

# Performing under pressure.

**EastPack**  
*Growers at heart*

Annual Report 2021



If the past two years have taught us anything, it's that being resilient is essential to continue performing for our growers and stakeholders. As we navigate global and industry challenges, working together and leveraging our collective expertise, skills and innovation will drive our quest for optimal outcomes.

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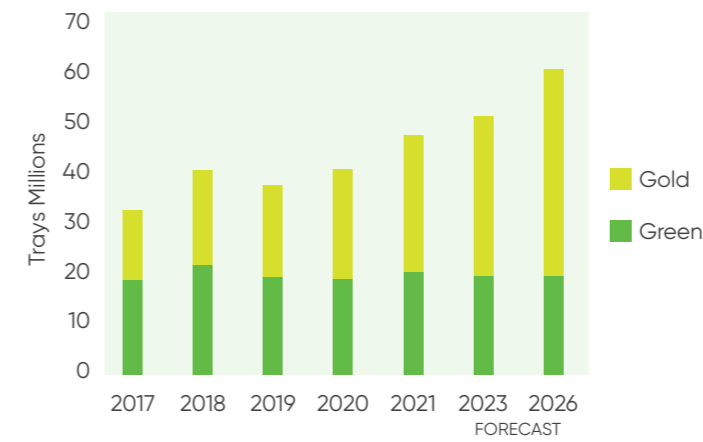
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# 2021 Highlights.

With agility and forward thinking, we are committed to building on a prosperous future for EastPack and our growers, so we can keep on growing and getting our kiwifruit to market through turbulent times and beyond.

## Class 1 Trays Packed



# 47.4m

### Trays Packed in 2021

Up 15% on 2020. Gold volumes forecast to grow 59% in the next five years.

## EBITDA



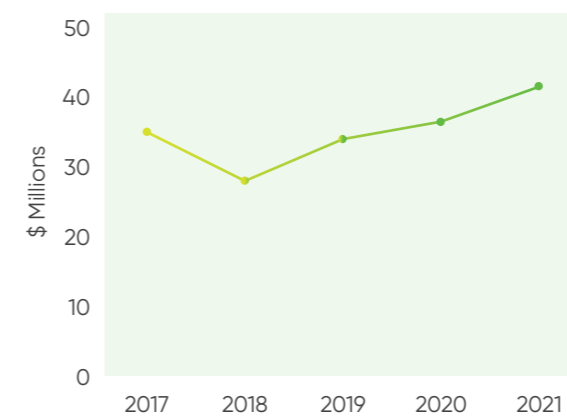
# \$39.5m

### EBITDA in 2021

Up 14% on 2020 – in line with 2020 on a per tray basis.

EBITDA is Earnings before Interest, Tax, Depreciation, Amortisation, and Fair Value Adjustments and is an important measure of the Group's performance that Directors use to monitor financial performance and compare to prior year performance. For 2018 and 2019 this excludes rebates for comparability.

## Capital Expenditure



# \$41.9m

### Invested in Capital Expenditure in 2021.

\$180.3m spent in the last five years and \$230m is forecast to be spent in the next five years.



# Chairman and CEO's Report.

PACKING

BRAVO

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**John Loughlin** left  
Chairman

**Hamish Simson** right  
Chief Executive

Our strategy to increase our Gold Controlled Atmosphere (CA) capability mitigated some of the pressure on capacity and we were very pleased with the out turn of the fruit from CA.

**E**astPack is pleased to share with you our 2021 financial review and report.

In a turbulent year with a number of challenges, EastPack reported a solid revenue of \$233.5m and a profit for the year of \$12.3m, down \$0.6m on 2020. Our profitability was impacted by higher costs in several areas, but the 2021 results have been bolstered by unrealised gains on interest rate derivatives.

Volumes of kiwifruit packed increased to 47.4m trays, a 15% increase on 2020, with Green volumes rebounding from lower yields and further growth in gold with mother nature delivering a large gold crop. In 2020, taste payments were suspended by Zespri but were reinstated in 2021 with growers holding fruit on the vine to gain higher dry matter and therefore taste payments. Due to a number of factors, overall, growers delivered a crop that was also a lot softer on average than in previous years causing significant numbers of soft and exploding fruit. This resulted in our graders being operated slower, increasing costs and impacting on our ability to pack some of our Grower's fruit when they wanted it to be packed. However, our approach of slowing down, doing things once, and getting it right, worked in terms of minimising onshore and offshore fruit loss and

maintaining quality of fruit delivered to market. Fortunately, our strategy to increase our Gold Controlled Atmosphere (CA) capability mitigated some of the pressure on capacity and we were very pleased with the out turn of the fruit from CA.

With expected labour shortages, minimum pay rates were increased to the Living Wage, a 17% increase on the prior year. EastPack's recruitment strategies worked well with largely full manning across all sites and shifts achieved before the start of the season. Zespri's move to packing more bulk packs rather than layered packs allowed us to operate with lower staffing numbers and we were able to meet our layered packing requirements when packing our CA fruit.

We have continued to invest in capacity to meet the growing volumes of fruit, and in 2021 the Collins Lane 5 High store and Washer Road Bravo grader upgrades were commissioned, along with upgraded CA Stores at Quarry Road, Edgecumbe and Opotiki. We are also finalising the upgrade of all our CA stores to be Gold CA capable and building additional coolstorage, providing EastPack with the resilience to meet the packing needs of the growing Gold crop over the next two to three years.

## Pinpoint Laboratory Services

Our laboratory operations were expanded and rebranded Pinpoint Laboratory Services Limited. Pinpoint was awarded one of three contracts to provide Maturity testing for Zespri. Following a significant expansion and the successful recruitment of staff, the business operated efficiently and profitably, with almost 12,000 collections completed and tested.

## Prospa – Orchard Management Services

Prospa, our orchard management division, has continued to grow and we have seen total hectares managed or leased increase by 12% on 2020. This is a testament to our orchard management team and the results they continue to deliver. Our people are the key to success in this area and we have been able to attract and build our orchard management expertise through a focused training program and upskilling of young orchard managers.

## Covid-19 impacts

The continuing challenges of the Covid-19 environment have required the Board and management to deeply consider the strategies to get through. 2022 is likely to be another very tough year with Covid-19 likely to impact staff numbers further than we experienced in 2021.

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EastPack Key Financial Statistics				
	2021	2020	2019	2018
Volumes	47.4m TE	41.4m TE	38.0m TE	41.0m TE
Revenues	\$233.5m	\$189.3m	\$170.0m	\$176.8m
EBITDA	\$39.5m	\$34.7m	\$36.9m	\$41.7m
EBITDA as a % of Revenue	16.9%	18.3%	21.7%	23.6%
Depreciation	\$21.0m	\$17.8m	\$16.9m	\$15.6m
Interest	\$4.3m	\$3.9m	\$4.1m	\$3.9m
Fair Value Adjustment on Revaluation of Property	\$0.0m	\$3.2m	(\$2.1m)	(\$0.9m)
Rebates paid	-	-	\$7.2m	\$7.9m
Dividends paid	\$2.5m	\$2.0m	\$2.8m	\$2.6m
Net profit after taxation (NPAT)	\$12.3m	\$12.9m	\$4.7m	\$9.7m

EBITDA is Earnings before Interest, Tax, Depreciation, Amortisation, and Fair Value Adjustments and is an important measure of the Group's performance that Directors use to monitor financial performance and compare to prior year performance. For 2018 and 2019 this excludes rebates for comparability.

A likely high Omicron infection rate and peak infection timing in New Zealand may heavily impact the kiwifruit industry and the ability to get staff, keep them safe, well and available through the main packing season, whilst also retaining them, will be challenging. This will potentially be tough both in the packhouse and in the field, getting sufficient staff to harvest the crop and then move into winter pruning. Our recruitment engine has been successful in the past and we have further enhanced our programmes to attract as many staff as possible. We have successfully recruited RSE staff at similar levels to the peak prior to Covid-19 in 2020, which will provide a good base especially for our night shifts.

It is likely that we will see a further significant increase in cost in our business not just in labour rates but in personal protective equipment requirements and the need to regularly test our staff for Covid-19. We will need to limit access to our sites and manage our staff in a way that if an infection on site occurs it can be contained, managed and the business continue to operate.

We are working with Zespri and other industry participants to put as many processes in place to ease the pressure on the system, including pulling some harvesting forward, packing a much

greater proportion of bulk packs and shipping fruit as quickly as possible.

We therefore look forward to 2022 with a degree of trepidation, but confidence that we should be able to meet the challenges and deliver the service and return to our growers and shareholders.

**Financial Result**

EastPack's financial result for 2021 was robust, but it is important to note that several favorable one-off earnings adjustments occurred.

EastPack is a volume business and packing a record crop provided scale to help deliver a sound financial result but as noted earlier, performance was impacted by higher labour costs and lower efficiency, as well as additional costs of operating in the Covid-19 environment. The results were also impacted by much higher electricity costs with hydro-lake levels at historic low levels through our main packing window.

The financial result was impacted by two unusual items:

- In 2020, EastPack transacted an interest rate swap to lock in a fixed rate on part of our borrowings. Whilst used as a hedge, it is treated from an accounting perspective as "held for trading" and therefore any movement in its value impacts

profitability. As at 31 December 2021 the revaluation of the swap created an unrealised \$2.0m gain in profit.

- Under the requirements of the international interpretation on the treatment of cloud computing costs released in 2021, costs related to key software projects commenced this year are treated as software development costs resulting in \$0.76m being expensed.

Additionally, the company decided that its investment in Zespri shares was not core and the company divested 560,000 shares which realised a profit on sale of \$5.4m. This profit on sale is not recognised in the Income Statement but is noted as a reclassification in equity from Other Reserves to Retained earnings.

With the increase in capital investment over the past three years, depreciation at \$21.0m was up \$3.2m or 18% on 2020. Interest expense increased due to increased borrowings but was offset slightly by lower interest rates.

Due to the rapid escalation in property prices in New Zealand, the company requested our valuers to complete another valuation assessment of EastPack's land and buildings. This request was made to ensure that our financial statements represent a true



and fair view as is required. The last valuations were completed in 2020 and the new valuation resulted in an increase in our land and buildings of \$31.8m. This revaluation goes directly to reserves and is not included in our profit for the year.

Overall, the company recorded a Net Profit after tax of \$12.3m, down from \$12.9m reported in 2020, as a combination of the operating results and the one-off impacts outlined above.

