2018

Growers at heart, future in mind.

ANNUAL REPORT

EastPack
Growers at heart

Growers at heart, future in mind.

The kiwifruit industry is changing rapidly. EastPack is keeping ahead of this change by investing in innovation and capacity to help us to continue providing the same high level of service our Growers have come to enjoy.

This year, we've invested in pre-cooling capacity, cool storage infrastructure, and packing automation to make sure our fruit processing capability stays ahead of the game. We are committed to ensure that, as the dynamics of the Kiwifruit industry change, EastPack Growers have a bright future.

EastPack
Growers at heart

Maximise today, grow tomorrow.

Each year we see increasing demand for orchard management services. In 2018, Prospa Orchard Management increased management services to over 900 hectares, across all growing regions.

Prospa has developed a career pathway for on-orchard personnel, with all levels of experience to ensure we have capable Orchard Managers and Supervisors to keep up with increasing demand. We understand that Growers want to feel confident their Manager has the resources to achieve the best possible production this season, and for many seasons to come.

Prospa

Total Orchard Management by EastPack

Our brand – **Growers at Heart** – reflects the cooperative business we operate and the importance we put on our Growers. It also reflects the culture of high performance and service that is our ambition.

In everything we do, we look to our Vision...

OUR VISION

To be the kiwifruit industry's packer and employer of choice.

The mission and objectives of people throughout EastPack is the same – from the Board, Senior Leadership Team, right through to Grower Services and Operational Teams. Everyone in the business strives to provide Growers with the highest possible return for every bin of fruit delivered to the packhouse.

It's important to us that Growers are able to harvest at the right time, get the best possible packout, and realise the storage potential of their fruit. Our mission is supported by technical specialists within the team, and investment in the most up-to-date packing and coolstore technology.

OUR MISSION

To maximise the return for our Growers fruit.

OUR VALUES

Our people are guided by our five values of Driven, Straight Up, Cutting Edge, Resilient, and Caring...

Driven.

- We work together to maximise fruit potential.
- We're committed, adaptable and determined to improve.
- We lead by example.
- We get the job done – and get results.

Straight up.

- We're honest and open with each other.
- We take responsibility for our actions and results.
- We're trustworthy and do what we say we will.

Cutting edge.

- We're innovative and never afraid to break new ground.
- We're switched on – researching and investing in new technology.
- We're always on the lookout for better ways to do things.

Resilient.

- We're up for a challenge and ready to go the extra mile.
- We offer incredible service, even under pressure.
- We are able to take fruit when it is ready and get consistently strong results.

Caring.

- We value, develop and empower our people.
- We look out for each other's safety.
- We value diversity and support our community.
- We're respectful, available and fair – to each other and our Growers.

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EastPack Highlights 2018

The 2018 season was a record year, during which a number of strategic highlights were achieved.

41.1m trays packed

EastPack packed a record **41.1m** class 1 trays of kiwifruit and more than 1500 tonnes of Avocados.

$28.1m invested in infrastructure

EastPack invested **$28.1m** in new and improved packing and coolstore infrastructure.

Net profit up $7.5m

Net profit before tax and fair value adjustments of $14.4m – up **$7.5m** on 2017.

More than 3300 employees

Our people are our key asset. In 2018, staffing levels peaked at just over 3300 employees, the vast majority being seasonal employees. We have a large number of returning staff each year, which provides good stability in our workforce.

23% increase in turnover

Turnover increased by **23%** from $150m to $185m, as a result of a 23% increase in volume processed.

900 hectares managed

Prospa, EastPack's orchard management division, continues to grow and now has more than **900** hectares under lease or management – a 10% increase from 2017.

Hamish Simson – CEO

John Loughlin – Chairman

Growers at heart, future in mind.

The EastPack Board are pleased to provide you with this report on our financial and operational results for the year ended 31 December 2018. The 2018 season was a record year in terms of production and a number of strategic highlights were achieved over the year.

EastPack packed a record 41.1m trays of kiwifruit for its Growers, a 7.6m tray or 23% increase on 2017. However, the 2017 season was a low volume year and 2018 volumes are more similar to 2016 volumes when EastPack packed 38.6m trays. With the increasing volumes, Zespri shipped both Green and Gold fruit over much longer windows than 2017, and consequently fruit loss was higher than 2017 but still well below historic levels.

EastPack's investment in new and upgraded plant, precooling and cool storage capacity over the last three years in anticipation of higher crop volumes, particularly Gold, meant the company was able to pack the increasing volumes of fruit successfully for our Growers when it was optimal to harvest that fruit. Our Growers benefited through strong Class 1 pack-outs and low fruit loss. EastPack's Gold fruit loss at 0.97%, was again well below industry average.

In 2017, the industry experienced soft and exploding fruit in a number of grower lines, which slowed the packing lines and increased the cost of packing fruit both for EastPack and its Growers. The company invested significantly in the bin tip areas of all sites to provide better soft sorting capacity and improve throughput across the graders. This significantly improved grader throughputs across all our sites and reduced the cost of packing.

As all Growers are aware, costs are increasing rapidly across the industry and availability of labour is a major concern. The government has outlined that the minimum wage will increase to $20 by 2021. This is a 21% increase over three years. EastPack is committed to improving its operational performance to minimise the impact of cost pressures, but also reducing fruit loss and providing strong Orchard Gate Returns to its Growers. Operational efficiency is a key driver for the business. Following investment in our graders, and information systems, the business is constantly being challenged to drive improvement in efficiency. We have seen some significant improvements in efficiency in 2018 with throughput across the graders improving for Gold overall by 22% and Green overall by 10% from 2017 to 2018. This efficiency leads directly to reducing labour costs in the business.

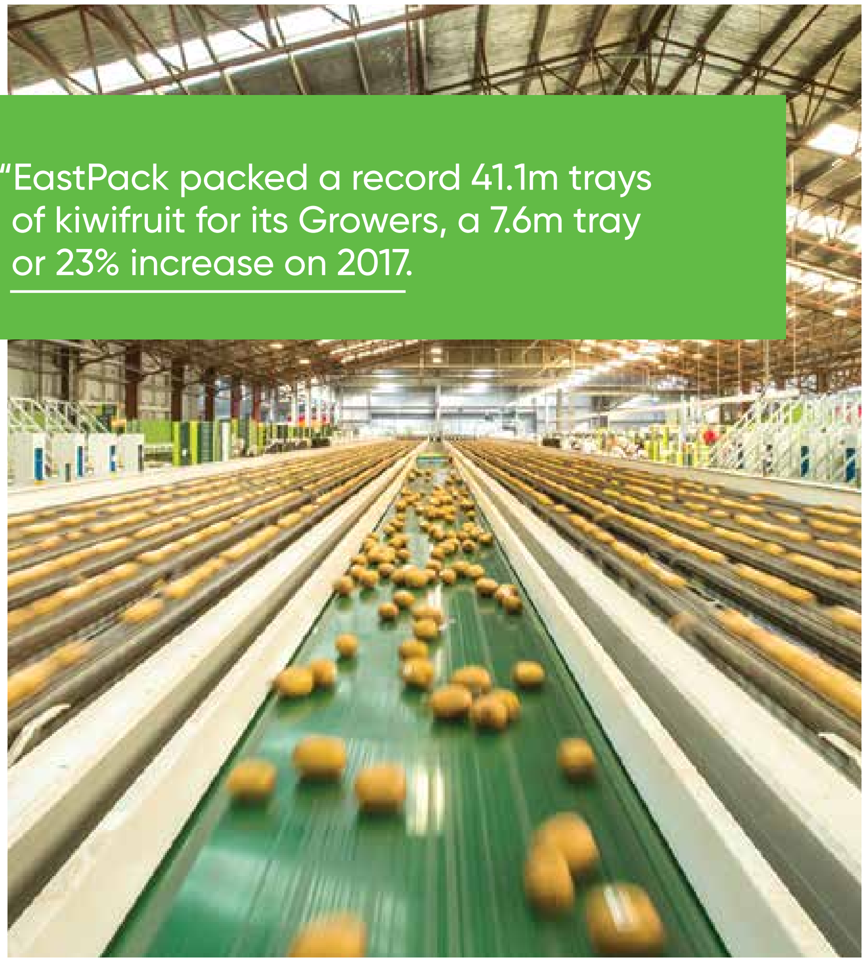
Efficiency gains and investment to do more of the same, however may not be sufficient to overcome the labour availability and cost pressures that the packing industry may face, especially with the very tight harvest window for G3 which is becoming the dominant part of the crop. The kiwifruit industry has a proud history of finding its own solutions to challenges on orchards, in packhouses, in the supply chain and in the market. The forerunner organisations that gave rise to the modern EastPack were, in various ways and at various times, leaders with many of those new solutions. Given the extent of the challenges to providing service and protecting returns to current Growers there are significant risks in changing by too little.

The Board have challenged management to find new ways to do things that mitigate the risks that our Growers face in our part of their business. Management have responded with some interesting concepts which are at the early stages of assessment. The details of our innovation work are commercially sensitive and thus confidential. The ideas have been innovative, and the progress has been encouraging, but there is a long way to go with this work. In 2018 EastPack incurred $1.5m in Research and Development costs. This has been monitored by the Board who are balancing the risks of possible failure in the new initiatives against the risks of an inadequate response to the challenges. Further investment will be undertaken in 2019.

Prospa our Orchard management and contracting division has continued to grow with over 900 hectares now leased or managed, a 10% increase over 2017.

In 2017, EastPack changed its corporate branding and introduced the tagline "Growers at Heart" to reflect the cooperative business we operate and the importance we put on our Growers. The change also reflects the culture of high performance and service that is our ambition. In everything we do we look to our vision of being the kiwifruit industry's packer and employer of choice with our mission to maximise the return for our Growers' fruit.

"EastPack packed a record 41.1m trays of kiwifruit for its Growers, a 7.6m tray or 23% increase on 2017.



In early 2018, the company rolled out new values, which were welcomed and embraced by our staff. Our five values of Driven, Straight Up, Cutting Edge, Resilient, and Caring have been posted at all our sites and we look to these values in everything we do.

Zespri announced in late 2018 its intention to tender 700 hectares of Gold3 licence and 50 Hectares of Organic Gold 3 Licence in 2019, as they had indicated in 2017. We expect that the following three years will see similar releases of licence to the kiwifruit industry. Over the past year we have been reviewing what this means for EastPack which have a number of consequences. Some key decisions need to be made, but primarily whether EastPack wishes to grow in line with the expected growth. A number of EastPack's Growers have new developments or are increasing production which has led us to believe that we will grow and will need to respond to additional volumes being provided by our shareholders. EastPack currently has capacity for approximately 41 million trays and, therefore, in 2018 we were full. As Gold volumes grow however, pressure becomes more intense in the peak three week packing window for Gold. We therefore need to develop ways we can spread the Gold packing window. In 2018, we trialled some initiatives in this area and in 2019 we will extend these trials to provide tools and processes for the future.

With the impending growth, EastPack will need to continue to invest further in infrastructure and in Research and Development. With the increasing capital investment required, the Board have determined that additional share capital is required in the company to maintain sensible borrowing levels and have a resilient balance sheet to weather any future downturns should they occur. In March 2019, we started consultation with our Growers on how we might raise more capital in the business and what this might mean for our capital structure. We expect that this will lead to significant discussion at the Annual Meeting and lead to further refinement and then additional consultation leading up to a Special General Meeting later in 2019 to vote on a new share structure.

2018 Capital Investment

In 2018, the level of capital expenditure continued to be at a high level but at lower levels than 2016 and 2017. The major investment in 2018 has been to the bin tip areas and front end of our graders to improve efficiency. We have also continued to upgrade coolstores and precool rooms to ensure your fruit is stored optimally. Investment in our Information Systems has increased to ensure we have the necessary tools and capability in place to manage our business with the impending volume growth.

In 2018/19, our key investment is in coolstore capacity with the construction of a large new coolstore at Quarry Road. This coolstore will be racked five-high making it the tallest kiwifruit coolstore and will be fully automated to provide significant operational efficiency and also improved health and safety with no forklifts required to enter the coolstore. We are also constructing new fully refrigerated loading docks at Quarry Road which will improve the integrity of the cool chain and health and safety in loading of containers at our largest site.

