Fortitude.
Endurance.
Direction.
Heart.

Annual Report 2022

EastPack
Growers at heart

Contents

2022 Highlights

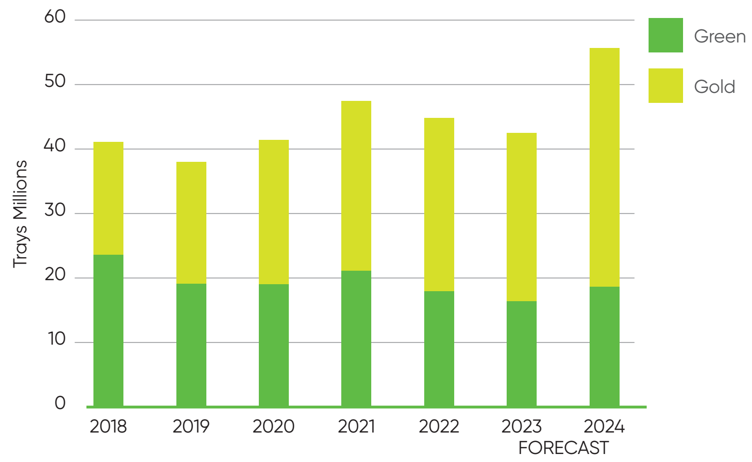
With agility and forward thinking, we are committed to building on a prosperous future for EastPack and our growers, so we can keep on growing and getting our kiwifruit to market through turbulent times and beyond.

Class 1 Trays Packed

44.8m

Trays Packed in 2022

Down 6% on 2021. Gold volumes forecast to grow 61% in the next five years.



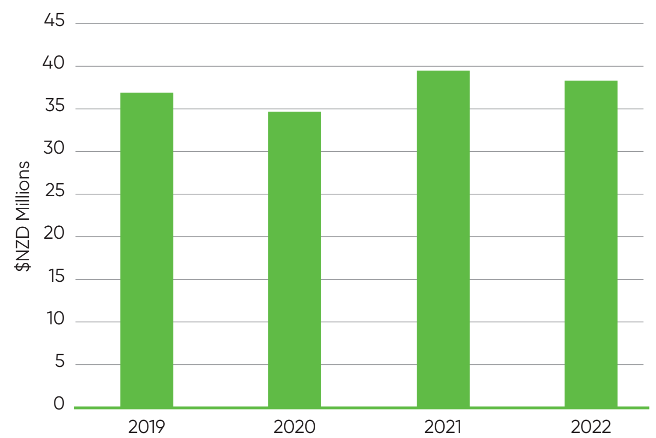
EBITDA

$38.3m

EBITDA in 2022

In line with 2021 (Normalised) – up 0.8% 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 2019 this excludes rebates for comparability.

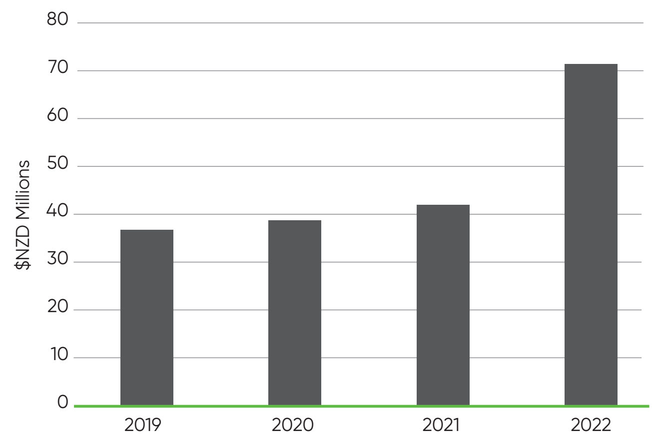


Capital Expenditure – Investment in Property, Plant and Equipment

$71.4m

Invested in Capital Expenditure in 2022.

$216.7m spent in the last five years and $230m is forecast to be spent in the next five years.



Driving performance in challenging times.

Hamish Simson left
Chief Executive

John Loughlin right
Chairman

EastPack is pleased to share with you our financial results and commentary for the financial year ended 31 December 2022.

With reduced volumes packed, EastPack reported a solid revenue of $234.2m and a Net profit before tax for the year of $9.0m, down $7.2m on 2021. Industry volumes overall were down and EastPack maintained its share of crop at 26.1% (2021 26.1%). EastPack's business is driven by volumes packed and our profitability was impacted by higher costs in a number of areas. Labour availability was the key challenge in 2022, both in sufficient people being able to be recruited but also having the Covid Omicron wave impacting available staff numbers through the early part of the harvest window.

Volumes of kiwifruit packed decreased to 44.8m trays, a 6% decrease on 2021 as mother nature delivered slightly lower yields and growers kept overall crop loads lower under the challenge of labour availability. The 2022 volume was well down on prior estimates where we had forecast volumes to be closer to 50 million trays. With the need to plan ahead, we had built the infrastructure to support that higher volume which impacts on our interest costs and depreciation expense. The infrastructure built, however puts us in a good position for the growth ahead.

The industry was challenged by labour shortages on orchard, in harvesting, and in post-harvest. The year was also characterised by fruit being softer than average and with lower available staff numbers, harvest quality was impacted. The EastPack team put in place a number of strategies to manage through these challenges and with excellent recruitment programmes we managed to have all shifts manned at the start of the season and were able to pack our growers' fruit when it needed to be harvested.

The Omicron outbreak affected more than our industry and we saw a number of supply chain challenges in both our consumables and in getting plant and equipment into New Zealand. Our packaging supplies became particularly tight, at times constraining our ability to pack fruit and we had instances where we had to cut shifts as we had insufficient packaging to pack – frustrating when we had the labour available. However, we were able to move quickly and source other suppliers to limit the impact.

In 2022 the New Zealand kiwifruit industry as a whole delivered poor quality fruit to the market which has impacted our product offering to customers in offshore markets and significantly impacted returns for growers. Our fruit performance results were outstanding with our Gold fruit loss at 3.99% versus rest of industry at 6.34% fruit loss. EastPack's Green fruit loss was at 3.57% versus rest of industry at 5.55%. We were required to repack more fruit than in previous years and manage our growers' fruit carefully. However, we had the capacity to do this, and we also assisted some other post-harvest companies to repack their fruit when they did not have that capacity.

With expected labour shortages, minimum pay rates were increased in line with the living wage increase and attendance bonuses were implemented to encourage workers to complete their rosters. 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 Controlled Atmosphere (CA) fruit.

EastPack Key Financial Statistics

	2022	2021	2020
Volumes	44.8m TE	47.4m TE	41.4m TE
Revenues	$234.2m	$233.5m	$189.3m
EBITDA	$38.3m	$39.5m	$34.7m
EBITDA (normalised – excl unusual one-off items)	$38.3m	$40.3m	$34.7m
EBITDA as a % of revenue	16.4%	16.9%	18.3%
Depreciation	$22.8m	$21.0m	$17.8m
Interest	$7.0m	$4.3m	$3.9m
Fair Value Adjustment on Revaluation of Property	$0.0m	$0.0m	$3.2m
Dividends paid	$4.2m	$2.5m	$2.0m
Net profit after taxation (NPAT)	$6.6m	$12.3m	$12.9m
NPAT (normalised – excl Fair Value Adjustment/Tax depreciation change)	$6.6m	$12.3m	$9.3m

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.

We were thrilled to be voted Co-operative Company of the Year at the Co-operative Business New Zealand annual awards. This is an award that recognises businesses that have demonstrated outstanding performance as part of a Co-op business and is judged by an independent panel.

We were also recognised at the 2022 Tauranga Business Awards winning awards for Workplace Safety, Technology Innovation and Continuous Improvement. We were also highly commended in Service Excellence.

These awards are recognition of the great performance that the team put in this season in a particularly challenging time.

We have continued to invest in capacity to meet the growing volumes of fruit, and in 2022, we had construction of new combined Controlled Atmosphere/Conventional coolstores at Edgecumbe and Katikati underway which will be complete in time for the 2023 season. We completed upgrades to our CA stores at Collins Lane, Ōpōtiki and Katikati which now has the business having all our CA stores to be Gold CA capable. We are also well advanced on installing a new highly automated grader at our Quarry Road site which is on track to be commissioned in time for the 2023 season. This infrastructure provides EastPack with the resilience to meet the packing needs of the growing Gold crop over the next two to three years.

Prospa – Orchard Management Services

Prospa, our orchard management division, has continued to grow and we have seen total hectares managed or leased increase to over 1,300 hectares. A number of our Prospa managed orchards were the top performing orchard in their region across all EastPack orchards. 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 continue to attract and build our orchard management expertise through a focused training program and upskilling of young orchard managers.