**Dividend**

In August 2021, the Board determined that it was not appropriate to pay an interim dividend. Full year forecasts at that time, indicated that the profitability of the company was below budget and the company had made a number of capital expenditure commitments. The dividend decision was made at a time of significant uncertainty regarding the onshore and off-shore impacts of Covid-19 and reflected a need to act prudently. Subsequently, full year profitability has ended higher than previously forecast.

The industry has a very challenging year ahead and we have a need to continue to invest in infrastructure so a prudent approach to paying dividends is important. It is also important to provide a return to shareholders who have provided the capital for the

company. The Board have considered payment of a final dividend and the financial results for 2021 are at a level that the company can pay a final dividend. However, there is significant risk and uncertainty around the 2022 season with the impact of Omicron, labour availability and market access. The Board have determined that given the uncertainty the decision to declare a final dividend will be deferred until May 2022 at which time the outcome of the 2022 season can be reasonably assessed. Dividends need to be considered having regard to the forward financial performance and capital requirements to support growers and the need to maintain a resilient financial position.

**Capital Investment**

We have continued to invest in capacity. However, the 2021 year delivered a crop far greater than initially envisaged at 47.4m trays up from the 44m trays we had expected in 2021 only a year prior. Future volume growth is now happening much quicker than we envisaged in our forecasts which we completed in 2020. We now expect the 2025 volumes that we forecast a year ago to now likely come in 2023, therefore eventuating in a two year jump forward in volumes for which we need to be prepared.

With the growth in volumes, EastPack's level of capital expenditure continued to be at a high level in 2021 and will continue through the near future as volumes are expected to continue to grow. The challenge of operating in the Covid-19 environment brings added pressure as we need to operate our business with fewer staff but at the same time have sufficient capacity to pack our growers' increasing volumes of fruit.

In 2021, we commissioned upgrades to our Bravo grader at Washer Road which increased our packing capacity and reduced manning on the grader by over 20%. The Collins Lane 5 High fully automated coolstore was also commissioned along with upgrades to the Controlled Atmosphere stores at Quarry Road, Edgumbe and Opotiki.

Construction has commenced for two new coolstores, one in Edgumbe and the other in Katikati, which should be ready in time for the 2022 season. We are also finalising the upgrade of all our CA stores to be Gold CA capable with upgrades at our Collins Lane and Katikati sites.

Global supply chain issues have added a real challenge to completing these projects on time, but we are confident that we can complete construction of these projects in time for use in 2022.



**Board of Directors**

However, our suppliers are requesting longer lead times on ordering large equipment items and we will be making longer term commitments for the 2023 season earlier than in previous years to ensure projects can be completed on time.

**2022 Shareholding and Capital**

With the significant investment outlined above to meet future capability, the company cannot do this solely from borrowings. With volume growth tracking ahead of original plans the company will need additional capital to be able to continue to meet our growers' capacity needs whilst also giving the resilience to pack the fruit with reduced staff numbers.

The Board have considered options around the levels of capital needed and will be discussing this with grower shareholders in 2022.

**Board**

A strong Board remained in place in 2021 with six grower directors and two appointed directors. The Board consists of John Loughlin (Chairman), Dylan Barrett, Mark Giles, David Jensen, Michael Montgomery, Murray McBride, Ngaire Scott and Donna Smit.

The Board Observer role has continued in 2021. Mark Ericksen was appointed

into the Board Observer role for the year to June 2021 and Nick Woolsey will be in the role from 1 July 2021 to 30 June 2022. We will be seeking expressions of interest in this role for the year from 1 July 2022.

**Our Growers**

Many of the challenges EastPack has experienced in the Covid-19 environment are also being experienced by our growers in their own businesses with shortage of labour, increasing costs and compliance requirements. We strive to remain close to our growers while delivering the efficiencies of a large operation.

We would like to thank our grower shareholders who have supported us with their business and for being patient and supportive through the challenges of Covid-19.

We would also like to acknowledge the members of the EastPack Entity Trust Forum for their input and guidance which has been highly valued in 2021 and will remain so in 2022 and beyond.

**2022**

The 2022 season is shaping up to being an even more challenging year with modelling predicting significant Covid-19 infection in New Zealand at the time we begin our season.



**Senior Leadership Team**

Labour is already short, and a number of initiatives have been put in place to manage with lower numbers of staff being able to be recruited. The bigger challenge will likely be staff numbers being impacted by being ill with Covid-19 or needing to self-isolate as contacts of cases. This has the potential to severely curtail our capability to run our graders at the throughput required or in an extreme, run some at all. Assuming we are able to pack everything we expect a small increase in volumes, compared to 2021.

Our management team are ready to navigate the challenges that may present. While we have carried out extensive risk management and contingency planning, not all eventualities can be covered and therefore we are thinking ahead as much as possible, while remaining agile and responsive.

**Acknowledgements**

2021 was a year of significant challenges and we would like to acknowledge and thank our staff at EastPack for their hard work and dedication to achieving the outcomes for our growers and the results that the team delivered during the year.

The significant challenge of working with lower staff numbers and a very different

workforce with limited backpacker numbers should not be underestimated and the ability of our staff to work through these challenges is a credit to all of our people on the front line.

We have a high performing team of people which gives us a lot of confidence in the future. We also acknowledge our Directors and the leadership they have demonstrated. We remain confident that with our team, along with significant investment in infrastructure, systems, and training, we are well placed to deliver the service and quality outcomes that our grower shareholders require in 2022.

Despite considerable trepidation, we are excited about the challenges 2022 will bring and how we will manage through these and continue to look forward to the future. The Directors, management and staff are committed to building on a prosperous future for EastPack and our growers, so we can keep on growing and getting our Kiwifruit to market.

**John Loughlin**  
Chairman

**Hamish Simson**  
Chief Executive Officer





# EastPack Entity Trust.

The EastPack Entity Trust (EET) forum is an important part of the linkage between EastPack and our growers.

The EET Forum being representatives of EastPack growers act as Advisors to the Trustees of EastPack Entity Trust and provide guidance to EastPack on matters pertaining to growers.

EastPack Entity Trust is a separate legal entity that maintains Grower funds separate from EastPack and therefore protects Grower funds from any adverse outcome that may affect EastPack as a company. Therefore, all monies for sale of kiwifruit from Zespri are paid directly to EET. From these funds EET pays EastPack for the services provided to growers – i.e. the packing charges and then pay grower returns directly to growers.

EastPack Limited is the Trustee of EET and therefore the Directors of EastPack are in effect acting as the trustees of EET. Two EastPack Directors are appointed to be Trustee representatives at the EET Forum. The EET Forum as advisers to the trustee are tasked with:

- Helping increase the Net OGR of EastPack growers by providing feedback to the cooperative and assisting in the dissemination of

information back to our growers.

- Suggesting ways to improve yields/size/dry matter and to increase EastPack growers' profitability and overall wealth.

The EET Forum is made up of representatives from the various growing regions. In the Bay of Plenty; Paul Edkins (Chairman), Andrew Dunstan, Brett Wotton, Jenny Natusch, John Bourke, John Gibson, Murray Holmes, Parmvir Singh Bains, Rikki James, Robert Humphries, Sandra Clink, Seth Pardoe, and Simon Pieters, along with Steve Trebilco in the Waikato, and Mike Crum in Northland. Michael Montgomery and Dylan Barrett are the EastPack Board representatives of the EET Forum.

One representative is also an EET appointee on the NZKGI forum. EET's NZKGI representative is Robert Humphries who is also on the NZKGI Executive Committee.

The Forum met formally seven times over the 2021 calendar year along with a number of email consultations between Forum members and teleconference calls on urgent matters as required.

The Forum meetings have a number of standing agenda items depending on the time in the year. The agenda items include:

- Receiving updates from NZKGI, ISG and IAC.
- Receiving and reviewing operational reports from EastPack on business and fruit performance.
- Receiving presentations from Zespri on relevant matters and market updates.
- Matters of relevance to EastPack growers including Pool rules as an example.
- Review of Zespri pool changes and putting a position forward to Zespri/IAC/NZKGI.
- Receiving EET financial reports

In 2021, the Forum considered a number of matters including:

- Reviewing and continuing to apply pressure on Zespri on their approach on supplier quality delivery in 2020 and 2021.
- Providing feedback to Zespri on the Nelson hail event and industry response.



**Paul Edkins**  
Chairman

- Advising EastPack on industry consultation matters in particular, changes to the Taste programme and new laboratory processes for 2021.
- Review of other EET Pool rules ensuring fit for purpose. This included:
  - Determining EET pool rules for the new Red variety
  - Determining pool rules for Gold fruit in CA
- Reviewing end of season pooling adjustments.

With the on-going challenges of the Covid-19 environment, there will no doubt be plenty of issues that the Forum will be reviewing over the coming year. The Trustee thank the current Grower representatives on EET Forum for their service to all growers and look forward to continuing guidance from the EET Forum members.



# Our people. Our key asset.



We have increased our recognition awards across our sites and continue to strive to make the workplace enjoyable and encourage attendance.

Our people deliver the results to our shareholders and our growers. We can have shiny new equipment, but we need good people to operate and maximise the capability of that equipment. The decisions our team make lead directly to the fruit outcomes that our growers receive. Our team is made up of a core permanent crew and a large seasonal team that we need to recruit each year.

### Recruitment

With a 15% increase in volumes over 2020, the challenge was getting sufficient staff to pack the fruit. Following a very successful recruitment campaign, EastPack's staffing levels peaked at almost 3,600 employees in 2021, the vast majority being seasonal employees. This was up on our peak employees in 2020 of 3,400 staff. We have a large number of returning staff each year which provides good stability and consistency in our work force.

### Retention

Once staff are recruited it is important that we keep as many of our staff motivated to work through the season. There will always be some attrition due to the nature of our work but minimising this is a priority. A key priority is ensuring our leadership teams have the skills to

manage their staff appropriately and effectively. Leadership training is provided from team leaders through to senior management. Partnerships are in place with the Employers and Manufacturers Association (EMA) and other external providers to deliver this training.

A comprehensive induction and training process takes place for all staff members. For our Prospra staff we have a pathways programme along with apprenticeship programmes to develop our future orchard managers.

### Rewards and recognition

We have increased our recognition awards across our sites and continue to strive to make the workplace enjoyable and encourage attendance. Initiatives such as attendance bonuses and prize draws along with "refer a friend" initiatives have supported retention. An events calendar operates across the season with events occurring every few days and "shouts" for staff on a regular basis from ice creams on hot March days through to hamburgers, pizza and doughnuts and a hangi to celebrate Matariki. Diversity is celebrated with Cultural Days for staff to show off their local culture.

