FUTURE PROOF.

Annual Report 2020

EastPack
Growers at heart

Future proof.

EastPack has been planning for the future challenges our industry will face for some years.

These challenges are starting to manifest with the ramp up in Gold volumes and labour shortages. We plan ahead and invest early so we are one step ahead at all times.

EastPack is confident that we have invested in the right technologies to ensure our Growers' needs are taken care of now and into the future.

Our investment in Research and Development has seen the company develop new technologies that are now being scaled into production and we look forward to using these to benefit our Growers in 2021 and beyond.

Find out more about our future-proofing strategies on page 28.

EastPack
Growers at heart


Your bottom line
is our top priority.

Growers at heart. Future in mind.

Contents.

EASTPACK HAS BEEN CAREFULLY PLANNING AND PREPARING FOR THE CHALLENGES THAT WE ARE FACING TODAY.

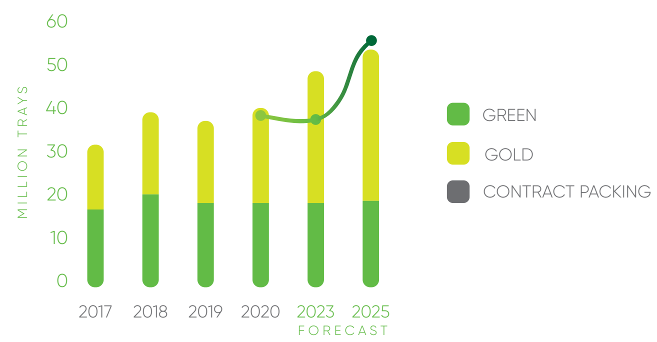
THEREFORE, ENSURING OUR GROWERS CAN FEEL CONFIDENT IN THE FUTURE.

41.4m

Trays packed in 2020

Up 9% on 2019. Gold volumes forecast to grow 55% in the next five years

CLASS 1 TRAYS PACKED

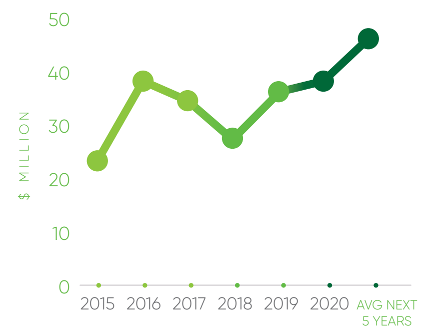


$38.7m

Invested in Capital Expenditure in 2020

$177.1m spent in the last five years but $230m forecast to be spent in the next five years

CAPITAL EXPENDITURE



$34.7m

EBITDAR (Earnings before Interest, Tax, Depreciation, Amortisation, Fair Value Adjustments and Rebates) in 2020

Down 6% on 2019 through increased volumes but impacted negatively due to Covid-19

* EBITDAR a non-GAAP measure is Earnings before Interest, Tax, Depreciation, Amortisation, Fair Value Adjustments and Rebates and is an important measure of the Group's performance that Directors use to monitor financial performance and compare to prior year performance. The change in capital structure in 2020 saw removal of the Transactor share rebate paid in 2019 and prior years.

3,320

Staff employed at peak in 2020

The future is in our hands.

EastPack is pleased to provide you with our 2020 financial report and review, one that reflects growth, despite the challenges of the past 12 months, and keeps a strong focus on our future so we can continue to overcome any further challenges that the industry will face.

In a year that was dominated by the Covid-19 pandemic, EastPack continued to operate as an 'essential business' which allowed our Growers to continue to pick fruit subject to constraints, and we continued to pack it, albeit under significant constraints.

For several years we have been carefully preparing for the challenges that we are facing for the 2021 crop through our investment in innovative technology and systems, and as a result, we are on track to be one of the most resilient post-harvest facilities in the industry. We are probably unique in focusing on achieving resilience at a much higher level of capacity.

When Eurofins Food and Water NZ announced it would not operate as the leading industry testing company in the Covid-19 environment in 2020, we brought all our clearance testing in-house and conducted it at our laboratory. Our staff adapted quickly and worked through all the challenges, resulting in a successful year, packing a record crop at the same time. We would like to give a special thanks to our staff for their commitment in times that were uncertain and, at times, frightening.

In 2020, EastPack packed a record 41.4m trays of kiwifruit for its Growers, up from the 38.0m trays of kiwifruit packed in 2019. Fine weather and the impact of Growers not needing to chase taste payments allowed for a smooth harvest season. We were delighted to be able to successfully pack that quantity of kiwifruit with limited harvest constraints over the short optimal picking window.

EastPack is a volume business and packing a record crop provided scale to help deliver a robust financial result, despite the challenges and additional costs of operating in the Covid-19 environment. The financial result was impacted by the reduction in revenue from packing fewer layered trays as the industry packed more fruit into bulk packs to improve throughput.

The cost of labour during the 2020 financial year was higher than standard as efficiency was lost in the Covid-19 environment and significant additional costs were incurred. EastPack did not apply for or receive any wage subsidy support from the Government.

EastPack received a one-off boost to profitability with the revaluation of its land and buildings, as part of its current two-yearly revaluation process. This resulted in an uplift of land and buildings of $30.1m, with $3.2m being recognised as a fair value adjustment through profit and loss, and the balance of $26.9m adding to revaluation reserve. The Government recently introduced deductibility of building depreciation which resulted in another boost to overall profitability with the reduction in the company's tax expense of $1.4m.

The global challenges of 2020 gave us the opportunity to view our business in a different light and develop new strategies to future proof our operations.

EastPack completed a process to have its balance sheet and funding lines in

HAMISH SIMSON
Chief Executive Officer

JOHN LOUGHLIN
Chairman

> EastPack is a volume business and packing a record crop provided scale to help deliver a robust financial result in light of the challenges of operating in the Covid-19 environment.

MIX OF SEASONAL WORKERS 2020

- 47.6% NZ SEASONAL STAFF
- 32.5% WORKING HOLIDAY VISA
- 18.3% RSE STAFF
- 1.6% STUDENT VISA

good order for the impending growth in Gold kiwifruit volumes from our Grower base over the next five years, and in expectation of the capital expenditure required to support that growth. In June 2020, the company restructured its share capital structure converting both its previous Transactor shares and Investor shares to new Ordinary shares. The Board would like to thank shareholders who voted overwhelmingly in support of the change in February 2020.

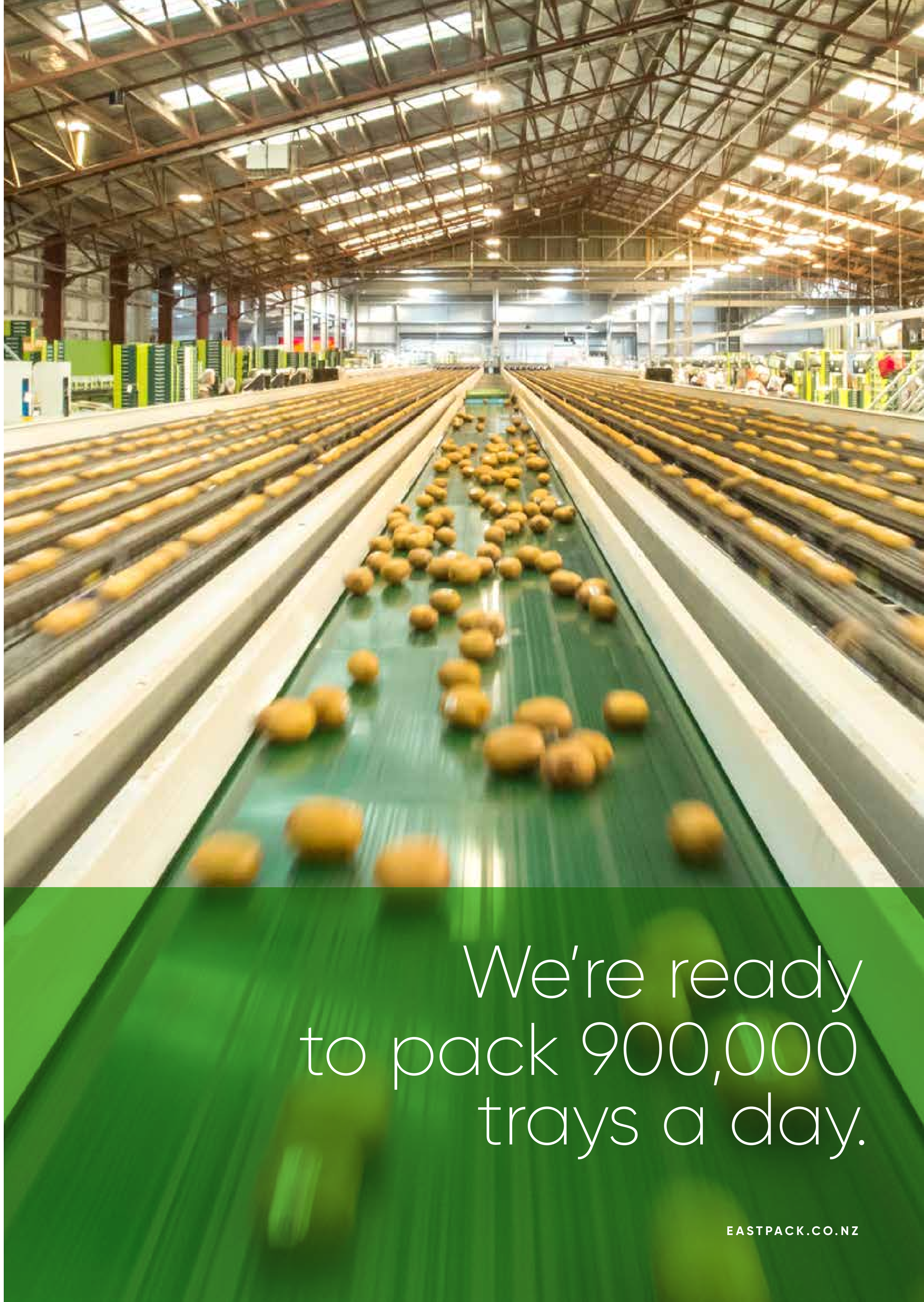
In mid-2020, the company went to market to obtain new banking arrangements following a long history of support from the BNZ. With the increasing level of borrowing required to support the business going forward, the decision was made to move to a syndicate of banks. The company has entered into a banking syndicate comprising four banks. The new facility allows the company to continue to invest in its infrastructure and provide the necessary capacity to pack, cool and store increasing volumes of fruit.

As we look ahead to 2021, we do so with optimism, and confidence as we have been future proofing for some time. However, the 2021 season is looking to be as challenging as 2020 with New Zealand borders firmly closed. Attaining the required staff to not just pack fruit for the season, but also harvest the kiwifruit, will be challenging. In 2020, we had 3,048 seasonal staff working for EastPack, with 52% of those either Recognised Seasonal Employer (RSE) workers or foreign workers on either a Working Holiday Visa or Student Visa.

We have put several strategies in place to make 2021 a successful packing season. In the first instance, this includes recruiting as many staff as possible but also ensuring we are in a strong position to operate with less than normal manning levels. We believe that these strategies will be effective, but we do expect this to come at a cost. Wage rates will increase significantly with the need to pay above the minimum wage in order to be competitive in an undersupplied labour market. In 2021, the minimum wage moves to $20 per hour a 21% increase over three years, but to attract staff in 2021 we will be advertising at a rate 10% higher than the minimum wage, in line with the living wage.

Operational efficiency remains a key driver for the business. We continue to invest in areas that can improve efficiency with both capital and process improvements, and we will be looking to identify new ways to automate in order to both reduce reliance on staff numbers while increasing labour productivity, therefore becoming more cost effective. The company has invested in significant automation at the Washer Road site for the 2021 season and we believe future development across our other sites will follow suit.

Our investment into Research and Development will continue in the automation area as we drive to continue to improve efficiency. We have made good progress in this area and will take our first prototype into production in 2021. Future investment is likely to continue over the coming years given the strategic importance of being able to handle more fruit with less people.



COMPARING EBITDA BEFORE REBATES (EBITDAR):

	2020	2019	2018
EBITDA as reported in the Consolidated Income Statement	34,676	29,645	33,850
Add back Rebates reported within Revenue (refer Note 1)	–	7,245	7,891
EBITDA before Rebates (EBITDAR)	34,676	36,890	41,741

EBITDAR a non-GAAP measure is Earnings before Interest, Tax, Depreciation, Amortisation, Fair Value Adjustments and Rebates and is an important measure of the Group's performance that Directors use to monitor financial performance and compare to prior year performance.

EASTPACK KEY FINANCIAL STATISTICS

	2020	2019	2018
Volumes	41.4m TE	38.0 TE	41.0 TE
Revenues	$189.3m	$170.0m	$176.8m
EBITDAR	$34.7m	$36.9m	$41.7m
Interest	$3.9m	$4.1m	$3.9m
Fair value adjustment on revaluation of property	$3.2m	($2.1m)	($0.9m)
Rebates paid	–	$7.2m	$7.9m
Dividends paid	$2.0m	$2.8m	$2.6m
Net profit after taxation	$12.9m	$4.7m	$9.8m

EastPack's 2021 strategy is having sufficient capacity to handle our Growers' fruit when each Grower wants their fruit harvested. Based on the Research and Development completed over the past three years, we have made significant investment in Controlled Atmosphere storage for Gold fruit which spreads the packing window of the fruit without impacting on fruit outcomes. Whilst additional graders are unlikely to be required in the near term, there are significant opportunities to improve productivity through automation. We will "sweat these assets" and look to pack as much kiwifruit as possible within our current grading infrastructure.

