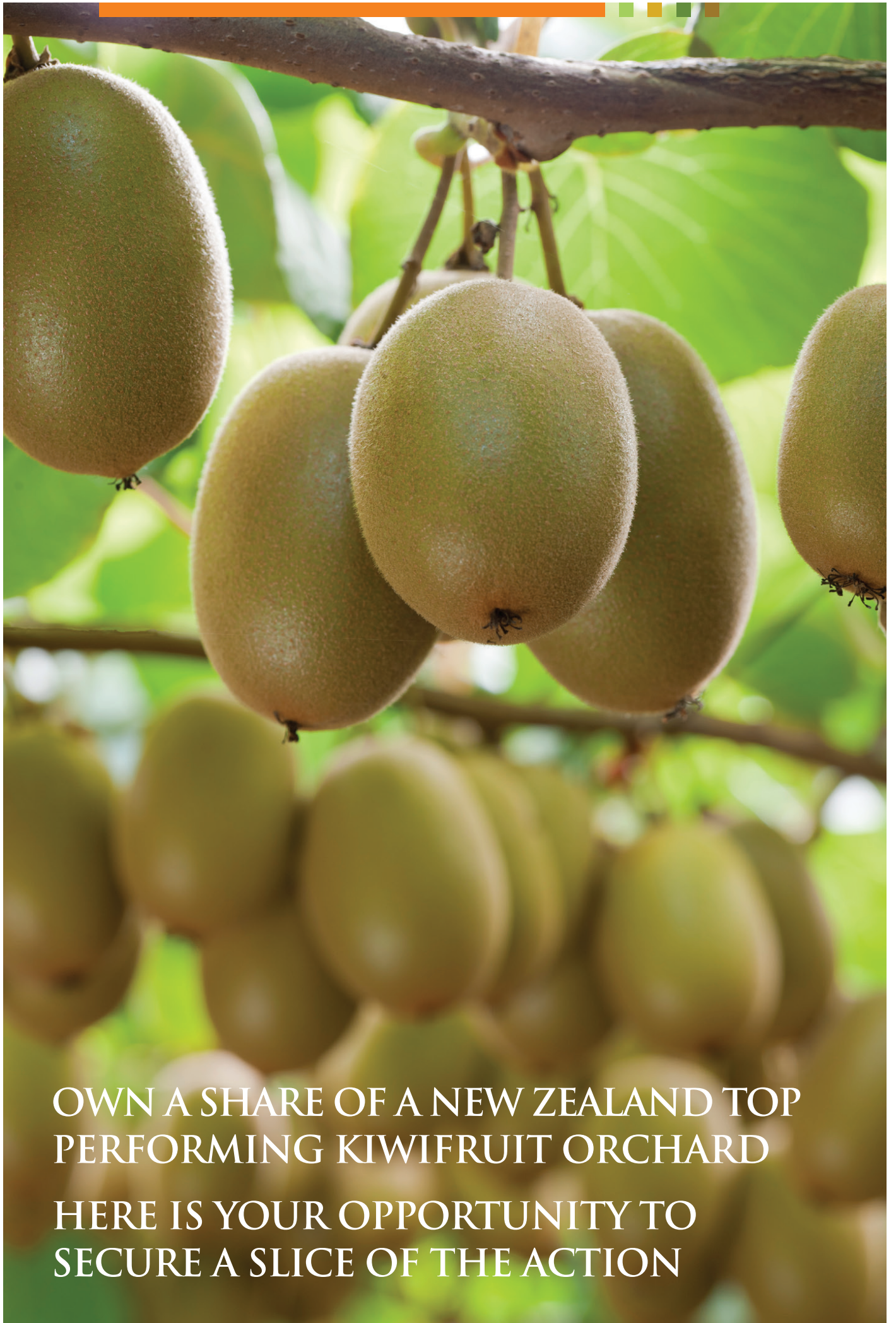




KIWIFRUIT  
EQUITIES

GROW YOUR  
INVESTMENT PORTFOLIO  
WITH KIWIFRUIT



OWN A SHARE OF A NEW ZEALAND TOP  
PERFORMING KIWIFRUIT ORCHARD  
HERE IS YOUR OPPORTUNITY TO  
SECURE A SLICE OF THE ACTION