Pinpoint Laboratory Services

Pinpoint, our laboratory operations business had a successful second season completing maturity testing for Zespri. The business has expanded to complete further testing for EastPack and is trialling new technologies to expand the laboratory services Pinpoint can provide around fruit and other products in the future.

Financial Result

EastPack is a volume business and with lower volumes, higher labour costs and lower efficiency, as well as additional costs of operating in the Covid-19 environment, profitability has reduced compared to 2021.

With the significant cost increases across the industry, we have needed to lift our charges to growers over the year and have introduced new charges to ensure the company has the profitability resilience to manage poor quality fruit. Whilst this ensured our revenues remained robust, we saw cost increases across the board with labour cost increases due to availability and supply chain costs. To ensure we had sufficient manning we utilised harvest contractor labour when they were not able to be harvesting fruit. This increased our labour cost but with the short nature of their time in the packhouses along with the balance of our labour force being new to the industry we saw our labour efficiency at a level below previous seasons adding to the overall cost of labour.

Overall, our EBITDA at $38.3m or $0.86 per tray packed, compares well to 2021 (Normalised) at $40.3m or $0.85 per tray.

With the increase in capital investment over the past three years, depreciation at $22.8m was up $1.8m or 9% on 2021. With our lower profitability and high level of capital works undertaken in 2022, we have seen our debt levels rise. With interest rates increasing, our interest cost has increased to $7.0m up $2.7m or 62% on 2021.

The company has not completed a revaluation of our land and buildings in 2022. The last valuations were completed in 2021 and the Board determined that whilst some parts of the property market have seen some downward movement, kiwifruit industry assets are continuing to be built at higher replacement costs and the assumptions used in the 2021 valuations remained robust.

Overall, the company recorded a Net Profit after tax of $6.6m, down from $12.3m reported in 2021, as a combination of the lower volumes and impacts outlined above.

Dividend

In August 2022, 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 with the continuing capital expenditure, there was a possibility that we might not meet bank covenants at 31 December 2022. The dividend decision was made at a time of significant uncertainty regarding the onshore and offshore impacts of covid-19 and reflected a need to act prudently.

In early October 2022, a significant frost event hit large parts of the country impacting a large number of kiwifruit orchards. We have also seen an overall lower fruit set for the 2023 season and yields are expected to be well down on average. The industry has a very challenging year ahead to return to delivering a high-quality product to our customers and deal with low crop volumes whilst under continuing cost pressure. We will be cutting back significantly on our capital development in 2023 and will need to take a prudent approach to paying dividends. 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 2022 are at a level that the company could pay a small dividend. However, there is significant risk and uncertainty around the 2023 season and therefore the Board have determined that given the uncertainty the decision to declare a final dividend will be deferred until May 2023 at which time the outcome of the 2023 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 seen significant investment in our infrastructure in 2022 with the view that we would be looking to pack circa 50 million trays of fruit in 2023. This has been partially a result of the much later than anticipated completion of the Edgecumbe and Katikati coolstores and the forward investment required in the new Grader 3 at Quarry Road. The Edgecumbe and Katikati coolstores were due for completion in April 2022, but primarily due to supply chain constraints getting refrigeration plant into New Zealand but also Covid lockdowns and labour availability through the Omicron outbreak these stores are only being completed in time for the 2023 season. With a large part of a new grader being sourced from overseas we were required to place orders for the new Grader 3 at Quarry Road in December 2021, in order to ensure that we would have that grader available for the 2023 season – that is 8 to 9 months ahead of when we would have historically placed an order for similar equipment.

The new Edgecumbe and Katikati stores are combined Controlled Atmosphere/Conventional stores which will provide significant flexibility to the storage capability of both these sites. These stores are semi-automated, built with fire resistant panels and using very energy efficient ammonia glycol plant.

The new Grader 3 at our Quarry Road site is a significant lift in automation and efficiency of our grading capacity and will be able to process similar volumes of fruit as our large Washer Road Bravo grader which is the largest kiwifruit grader in the Southern hemisphere. The new grader will operate on significantly lower staff numbers and will get high utilisation given our Quarry Road site has the largest number of Controlled Atmosphere stores.

We are expecting that orchard yields will return to a more normal level in 2024 which means that we will likely be packing in excess of 50 million trays of fruit. We have built the packing and Controlled Atmosphere infrastructure to support that volume of fruit, so with expected lower profitability in 2023 on lower fruit volumes, our capital development will be significantly reduced. Lead times for construction mean that we are likely to have to make commitments in 2023 for infrastructure needed for the 2025 season.

Shareholding and Capital

Following consultation with Growers through 2022, the company changed its shareholding requirement to needing 1 share for every tray of Class 1 fruit packed at EastPack. This is a change from the previous requirement where a minimum 10% of class 1 trays needed to be held in shares by growers. This change in requirement comes into effect from the start of the 2023 harvest season. Shareholders have been provided with three options to purchase shares, with upfront payment, payment over three instalments, or payment over time through deduction from fruit payments. The first share issue under the new methodology occurred in February 2023.

The capital raise from growers is expected to take some time. The company cannot fund the significant investment required to meet future capability from the capital raised and bank borrowings. Therefore in September 2022, the company launched an unsecured Note Issue to retail investors in New Zealand to raise additional funding. The Note Issue offer was subscribed at $28.81m on 12 December 2022 and issued on 16 December 2022. The note issue has a term of five years and matures on 16 December 2027 with a fixed 8.90% interest rate for the year to 16 December 2023. The interest rate is set annually at the 5 Year Government bond rate plus a margin of 4.5%. A minimum interest rate of 8.5% applies over the term of the Notes.

In order to facilitate the Note Issue, the company also re-negotiated its Banking arrangements and secured revised banking facilities in 2022 with a syndicate of three banks (ASB Bank, Rabobank, and Bank of New Zealand) with a total facility of $205m. The facility is in two tranches that mature on 16 October 2025 and 4 November 2025.

Whilst the revised shareholding requirements and Note Issue assist the company with funding future growth, the company must continue to manage its debt prudently with lower levels of profitability anticipated in 2023 on the reduction in expected crop. Infrastructure investment for the 2024 season will be constrained and only key capacity projects will be completed.

Senior Leadership Team

Pictured left to right: Richard Fraser-Mackenzie (GM Order & Supply), Aaron Wright (GM Prospa), Kura Poulava (GM Human Resources), Patrick Kuiper (Chief Technology Officer), Hamish Simson (Chief Executive), Phil Karl (GM Operations), Merv Dallas (Chief Financial Officer), Toby Potter (GM Grower Services)

Our People – Our key asset

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

Our Human Resources team did an outstanding job in 2022 of recruiting sufficient staff to pack our growers' fruit. We recruited far and wide and had buses bringing in people from all over the Bay of Plenty including from Rotorua, Murapara, Whakatāne and Kawerau. We also created flexible shifts and created shifts specifically for students. We had significant numbers of staff new to the industry. The nature of our work involves a lot of manual handling, so we saw a high level of attrition of people who could not meet the physical demands. Whilst payrates were increased along with attendance bonuses, prize draws and free food we still saw a high level of absenteeism which meant we needed to continually recruit through the year.

With support from the government, we were able to recruit almost 600 RSE workers for the 2022 season without the need for them to go through managed isolation which allowed those workers who had worked through 2020 and 2021 to head home. The RSE workers are a key part of our staffing levels, and the Government has allowed an increase in numbers which will see us employ around 700 RSE workers for the 2023 season. We take the care and management of our RSE workers very seriously and have built up our pastoral care team to support them whilst also ensuring our accommodation is of a high standard. Whilst we primarily contract accommodation providers for our RSE workers, we will be building our own RSE accommodation over the next few years to supplement our existing accommodation.

In 2022 we introduced 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 hāngi to celebrate Matariki. Diversity is celebrated with Cultural Days for staff to show off their local culture.

It was very pleasing to see our staff engagement scores for both our seasonal and permanent staff improve in 2022.

Our team worked extremely hard in 2022, packing a poor quality 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 achieve a great result for our growers.

Health and Safety

Health and Safety has been a fundamental element of EastPack's culture for a number of years. The Board have a Health and Safety

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.

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 2022 Board members attended 8 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.

In 2022, with large numbers of staff new to the industry, we implemented a number of new initiatives to keep our staff safe but also fit and healthy. We employed an Occupational Therapist and Physiotherapist who were on our sites throughout the packing season to ensure our staff were working correctly and when there were strains or injuries, dealing with these quickly. Our 2022 season Health and Safety metrics have been outstanding. Our 2022 TRIFR (Total Recorded Injury Frequency Rate) result is our best to date with the final EastPack total of 10.16, Prospa 3.14 and Pinpoint at 2.47. This compares to a TRIFR Score in 2021 of 22.2 so a significant improvement.

