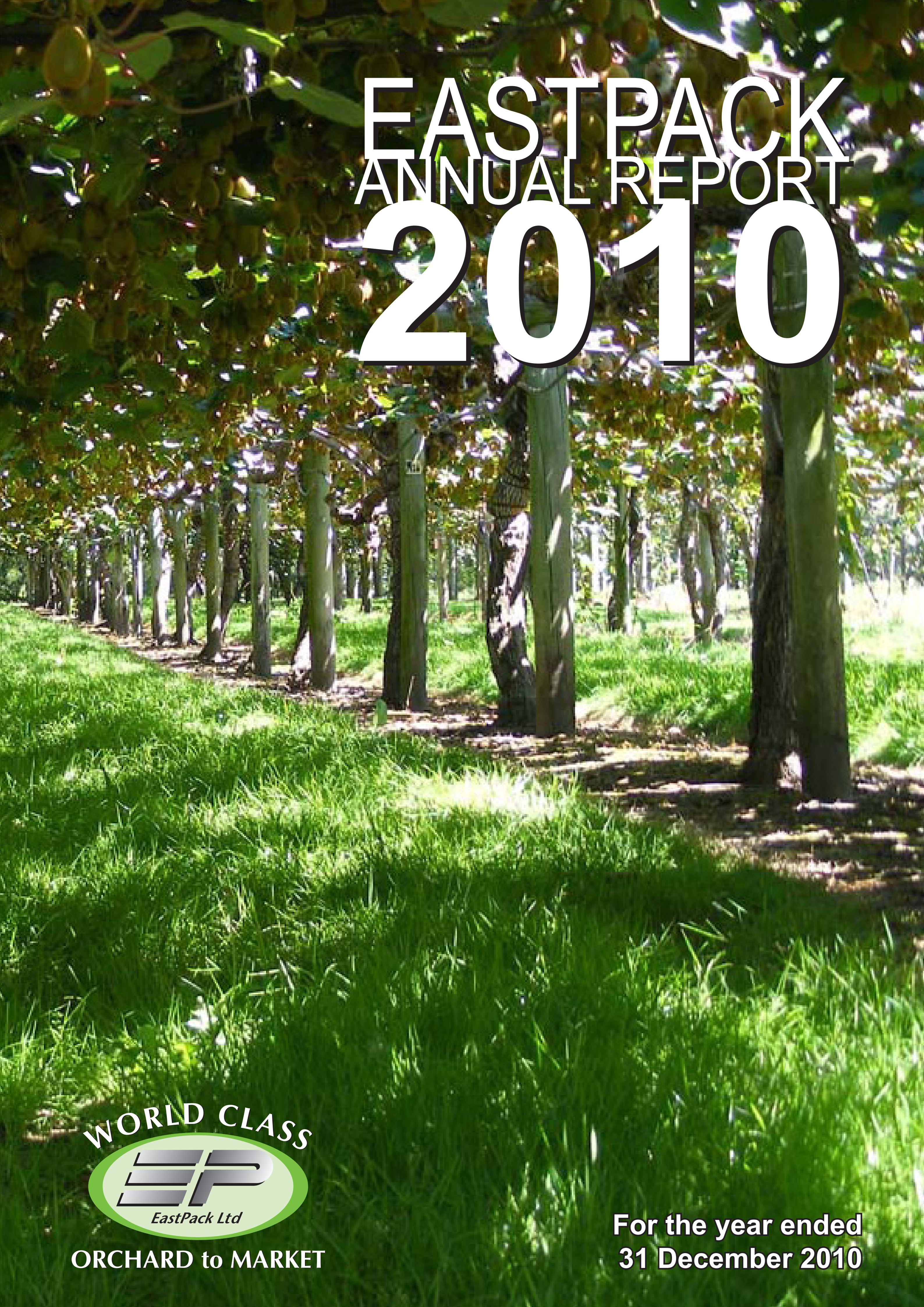
EASTPACK ANNUAL REPORT 2010



WORLD CLASS

EastPack Ltd

ORCHARD to MARKET

For the year ended
31 December 2010

EASTPACK LIMITED DIRECTORY

Date of Incorporation:	30 October, 1980
Status:	Co-operative under Co-operatives Companies Act 1996
Registered Office:	Eastbank Road, Edgecumbe
Directors:	R B Sharp (Chairman) M S Ashby G S Eynon A A Gault R M Hudson M G Kidd M McBride M J Montgomery
Chief Executive Officer:	A J Hawken
Company Administrator:	D M Smit
Bankers:	National Bank of NZ Limited
Auditors:	Staples Rodway Hamilton
Solicitors:	Sharp Tudhope Tauranga

CONTENTS

Financial Report

The Annual General Meeting of EastPack Ltd will be held at 7:30pm on Wednesday 20 April 2011 at the Edgecumbe War Memorial Hall.

All shareholders are welcome to attend.

CHAIRMAN'S & CHIEF EXECUTIVE'S 2010 PERFORMANCE REVIEW

EastPack has ended the 2010 financial year in a strong position and a continued focus on ensuring a sustainable future for the company, our growers and our staff. Given events during the year, including the Psa disease, recent national and international natural disasters, building a sustainable future for us all is paramount.

Our vision to be "World Class from Orchard to Market" and recognised as an industry leader and the preferred post harvest operator will see an ongoing commitment to maximising financial performance and increasing production capability and capacity.

FINANCIAL

We are pleased to report another solid financial result for the year ended 31 December 2010, with operating surplus before rebates up 19% from $8.8m to $10.5m.

Our focus on operational excellence has seen continued gains in our operational costs for the year. These savings enabled Directors to increase the rebate from 25 cents per tray to 30 cents per tray, and lift the pre-tax dividend from 14 cents per share to 15 cents per share. Operating profit after taxation has reduced $2.7m. This is a result of the taxation expense being inflated by $3.2m due to the one off, non cash, effect of change in tax legislation*.

Our equity ratio (transactor shares treated as equity) has continued to improve year on year, up from 55% in 2009 to 56% in the 2010 financial year. Without the effect from the change in tax legislation, 2010's equity ratio would be 60%.

Key Financial Statistics	2010	2009	%Change
Company Revenue	66,004,000	61,537,000	7%
Operating Surplus before Rebates	10,536,000	8,830,000	19%
Rebates paid	4,941,000	3,878,000	27%
Operating Profit before Tax	6,385,000	5,329,000	20%
After tax Profit	1,320,000	3,980,000	-67%
Earnings per Investor Share	5 cps	16 cps	-69%
Company Liabilities (excludes transactor Share Capital)	33,546,000	34,335,000	-2%
Number of Transactor Shares Issued	12,807,000	11,114,000	15%
Number of Investor Shares	24,503,000	24,503,000	0%
Equity Ratio (includes Transactor Share capital)	56%	55%	2%

** The extremely large tax expense this year has arisen from a change in the rules around depreciation for tax purposes. The government has removed the ability to depreciate any buildings estimated to last longer than 50 years. In future, any depreciation of those buildings for financial reporting purposes cannot be claimed for tax purposes. This adjustment creates a tax expense. In recognition of the future tax adjustments required, we have had to introduce a large deferred tax liability in this year which will progressively diminish over the life of our existing buildings. It is important to note that the adjustment does not affect our cashflow in the current year.*

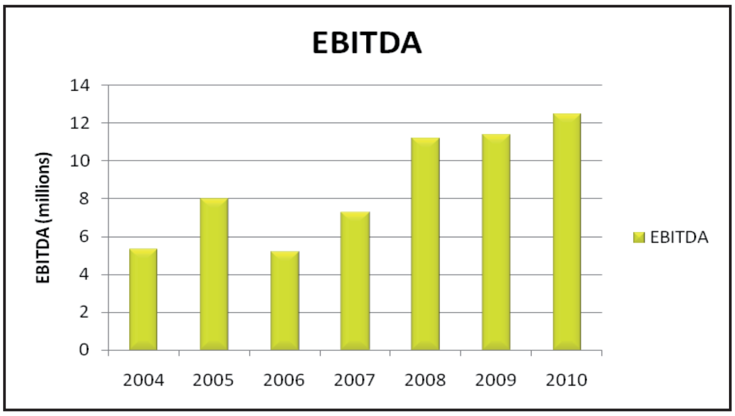
OPERATIONAL PERFORMANCE

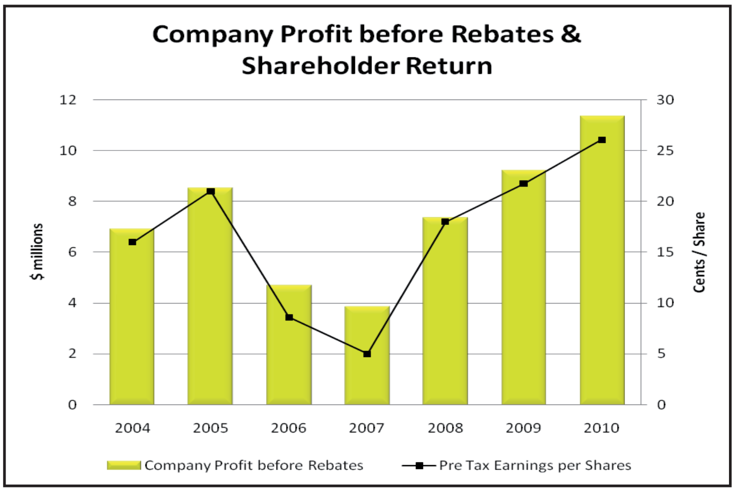
The Company has again achieved good results in cost reductions following our investment in the World Class LEAN Manufacturing process.

We achieved a further 7% improvement in efficiencies and waste reductions during the 2010 financial year. Over a two-year period the cumulative affect is 16%. We have been able to pass these gains in efficiency and reduction in wastage onto our Growers and Shareholders by way of improved rebate, dividends and OGR.

2010 was characterised by high GREEN reject rates and lower than expected yields; however EastPack successfully maximised Non Class I revenues, which resulted in increased OGR for GREEN & GOLD Growers.

Building on the success of the LEAN manufacturing process, this year we expanded the LEAN principles to include our Client Services Team, with the expectation that the orchard management and client advisory work can be similarly improved by standardised work and planning processes. Our objective is to lift the productivity of our Growers and managed orchards at the same time as managing costs and efficiencies.



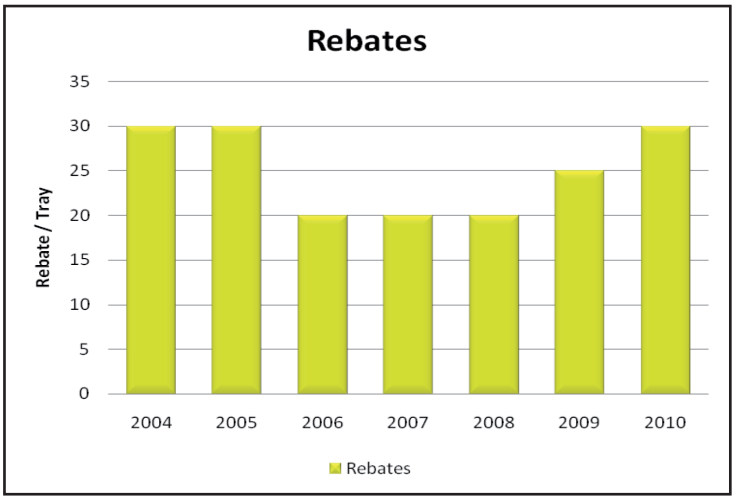


PSA (PSEUDOMONAS SYRINGAE PV ACTINIDIAE)

The outbreak of Psa during the 2010 financial year sent the industry into shock. The Growers directly involved know the disastrous impact on their lives, hopes and assets as we wait to see the full impact of this horrible incursion.

As a Company, we have been fully involved in the industry response with many meetings and staff directly involved with all affected Growers. It seems that its effect here in New Zealand is at least as bad as that seen in Italy.

