2023

READY. SET. RESPOND.

Annual Report

EastPack
Growers at heart

Respond.

It is EastPack's ability to anticipate and respond under pressure that remains the company's most important skill set. Our people continue to work together, leveraging collective expertise, skills, and innovation, all of which drive positive outcomes for our Growers in the most challenging circumstances.

EastPack
Growers at heart

Contents

EastPack
Growers at heart

Highlights 2023

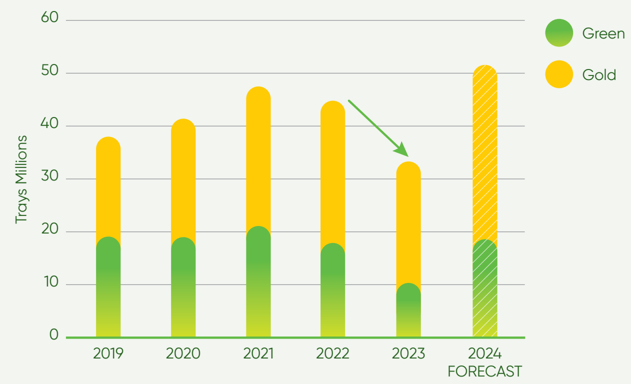
EastPack has successfully navigated 2023, supplying good fruit outcomes for Growers and delivering a robust financial result considering the low volume season.

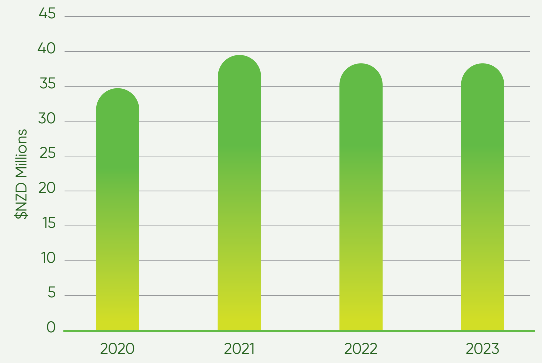
Class 1 Trays Packed

33.5m

Trays Packed in 2023

Down 25% on 2022 due to significant weather events across our growing regions. Strong recovery in crop volumes forecast for the 2024 season.





EBITDA

$38.0m

EBITDA in 2023

In line with 2022 on reduced volumes due to efficiency gains and cost savings achieved.

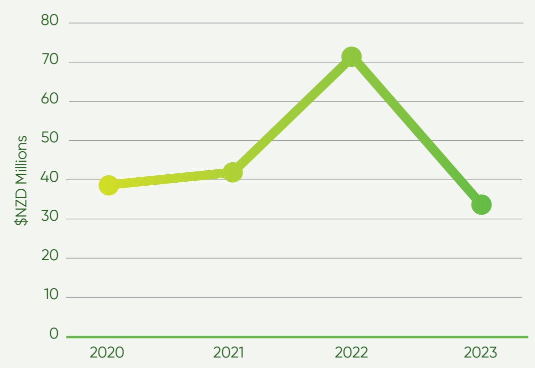
EBITDA is Earnings before Interest, Tax, Depreciation, Amortisation and Fair Value Adjustments and is an important measure of the Group's performance that Directors use to monitor financial operating cash generation performance and compare to prior years' performance.

Capital Expenditure – Investment in Property, Plant and Equipment

$34.5m

Invested in Capital Expenditure 2023

Reduction on prior year given lower profitability, but capacity in place to meet the expected volumes of fruit in the next 2 years.



John Loughlin
Chairman

Hamish Simson
Chief Executive

A year of managing a low volume season

CHAIRMAN & CEO'S REPORT

On behalf of the Board, we are pleased to present EastPack's Annual Report for the year ended 31 December 2023.

The 2023 financial year has been an extremely difficult trading year with widespread damage to kiwifruit crops across the country impacting volumes packed and therefore company and overall industry profitability. The 2023 harvest was impacted by a significant frost event in October 2022, variable bud break in spring 2022, and Cyclone's Hale and Gabrielle in early 2023. This has resulted in orchard yields overall being at record lows for the 2023 season.

Total volumes of kiwifruit packed decreased to 33.5m trays, a 30% decrease on initial projected volumes for 2023 prior to the frost event. This is the lowest crop volume packed since 2017 when the company packed 33.4m trays. EastPack's share of fruit harvested has dropped slightly from an average over the last five years of 25.7% to 24.5% in 2023 primarily due to having a larger regional share of crop where the weather events had more significant impacts.

EastPack's revenue for the 12 months ended 31 December 2023 was $213m, a 9% reduction on 2022, and with a number of cost savings the company was able to generate a Net Profit before Tax of $0.1m, down $8.9m on 2022.

With lower crop volumes and therefore less staff required, the borders opening after the previous Covid-19 restrictions allowed the company to maintain optimum manning levels. It was extremely satisfying to see the business operating at efficient staffing levels after three years of labour shortages and supply chain issues. The company also developed new internal reporting systems which gave decision makers on our production lines real time information to manage efficiency. In 2023 the industry delivered a good quality product to the markets following a very poor quality year in 2022. EastPack, however delivered a great result in 2022 with fruit loss well below industry average. In 2023 EastPack has built on our systems and again delivered outstanding fruit loss results for our Growers. Our Gold fruit loss at 0.96% was well below rest of industry at 1.76% fruit loss. EastPack's Green fruit loss at 0.31% was less than half that of rest of industry at 0.81%. With lower volumes, faster shipping and excellent grading of the fruit at time of packing, we repacked very low volumes and were able to manage our Growers' fruit carefully.

Across the business EastPack has looked to manage costs through the year, and whilst the team has made great efforts where costs can be saved, we continue to see increases in base business costs in the high inflationary environment in New Zealand.

We have cut back on our capital expenditure significantly given the tougher economic environment that we have been operating within, but still incurred reasonable capital expenditure costs as we completed prior year committed projects. A highlight of the year was the installation and the timely commissioning of a new highly automated grader at our Quarry Road site. This grader is large scale with high system complexity and our Quarry Road team did an outstanding job of commissioning this and getting it up to full production quickly as the season progressed. With lower overall volumes we had sufficient packing capacity to pack the fruit directly at harvest time, so we utilised only one-third of our Controlled Atmosphere capacity in 2023.

The infrastructure that EastPack has invested in provides us with the ability to meet the packing needs of the growing gold crop over the next two to three years.

Weather events impacting the industry

It is important to reflect on the weather events that impacted the 2023 crop and recognise that whilst we will continue to have weather events in the future, we believe the future is bright for kiwifruit. Weather events remain a risk for kiwifruit production and will occur from time to time, however the succession of events occurring all in one year such as we experienced in 2023 are rare, and this created an exceptionally challenging growing season.

Kiwifruit needs good winter chill to produce a strong budbreak, so the winter of 2022 was firstly unhelpful being warm and very wet. This contributed to an indifferent budbreak across most of our growing regions.

In early October 2022 a very heavy frost event across the North Island impacted many orchards across all our growing regions, with a number of orchards' crops being totally destroyed. Continual rain through the latter part of 2022 impacted pollination and then in early 2023 the North Island was hit by two cyclones, Cyclone Hale and Cyclone Gabrielle, which caused severe damage in the Northland, Hawke's Bay and Gisborne regions and wind damage across many other growing regions.

A significant hail event hit the Te Puke region in early May 2023, and whilst a number of orchards had been harvested by this time, we saw differing degrees of damage with some orchards suffering a total loss whilst others had lower levels of damage.

These events all lowered Class 1 crop volumes. A lot of crops had low class 1 pack outs due to weather damage which slowed our graders down. We were able to move all the hail affected fruit to be packed at our Collins Lane site where the team were tasked with managing these crops effectively and get the best possible outcomes for our Growers impacted by the hail event.

Whilst EastPack has managed lower production levels through the year, we need to acknowledge Growers who suffered significant losses, some of whom have had their orchards totally destroyed in Cyclone Gabrielle. We wish all impacted Growers all the best as they look to rebuild from the devastation that impacted them.

Prospa – Orchard Management Services

Prospa, our orchard management division, has had a challenging year also with reduced crop volumes impacting many of our orchards. As orchard owners faced financial pressures due to reduced crop volumes in 2023, we have seen some owners decide to save costs and return to managing their orchard themselves, so Prospa managed hectares have contracted slightly. We currently have total hectares managed or leased slightly under 1,300 hectares representing approximately 10% of total industry hectares where Prospa operates.

Whilst volumes across the industry were down, Prospa orchards continue to perform strongly with a number of our Prospa managed orchards being the top performing orchard in their region across all EastPack orchards. We continue to invest in our people, systems and innovation to deliver strong results for our orchard owners.

Prospa is expected to return to growth in 2024 as the industry rebounds from the 2023 season. The company is developing systems and processes to help manage the increasing complexity and compliance of orchard management along with increasing the business resilience for future challenges.