Board and Board Structure

A stable Board has again been in place in 2018 with six grower directors and two independent directors. In May 2018, Mike Maltby stepped down from the Board and David Jensen was elected by shareholders on to the Board. Mark Hudson will be stepping down from the Board in 2019. Mark has made a long and strong contribution to the Board during his tenure. He joined the EastPack Board in 1992. We would like to acknowledge Mark's service to our industry and thank him for his dedication and contribution over such a long time.

EastPack Key Financial Statistics

	2018 ('000)	2017 ('000)	2016 ('000)
Revenues	**$184,722**	$150,377	$160,935
Earnings before interest, tax, depreciation, fair value adjustments and rebates (EBITDAFR)	**$41,741**	$29,899	$34,146
Rebates paid on transactor shares	**$7,891**	$6,188	$9,776
Operating profit (Earnings before tax and fair value adjustments)	**$14,407**	$6,859	$11,231
Net profit before taxation	**$13,483**	$6,859	$11,321
Net profit after taxation	**$9,843**	$4,884	$8,153
Earnings per investor share	**$0.33**	$0.16	$0.27
Dividends on investor shares	**$2,575**	$1,503	$2,163
Net tangible assets per investor share	**$2.76**	$2.36	$2.17
Total debt (term and current)	**$71,396**	$67,000	$52,650
Number of investor shares	**29,825**	29,825	29,825
Equity ratio (including transactor shares)	**0.50**	0.48	0.50
Transactor Share Capital			
Number of transactor shares	**25,632**	23,349	17,859
Transactor shares to be issued pending the submission of EastPack Limited's Product Disclosure Statement			4,023
TOTAL	**25,632**	**23,349**	**21,882**

"Prospa our Orchard management and contracting division has continued to grow with over 900 hectares now leased or managed a 10% increase over 2017.

The Board is committed to high quality governance. It is intended that the Board should comprise a balance of experience and fresh thinking. In 2018, the Board created a Board Observer role with the objective of providing potential future directors with insight and development on how a Board operates. Dylan Barrett was appointed into this role in May 2018 and will be in this position for a year. The Board intends to offer another Observer opportunity to another grower shareholder when Dylan completes his term. Dylan will speak to the Annual Meeting about his experiences as our first Board Observer.

Financial Result

The 2018 season result shows improved profitability for EastPack as a result of the increased kiwifruit volumes. The financial performance across our sites was robust with emphasis on packing fruit efficiently, ensuring quality standards have been met, and maintaining strong fruit management in coolstore. Turnover increased by 23% from $150m to $185m as a result of the 23% increase in volumes packed.

With the significant increase in capital investment over the last three years depreciation was up $2.2m or 17% on 2017 at $15.6m in total. Earnings before interest, tax, fair value adjustments and rebates of $26.2m was $9.6m above 2017.

The board has announced a final dividend of 5.76 cents fully imputed following a 3.60 cents fully imputed interim dividend paid in September 2018. This brings the total dividend for the year to 9.36 cents per share compared to 5.04 cents per share for the 2017 financial year. The dividends have been considered in light of the lower dividend paid in 2017 and the forward capital requirements required by the company and the need to maintain a prudent financial position for EastPack given its ongoing need for investment to support Growers.

Net profit before tax and fair value adjustments of $14.6m is up $7.8m on 2017.

EastPack's land and buildings have been revalued as at 31 December 2018. The last revaluation occurred in 2016 and the latest valuation resulted in an increase in the Asset Revaluation Reserve of $4.8m and a loss on revaluation through the Profit and Loss of $0.9m.

EastPack continues to produce good net cash flows from operating activities but increased borrowings to fund the capital expenditure. Year-end total borrowings of $71.4m compares to 2016 borrowings of $67.0m.

Future Growth Challenge

EastPack's strategy and competitive strength is having sufficient capacity to pack Growers' fruit reasonably promptly when each grower wants their fruit harvested and packed. In 2018, with record crop volumes we were able to achieve this but turned away a number of potential new growers seeking to pack with us who were not shareholders.

Based on the research and development completed in 2018, we believe that we can find techniques to bin store gold to spread the packing window of the fruit without impacting upon fruit outcomes. Therefore, further grader capacity is less likely to be required in the near term. However significant investment will be required in coolstore capacity and in new bins.

EastPack has increased debt levels in the past three years to fund the significant capital expenditure to have sufficient capacity to pack current volume of trays. Our current projections are that volumes will remain largely consistent with 2018 in total over the next two years, but we will see greater volumes of gold and reducing Green volumes as Growers graft across from Hayward to G3.

Health and Safety

EastPack continues to have a very strong focus on Health and Safety and this is a fundamental element of our culture. Active participation in Health and Safety occurs from orchard staff through to the sites and to the Board. In 2018, the company has added resource and emphasis to Health and Safety in leased and managed orchards. The outcomes of the investigations into the death of a worker on an orchard not associated with EastPack) in 2016 have highlighted the need to manage staff working on orchards at all levels and to share responsibilities for achieving consistently safe outcomes. Growers need to be aware of their responsibilities, and EastPack will work with our Growers where necessary to ensure we maintain robust health and safety processes across the full spectrum of kiwifruit growing, packing and storing.

EastPack has maintained tertiary performance level accreditation under the Accredited Employers Programme through ACC. This is the highest level of accreditation under the scheme and allows EastPack to manage our employees' injuries by 'standing in the shoes' of ACC. It also produces significant cost savings in levy rates.

Our People

Our people are our key assets. Overall, EastPack's staffing levels peaked at just over 3,300 employees in 2018, the vast majority being seasonal employees. We have a large number of returning staff each year which provides good stability in our work force but with large numbers of new staff each year, training is a key requirement. In 2018 we employed dedicated resources to provide strong induction and training programmes for our staff and provide pathways for staff to grow within the business.

The 2018 season was challenged by the shortage of staff available to work on orchard, harvest fruit and work in the pack houses. This is part of a major industry wide and nationwide problem. In 2018, EastPack required a peak of 3,300 seasonal workers to meet our operational requirements. We were short by approximately 200 staff at the peak of the season which meant some of our sites were not able to achieve throughput targets and efficiency outcomes as a result of staff shortages. There is a continuing shortage of requisite skilled people and competition from other employers, and therefore we continue to focus on improving recruitment, welfare, training and retention of staff. In 2019, we are implementing a significant new recruitment strategy to ensure EastPack has broad exposure to potential employees. Our Facebook promotion to attract backpackers got 1.1 million views in the first two weeks of the promo.

In 2018, we recruited 477 staff from the Pacific islands and other areas under the Recognised Seasonal Employer (RSE) scheme. The government have been supportive in maintaining numbers of RSE workers but ideally, we will be able to increase our allocation of RSE workers as volumes increase. The government are cognisant of the seasonal workers required for the kiwifruit industry and they are also setting expectations of employing New Zealanders and ensuring all workers are treated fairly.

The team worked extremely hard through the 2018 season. It was a large volume year which resulted in a longer selling season and therefore a big repack season. It is a credit to our team that we managed not only to pack the record volumes on time but were also able to manage through the challenge of a long and arduous season.

"The team worked extremely hard through the 2018 season. It was a large volume year which resulted in a longer selling season and therefore a big repack season.

Our Growers

As part of the review of our capital structure, one of our leading questions has been whether we should remain grower owned or not. The Board are clear in that we must remain grower owned and controlled and therefore we want to maintain a close relationship with our grower shareholders. As the largest post-harvest operator, we strive to remain close to our Growers but deliver the efficiencies of a large organisation.

Acknowledgements

We would like to thank our grower shareholders who have supported us with their business, which gives EastPack the confidence to invest for the future of our industry. We would also like to thank the members of the EastPack Entity Trust Forum for their input and guidance which is highly valued.

We would like to thank our staff at EastPack for their hard work and dedication to achieve the outcomes for Growers and the result that the team delivered in 2018. We have a high performing team of people which gives us a lot of confidence going into 2019 and future years.

We would like to acknowledge our Directors and the leadership they have demonstrated during a time of change and the need to consider the future of the company and how it is structured. With the EastPack team and our significant investment in infrastructure, systems and training; we are confident that the company is well placed to deliver the service and quality outcome our grower shareholders require in 2019.

As the company looks to the future, we also look back to the past and the great legacy that has been built over many years at EastPack, and its forerunner organisations. The directors, management and staff of EastPack today are committed to building on that legacy and ensuring that EastPack and its Growers have a great future in an environment that will be quite different from today's.

John Loughlin – Chairman

Hamish Simson – Chief Executive Officer

"We have a high performing team of people which gives us a lot of confidence going into 2019 and future years.

BOARD OF DIRECTORS

EastPack is governed by six elected grower directors and two independent commercial directors.

John Loughlin

Chairman, Independent Director, appointed 2014, BCA, MBA, FCA, INFINZ (fellow), FNZIM, ANZIIF (fellow), AFInstD

Committees:

- Member, Audit Committee
- Member, Health and Safety Committee
- Member, Directors Remuneration Committee

John has extensive past board experience including directorships with Zespri Group Limited, AgResearch Limited, Port of Napier Limited and Toll NZ Limited. John is currently chairman of Powerco Limited, Tru-Test Corporation Limited, Rockit Global Limited, Meat Industry Association of New Zealand Inc and Hop Revolution Limited. John is the founder and owner of Askerne Winery.

Adrian Gault

Elected 2009, BAgSci, IOD Directors Certificate

Committees:

- Member, Audit Committee
- Member, Health and Safety Committee

Adrian has many years of agriculture and horticulture experience. He is the past Chairman of Kiwifruit Vine Health and is a board representative on EastPack Entity Trust. He holds a Bachelor of Agricultural Science and is a Nuffield Scholar (2000). He has also completed the Fonterra Governance Leadership programme. Adrian owns and operates kiwifruit orchards in the Bay of Plenty region.

Mark Giles

Independent Director, appointed 2014, B Ag Econ

Committees:

- Member, Remuneration and Appointments Committee
- Member, Health and Safety Committee

Mark joined EastPack as an independent director in 2014. Mark has a broad range of skills and successful track-record throughout a diverse business life, predominantly within the ICT sector. His leadership experience has spanned across large multinationals to home grown New Zealand companies and the not for profit sector.

Mark has extensive international General Management, sales and marketing experience and served on a number of boards including that of Vodafone New Zealand, Vodafone Mobile New Zealand, and Alcatel New Zealand. Mark is currently an independent director at ITM Co-operative Limited, and chairman of Coretex Limited and Techspace Consulting Limited. Mark holds a Bachelor of Agricultural Economics from Massey University.

Mark Hudson

Elected 1992, BSocSc

Committees:

- Member, Health and Safety Committee
- Member, Remuneration and Appointments Committee

Mark has been involved in the kiwifruit industry since 1982; he owns and manages orchards in the Edgecumbe region. He holds a BSocSc degree in Economics and Accounting and has been a member of NZKGI for a number of years.

David Jensen

Elected 2018, B.Agr. Dip Agri.Sc

Committees:

- Chairman, Audit Committee
- Member, Health and Safety Committee

David is an experienced Director of several Co-operative and private companies. He is a past director of Satara and has been the past Chairman of the EastPack Entity Trust. He and his family own and operate orchards in the Tauranga region.

David is a director of Livestock Improvement Corporation Limited and a previous director of Farmlands Cooperative Limited.

Michael Montgomery

Elected 2000

Committees:

- Member, Health and Safety Committee

Michael has been involved in the kiwifruit industry as a grower and a post-harvest operator since 1981. Michael is chairman of TKL Logistics Limited, which manages wharf and transport services for kiwifruit in the Bay of Plenty. Michael is a board representative on EastPack Entity Trust and a past member of NZKGI. He completed the Kelloggs Rural Leadership Training Programme in 2002. He owns and operates orchards in the Bay of Plenty, Hawke's Bay and Gisborne Areas.

