

EastPack ***Entity Trust***

EASTPACK ENTITY TRUST

SPECIAL PURPOSE FINANCIAL STATEMENTS

for year ended 30 June 2020

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TRUST INFORMATION

Nature of business

Kiwifruit grower funds administration

Registered Office:

1 Washer Road, Te Puke, New Zealand

Auditors:

KPMG

Solicitors:

Sharp Tudhope

Bankers:

Bank of New Zealand

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2020 \$	2019 \$
Receipts on behalf of beneficiaries			
Crop Receipts	3	501,185,167	484,077,873
Interest Received		1,330	1,074
Other Income	4	22,321	21,122
Total Revenue		501,208,818	484,100,069
Payments on behalf of beneficiaries			
Service Payments	8	151,040,100	161,283,922
Other Expenses	5	206,646	214,241
Total Costs		151,246,746	161,498,163
Net Surplus/(deficit) for the year		349,962,072	322,601,906
Taxation	9	-	-
Net Surplus/(deficit) after tax		349,962,072	322,601,906
Distributions to Beneficiaries			
Payments To Growers (Class 1 Fruit)		344,118,946	316,671,784
Payments To Growers (Non-Class 1 Fruit)	8	5,846,192	5,933,022
Total distributions		349,965,138	322,604,806
Net (deficit)/Surplus after distributions		(3,066)	(2,900)

This statement is to be read in conjunction with the notes to the financial statements on pages 6-9

STATEMENT OF MOVEMENT IN BENEFICIARIES FUNDS

	Retained earnings	Capital	Total Equity
	\$		\$
Balance at 1 July 2018	18,201	340	18,541
Net surplus after distributions to beneficiaries	(2,900)	-	(2,900)
Balance at 30 June 2019	15,301	340	15,641

	Retained earnings	Capital	Total Equity
	\$		\$
Balance at 1 July 2019	15,301	340	15,641
Net deficit after distributions to beneficiaries	(3,066)	-	(3,066)
Balance at 30 June 2020	12,235	340	12,575

This statement is to be read in conjunction with the notes to the financial statements on pages 6-9

STATEMENT OF FINANCIAL POSITION

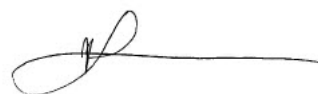
	Notes	2020 \$	2019 \$
Beneficiaries funds		12,575	15,641
Represented by:			
Current Assets			
Cash and bank balance		8,778	6,925
GST Receivable		4,249,018	2,058,804
Prepayments	6	203,213,050	186,274,078
		207,470,846	188,339,807
Total Assets		207,470,846	188,339,807
Current Liabilities			
Accounts Payable		79,831	337,856
Accruals	7	181,123,440	166,816,310
Related Party Payables - EastPack Limited	8	26,255,000	21,170,000
		207,458,271	188,324,166
Net Assets		12,575	15,641

For and on behalf of the Board :



John Loughlin - Trustee
Date 27 October 2020

For and on behalf of the Board :



David Jensen - Trustee
Date 27 October 2020

This statement is to be read in conjunction with the notes to the financial statements on pages 6-9

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting Entity

EastPack Entity Trust is a trust who acts on behalf of its beneficiaries who are involved in the growing of Kiwifruit in New Zealand. The Trust provides the service of managing and distributing the crop receipts on behalf of its beneficiaries.

2 Statement of Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Special Purpose Framework for use by For-Profit Entities (SPFR for FPEs) referred to as SPFR, published by the Chartered Accountants Australia and New Zealand.

These financial statements have been prepared for internal and taxation purposes and may not be suitable for any other purpose.

The Trust has complied with the SPFR in all material respects.

Historical Cost

These financial statements have been prepared on a historical cost basis, except for certain assets, which have been revalued as identified in specific accounting policies below. The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest NZ\$, except when otherwise indicated.

Changes in accounting policy

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, to the extent it is probable that the economic benefits will flow to the Trust and revenue can be reliably measured.

The statement of financial performance discloses all revenue earned in relation to the 2019 harvest kiwifruit pool of EastPack Entity Trust.

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost, less any allowance for uncollectable amounts. Individual debts that are known to be uncollectable are written off in the period that they are identified.

Financial instruments – financial liabilities

Financial liabilities, including borrowings and bank overdrafts, are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in profit or loss on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS

3 Crop Receipts

	2020	2019
	\$	\$
Zespri Group Ltd Receipts	493,887,551	478,144,851
EastPack Ltd Receipts	7,297,616	5,933,022
	501,185,167	484,077,873

4 Other income

	2020	2019
	\$	\$
Hort NZ Levy	22,321	21,122
	22,321	21,122

5 Other expenses

	2020	2019
	\$	\$
Audit Fees	8,729	10,757
Other Fees paid to Auditors	-	-
Bank Charges	144	175
Advisory Committee Fees	37,485	27,857
Interest	160,288	175,252
General Expenses	-	200
	206,646	214,241

6 Prepayments

	2020	2019
	\$	\$
Expenses prepaid for the 2020 Crop	105,837,273	-
Prepayments to EastPack for the 2020 Crop	97,375,777	-
Expenses prepaid for the 2019 Crop	-	95,889,262
Prepayments to EastPack for the 2019 Crop	-	90,384,816
	203,213,050	186,274,078

NOTES TO THE FINANCIAL STATEMENTS

7 Accruals

	2020 \$	2019 \$
Audit Fees	6,000	6,000
Income Received in Advance (2020 Crop)	181,117,440	-
Income Received in Advance (2019 Crop)	-	166,810,310
	181,123,440	166,816,310

8 Related Parties

	2020 \$	2019 \$
<i>Short term borrowings</i>		
EastPack Ltd	26,255,000	21,170,000
	26,255,000	21,170,000
Interest paid on loan	160,288	175,252

During the course of the season EastPack Ltd will advance funds to the Trust in order to meet cash flow requirements to ensure Growers are paid on time.