Pinpoint Laboratory Services

Pinpoint, our laboratory operations business, had a strong year both operationally and financially despite industry crop volumes being down. The 2023 Gold crop was impacted by the warm and moist growing conditions, resulting in fruit below normal dry matter levels. This resulted in a number of Growers fruit being slow to reach the required dry matter levels and Growers requiring more laboratory tests than normal. Therefore, despite a 25% reduction in the overall kiwifruit crop from 2022, there was a 16% increase in maturity monitor and clearance tests processed by Pinpoint.

The business has expanded to offer further services to EastPack and Prospa and continues to invest to increase the services Pinpoint can provide in the future.

EastPack Key Financial Statistics

	2023 ('000)	2022 ('000)	2021 ('000)	2020 ('000)
Volumes	33.5m TE	44.8m TE	47.4m TE	41.4m TE
Revenues	$212.6m	$234.2m	$233.5m	$189.3m
EBITDA	$38.0m	$38.3m	$39.5m	$34.7m
EBITDA (Normalised – excl Unusual one-off items)	$38.0m	$38.3m	$40.3m	$34.7m
EBITDA (Normalised) as a % of Revenue	17.9%	16.4%	17.2%	18.3%
EBITDA (Normalised) per tray packed	$1.13	$0.86	$0.85	$0.84
Depreciation	$23.1m	$22.8m	$21.0m	$17.8m
Interest	$15.0m	$7.0m	$4.3m	$3.9m
Fair Value Adj. on Revaluation of Property	$0.0m	$0.0m	$0.0m	$3.2m
Dividends paid	$0.0m	$4.2m	$2.5m	$2.0m
Net profit before taxation	$0.1m	$9.0m	$16.2m	$16.2m
Net profit after taxation (NPAT)	($0.1m)	$6.6m	$12.3m	$12.9m
NPAT (Normalised – excl FV Adj/Tax depn change)	($0.1m)	$6.6m	$12.3m	$9.3m

Financial Result

Whilst volumes have been significantly down, operating profitability has been able to be maintained with EBITDA at $38.0m in line with 2022. Efficiencies from the investment in automation, and a more normal operating environment post Covid has seen EBITDA as a percentage of revenue return towards 2020 levels. This is a good reflection on the cost and efficiency management implemented in 2023 when volumes were down 19% on 2020. During the Covid period with labour shortages we saw increased labour cost with use of harvest contractors and less experienced staff in our packhouses, resulting in higher costs and lower efficiency. In 2023, with the borders open and a greater availability of staff along with investment in automation, we have seen productivity improve significantly.

Interest and Depreciation costs however have risen significantly over the last four years following the significant investment in capital expenditure across the sites and higher interest rates in the past year. With higher borrowing levels and higher interest rates, interest expense has increased by $8.0m or 114% on 2022.

Overall, our Net Profit Before tax dropped to $64,000, just above break even and tax expense taking the bottom line to a small loss for the year.

The company completed a revaluation of our land and buildings in 2023. The last full valuations were completed in 2021. The valuations resulted in a modest decrease of $0.5m in the overall value of our land and buildings. This revaluation goes directly to reserves and is not included in our income for the year.

Dividend

With lower volumes and corresponding reduced profitability EastPack is not in a position to pay a dividend for the 2023 financial year. We are expecting volumes to rebound in 2024 and can reassess the company's profitability and ability to pay a dividend later in 2024.

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.

"

A HIGHLIGHT OF THE YEAR WAS THE INSTALLATION AND TIMELY COMMISSIONING OF A NEW HIGHLY AUTOMATED GRADER AT THE QUARRY ROAD SITE.

Capital Investment

We have seen significant investment in our infrastructure in the past five years. In 2023 our financial performance required the company to look to cut costs both in operational costs and in capital expenditure. Accordingly, the 2023/ 2024 capital expenditure is a significant reduction on prior years. The first half of 2023 however had the costs of completing projects which had commenced in prior years with three major projects being completed in this period being the new Edgecumbe and Marshall Road combined Controlled Atmosphere/ Conventional coolstores and the new Grader 3 at our Quarry Road site.

Our largest single investment in the latter part of 2023 has been on a major upgrade to our coolstorage plant at our Washer Road site. This is on one of our older stores where the coolstorage plant had failed and was on very old refrigerants. This upgrade is to a CO_2 plant which is freezer capable and provides a significant reduction in the Global Warming Potential of these coolstores. The balance of capital investment has been in continuing our automation strategy, albeit at a slower pace than ideal and further improvements in the health and safety area.

Earthworks have been started for future Controlled Atmosphere (CA) Store construction at our Washer Road site. The Washer Road site is our only site currently without CA stores and going forward our key capacity strategy to pack increasing volumes of fruit will revolve around our successful CA formula. We are planning the first stage of the Washer Road CA stores to be built in time for the 2025 season with further expansion in later years.

We have built the packing, cooling and CA infrastructure to support in excess of 50m trays and our capital expenditure moving forward will be focused on increasing efficiency through automation in the first instance.

Shareholding and Capital

With the reduced Gold licence release signalled by Zespri over the next few years combined with an expectation that orchard yields will not increase significantly, significant investment in capacity capital expenditure is not required at the level previously envisaged. This means that we do not need to raise significant additional capital from our Growers, and we can fund a lot of our capital expenditure through retained earnings.

Whilst Growers have shareholding requirement needing one share for every tray of Class 1 fruit packed at EastPack, Growers will not be required to share up immediately and can share up over time. The company will not complete large scale share issues like completed in February 2023 and Growers who wish to share up are encouraged to acquire shares via the share market. This will provide a stronger avenue for dry and overshared shareholders to dispose of their shares. The company launched a subordinated Note Issue to retail investors in New Zealand in December 2022 which raised $28.8m. The note issue has a term of five years and has an interest rate which is set annually at the five year government bond rate plus a margin of 4.5%. A minimum interest rate of 8.5% applies over the term of the Notes. The current interest rate from 16 December 2023 is 9.15%.

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)

We are a People business

Our people are our biggest asset and 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 capable 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 PEOPLE ARE OUR BIGGEST ASSET AND DELIVER THE RESULTS TO OUR GROWERS AND SHAREHOLDERS.

Following the challenges of recruiting staff through the Covid period, it was extremely pleasing to see 2023 being a year with the ability to recruit good numbers of staff. With the borders opening we were able to recruit good numbers of overseas staff on Working Holiday Visa's and we were fully manned with a good quality workforce on day one of the season. With support from the government, we were able to increase our Registered Seasonal Employer (RSE) workforce to 730, an increase from the 600 RSE workers we had for the 2022 season. The RSE workers are a key part of our staffing levels, and we take the care and management of our RSE workers very seriously. We have built up our pastoral care team to support them whilst also ensuring our accommodation is of a high standard.

An events calendar operates across the season with events occurring every few days and "shouts" for staff on a regular basis from ice creams on hot March days through to hamburgers, pizza and doughnuts and a hangi to celebrate Matariki. Diversity is celebrated with cultural days for staff to show off their local culture.

It was very pleasing to see our staff engagement scores for both our seasonal and permanent staff improve in 2023.

2023 was a challenging year for our team, managing with lower volumes and striving hard for efficiency to manage our costs. Our team worked extremely hard, packing fruit very efficiently and effectively leading to the excellent operational performance of the business. It is a credit to our permanent crew that they accepted that the company was going to be challenged financially and they "owned" their respective business areas really strongly to deliver a credible financial result given the low volume of fruit delivered to us.

Health and Safety

Health and Safety is a fundamental element of EastPack's culture right from the production floor to the Boardroom. The Board Health and Safety sub-committee 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 2023 there were 21 site Health and Safety Meetings that had Board member attendance. Senior Leadership team members are assigned to attend every site Health and Safety meeting and actively participate to support the initiatives being completed.

Our 2023 season Health and Safety metrics have seen our Key Performance Indicators improve further on the record year we had in 2022 with our 2023 TRIFR (Total Recorded Injury Frequency Rate) result is our best to date with the final EastPack total of 9.97 (2022 - 10.16), Prospa 3.62 (2022 3.14) and Pinpoint at 1.86 (2022 2.47).

We operate in a manufacturing environment which has heavy duty machinery operating and is high risk. In August 2023 we had an incident where a contractor's employee had a fall from height at one of our sites resulting in serious injury. This incident is subject to a WorkSafe investigation which is ongoing.

As a team we are constantly assessing the risks both internally and through external reviews to ensure we operate in a safe manner and our teams response to this incident is a credit to our people.

In 2023 we identified the risk that our staff utilising the maintenance trolleys above the graders could be at risk if isolation of power to the grader did not occur while certain tasks were being undertaken. Our internal team developed a system of immediate isolation once a grader trolley was utilised which is a first for kiwifruit graders and we are currently rolling this out across all our sites. We have ongoing capital expenditure implementing additional guarding around moving machinery as well as roof safety systems to continue to enhance our work environment.