Murray McBride

Elected 2009, IOD Directors Certificate, IOD Audit and Risk Certificate

Committees:

- Chairman, Health and Safety Committee

Murray has been involved in the kiwifruit industry since 1979. He managed the McBride family post-harvest facility and purchased his first orchard in 1990. Since then, Murray has been heavily involved in developing gold orchard plantings and is renowned in the industry as a leader in this field.

Hendrik Pieters

Elected 1999 (Satara), 2013 (EastPack)

Committees:

- Chairman, Remuneration and Appointments Committee
- Member, Health and Safety Committee

Hendrik has held several senior leadership roles within the New Zealand kiwifruit industry throughout the past 30 years.

He and his family own and operate orchards in the Te Puke region.

John Loughlin

Adrian Gault

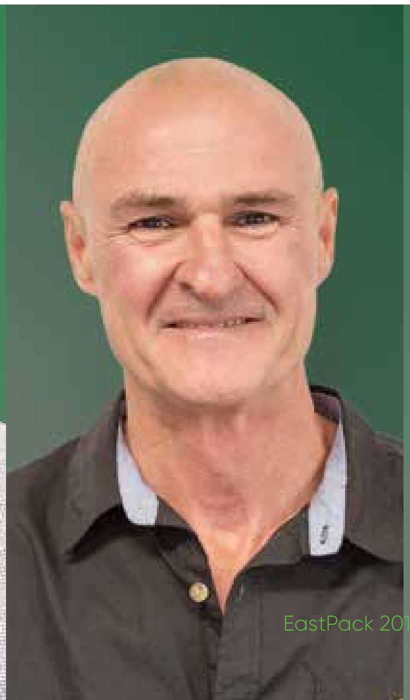
Mark Giles

Mark Hudson

David Jensen

Michael Montgomery

Murray McBride



Hendrik Pieters

SENIOR LEADERSHIP TEAM

At EastPack, we're clear about what we're here to achieve; the success of our Growers.

Our high performing team are committed to ensuring EastPack and its Growers have a great future.

Phil Karl
DIPDAIRYTECH
General Manager – Operations

"New Zealand owes its prosperity and lifestyle to the generations of people that have worked to create produce. It is our, and my personal, privilege to be trusted to add value and create prosperity for our valued Grower shareholders."

Braden Hungerford
BAV
General Manager – Grower & Orchard Performance

"Healthy things Grow. Our job is to create the environment to allow it to happen. Right people, right passion, right process."

Merv Dallas
BCOM FCA
Chief Financial Officer

"Growers at Heart sums up the co-operative nature of our business. From a financial perspective it is about being transparent, honest and respectful in everything we do, and being efficient and effective as a business to provide the best financial returns to our Grower shareholders."

Hamish Simson
BCOM
Chief Executive

"Everything we do at EastPack is for the benefit of our Growers. They are our customers and our shareholders – our culture is to get the very best outcome for their fruit and to deliver excellent shareholder returns."

Kirsty Shores
DIPBUS (INFORMATION SYSTEMS)
Chief Technology Officer

"I work with my team to always consider how we do things better for our Growers. Whether it's introducing new technology for efficiency, analysing information that helps us make better decisions, or evaluating which projects to embark on next, we are always considering the priorities against the value this will bring to Growers."

Ginny Moore
BTECH (FOOD TECHNOLOGY)
Business Improvement Manager

"Increasing customer value is the key philosophy behind our continuous improvement programme. Growers at Heart guides our strategic and daily decision-making to ensure we deliver great results now and in the future."

Neil Te Kani
Māori Relations Manager

"As a co-operative we have our Growers at heart. They are an integral part of our business and we are firmly focused on delivering real value to our grower community."

Heather Burton
DIPBUS (HR MANAGEMENT)
General Manager – Human Resources

"Our people are driven around strong performance and processes and are committed to delivering consistent outcomes for our Growers. Each year my team looks at new and innovative ways to attract, manage and retain both seasonal and permanent staff, motivated to be the kiwifruit industry's employer of choice."

Richard Fraser-Mackenzie
BCOM CA
General Manager – Supply & Logistics

"Growers at heart has provided an easy reference point for my team and I to make decisions and set values which are aligned to our stakeholder suppliers."

GROWERS AT HEART, FUTURE IN MIND.

Good corporate governance is acting and leading with integrity and maintaining a high standard of business ethics, underpinned by written policies and procedures which ensure that the culture and expectations are clearly understood and respected throughout EastPack. The Board considers it essential that a high standard of corporate governance practices are in place across the organisation, starting with the Directors themselves at Board level. This section provides an overview of the key elements of EastPack's corporate governance framework.

EastPack Limited is regulated by the provisions of the Companies Act 1993, the Cooperative Companies Act 1996 and other relevant legislation governing the duties of directors, including financial reporting obligations, offering and trading in securities, employment, environment, and health and safety. As EastPack also issues shares, it is required to comply with all requirements of applicable securities legislation, including the Financial Markets Conduct Act 2013 and, therefore, share transactions and some EastPack publications are subject to scrutiny by the Financial Markets Authority.

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 EastPack 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 EastPack Group 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 six shareholder directors, of those shareholder directors, not less than four shall hold Transactor Shares, and not less than two shall hold Investor Shares. The maximum number of directors is nine.

At least one third of directors shall retire from office each year at the Annual 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 two 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 EastPack.

The primary responsibilities of the Board include:

- to establish the vision of EastPack
- to establish long term goals and strategies for EastPack
- to approve annual financial reports
- to approve annual budgets
- to approve corporate policies
- to ensure EastPack 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 Board's Operating Manual which includes a Board Charter and Code of Ethics.

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 interests. Transactions with related parties and balances outstanding relating to the year ending 31 December 2018 are disclosed in note 27 of the Notes to the Financial Statements.

Risk Management

The management of risk is a key focus for the Board. A risk management system is in place which is used to identify and manage all business risks. The risk profile is reviewed annually and monitored regularly throughout the year.

The Board monitors the operational and financial aspects of EastPack and considers recommendations from external auditors and advisors on the risks that EastPack 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 EastPack's system of internal financial controls. Internal financial controls have been implemented to minimise 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 the following standing committees:

- Audit Committee
- Remuneration and Appointments Committee.
- Health and Safety Committee
- Directors' Remuneration Committee

Audit Committee

The primary objective of the Committee is to assist the Board of Directors in fulfilling its responsibilities and regulatory compliance relating to the accounting and reporting practices of EastPack and each of its Subsidiaries. In addition, the Committee:

- Monitor and administer any conflicts of interest which may arise, in particular those resulting from EastPack being a Grower Co-operative
- Review the recommendations and the audit conducted by the External Auditors
- Review the financial information presented by management and recommend to the Board the approval of Financial Statements for release to shareholders, regulators and the general public
- Monitor the appropriateness and effectiveness of EastPack's administrative, operating and accounting controls
- Review and advise on the risk management practices of EastPack
- Approve the internal audit programme, receive reports and address recommendations considered appropriate

This committee is chaired by David Jensen.

Health and Safety Committee

The role of the Health and Safety Committee is to assist the Board in discharging its responsibilities relative to Health & Safety performance and regulatory conformance. In addition, the committee:

- Liaise with management and relevant staff in Health and Safety
- Reviews the annual Health and Safety audit plan
- Assess the performance of Health and Safety
- Review Health and Safety reporting/policies/procedures/implementation
- Oversight of compliance with statutory responsibilities relating to Health and Safety
- Understand the hazards that employees and contractors face in the course of their roles with and for EastPack and the management of those hazards
- Ensuring recommendations are actioned by management

This committee comprises the full Board and is chaired by Murray McBride.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee has the responsibility to make recommendations in respect of the appointment of Directors and the appointment and remuneration of senior executives and related matters. This committee is chaired by Hendrik Pieters.

Directors' Remuneration Committee

The Committee comprises the Chairman of the Board and three Grower shareholders appointed at the shareholders' Annual General Meeting. The Committee reviews and recommends the level of directors' remuneration to be approved by shareholders at the Annual General Meeting.

The Board also currently operate the following Working committees:

- Information Systems Committee
- Leadership Committee
- Capital Structure Committee

Attendance at Meetings

The Board currently meets formally ten times each year, with additional meetings held as required. The meeting format 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' Remuneration

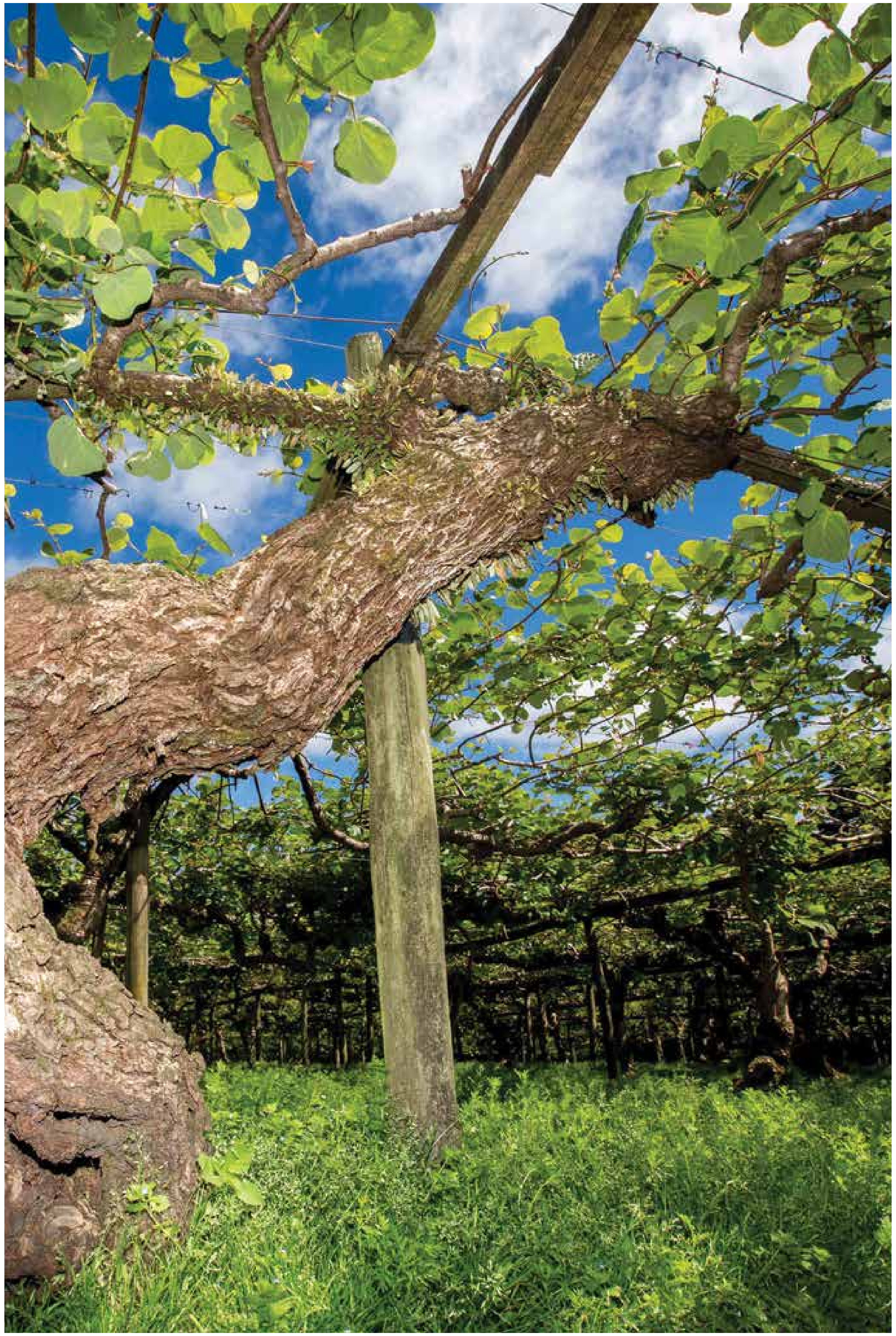
Directors' remuneration during the year is disclosed in the Statutory Information section of this report.

Employee Remuneration

Employee 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 27 of the Notes to the Financial Statements, there were no interests disclosed to the Board during the year.