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*This profile has been prepared to provide information about Kiwifruit Equities Limited and about potential investment opportunities it intends to promote. This profile is not an offer of securities or financial products. No money is being sought. Any offer of securities or investment products will be set out in a separate information memorandum.*



## WHO IS KIWIFRUIT EQUITIES LIMITED?

KIWIFRUIT EQUITIES LTD (KEL) WAS ESTABLISHED IN 2014 IN THE EASTERN BAY OF PLENTY BY THREE FAMILIES WHO HAVE BEEN INVOLVED IN THE KIWIFRUIT INDUSTRY FOR MORE THAN 25 YEARS.

Recognising kiwifruit's potential as New Zealand's biggest horticultural earner, they set out to make returns from growing kiwifruit accessible to more investors through collective ownership in high quality orchards.

KEL offers an alternative pathway to kiwifruit returns without the full exposure that come with sole ownership. The Kiwifruit Equities model links kiwifruit industry expertise with investors capital.

**The KEL business model has been developed to provide a 'hands-free' investment based on the following principles:**

- We endeavour to source orchards that perform in the top 25% of the kiwifruit industry
- We carry out thorough orchard evaluation prior to purchase
- Borrowing is limited, with initial gearing at 20% - 40%
- We employ experienced, successful orchard managers - including equity managers where possible
- We create a detailed business plan for every orchard
- We communicate regularly with investors on orchard performance
- We draw on directors experience and knowledge in post harvest operations.



## WHAT IS AN INVESTMENT WITH KIWIFRUIT EQUITIES?

A KEL investment is an investment in a kiwifruit orchard that is co-owned by a small group of fellow investors through a limited liability company. Investment starts at \$100K with a minimum investment period of four years<sup>1</sup>.

The investment partnership is structured as a limited liability company and a shareholder agreement and constitution governs all aspects of the business. The investment company owns the land, buildings, infrastructure and vines and carries on the orchard business. When KEL identifies a suitable orchard, we will prepare an information memorandum which will contain information which is specific to that orchard and investment opportunity. The information memorandum will invite investors to apply for shares in a company which will purchase the orchard.

Each orchard company will be a separate investment opportunity. There is no requirement, or expectation, that investors will invest in more than one orchard, although of course you can do so if you wish.

Typically there are between 5 and 20 investors involved in the investment company, with ownership being relative to the amount invested. To ensure that you and your potential fellow investors are compatible, KEL will endeavour to align shareholders with similar investment goals.

## HOW DOES KIWIFRUIT EQUITIES SUPPORT YOUR INVESTMENT?

For the first four years, KEL provides management, administration and communication functions for both the orchard and the equity investment company. This is formalised in a Management and Administration Contract between the board of directors of the investment company and KEL. At the end of four years, KEL can continue to manage the investment orchard or the investment company can choose a new manager if they wish.

Critical to the success of your investment is the operational performance of the orchard. We take an active role in overseeing its management, including the employment of an experienced orchard manager. Ideally, we prefer to employ equity managers (as co-investors), because we believe this provides extra incentive for achieving the production and returns that we expect for our investors.

Shareholders elect a board of directors to govern and represent all shareholders of the investment company.

<sup>1</sup> Like any investment, there are risks involved. Investors should seek independent financial advice before investing.

VISION:  
LINKING  
INVESTOR'S  
CAPITAL WITH  
HIGH QUALITY  
ASSETS AND  
MANAGEMENT  
TO DELIVER  
QUALITY  
RETURNS

DIRECTORS OF KEL

DIRECTORS  
JULIE & ADRIAN GAULT



Adrian and Julie have been in the kiwifruit industry for more than 30 years and currently own 20 canopy hectares of green and gold kiwifruit. They also operate a 400ha sheep, beef and dairy grazing unit.

Adrian holds a B.Ag.Sc degree and in 2000 was awarded a Nuffield Scholarship for future primary industry leaders. This took him to the UK, Europe, Canada, USA and South East Asia. While in the UK, he also attended the Advanced Agricultural Business Course at Wye College.