We have ongoing Health and Safety initiatives with our teams continually working on making sure staff are working in the right way, identifying issues early and resolving these quickly. Our Mental Health expert was on site and available to staff through the year and it was great to see our staff use this resource. We continue to theme staff events around specific health issues such as cancer especially in those weeks where they are a national focus.

"

WE WOULD LIKE TO THANK OUR GROWER SHAREHOLDERS WHO HAVE SUPPORTED US WITH THEIR BUSINESS DURING THESE DIFFICULT TIMES.

Board of Directors

Pictured left to right from top left:
John Loughlin (Chairman)
Braden Hungerford (Deputy Chair)
David Jensen
Dylan Barrett
Elly Sharp
Mark Giles
Mark Yeoman
Murray McBride
Paul Edkins

Board

Our Board has seen change in membership and composition in 2023 with the appointment of Mark Yeoman as a third appointed director in early 2023. The passing away of Michael Montgomery in early 2023 and the resignation of Ngaire Scott has seen the addition of Paul Edkins and Elly Sharp to the Board. The Board consists of John Loughlin (Chairman), Braden Hungerford (Deputy Chair), David Jensen, Dylan Barrett, Elly Sharp, Mark Giles, Mark Yeoman, Murray McBride, and Paul Edkins.

The Board Observer role continues to be a key part of developing future Directors for the company and it was great to see Elly Sharp progressing from Board Observer to Director in 2023. Cathy Brown who was Board Observer in 2019/2020 was elected on to the Director Remuneration Committee. Rikki James was appointed into the Board Observer role for the year to June 2024. We are seeking expressions of interest in this role for the year from 1 July 2024.

Our Growers

As we have already noted, 2023 was a very challenging year with weather events impacting crops across the growing regions. We have had Growers suffering significant losses with their orchards devastated by Cyclone Gabrielle whist a few others had minimal impact. With lower crop volumes Zespri returns per tray have increased which has provided some respite to those Growers who were able to harvest a crop, but for some Growers, they have decided not to rebuild their orchards and we wish those Growers all the best for the future. For those Growers who have significant rebuilds ahead of them we trust that the orchards come back quickly into production.

We would like to thank our grower shareholders who have supported us with their business during these difficult times.

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 2023 and will remain so in 2024 and beyond.

2024

The 2024 season is shaping up to be a much better crop volume year than 2023 which will be welcome news to all participants in the industry.

EastPack is a volume business and with the business geared up to pack a forecast volume of 50 million trays, it will allow the company to make a reasonable profit and be able to continue to invest but also return dividends to our loyal shareholders.

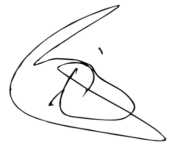
We are seeing increasing numbers of backpackers coming into the country, looking for work in the kiwifruit industry and with good RSE numbers, we have high confidence that the business will be manned at the required level to pack Growers' fruit in a timely manner. Our management team are ready to navigate the challenges that may present and will be looking to manage the business as efficiently as possible to maximise profits and reward the capital that has been invested in EastPack.

Acknowledgements

2023 was a year of significant challenges with weather events and lower crop volumes. 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.

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 2024.

The Directors, management and staff are committed to building on a prosperous future for EastPack and our Growers, so we can keep delivering high service to our Growers and consistent returns for our shareholders.



John Loughlin
Chairman

Hamish Simson
Chief Executive Officer

Board Succession – Retirement of John Loughlin

As announced in December 2023, our Chair, John Loughlin, will retire in May 2024, handing over the role of Chair to Braden Hungerford. John was appointed as a Director of EastPack in May 2015. In 2016, John was appointed as Chairman.

John has brought a wealth of knowledge and experience to EastPack, with over 30 years involvement in agribusiness, including being CEO of Richmond Meats, 11 years on the Board of Zespri Group from 2002 to 2013, Chairman of the Meat Industry Association and Chairman of Rockit Apples. He has extensive governance experience having been a director of Toll NZ, Port of Napier, Metlifecare, Powerco and Bluelab.

John has been a great leader and supporter of both EastPack and the wider kiwifruit industry during his tenure on the Board. He is well-respected by his fellow Directors, management and the wider EastPack team for his leadership ability, his passion for the businesses, the people in the business and his constant support for everyone involved at EastPack. He contributed in no small way to the development of the culture right across the EastPack business.

We would like to thank John for his outstanding contribution to EastPack over the past 10 years and the wider kiwifruit industry over the past 20 years.

Keeping Our Growers at Heart

EASTPACK ENTITY TRUST

Robert Humphries
Chairman

The EastPack Entity Trust (EET) plays an important part of the structure between EastPack, Zespri and our Growers.

EET maintains Grower funds separate from EastPack and therefore protects Grower funds from any adverse outcome that might affect EastPack as a company. The EET Forum provide guidance to EastPack and Zespri on matters pertaining to Growers.

The EET Forum is made up of representatives of EastPack Growers who act as Advisors to the Trustee of EastPack Entity Trust. The EET Forum is made up of representatives from the various growing regions. In the Bay of Plenty; Robert Humphries (Chairman), Andrew Dunstan, Brett Wotton, John Bourke, John Gibson, Murray Holmes, Rikki James, Sandra Clink, Seth Pardoe, Simon Pieters, Malkit Singh, Sam Coxhead 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 Braden Hungerford were EastPack Board representatives on the EET Forum in 2023.

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 as Trustee representatives at the EET Forum. The EET Forum as advisers to the trustee are tasked with:

- Helping increase the Net OGR of EastPack Growers by providing feedback to the cooperative and assisting in the dissemination of information back to our Growers.
- Suggesting ways to increase EastPack Growers' profitability and overall wealth.

The EET Forum also appoint a representative on the NZKGI Forum. EET's NZKGI representative is Robert Humphries who is also on the NZKGI Executive Committee.

> **THE EET FORUM PROVIDE GUIDANCE TO EASTPACK AND ZESPRI ON MATTERS PERTAINING TO GROWERS.**

The Forum met formally seven times over the 2023 calendar year along with a number of email consultations between Forum members and teleconference calls/electronic meetings 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 2023, the Forum considered a number of matters including:

- Considering the impact of the increased storage rates on the pool rules and the incentivisation of Growers to produce a good storing crop. Following the review which included detailed modelling, the Forum agreed to change the pooling ratios for Gold and Hayward from 40% Direct/ 60% Pooled to 50/50 for the 2024 season.
- Review of the performance of EastPack's Controlled Atmosphere for Gold for the 2022 season.
- Formation of a Contract Review Subcommittee to the Forum which reviewed the full contractual arrangements between Growers and Zespri, EET and EastPack. Following this review a number of changes have been made to various contracts within this contractual framework.
- Receiving an updated EET Reference Guide – this guide outlines how EET operates but also how grower funds are distributed through the various pool mechanisms. This is an important document available to all EET Growers.
- Completing a review of the Harvest Auditing systems used by EastPack – a number of changes have been recommended for implementation in the 2024 season.
- Considering at length whether Zespri should adjust time rates for Hayward Mainpack Growers given the early shipping of a low volume crop and the disparity between Kiwistart and Mainpack returns in 2023.
- Reviewed the option of Select Picking and whether the industry should be supporting select picking in 2024.
- Advising EastPack on industry consultation matters.
- Reviewing end of season pooling adjustments.

The Forum through the year monitored industry fruit performance and delivery of quality following the poor quality year experienced in 2022. Given the much smaller crop and early shipping, 2023 did not have significant quality issues and the Forum will continue to monitor industry fruit performance in 2024 when volumes are expected to rebound and pressures on capacity will likely arise.

The Trustee thanks the current Grower representatives on the EET Forum for their service to all Growers and look forward to continuing guidance from the EET Forum members.

Sustainability matters

SUSTAINABILITY

EastPack has continued its Sustainability journey in 2023 and has had its Greenhouse Gas Emissions (GHG) measured for its second year being the financial year to 31 December 2022. It was pleasing to see emissions drop from 2021 which was our base year.

Toitu Envirocare have audited our emissions and we have been certified as a Toitu Carbonreduce organisation. The total verified emissions for the 2022 calendar year was 21,136 tCO2e which compares to 22,773 tCO2e in 2021 a 7.2% decrease in total emissions. This is summarised in Figure 1.

Our top 10 Greenhouse Gas emissions are as per Figure 2. We have 3 key emissions being packaging, electricity and road freight. These emissions are driven to a large extent by the volume of fruit we pack cool and store, and how quickly Zespri ships the fruit. Following the lead of other businesses, we have set our measurement targets and results in future based on a production metric of kiwifruit trays packed as follows:

	2022	2021
	TOTAL EMISSIONS	TOTAL EMISSIONS
Total Net Emissions	**21,135**	**22,772**
Intensity Measures		
Trays Packed (Class 1 and 2 Trays packed (per 100,000)(Gross tCO2e/each)	45	46
Operating Revenue (Gross tCO2e/$ millions)	94	101

At an intensity measure level, we have made a small improvement from 2021 to 2022 on a per tray basis.