Staff training and development continues to be important to attract and retain our people. Increased automation makes it even more important to retain staff with technical skills. The company is building a good employment brand and we have had good success in recruiting staff both on a permanent and seasonal basis. Our Health and Safety measures continue to undergo improvement and the measured results have been particularly pleasing. This is an area that will continue to get significant attention as the wellbeing and safety of our staff is most important.

Prospa, our orchard management division, continues to grow with over 1,000 hectares now leased or managed, a 15% increase over the past two years. Our people are the key to success in this area and we have been able to attract and build our orchard management expertise through a focused training and upskilling of young orchard managers.

FINANCIAL RESULT

EastPack's financial result for 2020 was robust, but it is important to note several one-off adjustments that occurred in 2020.

The company moved to its new capital structure in 2020, with the Transactor shares and Investor shares converting to a new Ordinary share. Therefore, the returns to shareholders shifted from a mix of a rebate on Transactor shares and a dividend on Investor shares to now solely

The robotic arms at our 5 high automated coolstore at Collins Lane, Te Puke.

Our three new palletising robots were installed at Washer Road in February 2021.

a dividend on the Ordinary shares. In the 2018 and 2019 financial results, the rebate on Transactor shares was included as a deduction from revenue. In 2020, there was no rebate paid but the company adjusted its packing prices to reflect the removal of the rebate.

Therefore, whilst packing a record crop (up 9% on 2019), the impact of reducing pricing for the removal of the rebate, along with the significant impacts of Covid-19 on operational performance, impacted bottom line profitability. Revenue received from Zespri for packing layered trays was lower than previous years as the industry packed more fruit into bulk packs to improve throughput. When the company packs more bulk packs, a lower labour cost would normally arise but labour costs were higher than standard. Efficiency was lost in the Covid-19 environment as staff needed to socially distance and overall productivity, especially during the first part of the lockdown, was significantly down on standard. Significant additional costs were incurred providing perspex screens, temporary canteen extensions and hygiene consumables, among other items to assist with social distancing and hygiene requirements.

Along with the rest of the kiwifruit industry, EastPack is facing significant labour cost pressure with the minimum wage increase impacting all wage rates across the business. In 2020, the minimum wage increased 6.8% to $18.90 which pushed wages up across all levels in the organisation.

The financial performance was also impacted by the continued investment in Research and Development, with $1.61m expensed through the Income Statement. The company also incurred one-off costs for the implementation of the new capital structure and bank syndicate arrangements, increasing administration costs for the year.

With the increase in capital investment over the past three years, depreciation at $17.8m was up $0.8m or 5% on 2019. Interest expense decreased slightly due to lower interest rates, which was largely offset by the increase in borrowings.

EastPack's land and buildings were revalued as at 31 December 2020, having last been revalued in 2018. Considerable development has occurred since 2018 with new coolstores and major upgrades to controlled atmosphere stores. This revaluation has resulted in a $3.2m fair value gain adjustment ($2.1m fair value loss adjustment in 2019) on the company's income statement.

The change in the tax deductibility of depreciation on buildings and its effect on deferred tax had a one-off tax benefit of $1.4m, albeit it should be noted that this is a non-cash adjustment.

Overall, the company recorded a Net Profit after tax of $12.9m, up from $4.7m reported in 2019, due to a combination of increasing volumes and the one-off impacts outlined above.

We do expect that 2021 will be a more 'normal' year from a financial perspective but the 2021 results will be impacted by both the availability and cost of labour.

The Board has announced a final dividend of 2.5 cents per share fully imputed following a 2.0 cents fully imputed interim dividend paid in October 2020. This brings the total dividend for the year to 4.5 cents per share or a gross dividend of 6.25 cents per share. The dividends have been considered having regard to the forward capital requirements to support Growers and the need to maintain a prudent financial position.

2020 CAPITAL INVESTMENT

In 2020, the level of capital expenditure continued to be at a high level as EastPack continues to invest in capacity to meet future volumes from our Growers. However, our immediate focus was on being able to ensure the business is positioned to pack the required volume of fruit with fewer staff numbers.

"

As the largest post-harvest operator, we strive to remain close to our Growers but deliver the efficiencies of a large organisation.

Therefore, in 2020 our key investment has been in the significant upgrade in our controlled atmosphere storage. We have also invested in our Bravo grader at Washer Road adding automation to increase throughput but also to decrease the manning required for that grader by approximately 20%. Innovation like this is key to the future.

We have completed construction on the fully automated 5-high coolstore at Collins Lane, ready for use in 2021 and beyond. This was unfortunately unable to be completed in time for the 2020 season due to delayed shipping and the challenges in the availability of international expertise presented by the Covid-19 lockdown.

We have also completed the sprinkler installation at the Quarry Road site and the Washer Road site sprinkler design is nearing completion. A programme of works is underway to ensure all coolstore assets are strongly protected from fire risk and a programme for the installation of full sprinklers and fire protection across all our sites has begun. These works will provide the business with the ability to manage and minimise risk in the event of a fire to allow business continuity for both EastPack and our Growers. Obtaining full insurance cover on non-sprinklered coolstore assets is becoming more difficult following some significant losses by insurance companies, especially in Australia but also in New Zealand.

With the impending growth in Gold volumes, we will continue to need to invest in infrastructure at high levels over the next five years.

BOARD AND BOARD STRUCTURE

A strong Board has been in place in 2020 with six Grower Directors and two Independent Directors. In July 2020, shareholders voted Ngaire Scott onto the Board after Adrian Gault stood down at the Annual Meeting. The Board would like to thank Adrian for his service to our company and our industry and for his dedication and contribution over the last 11 years at EastPack. Adrian has been a true champion of Growers and the cooperative. He lives and breathes Growers at Heart and passionately advocates for fairness and performance.

The Board is committed to high quality governance. It is intended that the Board should comprise a balance of experience and fresh thinking. At the 2021 Annual Meeting, the Board would like shareholders to consider the composition of the Board and consider whether the ability to appoint another independent director at times would add to the Board's capability.

In 2018, the Board created a Board Observer role with the objective of providing potential future directors with insight and development on how a Board operates. The person appointed to the role holds it for a 12-month period. Mark Ericksen is in the role until the end of June 2021. Nick Woolsey will then be appointed to the role from 1 July 2021.

OUR GROWERS

As the nation's largest post-harvest operator, we strive to remain close to our Growers while delivering the efficiencies of a large operation.

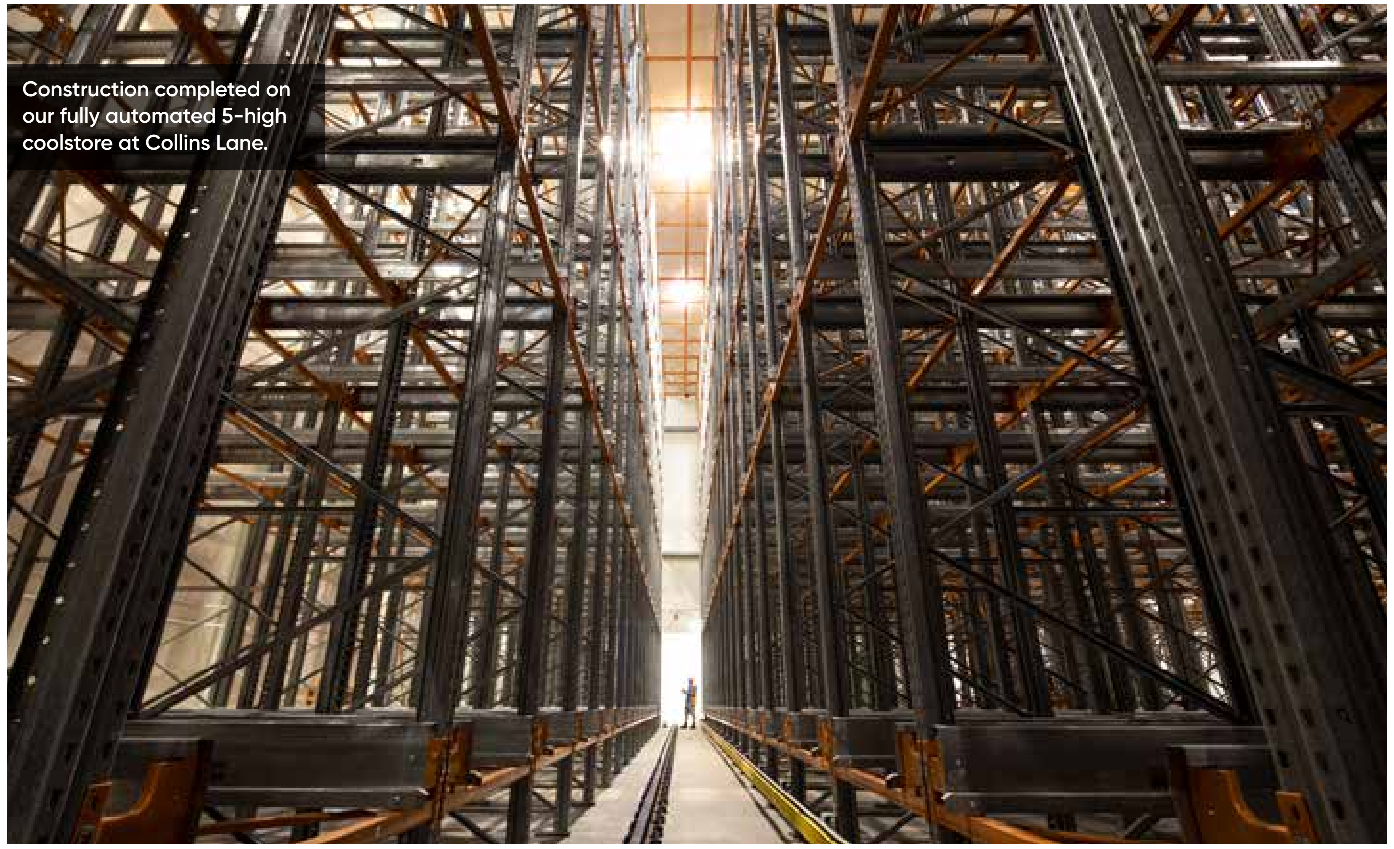
We would like to thank our Grower shareholders who have supported us with their business. We also thank our Grower shareholders for being patient and supportive through the challenges of Covid-19.

We would also like to acknowledge the members of the EastPack Entity Trust Forum for their input and guidance which has been highly valued in 2020 and will remain so in 2021 and beyond.

2021

The 2021 season is shaping up to have further growth in volumes with potentially an additional 5m trays of fruit to pack, compared to 2020, with Green volumes rebounding and the continuing growth of Gold.

At the time of writing this report there is continued uncertainty around the availability of labour. Whilst recruitment to date has seen reasonable numbers signing up, we are unlikely to be fully manned. There is potential for this to cause significant challenges to our Growers, to EastPack and Zespri, and the entire New Zealand kiwifruit supply chain.



Construction completed on our fully automated 5-high coolstore at Collins Lane.

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

ACKNOWLEDGEMENTS

2020 was a year of significant change and challenges but also opportunity.

Now, more than ever, 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 in 2020.

The significant uncertainty and anxiety that came with Covid-19 should not be underestimated and the ability of our staff to work through these challenges is a credit to all those staff on the front line.

We have continued to build and develop a high performing team of people which gives us a lot of confidence going into the future. We also acknowledge our Directors and the leadership they have demonstrated over 2020 when the Board has needed to consider the future of the company and agree on the right capital structure for EastPack to meet future aspirations and deliver its potential for Growers. We are confident that with our team, along with significant investment in infrastructure, systems and training, we are well placed to deliver the service and quality outcomes that our Grower shareholders require in the future.

We are excited about what 2021 holds for EastPack and the industry and continue to draw on our great legacy to carve out a better future. We would not be where we are today without the Directors, management and staff who are committed to building on that legacy and work hard towards a prosperous future for EastPack and our Growers, so we can keep on growing and getting our Kiwifruit to people around New Zealand and abroad.

John Loughlin – Chairman

Hamish Simson – Chief Executive Officer

OUR BOARD OF DIRECTORS

EastPack is governed by six Elected Grower Directors and two Independent Commercial Directors.

MURRAY MCBRIDE

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

Committees:
Chair Health and Safety Committee

Murray has extensive management and governance experience from his active and continuing involvement in all facets of the Kiwifruit industry since the 1980's.

Murray is exceptionally passionate about maximising outcomes for stakeholders and believes that the best route to success is through focus on business vision and strategy.

DYLAN BARRETT

Elected 2019, BBS (VPM), MInstD

Committees:
Member Remuneration and Appointments Committee; Member Health and Safety Committee

Dylan is a Registered Valuer, owns and operates kiwifruit orchards in the Te Puke region and is a board representative on EastPack Entity Trust.

Dylan holds a Bachelor of Business Studies majoring in Property Valuation & Management, completed the Kellogg's Rural Leadership Programme and has completed a wide range of governance training courses through the Institute of Directors.