Adrian has held several governance roles with local and national Junior Chamber NZ (Jaycees) as well as serving two terms on the local District Council. He has represented local and regional Federated Farmers, and is currently a member of the Opotiki Veterinary Services, EastPack Entity Trust and EastPack Ltd boards. He is also a member of the Institute of Directors.

Julie, a registered nurse for 25 years, is now fully involved with the farming business, managing all administration functions and providing hands-on support to the orchard and farming operation.

.....  
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.....

## DIRECTORS CORRIE & DONNA SMIT



Corrie and Donna are no strangers to hard work. Corrie purchased his first seven hectare bare block when he was 18 years old, and with his earnings from relief milking developed it into a kiwifruit orchard complete with packhouse and coolstore complex.

Donna is a qualified Chartered Accountant who has worked for the past 23 years as Company Administrator for EastPack Ltd. In 2009/2010 she completed the Fonterra Governance Development Programme and is currently trustee of the Eastern Bay Energy Trust and a Director of Primary ITO.

Using the kiwifruit orchard as a stepping stone to farm ownership, Corrie and Donna purchased their first dairy farm in 1989. They also developed another Green and Gold kiwifruit orchard in 1999, which they developed and sold in 2005.

In 2005, the couple won the National Dairy Excellence Business Growth Award.

Today they have five farms in the North and South Islands, milking 2,300 cows.

.....  
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P: Corrie 027 272 9584  
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.....