For our permanent employees, we continue to review and consider the

benefits they receive. In 2020 we introduced fully subsidised Southern Cross membership. With EastPack being a large procurer of products and services, we have offered an N3 card to staff which provides trade discounts at almost 30 different large suppliers and retailers.

It was very pleasing to see our staff engagement scores for both our seasonal and permanent staff improve in 2021.

### New online tools

In 2022, we have implemented a new time and attendance system – UKG Dimensions, which will make it significantly easier to roster staff and create more effective rosters for our people whilst also providing an on-line tool for our staff to select and know what rosters they are on, as well as request leave along with other functions. Our online tool "Grow Me – Performance" supports the annual staff performance appraisal cycle, ensuring we maintain our strong focus on developing people in-line with our succession planning.

### RSE scheme

In 2019, we recruited 583 staff from the Pacific Islands and other areas under the Recognised Seasonal Employer

(RSE) scheme. Approximately 250 of our RSE workers agreed to stay in New Zealand longer and have been available for the 2021 season. With support from the government, we have been able to recruit almost 600 RSE workers for the 2022 season without the need for them to go through managed isolation and allow those ones who have worked through to head home. A massive shout out must be given to those RSE workers that have worked through the last two years of Covid-19 – they have made a big difference to not just ensuring we get the fruit packed but also working on orchards especially through the critical winter pruning period.

### Summary

The above initiatives will all help but we can expect to still face challenges this year in securing sufficient staff numbers to pack the 2022 crop.

Our team worked extremely hard in 2021, packing a record crop, all while dealing with the Covid-19 environment. It is a credit to our team that we managed not only to work through these challenges but also manage this in good order.



# Health & safety.



Active participation in our Health and Safety practices occurs from orchard staff through to the sites and to the Board.

**E**astPack maintains a very strong focus on Health and Safety, and this is a fundamental element of our culture. The Board have a Health and Safety sub-committee that meets five times in the year or more often if required. The entire Board sit on that Health and Safety Committee and a KPI is set for Board members to attend site Health and Safety Meetings. In 2021 Board members attended 12 site Health and Safety Meetings. Senior Leadership team members are assigned to attend every site Health and Safety meeting and actively participate to support the initiatives being completed.

### Highlights

In 2021, we continued to develop our Health and Safety teams and ensure we continue to be proactive, informed and build our skills across the organisation. Health and Safety is not just about safety on site but on health and wellbeing. In 2021 a number of initiatives were put in place around health and wellbeing. Covid-19 vaccinations were offered to all staff and their families on site and a medical expert was brought in to talk to the "vaccine wary" to provide good information on Covid-19 and the vaccine and encourage staff to get vaccinated. A number of our staff events are themed around health, with mental awareness education, bowel and prostate cancer programmes and other health events themed around the weeks they are a national focus.

Active participation in our Health and Safety practices occurs from orchard staff through to the sites and to the Board. In 2021, we recorded a Total Recorded Injury Frequency Rate (TRIFR) score of 22.2 slightly over our target of 20 for the year. This follows a record score of 12.4 in 2020. Hours worked in 2021 are over 16% higher than 2020. The company's TRIFR score in 2015 was 47

so whilst the 2021 score was disappointing the company has made significant improvement in this measure.

### Keeping our people safe in 2022

A number of new health and safety initiatives are planned for 2022. Training of team leaders is key to ensure they are identifying early potential injuries. A review of statistics on injuries has been completed to identify in more detail where injuries are occurring. Ergonomic and production configuration assessments are being conducted to ensure the work environment is appropriate to minimise the opportunity for injury.

Covid-19 and in particular the likely Omicron outbreak in 2022 will no doubt put significant pressure on the business and our health and safety team. A number of strategies have been implemented to minimise the impact on the business and keep our staff safe and well. Team "bubbles" are being implemented to create separation and social distancing will be required. This will mean utilising screens throughout the workplace, temporary extensions of the cafeterias and staff areas and temperature checking everyone that enters each site.





# Sustainable practices.



EastPack's strategic direction is based on the sustainable production and supply of healthy produce.

Sustainability focuses on meeting present needs without compromising the ability of future generations to meet their needs. Sustainability at EastPack is comprised of five pillars:

- Economic
- People
- Communities
- Healthy products
- Environment

EastPack's ambition is to measure these pillars and then incrementally improve our performance across these pillars along with the associated governance processes. We aim to report clearly and focus our operations to minimise our environmental footprint. We know that the environment plays a pivotal role in the health of our crops, and our business.

We are serious about our social responsibilities, and we operate so that our growers can provide consumers in New Zealand and around the world with healthy food choices. We want to be the provider and employer of choice, and we know that strong communities play a pivotal role in the health of our business.

### Sustainability production and supply of healthy produce

In 2020, EastPack established a Sustainability Steering Committee comprising the CEO, members of the Senior Leadership team and a Sustainability Champion. The Audit

Committee has been tasked with providing strategic guidance and feedback to the Board and management on EastPack's sustainability framework, targets, measures, and performance. The Sustainability Steering Committee is a forum for assessing and providing advice on the potential impacts and opportunities of a changing climate. Environmental and social strategy, growth in a measured way, along with commercial acumen underpin our shared prosperity. We care for our environment, and to those that contribute to the journey and our communities.

EastPack's strategic direction is based on the sustainable production and supply of healthy produce. We look at continually improving operations to deliver healthy products, use less resources, care for the environment, and deliver better outcomes to our stakeholders. We value our people and our communities that we operate in and care for the welfare of our growers, employees, suppliers, and the regions we operate in.

EastPack is just at the beginning of our sustainability pathway and have engaged Toitu Envirocare to assist in calculating and validating the company's carbon footprint. Collection of all input and output data is underway along with processes to collect and maintain that data so that

the impact of the initiatives undertaken can be captured.

### Highlights

There are several initiatives that the company has undertaken during the year, continuing on the work completed in prior years:

- **Energy use** – we have been proactive in monitoring electricity use across its sites. Additional sub meters have been installed allowing measurement by coolstore/business areas and further development of reporting has been conducted. Trials on fan speeds in coolstores have unlocked the potential for reduced energy consumption whilst maintaining fruit temperature at optimum levels. The Collins Lane 5 High store has proven to be exceptionally energy efficient with its energy use index well below all our other coolstores. Learnings from this are being taken into the design of new coolstores and in the operation of our existing coolstores.
- **Our People** – the company continues to work hard to be an employer of choice; hours worked have been more closely monitored and managed and new employee welfare initiatives have been added alongside other initiatives such as the

Employee Assistance Programmes and Southern Cross Healthcare. The Health and Safety of our staff is large part of the company culture, and we continue to invest in this area.

- **Our Communities** – EastPack sponsors a number of community organisations, including the Katikati Innovative Horticulture Trust, the Eastern Bay Community Foundation, The Opotiki St John, the Edgecumbe Fire Station and the Maketu Coast Guard. We employ a large number of people in the Bay of Plenty and support and utilise a wide range of local businesses. The RSE scheme is an effective source of support to the island communities where these workers come from.
- **Food Safety** is a key component of what we do, but we innovate too. Our Research and Development projects will provide the opportunity to enhance our product offering to our customers.
- **We are undertaking numerous waste initiatives**, including increasing recycling options for cardboard and plastics and options for our cafeteria waste. This is an area of on-going evolution and development, and the company will continue to report our steps forward and measures in the future.



# Statement of Corporate Governance.

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 is 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 five shareholder Directors, and all of those shareholder Directors shall hold Ordinary Shares unless otherwise determined by ordinary resolution. 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 three 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. An Appointed Director must be confirmed by shareholders at the following Annual meeting of the Company.

The Board currently comprises six shareholder Directors, and two appointed Directors. One of the appointed Directors has become a grower and a shareholder since his appointment.

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 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 2021 are disclosed in note 23 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:

- Monitors and administers any conflicts of interest which may arise, in particular those resulting from EastPack being a Grower Co-operative.
- Reviews 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.
- Monitors the appropriateness and effectiveness of EastPack's administrative, operating and accounting controls.
- Reviews and advises on the risk management practices of EastPack.
- Approves the internal audit programme, receives reports and addresses recommendations considered appropriate.

This committee is chaired by Donna Smit.

### 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:

- Liaises with management and relevant staff in Health and Safety.
- Reviews the annual Health and Safety audit plan.
- Assesses the performance of Health and Safety.
- Reviews Health and Safety reporting/policies/procedures/implementation.
- Oversees compliance with statutory responsibilities relating to Health and Safety.
- Understands the hazards that employees and contractors face in the course of their roles with and for EastPack and the management of those hazards.
- Ensures 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 David Jensen.

### 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 members of this committee are Peter McBride, Ken Edkins, and Ray Sharp, with John Loughlin representing the Board.

The Board also currently operates the following Working committees:

- Information Systems Committee
- Leadership 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

Interests and related party transactions are disclosed in note 23 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:

### EastPack's principal activities during the year were:

- Packing and coolstorage of kiwifruit
- Orchard management

### Directors' Interests

- D.J. Barrett, M.T. Giles, D.P. Jensen, M.R. McBride, M.J. Montgomery, and D.M. Smit own orchards for which EastPack provides services on normal commercial terms.
- N.J. Scott is employed by Trinity Lands who own orchards for which EastPack provides services on normal commercial terms.
- M.R. McBride, and M.J. Montgomery 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 Consulting 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.
- M.J. Montgomery is a Trustee of a trust that leases coolstores to EastPack Ltd on normal commercial terms.
- M.J. Montgomery is a Director of a Company that has plans to develop a new kiwifruit post-harvest facility at Lemon Road Paengaroa.
- J.J. Loughlin is the chairman of directors of Powerco Limited which reticulates electricity to four EastPack Ltd sites, with its charges being invoiced to EastPack Ltd by an energy retailer.



