Apata

TOGETHER WE'RE BETTER

ANNUAL REPORT 2019

Apata™ TOGETHER WE'RE BETTER

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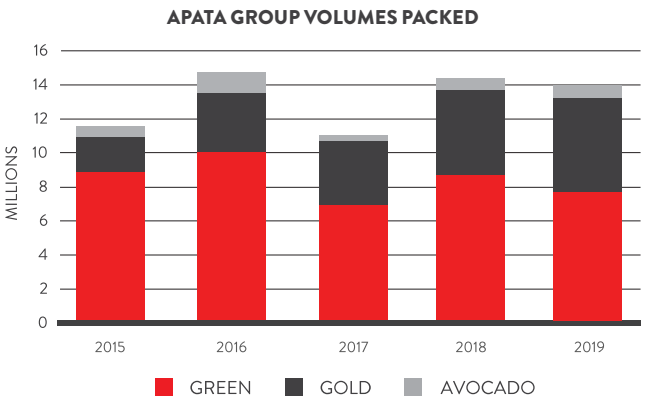
Board of Directors

Apata Group Limited Board of Directors from left to right: Sean Carnachan, Alan Birley, Graham Cathie (Chairman), Simon Robertson, Stuart Weston (Managing Director), (Absent: Mark Mayston (Deputy Chairman)).

The Year in Review

As reported in July and December to our shareholders, the 2019 year has been well executed, albeit a contraction in Green volumes has constrained earnings compared to the previous year, with year-end results very much in line with expectation once kiwifruit harvest numbers settled.

The graph below depicts the volumes for kiwifruit and avocados for the past five seasons.



NOTES:
- AVOCADO WINDOW STRADDLES YEARS, FOR THE PURPOSES OF ALIGNING VARIETIES, '2019 AVOCADO' IS IN FACT THE 2019/20 SEASON
- VOLUMES INCLUDE EXPORT AND DOMESTIC PROGRAMS

December 2019 Financial Result

Directors are pleased to report a net profit after tax of $4.36m on revenue of $66.32m. However, this was a decrease from the 2018 profit of $5.37m on revenue of $65.14m, due to lower volumes.

We indicated in December our intention to pay a dividend subject to no surprises at year-end, and now confirm a fully imputed dividend of 20c per share to be paid in March 2020. Comparing against the 25c paid last year, this simply reflects the contraction in Green volume, and the pronounced effect that volume fluctuations have on utilisation and return from our infrastructure assets.

We took a breather on capital expenditure for 2019, which was a welcome respite from both a cashflow and mental health perspective, however we will likely be ramping up again toward the end of 2020 and into 2021. As stated last year, over the next few years our challenge remains to further develop our infrastructure to cater for expected increasing volumes, and to recognise and adapt to our ever changing environment; particularly with respect to the security of labour supply and the ever increasing burden of compliance.

Our Old Coach Road property remains static, however the time for coolstore builds is nearly upon us. Despite the industry Gold volume averaging 12m trays of growth per year, the volatility comes from our Green volume which has fluctuated wildly since 2015 and can more than offset the additional demand made by Gold on coolstorage. That said, we will be watching the coming Spring closely, as Apata and the industry at large are very close to capacity.

Lease Accounting Standard

Our balance sheet looks very different as at 31 December 2019 compared to the prior year's, due to the adoption of the *IFRS 16 – Leases* accounting standard. This accounting standard requires long term leased 'right-to-use' assets to be recorded 'on balance sheet', with a corresponding lease liability. Operating lease costs for long-term leases are also now accounted for as leased asset depreciation and lease interest. Whilst the changes have excited our finance team, the underlying operational processes surrounding our decisions to lease operational assets hasn't changed. The following table shows the impact that this accounting change has had on our financial statements at, and for the year ended, 31 December 2019.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
	WITH IFRS 16 ($'000)	**WITHOUT IFRS 16 ($'000)**	**CHANGE ($'000)**
EQUITY	39,378	39,559	(182)
TOTAL ASSETS	82,334	75,670	6,664
TOTAL LIABILITIES	42,957	36,111	6,846
EQUITY RATIO	48%	52%	(4%)

Capital Structure

Demand on capital will remain a routine subject with the Board over the next five years, however we confirm there is no current plan to change our capital structure and no plans to introduce a new cornerstone investor. To the extent we can, our preference is to ration the capital over the coming growth period such that we maintain capacity for our existing clients, maintain the quality of our assets, and ensure we gradually integrate new technology. This is continually reviewed; as much as we would like the future to unfold exactly as our five-year plan shows, history tells us that growth can be lumpy.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
	WITH IFRS 16 ($'000)	**WITHOUT IFRS 16 ($'000)**	**CHANGE ($'000)**
LEASE EXPENSES	951	2,720	(1,769)
DEPRECIATION	5,502	3,843	1,659
INTEREST	1,762	1,471	291
NET PROFIT BEFORE TAX	5,836	6,018	(182)

Kiwifruit 2019

Kiwifruit harvest was one of the smoothest we've ever seen, and unremarkable for the export program that ensued over 8 months.

The highlight for us was the outstanding fruit quality results for Green in-market, which were significantly superior to industry average, a testament to the inventory and quality teams who routinely monitor the changing condition of inventory and are continually making judgements on which fruit to send where and when.

Trials continue with Controlled Atmosphere (CA) Gold, however the optimum harvest window appears to be 7 – 10 days prior to optimum dry matter accumulation. Whilst there is such significant gain for individual growers to leave the fruit on the vine beyond the optimum period for CA storage, the technology will be limited in value. Zespri is well aware of this conundrum and will evaluate the current taste payment regime with this in mind.

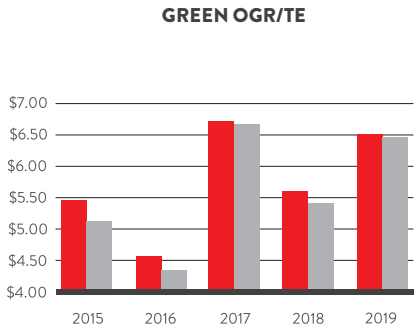
Despite the perennial concern of seasonal labour supply, in fact 2019 was a charm. Whether it was the good work done by NZKGI, the good work done by the Apata Human Resources staff, good luck, or a combination of all, we just didn't struggle to staff our sheds. Operations continue to test forms of automation with good learnings coming from the harvest season.

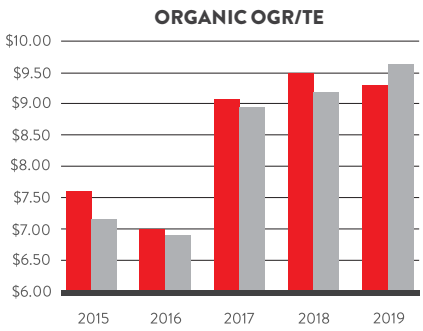
Maintaining our precious Green volume continues to be crucial to augment operating hours in our shed beyond the Gold program, defraying the cost of the inevitable automation technology. Notwithstanding the accretive value Green has to the program, volumes can be variable. For Green growers, they have once again seen the tray price largely counter a drop in volume to smooth out the annual OGR per hectare. The same is not true of the post-harvest operator, with a small drop in volume having a significant impact on profit and free cashflow. For this reason, 2019 presented a challenge in carefully managing overhead cost, and deferring some programs where appropriate. Management rose to the challenge and delivered an excellent result on the diminished volume.

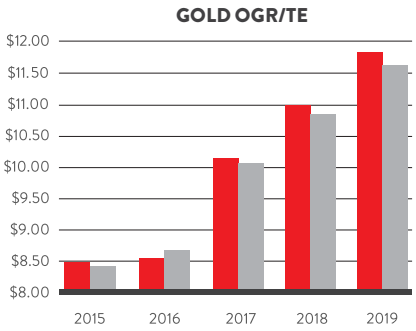
Our Apata Grow division continues to grow, with increasing numbers of landowners electing to contract out the management of their orchards. Of all developed orchards, we're very proud to state that Apata Grow achieved top quartile OGR per hectare for their clients within each pool.

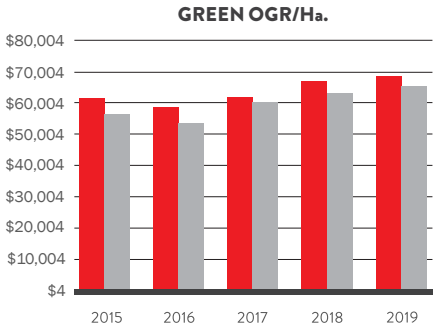
Once again, our Grower returns have been excellent, as shown in the graphs below.

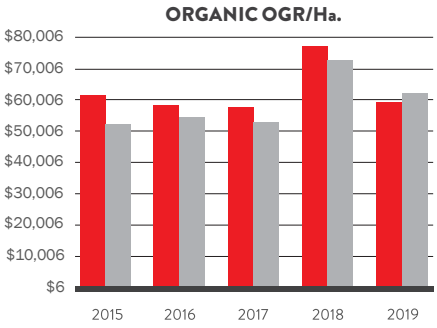
APATA INDUSTRY

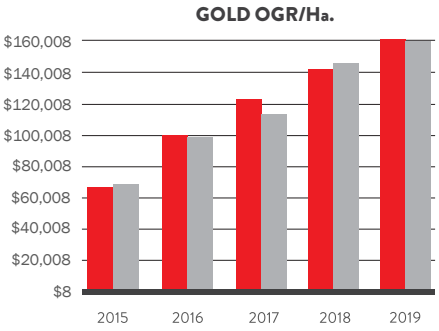












Organics

Organics continue to be attracting new and existing growers.

Notwithstanding the Green organic results reflected a disappointing production for 2019, the commitment of Green organic growers doesn't miss a beat. As with avocados, we see continued compliance costs specific to this program which lend itself to aggregation under fewer operators; with Apata being the leader in this space, we welcome it.

Avocados

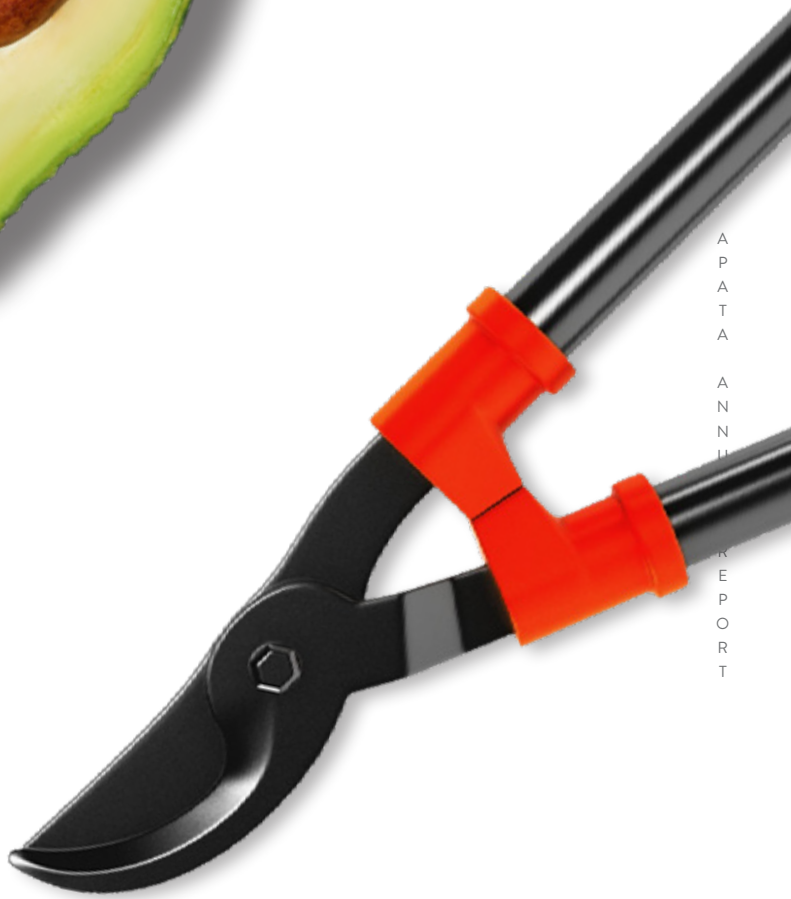
The 2019/20 avocado season was a welcome improvement in volume and quality compared to last year.