Health and Safety is not just about safety on site but on health and wellbeing. In 2022 a number of initiatives were put in place around health and wellbeing with Covid testing and information being provided. We also had a mental health expert on site and available to staff through the year and it was great to see our staff use this resource. 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.

We were very pleased to see our work in Heath and Safety recognised in the 2022 Tauranga Business Awards when we won the Workplace Safety Award. This award is given to a business that demonstrates excellence in Health and Safety practices, has successfully integrated these into its operation and has a positive safety culture existing at all levels within the business.

Board

A strong Board remained in place in 2022 with six Grower Directors and two Appointed Directors. The Board consisted of John Loughlin (Chairman), Dylan Barrett, Mark Giles, David Jensen, Murray McBride, Michael Montgomery, Ngaire Scott and Braden Hungerford. At the 2022 Annual Meeting, Braden Hungerford was elected by shareholders on to the Board, replacing Donna Smit. The Board would like to thank Donna for her contribution to the Board over the past three years.

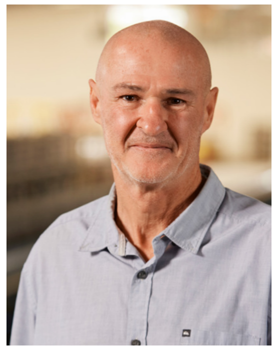
In January 2023, Michael Montgomery sadly passed away. Michael had been on the EastPack Board since 2000 so had served 22 years on the Board. Over that time he made a huge contribution to EastPack, EET and the kiwifruit industry. His experience, passion for outcomes for growers, and input as a Director will be missed. Our condolences go to his family.

Board of Directors










Pictured left to right from top left:
John Loughlin (Chairman)
Ngaire Scott
Dylan Barrett
Mark Giles
Braden Hungerford
David Jensen
Murray McBride
Mark Yeoman

Michael Montgomery
EastPack Board 2000–2023

Following consideration of the composition of the Board and the skills required to take the company forward whilst also considering succession plans for current members of the Board, in 2022 the Board sought a third Independent Director with strong commercial and financial skills. This is part of managing the succession of the independent directors that will occur over the next few years. Following a formal search process, the Board have appointed Mark Yeoman as an Independent Director from 9 January 2023. Mark comes with significant corporate experience having held senior executive roles most recently at the Warehouse Group and prior to that at New Zealand Post (including acting as a Director of Kiwibank) and Airways Corporation. We welcome Mark to the EastPack Board.

The Board Observer role has continued in 2022. Nick Woolsey was appointed into the Board Observer role for the year to June 2022 and Elly Sharp has been in the role from 1 July 2022 and concludes on 30 June 2023. Rikki James steps into the role of Board Observer from 1 July 2023 to 30 June 2024.

Our Growers

2022 was a challenging year for our growers with labour shortages, increasing costs and compliance requirements. We strive to remain close to our growers and were pleased that our growers were able to generally get their crops harvested when needed and we were able to deliver a strong fruit performance for our growers.

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 2022 and will remain so in 2023 and beyond.

2023

The 2023 season is shaping up to be another lower crop volume year following the significant frost event in 2022 and generally lower yields across most orchards. The frost event was significant for a lot of growers with some losing their entire crops.

EastPack is a volume business and with the business geared up to pack in the order of 50 million trays, a much reduced volume impacts profit and therefore the ability to continue to invest in infrastructure. A lower crop volume brings positives in not needing as many people in our business and we are already seeing increasing numbers of backpackers coming into the country and looking for work in the kiwifruit industry. The business however needs to maintain its capability to be well prepared for 2024 when a crop of over 50 million trays is expected.

Our management team are ready to navigate the challenges that may present and will be looking to manage the business as efficiently as possible to maximise profits.

Acknowledgements

2022 was a year of significant challenges with labour shortages and the Omicron Covid outbreak having significant impacts on the industry. 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 along with significant staff sickness/absenteeism 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 our investment in infrastructure, systems, and training, we are well placed to deliver the service and quality outcomes that our grower shareholders require in 2023.

We are excited about the challenges 2023 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

Protecting and supporting our Growers.

The EET Forum is made up of representatives of EastPack growers who act as Advisors to the Trustee of EastPack Entity Trust.

The EastPack Entity Trust (EET) is a separate legal entity that maintains Grower funds separate from EastPack.

Paul Edkins
Chairman

As a separate legal entity, the EastPack Entity Trust (EET) protects Grower funds from any adverse outcome that affects 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 and coolstorage 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 advisors to the trustees are tasked with:

- Receiving information from Zespri, EastPack and other relevant sources in respect to the entire kiwifruit supply chain to increase EastPack growers' profitability and overall wealth.
- Providing feedback to the co-operative, Zespri and other relevant sources and assisting in the dissemination of information back to growers.
- Ensuring that growers' funds are protected and that growers are treated equitably in getting their fruit to market and in the returns they receive for their fruit.

The EET Forum is made up of representatives of EastPack growers who act as Advisors to the Trustee of EastPack Entity Trust. They provide guidance to EastPack on matters pertaining to growers and therefore are an important part of the linkage between EastPack and its growers.

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, Rikki James, Robert Humphries, Sandra Clink, Seth Pardoe, Simon Pieters and Tim Torr, along with Steve Trebilco in the Waikato, Wayne Hall in Hawke's Bay/Poverty Bay and Aaron Mallett in Northland. Dylan Barrett and Michael Montgomery were EastPack Board representatives on the EET Forum in 2022. Braden Hungerford has replaced Mike Montgomery in 2023.

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 2022 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:

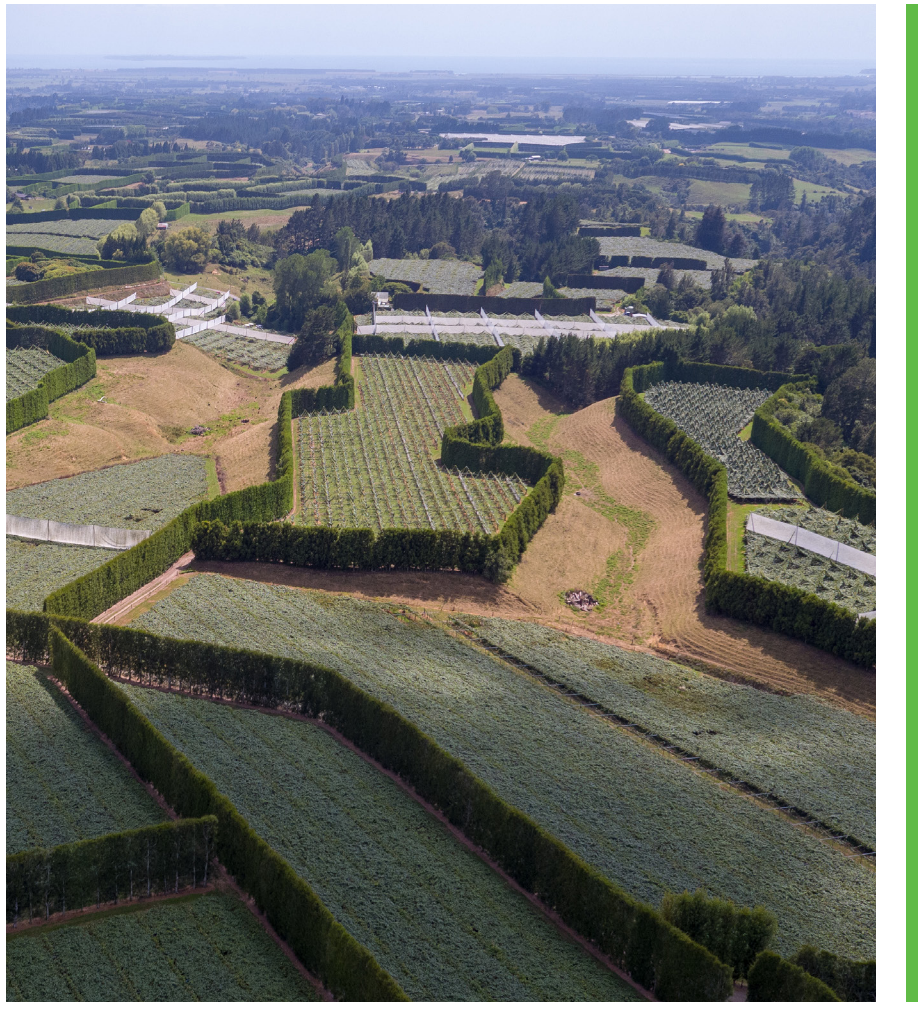
- Receiving and reviewing operational reports from EastPack on business and fruit performance.
- Receiving EET financial reports.
- Receiving updates from NZKGI, ISG and IAC.
- Receiving presentations from Zespri on relevant matters and market updates.
- Matters of relevance to EastPack growers including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