## Share Dealing

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

	ORDINARY SHARES ACQUIRED DURING THE YEAR	ORDINARY SHARES SOLD DURING THE YEAR	NIL PAID SHARES PAID UP DURING THE YEAR	ORDINARY SHARES HELD AT THE END OF THE YEAR	
				FULLY PAID	UNPAID
D.J. Barrett	–	–	17,000	106,711	17,400
M.T. Giles	–	–	–	32,088	–
D.P. Jensen	–	–	40,000	280,738	40,000
J.J. Loughlin	–	–	–	–	–
M.R. McBride	30,000	–	–	5,080,682	–
M.J. Montgomery	–	–	–	4,490,113	–
N.J. Scott	–	–	–	7,338,366	–
D.M. Smit	–	–	–	244,426	–

## Remuneration & Other Benefits

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

	REMUNERATION (\$)	
	2021	2020
D.J. Barrett	56,458	50,000
M.T. Giles	54,375	50,000
D.P. Jensen	56,458	50,000
J.J. Loughlin	122,708	112,500
M.R. McBride	56,458	50,000
M.J. Montgomery	51,458	50,000
N.J. Scott	51,458	20,833
D.M. Smit	61,458	50,000

## 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	12
\$110,000 – \$119,999	7
\$120,000 – \$129,999	4
\$130,000 – \$139,999	4
\$140,000 – \$149,999	4
\$150,000 – \$159,999	4
\$180,000 – \$189,999	2
\$210,000 – \$219,999	2
\$220,000 – \$229,999	1
\$260,000 – \$269,999	1
\$270,000 – \$279,999	1
\$290,000 – \$299,999	2
\$300,000 – \$309,999	1
\$800,000 – \$809,999	1

## Donations

No donations of a material nature were made by EastPack 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:

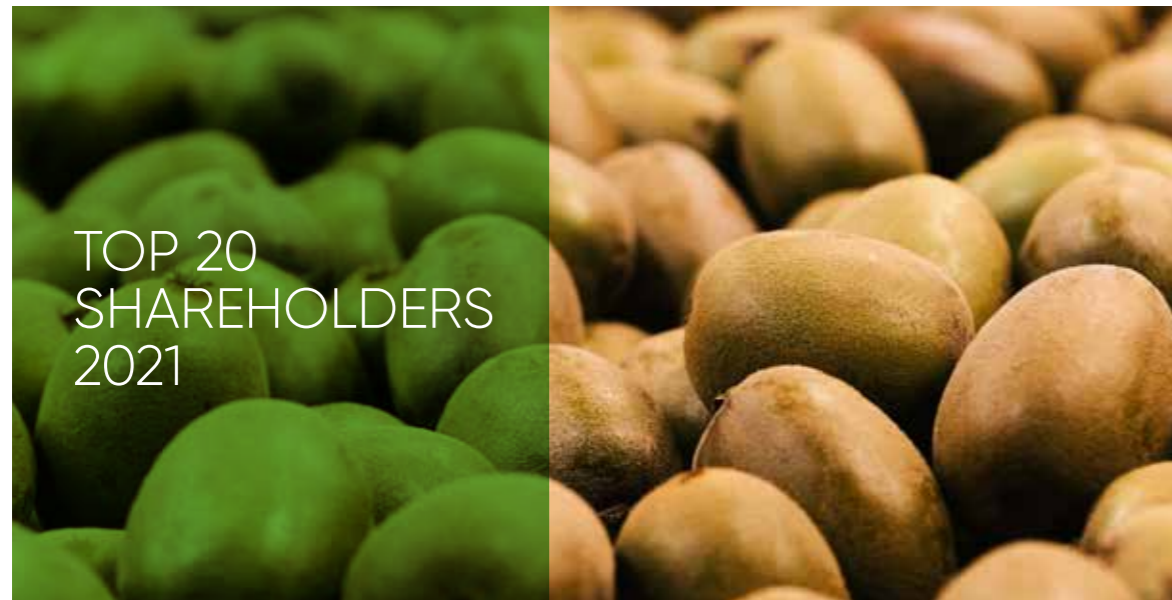
- The Company continues to carry on, as its principal activity, a co-operative activity as set out in Section 3 of the Co-operative Companies Act 1996;
- The constitution of the Company states its principal activities as being co-operative activities; and
- Not less than 60% of the voting rights of the 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  
24 February 2022





### Shareholder

	ORDINARY SHARES HELD
Trinity Lands Limited	7,338,366
Frontier Orchards Limited Partnership	4,546,817
Pine Valley Orchard Limited	4,490,112
Wotton Trust	2,690,977
Cape Fruit Co Limited	2,463,835
Reekie KJ Family Trust	1,718,035
Carol Franklin	1,685,462
Ron Flowers & John Flowers	1,674,456
Blennerhassett & Son Limited	1,624,905
Bayview Estate (2017) Limited	1,577,482
Tirohanga Fruit Company Limited	1,500,781
Steele Family Trust	1,321,909
Eric William Casey & Neil Richard Casey	1,319,569
Russell West & Tina West	1,242,512
Simise Trust	1,195,638
Wedge Co Limited	1,149,863
Cameron Orchards Limited	1,030,386
Walt Goldsmith	991,435
Otara Land Company Limited	966,313
Windmill Trust	944,747

# Financial Statements.

For the year ended 31 December 2021

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27	Consolidated Statement of Other Comprehensive Income
27	Consolidated Statement of Changes In Equity
28	Consolidated Statement of Financial Position
29	Consolidated Statement of Cash Flows
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**Consolidated Income Statement**

For the year ended 31 December 2021

	NOTES	2021 (\$000'S)	2020 (\$000'S)
Revenue	1	233,468	189,302
Packaging materials		(43,891)	(37,317)
Employee benefits expense		(98,434)	(74,431)
Directors compensation		(511)	(478)
Other expenses	2	(51,132)	(42,400)
		(193,968)	(154,626)
<b>Earnings before interest, tax, depreciation and fair value adjustments</b>		<b>39,500</b>	<b>34,676</b>
Depreciation	9, 15	(21,006)	(17,774)
<b>Earnings before interest, tax and fair value adjustments</b>		<b>18,494</b>	<b>16,902</b>
Finance income	26	2,048	-
Interest expense		(4,336)	(3,850)
<b>Earnings before tax and fair value adjustments</b>		<b>16,206</b>	<b>13,052</b>
(Loss)/gain on revaluation of property, plant and equipment	15	-	3,156
<b>Net profit/(loss) before taxation</b>		<b>16,206</b>	<b>16,208</b>
Add/(less) taxation	4	(3,860)	(3,265)
<b>Net profit/(loss) after taxation</b>		<b>12,346</b>	<b>12,943</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	5	\$0.12	\$0.15

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

**Consolidated Statement of Other Comprehensive Income**

For the year ended 31 December 2021

	NOTES	2021 (\$000'S)	2020 (\$000'S)
Net profit/(loss) after taxation		12,346	12,943
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain/(Loss) on revaluation of property, plant and equipment, net of tax	6	25,921	21,465
Changes in the fair value of equity investments	6	259	309
<b>Other comprehensive income for the year</b>		<b>26,180</b>	<b>21,774</b>
<b>Total comprehensive income for the year</b>		<b>38,526</b>	<b>34,717</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the company		38,526	34,717
<b>Total comprehensive income for the year</b>		<b>38,526</b>	<b>34,717</b>

**Consolidated Statement of Changes In Equity**

For the year ended 31 December 2021

	NOTES	SHARE CAPITAL (\$000'S)	OTHER RESERVES (\$000'S)	RETAINED EARNINGS (\$000'S)	TOTAL (\$000'S)
<b>Opening balance 1 January 2020</b>		12,847	32,238	40,951	86,036
Conversion of Investor shares		(12,847)	-	-	(12,847)
Ordinary Shares issued on conversion of Transactor Shares and Investor Shares	7	45,779	-	-	45,779
Share Capital repurchased by company under minority interest provision	7	(972)	-	-	(972)
<b>Net profit/(loss) after taxation</b>		-	-	12,943	12,943
Other comprehensive income, net of tax	6	-	21,774	-	21,774
<b>Total comprehensive income for the year</b>		-	21,774	12,943	34,717
Dividends paid	8	-	-	(2,034)	(2,034)
<b>Closing balance 31 December 2020</b>		<b>44,807</b>	<b>54,012</b>	<b>51,860</b>	<b>150,679</b>
<b>Net profit/(loss) after taxation</b>		-	-	12,346	12,346
Other comprehensive income, net of tax	6	-	26,180	-	26,180
<b>Total comprehensive income</b>		-	26,180	12,346	38,526
Dividends paid	8	-	-	(2,544)	(2,544)
Reclassification on disposal of financial assets at FVOCI	6	-	(5,392)	5,392	-
Shares issued under dividend reinvestment programme	7	14	-	-	14
Nil paid Shares cancelled	7	(16)	-	-	(16)
<b>Closing balance 31 December 2021</b>		<b>44,805</b>	<b>74,800</b>	<b>67,054</b>	<b>186,659</b>

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



**Consolidated Statement of Financial Position**


As at 31 December 2021

	NOTES	2021 (\$000'S)	2020 (\$000'S)
<b>Equity</b>			
Share capital	7	44,805	44,807
Reserves	6	74,800	54,012
Retained earnings		67,054	51,860
<b>Total equity</b>		<b>186,659</b>	<b>150,679</b>
<b>Non current liabilities</b>			
Derivative financial instruments	26	–	54
Deferred taxation	4	18,837	13,155
Refunds due to resigned shareholders	10	121	464
Borrowings	11	100,000	105,000
Lease liabilities	9	2,711	3,718
<b>Total non current liabilities</b>		<b>121,669</b>	<b>122,391</b>
<b>Current liabilities</b>			
Borrowings	11	13,500	–
Lease liabilities	9	1,899	1,805
Trade and other payables	12	19,934	19,486
Employee entitlements	13	2,479	1,635
Provision for taxation	4	2,705	492
Refunds due to resigned shareholders	10	353	601
Contract liabilities	14	1,246	633
<b>Total current liabilities</b>		<b>42,120</b>	<b>24,652</b>
<b>Total funds employed/liabilities</b>		<b>350,448</b>	<b>297,722</b>
<b>Non current assets</b>			
Property, plant and equipment (PPE)	15	311,344	257,656
Right of use assets (ROU)	9	4,984	5,512
Derivative financial instruments	26	2,048	–
Investments	16	2,224	7,347
<b>Total non current assets</b>		<b>320,600</b>	<b>270,515</b>
<b>Current assets</b>			
Cash and cash equivalents	18	6,364	5,408
Trade and other receivables	17	17,072	14,081
Biological assets	19	4,096	4,018
Inventories	20	2,316	3,700
<b>Total current assets</b>		<b>29,848</b>	<b>27,207</b>
<b>Total assets</b>		<b>350,448</b>	<b>297,722</b>