Our hope is that our proactive Growers will react more quickly and deal with diseased orchards in recommended best practice ways. And that we will, as an industry and resourceful Growers, find effective management tools to prevent the worst



feared outcome of uncontrolled spread of the disease and be able to restore our orchard production, cashflows and asset values.

There are some orchardists showing glimmers of hope through spray programmes. However, those orchardists whose infected vines were identified early and whose orchards have been cut back need every assistance available to help them recover. All Growers face the uncertainty brought by this devastating disease and we will be doing what we can to help minimise the impact and ensure a sustainable future for EastPack and our Growers.

MERGERS AND ACQUISITIONS

In light of the uncertainty over the long term impact of the Psa disease on EastPack's supply future, your Directors withdrew from the Satara merger proposal. Our decision not to proceed with the merger reflected the importance of protecting the investment of Grower Shareholders and ensuring resources are there to support our Growers.

Our strategic focus on maximum financial performance and operational excellence leave us in a strong position with excellent processing facilities and a strong balance sheet to perform well for our suppliers. Since Psa was discovered, we have put additional investment in extra harvest bins, bin cleaning and sterilising equipment at each of our three sites to help prevent any cross-contamination of orchards at harvest time. Additional procedures are being worked on to ensure we do what we can to minimise risk.

CAPITAL EXPENDITURE 2011 SEASON

We are building three new coolstores in Te Puke and two new coolstores in Edgecumbe to handle the anticipated increased volume this year. Early indications are that we will likely process about 19m Class I trays of kiwifruit - up from 16.8m in 2009. EastPack is sampling for rejects and counting crops on our supplier's orchards as part of an effort to maximise Grower returns by assisting them to plan for lower reject rate crops. If achieved, this will also help the company process the crop in best time frames and produce a high quality packed product conducive to maximising our Grower return by reducing repacking and packing cost.

A big effort is being made this season to improve harvest maturity assessments and storage planning of your crop to reduce fruit loss and maximise storage incentives. While we have improved outcomes in the last two years there is still significant potential to increase Company and Grower returns with a further reduction of fruit loss. This remains a key area for improvement.

INDUSTRY OVERVIEW

GOLD Growers have enjoyed a bumper payout year. While it would be nice to expect this level of payout to be maintained it is probably unrealistic unless there is a decline in our relative exchange rate. The strong GOLD result has been achieved on a low volume, a favourable forward exchange hedge against the Yen in particular and also against the Euro, aided by the fact that approximately one third of the GOLD was sold in the premium Japanese market.

The excellent GOLD result highlights the benefit of having a quality "in demand" product with little low-cost competition and an orderly, well-promoted supply through the single desk system.

The big question for all of us, especially GREEN Growers, is do we continue to convert production to new varieties hoping to get the higher payout benefits, in the light of Psa? Each of you need to assess your own position in terms of your Psa risk, how suitable your orchard is for growing GOLD and the investment required. If your area is relatively isolated from current Psa V, infection the prospect probably remains attractive as a means of lifting your income prospects for the future.

Hayward kiwifruit remains challenged in the market place by cheap competition and rising costs of production and freight. Added to this is our dependence on the European market and a current adverse exchange rate which, if ZESPRI did not have hedged, would negatively impact returns from what we saw this year. ZESPRI has favourable hedging for approximately 60% of 2011 requirements for the Euro currency conversions however there is currently relatively little protection for the 2012 and 2013 crops. This may all change if there are favourable hedging opportunities, but right now, spot rates for conversion of the Euro are about 15% above the 2011 hedged rate. Should that continue or worsen, the viability of GREEN Growers is challenged. To help counteract this, ZESPRI's strategy is to strive to better allocate fruit in a shorter selling season, and achieve less fruit loss in order to maintain or improve GREEN returns.

Harvest is again upon us. Careful picking is essential to assist with low physical damage, and good fruit storage potential. We all need to make an effort to help EastPack maximise our fruit returns.

The RSE (Recognised Seasonal Employer) labour scheme continues to play an important role in EastPack's success and progress. The supplementary Pacific Island seasonal labour is essential to enable 24-hour operation of our packing facilities in Opotiki and Te Puke, where there is insufficient local labour to meet peak seasonal requirements. The RSE labour scheme has enabled us to continue strong growth and is an important key to continued industry growth. It gives the underlying confidence to further investment in our region, which is key to improving both the region and the national economies.

The single point of entry and current industry structure is strongly supported by EastPack and its Growers. It is a key strategic advantage for New Zealand's kiwifruit industry and sets our industry apart from the boom bust cycles of the world fruit supply industry. The premium returns, marketing, economies of scale, quality and packaging consistency, price influence and ready to eat delivery are things that this structure delivers and that our competitors can't.

OGR – ORCHARD GATE RETURNS

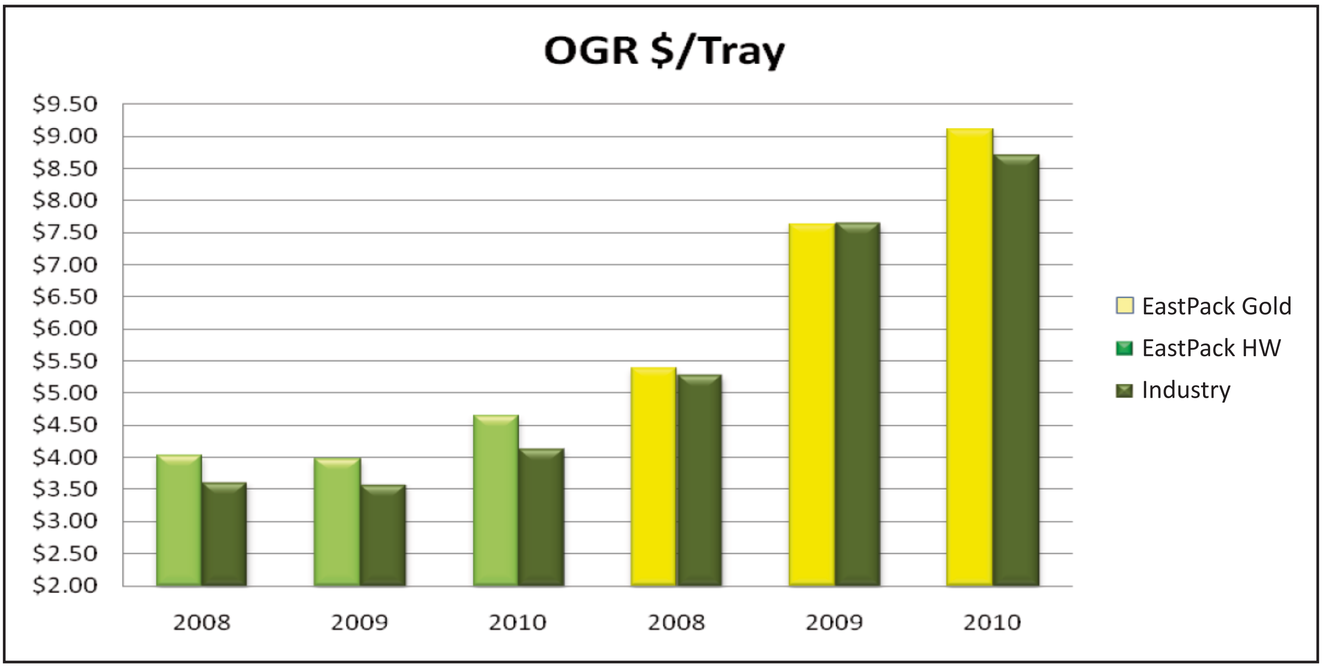
Our reputation for delivering one of the highest OGR in the industry continues. EastPack analysis shows that our OGR for 2010, for both GREEN and GOLD, are the best in the industry among the larger processors, if you include our rebates. This is a very pleasing result and what we have strived to achieve. This analysis is calculated fairly, removing distortions for disproportionate percentages of early harvest crops or exceptional taste or size biases in certain Suppliers' crops. The company average 2010 GREEN Growers' OGR is up 63 cents compared to the 2009 season, but this was offset by lower than expected yields and higher than anticipated reject levels.

DIRECTORSHIP

This year, myself and Michael Montgomery retire by rotation; however we are both offering ourselves for re-election at the Annual General Meeting.

Our Directors have maintained a strong representation for you across all industry forums. In addition to business as usual, they have also given their time generously over the last year to additional demands around merger and acquisition activities. Despite the decision we made not to conclude the proposed merger with Satara, one of the benefits of the investigating such a merger has been confirmation that our current EastPack model is very good and is not matched by many of our competitors. This stands us in good stead on our journey to being; World Class from Orchard to Market.

Our pursuit of improvement through the LEAN process is continuing to deliver positive results



in terms of improved consistency and quality standards, efficiency and bottom line profit. We are processing more fruit at lower cost through improved productivity, better systems and utilisation and less waste.

Our company will remain quality focussed; we believe this is what our Grower ownership values most. While we strive to deliver top OGR and good financial returns, these will not be at the cost of this primary objective. We feel that we have made excellent progress over the last year but we also know that this is a journey with scope for significant further improvement. We have particular focus going forward on improving fruit loss outcomes and improved inventory management - areas which can provide further significant improvement in Grower OGR and company profit. Reduced re-packing is also targeted as quality and systems are improved. Client Services is another area that we are targeting for improvement.

OUR STAFF

Employing high calibre management staff is fundamental to meeting our strategic objectives, and we will continue to pursue and employ quality people. We have seen a lift in motivation and involvement of staff at all levels across the Company this year.

We would like to acknowledge the hard work and professionalism of all EastPack staff which has enabled us to consistently grow the business over many years. The continued improvement philosophy of LEAN manufacturing has seen our staff “step up” and take on added responsibilities. EastPack has a strong succession policy, which saw a number of internal management promotions during the year. Investing in staff training and leadership programmes is a focus.

EastPack highly values Health and Safety of its staff and appointed a dedicated Health and Safety team member during 2010.

ACKNOWLEDGEMENTS

As Chairman, I wish to thank my fellow Directors for their support and input throughout the year. I would also like to acknowledge the important contribution made by the Advisors to the EastPack Entity Trust. Their candid feedback reflected grower views on a wide range of issues and enabled EastPack to communicate its strategy and direction. Thank you to our Growers for their continued support, professionalism, innovation and participation in attending meetings and field days.

We look forward to the opportunities before us in 2011 and beyond.

R B Sharp	Tony Hawken
Chairman	CEO

STATEMENT OF CORPORATE GOVERNANCE

Financial Statements

It is the directors' responsibility to ensure preparation of financial statements that give a true and fair view of the financial position of the company as at the end of the financial year and the results of operations and cash flows for the year. The external auditors are responsible for expressing an independent opinion on the financial statements.

The financial statements set out in this report have been prepared by management in accordance with generally accepted accounting practice. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable judgements and estimates.

After reviewing internal management financial reports and budgets the directors believe that the company will continue to be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Board of Directors

The company's constitution requires a minimum number of 6 shareholder directors, of those shareholder directors, not less than 4 shall hold Transactor Shares, and not less than 2 shall hold Investor Shares. At any given time not less than one director must reside in the Whakatane District, not less than one director must reside in the Opotiki District and not less than one director must reside in the Western Bay of Plenty or Hawkes Bay Districts. The maximum number of directors is nine.

At least one third of Directors shall retire from office each year at the annual general meeting, but shall be eligible for re-election. The retiring Directors must be those Directors who have been longest serving since they were last elected.

In addition to the shareholder directors, the Board may appoint not more than 2 persons, to be directors of the Company for such period as the Board shall think fit. An Appointed Director shall not be taken into account in determining the number of directors who are to retire by rotation at any annual meeting and he or she shall cease to hold office as a director at the expiration of the period for which he or she was appointed.

The Board currently comprises six shareholder directors, and two appointed directors.

The Directors have a wide range of skills and expertise that they use to the benefit of the company.