TRAY EQUIVALENTS	2019/20	2018/19
CLASS 1	624,515	443,265
CLASS 2	118,319	193,605
CLASS 3	70,449	85,581
OIL/PROCESS	130,383	123,733
TOTAL	**943,666 TE'S**	**846,184 TE'S**

Considerable work went into analysing how harvest conditions impacted offshore fruit quality in the previous season, with some tough lessons learned on harvesting soon after rain events, and the anthracnose rot that plagued the industry. By contrast, this season has progressed beautifully, with export packouts bouncing back to our long run average of 67%, and offshore quality reports confirming the fruit as sound.

At time of writing, we have not received indicative Grower returns for the current season, however we anticipate them being as good as, if not better than, last season.

We continue to support new avocado orchard development and note that there are considerable hectares in development. Whilst this is good news for a packer, developing and protecting valuable markets commensurate with the impending supply growth represents challenges on the horizon. As with any industry supplying sophisticated customers overseas, the level of compliance continues to grow. China, in particular, has proved to be a high cost-to-serve market, but nevertheless it is crucial that markets are expanded. Paradoxically, we welcome the complexity, since conditions like this encourage further aggregation in the avocado post-harvest space, which we are well positioned to cater for.



Business Outlook

People

We have various programs in place to promote wellness (mind & body) for our staff. Perhaps unsurprisingly, the scores from our routine anonymous employee surveys shows a healthy level of engagement. As a second-tier post-harvest operator, our internal culture is a key point of difference, resulting in great people, focused and loving what they do. This is particularly important during the peaks of activity where man and machine are pushed to their limits.

Over the next five years, we can naturally see an increase in full-time staff with the growth and complexity of the post-harvest realm, but added to this are the considerable hectares we are helping entities develop, and reducing our reliance on contractors; this is an area of growth. To this end we've developed sophisticated Human Resources systems to enable the support of an expanded staff base for the future.

Sustainability

We reported last year that we were pursuing an Eviromark standard, aiming for Bronze status, and confirm we have actually achieved Gold status.

Toitu Envirocare is a subsidiary of Crown Landcare Research Institute, representing a science-based approach to managing environmental impacts, requiring us to have an Environmental Management System (EMS). This organisation boasts 400+ organisation members already with an objective to meet and exceed international standards. For us, the key to claiming credentials in this space is to be subjected to independent audit against best practice, referencing International Standards Organisation ISO14001, a focus on continual improvement and adherence to applicable regulations and international standards. This is a message of progress rather than perfection, but an incredibly positive step in the right direction for Apata. The kiwifruit industry in particular faces big challenges and the solutions will come in conjunction with Zespri, particularly given they've recently published some stretch targets out to 2025. Technology in alternative forms of plastics continues to evolve, and we have this on the watch-list, albeit there is a balance in cost, remembering the fundamentals of sustainability are Environment, Economics and Social – solutions must satisfy all three legs of the stool.

Apata has maintained a social commitment approach for some time now, but this is not widely publicised. We have an enduring commitment to 'breakfast in schools', our full-time staff have allocated paid time where they can volunteer at a charity of their choice, and we continue to support other worthy charities on an ad hoc basis. The guiding principle is simply that we will play an active and significant role in a few causes that make a meaningful difference in the wider community rather than a small role in many causes. We hasten to add that given the vast array of worthy causes, we have to make tough decisions on what we support, so our philosophy is to provide the best returns we can to enable grower shareholders to support their own charitable convictions.

Biosecurity

Last month MPI announced the cessation of the Queensland Fruit Fly response, an 11 month process and an $18m cost. New Zealand Horticulture has never been more aware of biosecurity risk and some excellent work has been done in this space by our representatives in conjunction with MPI. Brown Marmorated Stink Bug (BMSB) continues to be high on the list of 'New Zealand's most unwanted visitors', with 52 live finds in the last 6 months, three times that which were found in the same period last year.

Whilst the vernacular has revolved around pests and disease threats to plants and fruit until recently, we have right now a significant global biosecurity issue with the COVID-19 corona virus. Against standard strains of influenza, this virus is much less lethal, but the confounding factor is the ease of transmission, length of incubation and the resultant interruption to activity. At the eve of the New Zealand kiwifruit harvest we're working on a raft of issues to ameliorate the impact. In terms of trade, like most primary sectors in New Zealand, we have a considerable reliance on China as a consumer of our high value products. Whilst Zespri has back-up market allocation plans, indications to date suggest there will be little impact to export programs based on the experience of Zespri's Italian kiwifruit continuing to export to China, and the relatively issue-free experience of our apple industry counterparts to date.

Of immediate interest to us is the operational aspect of kiwifruit harvest for which thousands of overseas workers are making ready to fly to New Zealand. Working with the Department of Health for up-to-date knowledge and developing best practice guidelines, management are proactively putting in place additional measures to reduce the risk to our people and operations. There is no air-tight solution, but risk analysis shows that even with an incursion into the business we can operate on a compartmental basis. We have two sites, and within a site, staff attached to particular shifts are physically mutually exclusive other than for common gateways or facilities such as canteens, so with rigorous hygiene protocols and systems of tracking and managing staff, we have opportunity to contain an incursion.

Compliance

Health and safety principles permeate everything we do, with excellent engagement from staff, and sophisticated measuring, management and reporting systems. Food safety continues to be a fast-growing industry in its own right, with China access a moving target, and the only certainty is the standards and burden of proof will only get tougher. Whilst the majority of compliance burden sits with the post-harvest business, growers are continually under barrage from new and moving standards, be it national government, local body government, or changing customer standards. This is absolutely the environment our businesses operate in, and it's only going to get harder. For Apata the key is to develop systems and capability that can cater for new standards as they emerge.

Perhaps worthy of a complete section, the current EPA review of Hydrogen Cyanimide is a hot topic for conventional kiwifruit growers. The process of review has only just started so the outcome is as yet unknown, however we are hopeful that there won't be a dramatic short-term change from the review, but a timely reminder that virtually every basis for which we have built an industry upon can be brought into question, so we need to protect what we have by ensuring compliance to ever increasing standards.

Associate

Primor Produce Limited again had a solid performance, although quality issues in the latter half of the avocado export program had a dampening effect. Current year performance is strong, and a continuing delight to track the well-deserved success that our friends at Primor bring about.

Looking ahead

In the immediate future, the dry summer conditions are a key pretext for any prediction. For avocados, the new season pollination was excellent, and without yet fully understanding the true impact of the dry summer, we are estimating a circa 10% increase in volume for the up-coming season. Longer-term we will see steep growth as new orchards come into production. With the growth comes the need for a more diverse export market spread, so we're readying for all manner of additional compliance challenges. While more compliance doesn't thrill us, our critical mass and systems lend itself well to responding to these challenges and may be the catalyst for further aggregation of post-harvest capacity.

For Kiwifruit, the 2020 crop is shaping well but we could simply repeat the words we used for predicting last year's crop: good numbers but with dry conditions retarding the fruit size, likely vintage year for taste. For a brief moment we got excited about the Green crop following excellent pollination, however fruit weight and growth has now fallen behind the 5-year average, and it is likely that early season forecasts will be pared back.

Zespri have indicated a potential further five years of Gold Licence release amounting to 3,500 unencumbered hectares and 250 organic hectares. Further, a Red variety will now be commercialised, for which the plan is to licence 1,500 hectares in a similar timeframe. Green production has contracted by circa 3,000 hectares in the last ten years, reflecting principally new variety conversion and losses to urban encroachment. It is not difficult for us to imagine a further 1,000 hectares of Green attrition in the next five years, placing Green volumes perilously low to cater for existing lucrative markets. A sustained rebalancing of market mix from this lower volume naturally yields a much improved return, and as such we have begun promoting some modest developments of Green hectares. Timing is key; the work of a chainsaw has an immediate effect, but the counter effect of new development takes many years.

In the meantime, the industry remains gripped by Gold fever, with a seemingly unquenchable appetite for Gold licence. A paucity of attractive investments outside of Horticulture continues to drive investment, not only in kiwifruit but also in apples and grapes.

Second-tier categories such as cherries and blueberries are also attracting interest, although the risk profile on these smaller categories in our view puts them in a very high-risk category. Whilst we are now catering for an emergent set of blueberry growers, we do not plan to invest capital for this category and will simply offer seasonally redundant facilities as a marginal overhead recovery exercise for as long as it suits these growers.

Market-side rationale seems sound; SunGold is without question a winning product with a winning marketing program, and Zespri securing a level of intellectual property rights in China is significant. The supply-side capacity equation presents much more uncertainty, particularly for growth in that three-week optimum harvest window. With an end state of circa 150m trays of Gold in eight years' time, no one yet has a clear solution for the labour and facilities requirements. Even now, the post-harvest industry is working on deferred packing solutions, and likely the commercial framework will evolve to reflect changing practices to solve this conundrum.

2020 will be our fifth year of trialling CA Gold, and we're confident we know the conditions to make this a success, however this technology only provides a small part of the solution. Automation is also a crucial piece in the puzzle, as we strive to alleviate labour demand and increase the capacity of the existing footprint of packing facilities. We are well advanced in automated bulk packing solutions and are currently evaluating three different solutions to layered packing. The work done in 2019 took us further down this path, but there's more work to be done. Investment in coolstores and labour accommodation also remain on the short-term horizon. Solutions won't come overnight, and they won't be cheap, so we continue along this path, balancing the demand on finite capital between debt repayment, dividend returns and further investment in technology and capacity.

Our syndicated Gisborne development was fully subscribed during the year and development is well under way. Apata is not directly invested, but rather takes a management fee for the ongoing services provided. Notwithstanding that, we are committed to making it a success, and there has been much rumination over the impending Gold Licence tender.

At time of writing, we were finalising the revised syndication offer for a 79 hectare Green orchard development in Edgecumbe. Since the Green volume is so strategically important to our facilities, we plan to retain a minority ownership stake in this syndication to secure the connection in perpetuity, the quantum of which has yet to be determined.

Our Orchard Management division goes from strength to strength and represents the single biggest growth area for our business. We envisage managing many hundreds of hectares and incubating our own management and supervisory resource, such that we have a solid skill base to support this crucial area. We continue to grow our RSE program, and integrating orchard operations gives us a platform to smooth work supply to fully utilise every bit of RSE quota we can get, as well as provide full time employment for a much larger workforce.

Governance

Since the retirement of Tom Wilson, the Board have governed without an independent commercial director, and we've taken our time finding the best fit replacement we can. The Board is delighted to welcome Simon Robertson as an independent commercial appointment to the Board starting in February 2020. Appointing an independent Board member is provided in our Constitution and is best practice. Simon was Chief Financial Officer of Auckland International Airport, and brings a depth of knowledge around infrastructure and operational management, capital markets, stakeholder management and a strategic focus. Additionally, Simon is on the Board of Ballance AgriNutrients (Chair of the Audit and Risk Committee) giving him a strong connection to land-based business. Simon will be with us for our Annual General Meeting, giving you all an opportunity to meet him in person.

Acknowledgements

Finally, we wish to acknowledge and thank our growers, shareholders and staff. Our tag line, 'Together We're Better' shines through in tangible ways time and again through our shared culture, relationships and results.

Thank you for your support.