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:

- M.R. McBride, R.M. Hudson, A.A. Gault, D.P. Jensen, M.J. Montgomery, M.C. Maltby, H.J. Pieters and M.T. Giles own orchards for which EastPack provides services on normal commercial terms.
- R.M. Hudson, M.R. McBride, M.J. Montgomery and H.J. Pieters own kiwifruit contracting businesses that provides labour and contracting services to EastPack Limited under normal commercial terms.
- M.T. Giles is a shareholder and director of Techspace Limited that provided consulting services to EastPack limited under normal commercial terms.
- M.J. Montgomery is a Director of Pine Valley Orchards Ltd., which has a loan outstanding with EastPack Ltd on commercial terms, which reflect an option to develop a facility on land owned by Pine Valley Orchards Ltd. This company has plans to develop a new kiwifruit post-harvest facility at Lemon Road, Paengaroa.
- M.J. Montgomery is a Trustee of a trust that leases coolstores to EastPack Ltd on normal commercial terms.
- MJ Montgomery is a Director of a Company that has plans to develop a new kiwifruit post-harvest facility at Lemon Road, Paengaroa.

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
A.A. Gault	71,249	–	–	–
M.T. Giles	8,684	–	–	–
R.M. Hudson	12,992	–	–	–
D.P. Jensen	35,828	–	–	–
J.J. Loughlin	–	–	–	–
M.R. McBride	63,542	646,670	–	–
M.J. Montgomery	–	–	–	–
H.J. Pieters	20,226	–	–	–

All transactor shares were issued at $1 per share.

Remuneration and Other Benefits:

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

	REMUNERATION ($) 2018	2017
A.A. Gault	47,333	42,000
M.T. Giles	47,333	42,000
R.M. Hudson	48,333	45,000
D.P. Jensen	33,333	–
J.J. Loughlin	105,800	92,400
M.R. McBride	47,333	42,000
M.C. Maltby	14,000	42,000
M.J. Montgomery	48,333	45,000
H.J. Pieters	47,333	42,000

Remuneration of Employees:

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

	GROUP
$100,000 – $109,999	15
$110,000 – $119,999	5
$120,000 – $129,999	4
$130,000 – $139,999	4
$140,000 – $149,999	2
$150,000 – $159,999	3
$180,000 – $189,999	1
$220,000 – $229,999	3
$250,000 – $259,999	1
$260,000 – $269,999	2
$770,000 – $779,999	1
	41

Donations:

No donations of a material nature were made by the Group during the year.

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.

Co-operative Status:

In the opinion of each director, the Company is a co-operative company within the meaning of that term given by the Co- operative Companies Act 1996 and for the following reasons:

(a) The Company continues to carry on, as its principal activity, a co-operative activity as set out in Section 3 of the Co- operative Companies Act 1996;
(b) The constitution of the Company states its principal activities as being co-operative activities; and
(c) Not less than 60% of the voting rights of the Company are held by transacting shareholders as defined in section 4 of the Co-operative Companies Act 1996.

For and on behalf of the Board:

John Loughlin – Chairman
27 February 2019


Maximise today, grow tomorrow.

INCOME STATEMENT

For the year ended 31 December 2018

	NOTES	2018 ($000'S)	2017 ($000'S)
Revenue	6	184,722	150,377
Share of profit/(loss) in associates	25	–	6
Packaging materials		(40,412)	(35,325)
Employee benefits expense		(58,191)	(48,852)
Directors compensation		(454)	(407)
Other expenses	7	(41,875)	(34,851)
Rental and operating lease expenses		(2,050)	(1,049)
		(142,981)	(120,484)
Earnings before interest, tax, depreciation, fair value adjustments and rebates		**41,741**	**29,899**
Depreciation	24	(15,589)	(13,353)
Earnings before interest, tax, fair value adjustments and rebates		**26,152**	**16,546**
Interest expense		(3,853)	(3,499)
Rebates paid		(7,891)	(6,188)
Earnings before tax and fair value adjustments		**14,407**	**6,859**
Gain/(loss) on revaluation of property, plant and equipment	24	(924)	–
Net profit/(loss) before taxation		**13,483**	**6,859**
Add/(less) taxation	8	(3,640)	(1,975)
Net profit/(loss) after taxation		**9,843**	**4,884**
Net profit/(loss) attributable to:			
Owners of the Company		9,843	4,884
Non controlling interest		–	–
Net profit/(loss) after taxation		**9,843**	**4,884**
Earnings per share			
Basic and diluted earnings per share	9	$0.33	$0.16

These financial statements should be read in conjunction with the Notes to the financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 ($000'S)	2017 ($000'S)
Net profit/(loss) after taxation		9,843	4,884
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(Loss) on revaluation of property, plant and equipment, net of tax	11	4,817	–
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments at fair value through the comprehensive income	11	(23)	–
Gain/(Loss) on fair value of available for sale financial assets, net of tax	11	–	2,291
Other comprehensive income for the year		**4,794**	**2,291**
Total comprehensive income for the year		**14,637**	**7,175**
Total comprehensive income attributable to:			
Owners of the company		14,637	7,175
Total comprehensive income for the year		**14,637**	**7,175**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	NOTES	SHARE CAPITAL ($000'S)	OTHER RESERVES ($000'S)	RETAINED EARNINGS ($000'S)	TOTAL ($000'S)
For the year ended 31 December 2018					
Opening balance 1 January 2017		12,847	23,355	28,490	64,692
Net profit/(loss) after taxation		–	–	4,884	4,884
Other comprehensive income, net of tax	11	–	2,291	–	2,291
Total comprehensive income for the year		–	2,291	4,884	7,175
Dividends paid	12	–	–	(1,502)	(1,502)
Closing balance 31 December 2017		**12,847**	**25,646**	**31,872**	**70,365**
Net profit/(loss) after taxation		–	–	9,843	9,843
Other comprehensive income, net of tax	11	–	4,794	–	4,794
Total comprehensive income		–	4,794	9,843	14,637
Dividends paid	12	–	–	(2,575)	(2,575)
Closing balance 31 December 2018		**12,847**	**30,440**	**39,140**	**82,427**

These financial statements should be read in conjunction with the Notes to the financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 ($000'S)	2017 ($000'S)
Equity			
Share capital	10	12,847	12,847
Reserves	11	30,440	25,646
Retained earnings		39,140	31,872
		82,427	70,365
Non current liabilities			
Deferred taxation	8	9,828	9,454
Transactor share capital	16	25,632	23,349
Refunds due to resigned shareholders	17	1,512	1,908
Borrowings	18	61,092	62,000
		98,063	96,711
Current liabilities			
Borrowings	18	10,304	5,000
Trade and other payables	13	21,991	21,471
Employee entitlements	15	1,001	927
Provision for taxation	8	1,688	1,539
Refunds due to resigned shareholders	17	1,398	648
Contract liabilities	14	625	408
		37,007	29,993
Total funds employed/liabilities		**217,496**	**197,069**
Non current assets			
Property, plant and equipment	24	188,585	172,918
Investments	25	4,614	4,644
Unpaid transactor shares	23	98	98
Trade and other receivables	20	–	160
		193,298	177,820
Current assets			
Cash and cash equivalents	19	9,173	5,082
Trade and other receivables	20	8,726	7,681
Biological assets	21	3,406	3,831
Inventories	22	2,895	2,655
		24,199	19,249
Total assets		**217,496**	**197,069**

For and on behalf of the Board

John Loughlin – Chairman
27 February 2019

David Jensen – Director
27 February 2019

These financial statements should be read in conjunction with the Notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 ($000'S)	2017 ($000'S)
Cashflows from operating activities			
Cash was provided from:			
Receipts from customers		183,499	150,341
Interest received		180	280
Net GST received		1,085	–
Dividends received		607	347
		185,371	150,968
Cash was applied to:			
Payments to suppliers and employees		(152,058)	(126,100)
Interest paid		(3,853)	(3,317)
Net GST paid		963	(192)
Taxation paid		(4,583)	(2,237)
		(160,494)	(131,846)
Net cash flows from operating activities	26	**24,877**	**19,122**
Cashflows from investing activities			
Cash was provided from:			
Proceeds from sale of investments		47	288
Repayment of grower loans		(0)	7
Proceeds from sale of property, plant and equipment		318	82
		365	377
Cash was applied to:			
Purchase of property, plant and equipment		(25,305)	(34,953)
		(25,305)	(34,953)
Net cash flows from investing activities		**(24,940)**	**(34,576)**
Cashflows from financing activities			
Cash was provided from:			
Issue of transactor shares		3,579	6,659
Proceeds from borrowings		4,092	14,350
		7,671	21,009
Cash was applied to:			
Payment of dividends		(2,575)	(1,502)
Redemption of shares		(941)	(1,436)
		(3,516)	(2,938)
Net cash flows from financing activities		**4,154**	**18,071**
Net increase/(decrease) in cash and cash equivalents		4,091	2,617
Opening cash and cash equivalents		5,082	2,465
Closing cash and cash equivalents	19	**9,173**	**5,082**

These financial statements should be read in conjunction with the Notes to the financial statements

NOTE 1: Statement of Significant Accounting Policies

EastPack Ltd (the "Company") is a co-operative Company domiciled and incorporated in New Zealand under the Companies Act 1993 and registered under the Co-operative Companies Act 1996. The Company is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013.

The principal activities of the Group are operating a packhouse, providing coolstorage services and providing orchard management.

The consolidated financial statements for the "Group" are for the economic entity comprising the Company and its subsidiaries per Note 24. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The financial statements were approved by the Board of Directors on 27 February 2019. 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 comply with generally accepted accounting practice in New Zealand ("NZ GAAP"). For the purposes of complying with NZ GAAP, the Company is a for-profit entity. The financial statements also comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and 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 Basis

The financial statements has been prepared on a historical cost basis, with the following exceptions:

- Available-for-sale investments are measured at fair value
- Land and buildings are remeasured using the revaluation model
- Biological assets are measured at fair value

Functional and Presentation Currency

These financial statements are presented in New Zealand dollars, which is both the Company and the Group's functional and presentation currency. The amounts are rounded to the nearest thousand dollars ($000) unless otherwise stated.

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 inclusive of GST. The net amount of GST recoverable from, or payable to, Inland Revenue, is included in the Statement of Financial Position.

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries and associates of the Company as at 31 December 2018 and their results for the year then ended.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair values of the assets transferred, the liabilities incurred or assumed and the equity interests issued at the date of exchange. 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.

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.

NOTE 1: Statement of Significant Accounting Policies (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associate companies

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

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.

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.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to profit/(loss) of associates in profit or loss.

Profits and losses arising from upstream and downstream transactions are recognised in the Group's financial statements only to the extent of the unrelated investors' interests in the associates. Unrealised gains on transactions between the Group and its associates are 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, 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. The Group's primary revenues from services provided are for the packing and coolstorage of fruit. The Group's performance obligations are completed upon shipment to customers which typically is completed by November each year. Payment for the services provided are typically fully satisfied by the end of the financial year. The Group also lease and manage orchards on behalf of orchard owners. For leased orchards, The Group's performance obligations are completed once the crop has been harvested and all revenues are recorded in that financial year. For managed orchards, management fees are charged quarterly, once the group has completed its obligation to manage the orchard. At the end of the financial year, all management fees have been charged to orchard owners.

Interest revenue

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

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

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.

NOTE 1: Statement of Significant Accounting Policies (continued)

(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) Biological assets

Biological assets represent the value of developing the fruit due to be harvested in the following year. Biological assets are capitalised leased orchard expenses 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. Due to there being insufficient biological transformation as at reporting date, the Group has determined that cost approximates fair value. Costs include labour, materials and other direct costs allocated to the asset.

(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. 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. 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 the Group and the cost of the item can be measured reliably.

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

Land and improvements and buildings are measured at revalued amounts less any subsequent depreciation and impairment losses plus the cost of additions since last revaluation. 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 from revaluations are credited to other reserves in 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.

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 the carrying amount of the asset being disposed of and are included in profit or loss. Upon disposal or derecognition of a revalued asset, any revaluation reserve relating to the particular asset is transferred to retained earnings.