This loan is interest bearing at 4.45% p.a. (2019: 4.94%), unsecured and repayable on demand.

	2020 \$	2019 \$
<i>The Trust made distributions to EastPack Ltd during the year:</i>		
Net Payments for services	151,040,100	161,283,922
	151,040,100	161,283,922

The Trust acts as a protected intermediary between Zespri, EastPack Ltd and Growers. Service payments to EastPack Ltd include packing, cool storage, repacking, controlled atmosphere storage, bulk storage, transport, monitoring of kiwifruit and orchards, condition checks and administration. The Advisory Committee and EastPack Ltd negotiate all service payments during the negotiation of packing charges.

Service Payments for a particular season that are made prior to the commencement of the financial year in which the season relates are accrued as a prepayment. This prepayment is realised into service payments in the financial year in which they relate. Therefore, the value recognised as service payments in the financial statements is for an entire season and would not include any service payments made for the following season.

NOTES TO THE FINANCIAL STATEMENTS

8 Related Parties Continued

	2020	2019
	\$	\$
<i>EastPack made distributions to EET during the year:</i>		
Receipts of Non-Class 1 Income for the 2019 Crop	5,846,192	-
Receipts of Non-Class 1 Income for the 2018 Crop	-	5,933,022
	5,846,192	5,933,022

EastPack Ltd provides revenue to the Trust from Non-Class 1 fruit sold on the local and Australian markets using a number of marketers, including Zespri. EastPack Ltd deducts Service payments prior to payment to the Trust.

Related parties – Administrative services

EastPack Ltd also provides administrative services to the Trust as per the agreed services negotiated by the Advisory Committee and EastPack Ltd during the negotiations of packing charges.

Related parties – Guarantee

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

9 Taxation

	2020	2019
	\$	\$
Net surplus for the year	349,962,072	322,601,906
Less: Distribution to beneficiaries	(349,965,138)	(322,604,806)
Profit (Loss) Before Tax	(3,066)	(2,900)
Income Tax @ 33%	(1,011)	(957)
<i>Adjusted for:</i>		
Timing differences not recognised	(868,508)	(234,034)
Unrecognised tax losses	-	-
Tax losses carried forward	869,519	234,991
	-	-
Taxation	-	-

There are unrecognised tax losses carried forward of \$22,101,418 (2019: \$19,466,510) with a tax effect of \$7,293,468 (2019: \$6,423,948).

10 Subsequent Events

There have been no subsequent events.



Independent Auditor's Report

To the Trustees and beneficiaries of EastPack Entity Trust

Report on the audit of the special purpose financial statements

Opinion

In our opinion, the accompanying special purpose financial statements of EastPack Entity Trust (the Trust) on pages 3 to 9:

- i. Present, in all material respects the Trust's financial position as at 30 June 2020 and its financial performance for the year ended on that date in compliance with accounting policies adopted by the Trust.

We have audited the accompanying special purpose financial statements which comprise:

- The statement of financial position as at 30 June 2020;
- The statements of comprehensive income, changes in equity for the year then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Trust in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the special purpose financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Trust.



Emphasis of matter – Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to describe purpose of financial statements. As a result, the special purpose financial statements may not be suitable for another purpose.



Other information

The Trustees, on behalf of the Trust, are responsible for the other information included in the entity's Annual Report. Our opinion on the special purpose financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the special purpose financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the special purpose financial statements or our knowledge obtained in the audit or otherwise appears 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.

 **Other matter**

The special purpose financial statements of EastPack Entity Trust, for the year ended 30 June 2019, was audited by another auditor who expressed an unmodified opinion on those statements on 20 February 2020.


 **Use of this independent auditor's report**

This independent auditor's report is made solely to the Trustees and beneficiaries as a body. Our audit work has been undertaken so that we might state to the Trustees and beneficiaries those matters we are required to state to them in the independent 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 the Trustees and beneficiaries as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

 **Responsibilities of the Trustees for the special purpose financial statements**

The Trustees, on behalf of the Trust, are responsible for:

- The preparation of the special purpose financial statements in accordance with accounting policies adopted by the Trust;
 - Implementing necessary internal control to enable the preparation of a special purpose set of financial statements that is free from material misstatement, whether due to fraud or error; and
 - Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.
-

 **Auditor's responsibilities for the audit of the special purpose financial statements**

Our objective is:

- To obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- To issue an independent 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. They 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 special purpose financial statements.

A further description of our responsibilities for the audit of these special purpose financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our independent auditor's report.



KPMG
Tauranga

27 October 2020