GRAHAM CATHIE
Chairman

STUART WESTON
Managing Director

Apata TOGETHER WE'RE BETTER

Consolidated Financial Statements

For the year ended 31 December 2019

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Statutory Information

For the year ended 31 December 2019

1. Directors' remuneration

The Group's remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Details of the nature and the amount of each major element of emoluments of each Director of the company are:

IN NEW ZEALAND DOLLARS	FEES	OTHER BENEFITS	TOTAL
C G CATHIE	50,000	2,000	52,000
A BIRLEY	25,000	-	25,000
C S CARNACHAN	25,000	-	25,000
M N MAYSTON	25,000	3,000	28,000
S B WESTON	-	-	-

THE ABOVE PERSONS WERE HOLDING OFFICE AS DIRECTORS OF THE COMPANY AS AT 31 DECEMBER 2019.

M N Mayston and C G Cathie receive director fees for services as a director of Primor Produce Ltd. These have been disclosed above as Other Benefits. S B Weston is an employee and a Director and is not remunerated separately for services as a Director.

2. Entries recorded in the interests register

The following entries were recorded in the interest register of the Group during the period:

Directors' interests in transactions

During the period the Group undertook transactions with the Directors as set out in Note 26 to the financial statements disclosing related transactions.

Use of company information

During the period, the Board received no notices from Directors requesting authority to use Group information which would not otherwise have been available to them.

Share dealings of directors

Stuart Weston sold 195,312 shares to Weston Investment Trust, of which Stuart Weston is a Trustee and Beneficiary, during the year ended 31 December 2019 (2018: purchased 118,828 shares, sold 280,000 shares).

In 2018, Bruntwood Investment Trust, of which Mark Mayston is a Beneficiary, purchased 59,000 shares.

Directors' shareholdings

Directors held the following shares at 31 December 2019:

ALAN BIRLEY	570,334	SHARES HELD BY ALAN BIRLEY
ALAN BIRLEY	533,296	SHARES HELD BY ALAN BIRLEY TRUST OF WHICH ALAN BIRLEY IS A TRUSTEE AND BENEFICIARY
ALAN BIRLEY	536,949	SHARES HELD BY PAT BIRLEY TRUST OF WHICH ALAN BIRLEY IS A TRUSTEE AND BENEFICIARY
GRAHAM CATHIE	95,109	SHARES HELD BY KIWIFRUIT MANAGEMENT SERVICES LIMITED OF WHICH GRAHAM CATHIE IS A SHAREHOLDER AND DIRECTOR
MARK MAYSTON	942,258	SHARES HELD BY BRUNTWOOD INVESTMENT TRUST OF WHICH MARK MAYSTON IS A BENEFICIARY
STUART WESTON	215,312	SHARES HELD BY WESTON INVESTMENT TRUST OF WHICH STUART WESTON IS A TRUSTEE AND BENEFICIARY
SEAN CARNACHAN	58,333	SHARES HELD BY WESTERN ORCHARDS LIMITED OF WHICH SEAN CARNACHAN IS A SHAREHOLDER AND DIRECTOR

Loans to Directors

There were no loans to Directors issued during the year ended 31 December 2019 nor any loans outstanding by Directors at 31 December 2019.

Directors' indemnity and insurance

The Group has insured all its Directors against liabilities to other parties (except the Group or a related party of the Group) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

Statutory Information Continued

3. Employees' Remuneration

During the period, the following number of employees received remuneration and benefits of at least $100,000:

NUMBER OF EMPLOYEES	DEC 2019	DEC 2018
100,000 - 109,999	5	1
110,000 – 119,999	3	3
120,000 – 129,999	3	2
140,000 – 149,999	0	1
150,000 – 159,999	2	2
170,000 – 179,999	2	1
180,000 – 189,999	2	1
190,000 – 199,999	1	0
230,000 – 239,999	1	0
320,000 – 329,999	0	1
360,000 - 369,999	1	0
560,000 – 569,999	0	1

BENEFITS INCLUDE THOSE TRANSFERRED UNDER THE EMPLOYEE SHARE SCHEME OPERATED BY THE GROUP.

4. Audit Fees

During the period, audit fees were paid as disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

5. Donations

Donations of $10,150 were made during the period. (2018: $12,943)

Directors' Declaration

In the opinion of the Directors of Apata Group Limited, the consolidated financial statements and notes, on pages 13 to 38:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and the results of its operations and cash flows for the year ended on that date
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the consolidated financial position of the Group and facilitate compliance of the consolidated financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as the integrity and reliability of the consolidated financial statements.

The Directors are pleased to present the consolidated financial statements of Apata Group Limited and its subsidiaries for the year ended 31 December 2019.

For and on behalf of the Board of Directors:

C G CATHIE
Director
25 February 2020

C S CARNACHAN
Director
25 February 2020

Consolidated Statement of Financial Position

As at 31 December 2019

	NOTE	2019 ($'000)	2018 ($'000)
ASSETS			
PROPERTY, PLANT AND EQUIPMENT	8	62,122	60,778
RIGHT-OF-USE ASSETS	9	6,664	-
TERM RECEIVABLES	10	175	263
OTHER INVESTMENTS	12	148	135
INVESTMENT IN EQUITY ACCOUNTED ASSOCIATE	13	1,628	1,557
TOTAL NON-CURRENT ASSETS		**70,737**	**62,732**
INVENTORIES	15	2,650	1,178
BIOLOGICAL ASSETS	11	215	136
TRADE AND OTHER RECEIVABLES	16	7,099	6,835
CASH AND CASH EQUIVALENTS	17	1,634	1,212
TOTAL CURRENT ASSETS		**11,598**	**9,362**
TOTAL ASSETS		**82,334**	**72,094**
EQUITY			
SHARE CAPITAL	18	11,457	11,457
RESERVES	18	1,973	1,787
RETAINED EARNINGS	18	25,948	23,898
TOTAL EQUITY		**39,378**	**37,142**
LIABILITIES			
LOANS AND BORROWINGS	19, 22	-	22,515
LEASE LIABILITIES	9	5,450	-
DEFERRED TAX LIABILITIES	14	345	159
TOTAL NON-CURRENT LIABILITIES		**5,794**	**22,674**
LOANS AND BORROWINGS	19, 22	26,980	3,880
LEASE LIABILITIES	9	1,396	-
EMPLOYEE BENEFITS PAYABLE	20	616	444
CURRENT TAX LIABILITY		541	685
TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES	21	7,629	7,269
TOTAL CURRENT LIABILITIES		**37,162**	**12,277**
TOTAL LIABILITIES		**42,957**	**34,952**
TOTAL EQUITY AND LIABILITIES		**82,334**	**72,094**

THE NOTES ON PAGES 17 TO 38 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTE	2019 ($'000)	2018 ($'000)
REVENUE	5	**66,319**	**65,136**
WAGES AND SALARIES		22,210	19,472
PACKAGING MATERIALS		12,932	13,960
PICKING & CARTAGE		3,253	2,984
ELECTRICITY		1,819	1,768
REPAIRS & MAINTENANCE		1,797	1,410
LEASE EXPENSES	9	951	2,491
GROWER PAYMENTS - CLASS 2 AND LOCAL MARKET		1,489	2,748
ORCHARD GROWING EXPENSES		227	387
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		11	10
DIRECTORS' FEES		130	137
AUDITORS' REMUNERATION - AUDIT FEES		28	36
AUDITORS' REMUNERATION - OTHER SERVICES		-	-
OTHER EXPENSES		8,980	7,681
		53,829	**53,084**
SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES, NET OF TAX	13	691	581
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION AND FAIR VALUE ADJUSTMENTS		**13,181**	**12,632**
DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT	8	3,843	3,552
DEPRECIATION ON RIGHT-OF-USE ASSETS	9	1,659	-
EARNINGS BEFORE INTEREST, TAX AND FAIR VALUE ADJUSTMENTS		**7,679**	**9,080**
FINANCE EXPENSE	6	1,762	1,462
EARNINGS BEFORE TAX AND FAIR VALUE ADJUSTMENTS		**5,917**	**7,618**
NET CHANGE IN FAIR VALUE OF CASHFLOW HEDGE	21	(81)	(198)
NET PROFIT/(LOSS) BEFORE TAXATION		**5,836**	**7,420**
INCOME TAX EXPENSE / (BENEFIT)	7	1,481	2,047
NET PROFIT/(LOSS) FOR THE PERIOD		**4,355**	**5,373**
OTHER COMPREHENSIVE INCOME			
GAIN/(LOSS) ON REVALUATION OF LAND	8	185	436
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**185**	**436**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18	**4,541**	**5,809**

THE NOTES ON PAGES 17 TO 38 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	NOTE	SHARE CAPITAL ($'000)	SHARE BASED PAYMENTS RESERVE ($'000)	REVALUATION RESERVE ($'000)	ASSOCIATE RESERVE ($'000)	RETAINED EARNINGS ($'000)	TOTAL EQUITY ($'000)
OPENING BALANCE 1 JANUARY 2018		11,277	211	1,327	24	20,379	33,218
PROFIT/(LOSS) FOR THE PERIOD		-	-	-	-	5,373	5,373
OTHER COMPREHENSIVE INCOME		-	-	436	-	-	436
DIVIDEND PAID		-	-	-	-	(1,853)	(1,853)
SHARE CAPITAL REPURCHASED		-	-	-	-	-	-
EMPLOYEE SHARE SCHEME		180	(211)	-	-	-	(32)
CLOSING BALANCE AT 31 DECEMBER 2018		**11,457**	**-**	**1,763**	**24**	**23,898**	**37,142**
PROFIT/(LOSS) FOR THE PERIOD		-	-	-	-	4,355	4,355
OTHER COMPREHENSIVE INCOME		-	-	185	-	-	185
DIVIDEND PAID	18	-	-	-	-	(2,305)	(2,305)
SHARE CAPITAL REPURCHASED		-	-	-	-	-	-
EMPLOYEE SHARE SCHEME		-	-	-	-	-	-
CLOSING BALANCE AT 31 DECEMBER 2019	**18**	**11,457**	**-**	**1,948**	**24**	**25,948**	**39,378**

THE NOTES ON PAGES 17 TO 38 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTE	2019 ($'000)	2018 ($'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH RECEIPTS FROM CUSTOMERS		66,864	68,673
CASH PAID TO SUPPLIERS AND EMPLOYEES		(55,765)	(56,659)
INTEREST PAID ON FINANCIAL LIABILITIES		(1,499)	(1,497)
INTEREST PAID ON LEASE LIABILITIES		(291)	-
INCOME TAX RECEIVED (PAID)		(1,440)	(1,363)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**25**	**7,870**	**9,154**
CASH FLOWS FROM INVESTING ACTIVITIES			
INTEREST RECEIVED		9	16
DIVIDENDS RECEIVED		641	827
PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT		14	25
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		(4,902)	(4,485)
ACQUISITION OF OTHER INVESTMENTS		(13)	(12)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(4,251)**	**(3,629)**
CASH FLOWS FROM FINANCING ACTIVITIES			
DRAWDOWN OF LOANS		4,465	-
REPAYMENT OF LOANS		(3,880)	(4,485)
REPAYMENT OF LEASE LIABILITIES		(1,478)	-
RE-ISSUE OF SHARE CAPITAL		-	180
DIVIDENDS PAID		(2,305)	(1,853)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(3,198)**	**(6,158)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		422	(633)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,212	1,845
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**17**	**1,634**	**1,212**

THE NOTES ON PAGES 17 TO 38 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Notes to the Consolidated Financial Statements

1 Reporting entity

Apata Group Limited (the "Company") is a company domiciled and incorporated in New Zealand, registered under the Companies Act 1993. The Company is a Financial Markets Conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The consolidated financial statements presented are those of Apata Group Limited and its wholly owned subsidiaries, Apata Suppliers Limited and Apata Group ESI Trustee Limited (collectively "the Group") as at and for the year ended 31 December 2019.

The Group is primarily involved in the packing and coolstorage of kiwifruit and avocados.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP").

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), and with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Companies Act 1993. The Group is profit oriented.