For and on behalf of the Board



**John Loughlin** – Chairman  
24 February 2022



**Donna Smit** – Director  
24 February 2022

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

**Consolidated Statement of Cash Flows**

For the year ended 31 December 2021

	NOTES	2021 (\$000'S)	2020 (\$000'S)
<b>Cashflows from operating activities</b>			
Cash was provided from:			
Receipts from customers		227,937	185,513
Interest received		184	361
Dividends received		1,359	1,061
		<b>229,480</b>	<b>186,935</b>
Cash was applied to:			
Payments to suppliers and employees		(194,536)	(156,175)
Interest paid		(4,091)	(3,670)
Lease interest paid		(299)	(331)
Taxation paid		(1,643)	(2,601)
		<b>(200,569)</b>	<b>(162,777)</b>
<b>Net cash flows from operating activities</b>	<b>3</b>	<b>29,911</b>	<b>24,158</b>
<b>Cashflows from investing activities</b>			
Cash was provided from:			
Sale of Investments		5,382	–
		<b>5,382</b>	<b>–</b>
Cash was applied to:			
Purchase of investments		–	(88)
Purchase of property, plant and equipment		(38,224)	(36,919)
		<b>(38,224)</b>	<b>(37,007)</b>
<b>Net cash flows from investing activities</b>		<b>(32,842)</b>	<b>(37,007)</b>
<b>Cashflows from financing activities</b>			
Cash was provided from:			
Issue of ordinary shares		1,608	2,496
Proceeds from borrowings		8,500	20,000
		<b>10,108</b>	<b>22,496</b>
Cash was applied to:			
Payment of lease liability		(2,086)	(1,644)
Payment of dividends		(2,544)	(2,034)
Redemption of shares		(591)	(2,224)
		<b>(5,221)</b>	<b>(5,902)</b>
<b>Net cash flows from financing activities</b>		<b>4,887</b>	<b>16,594</b>
Net increase/(decrease) in cash and cash equivalents		956	3,745
Opening cash and cash equivalents		5,408	1,663
<b>Closing cash and cash equivalents</b>	<b>18</b>	<b>6,364</b>	<b>5,408</b>

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

# Notes to the Financial Statements

For the year ended 31 December 2021

This section contains the notes to the consolidated financial statement for EastPack Limited, its subsidiaries and associates. To give stakeholders a clear insight into how EastPack organises its business, the note disclosures are grouped into six sections:

Note	Details	Page
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3	Reconciliation of net surplus with cash flow from operating activities	<b>34</b>
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6	Other reserves	<b>37</b>
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9	Leases	<b>40</b>
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15	Property, Plant and Equipment	<b>44</b>
16	Investments	<b>46</b>
17	Trade and other Receivables	<b>49</b>
18	Cash and cash equivalents	<b>49</b>
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	<b>Other Notes</b>	
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22	Commitments	<b>50</b>
23	Transactions with related parties	<b>50</b>
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27	Significant events after balance date	<b>57</b>

## Basis of Preparation

### Reporting entity and statutory base

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 consolidated financial statements for the "Group" are for the economic entity comprising the Company and its subsidiaries per Note 16. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

### Nature of operations

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

### Statement of compliance and basis of preparation

These financial statements comply with generally accepted accounting practice in New Zealand ("NZ GAAP"). Comparative information has been updated to be consistent with current year presentation where appropriate. 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 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

The significant accounting policies applied in the preparation of the financial statements are set out below.

The financial statements were approved by the Board of Directors on 24 February 2022. Once issued, the Directors do not have the power to amend these financial statements.

### Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries and the results of associates of the Company as at 31 December 2021 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.

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.



**Basis of Preparation (continued)**

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.

**Goods and Services Tax (GST)**

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.

**Foreign currency**

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.

**Critical Accounting Estimates, Judgements and Assumptions**

Estimates and judgements are based on past performance and management's expectation for the future. In the application of NZIFRS, 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 15 & 25.
- **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 16.
- **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 19.

**Summary of significant changes in accounting policies**

The accounting policies have been applied consistently throughout the periods presented in the financial statements.

There are no new standards, amendments or interpretations that have been issued and are effective that are expected to have a significant impact on the Group.

In April 2021 the IFRS Interpretation Committee published a final agenda decision: Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). The Group has assessed the impact of the agenda decision and no adjustment to previously capitalised costs in the prior year were required. The Group's accounting policies are consistent with the agenda decision.

**NOTE 1: Revenue**

The Group's major revenue streams are post harvest operations and orchard management.

Rebates are discretionary payments made to transactor shareholders based on the number of trays supplied and are therefore presented as a reduction to revenue.

	2021 (\$000'S)	2020 (\$000'S)
Revenue from contracts with customers		
– Post harvest operations	206,845	168,376
– Orchard management	18,301	15,874
<b>Total revenue from contracts with customers</b>	<b>225,146</b>	<b>184,250</b>
Dividends received	1,359	1,061
Rent revenue	36	10
Interest revenue	184	361
Pollen revenue	3,042	2,318
Gain on sale of investments	132	–
Other revenue	3,569	1,302
	<b>233,468</b>	<b>189,302</b>

**Accounting Policies**

The Group's major revenue streams are post harvest operations and orchard management.

**Post harvest**

The Group enters into two standardised post harvest contracts:

- The first has two performance obligations; one to collect the fruit via picking and transportation, the other being maturity testing which is provided as needed. The charges are separated in the contract. All revenue is recognised when the service is performed.
- The second has one performance obligation; to pack fruit, to cool and despatch fruit, and to sell class 2 fruit to authorised markets. These are stand alone services provided by EastPack. Each performance obligation has a separate transaction price detailed in the contract and the obligations are recognised when services are performed; packing fruit as fruit is packed, cooling fruit as fruit is loaded out from the coolstores and class 2 as fruit is sold.

**Orchard management**

The Group enters into two orchard management contracts that are largely standardised:

- The first is the management contract which has one performance obligation; to manage fruit production. Revenue is recognised as the service is performed and is calculated at cost plus a margin as per the contract. The management fee included in the contract is recognised evenly over the contract's 12 month period. An incentive fee based on the volume of kiwifruit produced is only recognised when production is complete and the incentive would be receivable.
- The second orchard management contract has one performance obligation; to collect the supply of fruit. The transaction price is determined using a forecasted Orchard Gate Return (OGR). Revenue is recognised when crops are picked.

**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.

**Interest revenue**

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

**NOTE 2. Other expenses**

The following items have been included in other expenses in the EastPack Ltd Consolidated Income Statement.

	2021 (\$000'S)	2020 (\$000'S)
Administration costs	7,942	5,889
Electricity	10,867	6,040
Insurance	3,980	3,703
Leased orchard expenses	10,049	10,495
Licence fees	3,333	2,294
Loss compensations	400	508
Plant and equipment hire	1,309	1,235
Repairs and maintenance	6,734	5,533
Research & development	651	1,613
Software as a service	758	–
Sponsorship	139	102
Sundry packaging expenses	1,871	955
Transport costs	746	496
Vehicle expenses	1,261	976
Wharf costs	820	577
<i>Auditors remuneration:</i>		
Amounts paid or payable to the auditors for:		
Auditing the financial statements – KPMG	137	137

**NOTE 3. Reconciliation of net surplus with cash from operating activities**

	2021 (\$000'S)	2020 (\$000'S)
Net profit/(loss) after tax	12,346	12,943
<i>Add / (less) Non cash items</i>		
Depreciation	21,006	17,774
Bonus issue of shares in unlisted companies	(107)	(88)
Deferred tax expense/(income)	(243)	(1,216)
Fair value movement in loans and refunds due to resigned shareholders	–	139
Derivative Financial Income	(2,048)	–
Loss/(gain) on revaluation of land and buildings	–	(3,156)
	18,608	13,453
<i>Movement in Working Capital</i>		
(Decrease)/increase in trade and other payables, excluding movement relating to purchases of property, plant and equipment	(3,854)	4,261
(Decrease)/increase in employee entitlements	844	579
Decrease/(increase) in trade and other receivables	(2,991)	(5,221)
Decrease/(increase) in biological assets	(78)	(364)
(Increase)/decrease in inventory	1,384	266
(Decrease)/increase in income in advance	613	(84)
Increase/(decrease) in tax payable	2,217	(1,571)
	(1,865)	(2,134)
<i>Items classified as investing/financing activities</i>		
Loss/(gain) on sale of investments	(132)	(88)
Loss/(gain) on sale of property, plant and equipment	(46)	(16)
	(178)	(104)
<b>Net cash flow from operating activities</b>	<b>28,911</b>	<b>24,158</b>

**NOTE 4. Income tax**

	2021 (\$000'S)	2020 (\$000'S)
Current tax expense/(income)	4,103	4,481
Deferred tax expense/(income)	(243)	(1,216)
	3,860	3,265

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	2021 (\$000'S)	2020 (\$000'S)
Income tax at 28% (2020: 28%)	4,538	4,538
Tax effect of		
• Non deductible expenses	32	209
• Non assessable income	–	(31)
• Imputation credits received	(358)	(261)
• Recognise deferred tax on buildings now depreciable	–	(1,433)
• Prior period adjustments	(352)	–
• Adjustments to deferred tax	–	243
<b>Income tax expense</b>	<b>3,860</b>	<b>3,265</b>

Deferred taxation balances	2021 (\$000'S)	2020 (\$000'S)
<i>Deferred tax assets</i>		
Stock obsolescence	279	129
Employee entitlements	512	321
Trade and other payables	68	74
Trade and other receivables	32	10
	891	534
<i>Deferred tax liabilities</i>		
Property, plant and equipment	(18,380)	(12,753)
Biological assets	(1,348)	(936)
	(19,728)	(13,689)
<b>Net deferred tax assets/(liabilities)</b>	<b>(18,837)</b>	<b>(13,155)</b>

Deferred taxation movements recognised in income	2021 (\$000'S)	2020 (\$000'S)
<i>Deferred tax assets</i>		
Stock obsolescence	150	(90)
Employee entitlements	190	113
Trade and other payables	(7)	61
Trade and other receivables	22	(5)
	355	79
<i>Deferred tax liabilities</i>		
Property, plant and equipment	300	1,166
Biological assets	(412)	(29)
	(112)	1,137
<b>Net deferred tax income/(expense)</b>	<b>243</b>	<b>1,216</b>



**NOTE 4. Intax tax (continued)**

	2021 (\$000'S)	2020 (\$000'S)
<b>Deferred taxation movements in equity</b>		
<i>Deferred tax liabilities</i>		
Property, plant and equipment	(5,928)	(5,457)
	(5,928)	(5,457)
<b>Provision for Taxation</b>		
Balance as at 1 January	(492)	(243)
Income tax expense	(3,860)	(3,265)
Income tax expense attributable to deferred tax	(243)	(1,216)
Income tax payments during the year	1,766	4,577
Prior period adjustments	120	(345)
Balance as at 31 December	(2,709)	(492)
<b>Imputation Credit Account</b>		
Imputation credits available for use in subsequent reporting periods	22,558	18,573

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Imputation credits that will arise from the receipts of dividends recognised as receivables at the reporting date.