In 2022, the Forum considered a number of matters including:

- Considering incentives proposed by EastPack to encourage late kiwistart volumes for Green using the Shoulder pricing mechanism.
- Receiving presentations from Zespri on their Producer Votes and providing feedback.
- Reviewing and continuing to apply pressure on Zespri regarding their approach to supplier quality delivery.
- Reviewing the soft sort charge introduced by EastPack for the 2022 season and the impact on growers.
- Received a presentation from Zespri on the Taste Review, discussed the implications and impact in detail and provided feedback.
- Advising EastPack on industry consultation matters in particular, changes to the Taste programme.
- Review of other EET Pool rules ensuring they remain fit for purpose. This included:
  - Considering various pooling scenarios – financial impact of high fruit loss/low fruit loss and Accountability
  - Reviewing CA fruit performance versus conventional.
- Reviewing end of season pooling adjustments.

The Forum through the year discussed at length the industry quality issues in 2022 and the forum strongly supported the introduction of new rules and processes to support the imperative that the market is protected from poor quality fruit. Going into the 2023 season the Forum will continue to monitor the industry performance on quality delivery.

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.



Taking action now to ensure our future.

EastPack has continued its sustainability journey in 2022 with the first stage being measuring the company's carbon footprint for the 2021 year and having this audited.

The company engaged Toitū Envirocare to assist with the process and audit the results.

The total verified emissions for the 2021 calendar year was 20,804 tCO_2e which are summarised in Figure 1, on page 11, as Direct vs. Indirect Emissions.

Our top 10 Greenhouse Gas emissions are illustrated in Figure 2, on page 11.

Clearly, we have two key emissions being packaging and electricity. The challenge with both these emissions is that our usage is driven to a large extent by the volume of fruit we pack. Following the lead of other businesses, we will be looking to set our measurement targets and results in future based on a production metric of kiwifruit trays packed.

On the packaging side, we need to rely on the work completed by Zespri in this regard and as per the Zespri 2022 annual report, Zespri have the following targets:

- Their packaging will be 100% recyclable, reusable or compostable by 2025
- Any plastic packaging they use will be made from at least 30% recycled plastic by 2025
- They will reduce their packaging carbon footprint by 25% per kg of fruit by 2030

Zespri is developing a climate change adaption plan to cover the full kiwifruit industry. The plan will summarise the impacts of climate change and key actions that can be taken to address these and propose a work programme out to the end of 2025.

Electricity usage has been an ongoing driver for the company with a number of initiatives to reduce consumption on a volume-basis. We are considering a proposal on a solar power option on the extensive packhouse roofing that we have which could reduce our electricity taken from the grid. Other initiatives continue around having tools to manage fan speeds and cooling in coolstores to optimise electricity consumption.

Refrigerants collectively are our third largest source of emissions. As new coolstores are built and older stores upgraded, this will reduce slowly, and plans are in place to reduce emissions in this area as quickly as possible.

Road freight will be an ongoing challenge to reduce and we will be reliant on new technologies for energy efficient trucks (Electric/hydrogen) in the future.

Looking forward, sustainability is not just about carbon and we need to consider ESG (Environment, Social, Governance) as a whole.

Environmental criteria examine how a business performs as a steward of our natural environment, focusing on:

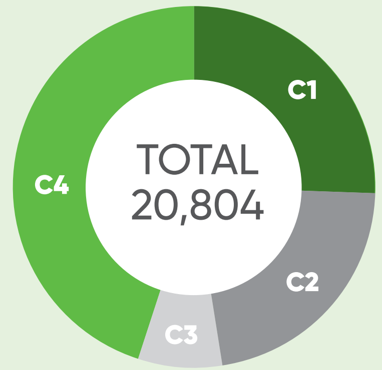
- waste and pollution
- resource depletion
- greenhouse gas emission
- deforestation
- climate change

The work completed by EastPack on our carbon footprint is part of this but we are now measuring our waste and recycling, water usage and management of stormwater.

Social criteria look at how the company treats people, and concentrates on:

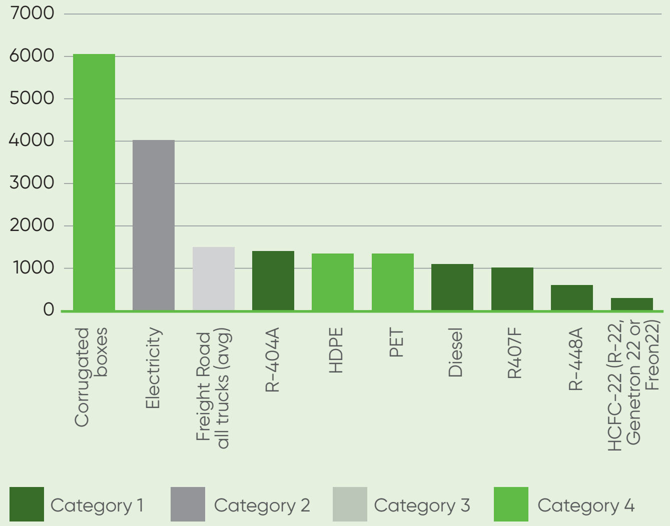
- employee relations and diversity
- working conditions, including child labour and slavery
- local communities: seeks explicitly to fund projects or institutions that will serve poor and underserved communities globally
- health and safety
- conflict

Figure 1: tCO_2e by Category (1 Jan to 31 Dec 2021)



Indirect emissions from products used by organisation	9,599
Direct emissions and removals	5,515
Indirect emissions from imported energy	4,073
Indirect emissions from transportation	1,618

Figure 2: Top 10 GHG emissions tCO_2e by source



Our staff are key to the success of our business, and we work hard to be an employer of choice. We survey our staff on a number of factors and we have seen an increase in employee engagement and satisfaction. Hours worked are closely monitored and the company operates a number of employee welfare initiatives. The Health and Safety of our staff and contractors who work on the company's premises is large part of the company culture, and we continue to invest in this area. In 2022 we introduced an on-site Occupational Therapist and Physiotherapist and as noted previously in 2022 we recorded the lowest injury rate since we started measuring this.

EastPack sponsors a number of community organisations, including the Katikati Innovative Horticulture Trust, the Eastern Bay Community Foundation, The Ōpōtiki St John, the Edgecumbe Fire Station and the Maketu Coast Guard. We employ a large number of people in the Bay of Plenty and supports and utilises a wide range of local businesses. The RSE scheme is an effective source of support to the island communities where these workers come from.

Electricity usage has been an on-going driver for the company with a number of initiatives to reduce consumption on a volume-basis.

Governance criteria examines how a corporation polices itself – how the company is governed, and focuses on:

- tax strategy
- executive remuneration
- donations and political lobbying
- corruption and bribery
- board diversity and structure

The company has strong governance in place and diversity in its business. The company has a broad range of policies in place with particular emphasis on ethical business practices and takes a conservative approach to tax management and makes no political donations.

In 2023, we will measure the company's carbon emissions for the 2022 year and will continue to develop and improve our sustainability platforms.

Acting and leading with integrity.

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

EastPack Limited is regulated by the provisions of the Companies Act 1993, the Co-operative 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 five shareholder 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 2022 are disclosed in Note 21 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.
- Reviews 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 advise on the risk management practices of EastPack.
- Approves the internal audit programme, receive reports and address recommendations considered appropriate.

This committee is chaired by Ngaire Scott.

Health and Safety Committee

The role of the Health and Safety Committee is to assist the Board in discharging its responsibilities relative to Health and 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 up to three Grower shareholders appointed at the shareholders' Annual Meeting. The Committee reviews and recommends the level of Directors' remuneration to be approved by shareholders at the Annual Meeting. The current members of this committee are Peter McBride and Ray Sharp, with John Loughlin representing the Board. Ken Edkins stood down from the Committee in January 2023.

The Board also currently operates a Leadership Working Committee.

The Board also operated Due Diligence Committees to oversee the EastPack Note Issue and development of the updated Product Disclosure Statement for Ordinary Shares.

Attendance at Meetings

The Board currently meets formally ten times each year, with additional meetings held as required. The meeting format follows guidelines that ensure all Directors have available the necessary information to participate in an informed discussion on all agenda items. Separate strategic planning meetings are held annually in conjunction with the senior management team.