## DIRECTORS JO & ROSS STEELE

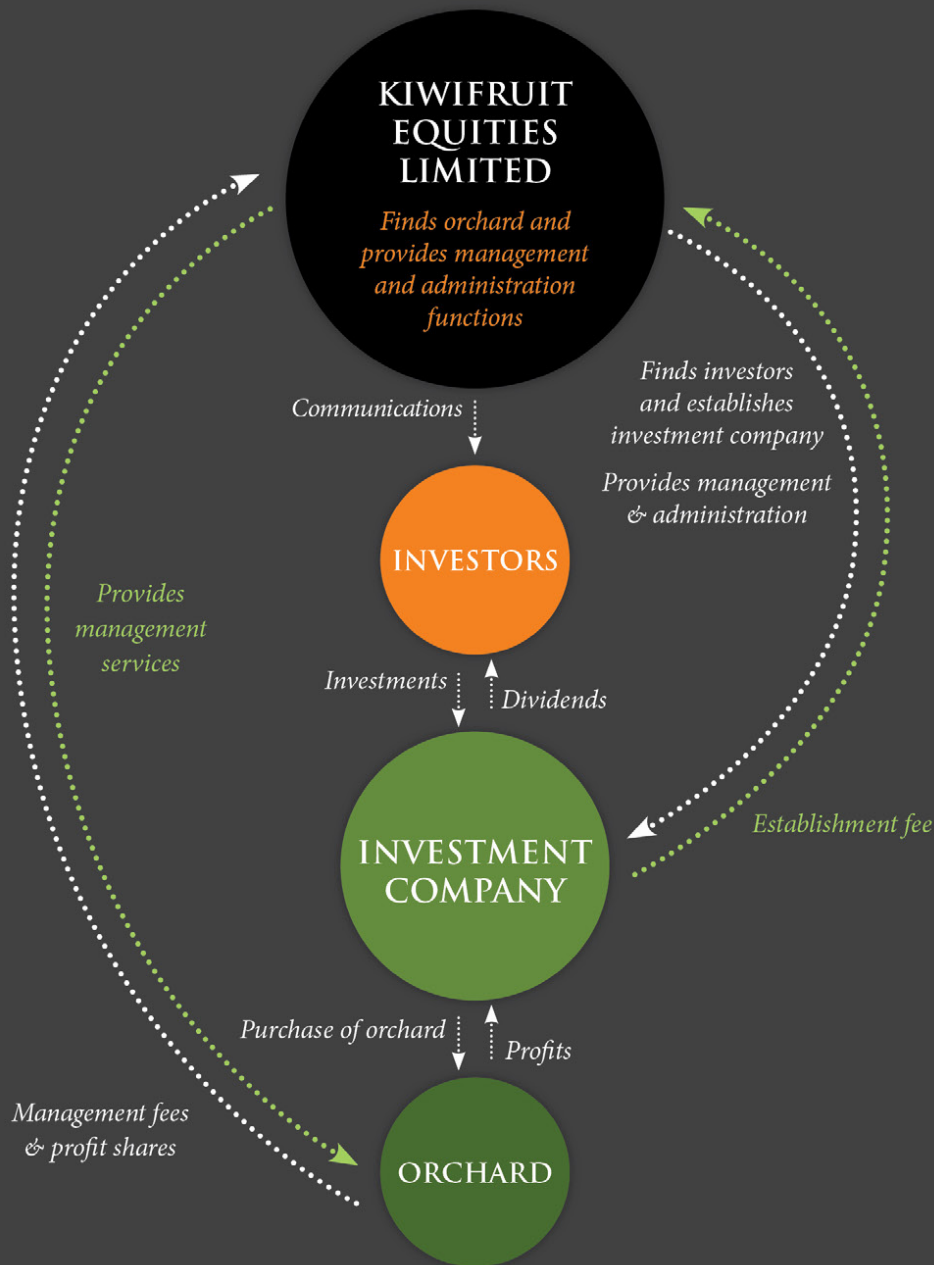


Ross has been involved with the kiwifruit industry since developing a kiwifruit orchard on the family dairy farm in 1980. He and his wife, Jo, bought their first kiwifruit orchard in Opotiki in 1995 and have since bought three more and leased another two. The couple also owns Tablelands Horticulture, which manages another four orchards totalling 19 hectares.

Ross and Jo are consistently in the top 25% of kiwifruit producers in the country. They attribute their success to orchard location, prudent management, skilled staff, and keeping abreast with the latest industry best practices.

From 2009-2013, Ross was employed by EastPack as Opotiki Client Services and EKO (EastPack Kiwifruit Operations Ltd) Area Manager, but recently stepped down to focus on his businesses.

.....  
P: Ross 027 479 4224  
P: Jo 027 545 3505  
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## WHY A LIMITED LIABILITY COMPANY?

THERE ARE SOUND REASONS WHY THE PREFERRED STRUCTURE FOR THE INVESTMENT COMPANY IS A LIMITED LIABILITY COMPANY.

- Shareholders are not liable for the business debts of the company (subject to any personal guarantees given). They are only liable for any unpaid money owing on their shares.
- Dividends are taxed at the company rate, which is currently 28%.
- An investment company makes transferring of the shares easy.
- It provides more credibility in the marketplace:
  - Easier to attract funds and investment (investors can become shareholders).
  - Easier to sell the business or pass it on to others as it is a separate entity.





*Photos courtesy of Zespri International Ltd*



## WHAT IS THE RETURN ON YOUR INVESTMENT?

We focus on orchard investments with potential for production increases and which we believe can generate ROI of 7 - 12% before tax. Dividends from your investment are paid twice a year – mid-season and end of season.

We have not included any capital gain on the value of the orchard, investment return projections are solely on the operating profits.

## WHAT IS THE TERM OF YOUR INVESTMENT?

A KEL investment is for the medium to longer-term. However, if unforeseen circumstances require you to sell your shares earlier than expected, you will be entitled to do so. The constitution of the investment company will contain pre-emptive rights provisions requiring you to first offer your shares to the other shareholders in the company. There is no obligation on those shareholders to buy your shares. If they do not do so, you will be free to offer the shares outside the company. KEL will endeavour to assist you to find a buyer, but KEL does not guarantee there to be an established market for shares in the investment companies.

## YOUR INVOLVEMENT IN THE INVESTMENT

Although the management of your orchard business is well taken care of, you can take an interest and have input into the business operation via your board of directors. We encourage you to visit your orchard.

KEL also organises formal events where you can join your fellow shareholders for on-site discussion of results and a viewing of your investment.

## WHAT ARE THE FEES?

Each orchard investment company will pay fees to KEL. There will be four types of fee: establishment fees, management fees, administration fees, and a performance-based profit share.