On the packaging side, we need to rely on the work completed by Zespri in this regard and as per the Zespri 2023 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.

Figure 1. **Comparison of gross emissions by category**

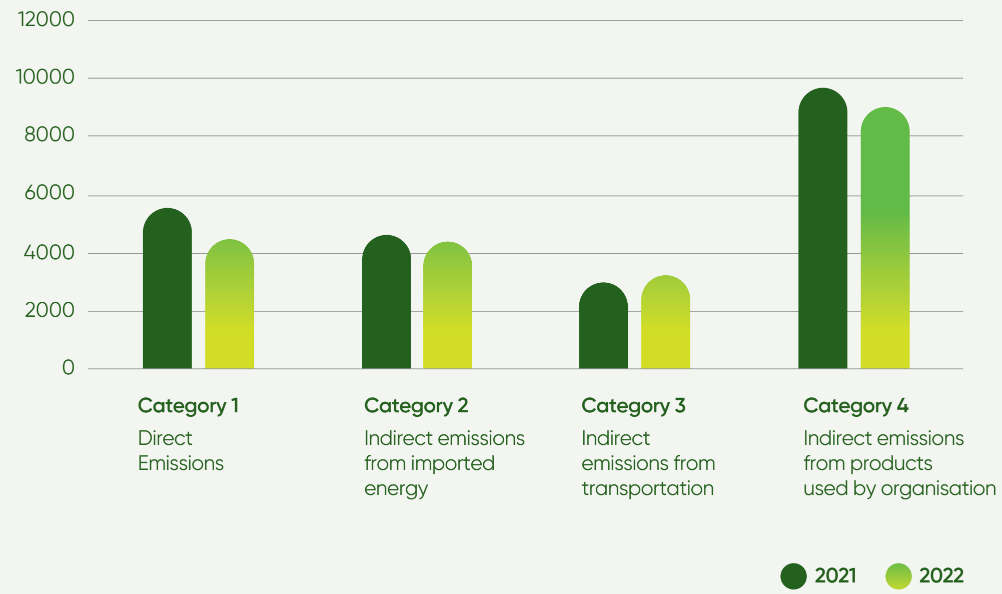
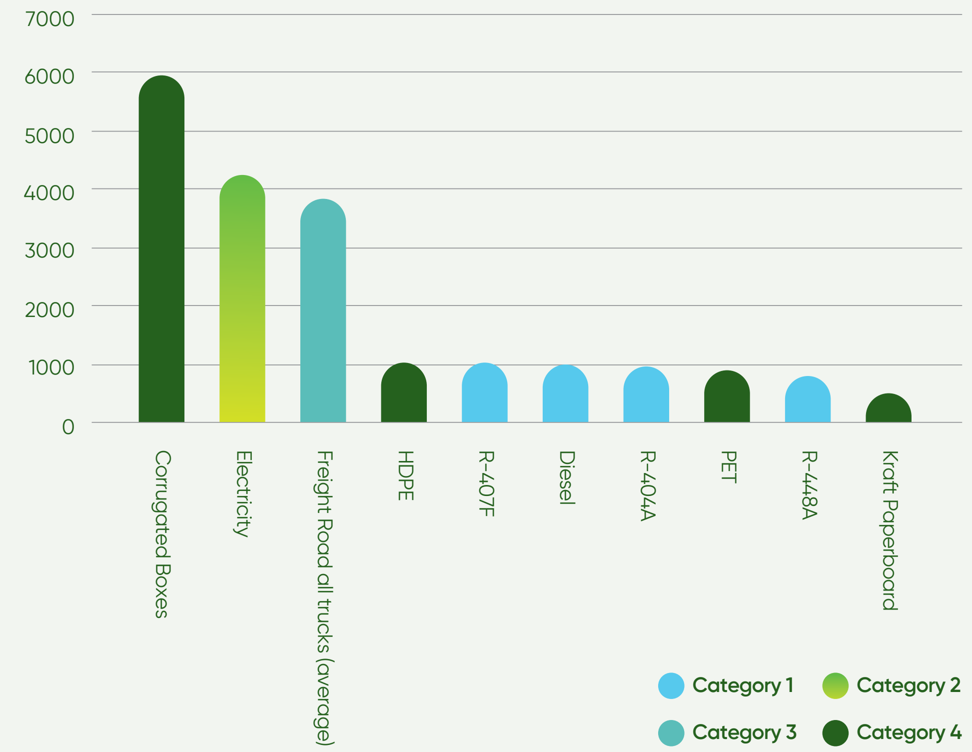


Figure 2. **Top 10 GHG emissions (tonnes CO_2e) by Source**



"

SUSTAINABILITY IS NOT JUST ABOUT CARBON AND WE NEED TO TAKE ESG (ENVIRONMENT, SOCIAL, GOVERNANCE) AS A WHOLE.

We continue to monitor electricity usage very closely and in 2023 further initiatives based off the data sets and monitoring has seen further gains on a volume-basis. We have installed further control systems to manage fan speeds and cooling in coolstores to optimise electricity consumption.

Refrigerants collectively are our fourth largest source of emissions. In 2023 we have commissioned new CO_2 plant to replace older style refrigeration at a series of coolstores at our Washer Road site. The impact on the Global Warming Potential (GWP) of the plant is expected to take the GWP for these coolstores from over 3,000 to 1.

Road transport is an on-going challenge to reduce, and we will be reliant on new technologies for energy efficient trucks (electric/hydrogen) in the future. However, in the meantime our strategy is to ensure we utilise our transport as effectively as possible with back fill loads etc and requiring our suppliers to utilise efficient shipping methodologies.

Sustainability is not just about carbon, and we take ESG (Environment, Social, Governance) as a whole.

Environmental criteria examine how a business performs as a steward of our natural environment, and we have been focussed on management of waste and reducing landfill, increasing recycling and improving stormwater management.

Social criteria look at how the company treats people, and we have been focussed on our staff management, staff welfare and health and safety. We measure employee engagement and have been pleased to see our engagement scores continue to increase, particularly in view of the tough period in the last few years with Covid and labour shortages. We have seen our people grow and were pleased to see 2 internal promotions to Site Manager level in 2023.

EastPack is a high pressure business operating 24/7 during the peak kiwifruit season. We monitor hours worked closely to ensure our people do not work unreasonable hours. We have also implemented improved shift management processes 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.

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 support and utilise a wide range of local businesses. The RSE scheme is an effective source of support to the island communities where these workers come from.

Governance criteria examines how a corporation polices itself and how the company is governed.

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 has implemented a Tax Strategy in 2023 which documents a conservative approach to tax management. The company makes no political donations.

In 2024, we will measure the company's carbon emissions for the 2023 year and will continue to develop and improve our sustainability platforms.

Acting and leading with integrity

STATEMENT OF CORPORATE GOVERNANCE

Good corporate governance is acting and leading with integrity and maintaining a high standard of business ethics, underpinned by written policies and procedures which ensure that the culture and expectations are clearly understood and respected throughout EastPack.

The Board considers it essential that a high standard of corporate governance practices is in place across the organisation, starting with the Directors themselves at Board level. This section provides an overview of the key elements of EastPack's corporate governance framework.

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

Financial Statements

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

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

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

Board of Directors

The Company's constitution requires a minimum number of five shareholder Directors, and all of those shareholder Directors shall hold Ordinary Shares unless otherwise determined by ordinary resolution. The maximum number of Directors is nine.

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

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

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

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

The primary responsibilities of the Board include:

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

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

Conflicts of Interest and Related Parties

Directors disclose any general and specific interests that could conflict with their obligations to the Company. The Company maintains a register of disclosed interests. Transactions with related parties and balances outstanding relating to the year ending 31 December 2023 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 Audit Committee is to assist the Board of Directors in fulfilling its responsibilities and regulatory compliance relating to the accounting and reporting practices of EastPack and each of its Subsidiaries. In addition, the Committee:

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

This committee is chaired by Mark Yeoman.

Health and Safety Committee

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

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

This committee comprises the full Board and is chaired by Braden Hungerford.

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 Mark Giles.

Directors' Remuneration Committee

The Committee comprises the Chairman of the Board and 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, Cathy Brown and Ray Sharp, with John Loughlin representing the Board. Ken Edkins stood down from the Committee in January 2023, and Cathy Brown was appointed in May 2023.

The Board also currently operate a Leadership Working committee.

Attendance at Meetings

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

Directors' Remuneration

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

Employee Remuneration

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

Entries in the Interests Register

In addition to the interests and related party transactions disclosures in note 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, P.T. Edkins, M.T. Giles, B.G. Hungerford, D.P. Jensen, M.R. McBride, and E.L. Sharp, own or have interests in orchards for which the Company provides services on normal commercial teams.

M.R. McBride owns a kiwifruit contracting businesses that provide labour and contracting services to Prospa Orchard Management Services Ltd 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.