Directors' Remuneration

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

Employee Remuneration

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

Entries in the Interests Register

In addition to the interests and related party transactions disclosures in Note 21 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, B.G. Hungerford, D.P. Jensen, M.R. McBride, and M.J. Montgomery owned 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 Trustee of a trust that leases coolstores to EastPack Ltd on normal commercial terms.

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
Barrett, D J	1,840	–	17,400	125,951	–
Giles M T	–	–	–	32,088	–
Hungerford B G	20,000	–	–	1,476,187	–
Jensen D P	100,000	–	40,000	420,738	–
Loughlin J J	–	–	–	–	–
McBride M	–	–	–	5,080,682	–
Montgomery M J	–	1,691,001	–	2,799,112	–
Scott, N J	–	–	–	7,338,366	–

Remuneration and Other Benefits

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

	REMUNERATION	
	2022	2021
Barrett, D J	55,125	56,458
Giles M T	58,937	54,375
Hungerford B G	30,417	–
Jensen D P	52,500	56,458
Loughlin J J	133,250	122,708
McBride M	52,500	56,458
Montgomery M J	52,500	51,458
Scott, NJ	57,750	51,458
Smit D M	21,875	61,458

D M Smit retired as director in May 2022.

B G Hungerford was appointed as a director in May 2022.

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	21
$110,000 – $119,999	8
$120,000 – $129,999	10
$130,000 – $139,999	6
$140,000 – $149,999	6
$150,000 – $159,999	4
$160,000 – $169,999	3
$170,000 – $179,999	2
$190,000 – $199,999	1
$200,000 – $209,999	1
$220,000 – $229,999	1
$250,000 – $259,999	2
$280,000 – $289,999	1
$300,000 – $309,999	1
$320,000 – $329,999	1
$330,000 – $339,999	1
$340,000 – $349,999	1
$980,000 – $989,999	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:

(a) The Company continues to carry on, as its principal activity, a co-operative activity as set out in Section 3 of the Co-operative Companies Act 1996;

(b) The constitution of the Company states its principal activities as being co-operative activities; and

(c) Not less than 60% of the voting rights of the Company are held by transacting shareholders as defined in section 4 of the Co-operative Companies Act 1996.

For and on behalf of the Board:

John Loughlin
Chairman
8 March 2023

Top 20 Shareholders 2022.

SHAREHOLDER	ORDINARY SHARES HELD
Trinity Lands Limited	7,338,366
Frontier Orchards Limited Partnership	4,546,817
Pine Valley Orchard Limited	2,799,112
Wotton Trust	2,690,977
Cape Fruit Company Limited	2,463,835
Carol Franklin	1,685,462
Ron Flowers & John Flowers	1,674,456
Blennerhassett & Son Limited	1,624,905
Reekie KJ Family Trust	1,588,035
Bayview Estate (2017) Limited	1,577,482
Tirohanga Fruit Company Limited	1,500,781
Simise Trust	1,394,590
Steele Family Trust	1,321,909
Eric William Casey & Neil Richard Casey	1,319,569
Tina West	1,242,512
Wedge Co Limited	1,149,863
Tanad Farms Limited	1,116,658
Cameron Orchards Limited	1,030,386
Kopuatawhiti Trust	991,435
Otara Land Company Limited	966,313

Financial Statements.

For the year ended 31 December 2022.

Consolidated Income Statement

For the year ended 31 December 2022

	NOTES	2022 ($000'S)	2021 ($000'S)
Revenue	1	234,158	233,468
Packaging materials		(41,427)	(43,891)
Employee benefits expense		(106,067)	(98,434)
Directors compensation		(515)	(511)
Other expenses	2	(47,819)	(51,132)
		(195,828)	(193,968)
Earnings before net finance costs, tax, depreciation and fair value adjustments		**38,330**	**39,500**
Depreciation	9, 15	(22,785)	(21,006)
Earnings before net finance costs, tax and fair value adjustments		**15,545**	**18,494**
Finance income including unrealised gain on derivatives	24	431	2,048
Interest expense		(6,997)	(4,336)
Net finance costs		(6,566)	(2,288)
Net profit before taxation		**8,979**	**16,206**
Taxation expense	4	(2,389)	(3,860)
Net profit/(loss) after taxation		**6,590**	**12,346**
Earnings per share			
Basic and diluted earnings per share	5	$0.06	$0.12

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 2022

	NOTES	2022 ($000'S)	2021 ($000'S)
Net profit after taxation		6,590	12,346
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on revaluation of property, plant and equipment, net of tax	6	–	25,921
Changes in the fair value of equity investments	6	(119)	259
Total items that will not be reclassified subsequently to profit or loss		**(119)**	**26,180**
Items that may be reclassified subsequently to profit or loss			
Movement in cash flow hedge reserve		500	–
Total items that may be reclassified subsequently to profit or loss		500	–
Total comprehensive income for the year		**6,971**	**38,526**
Total comprehensive income attributable to:			
Owners of the company		6,971	38,526
Total comprehensive income for the year		**6,971**	**38,526**

Consolidated Statement of Changes In Equity

For the year ended 31 December 2022

	NOTES	SHARE CAPITAL ($000'S)	OTHER RESERVES ($000'S)	RETAINED EARNINGS ($000'S)	TOTAL ($000'S)
Opening balance 1 January 2021		44,807	54,012	51,860	150,679
Net profit after taxation		–	–	12,346	12,346
Other comprehensive income, net of tax	6	–	26,180	–	26,180
Total comprehensive income for the year		–	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)
Closing balance 31 December 2021		44,805	74,800	67,054	186,659
Net profit after taxation		–	–	6,590	6,590
Other comprehensive income, net of tax	6	–	381	–	381
Total comprehensive income		–	381	6,590	6,971
Dividends paid	8	–	–	(4,168)	(4,168)
Reclassification on disposal of financial assets at FVOCI	6	–	(643)	643	–
Shares issued under dividend reinvestment programme	7	38	–	–	38
Closing balance 31 December 2022		**44,843**	**74,538**	**70,119**	**189,500**

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

Consolidated Statement of Financial Position

As at 31 December 2022

	NOTES	2022 ($000'S)	2021 ($000'S)
Equity			
Share capital	7	44,843	44,805
Other reserves	6	74,538	74,800
Retained earnings		70,119	67,054
Total equity		189,500	186,659
Non current liabilities			
Deferred taxation	4(b)	18,279	18,837
Refunds due to resigned shareholders	10	–	121
Borrowings	11	166,009	100,000
Lease liabilities	9(b)	3,391	2,711
Total non current liabilities		187,679	121,669
Current liabilities			
Borrowings	11	–	13,500
Lease liabilities	9(b)	1,806	1,899
Trade and other payables	12	22,343	19,934
Employee entitlements	13	2,328	2,479
Provision for taxation	4(e)	978	2,709
Refunds due to resigned shareholders	10	67	353
Income in advance	14	1,705	1,246
Total current liabilities		29,227	42,120
Total funds employed/liabilities		406,406	350,448
Non current assets			
Property, plant and equipment (PPE)	15	360,020	311,344
Right of use assets (ROU)	9(a)	5,478	4,984
Derivative financial instruments	24	1,126	2,048
Investments	16	1,637	2,224
Total non current assets		368,261	320,600
Current assets			
Cash and cash equivalents	18	6,486	6,364
Trade and other receivables	17	21,419	17,072
Biological assets	19	4,092	4,096
Inventories	20	6,148	2,316
Total current assets		38,145	29,848
Total assets		406,406	350,448

For and on behalf of the Board

John Loughlin – Chairman
8 March 2023

Ngaire Scott – Director
8 March 2023

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 2022

	NOTES	2022 ($000'S)	2021 ($000'S)
Cashflows from operating activities			
Cash was provided from:			
Receipts from customers		232,183	227,937
Interest received		375	184
Dividends received		407	1,359
		232,965	229,480
Cash was applied to:			
Payments to suppliers and employees		(198,025)	(194,536)
Interest paid		(6,709)	(4,091)
Lease interest paid		(288)	(299)
Taxation paid		(4,372)	(1,643)
		(209,394)	(200,569)
Net cash flows from operating activities	3	**23,571**	**28,911**
Cashflows from investing activities			
Cash was provided from:			
Sale of Investments		468	5,382
		468	5,382
Cash was applied to:			
Purchase of property, plant and equipment		(70,141)	(38,224)
		(70,141)	(38,224)
Net cash flows from investing activities		**(69,673)**	**(32,842)**
Cashflows from financing activities			
Cash was provided from:			
Issue of ordinary shares		–	1,608
Proceeds from bond issuance		26,509	–
Proceeds from borrowings		26,000	8,500
		52,509	10,108
Cash was applied to:			
Payment of lease liability		(1,710)	(2,086)
Payment of dividends		(4,168)	(2,544)
Redemption of shares		(407)	(591)
		(6,285)	(5,221)
Net cash flows from financing activities		**46,224**	**4,887**
Net increase/(decrease) in cash and cash equivalents		122	956
Opening cash and cash equivalents		6,364	5,408
Closing cash and cash equivalents	18	**6,486**	**6,364**

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 2022.