The primary responsibilities of the Board include:

- to establish the vision of the company
- to establish long-term goals and strategies of the company
- to approve annual financial reports
- to approve annual budgets
- to approve corporate policies
- to ensure the company has good internal controls and keeps adequate records
- to ensure legislative compliance
- to monitor the performance of executive management
- to appoint the CEO and fix terms of employment
- to ensure appropriate communication to stakeholders

Board procedures are governed by the Constitution and the Boards Operating Manual which includes a Board Charter and Code of Ethics.

Board Review

During the course of the last financial year, the Board conducted a formal assessment of its collective and individual performance. The process included one-on-one meetings between the Chair and each Director after completion of Institute of Directors Evaluation questionnaires by each Director on all Directors.

Conflicts of Interest and Related Parties

Directors disclose any general and specific interests that could be in conflict with their obligations to the company, The Company maintains a register of disclosed interest and transactions with related parties and balances outstanding relating to the year ending 31 December 2010 are disclosed in Note 32 of the Notes to the Financial Statements.

Risk Management

Management of risk is a key focus of the Board. A risk management system is in place which is used to identify and manage all business risk. The risk profile is reviewed annually

The Board monitors the operational and financial aspects of the company and considers recommendations from external auditors and advisors on the risks that the company faces. The Board ensures that recommendations made are assessed and appropriate action is taken where necessary to ensure risks are managed appropriately.

Internal Controls

It is management's responsibility to ensure adequate accounting records are maintained.

Directors are responsible for the company's system of internal financial controls. Internal financial controls have been implemented to minimize the possibility of material misstatement. They can provide only reasonable assurance and not absolute assurance against material misstatements or loss. No major breakdowns of internal controls were identified during the year.

Committees

The Board operates an Audit Committee and a Directors remuneration Committee.

Audit Committee

The Audit Committee meets with the Company's Auditor to discuss the quality of the audit and ensure the adequacy of the company's administrative, operating and accounting controls. It reviews the annual and financial reports before they are submitted to the full Board for approval.

Directors Remuneration Committee

The Committee comprises the Chairman of the Board, and three Grower Shareholders appointed at the shareholders Annual General Meeting.

Attendance at meetings

The Board meetings formally on a monthly basis and follows guidelines that ensure all Directors have available the necessary information to participate in an informed discussion on all agenda items. Separate Strategic Planning Meetings are held annually in conjunction with the Senior Management Team. Directors meeting attendances are disclosed in the Statutory Information section of this report.

Directors Remuneration

Directors' remuneration during the year is disclosed in the Statutory Information section of this report.

Executives' Remuneration

Executives' remuneration greater than $100,000 per annum received in their capacity as employees during the year is disclosed in the Statutory Information section of this report.

Entries in the Interests Register

In addition to the interests and related party transactions disclosures in Note 32 of the Notes to the Financial Statements, there were no interests disclosed to the Board during the year.

EASTPACK LIMITED
STATUTORY INFORMATION

As required by Section 211 of the Companies Act 1993 we disclose the following information:

The Group's principle activities during the year were:
- Packing and coolstorage of kiwifruit
- Orchard management

Directors' Interests:

R M Hudson, A A Gault, M McBride and R B Sharp own orchards for which the Company provides services on normal commercial terms.

G S Eynon and M J Montgomery own a kiwifruit contracting business that provides labour and contracting services to EastPack Kiwifruit Operations Limited under normal commercial terms. G S Eynon and M J Montgomery own an orchard that is leased to EastPack Kiwifruit Operations Limited on normal commercial terms.

R M Hudson is a partner of a business that provides contracting services to EastPack Kiwifruit Operations Ltd on normal commercial terms.

G S Eynon & M J Montgomery are Trustees of a Trust that leases EPC coolstores to EastPack Ltd on normal commercial terms.

G S Eynon & M J Montgomery are Directors of a Company that has plans to develop a new kiwifruit post harvest facility at Lemon Road, Paengaroa.

R B Sharp is a Director of Zespri, a major customer of EastPack Ltd. R B Sharp is also a Director of Robert Monk Transport Ltd which provides transport services to EastPack Limited on normal commercial terms. R B Sharp has no financial interest in Robert Monk Transport Ltd.

Use of Company Information:

The Board received no notices during the year from directors requesting the use of company information received in their capacity as directors which would not have been otherwise available to them.

Share Dealing:

Directors acquiring shares or any interest in shares in the company during the year are as follows:

	Shares Acquired During the year		Shares Sold During the year	
	Transactor	Investor	Transactor	Investor
R B Sharp	55,454	92,098	-	-
M S Ashby	-	-	-	-
G S Eynon	4,730	-	-	-
A A Gault	10,259	33,324	-	-
R M Hudson	11,920	-	-	-
M G Kidd	-	-	-	-
M R McBride	22,724	-	-	524,792
M J Montgomery	4,730	-	-	-

All Transactor shares were issued at $1 per share.

EASTPACK LIMITED
STATUTORY INFORMATION

Remuneration & Other Benefits:

The following persons held office as Director during the year and received the following remuneration:

	2010 Remuneration	2010 Other Benefits	2009 Remuneration	2009 Other Benefits
R B Sharp	52,000	-	50,000	-
M S Ashby	31,250	-	27,500	-
G S Eynon	35,000	-	25,833	-
A A Gault	27,750	-	16,833	-
R M Hudson	27,750	-	24,500	-
M G Kidd	36,250	12,900	35,000	-
M R McBride	27,750	-	16,833	-
M J Montgomery	27,750	3,000	24,500	-
A K Woolsey	-	-	7,833	-
G W Sommerville	-	-	7,668	-
	$ 265,500	$ 15,900	$ 236,500	$ -

Remuneration of Employees

The number of employees, who are not directors, whose remuneration and benefits exceeded $100,000 in the financial year were:

	Group	Parent
100,000 - 110,000	1	1
110,000 - 120,000	1	1
120,000 - 130,000	1	1
130,000 - 140,000	1	1
140,000 - 150,000	3	3
150,000 - 160,000	1	1
160,000 - 170,000	1	1
220,000 - 230,000	1	1
230,000 - 240,000	1	-
	12	11

Donations

No donations were made by the company during the year.

For and on behalf of the Board:

	Chairman	17 March 2011
	Director	17 March 2011

EASTPACK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	GROUP		PARENT	
		2010	2009	2010	2009
		$	$	$	$
Revenue	(4)	66,004,295	61,537,141	61,964,709	58,007,965
Packaging materials		12,662,095	12,119,540	12,662,095	12,119,540
Employee benefits		22,874,017	22,908,570	22,376,161	22,313,864
Depreciation		5,134,538	4,958,821	5,128,354	4,948,842
Directors compensation		281,400	236,500	281,400	233,500
Other expenses		12,769,685	10,634,604	8,699,879	7,456,491
Rental and operating lease expenses		722,159	750,454	722,159	754,322
Finance costs		1,023,915	1,098,274	1,023,740	1,098,099
		55,467,809	52,706,763	50,893,788	48,924,658
Operating profit before rebates		10,536,486	8,830,378	11,070,921	9,083,307
Less rebates paid		4,941,106	3,878,170	4,941,106	3,878,170
Share of profit in associates	(28)	789,130	377,148	-	-
Operating profit before taxation		6,384,510	5,329,356	6,129,815	5,205,137
Less taxation	(6)	5,064,320	1,349,442	4,865,399	1,318,177
Operating profit after taxation		**1,320,190**	**3,979,914**	**1,264,416**	**3,886,960**
Other comprehensive income					
Gain on revaluation	(9)	-	2,006,278	-	2,006,278
Gain/(Loss) on fair value of equity investments	(9)	(22,863)	36,051	(22,863)	36,051
Other comprehensive income for the year		**(22,863)**	**2,042,329**	**(22,863)**	**2,042,329**
Total Comprehensive income for the year		**1,297,327**	**6,022,243**	**1,241,553**	**5,929,289**
Profit attributable to:					
Owners of the Company		1,297,201	6,018,526		
Minority interests		126	3,717		
Earnings per share					
Basic earnings per share	(7)	0.05 cents	0.16 cents		
Diluted earnings per share	(7)	0.05 cents	0.16 cents		

WORLD CLASS
EastPack Ltd
ORCHARD to MARKET

EASTPACK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Share capital	Asset revaluation reserve	Available for sale reserve	Retained earnings	Minority interests	Total
		$	$	$	$	$	$
GROUP							
Opening balance 1 January 2009		9,617,088	11,658,617	54,965	5,286,087	-	**26,616,757**
Profit or loss for the year	(10)	-	-	-	3,976,197	3,717	**3,979,914**
Other comprehensive income**:**							
Fair value of equity investments	(9)	-	-	36,051	-	-	**36,051**
Revaluation of property, plant and equipment	(9)	-	2,006,278	-	-	-	**2,006,278**
Minority interest equity on acquisition	(11)	-	-	-	(26,288)	20,000	**(6,288)**
Payment of dividends	(12)	-	-	-	(2,358,977)	-	**(2,358,977)**
Closing balance 31 December 2009		**9,617,088**	**13,664,895**	**91,016**	**6,877,020**	**23,717**	**30,273,736**
Profit or loss for the year	(10)	-	-	-	1,320,064	126	**1,320,190**
Other comprehensive income**:**							
Fair value of equity investments	(9)	-	-	(22,863)	-	-	**(22,863)**
Revaluation of property, plant and equipment	(9)	-	-	-	-	-	**-**
Minority interest equity on acquisition	(11)	-	-	-	-	(12,800)	**(12,800)**
Payment of dividends	(12)	-	-	-	(2,400,967)	-	**(2,400,967)**
Closing balance 31 December 2010		**9,617,088**	**13,664,895**	**68,153**	**5,796,117**	**11,042**	**29,157,295**
PARENT							
Opening balance 1 January 2009		9,617,088	11,658,617	54,965	4,124,599	-	**25,455,269**
Profit or loss for the year	(10)	-	-	-	3,886,960	-	**3,886,960**
Other comprehensive income**:**							
Fair value of equity investments	(9)	-	-	36,051	-	-	**36,051**
Revaluation of property, plant and equipment	(9)	-	2,006,278	-	-	-	**2,006,278**
Payment of dividends	(12)	-	-	-	(2,358,977)	-	**(2,358,977)**
Closing balance 31 December 2009		**9,617,088**	**13,664,895**	**91,016**	**5,652,582**	**-**	**29,025,582**
Profit or loss for the year	(10)	-	-	-	1,264,416	-	**1,264,416**
Other comprehensive income							
Fair value of equity investments	(9)	-	-	(22,863)	-	-	**(22,863)**
Revaluation of property, plant and equipment	(9)	-	-	-	-	-	**-**
Payment of dividends	(12)	-	-	-	(2,400,967)	-	**(2,400,967)**
Closing balance 31 December 2010		**9,617,088**	**13,664,895**	**68,153**	**4,516,032**	**-**	**27,866,168**