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

The financial statements were approved by the Board of Directors on 25 February 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- non-derivative financial instruments at fair value through profit or loss are measured at fair value
- biological assets are measured at fair value, approximated by cost
- land is measured at fair value

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. All financial information has been presented in thousands of dollars ($'000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 8 – valuation of property
- Note 9 – valuation of right-of-use assets
- Note 11 – valuation of biological assets
- Note 22 – valuation of financial instruments

3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are entities over which the Group has significant influence but not control, generally evidenced by a holding of 20% to 50% of the voting rights or in combination with other forms of influence, such as representation on the Board of Directors. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post acquisition profits or losses are recognised in the Statement of Profit or Loss, and its share of post acquisition movements in reserves are recognised in Other Comprehensive Income. The cumulative post acquisition movements are adjusted against the carrying value of the investment. Dividends received from associates in the consolidated financial statements 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 secured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the entity.

(iv) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given and shares issued at the date of exchange. Acquisition costs such as professional advisor fees are not included in the costs of acquisition but are recognised as an expense in the period in which they are incurred. Where equity instruments are issued in an acquisition, these are measured at the fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration at acquisition date over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Except for land, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is recorded at fair value.

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3 Significant accounting policies *continued*

Movements in fair value are recognised directly in equity to the extent that the reserve balance is positive. Any negative balance in the revaluation reserve is transferred to the Statement of Profit or Loss and Other Comprehensive Income.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

(iii) Depreciation
Depreciation is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a diminishing value or straight-line basis over the estimated useful life. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

- buildings, 4 – 50 years
- vehicles and plant, 1 – 40 years
- office equipment, 3 – 8 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(c) Biological assets
Biological assets relate to the rights to kiwifruit grown under orchard lease arrangements and are measured at fair value. Any change in fair value is recognised in the Statement of Profit or Loss and Other Comprehensive Income. Due to the stage of growth at reporting date, the Group has determined that cost approximates fair value. Costs include labour, materials and other direct costs allocated to the asset.

(d) Leased property development costs
Where the Group enters into long term lease agreements of an orchard and part of the lease agreement is for the Group to develop the orchard, development costs incurred by the Group will be recognised as a long term receivable and will be recovered from crop proceeds over time.

(e) Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership would be classified as finance leases. Upon initial recognition the leased asset would be measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset would be accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's Statement of Financial Position.

(f) Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of inventories 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. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of items transferred from biological assets is their fair value less point-of-sale costs at the date of transfer.

(g) Financial instruments
(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Accounting for finance income and expense is discussed in Note 3(m).

Instruments at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the Statement of Profit or Loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses.

Loans and borrowings
Loans and borrowings are classified as other non-derivative financial instruments.

Trade and other payables
Trade and other payables are stated at cost.

(ii) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income. However, where

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derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

(iii) Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in Other Comprehensive Income and presented in equity in the hedging reserve to the extent that the hedge is effective. To the extent that the hedge, or a portion of the hedge, is ineffective, changes in fair value are recognised in the Statement of Profit or Loss and Other Comprehensive Income. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(iv) Share capital
Ordinary shares
Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

(h) Impairment
The carrying amounts of the Group's assets that are not recognised at fair value through profit or loss are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(i) Impairment of equity instruments
Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. For this purpose, prolonged is regarded as any period longer than nine months and significant as more than 20% of the original purchase price of the equity instrument.

Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the Statement of Profit or Loss and Other Comprehensive Income.

(ii) Impairment of debt instruments and receivables
Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

Receivables that are not individually significant and debt instruments for which, based on the individual assessment, it was determined that no objective evidence of impairment existed, are collectively assessed for impairment.

(iii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods would be assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss would be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss would be reversed only to the extent that the asset's carrying amount did not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits
Employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(i) Employee share scheme
The Group operates a share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, as determined by the directors.

The Group operates an Employee Share Scheme (ESS) under which shares are held by a trustee company which is a subsidiary of the Company. Certain employees have an option to subscribe to shares held by the trustee company and this benefit is recognised as a share based payment and recorded as an expense over the vesting period.

The total amount expensed is recognised over the period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance date, the Group revises its estimates of the number of options that are expected to vest based on the market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Profit or Loss and Other Comprehensive Income.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options vest.

The scheme is a trust administered by a company established in 2014 and directors of the trustee company (Apata Group ESI Trustee Limited) also hold office as directors of Apata Group Limited.

Shares may be issued at the Directors' discretion at a price set by the Directors', except that the ESS cannot be issued with further shares if that issue would result in the ESS having an interest of more than 9% of the issued capital of the Company.

The ESS has a non-beneficial interest in all the shares allocated to employees. Annually the Company will review the scheme and decide upon any further allocation of shares to employees and the fair value of those shares. All shares allocated are fully paid up. The Trustees of the ESS are not appointed for any term and may be removed by the Company at any time.

The shares held by the ESS carry the same voting rights as other issued ordinary shares, however the Trust Deed prohibits the Trustees from exercising any votes on the shares. Further, the employees participating in the ESS are unable to exercise voting rights while monies are owed on the shares.

(j) Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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3 Significant accounting policies *continued*

(k) Revenue

(i) Services

Revenue from services rendered is recognised in the accounting period in which the services are rendered.

(ii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iii) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(l) Lease payments

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases would be apportioned between the finance expense and the reduction of the outstanding liability. The finance expense would be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on hedging instruments that are recognised in the Statement of Profit or Loss and Other Comprehensive Income. All borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

(n) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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3 Significant accounting policies *continued*

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) New standards adopted and interpretations not yet adopted

(i) Application of new and revised New Zealand International Financial Reporting Standards

The following new standard was effective for the period ended 31 December 2019.

- *NZ IFRS 16 – Leases* (effective date from 1 January 2019) – The new standard specifies how an IFRS reporter recognises, measures, presents and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities on balance sheet for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance, with the new standard's approach to lessor accounting substantially unchanged from its predecessor, NZ IAS 17. NZ IFRS 16 requires lessees to assess the reasonable certainty that leases may be renewed and therefore recognise leases as assets and liabilities at the net present value of future lease payments to the expiry date including reasonably certain renewals. This differs from NZ IAS 17 which only required lessees to disclose non-cancellable lease payments at face value of the payment as a commitment in the notes to the financial statements. Management have determined to use the following transition options in adopting NZIFRS 16 in 2019:
  - Paragraph C5(b) - application of the Standard retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application;
  - Paragraph C8(a) - recognition of a lease liability at the date of initial application for leases previously classified as an operating lease applying NZ IAS 17. The lease liability is measured at the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application;
  - Paragraph C8(b)(ii) - right-of-use assets are recognised at the date of initial application for leases previously classified as an operating lease applying NZ IAS 17 as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The impact of implementing IFRS 16 on the Group's financial statements for the year ended, and as at, 31 December 2019 is as follows.

	ACTUAL VALUE ($'000)	PRIOR YEAR ASSESSMENT ($'000)	MOVEMENT ($'000)
AS AT 1 JANUARY 2019			
INCREASE IN TERM ASSETS	7,585	7,969	(384)
INCREASE IN CURRENT LIABILITIES	1,402	1,643	(242)
INCREASE IN TERM LIABILITIES	6,184	6,326	(142)
FOR THE YEAR ENDING 31 DECEMBER 2019			
INCREASE IN DEPRECIATION	1,659	1,812	(153)
INCREASE IN INTEREST EXPENSE	291	289	1
DECREASE IN LEASE EXPENSES	1,769	1,916	(147)
AS AT 31 DECEMBER 2019			
INCREASE IN TERM ASSETS	6,664	6,157	507
INCREASE IN CURRENT LIABILITIES	1,396	1,376	20
INCREASE IN TERM LIABILITIES	5,450	4,966	483

Continues...

3 Significant accounting policies *continued*

The movement in opening term assets from the prior year assessment relates to short-term forklift leases which were incorrectly assessed as long-term. The movement in assets and liabilities as at 31 December 2019 incorporates the opening adjustment plus additional term leases undertaken during 2019.

(ii) Standards and interpretations issued, not yet effective

There are currently no standards, amendments or interpretations issued but not yet effective which are relevant to the Company.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

Land is recorded at fair value. The fair value of land is valued based on market value. The market value of land is based on independent valuations. The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings for disclosure purposes is based on the Director's valuation.

(b) Biological assets

Biological assets are the crops growing on kiwifruit vines on the Group's leased orchards. Kiwifruit on vine is valued at fair value at reporting date in accordance with NZ IAS 41 Agriculture. The method to determine fair value depends on the degree of biological transformation at balance date. When insufficient biological transformation has occurred, the fair value is the cost incurred at balance date to grow the crops, adjusted for any cost not deemed recoverable. When sufficient biological transformation has occurred, fair value is the estimated net market return less selling costs and costs to market. The estimated market return less selling costs is established byreference to current and expected sales returns when available. When market data is not available an assessment is made based on historical data.

(c) Investments in equity securities

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date, if available, or otherwise by reference to other market information.

(d) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis including debts past due but not considered impaired. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due, and is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(e) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5 Revenue

	2019 ($'000)	2018 ($'000)
SERVICES	51,121	49,731
SALES	14,540	14,896
COMMISSION	628	476
INTEREST & DIVIDEND	30	33
TOTAL REVENUES	**66,319**	**65,136**

6 Finance income and expense

	2019 ($'000)	2018 ($'000)
INTEREST INCOME	9	16
SHARES AND DIVIDEND INCOME	21	17
FINANCE INCOME	**30**	**33**
INTEREST EXPENSE ON FINANCIAL LIABILITIES	1,471	1,462
INTEREST EXPENSE ON LEASE LIABILITIES	291	-
FINANCE EXPENSE	**1,762**	**1,462**
NET FINANCE COSTS	**1,732**	**1,429**

7 Income tax expense

	2019 ($'000)	2018 ($'000)
CURRENT TAX EXPENSE		
CURRENT PERIOD	1,296	1,876
DEFERRED TAX EXPENSE		
ORIGINATION AND REVERSAL OF TEMPORARY DIFFERENCES	185	171
TOTAL INCOME TAX EXPENSE / (BENEFIT)	**1,481**	**2,047**
RECONCILIATION OF EFFECTIVE TAX RATE		
PROFIT BEFORE INCOME TAX	5,836	7,420
IMPUTATION CREDITS ON DIVIDENDS RECEIVED	6	6
TAXABLE INCOME	**5,842**	**7,426**
INCOME TAX USING THE GROUP'S DOMESTIC TAX RATE 28% (2017: 28%)	1,636	2,079
NON-DEDUCTIBLE EXPENSES	45	136
IMPUTATION CREDITS RECEIVED	(6)	(6)
LESS TAX ON SHARE OF ASSOCIATE PROFIT RECORDED NET OF TAX	(194)	(163)
PRIOR PERIOD ADJUSTMENT	(0)	1
	1,481	**2,047**
IMPUTATION CREDITS		
IMPUTATION CREDITS AT THE BEGINNING OF THE PERIOD	6,521	5,559
TAX PAYMENTS, NET OF REFUNDS	1,439	1,361
IMPUTATION CREDITS ATTACHED TO DIVIDENDS RECEIVED	247	321
IMPUTATION CREDITS ATTACHED TO DIVIDENDS PAID	(896)	(721)
IMPUTATION CREDITS AT THE END OF THE PERIOD	**7,310**	**6,521**