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. The residual value and useful lives of all assets are reviewed and adjusted if appropriate at each reporting date.

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 equipment	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 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 in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

NOTE 1: Statement of Significant Accounting Policies (continued)

(h) Income tax

The 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 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 tax asset is realised or the deferred tax liability is settled. Deferred 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 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 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.

(i) 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.

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.

(j) 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 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.

Bonus plan

The Group recognises bonuses 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.

(k) 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.

(l) 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 and intercompany advances).

Finance costs are expensed using the effective interest method.

NOTE 1: Statement of Significant Accounting Policies (continued)

(m) Impairment of non-financial assets

Non-financial 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 profit or loss except to the extent that the impairment offsets a previous revaluation increase in the same asset, in which case the impairment is charged against other reserves in equity.

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

(n) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired and the nature of the cashflows. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables at amortised cost

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 trade and other receivables, intercompany advances, unpaid transactor shares and cash and cash equivalents. Loans and receivables are carried at amortised cost using the effective interest method.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise: Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

The Group has made an irrevocable election at initial recognition for financial assets, being investments in shares to be presented as fair value through other comprehensive income as they are not held for trading.

Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

The Group has no financial assets classified as financial assets at fair value through the profit or loss as they have elected to classify financial assets held as fair value through other comprehensive income.

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.

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. Immaterial 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,on the basis that this approximates fair value.

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.

NOTE 1: Statement of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(o) Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost include trade and other payables, refunds due to resigned shareholders and borrowings. These 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 profit or loss over the period of the borrowing using the effective interest method.

The Group does not have any financial liabilities measured at fair value through profit or loss.

(p) Transactor shares

Transactor share capital is classified as a liability as they are redeemable at the option of the shareholder and the Group has five years to make the repayment (see Note 16). When Transactor share capital is redeemed it becomes a 'Refund Due to Resigned Shareholders' until repayment is made (see Note 17). Rebates payable to Transactor shareholders are recognised in profit or loss on an accruals basis.

(q) 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 Directors

(r) Trade receivables

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

As stated in Note 4 the group has recognised expected credit losses for all trade receivables. Debts which are known to be uncollectible are written off. As the Group experiences minimal impairment of receivables, the allowance for expected credit loss is established based upon the payment profiles and historical credit losses adjusted for forward looking information regarding customers' ability to pay.

(s) Change in Accounting Policy

As a result of the adoption of NZ IFRS 9 Financial Instruments from 1 January 2018, financial assets that were previously classified as Available for Sale are now classified as Fair Value through Other Comprehensive Income which results in changes to Reserves in Equity. Refer Notes 11 and 25.

The Group has adopted NZ IFRS 15 Revenue from contracts with customers from 1 January 2018 which resulted in minor changes in accounting policies (see Note 1 (c)) and minor changes to disclosures. This adoption has not affected comparatives.

Changes to disclosures:
Contract liabilities in relation to income in advance were previously presented as trade and other payables.

NOTE 2: Critical accounting estimates, judgements and assumptions

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

In the application of NZ IFRS, management is required to make judgements, 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 circumstances, 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.

Judgements 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.

Valuation of land and improvements and buildings

Land and improvements and buildings are measured at fair value as determined by an independent valuer. The independent valuer uses valuation techniques which are inherently subjective and involve estimation. Further information is provided in Notes 5 and 24.

Investment in unlisted companies

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Further information is provided in Note 24.

Biological assets

Management has made the judgement that cost approximates fair value for biological assets on the basis that the vines have undergone insufficient biological transformation as at balance date. For further details, refer Note 21.

NOTE 3: New standards

Standards, interpretations and amendments to published standards that became effective during the year:

The following standards have been adopted during the year:

NZ IFRS 9 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018) is part of the International Accounting Standards Board's project to replace IAS 39 'Financial instruments: Recognition and measurement'. The standard introduces amended requirements for classifying and measuring financial assets and liabilities and amended requirements in relation to the impairment testing of financial assets and in relation to hedge accounting.

NZ IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018) addresses the recognition of revenue from contracts with customers and replaces the current revenue recognition guidance in NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts'.

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

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective:

NZ IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for lease contracts and replaces the current Leases guidance in NZ IAS 17 'Leases'.

The Group's most significant leases are the leases of offsite coolstore facilities. Management's assessment is that the impact of the adoption of NZ IFRS 16 would be to increase the total assets and liabilities resulting in an insignificant net impact on the statement of financial position. The net impact on the decrease in lease costs and increase in depreciation is not expected to be material. The Group has a number of other leases which will not make a significant difference.

The Group expects to adopt the above standards and interpretations in the period in which they become mandatory.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

NOTE 4. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including currency risk and interest rate risk) and capital risk.

(a) Credit Risk

To the extent that the 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 cash and cash equivalents, trade and other receivables, intercompany advances and unpaid transactor shares. The Group manages its exposure to credit risk to minimise losses from bad debts. The Group generally has the ability to withhold either rebates or dividends from receivables owing from growers and transacting shareholders. Management also actively monitor and manage other receivables. In respect of cash and cash equivalents, 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. Management assesses there to be no significant credit risk associated with intercompany advances or unpaid transactor share capital.

Exposures to credit risk at balance date are:

	2018 ($000'S)	2017 ($000'S)
Cash and cash equivalents	9,173	5,082
Trade and other receivables	8,222	7,402
Unpaid transactor shares	98	98
Total net receivables	8,320	7,500

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

Concentrations of Credit Risk

At reporting date the majority of the Group's cash and cash equivalents were with the Bank of New Zealand, which has a high credit rating. The Group does not have any other significant concentration of credit risk as receivables are spread over a large number of customers, however, a significant majority of these receivables are owed by third parties from within the Kiwifruit industry.

Status of trade and other receivables

Group	2018 GROSS ($000'S)	2018 IMPAIRMENT ($000'S)	2017 GROSS ($000'S)	2017 IMPAIRMENT ($000'S)
Not yet due	7,256	–	6,800	–
Overdue 0–31 days	386	–	404	–
Overdue 31–91 days	289	–	82	–
Overdue 92–184 days	8	–	44	–
Overdue more than 184 days	336	54	107	36
Total trade and other receivables	8,276	54	7,437	36

Expected credit loss

Due to the nature of trade receivables, minimal loss is expected to occur, and the majority of receivables are not overdue. The Group has calculated its expected credit loss allowance using the simplified approach which calculates the expected credit loss over the lifetime of the receivables. The Group recognised an expected credit loss allowance at reporting date of $54,000 (2017 $36,546). The increase reflects the change in accounting policy required as a result of the adoption of NZ IFRS 9 which has not had a material impact.

NOTE 4. Financial risk management (continued)

(b) Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations in relation to financial liabilities as they fall due. 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. See Note 18 for further details regarding the Group's borrowing facilities.

2018	STATEMENT OF FINANCIAL POSITION ($000'S)	CONTRACTUAL CASH FLOWS ($000'S)	6 MONTHS OR LESS ($000'S)	6 – 12 MONTHS ($000'S)	1 – 2 YEARS ($000'S)	2 – 5 YEARS ($000'S)	> 5 YEARS ($000'S)
Borrowings	71,396	78,118	1,894	11,759	3,248	61,217	–
Transactor share capital	25,632	25,632	–	–	–	–	25,632
Trade and other payables	21,131	21,131	21,131	–	–	–	–
Refunds due to resigned shareholders	2,910	2,910	768	630	774	738	–
	121,069	127,791	23,793	12,390	4,022	61,955	25,632

2017	STATEMENT OF FINANCIAL POSITION ($000'S)	CONTRACTUAL CASH FLOWS ($000'S)	6 MONTHS OR LESS ($000'S)	6 – 12 MONTHS ($000'S)	1 – 2 YEARS ($000'S)	2 – 5 YEARS ($000'S)	> 5 YEARS ($000'S)
Borrowings	67,000	75,067	6,658	1,620	12,768	54,021	–
Transactor share capital	23,349	23,349	–	–	–	–	23,349
Trade and other payables	21,019	21,019	21,019	–	–	–	–
Refunds due to resigned shareholders	2,557	2,557	401	246	1,274	635	–
	113,925	121,992	28,078	1,866	14,042	54,656	23,349

(c) Market Risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies however the exposure is minimal as the Group's normal trading activities are conducted in New Zealand dollars.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has exposure to interest rate risk to the extent that it borrows or invests for a fixed term. The Group manages its cost of borrowing by placing limits on the proportion of borrowings at floating rates, and the proportion of fixed rate borrowing that is repriced in any year.

BNZ borrowings

An increase/decrease of 1% in interest rates would decrease/increase pre-tax profit and equity of the Group by +/- $700,000 (2017: +/- $670,000) if the interest rate change was apparent for the full year and assuming a full drawdown on the term loan of $70m. There are no other significant interest bearing financial instruments subject to interest rate risk.

(iii) Risk Management related to horticulture activities

The Group is exposed to market and production risks associated with the horticulture industry. The major risks are disease, weather events and pests which impact the volumes of fruit to the post-harvest operations as well as volumes produced by the Group's orchards and/or leased crops.

NOTE 4. Financial risk management (continued)

(d) Capital Risk

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 shareholders, 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.

The Group monitors capital on the basis of its shareholder equity ratio. This ratio is calculated as total equity (including transactor shares) divided by total assets.

The shareholder equity ratio at 31 December is:

	2018 ($000'S)	2017 ($000'S)
Total equity (including transactor shares)	108,058	93,714
Total assets	217,496	197,069
Shareholder equity ratio	50%	48%

The Group is subject to, and monitors, financial covenants imposed by its lenders from time to time. These covenants include such measures as maintenance of equity ratios and earnings times interest cover. At no stage during the year did the Group breach any of its lending covenants.

The Group has current bank facilities of $105 million with the Bank of New Zealand, of which $35 million remains undrawn as at balance date.

NOTE 5. Determination of fair value

Fair value measurement for financial assets and liabilities

The fair value of cash and cash equivalents, trade and other receivables, intercompany advances, and trade and other payables approximates their carrying value due to their short term nature. The fair value of transactor shares approximates fair value, due to the fixed redemption value and market returns paid by way of rebate.

Fair value measurement

The table below analyses those financial instruments carried at fair value. The different levels of the fair value hierarchy have been defined below.

Level 1: *Quoted prices (unadjusted) in active markets for identified assets or liabilities that the entity can access at the measurement date.*

Level 2: *Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.*

Level 3: *Unobservable inputs for the asset or liability that have to be developed to reflect the assumptions that a market participant would use when determining an appropriate price.*

2018	LEVEL 1 ($000'S)	LEVEL 2 ($000'S)	LEVEL 3 ($000'S)
Unlisted equity shares	–	3,979	–
Land and improvements and buildings	–	–	127,407
	–	3,979	127,407

2017	LEVEL 1 ($000'S)	LEVEL 2 ($000'S)	LEVEL 3 ($000'S)
Unlisted equity shares	–	4,002	–
Land and buildings	–	–	123,896
	–	4,002	123,896

NOTE 5. Determination of fair value (continued)

The fair value measurement for land and buildings has been categorised as Level 3, as the inputs used as part of the valuation techniques are based on unobservable inputs. There were no transfers into or out of Level 3 of the fair value hierarchy during the reporting period.

The following shows each valuation technique used in measuring the fair value of land and buildings, as well as the significant unobservable inputs used and the inter-relationship between the key unobservable inputs and fair value measurement.

(a) Land and improvements and buildings

The fair value of land and buildings is determined using valuations by an independent valuer as set out in Note 24. In conducting the valuations, the valuer considered 3 different approaches to arrive at the fair value of the land and improvements and buildings. A weighted average of the 3 valuation methods is applied to derive the final valuation. A weighting of 40% is applied to the income capitalisation approach, 40% to the market comparison approach and 20% to the discounted cash flow approach. The information below relates to the valuations undertaken at 31 December 2018.