EASTPACK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	GROUP		PARENT	
		2010	2009	2010	2009
		$	$	$	$
EQUITY					
Share capital	(8)	9,617,088	9,617,088	9,617,088	9,617,088
Reserves	(9)	13,733,048	13,755,911	13,733,048	13,755,911
Retained earnings	(10)	5,796,117	6,877,020	4,516,032	5,652,583
Total equity attributable to equity holders of the Company		29,146,253	30,250,019	27,866,168	29,025,582
Minority interest	(11)	11,042	23,717	-	-
Total Equity		29,157,295	30,273,736	27,866,168	29,025,582
NON CURRENT LIABILITIES					
Deferred taxation	(6)	6,602,540	3,554,301	6,188,714	3,144,877
Income in advance	(19)	132,230	382,230	132,230	382,230
Transactor shares	(18)	12,807,308	11,114,040	12,807,308	11,114,040
Borrowings	(20)	10,196,647	10,200,000	10,196,647	10,200,000
		29,738,725	25,250,571	29,324,899	24,841,147
CURRENT LIABILITIES					
Borrowings - current portion	(20)	7,550,000	11,470,000	7,550,000	11,470,000
Accounts payable	(13)	6,209,810	6,625,231	5,848,946	6,282,800
GST payable	(13)	456,830	315,527	454,643	315,243
Employee entitlements	(14)	548,989	289,793	541,480	279,243
Provision for dividend	(15)	1,266,423	1,134,544	1,266,423	1,134,544
Provision for taxation	(6)	332,278	114,513	336,993	323,204
Income in advance	(19)	250,000	250,000	250,000	250,000
		16,614,330	20,199,608	16,248,485	20,055,034
TOTAL FUNDS EMPLOYED		**75,510,350**	**75,723,915**	**73,439,552**	**73,921,763**
NON CURRENT ASSETS					
Property, plant and equipment	(26)	67,409,464	66,922,276	67,390,069	66,899,971
Investments in subsidiaries	(27)	-	-	29,799	80,999
Investments in associates	(28)	1,259,608	1,443,735	712,078	712,078
Investments	(29)	879,498	923,326	761,599	786,095
Intangible assets	(30)	-	-	-	-
Unpaid transactor shares - term	(25)	78,866	65,026	78,866	65,026
		69,627,436	69,354,363	68,972,411	68,544,169
CURRENT ASSETS					
Cash and cash equivalents	(21)	871,386	640,709	352,521	271,341
Accounts receivable	(22)	2,426,619	2,091,885	1,402,130	1,445,528
Intercompany advances	(32)	-	-	1,477,834	1,427,834
Leased orchards	(23)	1,347,030	1,368,448	-	-
Inventory	(24)	1,228,419	2,235,750	1,225,196	2,200,131
Unpaid transactor shares - current	(25)	9,460	32,760	9,460	32,760
		5,882,914	6,369,552	4,467,141	5,377,594
TOTAL ASSETS		**75,510,350**	**75,723,915**	**73,439,552**	**73,921,763**

For and on behalf of the Board:

Chairman 17 March 2011

Director 17 March 2011

EASTPACK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	GROUP 2010 $	GROUP 2009 $	PARENT 2010 $	PARENT 2009 $
CASHFLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		66,716,326	62,419,912	62,026,498	57,340,780
Interest received		70,892	56,274	39,078	12,263
Dividends received		97,435	195,921	1,070,167	552,180
GST received/(paid)		(30,343)	177,348	13,286	92,220
		66,854,310	62,849,455	63,149,029	57,997,443
Cash was applied to:					
Payments to suppliers and employees		51,624,625	52,317,584	47,085,535	46,968,019
Interest paid		1,023,915	1,098,274	1,023,740	1,098,099
Taxation paid		4,843,445	1,328,324	4,851,610	1,320,939
		57,491,985	54,744,182	52,960,885	49,387,057
NET CASH FLOWS FROM OPERATING ACTIVITIES	(31)	9,362,325	8,105,273	10,188,144	8,610,386
CASHFLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Associate dividends		973,261	357,143	-	-
Proceeds from investments		70,530	32,792	51,200	-
Cash on acquisition of subsidiary		-	466,318	-	-
		1,043,791	856,253	51,200	-
Cash was applied to:					
Purchase of shares		-	80,000	-	80,000
Purchase of property, pant and equipment		5,621,727	8,948,183	5,618,452	8,947,569
		5,621,727	9,028,183	5,618,452	9,027,569
NET CASH FLOWS FROM INVESTING ACTIVITIES		(4,577,936)	(8,171,930)	(5,567,252)	(9,027,569)
CASHFLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Issue of shares		1,629,268	1,285,240	1,693,268	1,285,240
Unpaid capital receipts		9,460	106,091	9,460	106,091
Advances from subsidiaries		-	-	-	25,000
		1,638,728	1,391,331	1,702,728	1,416,331
Cash was applied to:					
Advances to associates		-	14,823	-	-
Advances to subsidiaries		-	-	50,000	-
Payment of dividends to shareholders		2,269,087	2,137,238	2,269,087	2,137,328
Repayment of borrowings		3,923,353	530,000	3,923,353	530,000
		6,192,440	2,682,061	6,242,440	2,667,328
NET CASH FLOWS FROM FINANCING ACTIVITIES		(4,553,712)	(1,290,730)	(4,539,712)	(1,250,997)
Net increase (decrease) in cash and cash equivalents		230,677	(1,357,387)	81,180	(1,668,180)
Add opening cash and cash equivalents		640,709	1,998,096	271,341	1,939,521
Closing cash and cash equivalents	(21)	871,386	640,709	352,521	271,341

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

EastPack Limited (the "Company") is a co-operative company domiciled and incorporated in New Zealand, registered under the Co-operative Companies Act 1996. The Company is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of the Company has been prepared in accordance with the Financial Reporting Act 1993.

The financial statements for the "Parent" are for the Company as a separate legal entity. The consolidated financial statements for the "Group" are for the economic entity comprising the Company and its subsidiaries per note 27.

The Company and Group are designated as profit oriented entities for financial reporting purposes. The principal activities of the Group and Company are operating a packhouse, coolstorage, providing orchard management and a transport agent.

The financial statements were approved by the Board of Directors on 17 March 2011. Once issued, the Directors do not have the power to amend these financial statements.

(a) Basis of preparation of the financial report

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Compliance with IFRS
These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. They also comply with International Financial Reporting Standards (IFRS).

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

Historical Cost Convention
The financial report has been prepared under the historical cost convention, with the exception of some liabilities which are measured at fair value, and revaluations to fair value for certain classes of assets as described in the accounting policies.

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

Accounting for Goods and Services Tax
All revenue and expense transactions are recorded exclusive of GST. Assets and liabilities are similarly stated exclusive of GST, with the exception of receivables and payables, which are stated with GST included. The net amount of GST recoverable from, or payable to, Inland Revenue, is included as part of receivables or payables in the statement of financial position.

(b) Consolidation

Investments in subsidiaries and associates by the Company are carried at cost in the Company's financial statements.

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

(b) Consolidation (continued)

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.
Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Associate companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Associate companies (continued)

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Goods and Services Tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sales and charges
Revenue from the sale of goods is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest revenue
Interest income is recognised on a time-proportion basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend revenue
Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Rent revenue
Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(d) Inventories

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

(e) Leased Orchards

Prepaid leased orchard expenses are carried forward in the Statement of Financial Position as an asset and recognised at the same time as the income to which they relate, i.e. against the crop proceeds from the following year.

(f) Property, Plant and Equipment

All items of Property, Plant and Equipment are initially measured at cost. The cost of an item of property, plant and equipment includes its purchase/construction price, costs directly attributable to bringing it to the location and condition necessary for it to operate as intended and the initial estimate of dismantling and removing the item and restoring the site on which it is located. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Where an item of property, plant and equipment is self-constructed, its construction cost includes the cost of materials and direct labour and an appropriate proportion of production overheads.

After initial recognition, all items of property, plant and equipment, except land and buildings, are measured at cost less accumulated depreciation and impairment losses.

Land, land improvements, buildings and plant and equipment are measured at revalued amounts less any subsequent accumulated depreciation and impairment losses. Revaluations are undertaken by an independent registered valuer with sufficient frequency to ensure that the carrying value of the item does not differ materially from its fair value. Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the profit or loss. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the asset and the net amount is restated to the revalued amount of the asset. At each balance date the carrying value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the profit or loss as an expense as incurred. Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (i.e. if the asset is impaired). An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit or loss. Upon disposal or derecognition or a revalued asset, any revaluation reserve relating to the particular asset is transferred to retained earnings.

Other plant and equipment
Other plant and equipment is measured at cost less accumulated depreciation and impairment losses.
Plant and equipment not revalued includes: motor vehicles, Information technology assets and furniture and fittings.

(f) Property, Plant and Equipment (continued)

Depreciation
Land is not depreciated. Capital works in progress are not depreciated until completed and available for use. Depreciation on other assets is calculated using the straight-line and diminishing value methods to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Depreciation is charged in the profit or loss. The residual value and useful lives of all assets are reviewed and adjusted if appropriate at each reporting date. Land is not depreciated. Capital works in progress are not depreciated until commissioned.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation basis	
Land Improvements	4%	Diminishing value
Buildings	2.0 - 48 %	Straight line
Plant and Motor Vehicles	2.0 - 60 %	Diminishing value
Furniture and Fittings	9.5 - 60 %	Diminishing value

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Leases as a Lessee
Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables.

The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term and is assessed for indicators of impairment in the same manner as other non-financial assets.

Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Leases as a lessor
Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases.

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment and are assessed for indicators of impairment in the same manner as other non-financial assets. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(h) Intangibles

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Patents, trademarks and licences
Intangible assets with finite lives are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Patents, trademarks and licences are recognised at cost of acquisition. Patents, trademarks and licenses have a finite life and are carried at cost less accumulated amortisation and any impairment losses. They are amortised over their estimated useful lives which range from 10 to 15 years.

(i) Income Tax

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

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 in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting 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 profit will be available against which the temporary differences can be utilised.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(j) Foreign Currency

Transactions and Balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges.

(k) Employee Benefits

Liabilities for employee entitlements are carried at the present value of the estimated future cash flows.

Wages, salaries, statutory days in lieu, annual leave, and sick leave
Liabilities for wages and salaries, including non-monetary benefits, statutory days in lieu, annual leave and sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Profit sharing and bonus plan
The Group recognises bonuses and profit sharing payments when it is contractually obliged to make such payments, or when there is a past practice that has created a constructive obligation to make such payments.

Superannuation plans
The Group pays contributions to superannuation plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(l) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(m) Finance Costs

Finance expenses comprise interest expense on borrowings (except when capitalised to a qualifying asset), unwinding of the discount on provisions, foreign currency losses, and impairment losses recognised on financial assets (except for trade receivables).

Finance costs are expensed using the effective interest method.

(n) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is one that takes six months or longer to prepare for its intended use or sale. Other borrowing costs are expensed when incurred.

Where the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs capitalised are the actual borrowing costs incurred on that borrowing, less any investment income on the temporary investment of those borrowings.

Where the Group borrows funds generally and uses them to fund a qualifying asset, the amount of borrowing costs capitalised is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of funding a qualifying asset.

(o) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets not yet available for use are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(p) Financial Instruments

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

(p) Financial Instruments (continued)

Financial assets at fair value through profit or loss
This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

The Group has no financial assets classified as financial assets at fair value through the profit or loss.

Held-to-maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

The Group has no financial assets classified as held to maturity investments.

Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

The Group's loans and receivables comprise receivables and cash and cash equivalents.

Available-for-sale
Available for sale financial assets are non derivatives, principally equity securities, that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

The Group's available for sale assets comprise of investments.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss. Investments in equity instruments that do have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in the profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as gains and losses from investment securities. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(p) Financial Instruments (continued)

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

Financial liabilities
Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities. Non-interest bearing loans and payables are payable on demand and are therefore recognised at their face value at inception.

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the profit or loss over the period of the borrowing using the effective interest method.

Hedge accounting
The Group may use derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are recycled in the profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

(p) Financial Instruments (continued)

Certain derivative instruments do not qualify for hedge accounting or hedge accounting has not been adopted. Changes in the fair value of these derivative instruments are recognised immediately in the profit or loss.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement purposes. The fair value of forward exchange contracts is determined using forward exchange market rates for contracts with similar maturity profiles at the reporting date. The fair value of interest rate swaps is determined by reference to market values for similar contracts.

(q) Transactor Shares

Transactor share capital is classified as a liability as they are redeemable at the option of the shareholder. Rebates payable to Transactor shareholders are recognised in the profit or loss on an accruals basis.

(r) Dividend distribution

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Company shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(s) Change in Accounting Policy

The following new and revised standards and interpretations have been adopted in the current period and have affected the amounts and disclosures reported in these financial statements. Details of other standards and interpretations issued but not adopted are reported in note 3.

The revised NZ IFRS 3 Business Combinations (NZ IFRS 3) has been adopted in the current year. The amended NZ IFRS 3:

Allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.

Changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the measurement period (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss.

Where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, requires the recognition of a settlement gain or loss.

Requires that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

There have been no business combinations in the current period.

There have been no other changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectation for the future.

Critical accounting estimates and assumptions

In the application of NZ IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Income taxes
Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Valuation of property plant and equipment
Land and buildings are measured at fair value as determined by an independent valuer. The independent valuer users valuation techniques which are inherently subjective and involve estimation. Further explanation is provided in Note 26.

NOTE 3: NEW STANDARDS

Standards, interpretations and amendments to published standards that are not yet effective:

Certain new standards, amendments and interpretations issued by the IASB and the New Zealand Equivalents to those standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 July 2009 or later periods but which the Group has not early adopted.

Not yet adopted:

NZ IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2013. Earlier application is permitted. NZ IFRS 9 is part of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces amended requirements for classifying and measuring financial assets and liabilities. Management is still assessing the impact that adoption of NZ IFRS 9 will have.

*NZ IAS 24 Related Party Disclosure*s replaces the 2004 version of the standard. The revised NZ IAS 24 is be applied retrospectively for annual periods beginning on or after 1 January 2011. Earlier application is permitted. The revised NZ IAS 24 clarifies the definition of a related party and requires the disclosure of commitments involving related parties. Although management is still assessing the impact that adoption of the revised NZ IAS 24 will have, any impact will be to disclosure only (i.e. there will be no recognition or measurement impacts).

The Group has not early adopted any NZ IFRS's.

4. REVENUE

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Sales and charges	64,360,546	59,671,966	59,367,076	55,807,362
Dividends received	96,909	195,037	1,070,167	552,180
Rent revenue	99,212	10,537	99,212	10,537
Interest revenue	58,452	37,846	39,078	12,263
Other revenue	1,389,176	1,621,755	1,389,176	1,625,623
	66,004,295	61,537,141	61,964,709	58,007,965

5. AUDITORS' REMUNERATION

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Amounts paid or due and payable to the auditors for:				
Auditing the financial statements	37,500	37,500	34,500	34,500
Other audit related services	13,500	13,500	13,500	13,500
Other services:				
Due Diligence	115,606	-	115,606	-
Tax compliance work and advice	23,033	10,000	19,593	7,500
	189,639	61,000	183,199	55,500
Subsidiary auditor fees paid or payable to KPMG for:				
Auditing the financial statements	-	5,000	-	-
Tax compliance work and advice	-	6,566	-	-
	-	11,566	-	-
	189,639	72,566	183,199	55,500

6. INCOME TAX

	GROUP		PARENT	
	2010	2009	2010	2009
Income tax expense:	$	$	$	$
Current tax	2,016,081	1,290,019	1,821,562	1,449,472
Deferred tax	3,048,239	59,423	3,043,837	(131,295)
	5,064,320	1,349,442	4,865,399	1,318,177

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	GROUP		PARENT	
	2010	2009	2010	2009
Prima facie income tax payable on profit before	$	$	$	$
income tax at 30% (2009: 30%)	1,915,353	1,598,807	1,838,945	1,561,541
Add:				
Tax effect of				
- non deductible expenses	396,387	5,716	341,337	5,716
- non assessable income	(75,000)	(75,000)	(75,000)	(75,000)
- share of associate dividends	-	(6,972)	-	-
- imputation credits received	(456,496)	(170,479)	(456,338)	(170,479)
- adjustments of prior years	43,147	(2,630)	(54,033)	(3,601)
- effect of change in tax legislation	3,240,929	-	3,270,488	-
Income tax expense attributable to profit	5,064,320	1,349,442	4,865,399	1,318,177

6. INCOME TAX (CONTINUED)

The Taxation (Budget Measures) Act 2010 was enacted on 27 May 2010, which lowered the company tax rate from 30% to 28% for income derived in the 2012 and future tax years. The 2010 income tax year is the final income year using the 30% rate and so all future reversals of deferred tax assets/liabilities will be at 28%.

There are no unrecognised tax losses or temporary differences carried forward (2009: Nil)

Deferred tax assets and liabilities

GROUP

	Property, Plant and Equipment	Stock Obsolescence	Employee Entitlements	Leased Orchards	Fair Value Adjustment	Total
	$	$	$	$	$	$
1 January 2009	(2,912,131)	124,905	69,138	(218,705)	35,700	(2,901,093)
Charge/(credit) to income	117,043	(26,525)	46,619	(190,718)	(5,842)	(59,423)
Charge/(credit) to equity	(593,785)	-	-	-	-	(593,785)
31 December 2009	(3,388,873)	98,380	115,757	(409,423)	29,858	(3,554,301)
Charge/(credit) to income	(3,092,031)	1,975	74,971	(3,292)	(29,858)	(3,048,239)
31 December 2010	(6,480,904)	100,355	190,728	(412,715)	-	(6,602,540)

PARENT

	Property, Plant and Equipment	Stock Obsolescence	Employee Entitlements	Leased Orchards	Fair Value Adjustment	Total
	$	$	$	$	$	$
1 January 2009	(2,912,131)	124,905	69,138	-	35,700	(2,682,388)
Charge/(credit) to income	117,043	(26,525)	46,619	-	(5,842)	131,295
Charge/(credit) to equity	(593,785)	-	-	-	-	(593,785)
31 December 2009	(3,388,873)	98,380	115,757	-	29,858	(3,144,877)
Charge/(credit) to income	(3,092,031)	1,975	76,081	-	(29,858)	(3,043,837)
31 December 2010	(6,480,904)	100,355	191,838	-	-	(6,188,714)

Provision for Taxation

	GROUP		**PARENT**	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Opening balance	(114,513)	(330,581)	(323,204)	(325,966)
Current year tax expense	(5,064,320)	(1,349,442)	(4,865,399)	(1,318,177)
Tax expense attributable to deferred tax	3,048,239	59,423	3,043,837	(131,295)
Tax payments	1,798,316	1,335,316	1,807,773	1,281,755
Imputation credits received	-	170,771	-	170,479
Closing tax refund / (payable)	(332,278)	(114,513)	(336,993)	(323,204)

6. INCOME TAX (CONTINUED)

Imputation Credit Account

	PARENT	
	2010	**2009**
	$	**$**
Balance as at 1 January 2009	2,493,644	2,212,391
Income tax payments (refunds) during year	1,775,000	1,218,751
Imputation credits on dividends received	456,338	170,771
Imputation credits on dividends paid	(1,099,102)	(1,118,623)
Resident withholding tax paid	36,007	10,354
Balance as at 31 December 2010	3,661,887	2,493,644

At balance date the imputation credits available to the shareholders of the parent company:

Through direct holding in parent company	3,661,887	2,493,644
Through direct interests in subsidiaries	72,069	75,286
	3,733,956	2,568,930

7. EARNINGS PER SHARE

	GROUP AND PARENT	
	2010	**2009**
	$	**$**
Profit attributable to ordinary shareholders	1,320,190	3,979,914
Profitable attributable to parent interest on dilution	1,320,190	3,979,914
Weighted average number of ordinary shares issued	24,503,122	24,503,122
Basic earnings per share	0.05 cents	0.16 cents
Diluted earnings per share	0.05 cents	0.16 cents

Earnings per ordinary share is based on the weighted average number of ordinary shares on issue during the year, and on the operating surplus after tax attributable to shareholders.

8. SHARE CAPITAL

			GROUP AND PARENT	
	2010	**2009**	**2010**	**2009**
	No of shares	**No of shares**	**$**	**$**
Share capital at 1 January 2010	24,503,122	24,503,122	9,617,088	9,617,088
Transfers from shareholders	(3,265,414)	(402,236)	(2,259,802)	(278,301)
Transfers to shareholders	3,265,414	402,236	2,259,802	278,301
Share capital at 31 December 2010	24,503,122	24,503,122	9,617,088	9,617,088

The authorised share capital of the company includes 24,503,122 (2009: 24,503,122) Investor shares. 88,326 $1.00 (2009: 97,786 $1.00) shares are not paid up. For further details refer to note 25. The shareholding in the company is divided into two classes Transactor and Investor Shares. Transactor shares are classified as term liabilities, see further detail in note 18.

Investor Shares
Investor shares are issued under the Companies Act 1993 and are tradable. Investor shares carry 40% of the voting power of all shares on issue, and carry the right to participate in any annual dividends declared by the directors of the company. Investor shares can participate in any surplus assets upon liquidation after the holders of Transactor shares have been paid out. There have been no changes to the terms and rights of the shares during the year.

9. RESERVES

Available for sale reserve	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Balance at 1 January 2010	91,016	54,965	91,016	54,965
Movement during the year	(22,863)	36,051	(22,863)	36,051
Balance at 31 December 2010	68,153	91,016	68,153	91,016

Available for sale reserve relates to fair value adjustments of investments in listed companies classified as available for sale investments.

Asset Revaluation Reserve	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Balance at 1 January 2010	13,664,895	11,658,617	13,664,895	11,658,617
Movement during the year	-	2,600,061	-	2,600,061
Deferred tax on revaluation	-	(593,783)	-	(593,783)
Balance at 31 December 2010	13,664,895	13,664,895	13,664,895	13,664,895
Total Reserves	13,733,048	13,755,911	13,733,048	13,755,911

Reflects increment in fixed asset valuation on land, buildings and plant performed in February 2010. For more details refer to note 26.

10. RETAINED EARNINGS

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Retained earnings at 1 January 2010	6,877,020	5,286,087	5,652,583	4,124,599
Net surplus attributable to shareholders	1,320,064	3,976,197	1,264,416	3,886,960
Reversal of previously accounted Associate earnings	-	(26,288)	-	-
Distribution to owners	(2,400,967)	(2,358,977)	(2,400,967)	(2,358,977)
Balance as at 31 December 2010	5,796,117	6,877,020	4,516,032	5,652,583

In prior year associate accounted earnings of $26,288 were recognised on the sale of Southlink Supply Limited. During 2009 EastPack Limited increased its shareholding to 80% and has accounted for Southlink Supply Limited as a subsidiary for the period ended 31 December 2009 and is included in net surplus attributable to shareholders and net assets (refer to associates note 28 and investments in subsidiaries note 27 for further details).

11. MINORITY INTEREST

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Retained earnings at 1 January 2010	23,717	-	-	-
Interests acquired during year	7,200	20,000	-	-
Interests disposed during year	(20,000)	-	-	-
Net surplus attributable to minority interest holders	126	3,717	-	-
Balance as at 31 December 2010	11,042	23,717	-	-

12. DISTRIBUTIONS TO OWNERS

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Dividends				
Dividends paid:				
Investor shares - dividend paid	1,134,544	1,224,433	1,134,544	1,224,433
Investor shares - dividend payable	1,266,423	1,134,544	1,266,423	1,134,544
Total dividends	2,400,967	2,358,977	2,400,967	2,358,977

Dividends paid on investor shares amounted to $0.07 cents per share (2009: $0.07 cents per share). Dividends payable amounted to $0.075 cents per share (2009: $0.07).

13. ACCOUNTS PAYABLE

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Trade creditors	1,200,379	2,384,630	888,117	2,027,819
Sundry creditors and accruals	1,138,284	1,750,273	1,095,858	1,768,161
Associate payables	137,602	91,326	131,426	87,818
Related party payables	3,733,545	2,399,002	3,733,545	2,399,002
	6,209,810	6,625,231	5,848,946	6,282,800
GST payable	456,830	315,527	454,643	315,243

14. EMPLOYEE ENTITLEMENTS

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Balance at 1 January 2010	289,793	263,669	279,243	263,669
Additional provision	853,468	655,248	856,509	644,698
Amount utilised	(594,272)	(629,124)	(594,272)	(629,124)
Balance at 31 December 2010	548,989	289,793	541,480	279,243
This is represented by:				
Current liability	548,989	289,793	541,480	279,243
Non-current liability	-	-	-	-
	548,989	289,793	541,480	279,243

All employee entitlements are short-term employee benefits.