<b>ESTABLISHMENT FEE:</b>	KEL charges a one-off establishment fee of 2.5% of the asset purchase price. This is front-loaded into the initial shareholder capital requirement. The establishment fee is to cover the initial costs of finding a suitable property, due diligence, attracting and signing up investors, and the initial setup and formation of the investment company company on behalf of investors.
<b>MANAGEMENT FEE:</b>	KEL will engage, pay, and supervise an experienced orchard manager (preferably an equity manager). The manager will be expected to monitor and report on operational and compliance issues, and call on the experience of the KEL directors to help maximise harvest potential and returns. KEL will report to the investment company board of directors and provide quarterly updates to investors. This fee is set at \$3000 per canopy hectare and is reviewed annually.
<b>ADMINISTRATION FEE:</b>	KEL undertakes the administration functions for both the orchard operation and the investment company. This includes financial control, accountancy fees, communication, compliance, distribution of dividends and secretarial support to the board of directors of the company. This fee is on a cost recovery basis and is currently budgeted at \$3000 per canopy hectare, based on an orchard size of up to 10 - 12 canopy hectares.
<b>PERFORMANCE BASED PROFIT SHARE:</b>	KEL targets orchards that have the ability to deliver a dividend of 7% gross return on investment or better. As an incentive to deliver better returns to investors, any profit above 8% gross ROI will be shared between investors and KEL. Details of the profit share will be set out in the information memorandum for each orchard investment.

## A SNAPSHOT OF THE KIWIFRUIT INDUSTRY TODAY

Zespri International Limited has experienced strong growth during the past 10 years, going from 70 million trays exported in 2004 to more than 101 million trays in 2012/13. New Zealand exports kiwifruit to 53 countries and it remains a significant horticultural export earner with sales of NZ\$1.3 billion in 2013/14.

In 2010, the vine killing disease PSA (*Pseudomonas syringae pv. actinidae*) was discovered in kiwifruit orchards in the Te Puke region. It spread quickly through other growing regions, causing a reduction in national crop volumes (down to 86 million trays in 2013/2014<sup>2</sup>) and, in a number of areas, the removal of the Hort16a Gold variety.

As a result of the combined efforts of the kiwifruit industry and the New Zealand Government, recovery is well underway. Two new kiwifruit plant cultivars have been introduced that are displaying a higher tolerance to PSA, orchard practices have been improved, and there is on-going investment from Zespri to assist in these areas. Confidence in the long-term sustainability of the kiwifruit industry is returning and Zespri is predicting the national crop will increase to 130 million trays during the next three to four years.

Orchard Gate Return (OGR), the payment received by growers after post harvest costs have been deducted, has seen strong growth since 2007/2008. In 2013/14, Gold3 tray returns hit a record \$79,156 per hectare, while Green OGR has increased 42% per hectare during the past five years, going from \$30,067 in 2008/2009 to \$42,659 in 2013/14.

Zespri sells directly and indirectly, through various collaborative marketing agreements. Growers typically do not contract directly to Zespri, but to a post-harvest operator, which packs and delivers the fruit to Zespri markets on the grower's behalf.

Each post-harvest operator runs a pool system for grower payments received from Zespri, from which they deduct packing and cool storage fees. Zespri makes monthly payments in the 12 months after the crop has been packed.

Globally, food businesses are witnessing the continuing consolidation of supply chains. Whilst this presents a challenge to New Zealand producers in respect to cost and supply chain efficiencies, demand for Zespri branded kiwifruit remains strong. Ensuring the seamless supply of kiwifruit globally, will enable New Zealand kiwifruit to remain a niche product in the global fruit bowl.

VARIETY	INDUSTRY AVERAGE 2013/14 OGR	AVERAGE OGR 2013/14 FOR TOP 25% PERFORMING ORCHARDS <sup>4</sup>
Green <sup>3</sup>	\$42,659 per hectare	\$55,000 - \$93,000 per hectare
Gold3*	\$79,156 per hectare	\$118,000 - \$245,000 per hectare