J.J. Loughlin is the chairman of directors of Powerco Limited which reticulates electricity to six 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	2,454	-	-	128,405	4,906
Edkins P T	-	-	-	733,611	
Giles M T	16,563	-	-	48,651	33,127
Hungerford B G	16,563	-	-	1,492,750	33,127
Jensen D P	-	-	-	420,738	83,482
Loughlin J J	-	-	-	-	-
McBride M	-	-	-	5,080,682	-
Sharp E L	67,996	-	-	3,195,372	-
Yeoman M D	-	-	-	-	-

Remuneration and Other Benefits

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

	REMUNERATION 2023	REMUNERATION 2022
Barrett, D J	61,312	55,125
Edkins P T	32,156	-
Giles M T	59,418	58,937
Hungerford B G	57,750	30,417
Jensen D P	60,188	52,500
Loughlin J J	136,500	133,250
McBride M	61,438	52,500
Montgomery M J	13,344	52,500
Scott, N J	28,197	57,750
Sharp E L	32,156	-
Smit D M	-	21,875
Yeoman M D	59,916	-

D M Smit resigned as director in May 2022
B G Hungerford was appointed as a director in May 2022
M D Yeoman was appointed as a director in January 2023
M J Montgomery passed away in January 2023
N J Scott resigned as a director in May 2023
P T Edkins was appointed as a director in May 2023
E L Sharp was appointed as a director in May 2023

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	16
$110,000 - $119,999	14
$120,000 - $129,999	5
$130,000 - $139,999	9
$140,000 - $149,999	5
$150,000 - $159,999	8
$160,000 - $169,999	3
$170,000 - $179,999	2
$180,000 - $189,999	2
$200,000 - $209,999	2
$230,000 - $239,999	1
$260,000 - $269,999	2
$290,000 - $299,999	1
$310,000 - $319,999	1
$320,000 - $329,999	1
$330,000 - $339,999	1
$340,000 - $349,999	1
$1,070,000 - $1,079,999	1

Donations

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

Use of Company Information

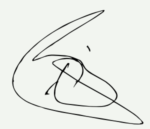
The Board received no notices during the year from directors requesting the use of Company information received in their capacity as directors which would not have been otherwise available to them.

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
7 March 2024

Top 20 Shareholders 2023

SHAREHOLDER	ORDINARY SHARES HELD
TRINITY LANDS LIMITED	7,338,366
FRONTIER ORCHARDS LIMITED PARTNERSHIP	4,546,817
PINE VALLEY ORCHARD LIMITED	2,744,112
WOTTON TRUST	2,690,977
CAPE FRUIT COMPANY LIMITED	2,463,835
BAYVIEW ESTATE (2017) LIMITED	1,686,218
CAROL FRANKLIN	1,685,462
RON FLOWERS & JOHN FLOWERS	1,674,456
BLENNERHASSETT & SON LIMITED	1,624,905
REEKIE ORCHARDS LIMITED	1,605,391
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
WALT GOLDSMITH	991,435
OTARA LAND COMPANY LIMITED	966,313

Financial Statements

For the year ended 31 December 2023

Consolidated Income Statement

For the year ended 31 December 2023

	NOTES	2023 ($000's)	2022 ($000's)
Revenue	1	212,574	234,158
Packaging materials		(34,975)	(41,427)
Employee benefits expense		(84,659)	(106,067)
Directors compensation		(579)	(515)
Other expenses	2	(54,331)	(47,819)
		(174,544)	(195,828)
Earnings before net finance costs, tax, depreciation and fair value adjustments		**38,030**	**38,330**
Depreciation	9, 15	(23,061)	(22,785)
Earnings before net finance costs, tax and fair value adjustments		**14,969**	**15,545**
Finance Income including unrealised gain on derivatives		94	431
Interest expense		(14,999)	(6,997)
Net finance Costs		(14,905)	(6,566)
Net profit before taxation		**64**	**8,979**
Taxation expense	4	(160)	(2,389)
Net profit/(loss) after taxation		**(96)**	**6,590**
Earnings per share			
Basic and diluted earnings per share	5	$0.00	$0.06

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 ($000's)	2022 ($000's)
Net profit/(loss) after taxation		(96)	6,590
Items that will not be reclassified subsequently to profit or loss			
(Loss)/Gain on revaluation of property, plant and equipment, net of tax	6	(729)	-
Changes in the fair value of equity investments	6	(91)	(119)
Total items that will not be reclassified subsequently to profit or loss		**(820)**	**(119)**
Items that may be reclassified subsequently to profit or loss			
Movement in cash flow hedge reserve		(552)	500
Total items that may be reclassified subsequently to profit or loss		(552)	500
Total comprehensive (loss)/income for the year		**(1,468)**	**6,971**
Total comprehensive income attributable to:			
Owners of the company		(1,468)	6,971
Total comprehensive income for the year		**(1,468)**	**6,971**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	NOTES	SHARE CAPITAL ($000's)	OTHER RESERVES ($000's)	RETAINED EARNINGS ($000's)	Total ($000's)
Opening balance 1 January 2022		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 for the year		-	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
Net profit/(loss) after taxation		-	-	(96)	(96)
Other comprehensive income, net of tax	6	-	(1,372)	-	(1,372)
Total comprehensive income		-	(1,372)	(96)	(1,468)
Dividends paid	8	-	-	-	-
Reclassification on disposal of financial assets at FVOCI	6	-	-	-	-
Ordinary shares issued	7	1,858	-	-	1,858
Nil paid shares issued	7	1,372	-	-	1,372
Closing balance 31 December 2023		**48,073**	**73,166**	**70,023**	**191,262**

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

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

Consolidated Statement of Financial Position

As at 31 December 2023

	NOTES	2023 ($000's)	2022 ($000's)
Equity			
Share capital	7	48,073	44,843
Other Reserves	6	73,166	74,538
Retained earnings		70,023	70,119
Total equity		191,262	189,500
Non current liabilities			
Derivative financial instruments	24	354	-
Deferred taxation	4(b)	18,528	18,279
Borrowings	11	167,052	166,009
Lease liabilities	9(b)	3,023	3,391
Total non current liabilities		188,957	187,679
Current liabilities			
Borrowings	11	10,500	-
Lease liabilities	9(b)	2,002	1,806
Trade and other payables	12	17,828	22,343
Employee entitlements	13	2,287	2,328
Provision for taxation	4(e)	-	978
Refunds due to resigned shareholders	10	-	67
Income in advance	14	1,144	1,705
Total current liabilities		33,761	29,227
Total funds employed/liabilities		413,980	406,406
Non current assets			
Property, plant and equipment	15	372,512	360,020
Right of use assets	9(a)	5,727	5,478
Derivative financial instruments	24	377	1,126
Investments	16	1,685	1,637
Total non current assets		380,301	368,261
Current assets			
Cash and cash equivalents	18	1,076	6,486
Trade and other receivables	17	20,043	21,419
Provision for taxation	4(e)	305	-
Biological assets	19	4,109	4,092
Inventories	20	8,146	6,148
Total current assets		33,679	38,145
Total assets		413,980	406,406