15. PROVISION FOR DIVIDEND

		GROUP		PARENT	
		2010	2009	2010	2009
		$	$	$	$
Balance at 1 January 2010		1,134,544	912,895	1,134,544	912,895
Dividend paid during the year		(1,134,544)	(912,895)	(1,134,544)	(912,895)
Additional provision		1,266,423	1,134,544	1,266,423	1,134,544
Balance at 31 December 2010	(12)	1,266,423	1,134,544	1,266,423	1,134,544

A dividend of 7.5 cents per investor share was declared on 20 December 2010 (2009: A dividend of 7.0 cents per investor share was declared on 21 December 2009).

16. FINANCIAL INSTRUMENTS

Credit Risk

To the extent that the EastPack Group has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject the group to credit risk principally consist of bank balances, accounts receivable and financial guarantees.

The group manages its exposure to credit risk to minimise losses from bad debts. The group performs credit evaluations on all customers requiring credit and generally does not require collateral. The group monitors the credit quality of major financial institutions that are counter parties to its financial instruments, and does not anticipate non-performance by the counter parties.

Maximum exposures to credit risk at balance date are:

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Cash and cash equivalents	871,386	640,709	352,521	271,341
Accounts receivable	2,170,493	1,932,828	1,146,004	1,286,471
Intercompany advances	-	-	1,477,834	1,427,834
Uncalled capital	88,326	97,786	88,326	97,786

The above maximum exposures are net of any recognised impairment losses on these financial instruments. No collateral is held on the above amounts.

Concentrations of Credit Risk

At reporting date 100% of the group's cash and cash equivalents was with one bank. The group does not have any other concentrations of credit risk.

Status of receivables

The status of receivables at the reporting date is as follows:

Group	2010		2009	
	Gross	Impairment	Gross	Impairment
	$	$	$	$
Not yet due	1,826,717	-	1,548,912	-
Overdue 0 -31 days	318,592	-	106,862	-
Overdue 31 - 92 days	13,504	-	36,166	-
Overdue 93 - 184 days	100,006	-	338,674	72,029
Overdue more than 184 days	-	-	-	-
Total trade receivables	2,258,819	-	2,030,614	72,029

Parent	2010		2009	
	Gross	Impairment	Gross	Impairment
	$	$	$	$
Not yet due	2,541,652	-	2,582,138	-
Overdue 0 -31 days	134,312	-	15,350	-
Overdue 31 - 92 days	2,036	-	31,742	-
Overdue 93 - 184 days	34,164	-	254,890	72,029
Overdue more than 184 days	-	-	-	-
Total trade receivables	2,712,164	-	2,884,120	72,029

EastPack have provided for specific balances where recovery of the amount is unlikely. There was no specific provision at reporting date (2009: $72,029). Impairment for receivables is also assessed collectively at reporting date. There was no collective provision at reporting date (2009: $Nil). EastPack generally have the ability to withhold either rebates or dividends from balances owing to growers and transacting shareholders. Management actively manage other debtor balances and recovery of amounts.

16. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

Liquidity risk represents the EastPack Group's ability to meet its financial obligations on time. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The following sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis.

Group				**2010**			
	Statement of financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	$	**$**	**$**	**$**	**$**	**$**	**$**
Borrowings	17,746,647	18,911,141	457,225	7,948,133	10,505,783	-	-
Accounts payable	6,209,810	6,209,810	6,209,810	-	-	-	-
Provision for dividend	1,266,423	1,266,423	1,266,423	-	-	-	-
	25,222,880	26,387,374	7,933,458	7,948,133	10,505,783	-	-

Group				**2009**			
	Statement of financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	$	**$**	**$**	**$**	**$**	**$**	**$**
Borrowings	21,670,000	23,649,216	521,130	12,148,820	492,572	10,486,694	-
Accounts payable	6,625,231	6,625,231	6,625,231	-	-	-	-
Provision for dividend	1,134,544	1,134,544	1,134,544	-	-	-	-
	29,429,775	31,408,991	8,280,905	12,148,820	492,572	10,486,694	-

Parent				**2010**			
	Statement of financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	$	**$**	**$**	**$**	**$**	**$**	**$**
Borrowings	17,746,647	18,911,141	457,225	7,948,133	10,505,783	-	-
Accounts payable	5,848,946	5,848,946	5,848,946	-	-	-	-
Provision for dividend	1,266,423	1,266,423	1,266,423	-	-	-	-
	24,862,016	26,026,510	7,572,594	7,948,133	10,505,783	-	-

Parent				**2009**			
	Statement of financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	$	**$**	**$**	**$**	**$**	**$**	**$**
Borrowings	21,670,000	23,649,216	521,130	12,148,820	492,572	10,486,694	-
Accounts payable	6,282,800	6,282,800	6,282,800	-	-	-	-
Provision for dividend	1,134,544	1,134,544	1,134,544	-	-	-	-
	29,087,344	31,066,560	7,938,474	12,148,820	492,572	10,486,694	-

16. FINANCIAL INSTRUMENTS (CONTINUED)

Currency Risk

The EastPack Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies. The group has few transactions in foreign currencies, as they generally arise from the purchase of property, plant and equipment. The group's normal trading activities are conducted in New Zealand dollars. The group uses foreign currency forward exchange contracts to manage these exposures.

At reporting date the group's risk of exchange rate movements in receivables and payables was $nil. There were no forward contracts in place for forecast purchases (2009: $Nil).

Interest Rate risk

The group has exposure to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates. The group manages its cost of borrowing by placing limits on the proportion of borrowings at floating rate, and the proportion of fixed rate borrowing that is repriced in any year.

Interest rate risk - repricing analysis:

The following table identifies the periods in which financial instruments that are subject to interest rate risk reprice. All interest rates are maturing in March 2011.

Group				**2010**			
	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	%	**$**	**$**	**$**	**$**	**$**	**$**
Borrowings	5.15	17,746,647	17,746,647	-	-	-	-

Group				**2009**			
	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	%	**$**	**$**	**$**	**$**	**$**	**$**
Borrowings	4.70	21,670,000	21,670,000	-	-	-	-

Parent				**2010**			
	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	%	**$**	**$**	**$**	**$**	**$**	**$**
Borrowings	5.15	17,746,647	17,746,647	-	-	-	-

Parent				**2009**			
	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	%	**$**	**$**	**$**	**$**	**$**	**$**
Borrowings	4.70	21,670,000	21,670,000	-	-	-	-

Interest rate risk - sensitivity analysis:

EastPack are exposed to interest rate risk relating to borrowings. A 1% change in rates would affect after tax profit and equity of both the parent and the group by +/- $177,466 (2009: 216,700). There are no other interest bearing financial instruments subject to interest rate risk.

16. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

The estimated fair values of financial instruments in the Statement of Financial Position are their carrying value with the exceptions as noted below. Fair value has been estimated using discounted cash flows.

Shares in Unlisted Companies and Financial Guarantees

It is not practicable to estimate the fair value of shares in unlisted companies and financial guarantees with an acceptable level of reliability. The financial guarantee is provided to a related party, therefore are not at arm's length and therefore not comparable with any market-based arrangements.

Financial instruments by classification
Group

	Available for Sale	Loans and Receivables	Liabilities at Amortised Cost	Total Carrying Value
	$	$	$	$
31 December 2010				
Liabilities as per statement of financial position				
Loans and borrowings	-	-	17,746,647	17,746,647
Transactor shares	-	-	12,807,308	12,807,308
Trade and other payables	-	-	6,209,810	6,209,810
Total	-	-	36,763,765	36,763,765
Assets as per statement of financial position				
Cash and cash equivalents	-	871,386	-	871,386
Trade and other receivables	-	2,170,493	-	2,170,493
Unpaid capital	-	88,326	-	88,326
Investments	879,498	-	-	879,498
Total	879,498	3,130,205	-	4,009,703

Financial instruments by classification
Group

	Available for Sale	Loans and Receivables	Liabilities at Amortised Cost	Total Carrying Value
	$	$	$	$
31 December 2009				
Liabilities as per statement of financial position				
Loans and borrowings	-	-	21,670,000	21,670,000
Transactor shares	-	-	11,114,040	11,114,040
Trade and other payables	-	-	6,625,231	6,625,231
Total	-	-	39,409,271	39,409,271
Assets as per statement of financial position				
Cash and cash equivalents	-	640,709	-	640,709
Trade and other receivables	-	1,932,828	-	1,932,828
Unpaid capital	-	97,786	-	97,786
Investments	923,326	-	-	923,326
Total	923,326	2,573,537	-	3,496,863

16. FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by classification
Parent

	Available for Sale	Loans and Receivables	Liabilities at Amortised Cost	Total Carrying Value
	$	**$**	**$**	**$**
31 December 2010				
Liabilities as per statement of financial position				
Loans and borrowings	-	-	17,746,647	17,746,647
Transactor shares	-	-	12,807,308	12,807,308
Trade and other payables	-	-	5,848,946	5,848,946
Total	-	-	36,402,901	36,402,901
Assets as per statement of financial position				
Cash and cash equivalents	-	352,521	-	352,521
Trade and other receivables	-	1,146,004	-	1,146,004
Unpaid capital	-	88,326	-	88,326
Investments	761,599	-	-	761,599
Total	761,599	1,586,851	-	2,348,450
31 December 2009				
Liabilities as per statement of financial position				
Loans and borrowings	-	-	21,670,000	21,670,000
Transactor shares	-	-	11,114,040	11,114,040
Trade and other payables	-	-	6,282,800	6,282,800
Total	-	-	39,066,840	39,066,840
Assets as per statement of financial position				
Cash and cash equivalents	-	271,341	-	271,341
Accounts receivable	-	1,286,471	-	1,286,471
Unpaid capital	-	97,786	-	97,786
Investments	786,095	-	-	786,095
Total	786,095	1,655,598	-	2,441,693

17. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to growers, shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and maximise returns. Capital in relation to capital management also includes transactor shares. In order to maintain or adjust the capital structure, the Group may adjust distributions to beneficiaries, amount of dividends paid to shareholders, return capital to shareholders, issue new shares, amend capital spending plans or sell assets to reduce debt.

The Shareholders have appointed the Directors to manage the co-operative in order to maximise returns. The Directors, consistent with others in the Kiwifruit industry, monitor and manage capital based on trays supplied and returns to growers and investors.

There have been no material changes to the Group's capital during the year.

18. TRANSACTOR SHARES

	GROUP AND PARENT		GROUP AND PARENT	
	2010	2009	2010	2009
	No. of Shares	No. of Shares	$	$
Transactor shares at 1 January 2010	11,114,040	9,828,800	11,114,040	9,828,800
Transactor shares issued during the year	1,965,573	1,467,518	1,965,573	1,467,518
Sales during the year	(272,305)	(182,278)	(272,305)	(182,278)
Transactor shares at 31 December 2010	12,807,308	11,114,040	12,807,308	11,114,040

The company has 12,807,308 (2009: 11,114,040) Transactor shares on issue. The Transactor shares are classified as a liability rather than equity under NZ IFRS due to their redemption rights. Transactor Shares are issued by the company to growers of kiwifruit or other approved produce. They are not freely tradable, and carry 60% of the voting power of all shares on issue. Transactor shareholders have the right to participate in any annual rebate declared by the directors of the company. They carry first right of redemption on liquidation of the company at $1.00 each. Carrying value of transactor shares is equivalent to fair value, due to the fixed redemption value and market returns paid by way of rebate.

19. INCOME IN ADVANCE

	GROUP AND PARENT	
	2010	2009
	$	$
Balance at 1 January 2010	632,230	882,230
Recognised in profit or loss during the period	(250,000)	(250,000)
Balance at 31 December 2010	382,230	632,230
Current Portion	250,000	250,000
Term Portion	132,230	382,230
Total	382,230	632,230

This represents income received in advance, which is earned over the life of the relevant service contract.