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:

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 consolidated financial statements are presented in New Zealand dollars (NZD) ($) which is the Company's functional currency. All financial information presented in NZD ($) has been rounded to the nearest thousand unless otherwise stated.

The financial statements have 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.
- Derivative financial instruments are measured at fair value..

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

The financial statements were approved by the Board of Directors on 8 March 2023. 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 2022 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.

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.

Basis of Preparation (continued)

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 judgments 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 and 23.
- **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.

NOTE 1: Revenue

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

	2022 ($000'S)	2021 ($000'S)
Revenue from contracts with customers		
– Post harvest operations	207,771	206,845
– Orchard management	15,295	18,301
Total revenue from contracts with customers	223,066	225,146
Dividends received	407	1,359
Rent revenue	31	36
Interest revenue	375	184
Pollen revenue	882	3,042
Gain/(loss) on sale of investments	(4)	132
Other revenue	9,401	3,569
Total	234,158	233,468

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 contracts' 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.

	2022 ($000'S)	2021 ($000'S)
Administration costs	5,945	7,942
Electricity	8,895	10,867
Insurance	4,401	3,980
Leased orchard expenses	8,681	10,049
Licence fees	3,847	3,333
Loss compensation	416	400
Plant and equipment hire	1,801	1,309
Repairs and maintenance	5,803	6,734
Research and development	–	651
Software as a service	1,613	758
Sponsorship	93	139
Sundry packaging expenses	2,011	1,871
Transport costs	826	746
Vehicle expenses	1,747	1,261
Wharf costs	664	820
Auditors remuneration:		
Amounts paid or payable to the auditors for:		
Auditing the financial statements – KPMG	118	137

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

	2022 ($000'S)	2021 ($000'S)
Net profit after tax	6,590	12,346
Add/(less) Non cash items		
Depreciation	22,785	21,006
Bonus issue of shares in unlisted companies	(189)	(107)
Deferred tax expense/(income)	(362)	(243)
Derivative financial Income	(431)	(2,048)
	21,803	18,608
Movement in Working Capital		
Increase/(decrease) in trade and other payables, excluding movement relating to purchases of property, plant and equipment	4,857	(3,854)
(Decrease)/increase in employee entitlements	(151)	844
(Increase)/decrease in trade and other receivables	(4,347)	(2,991)
Decrease/(increase) in biological assets	4	(78)
(Increase)/decrease in inventory	(3,832)	1,384
Increase/(decrease) in income in advance	459	613
(Decrease)/increase in provision for tax	(1,731)	2,217
	(4,741)	(1,865)
Items classified as investing/financing activities		
Loss/(gain) on sale of investments	4	(132)
Loss/(gain) on sale of property, plant and equipment	(85)	(46)
	(81)	(178)
Net cash flow from operating activities	23,571	28,911

NOTE 4. Income tax

	2022 ($000'S)	2021 ($000'S)
Current tax expense/(income)	2,751	4,103
Deferred tax expense/(income)	(362)	(243)
	2,389	3,860

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

a) Prima facie income tax payable on profit before tax	2022 ($000'S)	2021 ($000'S)
Income tax at 28% (2021: 28%)	2,514	4,538
Tax effect of		
– Non deductible expenses	84	32
– Non assessable income	(6)	–
– Imputation credits received	(30)	(358)
– Recognise deferred tax on buildings now depreciable	–	–
– Prior period adjustments	(12)	(352)
– Adjustments to deferred tax	(161)	–
Income tax expense	2,389	3,860

b) Deferred taxation balances	2022 ($000'S)	2021 ($000'S)
Deferred tax assets		
Stock obsolescence	52	279
Employee entitlements	452	512
Trade and other payables	103	68
Cash flow hedge	195	–
Trade and other receivables	251	32
	1,053	891
Deferred tax liabilities		
Property, plant and equipment	(17,790)	(18,380)
Biological assets	(1,542)	(1,348)
	(19,332)	(19,728)
Net deferred tax assets/(liabilities)	(18,279)	(18,837)

c) Deferred taxation movements recognised in income	2022 ($000'S)	2021 ($000'S)
Deferred tax assets		
Stock obsolescence	(227)	150
Employee entitlements	(60)	190
Trade and other payables	36	(7)
Trade and other receivables	219	22
	(32)	355
Deferred tax liabilities		
Property, plant and equipment	588	300
Biological assets	(194)	(412)
	394	(112)
Net deferred tax income/(expense)	362	243

NOTE 4. Income tax (continued)

d) Deferred taxation movements in equity	2022 ($000'S)	2021 ($000'S)
Deferred tax		
Cash flow hedge	195	–
Property, plant and equipment	–	(5,928)
	195	(5,928)

e) Provision for Taxation	2022 ($000'S)	2021 ($000'S)
Balance as at 1 January	(2,709)	(492)
Income tax expense	(2,389)	(3,860)
Income tax expense attributable to deferred tax	(557)	(243)
Income tax payments during the year	4,873	1,766
Prior period adjustments	(196)	120
Balance as at 31 December	(978)	(2,709)

f) Imputation Credit Account	2022 ($000'S)	2021 ($000'S)
Imputation credits available for use in subsequent reporting periods	25,464	22,558

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

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

	2022 ($000'S)	2021 ($000'S)
Profit attributable to ordinary shareholders	6,590	12,346
Total number of ordinary shares issued and fully paid at 31 December	104,624,088	103,146,610
Weighted average number of ordinary shares issued and fully paid at 31 December 2022	103,936,139	102,462,646
Basic earnings per share – Ordinary Shares	$0.06	$0.12
Diluted earnings per share – Ordinary Shares	$0.06	$0.12

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)	CASH FLOW HEDGE RESERVE ($000'S)	FINANCIAL ASSETS AT FVOCI ($000'S)	TOTAL OTHER RESERVES ($000'S)
Balance as at 1 January 2021	47,733	–	6,279	54,012
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
Balance as at 31 December 2021	**73,654**	–	**1,146**	**74,800**
Balance as at 1 January 2022	73,654	–	1,146	74,800
Revaluation – gross	–	–	(119)	(119)
Fair value gain on hedging instruments	–	695	–	695
Deferred tax	–	(195)	–	(195)
Cumulative gain on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal	–	–	(643)	(643)
Other comprehensive income	–	500	(762)	(262)
Balance as at 31 December 2022	**73,654**	**500**	**384**	**74,538**

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

	2022 NUMBER OF SHARES	2021 NUMBER OF SHARES	2022 ($000'S)	2021 ($000'S)
Ordinary Shares as at 1 January	104,615,811	104,619,317	44,805	44,807
Shares issued under dividend reinvestment programme	34,986	14,325	38	14
Nil paid Shares cancelled	–	(17,831)	–	(16)
Ordinary Shares Balance as at 31 December	104,650,797	104,615,811	44,843	44,805

At reporting date there were 104,650,797 shares on issue which comprises 104,624,088 fully paid shares and 26,709 Nil Paid shares. 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%.

NOTE 7. Share capital (continued)

All ordinary shares have no par value, 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.

NOTE 8. Distribution to owners

	2022 ($000'S)	2021 ($000'S)
Ordinary shares – dividend paid	4,168	2,544
Ordinary shares – share issued under dividend reinvestment programme	38	14

Dividends paid on ordinary shares amounted to 4.0 cents per share fully imputed (2021: 2.5 cents per share).