DONNA SMIT

Elected 2019, FCA

Committees:
Chair Audit Committee; Member Health and Safety Committee

Donna, a Fellow Chartered Accountant, has corporate governance and management experience, expertise in strategy and finance, and practical knowledge in the dairy and kiwifruit industries.

MARK GILES

Independent Director Appointed 2014, B Ag Econ

Committees:
Member Remuneration and Appointments Committee; Member Health and Safety Committee

Mark has broad leadership and governance experience across large multinationals to home-grown New Zealand companies and the not-for-profit sector.

Mark is currently Independent Director and Chairman at ITM Co-operative Limited, and Chairman of Coretex Limited and Techspace Consulting Limited.

JOHN LOUGHLIN

Chairman

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

Committees:
Member Audit Committee; Member Health and Safety Committee; Member Directors Remuneration Committee

John has extensive past board experience including directorships with Zespri Group Limited, AgResearch Limited, Port of Napier Limited and Toll NZ Limited.

John is currently chairman of Powerco Limited, Rockit Global Limited, Hop Revolution Limited, Coda GP Limited and Meat Industry Association of New Zealand Inc. John is the co-founder and owner of Askerne Winery.

NGAIRE SCOTT

Elected 2020, ACA

Committees:
Member Audit Committee; Member Health and Safety Committee

Ngaire is a Chartered Accountant and has experience at senior executive and governance roles. She comes from a rural background in the Waikato and has been involved in the kiwifruit industry for over 10 years.

MICHAEL MONTGOMERY

Elected 2000

Committees:
Member Health and Safety Committee

Michael has been involved in the kiwifruit industry as a Grower and a post-harvest operator since 1981.

Michael is chairman of TKL Logistics Limited and a board representative on EastPack Entity Trust. He owns and operates orchards in the Bay of Plenty, Hawke's Bay and Gisborne Areas.

DAVID JENSEN

Elected 2018, B.Agr. Dip Agri.Sc

Committees:
Chair Remuneration and Appointments Committee; Member Health and Safety Committee

David is an experienced Director of several Co-operative and private companies. He is a past director of Satara and has been the past Chairman of the EastPack Entity Trust.

David has also been a Director of Livestock Improvement, Farmlands and Figured. He is currently Chair of 9 MyFarm Limited Partnerships Orchards in the BOP. He and his family own and operate orchards in the Tauranga region.

OUR SENIOR LEADERSHIP TEAM

At EastPack, we're clear about what we're here to achieve; the success of our Growers. Our high performing team is committed to ensuring EastPack and its Growers have a great future.

RICHARD FRASER-MACKENZIE
BCom CA

General Manager – Logistics & Supply

Richard has expertise in logistical management and has previously worked for Zespri in a commercial role.

"Growers at Heart continues to keep us grounded and focused on our roles to ensure we deliver value back to our Growers."

AARON WRIGHT
BAgSci (Hort)

General Manager – Prospa

Aaron has spent his whole life in the kiwifruit industry. He has developed vast growing, technical and operational experience and a strong passion for quality orchard management.

"At Prospa, Growers at Heart means treating every orchard we manage as though it was our own. We put in the hard work and grit to passionately pursue results so our Growers can enjoy more time doing what they love."

KURA POULAVA
BSocSci, MMS with honours

General Manager – Human Resources

Kura has a wealth of expertise in all aspects of Human Resources and Health and Safety. She has significant experience with large employers.

"Our Growers are the whole purpose of why we exist – they are our people. Our focus is to ensure that every decision we make and action we do has their best interests in heart and mind. It is our privilege and commitment to ensure their success."

PATRICK KUIPER
BIT BSc

Chief Technology Officer

Patrick has held diverse corporate leadership roles in many industries and countries. He is responsible for Information and Communications Technology (ICT) and Digital Technology transformation.

"Growers at heart reflects our passion. It reflects what we do, how we do it and why we do it. By embracing technology, science and nature we make sure we get the best possible outcomes for our customers and shareholders, the Growers."

HAMISH SIMSON
BCom

Chief Executive

Hamish is an experienced executive with a number of leadership roles at CEO, General Manager, and Executive Director levels.

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

PHIL KARL
Dip. Dairy Tech

General Manager – Operations

Phil has held senior Management roles in Operations, Commercial, Quality & Food safety, and Supply chain over the last 20 years.

"New Zealand owes its success to the hard work of Growers and Farmers. It is my personal privilege to be trusted to add further value and help create prosperity for our valued Growers and stakeholders."

MERV DALLAS
BCom FCA

Chief Financial Officer

Merv has held a number of senior financial roles. He has worked in Europe, Australia, Asia and the Pacific Islands, and was CFO at Zespri for nine years.

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

TOBY POTTER
BAgCom

General Manager – Grower Services

Toby has 12 years' experience in Grower Services. Toby's role is to ensure EastPack Growers receive a high level of customer service across all growing regions.

"Kiwifruit is one of the most dynamic industries in New Zealand's agriculture sector, and its foundation is Growers. The Grower Services Team approach every situation wearing a 'Grower's hat' to achieve the best outcomes for Growers."

Protecting our Growers.

EastPack Entity Trust (EET) maintains Grower funds in a separate legal entity and therefore protects Grower funds from any adverse outcome that affects EastPack as a company. Therefore, all monies for sale of kiwifruit from Zespri are paid directly to EET. From these funds EET pays EastPack for the services provided to Growers – i.e. the packing charges.

From left to right, for the BOP ward: Mike Smith, Jenny Natusch, John Gibson, Rikki James, Parmvir Singh Bains, Seth Pardoe, Paul Edkins (Chair), Simon Pieters, Sandra Clink, John Bourke, Andrew Dunstan, Murray Holmes. Absent: Brett Wotton & Tim O'Brien (BOP), John Evans (Hawke's Bay, Poverty Bay, East Coast), Mike Crum (Northland), and Steve Trebilco (Waikato).

"The EastPack Entity Trust Forum consists of representatives of our EastPack Growers.

EastPack Limited is the Trustee of EET and therefore the Directors of EastPack are in effect acting as the trustees of EET. The EET Forum being representatives of EastPack Growers act as Advisors to the Trustees of EastPack Entity Trust. Two EastPack Directors are appointed to be Trustee representatives at the EET Forum. The EET Forum are tasked with:

- Acting as Advisors to the Trustees of EastPack Entity Trust
- Helping increase the Net OGR of EastPack Growers by providing feedback to the Co-op and assisting in the dissemination of information back to our Growers.
- Suggesting ways to improve yields/size/dry matter and to increase EastPack Growers profitability and overall wealth.

The EET Forum is made up of representatives from the various growing regions:

- Bay of Plenty - up to 12 elected Advisors (Waihi, Katikati, Te Puke, Tauranga, Edgecumbe, Opotiki & Coromandel)
- Northland/Auckland – 1 elected Advisor
- Waikato - 1 elected Advisor
- Hawke's Bay / Poverty Bay / East Coast - 1 elected Advisor

The Forum met formally eight times over the 2020 calendar year along with a number of email consultations between Forum members and teleconference calls on urgent matters as required.

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

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

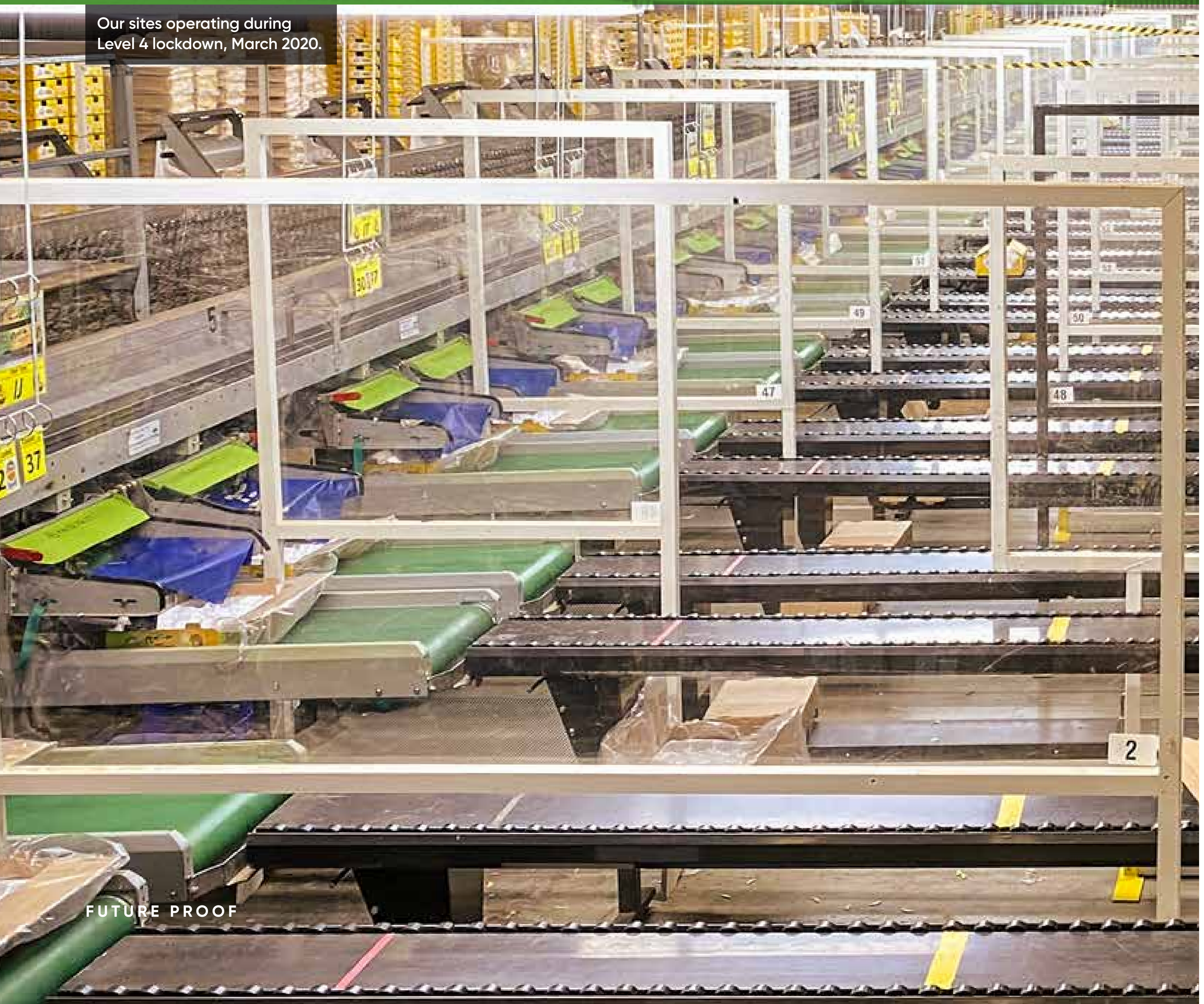
In 2020, the Forum considered a number of matters including:

- Reviewing Covid-19 implications including removal of Taste payments.
- Advising EastPack on industry consultation matters in particular, changes to the Taste programme and new laboratory processes for 2021.
- Review of EET Pool rules.

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

Looking beyond the challenges of Covid-19.

The Covid-19 environment has created a whole new way in which the company has had to operate.



Our sites operating during Level 4 lockdown, March 2020.

Our sites operating during Level 4 lockdown, March 2020.

In late March 2020, the country went into Level 4 lockdown. EastPack had completed a successful recruitment strategy and had brought our RSE workforce into the country slightly earlier than previous years. They were all in New Zealand before the nation went into lockdown.

We were required to isolate one group of RSE workers who arrived in the country just prior to lockdown, but successfully managed this within one of our RSE accommodation providers. We were therefore largely fully manned for the 2020 season.

As an industry we were privileged to be designated an 'essential business', so were able to operate, but we had to operate within the new Covid-19 rules in particular the two metre spacing between workers. This created real challenges as our grading and stacking staff in normal circumstances operate well within a two metre distance. To meet this requirement, we had less staff on our graders and slowed the graders accordingly. In order to maintain a reasonable throughput, we reduced packing into layered trays as much as possible, with bulk boxes quicker and more efficient to pack into. We worked with the Ministry of Primary Industries (MPI) on ways to adapt to the new environment and were able to install perspex screens between staff which enabled us to regain some of the lost productivity. With these procedures in place, we are set up to continue to work safely and efficiently during any future level changes.

It was a challenging time for our staff. Anxiety levels were high and the introduction of social distancing at all times in the workplace made their work environment quite different from what they had been used to. The entire process around staff movements took much longer too, and they exercised patience around measures like keeping staff two metres apart when they entered the packhouse, which slowed things down.

All of our cafeterias were extended to allow seating with two metre spacing. On our multi grader sites we created slightly different shifts so that graders could start at different times which reduced entry inefficiency. Over time our staff became familiar with the new work environment and slowly we were able to regain a good degree of efficiency. It is a massive credit to our staff that we packed the crop in good order during such a challenging time, and well done to the site leadership team for managing their sites so effectively during that period too.

The company made significant investment towards Covid-19 related costs, with a significant spend in perspex screens, temporary extensions to cafeterias, additional signwriting for all the requirements and the additional hygiene products required, including masks and other PPE. We also want to recognise our suppliers and contractors who supplied and installed the perspex screens and made other changes at very short notice to enable us to work effectively.