Discounted cash flow approach

The current market rental calculated under the income capitalisation approach is used to forecast net cash flows over a ten year period. Allowances are made for expected rental growth and estimated costs incurred to maintain the land and buildings. Having determined the net annual income, a terminal value is established using a terminal capitalisation rate (10.5% – 11.75%). Cash flows are discounted at a market related discount rate (10.25% – 11.5%).The present value of the aggregate of each cash flow establishes market value. This method assumes land & buildings are sold in the terminal year.

Key unobservable inputs	***Inter-relationship between key unobservable inputs and fair value measurement***
Current market rental	*Higher market rental results in increased fair value. Lower market rental results in a decreased fair value.*
Discount rate	*Higher discount rate results in decreased fair value. Lower discount rate results in an increased fair value. Specifically, an increase in the discount rate of 0.25% would decrease the fair value by approximately $1,792,000 and a decrease in the discount rate of 0.25% would increase the fair value by approximately $1,830,000.*
Terminal capitalisation rate	*Higher capitalisation rate results in decreased fair value. Lower capitalisation rate results in an increased fair value. Specifically, an increase in the capitalisation rate of 0.25% would decrease the fair value by approximately $1,090,000 and a decrease in the capitalisation rate of 0.25% would increase the fair value by approximately $1,139,000.*

Income capitalisation approach

Assumes a hypothetical lease of the property with a current market rental being established and capitalised at an appropriate rate of return (10.0% – 11.25%) that would be expected by a prudent investor.

Key unobservable inputs	***Inter-relationship between key unobservable inputs and fair value measurement***
Current market rental	*Higher market rental results in increased fair value. Lower market rental results in a decreased fair value.*
Capitalisation rate of return	*Higher capitalisation rate results in decreased fair value. Lower capitalisation rate results in an increased fair value. Specifically, an increase in the capitalisation rate of 0.25% would decrease the fair value by approximately $2,932,000 and a decrease in the capitalisation rate of 0.25% would increase the fair value by approximately $3,071,000.*

Market comparison

Considers recent sales of other comparable type properties.

Key unobservable inputs	***Inter-relationship between key unobservable inputs and fair value measurement***
Current market sales	*Higher market sales results in increased fair value. Lower market sales results in a decreased fair value.*

Valuer's assumptions

In preparing the valuation reports, the valuer has made the assumption that the property will continue to be occupied by the existing business and accordingly the valuations are based on a notional lease being in place with a market rental being paid.

Valuer's disclaimers

The valuer has disclaimed in his valuation reports that no seismic assessments have been performed in respect of EastPack's sites and therefore the valuations do not take into account any works that may be needed should the buildings be identified as being earthquake prone.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

NOTE 6. Revenue

	2018 ($000'S)	2017 ($000'S)
Services rendered	180,827	147,750
Dividends received	647	383
Rent revenue	2	102
Interest revenue	181	282
Other revenue	3,064	1,859
	184,722	150,377

NOTE 7. Other expenses

	2018 ($000'S)	2017 ($000'S)
Items included in other expenses:		
Repairs and maintenance	4,238	3,213
Insurance	1,782	1,534
Electricity	5,300	4,358
Transport costs	559	355
Sundry packaging expenses	803	744
Licence fees	1,184	899
Plant and equipment hire	1,390	1,425
Vehicle expenses	935	815
Loss compensations	659	962
Leased orchard expenses	12,628	11,961
Administration costs	3,964	2,290
Wharf costs	496	511
Sponsorship	177	187
Research and development write off	1,479	–
Auditors remuneration:		
Amounts paid or payable to the auditors for:		
Internal audit services – KPMG	67	–
Auditing the financial statements – Staples Rodway	85	95
Other services:		
Tax compliance work and advice	30	24
	182	119

NOTE 8. Income tax

	2018 ($000'S)	2017 ($000'S)
Income tax expense:		
Current tax expense/(income)	4,389	2,643
Deferred tax expense/(income)	(749)	(668)
	3,640	1,975

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

Prima facie income tax payable on profit before tax	2018 ($000'S)	2017 ($000'S)
Income tax at 28% (2017: 28%)	3,775	1,921
Tax effect of		
• Non deductible expenses	35	173
• Non assessable income	(0)	(13)
• Imputation credits received	(181)	(106)
• Adjustments of prior years	12	–
Income tax expense	3,640	1,975

There are no unrecognised tax losses or temporary differences carried forward (2017: Nil).

Deferred taxation balances	2018 ($000'S)	2017 ($000'S)
Deferred tax assets		
Stock obsolescence	170	155
Employee entitlements	197	180
Trade and other payables	130	154
Trade and other receivables	15	11
	512	500
Deferred tax liabilities		
Property, plant and equipment	(9,602)	(9,089)
Biological assets	(738)	(865)
	(10,340)	(9,954)
Net deferred tax assets/(liabilities)	(9,828)	(9,454)

Deferred taxation movements recognised in income	2018 ($000'S)	2017 ($000'S)
Deferred tax assets		
Stock obsolescence	15	(38)
Employee entitlements	17	1
Trade and other payables	(25)	67
Trade and other receivables	5	(61)
	12	(31)
Deferred tax liabilities		
Property, plant and equipment	610	500
Biological assets	127	199
	737	699
Net deferred tax income/(expense)	749	668

NOTE 8. Income tax (continued)

Deferred taxation movements in equity	2018 ($000'S)	2017 ($000'S)
Deferred tax liabilities		
Property, plant and equipment	(1,123)	–
	(1,123)	–

Provision for Taxation	2018 ($000'S)	2017 ($000'S)
Balance as at 1 January	(1,539)	(1,133)
Tax transferred on amalgamation	–	–
Income tax expense	(3,640)	(1,975)
Income tax expense attributable to deferred tax	(749)	(667)
Income tax payments during the year	4,240	2,237
Balance as at 31 December	(1,688)	(1,539)

Imputation Credit Account	2018 ($000'S)	2017 ($000'S)
Balance as at 1 January	13,217	11,418
Income tax payments during the year	4,240	2,237
Imputation credits on dividends received	252	147
Imputation credits on dividends paid	(417)	(584)
Balance as at 31 December	17,292	13,217

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

Through direct holding in the parent company	17,292	13,217
Through direct interest in subsidiaries	–	–
	17,292	13,217

NOTE 9. Earnings per share

	2018 ($000'S)	2017 ($000'S)
Profit attributable to ordinary shareholders	9,843	4,884
Weighted average number of ordinary shares issued	29,825,154	29,825,154
Basic and diluted earnings per share	$0.33	$0.16

The calculation of basic and diluted earnings per share is based on profit attributable to ordinary shareholders divided by the weighted average number of ordinary share on issue during the year.

NOTE 10. Share capital

	2018 NO OF SHARES	2017 NO OF SHARES	2018 ($000'S)	2017 ($000'S)
Balance as at 1 January	29,825,154	29,825,154	12,847	12,847
Movements during the year	–	–	–	–
Balance as at 31 December	29,825,154	29,825,154	12,847	12,847

The shareholding in the Company is divided into two classes of shares, being Transactor and Investor shares. Transactor shares are classified as term liabilities. For further details, refer to Notes 16 and 23.

Investor Shares

Investor shares are issued under the Companies Act 1993 and are tradable. All Investor shares rank equally and carry 40% of the voting power (Transactor shares carry 60% of the voting power; for further details, refer to Note 16) of all shares on issue and carry the right to participate in any annual dividends declared by the directors of the Company. Investor shareholders can participate in any surplus assets upon liquidation after the holders of Transactor shares have been paid. There have been no changes to the terms and rights of the shares during the year. All Investor shares issued are fully paid and have no par value.

NOTE 11. Other reserves

	REVALUATION SURPLUS ($000'S)	AFS FINANCIAL ASSETS ($000'S)	FINANCIAL ASSETS AT FVOCI ($000'S)	TOTAL OTHER RESERVES ($000'S)
Balance as at 1 January 2017	21,944	1,411	–	23,355
Revaluation – gross	–	2,291	–	2,291
Deferred tax	–	–	–	–
Other comprehensive income	–	2,291	–	2,291
Balance as at 31 December 2017	**21,944**	**3,702**	–	**25,646**
Reclassification on adoption of NZ IFRS 9	–	(3,702)	3,702	–
Balance as at 1 January 2018	21,944	–	3,702	25,646
Revaluation – gross	5,958	–	(23)	5,935
Deferred tax	(1,141)	–	–	(1,141)
Other comprehensive income	4,817	–	(23)	4,794
Balance as at 31 December 2018	26,761	–	3,679	30,440

The asset revaluation portion of other reserves relates to the revaluation of land and improvements and buildings. For further details, refer to Note 24.

Assets classified as available for sale under NZ IAS 39 in 2017 have been reclassified as Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) under NZ IFRS 9 (which came into effect 1 January 2018).

NOTE 12. Distribution to owners

	2018 ($000'S)	2017 ($000'S)
Investor shares – dividend paid	2,575	1,503
Total dividends	2,575	1,503

Dividends paid on investor shares amounted to 8.6 cents per share fully imputed (2017: 5.04 cents per share).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

NOTE 13. Trade and other payables

	2018 ($000'S)	2017 ($000'S)
Trade payables	5,194	3,388
Sundry payables	9,021	9,081
GST payable	1,870	859
Related party payables	5,906	8,550
	21,991	21,878

NOTE 14. Contract liabilities

	2018 ($000'S)	2017 ($000'S)
Income in advance	625	408

Managed orchards that pay a fixed monthly instalment to cover costs may have paid the Group more than the actual costs as at 31 December 2018. Revenue recognised that was included in the contract liability balance at the beginning of the period equates to the opening balance of contract liabilities. Revenue recognised in the reporting period from performance obligations satisfied in the previous periods also relate to the opening balance of contract liabilities. The balance as at 31 December 2018 reflects the performance obligation required to be met in 2019.

NOTE 15. Employee entitlements

	2018 ($000'S)	2017 ($000'S)
Balance as at 1 January	927	927
Net movement in provision	74	–
Balance as at 31 December	1,001	927
This is represented by:		
Current liability	1,001	927
Non-current liability	–	–
	1,001	927

NOTE 16. Transactor share capital

	2018 NO OF SHARES	2017 NO OF SHARES	2018 ($000'S)	2017 ($000'S)
Balance as at 1 January	23,348,722	17,858,505	23,349	17,859
Transactor shares issued or re-instated during the year	3,417,912	6,448,217	3,418	6,448
Transactor shares sold during the year	(1,135,021)	(958,000)	(1,135)	(958)
Balance as at 31 December	25,631,613	23,348,722	25,632	23,349

Transactor Shares

Transactor Shares are issued by the Company to growers of kiwifruit or other approved produce. Transactor shares rank equally, are not freely tradable, and carry 60% of the voting power (Investor shares carry 40% of the voting power; for further details, refer to Note 10) 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.

NOTE 17. Refunds due to resigned shareholders

	2018 ($000'S)	2017 ($000'S)
Balance as at 1 January	2,556	2,833
Movement during the year	354	(277)
Balance as at 31 December	2,910	2,556
This is represented by:		
Current liability	1,398	648
Non-current liability	1,512	1,908
	2,910	2,556

Refunds due to Transactor shareholders who have resigned from the Company are unsecured and repayable by the Company over a three year period after resignation is accepted by the Board. Fair value is estimated as the present value of the future cash flows using a discount rate of 5.5% (2017: 5.5%).

NOTE 18. Borrowings

	2018 ($000'S)	2017 ($000'S)
Current portion	10,000	5,000
Non current portion	60,000	62,000
	70,000	67,000

The current portion represents borrowings which have a maturity date of less than twelve months from reporting date. The Group's total facility with the Bank of New Zealand is $105m (2017: $110m). The current interest rates on the secured borrowings range from 4.45% to 5.42% (2017: 2.69% to 5.42%).

Security

The Bank of New Zealand holds a perfected security interest in all present and after acquired property of the Group and a registered first mortgage over all land and buildings of the Group.

Banking covenants

The Group is subject to various banking covenants as part of the Group's total facility with the Bank of New Zealand. The Group monitors these banking covenants on a regular basis. The Group did not breach any of these banking covenants during the year.