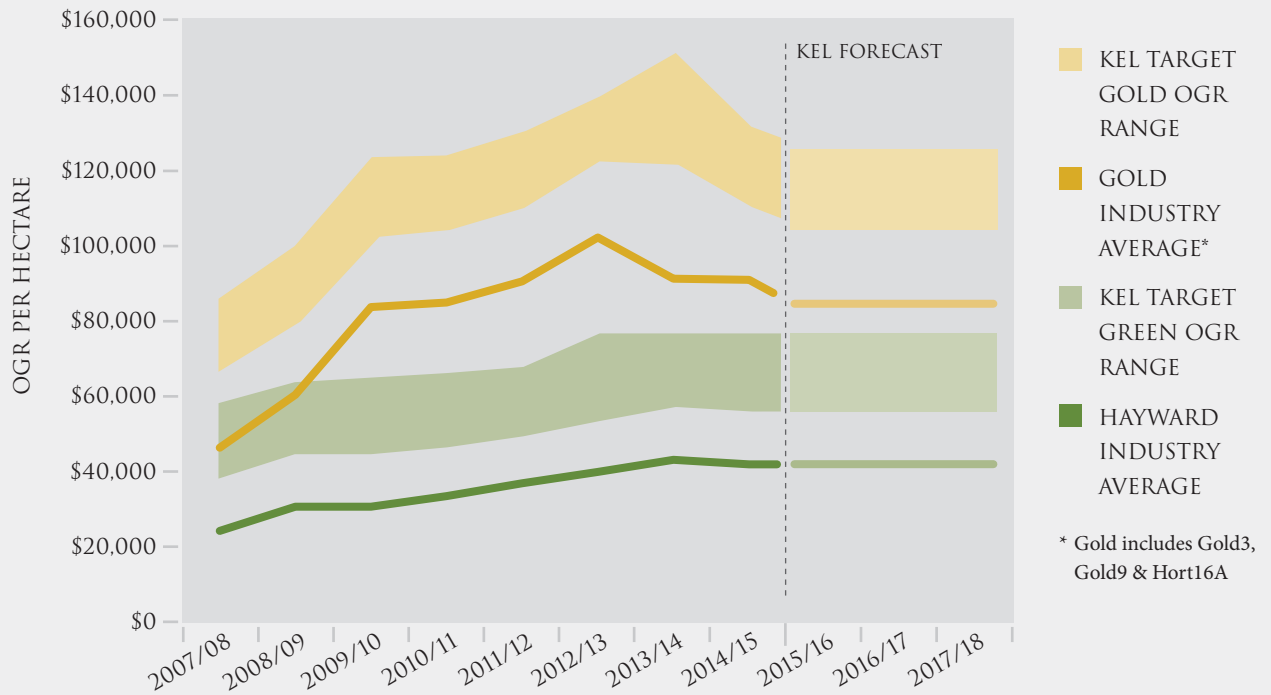
\* G3 still to reach maturity. Data may be variable.

<sup>2</sup> Source: Zespri Annual Review 2013/14.

<sup>3</sup> Data supplied for Hayward only.

<sup>4</sup> Data sourced from post harvest facility. Income before post harvest costs have been deducted.

