest.

<sup>1</sup> Dr Bayly acquired these shares prior to his appointment as a Director.

<sup>2</sup> In addition to the relevant interests listed above, Mr Greenlees has the following indirect minority interests:

- Mr Greenlees is a Director of, and shareholder in, DMS Orchard Management Limited which holds 5% of the shares in Seeka Kiwifruit Industries Limited, which in turn holds 267,139 shares (2008: 267,139) in ZESPRI Group Limited.
- Mr Greenlees has a minority interest in, and/or is a manager of, a number of orchard businesses that collectively hold 261,471 shares (2008: 310,335) in ZESPRI Group Limited.

<sup>3</sup> In addition to the relevant interests listed above, Mr McBride has the following indirect minority interests:

- Mr McBride has a minority interest in Eastpack Limited which holds 109,287 shares (2008: 109,287) in ZESPRI Group Limited.

Other Industry Directors also hold indirect minority interests in companies holding ZESPRI Group shares which are not significant.



## Directors' Disclosures (continued)

### Directors' interests – Directors in office as at 31 March 2009

#### M F Bayly

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Director of ZESPRI Group Limited  
Director of ZESPRI International Limited  
Trustee and discretionary beneficiary of the Mark Bayly Trust (interest in an orchard by way of ownership)  
Director of, and shareholder in, Pacific View Pack & Cool Limited  
Director of, and shareholder in, Latitude 360 Limited

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#### C G Cathie

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Director of ZESPRI Group Limited  
Director of ZESPRI International Limited  
Director of ZESPRI International (Japan) Limited  
Director of, and shareholder in, Kiwifruit Management Services Limited (related party interests by way of lease in various orchards)  
Director of, and shareholder in, Omniscient Holdings Limited (related party interests in Joyce Road Packhouse and Coolstore by way of lease)  
Director of Apata Suppliers Entity Limited  
Director of, and shareholder in, Kiwi Packhouse Limited  
Trustee and beneficiary of C G and R A Cathie Family Trusts (related party interests by way of lease in various orchards and in Joyce Road Packhouse and Coolstore by way of lease)  
Trustee of Graham Cathie Family Trust (interests in various orchards by way of ownership)  
Beneficiary of Raewyne Cathie Family Trust (interests in various orchards by way of ownership)  
Shareholder in Apata Limited  
Shareholder in Kiwifruit International Limited (interest ceased November 2008)

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#### A E de Farias

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Director of ZESPRI Group Limited  
Director of ZESPRI International Limited  
Director and Principal of DFR Consultants Limited  
Chairman of Golden Heights Limited  
Chairman of Opotiki Packing and Coolstorage Limited (related party interests in various orchards)  
Alternate Director of OTK Orchards Limited  
Chairman of Kiwi Produce Limited  
Director of, and shareholder in, Waterview Downs Orchards Limited  
Shareholder in Penderal Properties Limited  
Director of The Fresh Fruit Company of Nelson Limited  
Director of OPAC Properties Limited  
Trustee of Toi EDA (Eastern Bay of Plenty Economic Development Agency)  
Some orchard interests listed above are participating in new cultivar block trials

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#### C S Greenlees

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Director of ZESPRI Group Limited, and Director of a number of other ZESPRI Group subsidiaries  
Director of, and shareholder in, DMS Pro growers Limited (indirect interest in packhouse through ownership)  
Director of, and shareholder in, DMS Horticulture Limited (related party interest in orchard)  
Director of, and shareholder in, DMS Coolstores Limited  
Director of, and shareholder in, Procline Orchards Limited  
Director of, and shareholder in, DMS Group Limited  
Director of, and shareholder in, DMS Orchard Management Limited (related party interests in various orchards)  
Director of, and shareholder in, Direct Management Services Limited  
Director of, and shareholder in, UPNZ Limited  
Director of, and shareholder in, G6 Kiwi Limited (and subsidiaries)  
Shareholder in Kiwifruit International Limited (interest ceased November 2008)  
Shareholder in Tinopai Orchard Limited (related party interests in various orchards)  
Shareholder in Mangatarata Orchards Limited (related party interests in various orchards)  
Shareholder in Fruit Force Holdings Limited and Progeny Partnership (related party interests in various orchards)  
Director of Larkridge Investments (No. 1) Limited (related party interests in various orchards)  
Director of, and shareholder in, Velocity Orchard Limited (related party interests in various orchards)  
Shareholder in Ashton Orchard Holdings Limited (related party interests in various orchards)  
Trustee and beneficiary of C S and S M Greenlees Family Trusts (related party interests in various orchards)  
Lessee of a number of orchards  
Management interest in Aronia Corporation Limited  
Chairman of, and shareholder in, Avocado Oil NZ Ltd  
Trustee of DMS Pro growers Grower Trust  
Director of, and shareholder in, DMS Avocados Limited  
Shareholder in Seeka Kiwifruit Industries Ltd  
Management interests in various orchards  
Some orchard interests listed above are participating in new cultivar block trials

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## Directors' Disclosures (continued)