	FUTURE MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
Finance lease liabilities	**2018 ($000'S)**	2017 ($000'S)	**2018 ($000'S)**	2017 ($000'S)
Plant & equipment				
Less than one year	387	–	304	–
Between one and five years	1,205	–	1,092	–
	1,592	–	1,396	–

Certain plant & equipment is held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases with a book value of $1,394,480 . The current portion represents amounts payable within 1 year. Interest rates vary from 5.74% to 5.89%.

All finance leases were entered into during 2018 and have a 48 month term. Three of the four finance leases include a residual value that must be paid in order for the Group to assume ownership of the assets. Ownership of the assets on the remaining lease transfer to the Group upon the final payment.

	2018 ($000'S)	2017 ($000'S)
Total Borrowings		
Current	10,304	5,000
Non Current	61,092	62,000
	71,396	67,000

NOTE 19. Cash and cash equivalents

	2018 ($000'S)	2017 ($000'S)
Funds in bank	9,173	5,082

NOTE 20. Trade and other receivables

	2018 ($000'S)	2017 ($000'S)
Current		
Trade receivables	4,993	3,581
Expected credit loss allowance	(54)	–
Provision for doubtful debts	–	(37)
Sundry receivables	3,207	3,543
Prepayments	578	477
Related party receivables	–	82
Associate receivables	–	36
Current balance at 31 December	8,725	7,681
Non-current		
Sundry receivables	–	160
Non-current balance as at 31 December	–	160

NOTE 21. Biological assets

	2018 ($000'S)	2017 ($000'S)
Balance at 1 January	3,831	3,763
Costs capitalised	3,406	3,831
Costs released to profit and loss	(3,831)	(3,763)
Balance at 31 December	3,406	3,831

Expenses incurred by the Group to prepare leased orchards for the next crop season are capitalised and recognised as a biological asset in the Statement of Financial Position at balance date. Costs are then released to profit or loss in the financial year in which the crops are harvested. No costs are capitalised for more than one season.

NOTE 22. Inventories

	2018 ($000'S)	2017 ($000'S)
Packaging stock	2,575	2,651
Provision for obsolescence	(605)	(553)
Other materials and chemicals	925	557
	2,895	2,655

All inventories are subject to retention of title clauses.

NOTE 23. Unpaid transactor shares

	2018 ($000'S)	2017 ($000'S)
97,786 shares valued at $1.00 (2016: 97,786 shares valued at $1.00)	98	98
Opening balance	98	98
Rebate withheld	–	–
Closing balance	98	98

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 transactor shares is then deducted from rebates and dividends payable to those shareholders. The current portion of unpaid transactor shares is based on the expected share call for the 2018 season. The expected share call for the 2018 season is Nil. (2017: Nil).

NOTE 24. Property, plant and equipment

	2018			2017		
	COST/ VALUATION ($000'S)	ACCUMULATED DEPRECIATION ($000'S)	BOOK VALUE ($000'S)	COST/ VALUATION ($000'S)	ACCUMULATED DEPRECIATION ($000'S)	BOOK VALUE ($000'S)
Buildings	131,287	29,201	102,086	134,551	31,849	102,702
Land and improvements	27,721	2,401	25,321	23,324	2,130	21,194
Plant and equipment	146,119	93,037	53,082	115,748	75,490	40,258
Furniture and fittings	2,356	1,721	636	2,308	1,605	703
Capital work in progress	7,461	–	7,461	8,051	–	8,051
	314,944	126,359	188,585	283,982	111,074	172,908

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

	2018 ($000'S)	2017 ($000'S)
Buildings	77,792	80,342
Land and improvements	21,035	18,858

Each class of land and improvements and buildings is revalued to their estimated fair value on a rolling three year cycle unless there is evidence that indicates the carrying value of these may differ significantly from the fair value. The directors made the decision to revalue land and improvements and buildings as at 31 December 2018. Land and improvements and buildings were revalued to their estimated fair value in accordance with the valuation reports dated between 30 November 2018 and 29 January 2019 by independent registered valuer, Paul Higson (ANZIV, MPINZ) and Michael Reay (ANZIV, MPINZ) of the firm Telfer Young (Tauranga) Limited ("valuer"). The effective date of these valuation reports was 31 December 2018.

Valuation	2018 ($000'S)
Impact of valuation	
Revaluation through profit or loss	(924)
Revaluation through asset revaluation reserve	5,939
	5,015

For further details regarding the valuation approach, refer to Note 5.

NOTE 24. Property, plant and equipment (continued)

Movements in carrying amounts

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

	BUILDINGS ($000'S)	FURNITURE AND FITTINGS ($000'S)	PLANT AND EQUIPMENT ($000'S)	LAND AND IMPROVEMENTS ($000'S)	CAPITAL WIP ($000'S)	TOTAL ($000'S)
2018						
Balance at 1 January 2018	102,702	703	40,258	21,194	8,051	172,908
Additions	4,631	50	13,511	923	8,949	28,064
Transfers from Capital WIP	1,377	–	5,158	1,525	(8,060)	–
Revaluations	3,065	–	–	1,950	–	5,015
Revaluations reclassifications	(4,742)	–	4,742	–	–	–
Disposals	–	–	(318)	–	–	(318)
Write off of assets	–	–	(16)	–	(1,479)	(1,494)
Depreciation expense	(4,948)	(118)	(10,253)	(271)	–	(15,589)
Carrying amount at 31 December 2018	102,086	636	53,082	25,321	7,461	188,585
2017						
Balance at 1 January 2017	82,525	823	31,462	20,736	15,875	151,421
Additions	19,470	15	7,925	700	6,826	34,936
Transfers from Capital WIP	5,149	–	9,501	–	(14,650)	–
Disposals	–	–	(87)	–	–	(87)
Write off of assets	–	–	(10)	–	–	(10)
Depreciation expense	(4,442)	(135)	(8,534)	(242)	–	(13,353)
Carrying amount at 31 December 2017	102,702	703	40,258	21,194	8,051	172,908

NOTE 25. Investments

	2018 ($000'S)	2017 ($000'S)
Financial instruments held at fair value through other comprehensive income	4,539	4,569
Investments in associates	75	75
	4,614	4,644

a) Financial instruments held at fair value through other comprehensive income	2018 ($000'S)	2017 ($000'S)
Shares in unlisted companies		
Opening balance	4,569	2,269
Additions, including bonus share issues	39	36
Disposals	(46)	(27)
Revaluation	(23)	2,291
Closing balance	4,539	4,569
Total Investments in shares	**4,539**	**4,569**

Investments in other entities are measured at fair value, based on the closing share price at reporting date where this is available. The Group holds immaterial investments where they do not have access to sufficient information to enable the fair value of these investments to be reliably determined, therefore these shares are carried at cost, which the Group has deemed to approximate fair value.

b) Investments in associates	2018 ($000'S)	2017 ($000'S)
The Nutritious Kiwifruit Company Ltd	75	75
	75	75

	PERCENTAGE HELD		BALANCE DATE	INCORPORATED IN
Associate companies	2018	2017		
The Nutritious Kiwifruit Company Ltd	50%	50%	31 March	New Zealand
Tauranga Kiwifruit Logistics Limited	34%	34%	28 February	New Zealand

Tauranga Kiwifruit Logistics Ltd is engaged in wharf logistics out of the Port of Tauranga. The Nutritious Kiwifruit Company Ltd is engaged by the Group to sell, market and export kiwifruit to the Australian market.

All associate companies are incorporated in New Zealand and are accounted for using the equity method. There are no significant restrictions on the ability of any associate companies to pay dividends, repay loans or otherwise transfer funds to the investor company. No associate companies have a quoted market price for the investment. No commitments or contingencies are present with associate companies. The financial performance of all associates for the period ending 31 December 2018 has been incorporated in these financial statements.

NOTE 25. Investments (continued)

	2018 ($000'S)	2017 ($000'S)
Results of associate companies		
Share of profit before income tax	–	8
Share of income tax	–	(2)
Net profit	–	6
Other recognised loss	–	–
Share of total recognised revenues and expenses	–	6
Interests in associate companies		
Opening Carrying value	75	1,028
Acquisition of associates	–	–
Transfer on amalgamation of subsidiary	–	–
	75	1,028
Disposal of associates	–	(460)
Loss on disposal of associates	–	(499)
Share of total recognised revenues and expenses	–	6
Dividends received	–	–
	75	75

Due to the confidentiality commitments and the immaterial nature of these entities, there is no further disclosure to be made in the Group's financial statements.

c) Subsidiaries:

All other subsidiaries listed below have a nil carrying value in the parent financial statements.

	PERCENTAGE HELD		BALANCE DATE	INCORPORATED IN
Subsidiaries:	2018	2017		
Southlink Supply Ltd	100%	100%	31 December	New Zealand
EastPack Kiwifruit Operations Ltd	100%	100%	31 December	New Zealand
Satara Kiwifruit Supply Ltd	100%	100%	31 March	New Zealand
EastPack Avocado Company Ltd	100%	100%	31 December	New Zealand
Zest BOP Ltd	100%	100%	31 December	New Zealand
Bay Hort (1991) Ltd	100%	100%	31 December	New Zealand
Bay of Plenty Fruitpackers Ltd	100%	100%	31 December	New Zealand
BayPak Growers Ltd	100%	100%	31 December	New Zealand
Bay Pack Ltd	100%	100%	31 December	New Zealand
New Zealand Orchard Investment Ltd	100%	100%	31 December	New Zealand
Satara Ventures Ltd	100%	100%	31 December	New Zealand
Te Matai Kiwi No1 Ltd	100%	100%	31 December	New Zealand
Stroba Systems Ltd	100%	100%	31 December	New Zealand
Stroba Ltd	50%	50%	31 December	New Zealand

Southlink Supply Ltd provide administration services and industry representation in respect of produce supplied.

EastPack Avocado Company Ltd is an avocado supplier.

All other subsidiaries are non operating.

NOTE 26. Reconciliation of net surplus with cash inflow from operating activities

	2018 ($000'S)	2017 ($000'S)
Net profit/(loss) after tax	9,843	4,884
Add/(less) Non cash items		
Depreciation	15,589	13,353
Bonus issue of shares in unlisted companies	(38)	(36)
Deferred tax expense/(income)	(749)	(668)
Fair value movement in loans and refunds due to resigned shareholders	(2)	(10)
Share of profit in associates	–	(6)
	14,800	12,633
Movement in Working Capital		
Increase/(decrease) in trade and other payables, excluding movement relating to purchases of property, plant and equipment	(1,539)	154
(Decrease)/increase in employee entitlements	75	–
(Increase)/decrease in trade and other receivables	(884)	647
Increase/(decrease) in GST payable	1,011	(57)
Decrease/(increase) in biological assets	425	(68)
(Increase)/decrease in inventory	(240)	208
Increase/(decrease) in income in advance	217	(180)
Increase/(decrease) in tax payable	149	406
	(786)	1,110
Items classified as investing/financing activities		
Loss/(gain) on sale of investments	–	492
Loss/(gain) on sale of property, plant and equipment	96	3
Loss/(gain) on revaluation of land and buildings	924	–
	1,020	495
Net cash flow from operating activities	24,877	19,122

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

NOTE 27. Transactions with related parties

(a) 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.

(i) Key management personnel compensation:

	2018 ($000'S)	2017 ($000'S)
Short-term employee benefits (including directors remuneration)	2,751	1,969

(ii) Transactions with entities controlled by key management personnel

Post-harvest charges, rebates and dividends

Several members of the Group's key management personnel are shareholders and/or directors of entities that pack their fruit with EastPack Limited. These entities are charged at the standard rates charged to other growers and pay for these charges via the EastPack Entity Trust. These entities are also entitled to rebates and dividends in accordance with the same rules applied to other transactor and investor shareholders. The total rebates and dividends paid to these entities is as follows:

	2018 ($000'S)	2017 ($000'S)
Rebates	500	484
Dividends	473	226

In addition to the above, members of the Group's key management personnel are also shareholders in organisations who provide services to the Group. Such services include orchard contracting services, rental services and kiwifruit bin cartage. The amounts paid to such entities are as follows:

	2018 ($000'S)	2017 ($000'S)
Consulting and Orchard contractor charges	799	528
Operating lease costs	318	292
Kiwifruit bin cartage	77	1
Orchard materials and consumables	750	–

Note: Orchard materials and consumables relates to transactions with Farmlands during the time David Jensen was both a director of Farmland (resigned 30.11.18) and EastPack.