**Accounting Policies**

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.

**NOTE 5. Earnings per share**

	2021 (\$000'S)	2020 (\$000'S)
Profit attributable to ordinary shareholders	12,346	12,943
Total number of new ordinary shares issued and fully paid at 31 December	103,146,610	101,680,931
Weighted average number of ordinary shares issued and fully paid at 31 December 2021	102,462,646	87,255,618
Basic earnings per share – Ordinary Shares	\$0.12	\$0.15
Diluted earnings per share – Ordinary Shares	\$0.12	\$0.15

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 shares on issue during the year.

**NOTE 6. Other reserves**

	REVALUATION SURPLUS (\$000'S)	FINANCIAL ASSETS AT FVOCI (\$000'S)	TOTAL OTHER RESERVES (\$000'S)
Balance as at 1 January 2020	26,268	5,970	32,238
Revaluation – gross	26,922	309	27,231
Deferred tax	(5,457)	–	(5,457)
Other comprehensive income	21,465	309	21,774
<b>Balance as at 31 December 2020</b>	<b>47,733</b>	<b>6,279</b>	<b>54,012</b>
<b>Balance as at 1 January 2021</b>	<b>47,733</b>	<b>6,279</b>	<b>54,012</b>
Revaluation – gross	31,849	259	32,108
Deferred tax	(5,928)	–	(5,928)
Cumulative gain on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal	–	(5,392)	(5,392)
Other comprehensive income	25,921	(5,133)	20,788
<b>Balance as at 31 December 2021</b>	<b>73,654</b>	<b>1,146</b>	<b>74,800</b>

The asset revaluation portion of other reserves relates to the revaluation of land and improvements and buildings. For further details, refer to Note 15.

**NOTE 7. Share capital**

	2021 NUMBER OF SHARES	2020 NUMBER OF SHARES	2021 (\$000'S)	2020 (\$000'S)
Investor Shares as at 1 January	–	29,825,154	–	12,847
Share Capital repurchased by company under minority interest provision		(400,000)		(972)
Cancellation of company held shares		(21,219)	–	–
Investor shares held prior to conversion	–	29,403,935	–	11,875
Total new ordinary shares following conversion from investor shares		71,450,347	–	–
Transactor shares converted to new ordinary shares		33,168,970		32,932
Ordinary Shares as at 1 January	104,619,317		44,807	
Shares issued under dividend reinvestment programme	14,325		14	
Nil paid Shares cancelled	(17,831)		(16)	
Ordinary Shares Balance as at 31 December	104,615,811	104,619,317	44,805	44,807

At reporting date there were 104,615,811 shares on issue which comprises 103,146,610 fully paid shares and 1,469,201 Nil Paid shares. The Nil Paid shares were issued in June 2020 to be paid in instalments, the final payment is due in June 2022. At year end the outstanding amount on Nil paid shares has been recorded in the Statement of Financial Position as a receivable discounted to reflect the extended payment terms. The model uses assumptions that the shares will be paid on the compulsory payment date and applies a discount rate of 4.87%.

In June 2020 EastPack's share structure was simplified, and its' two classes of shares, Investor Shares and Co-operative Transactor Shares were replaced by a single class of Ordinary Shares. All fully paid Ordinary shares have voting rights and the right to receive dividends based on the profits of the Company.

The combination of the share capital was completed on 19 June 2020 following approval of the new capital structure at a Special Shareholders Meeting on 26 February 2020. Transactor shares were converted one to one to new ordinary shares and investor shareholders received 2.43 new ordinary shares for each investor share held.

Prior to conversion one investor shareholder and one transactor shareholder exercised their minority interest buy-out rights after voting against the resolution. The company purchased 400,000 investor shares from the shareholder at the valuation at the conversion price agreed of \$2.43 per share, and 91,246 transactor shares at the \$1 nominal value.

All ordinary shares rank equally subject to the voting cap and are classified as equity. Each shareholder is entitled to one vote per ordinary share up to a maximum that is calculated by reference to the lesser of the number of shares held or that shareholders' New Zealand production supplied to EastPack. The voting rights of shareholders are capped by reference to the individual shareholders' share of total production supplied to the Company during the year.

**Transactor Share Capital**

	2021 NUMBER OF SHARES	2020 NUMBER OF SHARES	2021 (\$000'S)	2020 (\$000'S)
Balance as at 1 January	–	27,947,400	–	27,948
Transactor shares issued or re-instated during the year		10		–
Transactor shares sold during the year		(304,010)		(311)
Fully paid shares issued under "Honeymoon" period		2,587,183		2,587
Nil paid shares issued under "Honeymoon" period		2,938,385		2,938
Share Capital repurchased by company under minority interest provision				(91)
Conversion to Ordinary Shares		(33,168,970)	–	(33,071)
Balance as at 31 December	–	–	–	–

**NOTE 7. Share capital (continued)****Transactor Shares**

In June 2020 EastPack's share structure was simplified and its two classes of shares, Investor Shares and Co-operative Transactor Shares were brought together into a single class of Ordinary Shares.

As part of the share conversion process transactor shareholders could acquire prior to the conversion date new transactor shares under a "honeymoon period" at \$1 per share payable over three years, with one third due before 19 June 2020 and the final two instalments payable in June 2021 and June 2022. Shareholders can elect to pay outstanding amounts any time prior to the due date. Fully paid shares were issued for the first payment or payments made prior to year end, and Nil paid shares have been issued for the amounts unpaid under the honeymoon period.

Transactor Shares were issued by the Company to growers of kiwifruit or other approved produce. Transactor shares ranked equally, were not freely tradable, and carried 60% of the voting power (Investor shares carried 40% of the voting power of all shares on issue). Transactor shareholders had the right to participate in any annual rebate declared by the directors of the Company and carried the first right of redemption on liquidation of the company at \$1.00 each.

**Investor Shares**

Investor shares were issued under the Companies Act 1993 and were tradable. All Investor shares ranked equally and carried 40% of the voting power of all shares on issue and carried the right to participate in any annual dividends declared by the directors of the Company. All Investor shares issued were fully paid and had no par value.

**NOTE 8. Distribution to owners**

	2021 (\$000'S)	2020 (\$000'S)
Ordinary shares – dividend paid	2,544	2,034
Ordinary shares – share issued under dividend reinvestment programme	14	–

Dividends paid on ordinary shares amounted to 2.5 cents per share fully imputed (2020: 2.0 cents per share).



**NOTE 9. Leases**

Information about the leases for which the Group is a lessee is presented below.

	LAND BUILDINGS AND IMPROVEMENTS (\$000'S)	OTHER PLANT AND EQUIPMENT (\$000'S)	TOTAL (\$000'S)
<b>a) Right of use assets</b>			
<b>2021</b>			
Opening book value 1 January 2021	1,988	3,524	5,512
Additions	302	871	1,173
Depreciation for the period	(740)	(961)	(1,701)
<b>Closing book value 31 December 2021</b>	<b>1,550</b>	<b>3,434</b>	<b>4,984</b>
Cost	4,992	5,878	10,870
Accumulated Depreciation	(3,442)	(2,444)	(5,886)
	1,550	3,434	4,984
<b>2020</b>			
Opening book value 1 January 2020	1,480	2,454	3,934
Movement on Transition	-	-	-
Additions	1,226	1,934	3,160
Depreciation for the period	(718)	(864)	(1,582)
<b>Closing book value 31 December 2020</b>	<b>1,988</b>	<b>3,524</b>	<b>5,512</b>
Cost	4,925	5,858	10,783
Accumulated Depreciation	(2,937)	(2,334)	(5,271)
	1,988	3,524	5,512
<b>b) Lease liabilities</b>			
	MINIMUM LEASE PAYMENTS (\$000'S)	INTEREST (\$000'S)	PRESENT VALUE (\$000'S)
<b>2021</b>			
Within one year	2,034	(135)	1,899
One to five years	2,920	(209)	2,711
Beyond five years	-	-	-
<b>Total</b>	<b>4,954</b>	<b>(344)</b>	<b>4,610</b>
Current			1,899
Non-current			2,711
<b>2020</b>			
Within one year	2,023	(218)	1,805
One to five years	3,901	(260)	3,641
Beyond five years	105	(28)	77
<b>Total</b>	<b>6,029</b>	<b>(506)</b>	<b>5,523</b>
Current			1,805
Non-current			3,718

**NOTE 9. Leases (continued)**

	2021 (\$000'S)	2020 (\$000'S)
<b>c) Lease expenses included in profit or loss</b>		
Interest	299	331

**Accounting Policies**

As lessee, lease liabilities are measured at the present value of future lease payments, discounted at the Group's incremental borrowing rate which ranges between 4.3% and 4.8%.

Right of use assets are initially accounted for at cost, comprising the initial amount of the lease liability. Right of use assets are subsequently depreciated using the straight-line method over the term of the lease. The majority of leases are coolstore leases and forklifts. The company maintains strong relationships with the Lessors of coolstores as these coolstores are important to enable the company to efficiently store kiwifruit prior to sale. Kiwifruit volumes have increased significantly over the past 5 years and are expected to increase further in future years. When considering the lease term, the Group applies judgement in determining whether it is reasonably certain that an extension or termination option will be exercised.

**Transition**

In assessing whether an agreement contains a lease the group considers whether that agreement conveys the right to control the use of the asset for a period of time in exchange for consideration. In assessing whether an agreement conveys the right to control the use of an asset, the group assesses whether:

- the agreement includes the use of an identified asset
- throughout the term of the agreement, the group has the right to receive the economic benefits from the use of the asset
- the group has the right to direct the use of the asset

**NOTE 10. Refunds due to resigned shareholders**

	2021 (\$000'S)	2020 (\$000'S)
Balance as at 1 January	1,065	2,006
Movement during the year	(591)	(941)
<b>Balance as at 31 December</b>	<b>474</b>	<b>1,065</b>
This is represented by:		
Current liability	353	601
Non-current liability	121	464
	474	1,065

Refunds due to Transactor shareholders who have resigned as transactor shareholders from the Company, prior to the share conversion on 19 June 2020. Refunds due to these shareholders are unsecured and repayable by the Company over a three year period after resignation was accepted by the Board.