While the pandemic resulted in a big outlay for us, every investment we made future-proofed our Growers, staff and our business and have contributed to us being able to pack the crop and continue to take steps forward for a bigger future.

The 2021 season will bring new challenges, with an expected record crop likely to be up 10% on 2020, with the borders remaining closed and a likely shortage of staff. However, we have learned a lot about our business and the resilience of our people and how we can operate under difficult circumstances.

We move forward having made these necessary investments in infrastructure to get the "best bang for our buck", and with some new processes on our sites that make us more efficient and adaptable for the future.

Our people – growing our team for the future.

At EastPack, our people are our key assets.

During the 2020 season, our team worked extremely hard, packing a record crop, all while dealing with the Covid-19 environment. It is a credit to our team that we managed not only to work through these challenges but also manage this in good manner with record low health and safety incidents.

> On-going training and development across the board is important and our investment in this area has grown in 2020.

EastPack Washer Road Head Office.

Overall, EastPack's staffing levels peaked at over 3,500 employees in 2020, the vast majority being seasonal employees. We have a large number of returning staff each year which provides good stability and consistency in our work force. With each onboard of new team members, a comprehensive induction and training process takes place.

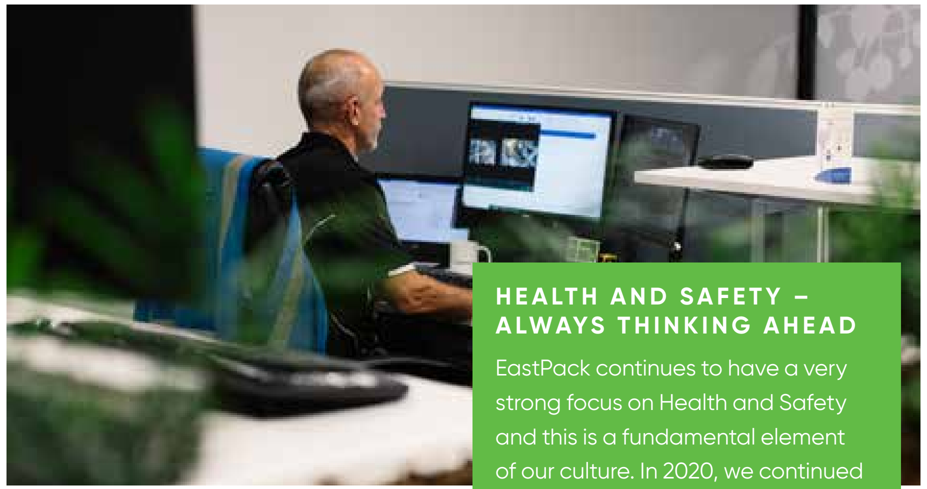
In 2019 we ran a very successful 'More' advertising campaign which created a huge amount of awareness and an impressive response with 1.5 million views of our recruitment video. We built on this in 2020 with a similar campaign and effectively were fully manned at the start of the 2020 season. During 2020, recruitment videos and induction programmes were all evolved and improved so we can continue to recruit and train staff in the future.

However, it's not just about recruitment – it's also about retention. There will always be some attrition due to the nature of our work, but minimising this is a priority. We have invested significantly in supervisor and manager training to ensure staff are managed effectively and retained. We have increased our recognition awards across our sites and continue to strive to make the workplace enjoyable. It was very pleasing to see our staff engagement scores for both our seasonal and permanent staff improve in 2020.

On-going training and development across the board is important and our investment in this area grew in 2020. We continue to operate our pathways programme which supports staff to develop within the business. Our online tool "Grow Me – Performance" supports the annual staff performance appraisal cycle, ensuring we maintain our strong focus on developing people in-line with our succession planning.

In 2019, we recruited 583 staff from the Pacific Islands and other areas under the Recognised Seasonal Employer (RSE) scheme. The New Zealand Government has been supportive in maintaining numbers of RSE workers and we saw a small increase to our allocation in 2020. Approximately 250 of our RSE workers agreed to stay in New Zealand longer, and will be available for the 2021 season. We will not be able to bring any further RSE workers into New Zealand in 2021 due to the borders remaining closed during the Covid-19 pandemic, so we thank those staff who have agreed to stay on.

This will help us, but we still face challenges this year in securing sufficient staff numbers to pack the 2021 crop. Our 2021 "Gazillions of Jobs" campaign and collaboration with Work & Income on employing local labour has worked well to date and we are confident we will have sufficient staff, albeit not full manning, for the 2021 season. We have increased minimum pay rates to the living wage and will continue to operate our programmes to manage and retain our people.



HEALTH AND SAFETY – ALWAYS THINKING AHEAD

EastPack continues to have a very strong focus on Health and Safety and this is a fundamental element of our culture. In 2020, we continued to build our Health and Safety team to ensure we continue to be proactive and informed across the organisation.

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

Active participation in our Health and Safety practices occurs from orchard staff through to the sites and to the Board. In 2020, we celebrated a record in our Total Recorded Injury Frequency Rate (TRIFR), with it falling to 12.4 in 2020 – down from 14.6 in 2019 and 25.5 in 2018. The company's TRIFR score in 2015 was 47 so the company has made significant improvement in this measure.

It is imperative that Health and Safety is a focus across the entire industry, and EastPack will continue to work with our contractors and Growers where necessary to ensure we maintain robust Health and Safety processes across the full spectrum of kiwifruit growing, packing and storing.

Futureproofing our business.

EastPack's performance is predicated by the volume of Green and Gold variety that it packs for our Growers and those volumes are forecast to continue to grow strongly over the next four years.

The company is committed to continuing to support the increasing production of our Growers. With Zespri's release of 750 hectares (includes 50 hectares of Organic) of Gold licence out to 2022 and the ongoing lift in orchard productivity, the volume of fruit packed is expected to grow to between 52m and 58m trays by 2025 – a possible 38% increase in current volumes packed.

Our 5 high cool storage at Collins Lane, Te Puke has the capacity to store more than 1 million trays.

> “With reduced availability of staff and the significant increase in labour rates, it is essential that the company improves productivity and efficiency of our current assets.

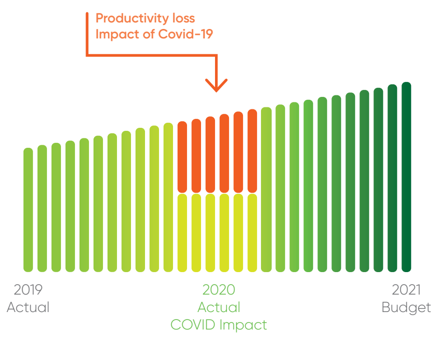
Management and the Board are strongly focused on how we future proof the business through our investment not just in infrastructure, but also in innovation to support this growth.

During 2020 the company has continued to invest in innovative and upgraded plant, precooling and cool storage capacity. A key focus of 2020 has been on how we can pack with fewer staff numbers, not just in 2021 but well into the future. In 2020, we completed construction of our second fully automated 5-high coolstore at our Collins Lane site, and completed further upgrades of our Controlled Atmosphere (CA) stores at Quarry Road which are capable of storing Gold fruit.

In time for the 2021 season, we will have fully upgraded our CA stores at Quarry Road, Edgecumbe and Opotiki, providing significant packing capacity, giving the company the ability to store ungraded fruit and pack at a later time. This takes pressure off peak harvest windows to pack fruit and means we can hold staff for longer periods as we pack that fruit at a later date after the peak. We will continue to upgrade our CA stores at our Collins Lane and Katikati sites later in 2021 to give us even stronger CA capability.

GOLD THROUGHPUT

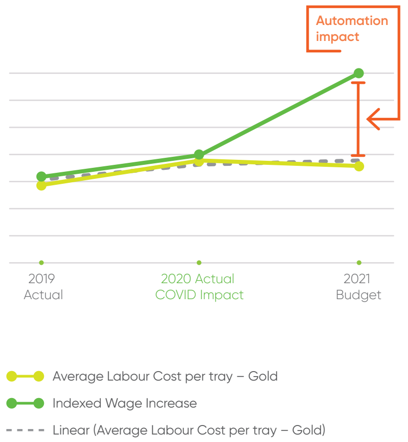
19% increase in throughput 2019 to 2021 Budget

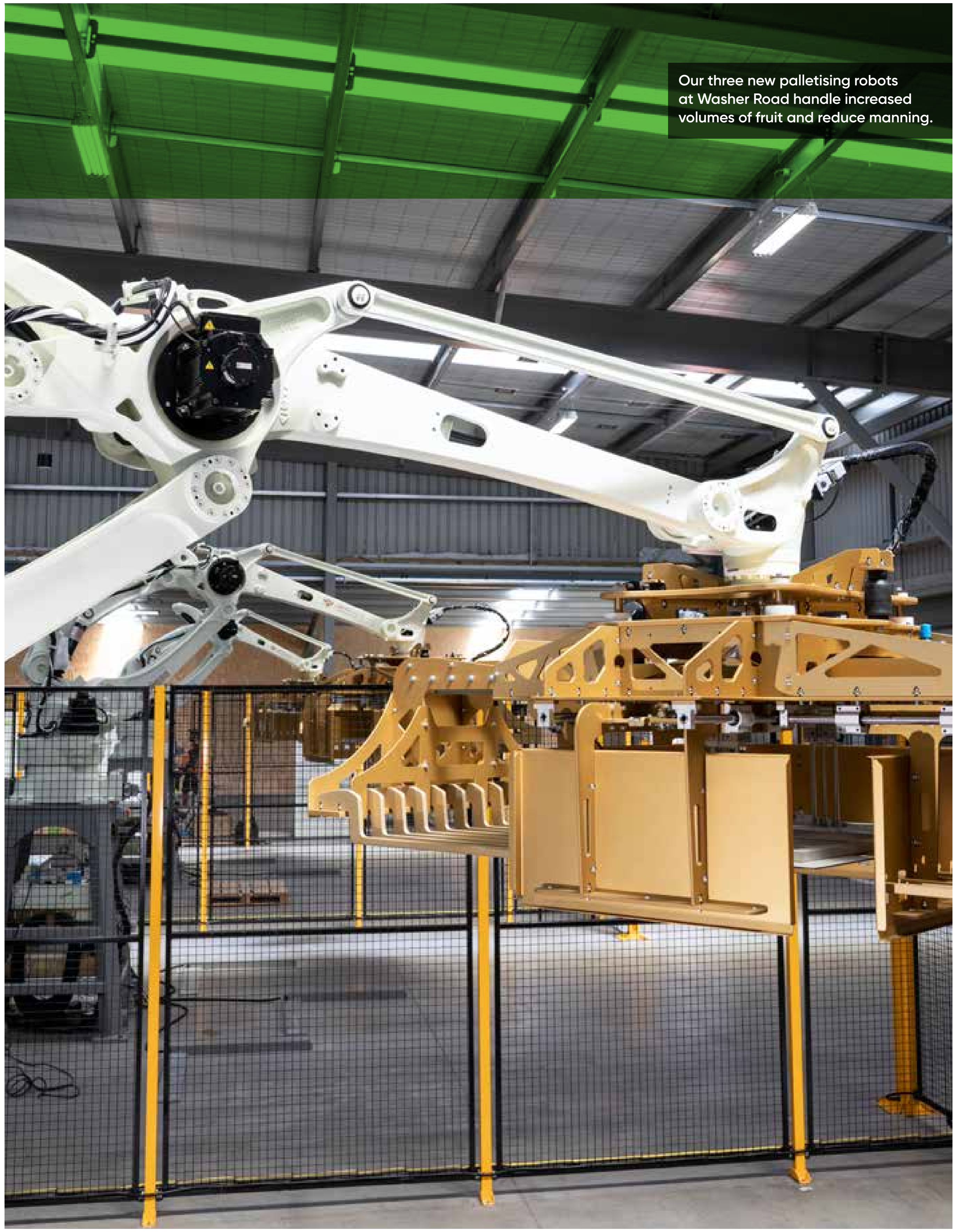


GREEN THROUGHPUT

7% increase in throughput 2019 to 2021 Budget

LABOUR COST TO PACK VS. WAGE RATE INCREASE





Our three new palletising robots at Washer Road handle increased volumes of fruit and reduce manning.

With reduced availability of staff and the significant increase in labour rates, it is essential that the company improves productivity and efficiency of our current assets. The large Bravo grader at Washer Road is having a significant upgrade, with automation being added, which will see a significant lift in production on a reduced staff headcount. We will look to continue this strategy at our other sites in future years.

Our strong focus on Research and Development has seen the company develop some promising new exclusive technologies for automating aspects of our business and we will look to bring some of these technologies into production in 2021. This is an exciting start to the journey of automation, but it should be noted that this is just a start and we expect continuing investment and evolution as we test these technologies in a production environment.

Of interest, as we have gone through our Research and Development programme, a number of other opportunities in other parts of our business have materialised which could really change the way our current technologies operate. Our Research and Development programme is being monitored by the Board who are balancing the risks of possible failure in the new initiatives against the risks of an inadequate response to the challenges.

Our Growers' volumes are expected to grow and our investment over the next five years in capital expenditure is likely to grow, but the Board and management strongly believe that this investment will set the company up well to pack Growers' fruit when our Growers want it packed and be able to deliver this service effectively and economically.