8 Property, plant and equipment

	LAND ($'000)	LAND LEASED TO LESSEES ($'000)	BUILDINGS ($'000)	BUILDINGS LEASED TO LESSEES ($'000)	VEHICLES & PLANT ($'000)	VEHICLES & PLANT LEASED TO LESSEES ($'000)	OFFICE EQUIPMENT ($'000)	TOTAL ($'000)
COST / VALUATION								
BALANCE AT 1 JANUARY 2019	7,133	1,132	47,843	2,199	19,710	56	1,831	79,904
ADDITIONS	-	-	548	-	4,098	-	379	5,025
DISPOSALS	-	-	(14)	-	(92)	-	-	(106)
TRANSFERS	783	(138)	(645)	-	-	-	-	-
INCREASE FROM REVALUATIONS	185	-	-	-	-	-	-	185
BALANCE AT 31 DECEMBER 2019	**8,101**	**994**	**47,733**	**2,199**	**23,716**	**56**	**2,210**	**85,008**
BALANCE AT 1 JANUARY 2018	5,523	1,132	46,857	2,199	18,908	56	1,649	76,324
ADDITIONS	1,173	-	986	-	956	-	183	3,298
DISPOSALS	-	-	-	-	(154)	-	(1)	(155)
TRANSFERS	-	-	-	-	-	-	-	-
INCREASE FROM REVALUATIONS	436	-	-	-	-	-	-	436
BALANCE AT 31 DECEMBER 2018	**7,133**	**1,132**	**47,843**	**2,199**	**19,710**	**56**	**1,831**	**79,904**
DEPRECIATION AND IMPAIRMENT LOSSES								
BALANCE AT 1 JANUARY 2019	-	-	9,485	183	8,114	8	1,335	19,126
DEPRECIATION FOR THE PERIOD	-	-	1,799	53	1,719	3	269	3,843
DISPOSALS	-	-	(6)	-	(75)	-	-	(82)
BALANCE AT 31 DECEMBER 2019	**-**	**-**	**11,278**	**235**	**9,758**	**11**	**1,604**	**22,887**
BALANCE AT 1 JANUARY 2018	-	-	7,698	130	6,784	5	1,093	15,709
DEPRECIATION FOR THE PERIOD	-	-	1,788	53	1,465	3	243	3,552
DISPOSALS	-	-	-	-	(135)	-	(1)	(136)
BALANCE AT 31 DECEMBER 2018	**-**	**-**	**9,485**	**183**	**8,114**	**8**	**1,335**	**19,126**
CARRYING AMOUNTS								
AT 31 DECEMBER 2019	8,101	994	36,455	1,964	13,958	44	606	62,122
AT 31 DECEMBER 2018	7,133	1,132	38,358	2,017	11,596	48	496	60,778

Continues...

8 Property, plant and equipment *continued*

Security
At 31 December 2019 land and buildings with a carrying amount of $47,513,807 (2018: $48,638,924) are subject to a registered debenture to secure bank loans (see Notes 19 & 22).

Revaluation
The land values for the Turntable Hill Road Apata facility, Mends Lane Te Puke facility, Old Coach Road Te Puke site and 1623 SH2 Apata site were assessed by Telfer Young (Tauranga) Limited (independent valuers, ANZIV) at 31 December 2019. Assessed market values were:

	(HA)	($/SQM)	($'000)
TURNTABLE HILL ROAD, APATA	9.8	30.1	2,950
MENDS LANE, TE PUKE	5.7	37.7	2,150
OLD COACH ROAD, TE PUKE	5.8	36.8	2,150
1623, SH2, APATA	3.2	37.5	1,200

The valuation at 31 December 2019 resulted in the recognition of other comprehensive income of $185,292 (2018: $436,250).

The total cost of land at 31 December 2019 was $7,146,690. (2018: $6,501,742).

Fully depreciated assets
Assets with a cost of $2,295,092 (2018: $1,537,811) are fully depreciated.

Fair values
For property, plant and equipment that are carried at cost less accumulated depreciation and impairment losses, the Directors have determined that the fair value is not significantly different from the carrying amounts above.

Lease payments received from lessees
The Company uses land and buildings on its Old Coach Road, Te Puke site for coolstorage as part of its post-harvest business. Certain land and buildings on the site are also leased to an external lessee for a five year period to 31 March 2021, with a further right of renewal of five years in favour of the lessee. This lease relates back to the purchase of the land and was a condition of purchase. Once the lease expires it is the intention of the Group to use the leased assets as production assets. A residential dwelling and orchard land on the same property is leased to another external lessee for a five year period to 19 July 2020. Once this lease expires it is the intention of the Group to use the dwelling as accommodation for post-harvest employees. During the year to 31 December 2019, $300,123 was received from Lessees in relation to leased assets. (2018: $300,123).

MINIMUM FUTURE LEASE PAYMENTS RECEIVABLE ARE AS FOLLOWS:

	2019 ($'000)	2018 ($'000)
LESS THAN ONE YEAR	288	300
BETWEEN ONE AND FIVE YEARS	68	356
MORE THAN FIVE YEARS	-	-
CLOSING BALANCE	**356**	**656**

9 Leases as lessee

RIGHT-OF-USE ASSETS	LAND ($000)	BUILDINGS ($000)	VEHICLES & PLANT ($000)	OFFICE EQUIPMENT ($000)	TOTAL ($000)
COST / VALUATION					
BALANCE AT 1 JANUARY 2019	286	6,209	1,025	65	7,585
ADDITIONS	-	-	738	-	738
BALANCE AT 31 DECEMBER 2019	**286**	**6,209**	**1,764**	**65**	**8,324**
DEPRECIATION AND IMPAIRMENT LOSSES					
BALANCE AT 1 JANUARY 2019	-	-	-	-	-
DEPRECIATION FOR THE PERIOD	9	1,190	436	24	1,659
BALANCE AT 31 DECEMBER 2019	**9**	**1,190**	**436**	**24**	**1,659**
CARRYING AMOUNTS					
AT 31 DECEMBER 2019	**277**	**5,019**	**1,328**	**41**	**6,664**

LEASE LIABILITIES	LAND ($'000)	BUILDINGS ($'000)	VEHICLES & PLANT ($'000)	OFFICE EQUIPMENT ($'000)	TOTAL ($'000)
BALANCE AT 1 JANUARY 2019	286	6,209	1,025	65	7,585
ADDITIONS	-	-	738	-	738
INTEREST EXPENSE ON LEASE LIABILITIES	12	231	46	2	291
LEASE PAYMENTS	(16)	(1,258)	(469)	(25)	(1,769)
BALANCE AT 31 DECEMBER 2019	**282**	**5,182**	**1,340**	**41**	**6,846**

Leases include orchards, coolstores, land and office leases, forklifts, vehicles and photocopiers. The maturity of lease liabilities is disclosed under Quantitative Disclosures - Liquidity Risk in Note 22.

Continues...

9 Leases as lessee *continued*

The initial application value of lease liabilities under NZ IFRS 16 differs to the operating lease commitments disclosed at 31 December 2018 because NZ IFRS 16 requires lessees to assess the reasonable certainty that leases may be renewed and therefore recognise leases as assets and liabilities at the net present value of future lease payments to the expiry date including reasonably certain renewals. This differs from NZ IAS 17 which only required lessees to disclose non-cancellable lease payments at face value of the payment as a commitment in the notes to the financial statements. The incremental borrowing rate applied to lease liabilities on initial application was the Group's prevailing Customised Average Rate Term Loan (CARL) rate.

Leases not included in lease liabilities
Certain leases which have not been included in lease liabilities are:

- short term leases, in accordance with paragraph 6 of NZ IFRS 16
- leases with variable lease payments
- leases with uncertain lease payments

Lease payments associated with these leases are shown as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the lease term or other appropriate systematic basis.

Short-term leases
The portfolio of short term leases committed to at the end of the reporting period is not dissimilar to the portfolio of short-term leases to which the short term lease expense in the current reporting period relates to.

Leases with uncertain lease payments
The Group leases orchards to grow kiwifruit. The leases typically run for a period of 1-3 years, with an option to renew the lease after that date. The leases require that returns are shared with the owners once certain profit levels are attained. The amount of the liability can only be quantified when the amount of profits from the orchard have been determined.

TOTAL CASH OUTFLOW FOR LEASES	2019 ($'000)	2018 ($'000)
INTEREST EXPENSE ON LEASE LIABILITIES	291	-
LEASE LIABILITIES PRINCIPAL REPAYMENTS	1,478	-
LEASE EXPENSE RELATING TO SHORT-TERM LEASES	696	-
LEASE EXPENSE RELATING TO VARIABLE LEASE PAYMENTS NOT INCLUDED IN LEASE LIABILITIES	147	-
LEASE EXPENSE RELATING TO UNCERTAIN LEASE PAYMENTS	108	-
LEASE EXPENSES FOR LEASES PREVIOUSLY CLASSIFIED AS OPERATING LEASES	-	2,491
TOTAL CASH OUTFLOW FOR LEASES	**2,720**	**2,491**

10 Term receivables

	2019 ($'000)	2018 ($'000)
PREPAID SUPPLY AGREEMENT	175	263
CLOSING BALANCE	**175**	**263**
PREPAID SUPPLY AGREEMENT		
OPENING BALANCE	263	350
PREPAID SUPPLY AGREEMENT ENTERED INTO IN CURRENT YEAR	-	-
CURRENT PORTION OF PREPAID SUPPLY AGREEMENT	(88)	(88)
CLOSING BALANCE	**175**	**263**

The prepaid supply agreement relates to an agreement entered into for the supply of 1.75m trays of Class 1 kiwifruit to the Group over a five year period from 2018 to 2022 inclusively. Should the supply of fruit occur earlier than the five years, the amortisation of the prepayment will adjust accordingly.

11 Biological assets

	2019 ($'000)	2018 ($'000)
OPENING BALANCE	136	142
INCREASE DUE TO EXPENDITURE ON THE VINES	215	136
HARVESTED KIWIFRUIT TRANSFERRED TO INVENTORIES	(136)	(142)
CLOSING BALANCE	**215**	**136**

Continues...

9 Biological assets *continued*

At 31 December 2019 biological assets consists of kiwifruit on leased vines. Leased orchards are expected to produce an estimated 84,800 tray equivalents from four orchards for the 2020 season crop (2019 season: 45,737 tray equivalents from three orchards). The orchards will be harvested between April and June 2020. Insufficient biological transformation has occurred at balance date. As such, the fair value of biological assets is the growing costs incurred at balance date. All biological assets are subject to a general security arrangement referred to in Note 19.

The Group is exposed to a number of risks related to the kiwifruit on vines:

Supply and demand risk
The Group is exposed to risks arising from fluctuations in the price and volume of kiwifruit produced and sale price obtained. Where possible the Group manages this risk by aligning its crop management practices to maximise returns. The price is determined by global markets.

Climate and other risks
The Group's kiwifruit on vine is exposed to the risk of damage from climatic changes, diseases, viruses such as Psa, and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating these risks, including regular inspections and preventative measures on the vines. The Group also insures itself against natural disasters.

12 Other investments

	2019 ($'000)	2018 ($'000)
AVAILABLE FOR SALE INVESTMENTS		
MG MARKETING LIMITED	129	119
BALLANCE AGRI-NUTRIENTS LIMITED	16	13
FARMLANDS	3	3
TOTAL OTHER INVESTMENTS	**148**	**135**

SHARES HELD IN MG MARKETING LIMITED

Shares held in MG Marketing Limited are transactor shares with a face value of $1.00 per share. Should the Group cease to transact with MG Marketing the shares are able to be surrendered for $1.00 per share. Consequently, face value is assumed to be fair value.

The Group holds 128,865 shares at 31 December 2019 (2018: 118,839 shares held).

13 Investment in equity accounted associate

Investment in associate is accounted for using the equity method of accounting, after initially being recognised at cost.

		SHARE OF ISSUED CAPITAL AND VOTING RIGHTS	
THE GROUP'S ASSOCIATES ARE:	**BUSINESS ACTIVITY**	**2019**	**2018**
PRIMOR PRODUCE LIMITED	FRUIT MARKETING	33%	33%

Primor Produce Limited is incorporated in New Zealand and has a 30th June balance date. The Group does not have significant influence over the management of the associate, but does have Board representation. There are no restrictions on the ability of Primor to distribute funds.