NOTE 9. Leases

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

a) Right of use assets	LAND BUILDINGS AND IMPROVEMENTS ($000'S)	OTHER PLANT AND EQUIPMENT ($000'S)	TOTAL ($000'S)
2022			
Opening book value I January 2022	1,550	3,434	4,984
Movement on transition from completed leases (note 15)	–	(606)	(606)
Additions	1,068	1,835	2,903
Depreciation for the period	(929)	(874)	(1,803)
Closing book value 31 December 2022	**1,689**	**3,789**	**5,478**
Cost	5,971	6,318	12,289
Accumulated depreciation	(4,282)	(2,529)	(6,811)
	1,689	3,789	5,478
2021			
Opening book value I January 2021	1,988	3,524	5,512
Additions	302	871	1,173
Depreciation for the period	(740)	(961)	(1,701)
Closing book value 31 December 2021	**1,550**	**3,434**	**4,984**
Cost	4,992	5,878	10,870
Accumulated depreciation	(3,442)	(2,444)	(5,886)
	1,550	3,434	4,984

b) Lease liabilities	MINIMUM LEASE PAYMENTS ($000'S)	INTEREST ($000'S)	PRESENT VALUE ($000'S)
2022			
Within one year	1,987	(181)	1,806
One to five years	3,728	(337)	3,391
Beyond five years	–	–	–
Total	**5,715**	**(518)**	**5,197**
Current			1,806
Non-current			3,391

NOTE 9. Leases (continued)

2021			
Within one year	2,034	(135)	1,899
One to five years	2,920	(209)	2,711
Beyond five years	–	–	–
Total	**4,954**	**(344)**	**4,610**
Current			1,899
Non-current			2,711

c) Lease expenses included in profit or loss	2022 ($000'S)	2021 ($000'S)
Interest	288	299

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.

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 transactor shareholders

	2022 ($000'S)	2021 ($000'S)
Balance as at 1 January	474	1,065
Movement during the year	(407)	(591)
Balance as at 31 December	67	474
This is represented by:		
Current liability	67	353
Non-current liability	–	121
	67	474

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

	2022 ($000'S)	2021 ($000'S)
Current portion	–	13,500
Non current portion	166,009	100,000
Total	166,009	113,500
Banking facility	139,500	113,500
Note issue	28,810	–
Note issue costs	(2,301)	–
Total	166,009	113,500

The current portion represents borrowings which have a maturity date of less than twelve months from reporting date. The Group secured revised banking facilities in 2022 with a syndicate of 3 banks (ASB Bank, Rabobank, and Bank of New Zealand) with a total facility of $205m (2021: Facility with the Bank Group: $192m). The facility is in two tranches that mature on 16 October 2025 and 4 November 2025. Bank of New Zealand operate as security agent for the syndicate.

The current interest rates on the secured borrowings range from 6.35% to 6.42% (2021: 3.3% to 3.48%).

On 4 September 2022, EastPack Limited released a Product Disclosure Statement of subordinated unsecured fixed rate notes to New Zealand retail investors. The note issue offer was subscribed at $28.8m on 12 December 2022 and issued on 16 December 2022. The bond issue has a term of five years and matures on 16 December 2027 with a fixed 8.90% interest rate for the year to 16 December 2023. The interest rate is set annually at the 5 Year Government bond rate plus a margin of 4.5%. A minimum interest rate of 8.5% applies over the term of the Notes. Transaction costs associated with the issue of the bond totalling $2.3m are recognised in the profit and loss using the effective interest rate methodology over the term of the Note.

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 22).

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

	2022 ($000'S)	2021 ($000'S)
Trade payables	8,775	10,315
Sundry payables	7,533	4,729
GST payable	695	1,799
Related party payables (see note 21)	5,340	3,091
Total	22,343	19,934

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.

	2022 ($000'S)	2021 ($000'S)
Balance as at 1 January	2,479	1,635
Net movement in provision	(151)	844
Balance as at 31 December	2,328	2,479
This is represented by:		
Current liability	2,328	2,479
Non-current liability	–	–
Total	2,328	2,479

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. Income in advance

	2022 ($000'S)	2021 ($000'S)
Income in advance	1,705	1,246

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 2022. Revenue recognised that was included in the income in advance balance at the beginning of the period equates to the opening balance of income in advance. The balance as at 31 December 2022 reflects the performance obligation required to be met in 2023.

NOTE 15. Property, plant and equipment

	2022 COST/ VALUATION ($000'S)	2022 ACCUMULATED DEPRECIATION ($000'S)	2022 BOOK VALUE ($000'S)	2021 COST/ VALUATION (RESTATED) ($000'S)	2021 ACCUMULATED DEPRECIATION (RESTATED) ($000'S)	2021 BOOK VALUE (RESTATED) ($000'S)
Buildings	225,732	50,493	175,239	223,643	43,972	179,671
Land and improvements	49,355	3,694	45,661	47,356	3,385	43,971
Plant and equipment	182,785	106,197	76,588	170,014	111,283	58,731
Furniture and fittings	7,421	3,044	4,377	7,426	3,069	4,357
Capital work in progress	58,155	–	58,155	24,614	–	24,614
Total	523,448	163,428	360,020	473,053	161,709	311,344

Reclassification of Property, Plant and Equipment

Following review of asset classes disclosed in Property, Plant and Equipment, Controlled Atmosphere coolstore plant and equipment additions in the financial statements to 31 December 2021 have been reclassified from Plant and Equipment to Buildings. The Controlled Atmosphere coolstore plant and equipment is an inherent part of the building asset. These assets classified as Plant and Equipment, with a cost of $14.9m and a book value of $14.4m, have been reclassified as Buildings as at 31 December 2021. This reclassification has no impact on the total value of Property, Plant and Equipment or on depreciation expense.

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

	2022 ($000'S)	2021 (RESTATED) ($000'S)
Buildings	114,214	117,546
Land and improvements	23,299	21,609

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. 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"). As at 31 December 2022 the Directors believe there are no indicators that would suggest the carrying value of land and improvements and buildings differs materially from their fair value and as a consequence there is no need to revalue those assets at 31 December 2022.

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

1. **Market approach:** considers sales of other comparable properties.
2. **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.
3. **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 23.

Valuations	2022 ($000'S)	2021 ($000'S)
Impact of valuation		
Revaluation through profit and loss	–	–
Revaluation through asset revaluation reserve	–	31,849
	–	31,849

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)	LAND AND IMPROVEMENTS ($000'S)	PLANT AND EQUIPMENT ($000'S)	FURNITURE AND FITTINGS ($000'S)	CAPITAL WIP ($000'S)	TOTAL ($000'S)
2022						
Balance at 31 December 2021	179,671	43,971	58,731	4,357	24,614	311,344
Additions	1,427	946	8,002	409	60,590	71,374
Transfers from Capital WIP	2,310	1,107	23,233	399	(27,049)	–
Leases completed	–	–	606	–	–	606
Revaluations – Income statement	–	–	–	–	–	–
Revaluations – capital	–	–	–	–	–	–
Disposals	–	–	(2,222)	(15)	–	(2,237)
Write off of assets	(25)	–	(51)	(9)	–	(85)
Depreciation expense	(8,144)	(363)	(11,711)	(764)	–	(20,982)
Carrying amount at 31 December 2022	175,239	45,661	76,588	4,377	58,155	360,020

	BUILDINGS (RESTATED) ($000'S)	LAND AND IMPROVEMENTS ($000'S)	PLANT AND EQUIPMENT (RESTATED) ($000'S)	FURNITURE AND FITTINGS ($000'S)	CAPITAL WIP ($000'S)	TOTAL ($000'S)
2021						
Balance at 1 January 2021	144,444	33,110	56,280	4,213	19,609	257,656
Additions	5,400	552	7,246	1,033	27,622	41,853
Transfers from Capital WIP	14,901	–	7,716	–	(22,617)	–
Revaluations – Income statement	–	–	–	–	–	–
Revaluations – capital	21,204	10,645	–	–	–	31,849
Disposals	–	(7)	(606)	(50)	–	(663)
Write off of assets	–	–	(46)	–	–	(46)
Depreciation expense	(6,278)	(329)	(11,859)	(839)	–	(19,305)
Carrying amount at 31 December 2021	179,671	43,971	58,731	4,357	24,614	311,344

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

	2022 ($000'S)	2021 ($000'S)
Financial instruments held at fair value through other comprehensive income	1,562	2,149
Investments in associates	75	75
	1,637	2,224

	2022	2021
a) Financial instruments held at fair value through other comprehensive income		
Shares in unlisted companies	1,562	2,149
Shares		
Opening balance	2,149	7,272
Additions	189	107
Disposals	(657)	(5,489)
Revaluation	(119)	259
Total Investments in shares	1,562	2,149

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

b) Investments in associates	2022 ($000'S)	2021 ($000'S)
The Nutritious Kiwifruit Company Ltd	75	75
	75	75

NOTE 16. Investments (continued)

	2022 PERCENTAGE HELD	2021	BALANCE DATE	INCORPORATED IN
Associate companies				
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 2022 has been incorporated in these financial statements.