For and on behalf of the Board

John Loughlin *Chairman*
7 March 2024

Mark Yeoman *Director*
7 March 2024

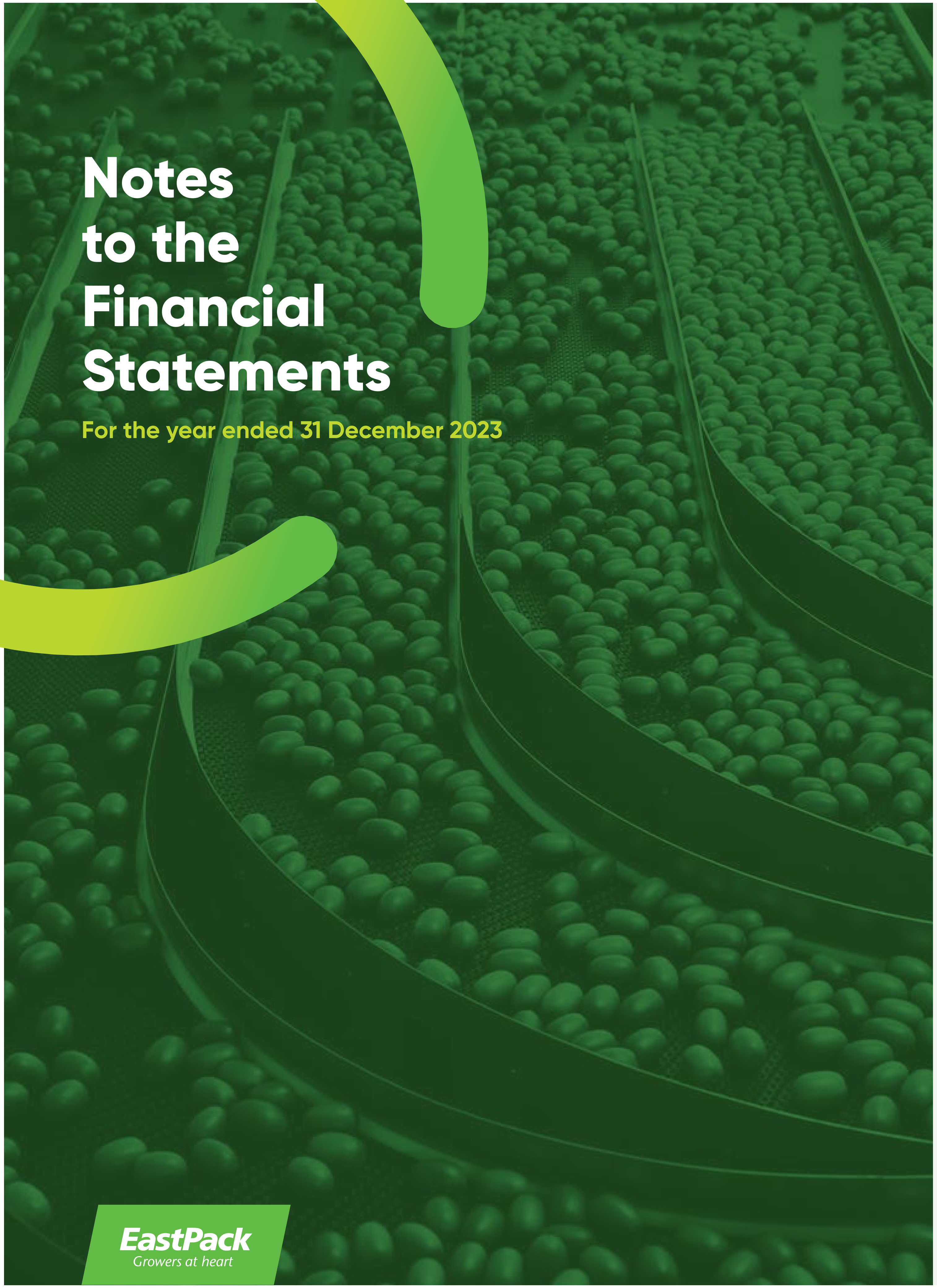
These financial statements should be read in conjunction with the Notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTES	2023 ($000's)	2022 ($000's)
Cashflows from operating activities			
Cash was provided from:			
Receipts from customers		214,215	232,183
Interest received		701	375
Dividends received		248	407
		215,164	232,965
Cash was applied to:			
Payments to suppliers and employees		(184,199)	(198,025)
Interest paid		(14,415)	(6,709)
Lease interest paid		(329)	(288)
Taxation paid		(1,134)	(4,372)
		(200,077)	(209,394)
Net cash flows from operating activities	3	15,087	23,571
Cashflows from investing activities			
Cash was provided from:			
Sale of investments		-	468
		-	468
Cash was applied to:			
Purchase of property, plant and equipment		(31,349)	(70,141)
		(31,349)	(70,141)
Net cash flows from investing activities		**(31,349)**	**(69,673)**
Cashflows from financing activities			
Cash was provided from:			
Issue of ordinary shares		1,891	-
Proceeds from bond issuance		-	26,509
Proceeds from borrowings		11,543	26,000
		13,434	52,509
Cash was applied to:			
Payment of lease liability		(2,582)	(1,710)
Payment of dividends		-	(4,168)
Redemption of shares		-	(407)
		(2,582)	(6,285)
Net cash flows from financing activities		**10,852**	**46,224**
Net (decrease)/increase in cash and cash equivalents		(5,410)	122
Opening cash and cash equivalents		6,486	6,364
Closing cash and cash equivalents	18	**1,076**	**6,486**

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 2023

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, land improvements 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 relevants notes.

The financial statements were approved by the Board of Directors on 7 March 2024. 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 2023 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.

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.

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 & 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.

Going concern Assumption

The Group's profitability for the year ended 31 December 2023 was adversely affected by a very low kiwifruit crop. The 2023 harvest was impacted by a significant frost event in October 2022, variable bud break in spring 2022, and Cyclones Halle and Gabrielle in early 2023. This has resulted in orchard yields overall being at record lows for the 2023 season.

The Group obtained agreement from its banking syndicate in October 2023 to waive the leverage ratio and interest cover ratio for the test date as at 31 December 2023. In addition the 30 June 2024 interest cover ratio has been reduced. The long term covenants return to agreed levels from 31 December 2024.

Forecasts have been completed for the 2024 season and following years and the outlook for the Group and the industry remains positive. Orchard yields are expected to return to more normal levels and annual crop volumes will grow as previous SunGold licence releases mature and reach full production, along with the continuing release of new SunGold and RubyRed licences by Zespri. The Directors have concluded that, based on the current information, there are no material uncertainties that the Group would not be able to comply with financial covenants in place for the 2024 financial year.

The Group's loan facilities expire on 16 October 2025 and 4 November 2025 (see note 11) and there is no indication that these would not be able to be refinanced at that time.

The financial statements have been prepared on a going concern basis.

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.

	2023 ($000's)	2022 ($000's)
Revenue from contracts with customers		
- Post harvest operations	183,464	207,771
- Orchard management	14,746	15,295
Total revenue from contracts with customers	198,210	223,066
Dividends received	248	407
Rent revenue	160	31
Interest revenue	701	375
Pollen revenue	3,148	882
Gain/(loss) on sale of investments	-	(4)
Other revenue	10,107	9,401
Total	212,574	234,158

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 on behalf of Growers.

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.

Principal versus agent relationship

A principal relationship is one where the Group has the performance obligation to provide the good or service directly and has control of the asset or the right to direct the asset. An agency relationship is one where the performance obligation is to arrange for the good or service on behalf of the supplier. The Group currently has agency relationships for the sale of non-class 1 fruit.

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.

	2023 ($000's)	2022 ($000's)
Administration costs	6,300	5,945
Electricity	7,364	8,895
Insurance	4,925	4,401
Leased orchard expenses	7,945	8,681
Licence fees	3,701	3,847
Loss compensation	487	416
Plant and equipment hire	1,051	1,801
Repairs and maintenance	5,185	5,803
Research & development	105	-
Software as a service	823	1,613
Sponsorship	22	93
Sundry packaging expenses	1,651	2,011
Transport costs	1,538	826
Vehicle expenses	1,755	1,747
Wharf costs	603	664
Auditors remuneration:		
Amounts paid or payable to the auditors for:		
Auditing the financial statements – KPMG		
FYE 2023	140	-
FYE 2022	11	118
Note Issue Registry assurance services – KPMG		
FYE 2022 and 2023	8	-

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

	2023 ($000's)	2022 ($000's)
Net profit/(loss) after tax	(96)	6,590
Add/(less) Non cash items		
Depreciation	23,061	22,785
Bonus issue of shares in unlisted companies	(139)	(189)
Deferred tax expense/(income)	(183)	(362)
Derivative financial (income)/expense	(94)	(431)
	22,645	21,803
Movement in Working Capital		
(Decrease)/increase in trade and other payables, excluding movement relating to purchases of property, plant and equipment	(4,938)	4,857
(Decrease)/increase in employee entitlements	(41)	(151)
Decrease/(increase) in trade and other receivables	1,376	(4,347)
(Increase)/decrease in biological assets	(17)	4
(Increase)/decrease in inventory	(1,998)	(3,832)
(Decease)/increase in income in advance	(561)	459
(Decrease)/increase in provision for tax	(1,283)	(1,731)
	(7,462)	(4,741)
Items classified as investing/financing activities		
Loss/(gain) on sale of investments	-	4
Loss/(gain) on sale of property, plant and equipment	-	(85)
	-	(81)
Net cash flow from operating activities	15,087	23,571

NOTE 4. Income tax

	2023 ($000's)	2022 ($000's)
Current tax expense/(income)	343	2,751
Deferred tax expense/(income)	(183)	(362)
	160	2,389

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	2023 ($000's)	2022 ($000's)
Income tax at 28% (2022: 28%)	18	2,514
Tax effect of		
- Non deductible expenses	28	84
- Non assessable income	(7)	(6)
- Imputation credits received	(66)	(30)
- Recognise deferred tax on buildings now depreciable	-	-
- Prior period adjustments	(7)	(12)
- Adjustments to deferred tax	194	(161)
Income tax expense	160	2,389

b) Deferred taxation balances	2023 ($000's)	2022 ($000's)
Deferred tax assets		
Stock obsolescence	5	52
Employee entitlements	442	452
Trade and other payables	57	103
Cash flow hedge	(20)	195
Tax losses recognised	1,328	-
Trade and other receivables	(80)	251
	1,732	1,053
Deferred tax liabilities		
Property, plant and equipment	(18,686)	(17,790)
Biological assets	(1,574)	(1,542)
	(20,260)	(19,332)
Net deferred tax assets/(liabilities)	(18,528)	(18,279)

c) Deferred taxation movements recognised in income	2023 ($000's)	2022 ($000's)
Deferred tax assets		
Stock obsolescence	(47)	(227)
Employee entitlements	(10)	(60)
Trade and other payables	(46)	36
Tax losses recognised	1,328	-
Trade and other receivables	(331)	219
	894	(32)
Deferred tax liabilities		
Property, plant and equipment	(679)	588
Biological assets	(32)	(194)
	(711)	394
Net deferred tax income/(expense)	183	362

NOTE 4. Income tax (continued)

d) Deferred taxation movements in equity	2023 ($000's)	2022 ($000's)
Deferred tax		
Cash flow hedge	121	(195)
Property, plant and equipment	(215)	-
	(94)	(195)

e) Provision for Taxation	2023 ($000's)	2022 ($000's)
Balance as at 1 January	(978)	(2,709)
Net current year movement	-	(2,946)
Income tax payments during the year	1,134	4,873
Prior period adjustments	149	(196)
Balance as at 31 December	305	(978)

f) Imputation Credit Account	2023 ($000's)	2022 ($000's)
Imputation credits available for use in subsequent reporting periods	25,967	25,464

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.