	2019 ($'000)	2018 ($'000)
RESULTS OF ASSOCIATE COMPANIES		
SHARE OF PROFIT BEFORE INCOME TAX	961	954
INCOME TAX	(270)	(373)
NET PROFIT	**691**	**581**

MOVEMENT IN CARRYING VALUE OF ASSOCIATES		
CARRYING VALUE AT BEGINNING OF PERIOD	1,557	1,786
NET EARNINGS	691	581
DIVIDENDS RECEIVED	(620)	(810)
REVALUATION TO FAIR VALUE	-	-
BALANCE AT END OF PERIOD	**1,628**	**1,557**

Continues...

13 Investment in equity accounted associate *continued*

ASSOCIATES SUMMARY FINANCIAL INFORMATION

OWNERSHIP			ASSETS 31 DECEMBER ($'000)	LIABILITIES 31 DECEMBER ($'000)	NET ASSETS 31 DECEMBER ($'000)	INCOME ($'000)	EXPENSES ($'000)	PROFIT (NET OF TAX) ($'000)	SHARE OF NET ASSETS 31 DECEMBER ($'000)	SHARE OF PROFIT (NET OF TAX) ($'000)
AS AT 31 DECEMBER 2019										
PRIMOR PRODUCE LIMITED	33%	TOTAL	11,822	6,938	4,883	49,746	47,672	2,074	1,628	691
		CURRENT	10,919	6,938						

OWNERSHIP			ASSETS 31 DECEMBER ($'000)	LIABILITIES 31 DECEMBER ($'000)	NET ASSETS 31 DECEMBER ($'000)	INCOME ($'000)	EXPENSES ($'000)	PROFIT (NET OF TAX) ($'000)	SHARE OF NET ASSETS 31 DECEMBER ($'000)	SHARE OF PROFIT (NET OF TAX) ($'000)
AS AT 31 DECEMBER 2018										
PRIMOR PRODUCE LIMITED	33%	TOTAL	12,964	8,294	4,670	49,568	47,825	1,743	1,557	581
		CURRENT	11,954	8,232						

14 Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	2019			2018		
	ASSETS ($'000)	LIABILITIES ($'000)	NET ($'000)	ASSETS ($'000)	LIABILITIES ($'000)	NET ($'000)
PROPERTY, PLANT AND EQUIPMENT	-	(512)	(512)	-	(313)	(313)
RIGHT OF USE ASSETS	51	-	51	-	-	-
BIOLOGICAL ASSETS	-	(60)	(60)	-	(38)	(38)
OTHER ITEMS	177	-	177	192	-	192
TAX ASSETS/(LIABILITIES)	**228**	**(572)**	**(345)**	**192**	**(351)**	**(159)**

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE PERIOD	BALANCE 1 JANUARY ($'000)	RECOGNISED IN PROFIT OR LOSS ($'000)	RECOGNISED IN EQUITY ($'000)	BALANCE 31 DECEMBER ($'000)
2019				
PROPERTY, PLANT AND EQUIPMENT	(313)	(199)	-	(512)
RIGHT OF USE ASSETS	-	51	-	51
BIOLOGICAL ASSETS	(38)	(22)	-	(60)
OTHER ITEMS	192	(15)	-	177
	(159)	**(185)**	**-**	**(345)**
2018				
PROPERTY, PLANT AND EQUIPMENT	(128)	(185)	-	(313)
BIOLOGICAL ASSETS	(40)	2	-	(38)
OTHER ITEMS	133	59	-	192
	(35)	**(124)**	**-**	**(159)**

15 Inventories

	2019 ($'000)	2018 ($'000)
PACKAGING MATERIALS AT COST	1,920	1,338
ORCHARDING STOCKS AT COST	815	107
LESS PROVISION FOR OBSOLESCENCE	(84)	(267)
PACKAGING MATERIALS	**2,650**	**1,178**
OPENING PROVISION FOR OBSOLESCENCE	267	233
EXPENSED (RELEASED) TO STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	(182)	33
CLOSING PROVISION FOR OBSOLESCENCE	**84**	**267**

In 2019 raw materials, consumables and changes in inventory recognised as cost of sales amounted to $13,543,349 (2018: $13,959,801). In 2019 the write-down of inventories to net realisable value amounted to $84,206 (2018: $266,623). No inventories are subject to retention of title clauses (2018: nil). All inventories are subject to a general security arrangement referred to in Note 19.

16 Trade and other receivables

	NOTE	2019 ($'000)	2018 ($'000)
TRADE AND OTHER RECEIVABLES DUE FROM RELATED PARTIES	26	1,756	1,474
TRADE RECEIVABLES FROM THIRD PARTIES		2,271	2,581
PREPAYMENTS		1,874	2,260
OTHER RECEIVABLES		1,198	520
		7,099	**6,835**

All trade and other receivables are subject to a general security arrangement referred to in note 17.

PROVISION FOR DOUBTFUL DEBTS

	2019 ($'000)	2018 ($'000)
OPENING PROVISION FOR DOUBTFUL DEBTS	43	-
EXPENSED (RELEASED) TO STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	-	43
CLOSING PROVISION FOR DOUBTFUL DEBTS	**43**	**43**

During the year no trade receivables were written off as a bad debt (2018: $nil). A provision of $43,326 was made at 31 December 2019 for receivables not considered fully receivable (2018: provision $42,721). All other trade and other receivables are considered fully collectible.

17 Cash and cash equivalents

	2019 ($'000)	2018 ($'000)
BANK BALANCES	83	171
CALL DEPOSITS	1,550	1,041
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	**1,634**	**1,212**

The average effective interest rate on call deposits in 2019 was 1.2% (2018: 0.1%). All cash and cash equivalents are subject to a general security arrangement referred to in Note 19. In addition, all balances are subject to setoff against loans. The Group has available a $250,000 overdraft facility at 31 December 2019, which is unutilised at balance date. (2018: $250,000, which was unutilised).

18 Capital and reserves

RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

	SHARE CAPITAL ($'000)	TREASURY SHARE CAPITAL ($'000)	SHARE BASED PAYMENTS RESERVE ($'000)	REVALUATION RESERVE ($'000)	ASSOCIATES RESERVE ($'000)	RETAINED EARNINGS ($'000)	TOTAL EQUITY ($'000)
BALANCE AT 1 JANUARY 2019	11,634	(177)	-	1,763	24	23,898	37,142
TOTAL COMPREHENSIVE INCOME	-	-	-	185	-	4,355	4,541
DIVIDEND PAID	-	-	-	-	-	(2,305)	(2,305)
SHARE CAPITAL REPURCHASED	-	-	-	-	-	-	-
EMPLOYEE SHARE SCHEME	-	-	-	-	-	-	-
BALANCE AT 31 DECEMBER 2019	**11,634**	**(177)**	**-**	**1,948**	**24**	**25,948**	**39,378**
BALANCE AT 1 JANUARY 2018	11,601	(324)	211	1,327	24	20,379	33,218
TOTAL COMPREHENSIVE INCOME	-	-	-	436	-	5,373	5,809
DIVIDEND PAID	-	-	-	-	-	(1,853)	(1,853)
SHARE CAPITAL REPURCHASED	-	-	-	-	-	-	-
EMPLOYEE SHARE SCHEME	32	147	(211)	-	-	-	(32)
BALANCE AT 31 DECEMBER 2018	**11,634**	**(177)**	**-**	**1,763**	**24**	**23,898**	**37,142**

AUTHORISED AND ISSUED SHARE CAPITAL

	2019 ($'000)	2018 ($'000)
NUMBER OF SHARES		
ORDINARY SHARES	9,224	9,224
TREASURY SHARES	211	211
	9,435	**9,435**
ORDINARY SHARES		
OPENING BALANCE	9224	9,012
SHARES REPURCHASED AND CANCELLED BY THE COMPANY	-	-
SHARES VESTED TO EMPLOYEES UNDER THE EMPLOYEE SHARE SCHEME	-	211
CLOSING BALANCE	**9,224**	**9,224**

All authorised shares have been issued and all issued shares are fully paid. The shares have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time, rank equally with regard to the Group's residual assets and are entitled to one vote per share at meetings of the Company. Treasury shares relate to the employee share scheme and are held in trust by Apata Group ESI Trustee Limited.

TREASURY SHARES		
OPENING BALANCE	211	423
SHARES VESTED TO EMPLOYEES UNDER THE EMPLOYEE SHARE SCHEME	-	(211)
CLOSING BALANCE	**211**	**211**

Treasury shares and Share based payments reserve
The Group operates an employee share scheme under which shares are held by a trustee company which is a subsidiary of the Company. The scheme came into operation in December 2014, at which time the employees were granted shares. Those granted shares were held by the trustee company and the benefit was recognised as a share based payment and recorded as an expense over the vesting period. The first vesting date was February 2015 with the last vesting date being February 2018. Shares granted under the scheme were granted at fair value as determined by the directors of the Company. For the shares granted in December 2014, the Board assessed fair value to be $1.00 per share, which was based on the share buy-back value used in October 2014. Shares not yet granted under the scheme carry no voting rights. Shares granted but not yet vested do carry a dividend, though the dividend is paid to, and held by, the trustee of the share scheme until the shares are vested, at which time the dividend is paid to the employee.

At 31 December 2019 the trustee company holds 211,254 shares which have not been granted to employees (2018: 211,254 shares not granted). During the year no shares were granted to employees (2018: nil shares) and no shares previously granted were vested with employees (2018: 211,249 shares). At 31 December 2019 there were no shares granted but not yet vested to employees (2018: nil shares).

Revaluation reserve
The revaluation reserve relates to the revaluation of land. Apata Group Limited is restricted in distributing this unrealised reserve.

Continues...

18 Capital and reserves *continued*

Dividends

The following dividends were declared and paid by the Group for the year ended 31 December 2019:

	2019 ($'000)	2018 ($'000)
$0.2500 PER QUALIFYING ORDINARY SHARE (2018: $0.2010)	**2,305**	**1,853**

On the 26th February 2019 the Directors declared a gross dividend of $0.3472 or $0.2500 per share fully imputed, which was paid on 8th March 2019 (2018: On the 27th February 2018 the Directors declared a gross dividend of $0.1736 or $0.1250 per share fully imputed, which was paid on 9th March 2018; On the 26th June 2018 the Directors declared a gross dividend of $0.1056 or $0.076 per share fully imputed, which was paid on 17th July 2018).

19 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate risk, see Note 22.

	2019 ($'000)	2018 ($'000)
NON-CURRENT LIABILITIES		
SECURED BANK LOANS	-	22,515
CURRENT LIABILITIES		
SECURED BANK LOAN	26,980	3,880

The Group's borrowings consist of a Customised Average Rate Term Loan (CARL) which matures in October 2020. The current portion represents required principal repayments due within twelve months from reporting date. Banking facilities are expected to be renewed in the first half of 2020. The average interest rate at 31 December 2019 on the secured borrowings is 4.21% (December 2018: 4.51%). The bank loans are secured over land and buildings with a carrying amount of $47,513,807 (2018: $48,638,924). The bank has a first ranking general security arrangement over all present and acquired property. The carrying amount of loans is equivalent to the fair value.

20 Employee benefits payable

	2019 ($'000)	2018 ($'000)
ANNUAL LEAVE	616	444
TOTAL EMPLOYEE BENEFITS PAYABLE	**616**	**444**

21 Trade and other payables

	2019 ($'000)	2018 ($'000)
TRADE PAYABLES	1,354	1,468
PAYABLE TO INLAND REVENUE	1,205	1,478
PAYABLE TO APATA SUPPLIERS ENTITY LTD	2,738	3,017
PAYABLE TO OTHER RELATED PARTIES	121	7
DERIVATIVES	362	281
NON-TRADE PAYABLES AND ACCRUED EXPENSES	1,849	1,017
	7,629	**7,269**

DERIVATIVES		
OPENING BALANCE	281	83
NET CHANGE IN FAIR VALUE OF CASHFLOW HEDGE	81	198
CLOSING BALANCE	**362**	**281**

22 Financial instruments

Exposure to credit, interest rate and liquidity risks arises in the normal course of the Group's business.