Our controlled atmosphere will be storing 3.2m trays of Gold kiwifruit this year - up from 900,000 trays in 2020.

> "In time for the 2021 season, we will have fully upgraded our CA stores at Quarry Road, Edgecumbe and Opotiki, providing significant packing capacity, giving the company the ability to store ungraded fruit and pack at a later time.

Building a more sustainable future.

Sustainability is an important part of operating a business. EastPack already undertakes a number of sustainability measures but did not formalise this previously. We have recently developed a Sustainability Policy and a new governance structure to manage sustainability within the company.

EastPack's three sites in Te Puke, viewed from above.

Sustainability at EastPack has been split into five key areas:

1. **Building a sustainable kiwifruit business** – delivering sustainable, profitable and socially beneficial outcomes across our business.
2. **Our People** – creating great prospects for our people and working safely, making 'zero harm' a priority, protecting our people from the risks of occupational injury or ill health, and being an employer of choice.
3. **Supporting communities & enduring partnerships** – delivering a significant and positive contribution everywhere we work.
4. **Leading the way in providing safe and healthy products** – driving sustainable outcomes across our value chain, maximising opportunities to create value.
5. **Protecting and enhancing environments** – working proactively with our people, customers and suppliers to ensure we protect and enhance the environment.

Our governance structure consists of key management personnel who have been given the task to:

1. Identify key inputs and outputs of EastPack's operations.
2. Implement measurement processes of the inputs and outputs.
3. Identify areas for improvements in environmental, social and governance processes within EastPack.
4. Create action plans and priorities to deliver the improvements identified.
5. Evaluate the outcomes from the actions taken.

EastPack is keen to ensure that our sustainability policy is not "green washing", and instead meaningful and tangible and that it encompasses the broad meaning of sustainability.

There are a number of areas that the company is already actively working sustainably, notably:

- Energy use – we have been proactive in monitoring electricity use across our sites. Measurement tools have been put in place with sub meters allowing measurement by coolstore, and the introduction of reporting tools. EastPack's rolling 12-month electricity savings are 4.7GWh with cost savings estimated at $756,000.
- Our People – the company has worked hard to be the employer of choice; it monitors hours worked and has initiatives like Employee Assistance Programmes and Southern Cross Healthcare. EastPack drives Health and Safety awareness and has received a number of external awards for its commitment in this area. We continue to work with Work and Income New Zealand (WINZ) to employ people and the RSE scheme is an effective source of support to the island communities where these workers come from.
- Our Communities – EastPack sponsors a number of community organisations, including the Katikati Innovative Horticulture Trust, the Eastern Bay Community Foundation, The Opotiki St John, the Edgecumbe Fire Station and the Maketu Coast Guard. We employ a large number of people in the Bay of Plenty and support and utilise a wide range of local businesses.
- Food Safety is a key component of what we do, but we innovate too. Our Research and Development projects will provide the opportunity to enhance our product offering to our customers.
- We are undertaking numerous waste initiatives, including increasing recycling options for cardboard and plastics and options for our cafeteria waste.
- We are also replacing old refrigerants and phasing out R22 as a refrigerant.

This is an area of on-going evolution and development and the company will continue to report our steps forward and measures in the future.

Statement of Corporate Governance.

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

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

FINANCIAL STATEMENTS

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

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

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

BOARD OF DIRECTORS

The Company's constitution requires a minimum number of six shareholder Directors, of those shareholder Directors, not less than four shall hold Ordinary Shares. The maximum number of Directors is nine.

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

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

The Board currently comprises six shareholder Directors, and two appointed Directors. 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 2020 are disclosed in note 23 of the Notes to the Financial Statements.

RISK MANAGEMENT

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

The Board monitors the operational and financial aspects of EastPack and considers recommendations from external auditors and advisors on the risks that EastPack faces.

The Board ensures that recommendations made are assessed and appropriate action is taken where necessary to ensure risks are managed appropriately.

INTERNAL CONTROLS

It is management's responsibility to ensure adequate accounting records are maintained.

Directors are responsible for EastPack's system of internal financial controls. Internal financial controls have been implemented to minimise the possibility of material misstatement. They can provide only reasonable assurance and not absolute assurance against material misstatements or loss. No major breakdowns of internal controls were identified during the year.

COMMITTEES

The Board operates the following standing committees:

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

AUDIT COMMITTEE

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

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

This committee is chaired by Donna Smit.

HEALTH AND SAFETY COMMITTEE

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

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

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

REMUNERATION AND APPOINTMENTS COMMITTEE

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

DIRECTORS' REMUNERATION COMMITTEE

The Committee comprises the Chairman of the Board and three Grower shareholders appointed at the shareholders' Annual Meeting. The Committee reviews and recommends the level of directors' remuneration to be approved by shareholders at the Annual Meeting. The members of this committee are Peter McBride, Ken Edkins, and Ray Sharp, with John Loughlin representing the Board.

The Board also currently operates the following Working committees:

- Information Systems Committee
- Leadership Committee

The Board also operated a Due Diligence Committee during the development of documentation leading up to the Special Shareholders' Meeting on the 26th of February 2020.

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

Statutory Information.

As required by Section 211 of the Companies Act 1993 we disclose the following information:

EASTPACK'S PRINCIPLE ACTIVITIES DURING THE YEAR WERE

- Packing and coolstorage of kiwifruit
- Orchard management

DIRECTORS' INTERESTS

- D.J. Barrett, A.A. Gault, M.T. Giles, D.P. Jensen, M.R. McBride, M.J. Montgomery, and D.M. Smit own orchards for which EastPack provides services on normal commercial terms.
- N.J. Scott is employed by Trinity Lands who own orchards for which EastPack provides services on normal commercial terms.
- M.R. McBride, and M.J. Montgomery own kiwifruit contracting businesses that provides labour and contracting services to EastPack Limited under normal commercial terms.
- M.T. Giles is a shareholder and director of Techspace Limited that provided consulting services to EastPack limited under normal commercial terms.
- M.J. Montgomery is a Director of Pine Valley Orchards Ltd., which has a loan outstanding with EastPack Ltd on commercial terms, which reflect an option to develop a facility on land owned by Pine Valley Orchards Ltd. This company has plans to develop a new kiwifruit post-harvest facility at Lemon Road, Paengaroa
- M.J. Montgomery is a Trustee of a trust that leases coolstores to EastPack Ltd on normal commercial terms.
- M.J. Montgomery is a Director of a Company that has plans to develop a new kiwifruit post- harvest facility at Lemon Road Paengaroa.
- J.J. Loughlin is the chairman of Powerco Limited which reticulates electricity to four EastPack Ltd sites, with its charges being invoiced to EastPack Limited by an energy retailer.

SHARE DEALING

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

Directors Share Dealings Shares held by Directors	31 DECEMBER 2019		PRE CONVERSION PURCHASE/SALE		SHARES HELD ON CONVERSION		31ST DECEMBER 2020
	TRANSACTOR SHARES	INVESTOR SHARES	TRANSACTOR SHARES	INVESTOR SHARES	TRANSACTOR SHARES	INVESTOR SHARES	CONVERSION TO NEW ORDINARY SHARES
D.J. Barrett	72,511		51,600		124,111		124,111
M.T. Giles	32,088				32,088		32,088
D.P. Jensen	200,738		120,000		320,738		320,738
J.J. Loughlin							
M.R. McBride	608,996	1,817,730	24,605	(1)	633,601	1,817,729	5,050,682
M.J. Montgomery	407,713	1,680,000			407,713	1,680,000	4,490,113
N.J. Scott	582,900	2,780,027			582,900	2,780,027	7,338,366
D.M. Smit	1,426	100,000			1,426	100,000	244,426
	1,906,372	**6,377,757**	**196,205**	**(1)**	**2,102,577**	**6,377,756**	**17,600,524**

All transactor shares were issued at $1 per share. There was no trading of director shareholdings from the conversion date on 19 June 2020 to 31 December 2020

REMUNERATION & OTHER BENEFITS

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

	REMUNERATION ($)	
	2020	2019
D.J. Barrett	50,000	31,859
A.A. Gault	29,167	50,000
M.T. Giles	50,000	50,000
R.M. Hudson	–	18,397
D.P. Jensen	50,000	50,000
J.J. Loughlin	112,500	112,500
M.R. McBride	50,000	50,000
M.J. Montgomery	50,000	50,000
H.J. Pieters	–	18,397
N.J. Scott	20,833	–
D.M. Smit	50,000	31,859

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	11
$110,000 – $119,999	6
$120,000 – $129,999	5
$130,000 – $139,999	8
$140,000 – $149,999	3
$150,000 – $159,999	3
$170,000 – $179,999	1
$180,000 – $189,999	1
$200,000 – $209,999	1
$210,000 – $219,999	1
$250,000 – $259,999	2
$280,000 – $289,999	1
$290,000 – $299,999	2
$950,000 – $959,999	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
30 March 2021

SHAREHOLDER	ORDINARY SHARES HELD
Trinity Lands Limited	7,338,366
Frontier Orchards Limited Partnership	4,546,817
Pine Valley Orchard Limited	4,490,112
Wotton Trust	2,690,977
Cape Fruit Company Limited	2,463,835
Reekie K J Family Trust	1,693,444
Carol Franklin	1,685,462
Ron Flowers & John Flowers	1,674,456
Blennerhassett & Son Limited	1,624,905
Tirohanga Fruit Company Limited	1,500,781
Windmill Trust	1,363,925
Steele Family Trust	1,321,909
Eric William Casey & Neil Richard Casey	1,319,569
Russell West & Tina West	1,242,512
Simise Trust	1,195,638
Wedge Co Limited	1,149,863
Maple Orchards Limited	1,096,414
Kopuatawhiti Trust	991,435
Otara Land Company Limited	966,313
JW & Les Montgomery	943,170

Financial Statements

For the year ended 31 December 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	NOTES	2020 ($000'S)	2019 ($000'S)
Revenue	1	189,302	170,032
Packaging materials		(37,317)	(35,492)
Employee benefits expense		(74,431)	(70,133)
Directors compensation		(478)	(478)
Other expenses	2	(42,400)	(34,284)
		(154,626)	(140,387)
Earnings before interest, tax, depreciation and fair value adjustments (EBITDA[1])		**34,676**	**29,645**
Depreciation	9, 15	(17,774)	(16,930)
Earnings before interest, tax and fair value adjustments		**16,902**	**12,715**
Interest expense		(3,850)	(4,112)
Earnings before tax and fair value adjustments		**13,052**	**8,603**
Gain/(loss) on revaluation of property, plant and equipment	15	3,156	(2,132)
Net profit/(loss) before taxation		**16,208**	**6,471**
Add/(less) taxation	4	(3,265)	(1,722)
Net profit/(loss) after taxation		**12,943**	**4,749**
Earnings per share			
Basic and diluted earnings per share	5	$0.15	$0.07

	2020	2019
Non-GAAP Supplementary note:		
EBITDA[1]	34,676	29,645
Add back Rebates to shareholders reported within Revenue (refer Note 1)	–	7,245
EBITDAR[2] (EBITDA before Rebates)	**34,676**	**36,890**

1 EBITDA, a non-GAAP measure, is earnings before interest, tax depreciation, amortisation and fair value adjustments.

2 EBITDAR, a non-GAAP measure, is earnings before interest, tax, depreciation, amortisation, fair value adjustments and rebates, and is an important measure of the Group's performance that Directors use to monitor financial performance, and compare to prior year performance, with the removal of rebates under the new capital structure implemented in 2020.