**NOTE 11. Borrowings**

	2021 (\$000'S)	2020 (\$000'S)
Current portion	13,500	–
Non current portion	100,000	105,000
<b>Total</b>	<b>113,500</b>	<b>105,000</b>

The current portion represents borrowings which have a maturity date of less than twelve months from reporting date. The Group secured new banking facilities in 2020 with a syndicate of 4 banks (ASB Bank, Rabobank, Bank of New Zealand and Bank of China) with a total facility of \$192m (2020: Facility with the Bank Group: \$192m). The facility is in two tranches that mature on 16 October 2023 and 16 October 2025. Bank of New Zealand operates as security agent for the syndicate.

The current interest rates on the secured borrowings range from 3.3% to 3.48% (2020: 2.54% to 2.72%).

Due to the seasonal nature of the Group's business with revenues primarily earned between March and November, and short term borrowings of \$13.5 million, the Groups current liabilities exceed the Group's current assets as at 31 December 2021. Despite this fact the Group does not have any liquidity or working capital concerns as a result of the funding facilities available to the Group and the cashflows expected to be generated by the business once the 2022 season commences.

**Security**

The Bank of New Zealand as Security Agent 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 (Note 24).

**Banking covenants**

The Group is subject to various banking covenants as part of the Group's total facility with the syndicate of banks. The Group monitors these banking covenants on a regular basis. The Group was in compliance with all covenants at balance date.

**Accounting Policies**

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.

**NOTE 12. Trade and other payables**

	2021 (\$000'S)	2020 (\$000'S)
Trade payables	10,315	8,285
Sundry payables	4,729	8,728
GST payable	1,799	–
Related party payables	3,091	2,473
<b>Total</b>	<b>19,934</b>	<b>19,486</b>

**NOTE 13. Employee entitlements**

Employee entitlements include annual leave expected to be settled within 12 months of the reporting date and long service leave. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

	2021 (\$000'S)	2020 (\$000'S)
Balance as at 1 January	1,635	1,056
Net movement in provision	844	579
<b>Balance as at 31 December</b>	<b>2,479</b>	<b>1,635</b>
This is represented by:		
Current liability	2,479	1,635
Non-current liability	–	–
<b>Total</b>	<b>2,479</b>	<b>1,635</b>

**Accounting Policies**

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.

**NOTE 14. Contract liabilities**

	2021 (\$000'S)	2020 (\$000'S)
Income in advance	1,246	633

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 2021. Revenue recognised that was included in the contract liability balance at the beginning of the period equates to the opening balance of contract liabilities. The balance as at 31 December 2021 reflects the performance obligation required to be met in 2022.



**NOTE 15. Property, plant and equipment**

	2021			2020		
	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	208,742	43,488	165,254	183,016	38,572	144,444
Land and improvements	47,356	3,385	43,971	36,167	3,057	33,110
Plant and equipment	184,915	111,767	73,148	159,667	103,387	56,280
Furniture and fittings	7,426	3,069	4,357	6,454	2,241	4,213
Capital work in progress	24,614	–	24,614	19,609	–	19,609
	473,053	161,709	311,344	404,913	147,257	257,656

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

	2021 (\$000'S)	2020 (\$000'S)
Buildings	103,129	100,624
Land and improvements	21,609	21,393

Each class of land and improvements and buildings is revalued to their estimated fair value on a rolling three year cycle or more frequently if 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 2021. Key land and improvements and buildings were revalued to their estimated fair value in accordance with the valuation reports dated 30 November 2021 by independent registered valuer, Paul Higson (ANZIV, MPINZ) and Michael Reay (ANZIV, MPINZ) of the firm Telfer Young (Tauranga) Limited ("valuer").

The valuers consider three different approaches in concert to arrive at a fair value;

- Market approach:** considers sales of other comparable properties.
- Capitalisation of rentals:** assumes a hypothetical lease of the property with a current market rental being established and capitalising this at an appropriate rate of return (7.75% – 8.75%) that would be expected by a prudent investor.
- Discounted cash flow:** a variation of the investment method whereby it takes the current market rental calculated under the investment method and forecasts net cash flows over a ten year period. Cash flows are adjusted for expected growth in market rentals and estimated costs incurred to maintain land and buildings in operational use. This method assumes land and buildings are sold in the terminal year (year 11).

Further details on the sensitivity of the valuation is included in note 25.

Valuations	2021 (\$000'S)	2020 (\$000'S)
<b>Impact of valuation</b>		
Revaluation through profit and loss	–	3,156
Revaluation through asset revaluation reserve	31,849	26,922
	31,849	30,078

**NOTE 15. 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)
<b>2021</b>						
Balance at 1 January 2021	144,444	4,213	56,280	33,110	19,609	257,656
Additions	5,400	1,033	7,246	552	27,622	41,853
Transfers from Capital WIP	–	–	22,617	–	(22,617)	–
Revaluations – Income statement	–	–	–	–	–	–
Revaluations – capital	21,204	–	–	10,645	–	31,849
Disposals	–	(50)	(606)	(7)	–	(663)
Write off of assets	–	–	(46)	–	–	(46)
Depreciation expense	(5,794)	(839)	(12,343)	(329)	–	(19,305)
Carrying amount at 31 December 2021	165,254	4,357	73,148	43,971	24,614	311,344

	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)
<b>2020</b>						
Balance at 1 January 2020	111,331	1,091	50,999	24,146	17,552	205,119
Additions	119	3,497	15,295	1,868	17,956	38,735
Transfers from Capital WIP	15,899	–	–	–	(15,899)	–
Revaluations – Income statement	3,156	–	–	–	–	3,156
Revaluations – capital	19,491	–	–	7,431	–	26,922
Disposals	–	–	(47)	(20)	–	(67)
Write off of assets	–	–	(17)	–	–	(17)
Depreciation expense	(5,552)	(375)	(9,950)	(315)	–	(16,192)
Carrying amount at 31 December 2020	144,444	4,213	56,280	33,110	19,609	257,656

**Accounting Policies**

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.

*continues...*

**NOTE 15. Property, plant and equipment** (continued)

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	4.0 – 10%	Straight Line/Diminishing value
Buildings	1.5 – 48%	Straight line
Plant and equipment	10.0 – 60%	Diminishing value
Furniture and fittings	9.5 – 60%	Diminishing value

**NOTE 16. Investments**

	2021 (\$000'S)	2020 (\$000'S)
Financial instruments held at fair value through other comprehensive income	2,149	7,272
Investments in associates	75	75
	2,224	7,347
<b>a) Financial instruments held at fair value through other comprehensive income</b>		
Shares in unlisted companies	2,149	7,272
<b>Shares</b>		
Opening balance	7,272	6,875
Additions	107	88
Disposals	(5,489)	–
Revaluation	259	309
Closing balance	2,149	7,272
<b>Total Investments in shares</b>	2,149	7,272

Investments in other entities are measured at fair value, based on the closing share price at reporting date where this is available.

**NOTE 16. Investments** (continued)

b) Investments in associates	2021 (\$000'S)	2020 (\$000'S)
The Nutritious Kiwifruit Company Ltd	75	75
	75	75

	2021 PERCENTAGE HELD	2020 PERCENTAGE HELD	BALANCE DATE	INCORPORATED IN
<i>Associate companies</i>				
The Nutritious Kiwifruit Company Ltd	50%	50%	31 March	New Zealand
Tauranga Kiwifruit Logistics Ltd	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 2021 has been incorporated in these financial statements.

	2021 (\$000'S)	2020 (\$000'S)
<i>Interests in associate companies</i>		
Carrying value	75	75
	75	75

**c) Subsidiaries**

	2021 PERCENTAGE HELD	2020 PERCENTAGE HELD	BALANCE DATE	INCORPORATED IN
<i>Subsidiaries:</i>				
Bay of Plenty Fruitpackers Ltd	100%	100%	31 December	New Zealand
BayPack Ltd	100%	100%	31 December	New Zealand
BayPak Growers Ltd	100%	100%	31 December	New Zealand
EastPack Avocado Company Ltd	100%	100%	31 December	New Zealand
EastPack RSE Services Limited (prev. New Zealand Orchard Investments Ltd)	100%	100%	31 March	New Zealand
Pinpoint Laboratory Services Ltd (prev. Bay Hort (1991) Ltd)	100%	100%	31 December	New Zealand
Satara Kiwifruit Supply Ltd	100%	100%	31 March	New Zealand
Satara Ventures Ltd	100%	100%	31 December	New Zealand
Southlink Supply Ltd	100%	100%	31 December	New Zealand
Stroba Ltd	100%	100%	31 December	New Zealand
Stroba Systems Ltd	100%	100%	31 December	New Zealand
Te Matai Kiwi No1 Ltd	100%	100%	31 December	New Zealand
Zest Company BOP Ltd	100%	100%	31 December	New Zealand

EastPack Avocado Company Ltd is an avocado supplier.

EastPack RSE Services Ltd provides services to RSE employees of EastPack Ltd.

Pinpoint Laboratory Services Ltd provides laboratory services to EastPack and other businesses in the horticultural industry.

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

All other subsidiaries are non operating.



**NOTE 16. Investments** (continued)**Accounting Policies****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 at 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.

**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.

**NOTE 17. Trade and other receivables**

	2021 (\$000'S)	2020 (\$000'S)
Trade receivables	10,980	10,197
Expected credit loss allowance	(116)	(54)
Sundry receivables	2,991	1,409
Prepayments	3,217	2,529
<b>Balance at 31 December</b>	<b>17,072</b>	<b>14,081</b>

**Accounting Policies**

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

As stated in Note 24 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.

**NOTE 18. Cash and cash equivalents**

	2021 (\$000'S)	2020 (\$000'S)
Funds in bank	6,364	5,408

**Accounting Policies**

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.

**NOTE 19. Biological assets**

	2021 (\$000'S)	2020 (\$000'S)
Balance at 1 January	4,018	3,654
Costs capitalised	4,096	4,018
Costs released to profit and loss	(4,018)	(3,654)
<b>Balance at 31 December</b>	<b>4,096</b>	<b>4,018</b>

**Accounting Policies**

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. No costs are capitalised for more than one season.

**NOTE 20. Inventories**

	2021 (\$000'S)	2020 (\$000'S)
Packaging stock	2,330	2,878
Pollen stock	67	977
Provision for obsolescence	(538)	(462)
Other materials and chemicals	457	307
	2,316	3,700

Packaging and other inventory is subject to retention of title clauses.