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

	2023 ($000's)	2022 ($000's)
Profit/(loss) attributable to ordinary shareholders	(96)	6,590
Total number of ordinary shares issued and fully paid at 31 December	105,907,968	104,624,088
Weighted average number of ordinary shares issued and fully paid at 31 December 2023	105,665,408	103,936,139
Basic earnings per share - Ordinary Shares	$0.00	$0.06
Diluted earnings per share - Ordinary Shares	$0.00	$0.06

The calculation of basic and diluted earnings per share is based on profit/(loss) 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 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**
Balance as at 1 January 2023	73,654	500	384	74,538
Revaluation - gross	(514)	-	(91)	(605)
Deferred tax	(215)	-	-	(215)
Fair value movement on hedging instruments	-	(673)	-	(673)
Deferred tax	-	121	-	121
Other comprehensive income	(729)	(552)	(91)	(1,372)
Balance as at 31 December 2023	**72,925**	**(52)**	**293**	**73,166**

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

	2023 NUMBER OF SHARES	2022 NUMBER OF SHARES	2023 ($000'S)	2022 ($000'S)
Ordinary Shares as at 1 January	104,650,797	104,615,811	44,843	44,805
Shares issued under dividend reinvestment programme	-	34,986	-	38
Ordinary shares issued	1,283,880	-	1,858	-
Nil paid shares issued	987,239	-	1,372	-
Ordinary Shares Balance as at 31 December	106,921,916	104,650,797	48,073	44,843

At reporting date there were 106,922,811 shares on issue which comprises 105,908,863 fully paid shares and 1,013,948 Nil Paid shares. Nil paid shares are shares that have been issued to shareholders but have payments due in future periods to convert these into fully paid shares. No dividends are payable on nil paid shares.

In February 2023, the Company completed a share issue for undershared Growers. Growers had the option of acquiring their full complement of shares at $1.42 per share or have their full complement issued over a 2 year period issued at $1.50 per share payable one third February 2023, one third in February 2024 and a final instalment in February 2025. 785,460 shares were issued fully paid at $1.42 per share. 495,086 shares were issued fully paid at $1.50 per share with instalments due on 990,573 shares at $1.50 in future periods. At reporting date 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 7.03%.

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. Distributions to owners

	2023 ($000's)	2022 ($000's)
Ordinary shares - dividend paid	-	4,168
Ordinary shares - share issued under dividend reinvestment programme	-	38

No dividend has been paid (2022: 4.0 cents per share).

Note 9. Leases

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

	LAND BUILDINGS AND IMPROVEMENTS ($000's)	OTHER PLANT AND EQUIPMENT ($000's)	TOTAL ($000's)
a) Right of use assets			
2023			
Opening book value 1 January 2023	1,689	3,789	5,478
Movement on Transition from completed leases (note 15)	-	-	-
Additions	1,258	1,152	2,410
Depreciation for the period	(958)	(1,203)	(2,161)
Closing book value 31 December 2023	**1,989**	**3,738**	**5,727**
Cost	6,202	7,178	13,380
Accumulated Depreciation	(4,213)	(3,440)	(7,653)
	1,989	3,738	5,727
2022			
Opening book value 1 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

	MINIMUM LEASE PAYMENTS ($000's)	INTEREST ($000's)	PRESENT VALUE ($000's)
b) Lease liabilities			
2023			
Within one-year	2,217	(215)	2,002
One to five years	3,236	(213)	3,023
Beyond five Years	-	-	-
Total	**5,453**	**(428)**	**5,025**
Current			2,002
Non-current			3,023
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)

	2023 ($000's)	2022 ($000's)
c) Lease expenses included in profit or loss		
Interest	329	288

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 4.5% 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

	2023 ($000's)	2022 ($000's)
Balance as at 1 January	67	474
Movement during the year	(67)	(407)
Balance as at 31 December	-	67
This is represented by:		
Current liability	-	67
Non-current liability	-	-
	-	67

Refunds due to resigned transactor shareholders are to shareholders who resigned as transactor shareholders from the Company, prior to the share conversion on 19 June 2020. Final refunds due were made in June 2023. Refunds due to these shareholders were unsecured and repayable by the Company over a three year period after resignation was accepted by the Board.

Note 11. Borrowings

	2023 ($000's)	2022 ($000's)
Banking facility	150,500	139,500
Subordinated note	28,810	28,810
Subordinated note issue costs	(1,758)	(2,301)
Total	177,552	166,009
Current portion	10,500	-
Non current portion	167,052	166,009
Total	177,552	166,009

The current portion represents borrowings which have a maturity date of less than twelve months from reporting date. The Group secured a banking facility in 2022 with a syndicate of 3 banks (ASB Bank, Rabobank, and Bank of New Zealand) with a total facility of $205m (2022: $205m). 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 7.4% to 7.53% (2022: 6.35% to 6.42%).

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 9.15% interest rate for the year to 16 December 2024. 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 were 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 obtained agreement from its banking syndicate in October 2023 to waive the leverage ratio and interest cover ratio for the test date as at 31 December 2023. In addition the 30 June 2024 interest cover ratio has been reduced. The long term covenants return to agreed levels from 31 December 2024.

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

	2023 ($000's)	2022 ($000's)
Trade payables	6,456	8,775
Sundry payables	5,890	7,533
GST payable	2,215	695
Related party payables (note 21)	3,267	5,340
Total	17,828	22,343

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.

	2023 ($000's)	2022 ($000's)
Balance as at 1 January	2,328	2,479
Net movement in provision	(41)	(151)
Balance as at 31 December	2,287	2,328
This is represented by:		
Current liability	2,287	2,328
Non-current liability	-	-
Total	2,287	2,328

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

	2023 ($000's)	2022 ($000's)
Income in advance	1,144	1,705

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 2023. 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 2023 reflects the performance obligation required to be met in 2024.

Note 15. Property, plant and equipment

	2023			2022		
	COST/ VALUATION ($000's)	ACCUMULATED DEPRECIATION ($000's)	BOOK VALUE ($000's)	COST/ VALUATION (RESTATED*) ($000's)	ACCUMULATED DEPRECIATION (RESTATED*) ($000's)	BOOK VALUE (RESTATED*) ($000's)
Buildings	285,307	58,283	227,024	233,173	50,493	182,680
Land and improvements	48,298	4,072	44,226	49,355	3,694	45,661
Plant and equipment	204,972	118,232	86,740	175,344	106,197	69,147
Furniture and fittings	7,894	3,741	4,153	7,421	3,044	4,377
Capital work in progress	10,369	-	10,369	58,155	-	58,155
Total	556,840	184,328	372,512	523,448	163,428	360,020

***Reclassification of Property, Plant and Equipment**

Following review of asset classes disclosed in Property, Plant and Equipment, Refrigeration Coolstore plant and equipment additions in the financial statements to 31 December 2022 have been reclassified from Plant and Equipment to Buildings. The Refrigeration coolstore plant and equipment is a component of the building asset. These assets classified as Plant and Equipment, with a cost of $7.4m, have been re-classified as Buildings as at 1 January 2023. 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:

	2023 ($000's)	2022 (RESTATED) ($000's)
Buildings	165,229	114,214
Land and improvements	23,148	23,299

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 28 November 2023 by independent registered valuer, Paul Higson (ANZIV, MPINZ) and Michael Reay (ANZIV, MPINZ) of the firm CBRE ("valuer").

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 (8.25% - 9.25%) 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	2023 ($000's)	2022 ($000's)
Impact of valuation		
Revaluation through profit and loss	-	-
Revaluation through asset revaluation reserve	(514)	-
	(514)	-

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)
2023						
Reported balance at 31 December 2022	175,239	45,661	76,588	4,377	58,155	360,020
Reclassification of assets from December 2022*	7,441	-	(7,441)	-	-	-
Restated balance at 1 January 2023	182,680	45,661	69,147	4,377	58,155	360,020
Additions	-	-	7,813	150	26,119	34,082
Transfers from Capital WIP	51,364	227	21,990	324	(73,905)	-
Revaluations	770	(1,284)	-	-	-	(514)
Disposals	-	-	(175)	(1)	-	(176)
Depreciation expense	(7,790)	(378)	(12,035)	(697)	-	(20,900)
Carrying amount at 31 December 2023	227,024	44,226	86,740	4,153	10,369	372,512

	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 1 January 2022	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
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

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.