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 ($000'S)	2019 ($000'S)
Net profit/(loss) after taxation		12,943	4,749
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(Loss) on revaluation of property, plant and equipment, net of tax	6	21,465	(493)
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments through comprehensive income	6	309	2,291
Other comprehensive income for the year		**21,774**	**1,798**
Total comprehensive income for the year		**34,717**	**6,547**
Total comprehensive income attributable to:			
Owners of the company		34,717	6,547
Total comprehensive income for the year		**34,717**	**6,547**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	NOTES	SHARE CAPITAL ($000'S)	OTHER RESERVES ($000'S)	RETAINED EARNINGS ($000'S)	TOTAL ($000'S)
Opening balance 1 January 2019		12,847	30,440	38,992	82,279
Net profit/(loss) after taxation			–	4,749	4,749
Other comprehensive income, net of tax	6	–	1,798	–	1,798
Total comprehensive income for the year		–	1,798	4,749	6,547
Dividends paid	8	–	–	(2,790)	(2,790)
Closing balance 31 December 2019		12,847	32,238	40,951	86,036
Conversion of Investor shares		(12,847)	–	–	(12,847)
Ordinary Shares issued on conversion of Transactor Shares and Investor Shares	7	45,779	–	–	45,779
Share Capital repurchased by company under minority interest provision	7	(972)	–	–	(972)
Net profit/(loss) after taxation		–	–	12,943	12,943
Other comprehensive income, net of tax	6	–	21,774	–	21,774
Total comprehensive income		–	21,774	12,943	34,717
Dividends paid	8	–	–	(2,034)	(2,034)
Closing balance 31 December 2020		44,807	54,012	51,860	150,679

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	2020 ($000'S)	2019 ($000'S)
Equity			
Share capital	7	44,807	12,847
Reserves	6	54,012	32,238
Retained earnings		51,860	40,951
Total equity		150,679	86,036
Non current liabilities			
Derivative financial instruments	26	54	–
Deferred taxation	4	13,155	8,913
Transactor share capital	7	–	27,948
Refunds due to resigned shareholders	10	464	1,105
Borrowings	11	105,000	70,000
Lease liabilities	9	3,718	2,845
Total non current liabilities		122,391	110,811
Current liabilities			
Borrowings	11	–	15,000
Lease liabilities	9	1,805	1,162
Trade and other payables	12	19,486	18,220
Employee entitlements	13	1,635	1,056
Provision for taxation	4	492	243
Refunds due to resigned shareholders	10	601	901
Contract liabilities	14	633	717
Total current liabilities		24,652	37,299
Total funds employed/liabilities		297,722	234,146
Non current assets			
Property, plant and equipment (PPE)	15	257,656	205,119
Right of use assets (ROU)	9	5,512	3,934
Investments	16	7,347	6,950
Total non current assets		270,515	216,003
Current assets			
Cash and cash equivalents	18	5,408	1,663
Trade and other receivables	17	14,081	8,860
Biological assets	19	4,018	3,654
Inventories	20	3,700	3,966
Total current assets		27,207	18,143
Total assets		297,722	234,146

For and on behalf of the Board

John Loughlin – Chairman
30 March 2021

Donna Smit – Director
30 March 2021

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 2020

	NOTES	2020 ($000'S)	2019 ($000'S)
Cashflows from operating activities			
Cash was provided from:			
Receipts from customers		185,513	176,309
Interest received		361	176
Dividends received		1,061	847
		186,935	177,332
Cash was applied to:			
Payments to suppliers and employees		(156,380)	(155,109)
Interest paid		(3,670)	(3,868)
Lease interest paid		(126)	(143)
Taxation paid		(2,601)	(1,445)
		(162,777)	(160,565)
Net cash flows from operating activities	3	**24,158**	**16,767**
Cashflows from investing activities			
Cash was applied to:			
Purchase of investments		(88)	(45)
Purchase of property, plant and equipment		(36,919)	(36,283)
		(37,007)	(36,328)
Net cash flows from investing activities		**(37,007)**	**(36,328)**
Cashflows from financing activities			
Cash was provided from:			
Issue of ordinary shares		2,496	2,984
Proceeds from borrowings		20,000	15,000
		22,496	17,984
Cash was applied to:			
Payment of lease liability		(1,644)	(1,572)
Payment of dividends		(2,034)	(2,790)
Redemption of shares		(2,224)	(1,571)
		(5,902)	(5,933)
Net cash flows from financing activities		**16,594**	**12,051**
Net increase/(decrease) in cash and cash equivalents		3,745	(7,510)
Opening cash and cash equivalents		1,663	9,173
Closing cash and cash equivalents	18	**5,408**	**1,663**

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 2020

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

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

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

The financial statements were approved by the Board of Directors on 30 March 2021. 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 2020 and their results for the year then ended.

Subsidiaries

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

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair values of the assets transferred, the liabilities incurred or assumed and the equity interests issued at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

Associate companies

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

BASIS OF PREPARATION (CONTINUED)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

Profits and losses arising from upstream and downstream transactions are recognised in the Group's financial statements only to the extent of the unrelated investors' interests in the associates. Unrealised gains on transactions between the Group and its associates are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

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.

Critical Accounting Estimates, Judgements and Assumptions

Estimates and judgments are based on past performance and management's expectation for the future. In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

- **Valuation of land and improvements and buildings:** Land and improvements and buildings are measured at fair value as determined by an independent valuer. Further information is provided in Notes 15 and 25.
- **Investment in unlisted companies:** Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Further information is provided in Note 16.
- **Biological assets:** Management has made the judgement that cost approximates fair value for biological assets on the basis that the vines have undergone insufficient biological transformation as at balance date. For further details, refer Note 19.

NOTE 1: REVENUE

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

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

	2020 ($000'S)	2019 ($000'S)
Revenue from contracts with customers		
Post harvest operations	168,376	156,532
– less Rebates	–	(7,245)
	168,376	149,287
Orchard management	15,874	15,539
Total Revenue from contracts with customers	184,250	164,826
Dividends received	1,061	847
Rent revenue	10	–
Interest revenue	361	176
Other revenue	3,620	4,183
	189,302	170,032

ACCOUNTING POLICIES

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

Post harvest

The Group enters into two standardised post harvest contracts:

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

Orchard management

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

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

Dividend revenue

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

Rent revenue

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Interest revenue

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

NOTE 2. OTHER EXPENSES

The following items have been included in Other Expenses in the EastPack Ltd Consolidated Income Statement.

	2020 ($000'S)	2019 ($000'S)
Administration costs	5,889	4,198
Electricity	6,040	6,230
Insurance	3,703	2,813
Leased orchard expenses	10,495	10,082
Licence fees	2,294	1,581
Loss compensations	508	465
Plant and equipment hire	1,235	1,020
Repairs and maintenance	5,533	3,664
Research and development	1,613	1,174
Sponsorship	102	62
Sundry packaging expenses	955	766
Transport costs	496	521
Vehicle expenses	976	1,047
Wharf costs	577	531
Auditors remuneration:		
Amounts paid or payable to the auditors for:		
Auditing the financial statements – KPMG	137	102

NOTE 3. RECONCILIATION OF NET SURPLUS WITH CASH FROM OPERATING ACTIVITIES

	2020 ($000'S)	2019 ($000'S)
Net profit/(loss) after tax	12,943	4,749
Add/(less) Non cash items		
Depreciation	17,774	16,930
Bonus issue of shares in unlisted companies	(88)	(91)
Deferred tax expense/(income)	(1,216)	(723)
Fair value movement in loans and refunds due to resigned shareholders	139	27
Loss/(gain) on revaluation of land and buildings	(3,156)	2,132
	13,453	18,275
Movement in Working Capital		
Increase/(decrease) in trade and other payables, excluding movement relating to purchases of property, plant and equipment	4,261	(3,897)
(Decrease)/increase in employee entitlements	579	56
Decrease/(increase) in trade and other receivables	(5,221)	(37)
Decrease/(increase) in biological assets	(364)	(248)
(Increase)/decrease in inventory	266	(1,071)
(Decease)/increase in income in advance	(84)	92
(Decrease)/increase in tax payable	(1,571)	(1,445)
	(2,134)	(6,550)
Items classified as investing/financing activities		
Loss/(gain) on sale of investments	(88)	(45)
Loss/(gain) on sale of property, plant and equipment	(16)	338
	(104)	293
Net cash flow from operating activities	24,158	16,767

NOTE 4. INCOME TAX

	2020 ($000'S)	2019 ($000'S)
Current tax expense/(income)	4,481	2,445
Deferred tax expense/(income)	(1,216)	(723)
	3,265	1,722

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

Prima facie income tax payable on profit before tax	2020 ($000'S)	2019 ($000'S)
Income tax at 28% (2019: 28%)	4,538	1,789
Tax effect of		
• Non deductible expenses	209	137
• Non assessable income	(31)	(7)
• Imputation credits received	(261)	(197)
• Recognise deferred tax on buildings now depreciable	(1,433)	–
• Adjustments to deferred tax	243	–
Income tax expense	3,265	1,722

There are no unrecognised tax losses carried forward (2019: Nil).

Deferred taxation balances	2020 ($000'S)	2019 ($000'S)
Deferred tax assets		
Stock obsolescence	129	219
Employee entitlements	321	208
Trade and other payables	74	13
Trade and other receivables	10	15
	534	455
Deferred tax liabilities		
Property, plant and equipment	(12,753)	(8,461)
Biological assets	(936)	(907)
	(13,689)	(9,368)
Net deferred tax assets/(liabilities)	(13,155)	(8,913)

Deferred taxation movements recognised in income	2020 ($000'S)	2019 ($000'S)
Deferred tax assets		
Stock obsolescence	(90)	48
Employee entitlements	113	11
Trade and other payables	61	(117)
Trade and other receivables	(5)	1
	79	(57)
Deferred tax liabilities		
Property, plant and equipment	1,166	949
Biological assets	(29)	(169)
	1,137	780
Net deferred tax income/(expense)	1,216	723

NOTE 4. INCOME TAX (CONTINUED)

Deferred taxation movements in equity	2020 ($000'S)	2019 ($000'S)
Deferred tax liabilities		
Property, plant and equipment	(5,457)	192
	(5,457)	192

Provision for Taxation	2020 ($000'S)	2019 ($000'S)
Balance as at 1 January	(243)	(1,688)
Income tax expense	(3,265)	(1,721)
Income tax expense attributable to deferred tax	(1,216)	(723)
Income tax payments during the year	4,577	3,890
Prior period adjustments	(345)	–
Balance as at 31 December	(492)	(243)

Imputation Credit Account	2020 ($000'S)	2019 ($000'S)
Imputation credits available for use in subsequent reporting periods	18,573	14,425

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

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

ACCOUNTING POLICIES

The income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

NOTE 5. EARNINGS PER SHARE

	2020 ($000'S)	2019 ($000'S)
Profit attributable to ordinary shareholders	12,943	4,749
Total number of ordinary investor shares issued at 31 December 2019[1]	–	72,475,124
Total number of new ordinary shares issued and fully paid at 31 December 2020	101,680,931	–
Basic earnings per share – Investor Shares	–	$0.07
Diluted earnings per share – Investor Shares	–	$0.07
Basic earnings per share – Ordinary Shares	$0.15	–
Diluted earnings per share – Ordinary Shares	$0.15	–

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

It should be noted that the basic earnings per share on the total number of shares held at year end was $0.13.

1 The company completed a capital restructure on 19 June 2020 (Refer Note 7). Investor Shares were converted to a new ordinary share at this time at a rate of 2.43 per share and the comparative has been updated to reflect this. Transactor shares which earned a rebate rather than a dividend were also converted to new ordinary shares at this time. All fully paid ordinary shares are eligible to receive dividends.

NOTE 6. OTHER RESERVES

Financial assets at FVOCI	REVALUATION SURPLUS ($000'S)	AFS FINANCIAL ASSETS ($000'S)	FINANCIAL ASSETS AT FVOCI ($000'S)	TOTAL OTHER RESERVES ($000'S)
Balance as at 1 January 2019	26,761	–	3,679	30,440
Revaluation – gross	(685)	–	2,291	1,606
Deferred tax	192	–	–	192
Other comprehensive income	(493)	–	2,291	1,798
Balance as at 31 December 2019	**26,268**	–	**5,970**	**32,238**
Balance as at 1 January 2020	26,268	–	5,970	32,238
Revaluation – gross	26,922	–	309	27,231
Deferred tax	(5,457)	–	–	(5,457)
Other comprehensive income	21,465	–	309	21,774
Balance as at 31 December 2020	**47,733**	–	**6,279**	**54,012**

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

	2020 NUMBER OF SHARES	2019 NUMBER OF SHARES	2020 ($000'S)	2019 ($000'S)
Investor Shares as at 1 January	29,825,154	29,825,154	12,847	12,847
Share Capital repurchased by company under minority interest provision	(400,000)	–	(972)	–
Cancellation of company held shares	(21,219)	–	–	–
Investor shares held prior to conversion	29,403,935	29,825,154	11,875	12,847
Total new ordinary shares following conversion from investor shares	71,450,347	–	–	–
Transactor shares converted to new ordinary shares	33,168,970	–	32,932	–
Ordinary Shares Balance as at 31 December	104,619,317	29,825,154	44,807	12,847

The shareholding in the Company was divided into two classes of shares, being Transactor and Investor shares. Transactor shares were classified as term liabilities.

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

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

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

An independent appraisal report was obtained that confirmed that the ratio of shares issued was fair to all shareholders. The independent appraiser used a Discounted Cash Flows (DCF) framework to determine the enterprise value of EastPack based on projections completed by the company for 2020 to 2025. The parameters used by the independent appraiser included using a Weighted Average Cost of Capital (WACC) of 8.3% to 9.7%, and a discount of 45% to 50% to reflect restricted voting rights, marketability and liquidity. This resulted in a valuation range of $2.13 to $2.72 for each investor share. The company adopted the mid-point of the range of $2.43 per investor share.

At reporting date there were 104,619,317 shares on issue which comprises 101,680,932 fully paid shares and 2,938,385 Nil Paid shares. The Nil Paid shares are to be paid over 2 instalments in June 2021 and June 2022. At year end the outstanding amount on Nil paid shares has been recorded in the Statement of Financial Position as a receivable discounted to reflect the extended payment terms. The model uses assumptions that the shares will be paid on the compulsory payment date and applies a discount rate of 4.87%.