**Accounting Policies**

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.

**NOTE 21. Contingent liabilities**

As at 31 December 2021 the company is not aware of any contingent liabilities (2020: nil).

**NOTE 22. 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 a new grader and grader technology.

	2021 (\$000'S)	2020 (\$000'S)
Estimated capital expenditure contracted for at balance date but not provided for:	34,905	9,809

**NOTE 23. 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.

Key management personnel compensation:

	2021 (\$000'S)	2020 (\$000'S)
Short-term employee benefits (including directors remuneration)	3,405	3,138

**NOTE 23. Transactions with related parties (continued)**

Transactions with entities controlled by key management personnel and directors

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 dividends in accordance with the same rules applied to other ordinary shareholders. The total dividends paid to these entities is as follows:

	2021 (\$000'S)	2020 (\$000'S)
Dividends	443	377

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

	2021 (\$000'S)	2020 (\$000'S)
Consulting and orchard contractor charges	872	793
Operating lease costs	419	386
Kiwifruit bin cartage	5,511	4,146

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 ordinary shares held by Pine Valley Limited.

**b) Other related party transactions**

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 \$211,141,283 (2020: \$166,101,318) for the provision of services to EastPack Entity Trust and paid EastPack Entity Trust \$513,067 (2020: \$169,945) for second hand packaging purchased from the Trust. A balance of \$3,090,971(2020: \$2,473,461) was payable to EastPack Entity Trust as at 31 December 2021.

Subsidiaries and associates

Related parties of the group include subsidiaries and associates disclosed in note 16, and key management personnel (directors and the senior leadership team).

Transactions with external related parties through common directorship, control or significant influence

	2021 (\$000'S)	2020 (\$000'S)
Revenue	5,268	4,522
Expenses	6,802	5,542

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 (2020: \$Nil).

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



**NOTE 24. 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 ordinary 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 ordinary share capital.

Exposures to credit risk at balance date are:

	2021 (\$000'S)	2020 (\$000'S)
Cash and cash equivalents	6,364	5,408
Trade and other receivables	17,072	14,081

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**

	2021		2020	
	GROSS (\$000'S)	IMPAIRMENT (\$000'S)	GROSS (\$000'S)	IMPAIRMENT (\$000'S)
Not yet due	12,434	–	10,400	–
Overdue 0–31 days	912	–	630	–
Overdue 31–91 days	209	–	198	–
Overdue 93–184 days	328	–	215	–
Overdue more than 184 days	88	116	163	54
Total trade and other receivables	13,971	116	11,606	54

**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 \$116,000 (2020 \$54,000).

**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 11 for further details regarding the Group's borrowing facilities.

**NOTE 24. Financial risk management (continued)**

	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)
<b>2021</b>							
Borrowings	113,500	122,856	15,463	1,963	83,925	21,505	–
Lease liabilities	4,610	4,739	1,194	959	1,129	1,457	–
Trade and other payables	19,934	19,934	19,934	–	–	–	–
Refunds due to resigned shareholders	474	474	241	111	122	–	–
	138,518	148,003	36,832	3,033	85,176	22,962	–
<b>2020</b>							
Borrowings	105,000	121,684	2,003	2,010	4,013	87,241	26,417
Lease liabilities	5,523	5,735	923	939	1,511	2,257	105
Trade and other payables	19,486	19,486	19,486	–	–	–	–
Refunds due to resigned shareholders	1,065	1,065	398	202	343	122	–
	131,074	147,970	22,810	3,151	5,867	89,620	26,522

**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) 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.

**(iii) 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 or enters into interest rate swaps. 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.

**Bank borrowings**

An increase/decrease of 1% in interest rates would decrease/increase pre-tax profit and equity of the Group by +/- \$1,135,000 (2020: +/- \$1,050,000/\$315,000) if the interest rate change was apparent for the full year and assuming a full drawdown on the borrowings of \$113.5m. There are no other significant interest bearing financial instruments subject to interest rate risk.

**Interest rate swap contracts**

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

**NOTE 24. Financial risk management (continued)**

The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items. Interest rate swap contract assets and liabilities are included in note 26.

	AMOUNT \$'000	HEDGE RATE	BANK INTEREST RATE	HEDGE EXPIRY
<i>Term Loan</i>				
NZD \$60m	60,000	2.714%	3.307%	30 December 2023

**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. 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 divided by total assets.

The shareholder equity ratio at 31 December is:

	2021 (\$000'S)	2020 (\$000'S)
Total equity	186,659	150,679
Total assets	350,448	297,722
<b>Shareholder equity ratio</b>	<b>53%</b>	<b>51%</b>

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 \$192 million with the company's banking syndicate, of which \$78.5 million remains undrawn as at balance date (2020: \$87 million).

**NOTE 25. Determination of fair values of assets and liabilities****Fair value measurement for financial assets, non-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.

**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.

**NOTE 25. Determination of fair values of assets and liabilities (continued)**

2021	LEVEL 1 (\$000'S)	LEVEL 2 (\$000'S)	LEVEL 3 (\$000'S)
Derivative financial instruments	2,048	–	–
Unlisted equity shares	–	2,149	–
Land and improvements and buildings	–	–	209,225
	2,048	2,149	209,225

2020	LEVEL 1 (\$000'S)	LEVEL 2 (\$000'S)	LEVEL 3 (\$000'S)
Derivative financial instruments	(54)	–	–
Unlisted equity shares	–	7,272	–
Land and improvements and buildings	–	–	177,554
	(54)	7,272	177,554

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 buildings**

The fair value of land and buildings is determined using valuations by an independent valuer as set out in Note 15. 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, with greater weighting applied to the income capitalisation approach and equal weighting applied to the discounted cash flow approach and market approach. The information below relates to the valuations undertaken at 31 December 2021.

**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 & buildings. Having determined the net annual income, a terminal value is established using a terminal capitalisation rate (8.25% – 9.25%). Cash flows are discounted at a market related discount rate (8.25% – 9.25%). The present value of the aggregate of each cash flow establishes market value. This method assumes land and 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 \$3,504,000 and a decrease in the discount rate of 0.25% would increase the fair value by approximately \$3,680,000.
Terminal capitalisation rate	Higher capitalisation rate results in decreased fair value. Lower capitalisation rate results in a increased fair value. Specifically, an increase in the capitalisation rate of 0.25% would decrease the fair value by approximately \$3,182,000 and a decrease in the capitalisation rate of 0.25% would increase the fair value by approximately \$3,150,000.



**NOTE 25. Determination of fair values of assets and liabilities (continued)***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 (7.75% – 8.75%) that would be expected by a prudent investor.

<b>Key unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
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 a increased fair value. Specifically, an increase in the capitalisation rate of 0.25% would decrease the fair value by approximately \$6,336,000 and a decrease in the capitalisation rate of 0.25% would increase the fair value by approximately \$6,732,000.

*Market comparison*

Considers recent sales of other comparable type properties.

<b>Key unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
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.

**NOTE 26. Derivative financial instruments**

	<b>2021 (\$000'S)</b>	<b>2020 (\$000'S)</b>
Held for trading derivatives that are not designated in hedge accounting relationships:		
Interest rate swap liability	–	54
Interest rate swap asset	2,048	–

The fair values of the interest rate swaps are determined at balance date.

**Accounting Policies**

Derivatives are initially recognised at fair value at the date a derivative is entered into and subsequently re-measured to their fair value at each balance date. The resulting gain or loss is recognised as a financing cost in profit or loss immediately unless the derivative is identified as a hedge instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are classified as current or non-current based on the effective date.

The Board uses judgement in selecting an appropriate valuation technique for financial instruments. For derivative financial instruments, assumptions are based on quoted market rates and reliance placed on quotes provided by Bank of New Zealand.

**NOTE 27. Significant events after balance date****Coronavirus Outbreak**

The community outbreak of the Omicron variant of coronavirus (Covid-19) was confirmed in New Zealand in January 2022.

At the time of signing of these financial statements, the New Zealand Government has invoked Phase 2 conditions in New Zealand resulting in restrictions on movements of people and products which will likely continue for some time. EastPack has registered as a critical business and can continue to operate under strict protocols. It is not guaranteed that the designation of critical business will be in place for EastPack for the period that New Zealand is under the Covid-19 restrictions. Whilst the company is operating as a critical business, the company can maintain its financial viability but additional costs will be incurred to manage within the required protocols and profitability may be impacted.

EastPack considers this outbreak to be a non-adjusting post balance sheet event. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the financial statements for the year ended 31 December 2022.

# Independent Auditor's Report

To the shareholders of EastPack Limited

## Report on the audit of the consolidated financial statements

### Opinion

In our opinion, the accompanying consolidated financial statements of EastPack Limited (the 'Company') and its subsidiaries (the 'Group') on pages 26 to 57:

- i. present fairly in all material respects the Group's financial position as at 31 December 2021 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement, statement of other comprehensive income, statement of changes in equity and cash flows 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 Group 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 consolidated financial statements section of our report.

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

### Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$1.6 million.

### 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 in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

#### The key audit matter

#### How the matter was addressed in our audit

#### Valuation of Land, Land Improvements & Buildings

As disclosed in note 15, the Group has property, plant, and equipment of \$311 million including \$209 million of land, land improvements and buildings which are measured at fair value.

The Group has a policy of recording these assets at fair value with periodic valuations performed by an external independent valuer. An external valuer was engaged to perform a valuation as at 31 December 2021 with a resulting gain of \$32 million.

The valuation of these assets is considered a key audit matter due to the judgment required in determining fair values and the sensitivity of the fair value to key inputs.

Our audit procedures included:

- Assessing the external valuer's competence, objectivity and independence.
- Examining the valuation report, critically assessing the methodologies, inputs and assumptions with assistance from KPMG valuation specialists.
- Inspecting management's reconciliation of the valuation report to fixed asset registers.
- Assessing financial statement disclosures to determine whether they comply with the applicable accounting standards and appropriately illustrate key inputs, assumptions and sensitivities.

We have no matters to report as a result of our procedures.

### Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes information on the directors, senior leadership and the entities performance for the year including; Company Highlights, the Chair and CEO's Report, Statement of Corporate Governance, and Statutory Information. Our opinion on the consolidated 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 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 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.

### Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

## Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and 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 consolidated financial statements

Our objective is:

- 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 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 consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated 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-1/>

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Crawford.

KPMG  
Auckland

24 February 2022

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**EastPack**  
Growers at heart