20. BORROWINGS

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Bank loans (secured)	10,196,647	10,200,000	10,196,647	10,200,000
Current portion (secured)	7,550,000	11,470,000	7,550,000	11,470,000
	17,746,647	21,670,000	17,746,647	21,670,000

The current portion represents term loans which have a maturity date of less than twelve months from balance date. EastPack's total facility with National Bank of New Zealand limit is $32.465 million including $31 million of term funding subject to annual review. The current interest rates on the secured bank loans range from 5.15% to 5.16% (2009: 4.77% to 4.85%). Borrowings are interest only.

Security - Parent and Group
Loans are secured by a debenture over the companies assets, specific security agreement over all grader equipment and mortgage over all land and buildings.

21. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
National Bank	870,590	639,913	351,725	270,545
Other Accounts	796	796	796	796
	871,386	640,709	352,521	271,341

22. ACCOUNTS RECEIVABLE

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Trade receivables	1,319,465	968,734	212,185	216,859
Sundry receivables	831,825	935,148	914,616	1,036,917
Prepayments	256,126	159,057	256,126	159,057
Related parties advance	7,863	8,757	7,863	3,749
Associate receivables	11,340	20,189	11,340	28,946
	2,426,619	2,091,885	1,402,130	1,445,528

23. LEASED ORCHARDS

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Balance at 1 January 2010	1,368,448	729,016	-	-
Costs capitalised	1,347,030	1,368,448	-	-
Utilisation in current season	(1,368,448)	(729,016)	-	-
Balance at 31 December 2010	1,347,030	1,368,448	-	-

Costs are capitalised as expensed are incurred preparing the orchards for the next season. The costs are recognised against revenue in the financial year to which they relate. No costs are incurred for a period of more than one season.

24. INVENTORY

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Packaging	1,228,419	2,235,750	1,225,196	2,200,131

Inventory is subject to retention of title clauses.

25. UNPAID TRANSACTOR SHARES

	GROUP AND PARENT 2010 $	2009 $
88,326 shares @$1.00 (2009: 97,786 shares $1.00)	88,326	97,786
Current Asset	9,460	32,760
Non Current Asset	78,866	65,026
	88,326	97,786
Opening balance	97,786	203,877
Shares sold	-	-
Ex dividend	(9,460)	(106,091)
Rebate withheld	-	-
Closing balance	88,326	97,786

Where the company has issued shares and payment has not been made in full, there is a deferred settlement over a set period of time. Payment for calls on shares is then deducted from rebates and dividends payable to those shareholders.

The current portion of unpaid capital is based on each shareholder's estimated number of trays for the 2011 season.

26. PROPERTY, PLANT AND EQUIPMENT

	GROUP Cost/ Valuation $	GROUP Accumulated Depreciation $	GROUP 2010 Book Value $	PARENT Cost/ Valuation $	PARENT Accumulated Depreciation $	PARENT 2010 Book Value $
Buildings	50,702,050	9,545,636	41,156,414	50,702,050	9,545,636	41,156,415
Land and improvements	11,949,584	293,112	11,656,472	11,949,584	293,113	11,656,471
Plant and Equipment	31,886,537	17,665,106	14,221,431	31,828,289	17,623,038	14,205,251
Furniture and Fittings	524,795	149,648	375,147	517,909	145,977	371,932
	95,062,966	27,653,502	67,409,464	94,997,832	27,607,764	67,390,069

	GROUP Cost/ Valuation $	GROUP Accumulated Depreciation $	GROUP 2009 Book Value $	PARENT Cost/ Valuation $	PARENT Accumulated Depreciation $	PARENT 2009 Book Value $
Buildings	47,934,775	7,521,517	40,413,258	47,934,775	7,521,517	40,413,258
Land and improvements	11,329,803	218,347	11,111,456	11,329,803	218,348	11,111,455
Equipment	29,909,786	14,679,897	15,229,889	29,854,068	14,642,449	15,211,619
Furniture & Fittings	267,622	99,949	167,673	260,736	97,097	163,639
	89,441,986	22,519,710	66,922,276	89,379,382	22,479,411	66,899,971

26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation

Land, land improvements, buildings, plant and machinery and chattels are valued in accordance with valuation reports of independent registered valuer's dated 15 February 2010. Revalued assets are valued on the basis of replacement cost less depreciation and capitalisation of market rentals. The valuer also used the Investment approach and Sales comparison to ensure values are reasonable and supportable. The valuation was completed by an independent registered valuer, S Harris (SPINZ), of the firm: Property Solutions (BOP) Limited on 5 February 2010. The effective date of the valuation was 31 December 2009.

Security

Certain property, plant and equipment has been pledged as security over term loans. A specific security agreement exists over all grader equipment and mortgage over all land and buildings.

If land and buildings had been carried at cost less depreciation, the carrying amounts would have been:

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Land and improvements	6,956,066	6,411,049	6,956,066	6,411,049
Buildings	29,887,137	28,620,201	29,887,137	28,620,201
Plant and equipment	13,021,684	14,106,616	13,021,684	14,106,616

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period:

Group

	Buildings	Furniture & Fittings	Plant and Motor Vehicles	Land	Total
	$	$	$	$	$
2010					
Balance at 1 January 2010	40,413,258	167,673	15,229,889	11,111,456	66,922,276
Additions	2,767,275	257,174	2,001,863	619,783	5,646,095
Disposals	-	-	(25,111)	-	(25,111)
Depreciation expense	(2,024,119)	(49,700)	(2,985,210)	(74,766)	(5,133,795)
Carrying amount at 31 December 2010	41,156,414	375,147	14,221,431	11,656,472	67,409,464
2009					
Balance at 1 January 2009	36,275,741	124,476	14,537,326	10,427,729	61,365,272
Additions	4,497,788	81,814	3,893,348	79,101	8,552,051
Disposals	(16,076)	(12,197)	(563,646)	-	(591,919)
Revaluations	1,423,770	-	494,242	659,865	2,577,877
Depreciation expense	(1,767,965)	(26,420)	(3,109,197)	(55,239)	(4,958,821)
Revaluation decrement	-	-	(22,184)	-	(22,184)
Carrying amount at 31 December 2009	40,413,258	167,673	15,229,889	11,111,456	66,922,276

26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent	Buildings	Furniture & Fittings	Plant & Motor Vehicles	Land	Total
	$	$	$	$	$
2010					
Balance at 1 January 2010	40,413,258	163,639	15,211,619	11,111,455	66,899,971
Additions	2,767,276	257,173	1,999,332	619,782	5,643,563
Disposals	-	-	(25,111)	-	(25,111)
Depreciation expense	(2,024,119)	(48,880)	(2,980,589)	(74,766)	(5,128,354)
Carrying amount at 31 December 2010	41,156,415	371,932	14,205,251	11,656,471	67,390,069
2009					
Balance at 1 January 2009	36,275,741	118,960	14,491,033	10,427,728	61,313,462
Additions	4,497,788	81,815	3,912,873	79,101	8,571,577
Disposals	(16,076)	(12,197)	(563,646)	-	(591,919)
Revaluations	1,423,770	-	494,242	659,865	2,577,877
Depreciation expense	(1,767,965)	(24,939)	(3,100,699)	(55,239)	(4,948,842)
Revaluation decrement	-	-	(22,184)	-	(22,184)
Carrying amount at 31 December 2009	40,413,258	163,639	15,211,619	11,111,455	66,899,971

27. INVESTMENTS IN SUBSIDIARIES

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Southlink Supply Limited	-	-	28,800	80,000
EastPack Kiwifruit Operations Ltd	-	-	999	999
	-	-	29,799	80,999

Subsidiaries:	Percentage Held 2010	Percentage Held 2009	Balance date	Incorporated in
EastPack Kiwifruit Operations Ltd	100 %	100 %	31 December	New Zealand
Southlink Supply Limited	80 %	80 %	28 February	New Zealand

EastPack Kiwifruit Operations Ltd is a direct subsidiary of the Company. EastPack Kiwifruit Operations Ltd is involved in the management of leased orchards.

Southlink Supply Limited became a subsidiary as at 19 March 2009 through the purchase of 30,000 shares at $1.00 per share. Southlink Supply Limited is involved as a transport agent within the Kiwifruit industry. EastPack provides the majority of Southlink Supply's product for transportation. During the 2010 financial year Southlink Supply Limited cancelled 36,000 shares. Eastpack Ltd continues to hold 80% of the shares in Southlink Supply Ltd at reporting date.

28. INVESTMENTS IN ASSOCIATES

	GROUP 2010 $	GROUP 2009 $	PARENT 2010 $	PARENT 2009 $
Results of associates				
Share of operating surplus before tax	675,644	507,010	-	-
Taxation	(202,693)	(152,103)	-	-
Share of operating surplus	472,951	354,907	-	-
Other recognised surplus	33,490	22,241	-	-
Gain on dilution of investment	282,689	-	-	-
Share of total recognised revenues and expenses	789,130	377,148	-	-
Interests in associates				
Shares at cost	712,078	812,078	712,078	762,078
Share of surplus	731,657	711,273	-	-
Balance at the beginning of year	1,443,735	1,523,351	712,078	762,078
New investments	-	30,000	-	30,000
Disposals	-	(129,621)	-	(80,000)
Gain on dilution of investment	282,689	-	-	-
Share of total recognised revenues and expenses	506,441	377,148	-	-
Dividends	(973,258)	(357,143)	-	-
Balance at end of year	1,259,608	1,443,735	712,078	712,078
Included in the carrying amount is:				
Goodwill	502,924	502,924	-	-

Details of Associates

2010	Assets	Liabilities	Revenue	Profit/ (loss)	% Held	Carrying Amount
Southern Produce Limited	6,003,786	3,126,212	18,879,928	1,351,288	30	1,259,608

2009	Assets	Liabilities	Revenue	Profit/ (loss)	% Held	Carrying Amount
Southern Produce Limited	5,616,623	3,410,296	15,556,150	1,014,020	50	1,443,735

Associates	Principal Activities	Balance Date
Southern Produce Limited	Marketer of fresh produce	31 March

All associates are incorporated in New Zealand. There are no significant restrictions on the ability of any associate to pay dividends, repay loans or otherwise transfer funds to the investor company.

During the period Southern Produce Ltd issued 6,000 new shares which increased the total shares on issue to 15,000 at reporting date. The issue of these 6,000 new shares has reduced EastPack Ltd's percentage shareholding in Southern Produce Ltd from 50% to 30%. EastPack Ltd's investment in Southern Produce Ltd continues to be recognised as an associate.

The 6,000 new shares were issued for a consideration of $2,000,000. There was no cash consideration paid to EastPack Ltd in respect of the decrease in its proportionate shareholding. The carrying value of EastPack Ltd's investment in Southern Produce at the time of the issue of the new shares was $793,277, with the dilution of EastPack Ltd's interest in Southern Produce giving rise to a gain of $282,689.

29. INVESTMENTS

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Shares in unlisted companies	664,335	683,666	546,436	773,935
Shares in listed companies	215,163	239,660	215,163	12,160
	879,498	923,326	761,599	786,095

Investments in unlisted companies are stated at cost because fair value cannot be reliably measured. All unlisted shares are held for the long term. Investments in listed companies are stated at fair value.

30. INTANGIBLE ASSETS

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Trademarks				
Carrying amount at 1 January	-	10,800	-	10,800
Accumulated amortisation	-	-	-	-
Accumulated impairment losses	-	(10,800)	-	(10,800)
Carrying amount at 31 December	-	-	-	-

Trademarks represent amounts paid externally for trademark license on internally generated brands. The licenses are for a finite period. Trademarks are amortised over managements expectation of their useful life being 10 years. Management assess at each balance date the carrying value and the expected future values embodied in the trademarks, for impairment. During the year EastPack Limited surrendered the trademark to Southern Produce Limited.