### Directors' interests – Directors in office as at 31 March 2009 (continued)

#### J J Loughlin

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Chairman of ZESPRI Group Limited, and Director of a number of other ZESPRI Group subsidiaries  
 Chairman of ZESPRI International Limited  
 Trustee and beneficiary of J J and K E Loughlin Family Trust  
 Chairman of, and shareholder in, Askerne Estate Winery Limited  
 Shareholder in Prism Group Holdings Limited (interest as Chairman ceased November 2008)  
 Chairman of, and shareholder in, Loughlin Viticulture and Consulting Limited  
 Shareholder in Hawke's Bay Winemakers Limited (interest ceased March 2009)  
 Director of Centralines Limited  
 Chairman of Allied Farmers Limited (and subsidiaries)  
 Issuer Appointee of NZ Markets Disciplinary Tribunal  
 Ministerial representative on Animal Health Board Representatives Committee (interest ceased December 2008)  
 Director of Lean Meats Limited (interest ceased September 2008)  
 Director of Taupo Motorsport Park Limited  
 Director of Metlifecare Limited  
 Chairman of Allied Nationwide Finance Limited (and subsidiaries)  
 Chairman of Firstlight Venison (NZ) Limited  
 Director of Cerco Limited (and subsidiaries)  
 Director of Kermadec Property Fund Limited  
 Chairman of Tru-Test Corporation Limited  
 Director of Port of Napier Limited  
 Chairman of Fonterra Candidate Assessment Panel (interest advised March 2009)

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#### P J McBride

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Deputy Chairman of ZESPRI Group Limited  
 Deputy Chairman of ZESPRI International Limited  
 Director of ZESPRI Innovation Company Limited  
 Shareholder in Eastpack Limited  
 Trustee of P J and L R McBride Family Trust  
 Director of, and shareholder in, Carmel Trustee Co. Limited  
 Trustee of Somerset Trust (contingent interest)  
 Director of, and shareholder in, South-East Hort Limited (related party interests in various orchards)  
 Director and Trustee of the Encounter Charitable Trust  
 Director of, and shareholder in, South-East Gold Limited  
 Director of Sequal Lumber Limited  
 Director of, and shareholder in, Sequal Investments Limited  
 Director of Centrefarm Aboriginal Horticulture Ltd, NT, Australia  
 Consulting interests in various orchards  
 Director of Kennedy Road Investments Limited (indirect interest)  
 Director of, and Trustee of, the Longview Charitable Trust (indirect interest)

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#### D A Pilkington

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Director of ZESPRI Group Limited  
 Director of ZESPRI International Limited  
 Director of Aragorn Limited  
 Director of Restaurant Brands New Zealand Limited (and subsidiaries)  
 Director of, and shareholder in, Excelsa Associates Limited  
 Chairman of Ruapehu Alpine Lifts Limited  
 Director of, and shareholder in, NZ Biotechnologies Limited  
 Director of Douglas Pharmaceuticals Limited (and subsidiaries)  
 Trustee of Pilkington Family Trust  
 Chairman of Prevar Limited  
 Independent Member of Wellington City Council – Audit and Risk Management Committee  
 Director of Ballance Agri-Nutrients Limited  
 Director of Ballance Agri-Nutrients Co-operative Limited  
 Director of Ballance Agri-Nutrients (Kapuni) Limited  
 Director of Port of Tauranga Limited  
 Director of Rangatira Limited (and subsidiaries)  
 Chairman of, and shareholder in, Old Fashioned Foods Limited  
 Trustee of New Zealand Community Trust

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#### K L Thorpe

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Director of ZESPRI Group Limited  
 Director of ZESPRI International Limited  
 Chairman of Aragorn Limited  
 Director of Cavalier Corporation Limited  
 Chairman of Swift & Moore Pty Limited  
 Director of Custom Consulting Limited

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## Director and Employee Remuneration

### Remuneration of Directors

	2008/09 \$	2007/08 \$
M F Bayly (appointed 17 July 2008)	42,406	-
C G Cathie	60,681	52,500
G M Drury (resigned 17 July 2008)	17,333	58,000
A E de Farias	53,339	30,664
C S Greenlees	112,996	133,550
J J Loughlin	88,563	59,900
P J McBride	75,747	68,000
D A Pilkington	60,319	50,750
A D Sutherland (resigned 17 July 2007)	-	17,333
K L Thorpe	62,879	52,000
<b>Total</b>	<b>574,263</b>	<b>522,697</b>

### Remuneration of employees

For the year ended 31 March 2009, the number of employees whose total remuneration and value of any benefits received or receivable exceeded \$100,000 between the following bands were:

Number of overseas-based employees	Number of New Zealand-based employees	Total remuneration and benefits \$
8	9	100,000 to 109,999
11	5	110,000 to 119,999
3	2	120,000 to 129,999
9	8	130,000 to 139,999
6	6	140,000 to 149,999
3	3	150,000 to 159,999
2	5	160,000 to 169,999
-	3	170,000 to 179,999
2	1	180,000 to 189,999
4	-	190,000 to 199,999
1	2	200,000 to 209,999
1	-	220,000 to 229,999
2	-	230,000 to 239,999
4	-	250,000 to 259,999
1	2	260,000 to 269,999
1	1	270,000 to 279,999
-	1	280,000 to 289,999
1	1	290,000 to 299,999
1	-	300,000 to 309,999
-	1	340,000 to 349,999
1	-	350,000 to 359,999
1	-	370,000 to 379,999
3	-	380,000 to 389,999
1	-	430,000 to 439,999
1	1	510,000 to 519,999
1	2	540,000 to 549,999
1	-	580,000 to 589,999
-	1	600,000 to 609,999
1	-	800,000 to 809,999
1	-	1,380,000 to 1,389,999
1	-	1,570,000 to 1,579,999

Note: These bands are New Zealand Dollar equivalents and reflect foreign exchange fluctuations. During the 2008/09 year the New Zealand Dollar weakened considerably. As at the 31 March 2009, compared to the year earlier, the New Zealand Dollar has declined 29% against the Japanese Yen, 15% against the Euro and 28% against the United States Dollar. This significant movement in the currency has largely contributed to the increase in the New Zealand Dollar equivalent remuneration of overseas-based employees.

## ZESPRI Office Directory

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### ZESPRI Innovation Company Limited

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