	2022 ($000'S)	2021 ($000'S)
Interests in associate companies		
Carrying value	75	75
	75	75

c) Subsidiaries

Subsidiaries:	2022 PERCENTAGE HELD	2021	BALANCE DATE	INCORPORATED IN
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 December	New Zealand
Pinpoint Laboratory Services Ltd (prev. Bay Hort (1991) Ltd)	100%	100%	31 December	New Zealand
Prospa Contracting Services Ltd	100%	100%	31 December	New Zealand
Prospa Orchard Management Services 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.

Prospa Contracting Services Ltd provides spraying services to Eastpack and other businesses in the horticultural industry.

Prospa Orchard Management Services Ltd provides orchard management 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

	2022 ($000'S)	2021 ($000'S)
Trade receivables	12,073	10,980
Expected credit loss allowance	(158)	(116)
Sundry receivables	5,601	2,991
Prepayments	3,826	3,217
Related party receivables	23	–
Associate receivables	54	–
Balance at 31 December	21,419	17,072

NOTE 17. Trade and other receivables (continued)

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 22 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

	2022 ($000'S)	2021 ($000'S)
Funds in bank	6,486	6,364

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

	2022 ($000'S)	2021 ($000'S)
Balance at 1 January	4,096	4,018
Costs capitalised	4,092	4,096
Costs released to profit and loss	(4,096)	(4,018)
Balance at 31 December	4,092	4,096

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

	2022 ($000'S)	2021 ($000'S)
Packaging stock	3,798	2,330
Pollen stock	1,863	67
Provision for obsolescence	(186)	(538)
Other materials and chemicals	673	457
Total	6,148	2,316

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. 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 and director compensation:

	2022 ($000'S)	2021 ($000'S)
Short-term employee benefits (including directors remuneration)	3,828	3,405

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:

	2022 ($000'S)	2021 ($000'S)
Dividends	706	443

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:

	2022 ($000'S)	2021 ($000'S)
Consulting and orchard contractor charges	633	872
Operating lease costs	965	419
Kiwifruit bin cartage	5,487	5,511

Loans and advances

In May 2022, Pine Valley Limited repaid it's loan from EastPack of $500,000. 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. EastPack Limited had 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.

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 $201,973,318 (2021: $211,141,283) for the provision of services to EastPack Entity Trust. EastPack Limited paid EastPack Entity Trust $1,126,353 (2021: $513,067) for second hand packaging. A balance of $5,339,834 (2021: $3,090,971) was payable to EastPack Entity Trust as at 31 December 2022 (note 12).

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

	2022 ($000'S)	2021 ($000'S)
Revenue	4,405	5,268
Expenses	7,084	6,802

NOTE 21. Transactions with related parties (continued)

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 (2021: $Nil).

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

NOTE 22. 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:

	2022 ($000'S)	2021 ($000'S)
Cash and cash equivalents	6,486	6,364
Trade and other receivables	21,149	17,072

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 excluding prepayments

	2022		2021	
	GROSS ($000'S)	IMPAIRMENT ($000'S)	GROSS ($000'S)	IMPAIRMENT ($000'S)
Not yet due	14,674	–	12,434	–
Overdue 0–31 days	1,192	–	912	–
Overdue 31–91 days	742	–	209	–
Overdue 93–184 days	804	–	328	–
Overdue more than 184 days	285	158	88	116
Total trade and other receivables excluding prepayments	17,697	158	13,971	116

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 $158,000 (2021: $116,000).

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 22. Financial risk management (continued)

2022	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)
Banking facility	139,500	163,719	13,660	4,160	8,295	137,604	–
Note issue	26,509	41,630	1,282	1,282	2,564	36,502	–
Lease liabilities	5,197	5,646	1,294	959	1,903	1,490	–
Trade and other payables	22,343	22,343	22,343	–	–	–	–
Refunds due to resigned shareholders	67	67	67	–	–	–	–
	193,616	233,405	38,646	6,401	12,762	175,596	–

2021	STATEMENT OF FINANCIAL POSITION ($000'S)	CONTRACTUAL CASH FLOWS ($000'S)	6 MONTHS OR LESS ($000'S)	6 – 12 MONTHS ($000'S)	1 – 2 YEARS ($000'S)	2 – 5 YEARS ($000'S)	> 5 YEARS ($000'S)
Borrowings	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	–

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 +/- $1,683,000 (2021: +/- $1,135,000) if the interest rate change was apparent for the full year and assuming a full drawdown on the borrowings of $168.3m. 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 22. 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 24.

Term Loan	AMOUNT $'000	HEDGE RATE	BANK INTEREST RATE	HEDGE EXPIRY
2022	60,000	6.685%	7.405%	19 October 2023
	AMOUNT $'000	HEDGE RATE	BANK INTEREST RATE	HEDGE EXPIRY
2021	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:

	2022 ($000'S)	2021 ($000'S)
Total equity	189,500	186,659
Total assets	406,406	350,448
Shareholder equity ratio	**47%**	**53%**

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 $205 million with the Company's banking syndicate, of which $65.5 million remains undrawn as at balance date (2021: $78.5 million).

NOTE 23. 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, 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 23. Determination of fair values of assets and liabilities (continued)

2022	LEVEL 1 ($000'S)	LEVEL 2 ($000'S)	LEVEL 3 ($000'S)
Derivative financial instruments	1,126	–	–
Unlisted equity shares	–	1,562	–
Land and improvements and buildings	–	–	220,900
	1,126	1,562	220,900

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	–	–	223,642
	2,048	2,149	223,642

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.

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 and 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.*

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.

Key unobservable inputs	*Inter-relationship between key unobservable inputs and fair value measurement*
Current market rental	*Higher market rental results in increased fair value. Lower market rental results in a decreased fair value.*
Capitalisation rate of return	*Higher capitalisation rate results in decreased fair value. Lower capitalisation rate results in 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.*

NOTE 23. Determination of fair values of assets and liabilities (continued)

Market comparison

Considers recent sales of other comparable type properties.

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

Valuer's assumptions

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

NOTE 24. Derivative financial instruments

	2022 ($000'S)	2021 ($000'S)
Interest rate swap asset	695	2,048
Electricity forward agreement	431	–
	1,126	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 25. 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.

	2022 ($000'S)	2021 ($000'S)
Estimated capital expenditure contracted for at balance date but not provided for:	12,703	34,905

NOTE 26. Contingent liabilities

Several orchards managed by EastPack Limited were adversely affected by the incorrect application of Hydrogen Cyanmide prior to the 2023 harvest. The crop volumes on these orchards are unlikely to be at full production, and the full extent and cost is yet to be fully quantified but likely to be approximately $110,000. An EastPack managed orchard was adversely impacted by a frost event in 2022 severely reducing the crop volumes. The frost protection system on the orchard had not been activated resulting in a potential loss of approximately $400,000. Both events are subject to insurance claims.

NOTE 27. Significant events after balance date

There have been no material events occurring subsequent to balance date requiring adjustment to our disclosure in the financial statements.

KPMG

Independent Auditor's Report

To the shareholders of EastPack Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of EastPack Limited (the 'Company') and its subsidiaries (the 'Group') on pages 18 to 45 present fairly, in all material respects the Group's consolidated financial position as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement and statements of other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

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 $1.99 million determined with reference to a benchmark of Group total expenses. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

KPMG

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 $360 million including $221 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. As at 31 December 2022 the Directors believe that there are no indicators that would suggest the carrying value of Land, Land Improvements & Buildings differs materially from their fair value and as a consequence no revaluation was performed. The valuation of these assets is considered a key audit matter due to the judgement required in determining fair values and the sensitivity of the fair value to key inputs.	Our audit procedures included: — Obtaining, reviewing and challenging Management's internal assessment of carrying value vs. fair value, including cross referencing to other internal and external data points, where relevant; — Obtaining Management's sensitivity analysis for each property and ensured the veracity of the model; and — Assessing the financial statement disclosures to determine whether they comply with 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.

KPMG

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 issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the 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 Glenn Keaney.

KPMG

KPMG
Tauranga

8 March 2023

Company details.

Washer Road (Head Office)

1 Washer Road, Te Puke, 3119
PO Box 243, Te Puke 3153

Phone: 07 573 0900

Freephone: 0800 722 554

Email: admin@eastpack.co.nz

Website: www.eastpack.co.nz

Quarry Road, Te Puke

40 Te Puke Quarry Road

Phone: 07 573 9309

Collins Lane, Te Puke

2 Collins Lane

Phone: 07 573 8075

Ōpōtiki

3 Stoney Creek Road

Phone: 07 315 5226

Edgecumbe

678 East Bank Road

Phone: 07 304 8227

Katikati

28 Marshall Road

Phone: 07 549 0008

eastpack.co.nz

EastPack
Growers at heart