31. RECONCILIATION OF NET SURPLUS WITH CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Net surplus after taxation	1,320,190	3,979,914	1,264,416	3,886,960
Add (deduct) non-cash items				
Depreciation	5,134,538	4,958,821	5,128,354	4,948,842
Loss on sale of property, plant and equipment	2,343	437,676	2,343	437,676
Fair value adjustments	-	82,641	-	82,641
Impairment of intangibles	-	10,800	-	10,800
Equity accounted earnings - Associates	(789,130)	(377,148)	-	-
Movement in deferred tax	3,047,126	92,450	3,043,836	(131,295)
Income in advance expired	(250,000)	(250,000)	(250,000)	(250,000)
Deduct items credited directly to equity				
Movement in deferred tax	-	593,784	-	593,784
	7,144,877	5,549,024	7,924,533	5,692,448
Movement in Working Capital				
Increase/(decrease) in accounts payable	(459,134)	(758,832)	(433,852)	(373,583)
Increase/(decrease) in employee entitlements	259,152	(48,601)	261,523	15,574
(Increase)/decrease in accounts receivable	(290,577)	75,848	43,400	(870,092)
(Increase)/decrease in GST	141,303	150,795	139,400	148,877
(Increase)/decrease in leased orchards	21,419	(749,496)	-	-
(Increase)/decrease in inventory	1,007,331	109,241	974,935	112,964
Increase/(decrease) in income tax payable	217,764	(202,620)	13,789	(2,762)
	897,258	(1,423,665)	999,195	(969,022)
Net cash inflow/(outflow) from operating activities	9,362,325	8,105,273	10,188,144	8,610,386

32. TRANSACTIONS WITH RELATED PARTIES

Key Management Personnel

Key management includes all personnel whom have the authority and responsibility for planning, directing and controlling the activities of the Group. This includes senior management and directors.

	Short-term benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $
2010	1,624,330	-	-	-
2009	1,581,544	-	-	-

On termination key management personnel are entitled to receive dividends on shares held for a period of two years.

The grower directors have packed their kiwifruit with the company at the standard rates charged to shareholders. Grower directors received the following rebates and dividends:

	Rebates		Dividends	
	2010 $	2009 $	2010 $	2009 $
R B Sharp	153,809	135,259	165,686	99,069
G S Eynon	39,748	42,333	117,600	73,164
G S Eynon and M J Montgomery	39,748	42,333	117,600	73,164
A A Gault	36,608	35,317	37,582	23,382
R M Hudson	25,181	16,681	22,503	14,000
M R McBride	45,449	45,501	36,735	45,709
G W Sommerville	N/A	39,419	N/A	-
A K Woolsey	N/A	57,111	N/A	75,931

R B Sharp, G S Eynon and M J Montgomery own orchards for which the company provides services on normal commercial terms.

Payments for services were as follows:	2010 $	2009 $
M R McBride	15,069	-
R M Hudson	2,549	153
A A Gault	3,420	-
R B Sharp	20,492	479
G Eynon and M J Montgomery	19,479	35,964

Balances outstanding at 31 December:	2010 $	2009 $
M R McBride	-	-
R M Hudson	-	-
A A Gault	276	-
R B Sharp	2,585	11,014
G S Eynon and M J Montgomery	-	-

32. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

G S Eynon and M J Montgomery own a kiwifruit contracting business that provides labour to EastPack Kiwifruit Operations Ltd under normal commercial terms.

	2010	2009
Payments for services were as follows:	$	$
G S Eynon and M J Montgomery	346,574	298,950

The balance outstanding at 31 December 2010 $Nil (2009: $Nil)

G S Eynon and M J Montgomery own an orchard, Pine Valley Joint Venture.

	2010	2009
Payments for services were as follows:	$	$
Pine Valley Joint Venture	1,191,930	609,940

The balance outstanding in relation to the payments for services above as at 31 December 2010 $Nil (2009: $Nil).

On 21 December 2009 EastPack Limited advanced $500,000 to Pine Valley Joint Venture. The loan is non-interest bearing in consideration for the first right of refusal to lease the Pine Valley Joint Venture site from 31st July 2012 or earlier if the parties agree. The advance is secured over the investor and transactor shares held by G S Eynon and M J Montgomery.

R B Sharp acts as a director for Robert Monk Transport Limited, a company that supplies transportation services to EastPack on normal commercial terms. R B Sharp does not hold any financial interest in Robert Monk Transport Limited

	2010	2009
Payments for services were as follows:	$	$
Robert Monk Transport Limited,	660,344	582,209

The balance outstanding at 31 December 2010 $Nil (2009: $Nil)

R B Sharp is also a Director of Zespri Limited. Zespri Limited is the major customer of EastPack Limited.

No related party debts have been written off or forgiven during the year (2009: $Nil).

The following directors acquired shares in the company during the year. All transactor shares were issued at $1 per share.

	Transactor Shares		Investor Shares	
	2010	2009	2010	2009
	$	$	$	$
R B Sharp	55,454	49,726	92,098	-
M S Ashby	-	-	-	-
G S Eynon	4,730	3,120	-	-
A A Gault	10,259	15,844	33,324	-
R M Hudson	11,920	5,095	-	-
M G Kidd	-	-	-	-
M R McBride	22,724	4,826	-	-
M J Montgomery	4,730	3,120	-	-
G W Sommerville	-	19,709	-	-

32. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Subsidiaries

All amounts owing to/from subsidiaries and included in intercompany advances in the Statement of Financial Position.

	2010 $	2009 $
Total amounts owing to EastPack Limited from subsidiaries:	1,477,834	1,427,834

During the year EastPack Limited entered into the following transactions with its subsidiaries on normal commercial terms:

	2010 $	2009 $
Sale of Kiwifruit packing services to EastPack Kiwifruit Operations Limited	795,211	770,154
Sale of Monitoring services to EastPack Kiwifruit Operations Limited	103,823	2,280

During the year Subsidiaries entered into the following transactions with EastPack Limited on normal commercial terms:

	2010 $	2009 $
EastPack Kiwifruit Operations Limited lease payment to EastPack Limited	3,868	3,868
Southlink Ltd to complete logistics services for EastPack Limited	849,039	862,629

EastPack Limited have provided a guarantee in favour of ANZ National Bank in relation to borrowings by Southlink Supply Limited. (2009: Nil)

No related party debts have been written off or forgiven during the year (2009: $Nil).

Associates

	2010 $	2009 $
EastPack Ltd also received revenue from Southern Produce Limited	2,884,093	1,783,502
EastPack Ltd made payments to Southern Produce Limited	68,763	99,868

All transactions are on normal commercial terms. All amounts owing from associate companies are detailed in Note 22: Accounts Receivable.

No related party debts have been written off or forgiven during the year (2009: $Nil).

32. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Other

EastPack Kiwifruit Operations Limited a subsidiary of EastPack Ltd holds a 10% ownership in Te Matai Kiwi Partnership. EastPack Kiwifruit Operations Limited provides orchard management services and charges Te Matai Kiwi Partnership on normal commercial terms.

EastPack Entity Trust operates a kiwifruit pool trust for the benefit of growers. EastPack Limited is a trustee of the Trust, and supplies coolstorage, packing and transport services to the trust on behalf of the growers.

	2010	2009
	$	$
EastPack Limited received payments for services from EastPack Entity Trust	59,367,078	58,635,853
EastPack Limited made payments for Class II fruit to EastPack Entity Trust	3,987,802	2,560,922

	2010	2009
	$	$
Total amounts owing to EastPack Entity Trust from Eastpack Limited	3,733,545	2,399,002

This is disclosed as a related party payable in Note 13. All transactions with EastPack Entity Trust are on normal commercial terms.

In addition, EastPack Limited provides an unlimited guarantee to the National Bank of New Zealand, on behalf of the Trust, for its overdraft facility.

No related party debts have been written off or forgiven during the year (2009: $Nil).

33. CONTINGENT LIABILITIES

	GROUP		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Guarantee of bank overdraft facilities for EastPack Entity Trust to a limit of:	Unlimited	Unlimited	Unlimited	Unlimited
At balance date the amount of the bank overdraft so guaranteed was:	Nil	Nil	Nil	Nil

34. COMMITMENTS

	GROUP AND PARENT	
	2010	2009
	$	$
Estimated capital expenditure contracted for at balance date but not provided for:	1,851,192	3,130,915
Operating lease commitments		
Lease commitments under non-cancellable operating leases		
Less than one year	255,625	65,884
Between one and five years	736,667	18,856
Greater than five years	-	-
Total operating lease commitments	992,292	84,740

All operating lease commitments relate to coolstore facilities. The leases vary in term from one to three years. There are no rights of renewal on expiry.

35. SEGMENT INFORMATION

Industry segments

The information set out below is that as presented to the chief operating decision maker. The EastPack Group operates predominately in two industries - packhouse/coolstore, orchard management, and in one geographical area - New Zealand. The orchard management operation is not significant to the total trading of the Group.

	Coolstore /Packhouse	
	2010	**2009**
	$000	**$000**
Sales to customers outside Group	64,361	59,672
Intersegment sales	-	-
Unallocated revenue	1,643	1,865
Total revenue	66,004	61,537
Unallocated expenses and taxation	60,339	52,976
Group operating surplus (before equity accounting)	1,320	3,979
Share of associate income/(deficit)	789	377
After charging:		
Depreciation	5,134	4,959
Investments in associates	1,260	1,444
Total segment assets	75,510	75,724
Unallocated assets segment assets	-	-
Total assets	**75,510**	**75,724**
Non-current assets acquired	-	-
Total segment liabilities	46,202	45,451
Unallocated liabilities	-	-
Total liabilities	**46,202**	**45,451**

Intersegmental sales are at market prices and are payable on normal commercial terms and conditions.

36. SIGNIFICANT EVENTS AFTER BALANCE DATE

The board of directors has proposed subject to audit a payment of a final dividend of 7.5 cents per investor share to be paid on 31 March 2011. (2009: approval of a final dividend of 7 cents per investor share to be paid on 31 March 2010).

EASTPACK LIMITED

AS AT 31 DECEMBER 2010

TOP 20 SHAREHOLDERS

Shareholder	Investing Shares held	Transacting Shares held
Pine Valley Joint Venture	1,680,000	305,061
Lichfield Lands Inc.	1,619,486	329,607
South East Hort Ltd	1,483,736	99,064
Wotton Estate	948,942	338,210
Cape Fruit Co. Ltd	874,954	221,999
Tirohanga Fruit Co Ltd	709,852	166,966
Franklin, C A	567,194	195,731
Blennerhassett D & K	580,108	170,408
Flowers, R J Ltd	632,186	99,486
West, R J & K	422,080	216,858
Overdevest, C J M	452,710	77,418
Wedge Co Ltd	392,598	137,339
Allen Orchards Ltd	324,212	132,019
Kopuatawhiti Trust	310,850	137,608
Reekie, Ken	291,434	142,891
Hi Top Farms Ltd	301,908	115,567
Steele Family Trust, N R	273,034	126,981
Airflow Holdings Ltd	400,000	-
Hyland, DR & JA	320,258	76,218
Fitzroy Orchard Partnership	307,106	78,890

Edgecumbe

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Opotiki

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF EASTPACK LIMITED

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of EastPack Limited ('the Company') and its Subsidiaries (together 'the Group') on pages 12 to 49, which comprise the Statements of Financial Position of the Company and Group as at 31 December 2010, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Company and Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of consolidated financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has provided other services to the Company and Group in relation to taxation and other accounting services. We have no other relationship with, or interests in, the Company or Group.

Opinion

In our opinion, the consolidated financial statements on pages 12 to 49:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Company and Group as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 require us to comment on whether we have obtained all the information and explanations that we have required from the Company and Group and whether we consider that proper accounting records have been kept by the Company and Group.

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

In our opinion proper accounting records have been kept by the Company and Group as far as appears from our examination of those records.

Staples Rodway

STAPLES RODWAY HAMILTON
HAMILTON
17 March 2011


www.eastpack.co.nz