Credit risk
In order to determine which customers are classified as having payment difficulties, the Group applies a mix of duration and frequency of default. The Group does not require collateral in respect of trade and other receivables. The Group's exposure to credit risk is mainly influenced by its customer base. The majority of revenue is generated from transactions with growers. However, payment for packing, packaging and coolstorage is received directly by the Group via third parties as a deduction from returns to growers.

Liquidity risk
Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. 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. Working capital is usually negative at balance date. However, this is a timing issue only, as most cash in the business is generated between April and December. The non-cash generating months of January to March are covered by available undrawn secured bank loans. At balance date there was $4,660,000 of secured bank loans undrawn (2018: $15,125,000 undrawn, of which $6,000,000 was specifically for the purchase of the property at 455 Tiniroto Road, Gisborne - refer Note 23). There is sufficient bank loan facility to cover operational working capital requirements and scheduled debt repayments, however, additional term facility will be required to settle the property purchase as outlined in Note 23 - capital commitments.

The full balance of loans outstanding at balance date is shown as current at 31 December 2019 because the secured bank term facility expires in October 2020. It is expected that this facility will be renegotiated in the first half of 2020. Repayment of secured debt is payable quarterly in amounts of $970,000 per quarter, meaning $1,940,000 of repayments are required in the first half of 2020 (2018: $1,940,000 payable in the first half of 2019), from which time sufficient cash from operating activities will have been generated to pay any further amounts due.

Interest rate risk
The Group is exposed to interest rate risk primarily through its cash balances, bank overdrafts and borrowings. The Group enters into derivative arrangements in the ordinary course of business to manage these interest rate risks. The chief financial officer, managing director and Board of Directors are responsible for overseeing the management of interest rate risk, derivative activities, monitoring and reporting. Treasury policy requires the duration of interest rate derivatives to be staggered to provide risk mitigation on interest rate repricing. As such, interest rate derivitaves are held for differing terms. This means that the interest rate derivatives will be classified as an ineffective cashflow hedge in accordance with NZ IFRS 9 Financial Instruments because the amounts and expiry dates do not align with the underlying term loan.

Quantitative disclosures
Credit risk
The carrying amount of financial assets represents the Group's maximum credit exposure. There is considered to be no impairment of financial assets at the reporting date, and therefore no impairment allowance has been recorded (2018: nil). Within trade receivables there is $591,957 of past due receivables between 30 and 120 days (2018: $183,641).

Liquidity risk
The Group's contractual cashflows for financial assets and liabilities excluding secured bank loans fall within 12 months. The following table sets out the contractual cash flows for secured bank loans as at the reporting date.

	STATEMENT OF FINANCIAL POSITION ($'000)	CONTRACTUAL CASH FLOWS ($'000)	6 MONTHS OR LESS ($'000)	6-12 MONTHS ($'000)	1-2 YEARS ($'000)	2-5 YEARS ($'000)	MORE THAN 5 YEARS ($'000)
DECEMBER 2019							
SECURED BANK LOANS	26,980	28,117	2,509	25,609	-	-	-
LEASE LIABILITIES	6,846	7,993	821	821	1,425	2,401	2,525
TRADE AND OTHER PAYABLES	7,629	7,629	7,629	-	-	-	-
TOTAL NON-DERIVATIVE LIABILITIES	**41,455**	**43,740**	**10,959**	**26,430**	**1,425**	**2,401**	**2,525**
DECEMBER 2018							
SECURED BANK LOANS	26,395	28,830	2,636	2,636	23,558	-	-
LEASE LIABILITIES	-	-	-	-	-	-	-
TRADE AND OTHER PAYABLES	7,269	7,269	7,269	-	-	-	-
TOTAL NON-DERIVATIVE LIABILITIES	**33,664**	**36,098**	**9,904**	**2,636**	**23,558**	**-**	**-**

Continues...

22 Financial instruments *continued*

Interest rate risk – repricing analysis
At 31 December 2019 (and the same at 31 December 2018), the Group has interest rate swaps in place for $16,000,000; being:

- $2,000,000 with an effective interest rate of 4.56% which matures on 28th February 2020,
- $6,000,000 with an effective interest rate of 4.71% which matures on 5th October 2020,
- $2,000,000 with an effective interest rate of 4.93% which matures on 28th February 2022,
- $6,000,000 with an effective interest rate of 5.05% which matures on 5th October 2022.

Capital management
The Group's capital includes share capital, reserves and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is not subject to any externally imposed capital requirements. The Group's policies in respect to capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's management of capital during the period.

Sensitivity analysis
In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit.

At 31 December 2019 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $141,000 (2018: $149,000).

Continues...

22 Financial instruments *continued*

CLASSIFICATION AND FAIR VALUES	NOTE	DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS ($'000)	AMORTISED COST ($'000)	TOTAL CARRYING AMOUNT ($'000)	FAIR VALUE ($'000)
DECEMBER 2019					
ASSETS					
INVESTMENTS	12	1,776	-	1,776	1,776
TOTAL NON-CURRENT ASSETS		**1,776**	**-**	**1,776**	**1,776**
TRADE AND OTHER RECEIVABLES	10 & 16	-	7,274	7,274	7,274
CASH AND CASH EQUIVALENTS	17	-	1,634	1,634	1,634
TOTAL CURRENT ASSETS		**-**	**8,908**	**8,908**	**8,908**
TOTAL ASSETS		**1,776**	**8,908**	**10,684**	**10,684**
LIABILITIES					
LOANS AND BORROWINGS	19	-	-	-	-
LEASE LIABILITIES	9	-	5,450	5,450	5,450
TOTAL NON-CURRENT LIABILITIES		**-**	**5,450**	**5,450**	**5,450**
LOANS AND BORROWINGS	19	-	26,980	26,980	26,980
LEASE LIABILITIES	9		1,396	1,396	1,396
DERIVATIVES	21	362	-	362	362
TRADE AND OTHER PAYABLES	21	-	7,267	7,267	7,267
TOTAL CURRENT LIABILITIES		**362**	**35,643**	**36,005**	**36,005**
TOTAL LIABILITIES		**362**	**41,093**	**41,455**	**41,455**
DECEMBER 2018					
ASSETS					
INVESTMENTS	12	1,691	-	1,691	1,691
TOTAL NON-CURRENT ASSETS		**1,691**	**-**	**1,691**	**1,691**
TRADE AND OTHER RECEIVABLES	10 & 16	-	7,098	7,098	7,098
CASH AND CASH EQUIVALENTS	17	-	1,212	1,212	1,212
TOTAL CURRENT ASSETS		**-**	**8,310**	**8,310**	**8,310**
TOTAL ASSETS		**1,691**	**8,310**	**10,001**	**10,001**
LIABILITIES					
LOANS AND BORROWINGS	19	-	22,515	22,515	22,515
LEASE LIABILITIES	9	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		**-**	**22,515**	**22,515**	**22,515**
LOANS AND BORROWINGS	19	-	3,880	3,880	3,880
LEASE LIABILITIES	9	-	-	-	-
DERIVATIVES	21	281	-	281	281
TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES	21	-	6,988	6,988	6,988
TOTAL CURRENT LIABILITIES		**281**	**10,868**	**11,149**	**11,149**
TOTAL LIABILITIES		**281**	**33,383**	**33,664**	**33,664**

Continues...

22 Financial instruments *continued*

Estimation of fair values
The methods used in determining the fair values of financial instruments are discussed in Note 4.

Fair value hierarchy
The table below analyses, by valuation method, those financial instruments carried at fair value. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identified assets and liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	LEVEL 1 ($'000)	LEVEL 2 ($'000)	LEVEL 3 ($'000)	TOTAL ($'000)
DECEMBER 2019				
FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE	-	148	-	148
FINANCIAL ASSETS IN ASSOCIATES	-	1,628	-	1,628
DERIVATIVE FINANCIAL LIABILITIES	-	(362)	-	(362)
	-	**1,414**	**-**	**1,414**
DECEMBER 2018				
FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE	-	135	-	135
FINANCIAL ASSETS IN ASSOCIATES	-	1,557	-	1,557
DERIVATIVE FINANCIAL LIABILITIES	-	(281)	-	(281)
	-	**1,410**	**-**	**1,410**

23 Capital commitments

Prior to 31 December 2019 the Group entered into capital contracts of which $16,798,447 (2018: $9,585,433) has yet to be completed by period-end. Outstanding contracts include:

- Purchase of property at 89 McCracken Road, Western Drain Road and 201 Hydro Road, Edgecumbe (adjoining properties), $11,950,000. The Group has entered into an unconditional sale and purchase agreement to purchase the aforementioned properties and has paid a deposit prior to balance date, with the properties settling on 1 June 2020. The 201 Hydro Road property has ben onsold in an unconditional sale & purchase agreement which settles on 1 June 2020, the value of which has been excluded from the capital commitment amount. The Group has entered into a conditional contract to sell certain non-productive assets on the 89 McCracken Road property, with a settlement date of 1 June 2021 should conditions be satisfied. A condition of sale is that the assets be subdivided to a separate title. The Group's intention is to onsell the remaining properties as soon as practicable after settlement to a syndicate to develop the properties into a kiwifruit orchard.
- Kiwifruit plants $4,205,011. The Group has entered a five-year contract to purchase 50,000 second-year kiwifruit rootstock per year at a cost of $1,250,000 per year. The contract is currently in its second season and the Group has paid a deposit prior to balance date for the second season plants due to be delivered in August 2020, with residual payments for that season being due in January and July of 2020.
- Operational plant and equipment at Turntable Road and Mends Lane sites $643,436.

For 2018, outstanding contracts included:

- Purchase of property at 455 Tiniroto Road, Gisborne $7,647,500. The Group had entered into an unconditional sale and purchase agreement to purchase the aforementioned property with the property settling on 1 April 2019. The Group onsold the property in 2019 at cost to a syndicate to develop the property into a kiwifruit orchard.
- Payment for kiwifruit plants $487,500. The Group had contracted to purchase 50,000 second year kiwifruit rootstock and had paid a deposit prior balance date, with residual payments being paid in January, March and July of 2019.
- Operational plant and equipment at Mends Lane site $1,450,433.

24 Contingencies

There were no material contingent liabilities at balance date.

25 Reconciliation of the profit for the period with the net cash from operating activities

	NOTE	2019 ($'000)	2018 ($'000)
PROFIT FOR THE PERIOD	PAGE 14	4,355	5,373
ADJUST FOR:			
FINANCE INCOME SHOWN AS INVESTING ACTIVITY	6	(30)	(33)
INCOME TAX EXPENSE	7	1,481	2,047
INCOME TAX RECEIVED/(PAID)	7	(1,440)	(1,363)
DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT	8	3,843	3,552
DEPRECIATION ON RIGHT-OF-USE ASSETS	9	1,659	-
SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES	13	(691)	(581)
NET CHANGE IN FAIR VALUE OF CASHFLOW HEDGE	21	81	198
LOSS (GAIN) ON SALE OF PROPERTY, PLANT AND EQUIPMENT		10	(6)
CHANGE IN CURRENT BIOLOGICAL ASSETS DUE TO ACQUISITIONS & SALES	11	(78)	6
CHANGE IN INVENTORIES	15	(1,472)	272
CHANGE IN TRADE AND OTHER RECEIVABLES RELATING TO OPERATING ACTIVITIES	16	(270)	(1,736)
CHANGE IN PREPAYMENTS RELATING TO OPERATING ACTIVITIES	16	393	(686)
CHANGE IN EMPLOYEE BENEFITS	20	172	177
CHANGE IN TRADE AND OTHER PAYABLES RELATING TO OPERATING ACTIVITIES	21	(143)	1,934
NET CASH FROM OPERATING ACTIVITIES	**PAGE 16**	**7,870**	**9,154**

26 Related parties

Transactions with Directors and key management personnel

Transactions with key management personnel
Key management personnel are defined as all Directors and senior executives that set strategic direction and manage the Group. The Group undertakes transactions with these persons in the normal course of business on normal commercial terms. Included in expenses is an amount of $1,637,817 (2018: $1,412,470) for salaries, benefits and Directors fees and of this $nil (2018: $nil) relates to share-based transfers under the employee share scheme. Short term benefits owing at 31 December 2019 are $nil (2018: $nil)

Loans to directors
There were no loans to Directors issued during the year ended 31 December 2019 nor any loans outstanding by Directors at 31 December 2019 (2018: $nil).