## TARGET ORCHARD GATE RETURNS

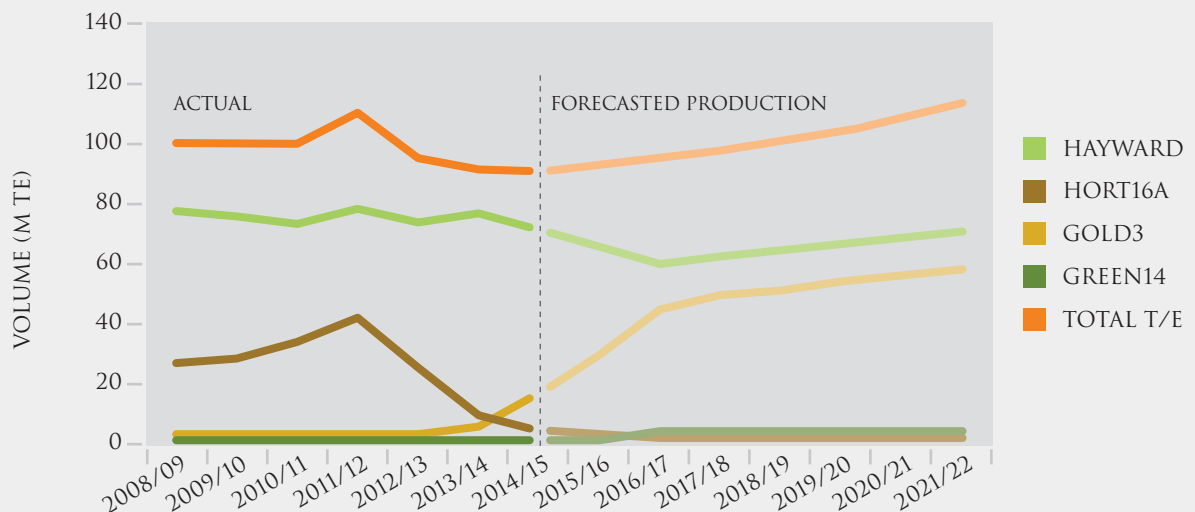


As Gold (G3) volume comes on stream the price received per tray is predicted to settle around \$6.30 to \$7.00 per tray giving an average OGR of around \$75,000 - \$85,000 per hectare.

Green OGR has increased by over 42% over the last five years. It is predicted that the industry average Green OGR will remain relatively stable, around \$42,000 - \$48,000 per hectare. Exchange rate and seasonal supply and demand dynamics will be the major determinates in sustaining the current OGR for this variety.

KEL are seeking orchards that have the potential to be in the top 25% of industry OGRs. It is predicted that those top 25% of OGR orchards will earn on average \$15,000 - \$20,000 more per hectare than industry average OGR orchards.

## NEW ZEALAND GROWN KIWIFRUIT SUPPLY VOLUME BY VARIETY TO 2022



Zespri has released the licensed Gold variety G3 to replace the Psa susceptible Hort16A variety. The G3 variety has shown a greater tolerance to Psa, is very productive and has excellent fruit quality and handling attributes. The unique flavour and health benefits of G3 has endeared the variety to customers in the marketplace. The future forecasted volumes for this variety are expected to lift to over 60m trays by 2022.

The Green variety has been less impacted from Psa, its health benefits and eating experience continues to be in demand in the marketplace. It will remain the backbone of the New Zealand kiwifruit industry. Over the next three to five years there is likely to be a small increase in Green volume through productivity gains.



## WHAT ARE THE RISKS?

Most of the risks surrounding investment in kiwifruit orchards apply to the horticulture industry as a whole.

Factors influencing revenue streams and orchard profitability include exchange rate fluctuations, kiwifruit oversupply, overseas competition, weather, pests and disease, and the calibre of orchard management.

Although a number of these factors are beyond anyone's control, there are measures in place to mitigate the risks.

### EXCHANGE RATE

In selling kiwifruit to 53 markets around the world, Zespri is exposed primarily to three currencies: the Euro, Yen and US dollar.

Zespri operates a hedging policy, progressively taking cover on behalf of New Zealand kiwifruit growers, up to three years ahead. Currently Zespri has a significant amount of hedging in place to offset the prevailing high New Zealand dollar. On-going global volatility makes future years hard to predict, but to date Zespri has been very successful in managing the exchange rate and building global demand for New Zealand kiwifruit.