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

NOTE 7. SHARE CAPITAL (CONTINUED)

Transactor Share Capital

	2020 NUMBER OF SHARES	2019 NUMBER OF SHARES	2020 ($000'S)	2019 ($000'S)
Balance as at 1 January	27,947,400	25,631,613	27,948	25,632
Transactor shares issued or re-instated during the year	10	2,983,560	–	2,984
Transactor shares sold during the year	(304,010)	(667,773)	(311)	(668)
Fully paid shares issued under "Honeymoon" period	2,587,183	–	2,587	–
Nil paid shares issued under "Honeymoon" period	2,938,385	–	2,938	–
Share Capital repurchased by company under minority interest provision			(91)	
Conversion to Ordinary Shares	(33,168,970)		(33,071)	
Balance as at 31 December	–	27,947,400	–	27,948

Transactor Shares

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

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

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

Investor Shares

Investor shares were issued under the Companies Act 1993 and were tradable. All Investor shares rank equally and carry 40% of the voting power. of all shares on issue and carry the right to participate in any annual dividends declared by the directors of the Company. Investor shareholders can participate in any surplus assets upon liquidation after the holders of Transactor shares have been paid. All Investor shares issued are fully paid and have no par value.

NOTE 8. DISTRIBUTION TO OWNERS

	2020 ($000'S)	2019 ($000'S)
Ordinary shares – dividend paid	2,034	2,790
Total dividends	2,034	2,790

No dividends were paid on investor shares in 2020 (2019: 9.4 cents per share). Dividends paid on ordinary shares amounted to 2.0 cents per share fully imputed (2019: Nil).

NOTE 9. LEASES

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

a) Right of use assets	LAND BUILDINGS AND IMPROVEMENTS ($000'S)	OTHER PLANT AND EQUIPMENT ($000'S)	TOTAL ($000'S)
2020			
Opening book value 1 January 2020	1,480	2,454	3,934
Additions	1,226	1,934	3,160
Depreciation for the period	(718)	(864)	(1,582)
Closing book value 31 December 2020	**1,988**	**3,524**	**5,512**
Cost	4,925	5,858	10,783
Accumulated depreciation	(2,937)	(2,334)	(5,271)
	1,988	3,524	5,512
2019			
Opening book value 1 January 2019	–	–	–
Movement on Transition	2,174	1,550	3,724
Additions	–	1,462	1,462
Depreciation for the period	(694)	(558)	(1,252)
Closing book value 31 December 2019	**1,480**	**2,454**	**3,934**
Cost	3,764	4,272	8,036
Accumulated depreciation	(2,284)	(1,818)	(4,102)
	1,480	2,454	3,934

b) Lease liabilities	MINIMUM LEASE PAYMENTS ($000'S)	INTEREST ($000'S)	PRESENT VALUE ($000'S)
2020			
Within one year	2,023	(218)	1,805
One to five years	3,901	(260)	3,641
Beyond five years	105	(28)	77
Total	**6,029**	**(506)**	**5,523**
Current			1,805
Non-current			3,718
2019			
Within one year	1,339	(177)	1,162
One to five years	3,076	(271)	2,805
Beyond five years	45	(5)	40
Total	**4,460**	**(453)**	**4,007**
Current			1,162
Non-current			2,845

NOTE 9. LEASES (CONTINUED)

c) Lease expenses included in profit or loss	2020 ($000'S)	2019 ($000'S)
Short term lease	899	599
Interest	126	245

ACCOUNTING POLICIES

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

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

Transition

The Group applied NZ IFRS 16 from 1 January 2019 using the modified retrospective approach.

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

The following practical expedient, available from NZ IFRS 16, was applied by the group on transition:

- to not recognise right of use assets and liabilities for short term leases with lease terms ending within 12 months from date of transition. These costs associated with these leases are recognised in profit or loss
- to not reassess whether an agreement is, or contains a lease, at the date of transition if such agreement was previously identified as a lease applying NZ IAS 17 and IFRIC 4.

NOTE 10. REFUNDS DUE TO RESIGNED SHAREHOLDERS

	2020 ($000'S)	2019 ($000'S)
Balance as at 1 January	2,006	2,910
Movement during the year	(941)	(904)
Balance as at 31 December	1,065	2,006
This is represented by:		
Current liability	601	901
Non-current liability	464	1,105
	1,065	2,006

Refunds due to Transactor shareholders who have resigned from the Company are unsecured and repayable by the Company over a three year period after resignation is accepted by the Board.

NOTE 11. BORROWINGS

	2020 ($000'S)	2019 ($000'S)
Term Loans		
Current portion	–	15,000
Non current portion	105,000	70,000
Total	105,000	85,000

The current portion represents borrowings which have a maturity date of less than twelve months from reporting date. The Group secured new banking facilities in 2020 with a syndicate of four banks (ASB Bank, Rabobank, Bank of New Zealand and Bank of China) with a total facility of $192m (2019: Facility with the Bank of New Zealand: $105m). The facility is in two tranches that mature on 16 October 2023 and 16 October 2025. Bank of New Zealand operates as security agent for the syndicate.

The current interest rates on the secured borrowings range from 2.54% to 2.72% (2019: 2.77% to 4.33%).

Security

The Bank of New Zealand as Security Agent holds a perfected security interest in all present and after acquired property of the Group and a registered first mortgage over all land and buildings of the Group (Note 24).

Banking covenants

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

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

	2020 ($000'S)	2019 ($000'S)
Trade payables	8,285	5,715
Sundry payables	8,728	9,935
GST payable	–	17
Related party payables	2,473	2,553
	19,486	18,220

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.

	2020 ($000'S)	2019 ($000'S)
Balance as at 1 January	1,056	1,001
Net movement in provision	579	55
Balance as at 31 December	1,635	1,056
This is represented by:		
Current liability	1,635	1,056
Non-current liability	–	–
	1,635	1,056

ACCOUNTING POLICIES

Liabilities for employee entitlements are carried at the present value of the estimated future cash flows.

Wages, salaries, statutory days in lieu, annual leave, and sick leave

Liabilities for wages and salaries, including non-monetary benefits, statutory days in lieu, annual leave and sick leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Bonus plan

The Group recognises bonuses when it is contractually obliged to make such payments, or when there is a past practice that has created a constructive obligation to make such payments.

Superannuation plans

The Group pays contributions to superannuation plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTE 14. CONTRACT LIABILITIES

	2020 ($000'S)	2019 ($000'S)
Income in advance	633	717

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 2020. Revenue recognised that was included in the contract liability balance at the beginning of the period equates to the opening balance of contract liabilities. The balance as at 31 December 2020 reflects the performance obligation required to be met in 2021.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	COST/ VALUATION ($000'S)	ACCUMULATED DEPRECIATION ($000'S)	BOOK VALUE ($000'S)	COST/ VALUATION ($000'S)	ACCUMULATED DEPRECIATION ($000'S)	BOOK VALUE ($000'S)
Buildings	183,016	38,572	144,444	145,588	34,257	111,331
Land and improvements	36,167	3,057	33,110	26,888	2,742	24,146
Plant and equipment	159,667	103,387	56,280	146,241	95,242	50,999
Furniture and fittings	6,454	2,241	4,213	2,957	1,866	1,091
Capital work in progress	19,609	–	19,609	17,552	–	17,552
	404,913	147,257	257,656	339,226	134,107	205,119

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

	2020 ($000'S)	2019 ($000'S)
Buildings	100,624	88,955
Land and improvements	21,393	19,860

Each class of land and improvements and buildings is revalued to their estimated fair value on a rolling three year cycle unless there is evidence that indicates the carrying value of these may differ significantly from the fair value. The directors made the decision to revalue land and improvements and buildings as at 31 December 2020. Land and improvements and buildings were revalued to their estimated fair value in accordance with the valuation reports dated 30 November 2020 by independent registered valuer, Paul Higson (ANZIV, MPINZ) and Michael Reay (ANZIV, MPINZ) of the firm Telfer Young (Tauranga) Limited ("valuer").

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

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% - 9.5%) 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 25.

Valuations	2020 ($000'S)	2019 ($000'S)
Impact of valuation		
Revaluation through profit and loss	3,156	(2,132)
Revaluation through asset revaluation reserve	26,922	(686)
	30,078	(2,818)

NOTE 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in carrying amounts

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

	BUILDINGS ($000'S)	FURNITURE AND FITTINGS ($000'S)	PLANT AND EQUIPMENT ($000'S)	LAND AND IMPROVEMENTS ($000'S)	CAPITAL WIP ($000'S)	TOTAL ($000'S)
2020						
Balance at 1 January 2020	111,331	1,091	50,999	24,146	17,552	205,119
Additions	119	3,497	15,295	1,868	17,956	38,735
Transfers from Capital WIP	15,899	–	–	–	(15,899)	–
Revaluations – Income statement	3,156	–	–	–	–	3,156
Revaluations – capital	19,491	–	–	7,431	–	26,922
Disposals	–	–	(47)	(20)	–	(67)
Write off of assets	–	–	(17)	–	–	(17)
Depreciation expense	(5,552)	(375)	(9,950)	(315)	–	(16,192)
Carrying amount at 31 December 2020	144,444	4,213	56,280	33,110	19,609	257,656

	BUILDINGS ($000'S)	FURNITURE AND FITTINGS ($000'S)	PLANT AND EQUIPMENT ($000'S)	LAND AND IMPROVEMENTS ($000'S)	CAPITAL WIP ($000'S)	TOTAL ($000'S)
2019						
Balance at 1 January 2018	102,086	636	53,082	25,321	7,461	188,586
Transfer of ROU Assets IFRS 16			(1,258)			(1,258)
Balance at 1 January 2019	102,086	636	51,824	25,321	7,461	187,328
Additions	15,320	608	9,250	810	10,696	36,684
Transfers from Capital WIP	304	(8)	(140)	(1,682)	1,526	0
Revaluations	(686)	0	0	0	(2,132)	(2,818)
Revaluations reclassifications	0		0	0		0
Disposals	(329)	0	(60)	0	0	(389)
Write off of assets			(9)	0	1	(8)
Depreciation expense	(5,364)	(145)	(9,866)	(303)	0	(15,678)
Carrying amount at 31 December 2019	111,331	1,091	50,999	24,146	17,552	205,119

NOTE 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICIES

All items of property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment includes its purchase/construction price, costs directly attributable to bringing it to the location and condition necessary for it to operate as intended. Where an item of property, plant and equipment is self-constructed, its construction cost includes the cost of materials and direct labour and an appropriate proportion of production overheads. Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably.

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

Land and improvements and buildings are measured at revalued amounts less any subsequent depreciation and impairment losses plus the cost of additions since last revaluation. Revaluations are undertaken by an independent registered valuer with sufficient frequency to ensure that the carrying value of the item does not differ materially from its fair value. Increases in the carrying amount arising from revaluations are credited to other reserves in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the profit or loss. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (i.e. if the asset is impaired). An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with the carrying amount of the asset being disposed of and are included in profit or loss. Upon disposal or derecognition of a revalued asset, any revaluation reserve relating to the particular asset is transferred to retained earnings.

Depreciation

Land is not depreciated. Capital works in progress are not depreciated until completed and available for use. Depreciation on other assets is calculated using the straight-line and diminishing value methods to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The residual value and useful lives of all assets are reviewed and adjusted if appropriate at each reporting date.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation basis	
Land improvements	4%	Diminishing value
Buildings	2.0 – 48%	Straight line
Plant and equipment	2.0 – 60%	Diminishing value
Furniture and fittings	9.5 – 60%	Diminishing value

NOTE 16. INVESTMENTS

	2020 ($000'S)	2019 ($000'S)
Financial instruments held at fair value through other comprehensive income	7,272	6,875
Investments in associates	75	75
	7,347	6,950
a) Financial instruments held at fair value through other comprehensive income		
Shares in unlisted companies	7,272	6,875
Shares		
Opening balance	6,875	4,539
Additions	88	–
Disposals	–	(110)
Revaluation	309	2,446
Closing balance	7,272	6,875
Total Investments in shares	7,272	6,875

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

b) Investments in associates	2020 ($000'S)	2019 ($000'S)
The Nutritious Kiwifruit Company Ltd	75	75
	75	75

	2020 Percentage held	2019 Percentage held	Balance date	Incorporated in
Associate companies				
The Nutritious Kiwifruit Company Ltd	50%	50%	31 March	New Zealand
Tauranga Kiwifruit Logistics Limited	34%	34%	28 February	New Zealand

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

All associate companies are incorporated in New Zealand and are accounted for using the equity method. There are no significant restrictions on the ability of any associate companies to pay dividends, repay loans or otherwise transfer funds to the investor company. No associate companies have a quoted market price for the investment. No commitments or contingencies are present with associate companies. The financial performance of all associates for the period ending 31 December 2020 has been incorporated in these financial statements.

NOTE 16. INVESTMENTS (CONTINUED)

	2020 ($000'S)	2019 ($000'S)
Interests in associate companies		
Carrying value	75	75
	75	75

c) Subsidiaries

Subsidiaries:	2020 PERCENTAGE HELD	2019	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 March	New Zealand
Pinpoint Laboratory Services Ltd (prev. Bay Hort (1991) Ltd)	100%	100%	31 December	New Zealand
Satara Kiwifruit Supply Ltd	100%	100%	31 March	New Zealand
Satara Ventures Ltd	100%	100%	31 December	New Zealand
Southlink Supply Ltd	100%	100%	31 December	New Zealand
Stroba Ltd	100%	100%	31 December	New Zealand
Stroba Systems Ltd	100%	100%	31 December	New Zealand
Te Matai Kiwi No1 Ltd	100%	100%	31 December	New Zealand
Zest Company BOP Ltd	100%	100%	31 December	New Zealand

EastPack Avocado Company Ltd is an avocado supplier.

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

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

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

All other subsidiaries are non operating.