Loans and advances

On 21 December 2009, EastPack Limited advanced $500,000 to Pine Valley Limited at an interest rate of 0% in consideration for the first right of refusal to lease the Pine Valley site. Pine Valley Limited is a related party as M J Montgomery is a Shareholder and Director of Pine Valley Limited and a Director/Shareholder of the Group. The advance is secured over the investor and transactor shares held by Pine Valley Limited.

(b) Other related parties

EastPack Entity Trust

EastPack Entity Trust is a related party that acts as an administrator of revenues and expenses for the sale of kiwifruit on behalf of growers. EastPack Limited received $166,706,000 (2017: $129,968,000) for the provision of services to EastPack Entity Trust and paid EastPack Entity Trust $672,000 (2017: $275,000) for second hand packaging purchased from the Trust. A balance of $5,906,000 (2017: $8,550,000) was payable to EastPack Entity Trust as at 31 December 2018.

Subsidiaries and associates

Transactions between subsidiaries and associates (refer note 25) include receipts for interest on intercompany advances, sales of Non-class 1 kiwifruit and payments for the provision of administration services and cartage services.

NOTE 27. Transactions with related parties (continued)

Transactions and balances

Transactions during the year and balances outstanding at year end with subsidiaries and associates are as follows (transactions with subsidiaries of EastPack Ltd are eliminated on consolidation of the financial statements):

	2018 ($000'S)	2017 ($000'S)
Receipts		
Associates	2,583	4,632
Subsidiaries	1,033	2,546
Payments		
Associates	(3,730)	(3,322)
Subsidiaries	(2,575)	(3,795)
Trade balances receivable		
Associates	47	36
Subsidiaries	68	790
Trade balances payable		
Associates	–	(5)
Subsidiaries	–	(161)
Intercompany advances receivable		
Subsidiaries	–	–

There were no significant transactions between subsidiaries and associates during the year (2017: $Nil)

Guarantees with related parties

Te Matai Kiwi Partnership has a guarantee for the amount of $150,000, plus interest and costs in terms of the BNZ's standard guarantee form from EastPack Limited.

No related party debts have been written off or forgiven during the year (2017: $Nil).

EastPack Entity Trust holds an all obligations unlimited guarantee from EastPack Limited.

NOTE 28. Contingent liabilities

As at balance date, EastPack Limited had an unresolved potential claim against it in respect of construction costs payable by the company on a building constructed in 2015. This matter remains unresolved as at the date of the authorisation of these financial statements. EastPack Limited has sought legal advice in regards to this matter and the Directors' expect to successfully defend the claim. However should the matter proceed and the company be found liable, then based on legal advice the company's financial exposure is not expected to exceed $250,000 (including costs).

An orchard managed by EastPack Limited was adversely affected by the incorrect application of Kasumin prior to the 2017 harvest. The crop on this orchard was unable to be sold with a total value of $205,000. A claim has been made against EastPack and against the third party spray contractor, contracted to apply sprays on this orchard. An insurance claim has been made with the Group's insurer.

NOTE 29. Commitments

EastPack Group is committed to incur capital expenditure for the expansion of coolstore capacity, extension to packhouses, upgrade of refrigeration equipment and the installation of grader technology.

	2018 ($000'S)	2017 ($000'S)
Estimated capital expenditure contracted for at balance date but not provided for:	11,334	15,055
Operating lease commitments		
Lease commitments under operating leases		
Less than 1 year	758	1,027
Between one and five years	327	1,265
Greater than five years	–	–
Total operating lease commitments	1,085	2,292

All operating lease commitments relate to coolstore, packhouse facilities and packhouse machinery. The leases vary from one year to five years.

NOTE 30. Significant events after balance date

The board of directors has approved a payment of a final dividend of 5.76 cents per investor share fully imputed, to be paid on 15 March 2019.

Shareholder	TRANSACTOR SHARES HELD	INVESTOR SHARES HELD	TOTAL SHAREHOLDING
Trinity Lands Ltd	507,250	2,277,486	2,784,736
Pine Valley Orchard Ltd	407,712	1,680,000	2,087,712
Montrose Partnership	223,356	1,483,736	1,707,092
Wotton Trust	374,387	948,942	1,323,329
Cape Fruit Co Ltd	308,945	874,954	1,183,899
Farmgold Ltd	81,463	934,183	1,015,646
Tirohanga Fruit Co – Sharp	238,700	709,852	948,552
Franklin C A	282,372	567,194	849,566
Frontier Orchards Ltd Partnership	375,676	469,670	845,346
Reekie KJ Family Trust	257,887	548,954	806,841
Blennerhassett & Son Ltd	193,907	580,108	774,015
Flowers R J	138,244	632,186	770,430
Casey E & N	371,390	390,197	761,587
Windmill Trust	197,534	561,286	758,820
Kiwimac Ltd	343,921	400,000	743,921
Steele Family Trust	263,439	435,544	698,983
West Partnership R J & K	216,858	422,080	638,938
Wedge Co Limited	192,663	392,598	585,261
Maple Orchards Ltd	134,414	400,000	534,414
Kopuatawhiti Trust	220,674	310,850	531,524

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staplesrodway
CHARTERED ACCOUNTANTS

To the Shareholders of EastPack Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of EastPack Limited and its subsidiaries ('the Group') on pages 22 to 51, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of EastPack Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than EastPack Limited and the Shareholders of EastPack Limited, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

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

Other than in our capacity as auditor, Staples Rodway carries out other assignments for EastPack Limited and its subsidiaries in the area of taxation compliance services. The provision of these other services has not impaired our independence.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters are selected from the matters communicated with the Directors, but are not intended to represent all matters that were discussed with them.

Key Audit Matter	How our audit addressed the key audit matter
Valuation and disclosure of Land and Buildings revalued during the year. As disclosed in Note 24 of the Group's consolidated financial statements the Group has Property, Plant and Equipment with a carrying value of approximately $188m, which includes 8 properties with a combined carrying value of $127m. These properties were significant to our audit due to the size of the asset and the subjectivity and complexity inherent in determining a fair value for each property. Management has engaged an external valuation expert to determine the fair value of the properties as at 31 December 2018.	Our procedures in relation to valuation of land and buildings, amongst others included: • Evaluating the valuer's competence, capabilities and expertise and reading their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. • Reviewing the valuation reports for the properties and confirming that the valuation approach was in accordance with professional valuation standards and IFRS 13 Fair Value Measurement and was suitable for determining the carrying value of the properties as at reporting date. • Obtaining confirmation from the valuer that we can place reliance on their reports. • Assessing on a sample basis whether property specific information supplied to the valuers by the Group reflected the underlying property records held by the Group • Reviewing on a sample basis the accuracy and relevance of input data used. • Reviewing calculations for expected revaluation calculation and assuming adjustments to ensure adjustments have been materially correctly calculated. • Evaluating the disclosures relating to the revaluations made in note 24 of the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018 (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

Matters Relating to the Electronic Presentation of the Audited Consolidated Financial Statements

This audit report relates to the consolidated financial statements of EastPack Limited and its subsidiaries for the year ended 31 December 2018 included on EastPack Limited's website. The Directors of EastPack Limited are responsible for the maintenance and integrity of EastPack Limited's website. We have not been engaged to report on the integrity of EastPack Limited's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 27 February 2019 to confirm the information included in the audited consolidated financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

The engagement partner on the audit resulting in this independent auditor's report is L M Stirling.

Staples Rodway Audit Ltd

STAPLES RODWAY AUDIT LIMITED
Tauranga, New Zealand

27 February 2019

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Phone: 07 573 9309
Fax: 07 573 9310

Collins Lane, Te Puke

2 Collins Lane
Phone: 07 573 8075

Opotiki

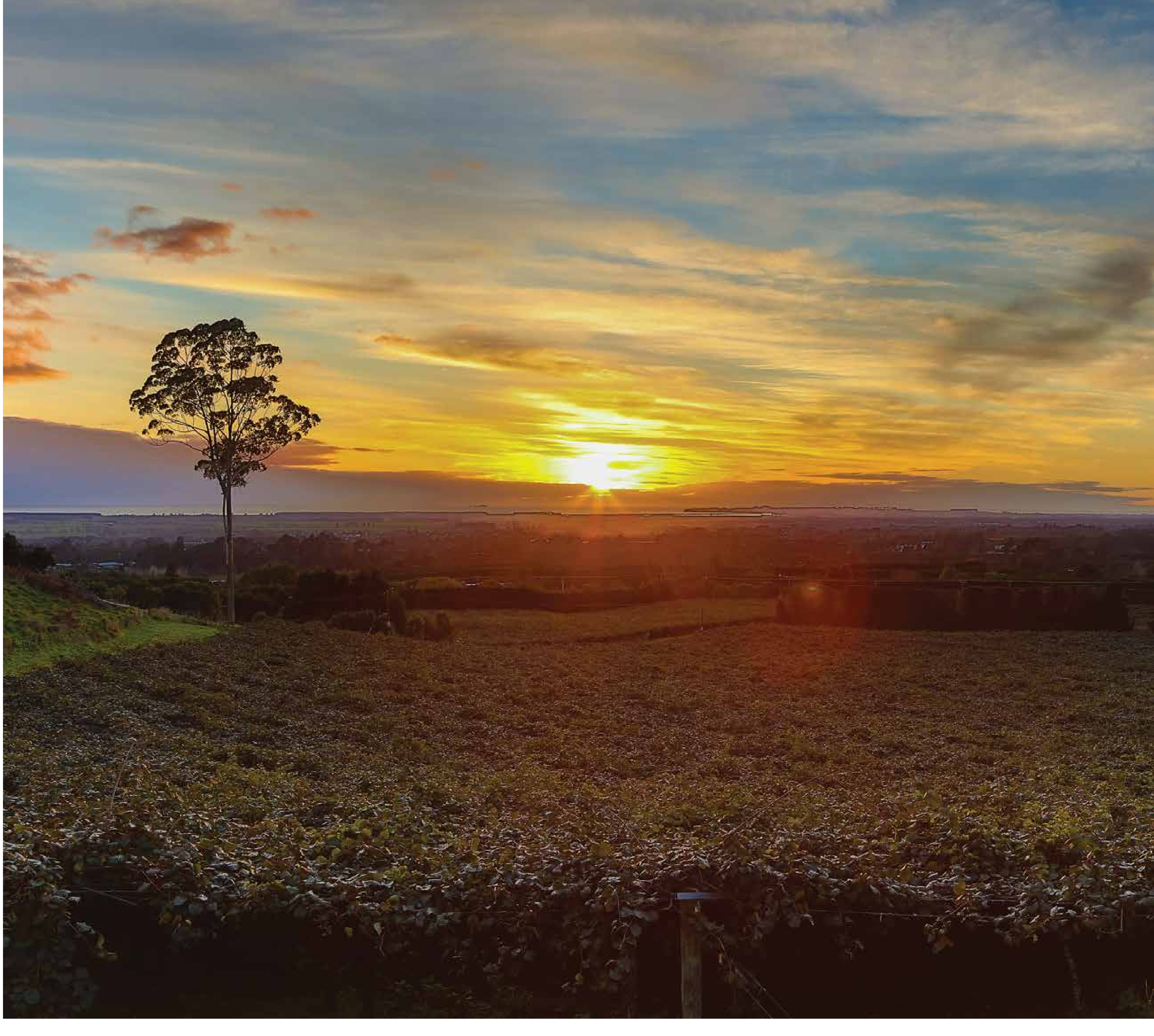
3 Stoney Creek Road
Phone: 07 315 5226
Fax: 07 315 5224

Edgecumbe

678 East Bank Road
Phone: 07 304 8227
Fax: 07 304 8262

Katikati

28 Marshall Road
Phone: 07 549 0008
Fax: 07 549 1299



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EastPack
Growers at heart