Note 15. Property, plant and equipment (continued)

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.

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

	2023 ($000's)	2022 ($000's)
Financial instruments held at fair value through other comprehensive income	1,610	1,562
Investments in associates	75	75
	1,685	1,637
a) Financial instruments held at fair value through other comprehensive income		
Shares in unlisted companies	1,610	1,562
Shares		
Opening balance	1,562	2,149
Additions	139	189
Disposals	-	(657)
Revaluation	(91)	(119)
Total investments in shares	**1,610**	**1,562**

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

	2023 ($000's)	2022 ($000's)
b) Investments in associates		
The Nutritious Kiwifruit Company Ltd	75	75
	75	75

Note 16. Investments (continued)

Associate companies	2023 PERCENTAGE HELD	2022 PERCENTAGE HELD	BALANCE DATE	INCORPORATED IN
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 2023 has been incorporated in these financial statements.

c. Subsidiaries

Subsidiaries:	2023 PERCENTAGE HELD	2022 PERCENTAGE HELD	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

	2023 ($000's)	2022 ($000's)
Trade receivables	10,750	12,073
Expected credit loss allowance	(34)	(158)
Accrued income and sundry receivables	4,942	5,601
Prepayments	4,374	3,826
Related party receivables	10	23
Associate receivables	1	54
Balance at 31 December	20,043	21,419

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

	2023 ($000's)	2022 ($000's)
Funds in bank	1,076	6,486

Accounting Policy

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

	2023 ($000's)	2022 ($000's)
Balance at 1 January	4,092	4,096
Costs capitalised	4,109	4,092
Costs released to profit and loss	(4,092)	(4,096)
Balance at 31 December	4,109	4,092

Accounting Policy

Biological assets represent the value of developing the fruit on leased orchards that is 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

	2023 ($000's)	2022 ($000's)
Packaging stock	4,101	3,798
Pollen stock	3,713	1,863
Provision for obsolescence	(17)	(186)
Other materials and chemicals	349	673
Balance at 31 December	8,146	6,148

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

Note 20. Inventories (continued)

Accounting Policy

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:

	2023 ($000's)	2022 ($000's)
Short-term employee benefits (including directors remuneration)	4,045	3,828

Transactions with entities controlled by key management personnel and directors.

Post-harvest charges, other revenue 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 rates consistent to those charged to other Growers and pay for these charges via the EastPack Entity Trust. Other revenue is received for the sale or provision of goods and services.

	2023 ($000's)	2022 ($000's)
Other revenue	4,772	4,405
Post-harvest charges	15,547	13,976

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:

	2023 ($000's)	2022 ($000's)
Dividends	-	706

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:

	2023 ($000's)	2022 ($000's)
Consulting & Orchard contractor charges	283	633
Operating lease costs	227	965
Kiwifruit bin cartage	4,494	5,487

Note 21. Transactions with related parties (continued)

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 $194,288,543 (2022: $201,973,318) for the provision of services to EastPack Entity Trust. EastPack Limited paid EastPack Entity Trust $203,712 (2022: $1,126,353) for second hand packaging. A balance of $3,266,562 (2022: $5,339,834) was payable to EastPack Entity Trust as at 31 December 2023 (note 12).

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

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).

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 (2022: $Nil).

Note 22. Financial risk management

(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:

	2023 ($000's)	2022 ($000's)
Cash and cash equivalents	1,076	6,486
Trade and other receivables	20,043	21,419

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

	2023		2022	
	Gross ($000's)	Impairment ($000's)	Gross ($000's)	Impairment ($000's)
Not yet due	10,486	-	14,674	-
Overdue 0-31 days	1,430	-	1,192	-
Overdue 31-91 days	1,777	-	742	-
Overdue 93-184 days	975	-	804	-
Overdue more than 184 days	1,034	34	285	158
Total trade and other receivables excluding prepayments	15,702	34	17,697	158

Note 22. Financial risk management (continued)

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 $34,000 (2022: $158,000).

(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.

2023	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	150,500	160,025	5,224	5,224	149,577	-	-
Subordinated note	27,052	39,354	1,318	1,318	2,636	34,082	-
Lease liabilities	5,025	4,743	1,441	1,090	1,170	1,042	-
Trade and other payables	17,828	17,828	17,828	-	-	-	-
Refunds due to resigned shareholders	-	-	-	-	-	-	-
	200,405	221,950	25,811	7,632	153,383	35,124	-

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	-
Subordinated note	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	-

(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 +/- $1,793,000 (2022: +/- $1,683,000) if the interest rate change was apparent for the full year and assuming a full drawdown on the borrowings of $179.3m. There are no other significant interest bearing financial instruments subject to interest rate risk.

Note 22. Financial risk management (continued)

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.

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
2023	15,000	5.270%	5.655%	20 October 2025
	30,000	4.895%	5.630%	04 November 2025
	15,000	5.870%	5.655%	19 April 2024
	10,000	4.840%	5.625%	04 November 2025

	AMOUNT $000	HEDGE RATE	BANK INTEREST RATE	HEDGE EXPIRY
2022	60,000	6.685%	7.405%	19 October 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:	2023 ($000's)	2022 ($000's)
Total equity	191,262	189,500
Total assets	413,980	406,406
Shareholder equity ratio	**46%**	**47%**

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 $54.5 million remains undrawn as at balance date (2022: $65.5 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. The Company has determined that the subordinated notes are trading freely and at par value, therefore the fair value of the notes approximates their carrying value.

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.*

2023	LEVEL 1 ($000's)	LEVEL 2 ($000's)	LEVEL 3 ($000's)
Deriviative financial instruments – asset	-	377	-
Deriviative financial instruments – liability	-	(354)	-
Unlisted equity shares	-	1,610	-
Land and improvements and buildings	-	-	271,251
	-	1,633	271,251

2022	LEVEL 1 ($000's)	LEVEL 2 ($000's)	LEVEL 3 ($000's)
Deriviative financial instruments – asset	-	1,126	-
Unlisted equity shares	-	1,562	-
Land and improvements and buildings	-	-	220,900
	-	2,688	220,900

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 2023.

Discounted cash flow approach

The current market rental calculated under the income capitalisation approach is used to forecast net cash flows over a nine year period. Allowances are made for expected rental growth and estimated costs incurred to maintain the land & buildings. Having determined the net annual income, a terminal value is established using a terminal capitalisation rate (8.75% - 9.75%). Cash flows are discounted at a market related discount rate (9.00% - 10.00%). The present value of the aggregate of each cash flow establishes market value. This method assumes land & buildings are sold in the terminal year.

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

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 $4,011,000 and a decrease in the discount rate of 0.25% would increase the fair value by approximately $4,097,000.*
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 $3,225,000 and a decrease in the capitalisation rate of 0.25% would increase the fair value by approximately $3,401,000.*

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 (8.25% - 9.25%) that would be expected by a prudent investor.

Key unobservable input	*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 $7,354,000 and a decrease in the capitalisation rate of 0.25% would increase the fair value by approximately $7,788,000.*

Market comparison

Considers recent sales of other comparable type properties.

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

Valuer's assumptions

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

Note 24. Derivative financial instruments

	2023 ($000's)	2022 ($000's)
Interest rate swap asset	-	695
Interest rate swap liability	(354)	-
Electricity forward agreement asset	377	431

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.

	2023 ($000's)	2022 ($000's)
Estimated capital expenditure contracted for at balance date but not provided for:	2,603	12,703

Note 26. Contingent liabilities

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. This event is subject to an insurance claim which has been accepted by the insurance company but final settlement has not been completed.

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 26 to 57 present fairly, in all material respects:

i. the Group's financial position as at 31 December 2023 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement, statement 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.

Our firm has also provided other services to the Group in relation to Note Issue Register assurance engagement. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest 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

KPMG

and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1.8m 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.

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 and Improvements and Buildings	
As disclosed in note 15, the Group has Property, Plant and Equipment of $373 million including $271 million of Land and Improvements and Buildings. The Group has a policy of recording these assets at fair value with periodic valuations performed by an external independent valuer. An external valuer was engaged to perform a valuation as at 31 December 2023 resulting in a revaluation decrease of $514,000. 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: — Assessing the external valuer's competence, objectivity and independence. — Examining the valuation reports, critically assessing the methodologies, inputs and assumptions. — Inspecting management's reconciliation of the valuation reports to Fixed Asset Register. — 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 the Highlights, Chairman & CEO's Report, EastPack Entity Trust, Sustainability, 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.

KPMG

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards 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:

KPMG

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.

For and on behalf of

KPMG

KPMG
Tauranga

7 March 2024

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
Growers at heart

www.eastpack.co.nz