### WEATHER AND CLIMATIC EVENTS

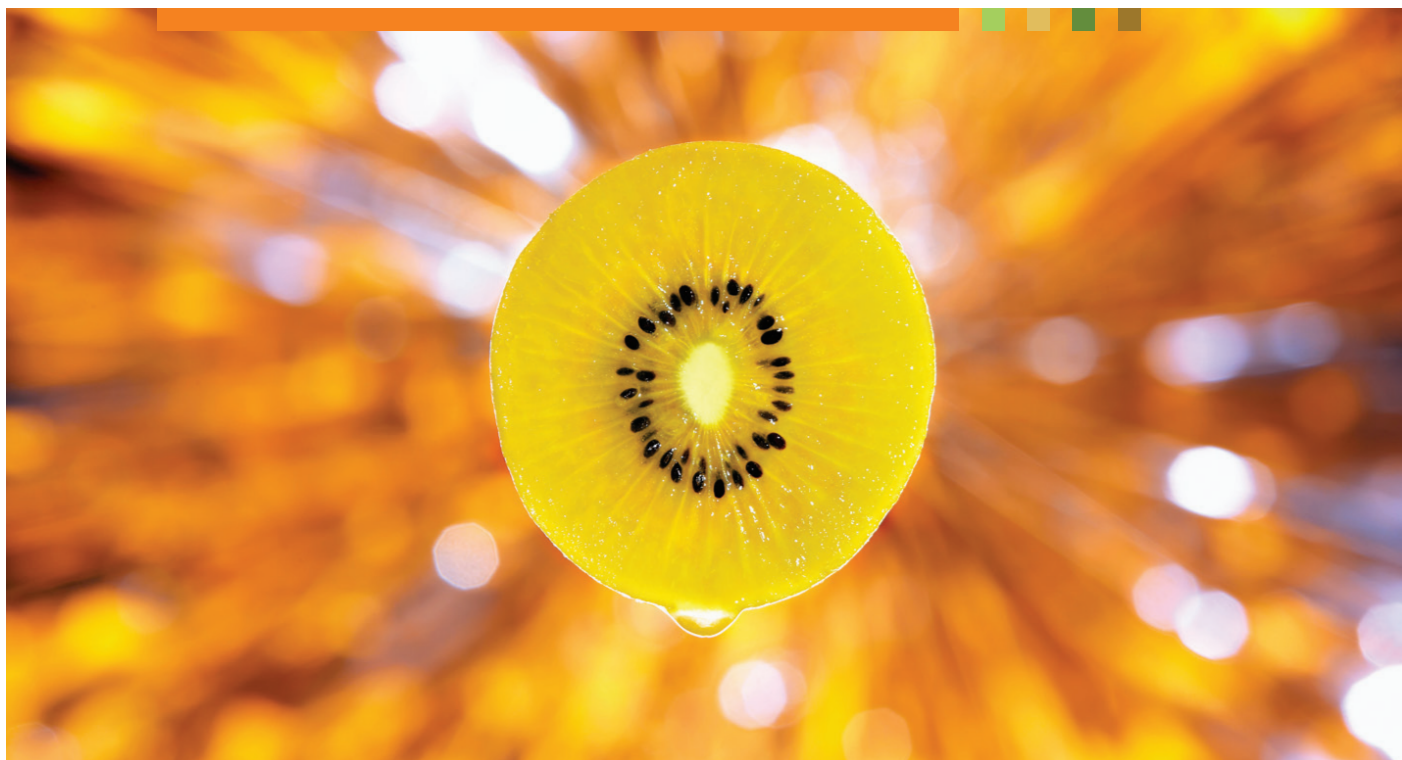
Orchard profitability is affected by fruit size, taste and yield. Nature plays a big part in determining crop volumes, with hail and frosts being the biggest potential threats. To safeguard against hail damage, Zespri covers all its kiwifruit crops with an industry hail insurance scheme. To minimise the risk from frost, we focus on investment orchards that are well located in frost free areas or are equipped with irrigation and/or windmills to help protect the crop.

### ORCHARD MANAGEMENT

Quality of management is a major factor in the performance of the kiwifruit orchard business. That is why we employ experienced orchard managers with proven track records in orchard management and why we monitor their performance on behalf of investors.

### INVESTMENT OPPORTUNITY RISKS

In addition to general risks that may apply to the kiwifruit industry, there will also be risks which are specific to each orchard property as well as investment risks. These risks will be discussed in the information memorandum for each investment opportunity, and should be considered carefully before making a decision about whether or not to invest.



## DISCLAIMER

This business profile has been compiled solely for information purposes to assist interested parties in making their own evaluation of Kiwifruit Equities Limited and any orchard involvement that it may promote. It does not purport to contain all the information that a prospective investor may require. In all cases, interested parties should conduct their own investigation and analysis of the company and the data contained in this business profile. Interested parties should read and take qualified advice on the information memorandum for each orchard investment.

Kiwifruit Equities Limited does not make any representation or warranty as to the accuracy or completeness of the information contained in this business profile. Furthermore Kiwifruit Equities Limited shall not have any liability to the recipient or any person resulting from the use of this business profile.

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