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.

continues...

NOTE 16. INVESTMENTS (CONTINUED)

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

	2020 ($000'S)	2019 ($000'S)
Current		
Trade receivables	10,197	7,362
Expected credit loss allowance	(54)	(54)
Sundry receivables	1,409	632
Prepayments	2,529	920
Current balance at 31 December	14,081	8,860

ACCOUNTING POLICIES

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

As stated in Note 24 the group has recognised expected credit losses for all trade receivables. Debts which are known to be uncollectible are written off. As the Group experiences minimal impairment of receivables, the allowance for expected credit loss is established based upon the payment profiles and historical credit losses adjusted for forward looking information regarding customers' ability to pay.

NOTE 18. CASH AND CASH EQUIVALENTS

	2020 ($000'S)	2019 ($000'S)
Funds in bank	5,408	1,663

ACCOUNTING POLICIES

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

NOTE 19. BIOLOGICAL ASSETS

	2020 ($000'S)	2019 ($000'S)
Balance at 1 January	3,654	3,406
Costs capitalised	4,018	3,654
Costs released to profit and loss	(3,654)	(3,406)
Balance at 31 December	4,018	3,654

ACCOUNTING POLICIES

Biological assets represent the value of developing the fruit due to be harvested in the following year. Biological assets are capitalised leased orchard expenses carried forward in the Statement of Financial Position as an asset and recognised at the same time as the income to which they relate, i.e. against the crop proceeds from the following year. Due to there being insufficient biological transformation as at reporting date, the Group has determined that cost approximates fair value. Costs include labour, materials and other direct costs allocated to the asset. No costs are capitalised for more than one season.

NOTE 20. INVENTORIES

	2020 ($000'S)	2019 ($000'S)
Packaging stock	2,878	3,344
Pollen stock	977	913
Provision for obsolescence	(462)	(605)
Other materials and chemicals	307	314
	3,700	3,966

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

ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

NOTE 21. CONTINGENT LIABILITIES

As at 31 December 2020 the company is not aware of any contingent liabilities (2019: nil).

NOTE 22. COMMITMENTS

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

	2020 ($000'S)	2019 ($000'S)
Estimated capital expenditure contracted for at balance date but not provided for:	9,809	8,056

NOTE 23. TRANSACTIONS WITH RELATED PARTIES

a) Key management personnel

Key management includes all personnel whom have the authority and responsibility for planning, directing and controlling the activities of the Group. This includes senior management and directors.

Key management personnel compensation:

	2020 ($000'S)	2019 ($000'S)
Short-term employee benefits (including directors remuneration)	3,138	2,826

Transactions with entities controlled by key management personnel and directors

Post–harvest charges, rebates and dividends

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

	2020 ($000'S)	2019 ($000'S)
Rebates	–	477
Dividends	377	598

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:

	2020 ($000'S)	2019 ($000'S)
Consulting and orchard contractor charges	793	586
Operating lease costs	386	261
Kiwifruit bin cartage	70	59

NOTE 23. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Loans and advances

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

b) Other related party transactions

EastPack Entity Trust

EastPack Entity Trust is a related party that acts as an administrator of revenues and expenses for the sale of kiwifruit on behalf of Growers. EastPack Limited received $166,101,318 (2019: $157,892,654) for the provision of services to EastPack Entity Trust and paid EastPack Entity Trust $169,945 (2019: $470,000) for second hand packaging purchased from the Trust. A balance of $2,473,461 (2019: $2,552,784) was payable to EastPack Entity Trust as at 31 December 2020.

Subsidiaries and associates

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

Transactions with external related parties through control or significant influence

	($000'S)	($000'S)
Revenue	4,522	3,956
Expenses	5,542	4,442

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 (2019: $Nil).

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

NOTE 24. FINANCIAL RISK MANAGEMENT

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

a) Credit Risk

To the extent that the Group has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents, trade and other receivables, intercompany advances and unpaid 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 share capital.

Exposures to credit risk at balance date are:

	2020 ($000'S)	2019 ($000'S)
Cash and cash equivalents	5,408	1,663
Trade and other receivables	14,081	7,879
Unpaid transactor shares	–	98
Total net receivables	14,081	7,977

NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2020		2019	
	GROSS ($000'S)	IMPAIRMENT ($000'S)	GROSS ($000'S)	IMPAIRMENT ($000'S)
Not yet due	10,400	–	6,642	–
Overdue 0–31 days	630	–	503	–
Overdue 31–91 days	198	–	262	–
Overdue 93–184 days	215	–	430	–
Overdue more than 184 days	163	54	97	54
Total trade and other receivables	11,606	54	7,934	54

Expected credit loss

Due to the nature of trade receivables, minimal loss is expected to occur, and the majority of receivables are not overdue. The Group has calculated its expected credit loss allowance using the simplified approach which calculates the expected credit loss over the lifetime of the receivables. The Group recognised an expected credit loss allowance at reporting date of $54,000 (2019 $54,000).

b) Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations in relation to financial liabilities as they fall due. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. See Note 11 for further details regarding the Group's borrowing facilities.

2020	STATEMENT OF FINANCIAL POSITION ($000'S)	CONTRACTUAL CASH FLOWS ($000'S)	6 MONTHS OR LESS ($000'S)	6 – 12 MONTHS ($000'S)	1 – 2 YEARS ($000'S)	2 – 5 YEARS ($000'S)	> 5 YEARS ($000'S)
Borrowings	105,000	121,684	2,003	2,010	4,013	87,241	26,417
Lease liabilities	5,523	5,735	923	939	1,511	2,257	105
Transactor share capital	–	–	–	–	–	–	–
Trade and other payables	19,486	19,486	19,486	–	–	–	–
Refunds due to resigned shareholders	1,065	1,065	398	202	343	122	–
	131,074	147,971	22,810	3,151	5,867	89,620	26,522

2019	STATEMENT OF FINANCIAL POSITION ($000'S)	CONTRACTUAL CASH FLOWS ($000'S)	6 MONTHS OR LESS ($000'S)	6 – 12 MONTHS ($000'S)	1 – 2 YEARS ($000'S)	2 – 5 YEARS ($000'S)	> 5 YEARS ($000'S)
Borrowings	85,000	91,495	16,533	1,516	73,446	–	–
Lease liabilities	4,007	4,460	733	606	1,132	1,944	45
Transactor share capital	27,948	27,948	–	–	–	–	27,948
Trade and other payables	18,220	18,220	18,220	–	–	–	–
Refunds due to resigned shareholders	2,006	2,006	428	472	781	325	–
	137,181	144,129	35,914	2,594	75,359	2,269	27,993

NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 +/- $1,050,000/$315,000 (2019: +/- $850,000) if the interest rate change was apparent for the full year and assuming a full drawdown on the term loan of $105m. There are no other significant interest bearing financial instruments subject to interest rate risk.

Interest rate swap contracts

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

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

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

	AMOUNT $'000	HEDGE RATE	BANK INTEREST RATE	HEDGE EXPIRY
Term Loan				
NZD $60m	60,000	2.7025%	2.6300%	30 December 2023

d) Capital Risk

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to Growers, shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and maximise returns. In order to maintain or adjust the capital structure, the Group may adjust distributions to shareholders, amount of dividends paid to shareholders, return capital to shareholders, issue new shares, amend capital spending plans or sell assets to reduce debt.

The Shareholders have appointed the Directors to manage the co-operative in order to maximise returns. The Directors, consistent with others in the Kiwifruit industry, monitor and manage capital based on trays supplied and returns to growers and investors.

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

The shareholder equity ratio at 31 December is:

NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2020 ($000'S)	2019 ($000'S)
Total equity	150,679	113,984
Total assets	297,722	234,146
Shareholder equity ratio	51%	49%

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

The Group has current bank facilities of $192 million with the company's banking syndicate, of which $87 million remains undrawn as at balance date.

NOTE 25. DETERMINATION OF FAIR VALUES OF ASSETS AND LIABILITIES

Fair value measurement for financial assets, non-financial assets and liabilities

The fair value of cash and cash equivalents, trade and other receivables, intercompany advances, and trade and other payables approximates their carrying value due to their short term nature.

Fair value measurement

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

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

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

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

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

2019	LEVEL 1 ($000'S)	LEVEL 2 ($000'S)	LEVEL 3 ($000'S)
Unlisted equity shares	–	6,875	–
Land and improvements and buildings	–	–	135,477
	–	6,875	135,477

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

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

a) Land and buildings

NOTE 25. DETERMINATION OF FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

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 2020.

Discounted cash flow approach

The current market rental calculated under the income capitalisation approach is used to forecast net cash flows over a ten year period. Allowances are made for expected rental growth and estimated costs incurred to maintain the land & buildings. Having determined the net annual income, a terminal value is established using a terminal capitalisation rate (10.5% – 11.75%). Cash flows are discounted at a market related discount rate (8.75% – 9.75%).The present value of the aggregate of each cash flow establishes market value. This method assumes land & buildings are sold in the terminal year.

Key unobservable inputs	*Inter-relationship between key unobservable inputs and fair value measurement*
Current market rental	*Higher market rental results in increased fair value. Lower market rental results in a decreased fair value.*
Discount rate	*Higher discount rate results in decreased fair value. Lower discount rate results in an increased fair value. Specifically, an increase in the discount rate of 0.25% would decrease the fair value by approximately $2,982,000 and a decrease in the discount rate of 0.25% would increase the fair value by approximately $3,049,000.*
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 $2,310,000 and a decrease in the capitalisation rate of 0.25% would increase the fair value by approximately $2,436,000.*

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% – 9.5%) that would be expected by a prudent investor.

Key unobservable inputs	*Inter–relationship between key unobservable inputs and fair value measurement*
Current market rental	*Higher market rental results in increased fair value. Lower market rental results in a decreased fair value.*
Capitalisation rate of return	*Higher capitalisation rate results in decreased fair value. Lower capitalisation rate results in a increased fair value. Specifically, an increase in the capitalisation rate of 0.25% would decrease the fair value by approximately $5,154,000 and a decrease in the capitalisation rate of 0.25% would increase the fair value by approximately $5,448,000.*

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 26. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 ($000'S)	2019 ($000'S)
Held for trading derivatives that are not designated in hedge accounting relationships:		
Interest rate swap	54	–
Balance at 31 December	54	–

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

ACCOUNTING POLICIES

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

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

NOTE 27. SIGNIFICANT EVENTS AFTER BALANCE DATE

The Board of Directors has approved a payment of a final dividend of 2.5 cents per Ordinary share fully imputed, to shareholders who are on the register at 5pm 31 March 2021 with payment on 14 April 2021.

Independent Auditor's Report

To the shareholders of EastPack Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of EastPack Limited (the 'Company') and its subsidiaries (the 'Group') on pages 44 to 75:

i. Present fairly in all material respects the Group's financial position as at 31 December 2020 and its financial performance and cash flows for the year ended on that date; and

ii. Comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— The consolidated statement of financial position as at 31 December 2020;

— The consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the year then ended; and

— Notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1.4 million.

Key audit matters

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

The key audit matter	How the matter was addressed in our audit
Valuation of Land, Land Improvements & Buildings	
As disclosed in note 15, the Group has property, plant, and equipment of $258 million including $178 million of land, land improvements and buildings which are measured at fair value. The Group has a policy of recording these assets at fair value with periodic valuations performed by an external independent valuer. An external valuer was engaged to perform a valuation as at 31 December 2020 with a resulting gain of $30 million. The valuation of these assets is considered a key audit matter due to the judgment required in determining fair values and the sensitivity of the fair value to key inputs.	Our audit procedures included: — Assessing the external valuer's competence, objectivity and independence. — Examining the valuation report, critically assessing the methodologies, inputs and assumptions with assistance from KPMG valuation specialists. — Inspecting management's reconciliation of the valuation report to asset registers. — Assessing the proposed 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.
Share Capital	
As disclosed in note 7 of the Financial Statements, the Group has undertaken a capital structure change during the year. Following a Special General Meeting on 26 February 2020, the previous classes of shares (transactor shares and investor shares) were converted into a new ordinary share. The capital structure change is a non-standard event which requires complex accounting assessments to be made to reflect the extinguishment of the previous share classes and creation of the new shares at the appropriate values. The transaction also had a significant impact on the Group's balance sheet.	Our audit procedures included: — Inspecting information related to the structure change. — Examining the valuation report used to determine share conversion rates. — Evaluating the conversion of transactor shares previously recognised as debt. — Understanding the nature of the new ordinary shares to assess their treatment. — Reviewing the proposed disclosures to ensure that the capital structure change is appropriately reported in the Financial Statements, including any judgements or assumptions applied in converting transactor shares to ordinary shares. We have no matters to report as a result of our procedures.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes information on the directors, senior leadership and the entities performance for the year including; Company Highlights, the Chair & CEO's Report, Statement of Corporate Governance, and Statutory Information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

- The preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- Implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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

Our objective is:

- To obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- To issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

For and on behalf of

KPMG

KPMG
Auckland

30 March 2021

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

EDGECUMBE
678 East Bank Road
Phone: 07 304 8227

OPOTIKI
3 Stoney Creek Road
Phone: 07 315 5226

KATIKATI
28 Marshall Road
Phone: 07 549 0008

www.eastpack.co.nz

Growers at heart