Other transactions with Directors and key management personnel
Directors of the Group control 31.3 percent of the voting shares of the Group at 31 December 2019 (2018: 31.3 percent).

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Continues...

26 Related parties *continued*

The aggregate value of transactions and outstanding balances relating to Directors and key management personnel and entities over which they have control or significant influence were as follows:

		TRANSACTION VALUE FOR PERIOD ENDED		BALANCE OUTSTANDING AS AT	
	NOTE	2019 ($'000)	2018 ($'000)	2019 ($'000)	2018 ($'000)
INCOME AND RECEIVABLE TRANSACTIONS					
DIRECTORS					
A BIRLEY					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(I)	1,817	1,708	-	-
S CARNACHAN					
AVOCADO HARVESTING SERVICES	(II)	8	3	-	-
SALE OF PACKAGING MATERIALS	(III)	638	499	5	115
M N MAYSTON					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(IV)	2,892	1,553	15	-
G CATHIE					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(V)	1,025	1,026	-	-
S WESTON					
ORCHARD SERVICES	(VI)	10	7	1	2
DIRECTORS AND SENIOR EXECUTIVES					
S CARNACHAN AND E CROSBY					
ORCHARD SERVICES	(VII)	3,301	-	341	-
SENIOR EXECUTIVES					
E CROSBY					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(VIII)	6	217	-	37
E CROSBY & D YOUNG					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(IX)	311	334	-	-
J GIBBS					
PACKING & COOLSTORAGE AND ORCHARD SERVICES REVENUE	(X)	67	70	-	-
ASSOCIATES					
PRIMOR PRODUCE LIMITED	(XI)	3,912	2,910	920	855
RELATED PARTIES					
TEAM KIWI LIMITED	(XII)	1,466	1,265	352	303
NEW ZEALAND GOLDEN KIWIFRUIT COMPANY LIMITED	(XIII)	374	361	121	162
TOTAL RECEIVABLES BALANCE OUTSTANDING				**1,756**	**1,474**
EXPENSE AND PAYABLE TRANSACTIONS					
DIRECTORS					
A BIRLEY					
ACCOMMODATION SERVICES	(XV)	21	-	-	-
M N MAYSTON					
KIWIFRUIT DEVELOPMENT AND HARVEST SERVICES	(XVI)	116	32	-	-
G CATHIE					
COOLSTORE LEASE	(XVII)	100	100	-	-
S CARNACHAN					
POST HARVEST CHARGES	(XVIII)	114	108	121	7
TOTAL PAYABLES BALANCE OUTSTANDING				**7**	**-**

Notes to the financial statement

(I) During the period the Group provided packing, coolstorage and orchard services to Birley Family Trust, of which Alan Birley, Director of Apata Group Limited, is a trustee, at standard commercial terms and conditions.

(II) During the period the Group provided packing and coolstorage services to Twin Kauri Trust, of which Sean Carnachan, Director of Apata Group Limited, is a trustee, at standard commercial terms and conditions.

(III) During the period the Group sold packaging materials to Western Orchards Limited, of which Sean Carnachan, Director of Apata Group Limited, is a director, at standard commercial terms and conditions.

(IV) During the period the Group provided packing, coolstorage and orchard services to Bruntwood Farms Limited, of which Mark Mayston, Director of Apata Group Limited, is a director, at standard commercial terms and conditions.

Continues...

25 Related parties *continued*

(V) During the period the Group provided packing, coolstorage and orchard services to Lowland Greenstone Orchard Trust, of which Graham Cathie, Director of Apata Group Limited, is a trustee, at standard commercial terms and conditions.

(VI) During the period the Group provided orchard services to Weston Investment Trust, of which Stuart Weston, Director of Apata Group Limited, is a trustee, at standard commercial terms and conditions.

(VII) During the period the Group provided orchard services to Rawhiti Orchard Limited Partnership and it's two wholly owned subsidiaries, Tawhara Orchard Limited Partnership and Homestead Orchard Limited Partnership, of which Sean Carnachan, director of Apata Group Limited, and Eugene Crosby, senior executive of Apata Group Limited, are directors of the Limited Partnerships' General Partner, Rawhiti Orchard GP Limited.

(VIII) During the period the Group provided packing, coolstorage and orchard services to Race Limited, of which Eugene Crosby, senior executive of Apata Group Limited, is a director, at standard commercial terms and conditions..

(IX) During the period the Group provided packing, coolstorage and orchard services to KiwiBOP Limited, of which Eugene Crosby, senior executive of Apata Group Limited, and Damian Young, who was a senior executive of Apata Group Limited until 17th August 2018, are directors, at standard commercial terms and conditions.

(X) During the period the Group provided packing, coolstorage and orchard services to KCW Orchards Limited, of which Jason Gibbs, senior executive of Apata Group Limited, is a director, at standard commercial terms and conditions.

(XI) During the period the Group provided packing and coolstorage services to Primor Produce Ltd, of which the Group owns 33%, at standard commercial terms and conditions.

(XII) During the period the Group provided class 2 and local market kiwifruit for sale to Team Kiwi Limited at standard commercial terms and conditions. Team Kiwi Limited, of which Peter Carter, senior manager at Apata Group Limited is a director, markets Class 2 and local market fruit in the Australian and New Zealand markets. This entity does not form part of the Group.

(XIII) During the period the Group provided gold local market kiwifruit for sale to New Zealand Golden Kiwifruit Company Limited at standard commercial terms and conditions. New Zealand Golden Kiwifruit Company Limited, of which Stuart Weston is a director, markets gold local market kiwifruit into the New Zealand local market. This entity does not form part of the Group.

(XIV) During the period the Group provided administration services to Apata Suppliers Limited, a wholly owned subsidiary of Apata Group Limited, at standard commercial terms and conditions.

(XV) During the period the Group received accommodation services from Birley Family Trust, of which Alan Birley, Director of Apata Group Limited, is a trustee, at standard commercial terms and conditions.

(XVI) During the period the Group received kiwifruit development and harvest services from Bruntwood Farms Limited, of which Mark Mayston is a director, at standard commercial terms and conditions.

(XVII) The Group leases a coolstore from Omniscient Holdings Limited of which Graham Cathie, Director of Apata Group Limited, is a director, at standard commercial terms and conditions.

(XVIII) During the period the Group paid Post Harvest charges to Western Orchards Limited, of which Sean Carnachan, Director of Apata Group Limited, is a director, at standard commercial terms and conditions.

From time to time Directors and key management personnel of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

Apata Suppliers Entity Limited

Apata Suppliers Entity Limited (ASEL) is a separate legal entity with directors elected by Apata Group growers and appointed by the Group and other independent coolstore facilities. This entity does not form part of the Group. During the year to 31 December 2019, the Group received $48,268,492 (2018: $51,274,480) from ASEL in respect of post-harvest services and fruit proceeds; the amount outstanding as at 31 December 2019 is $nil (2018: $nil). During the year to 31 December 2019, payments were made to ASEL of $8,708,264 (2018: $8,947,912) in respect of post-harvest services, the amount outstanding at 31 December 2019 is $2,738,170 (2018: $3,017,289).

26 Subsequent events

On 25th February 2020 the Directors declared a dividend of $0.2778 per share gross or $0.2000 per share fully imputed. (2018: On 26th February 2019 the Directors declared a dividend of $0.3472 per share gross or $0.2500 per share fully imputed).

Independent Auditor's Report

Apata™ TOGETHER WE'RE BETTER

Apata Group Limited | Independent auditor's report to the Shareholders

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Apata Group Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Apata Group Limited or any of its subsidiaries.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises The Year in Review, Statutory Information and Company details, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or 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 to be 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.

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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Investment in Associate

Area of focus	How our audit addressed it
The group owns 33% of Primor Produce Limited and records its share of its earning by equity accounting. Management have increased the investment in associate at the reporting date by $691,000 which has been recognised in the consolidated statement of profit or loss. The carrying value of the investment in associate was reduced by $620,000 of dividends received in the year.	Our audit procedures included: • we compared the carrying values of the Group's investment in associate to the financial statements of the entity to ensure these were accurately reflected, compared to 33% of the net asset value of Primor Produce Limited's book value; • we completed limited review procedures on the material balances in the financial statements of Primor Produce at 31 December 2019; and • We ensured the carrying value of the investment met the disclosure requirements of NZ IFRS 12 *Disclosure of Interests in Other Entities.*

Adoption of NZ IFRS 16 Leases

Area of focus	How our audit addressed it
NZ IFRS 16 *Leases* specifies how the Group will recognise, measure, present and disclose leases, and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the group elects not to account for leases whose term is 12 months or less, or the underlying asset has a low value. NZ IFRS 16 replaced the existing accounting standard NZ IAS 17 *Leases* and was effective from 1 January 2019. The implementation of NZ IFRS 16 is considered a key audit matter due to the judgments needed in establishing the underlying key assumptions at transition.	Our audit procedures included: • We evaluated the application of NZ IFRS 16 and tested the resulting impact on the consolidated statements of financial position and profit or loss and other comprehensive income; • We assessed whether the accounting regarding leases is consistent with the definitions of NZ IFRS 16 including factors such as lease term, discount rate and measurement principles; and • We ensured the Group disclosed its adoption of NZ IFRS 16 Leases, including key assumptions, in the notes to the consolidated financial statements.

Directors' Responsibilities

The directors are responsible on behalf of the entity for the preparation of consolidated financial statements that give a true and fair view in accordance with New Zealand equivalents to International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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 objectives are 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 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 and 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 financial statements is located at the External Reporting Board (XRB) website at:

https://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 director on the audit resulting in this independent auditor's report is Richard Dey.

Restriction on Distribution and Use

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

William Buck

William Buck Audit (NZ) Limited
Tauranga
28 February 2020

Apata TOGETHER WE'RE BETTER

Company Details

Company Name
Apata Group Limited

Company Number
1107843

Date of Incorporation
02 February 2001

Nature of Business
Packhouse and coolstore operators

Directors of Apata Group Limited as at 31 December 2019
Alan Birley
Colin Graham Cathie
Clinton Sean Carnachan
Mark Nolan Mayston
Stuart Barry Weston

Executive
Stuart Weston, Managing Director
Eugene Crosby, CFO and Company Secretary
Hans van Leeuwen, GM Operations
Shaun Vickers, GM Business Development, Client Services and Orchards
Kate Trufitt, Avocado Business Manager and Group Compliance and Safety Manager
Jean-Paul Lassale, GM Technology
Jason Gibbs, Commercial Manager

Auditor
William Buck, Tauranga

Solicitors
Sharp Tudhope, Tauranga

Registered Office
9 Turntable Hill Road, RD 4, Katikati 3181

Number of Shares
9,434,766

DISTRIBUTION OF SHAREHOLDING – AS AT 31 DECEMBER 2019

SHARE RANGE	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	SHARES HELD	% OF SHAREHOLDING	AVERAGE HOLDING
UP TO 1,999 SHARES	10	4%	15,179	0%	1,518
2,000 TO 9,999	133	55%	660,989	7%	4,970
10,000 TO 24,999	48	20%	735,417	8%	15,321
25,000 TO 99,999	33	14%	1,730,920	18%	52,452
100,000 PLUS	17	7%	6,292,261	67%	370,133
TOTALS	**241**	**100%**	**9,434,766**	**100%**	**39,148**

APATA KATIKATI
9 TURNTABLE HILL ROAD, RD4, KATIKATI 3181
PHONE 07 552 0911 FAX 07 552 0666

APATA TE PUKE
15 MENDS LANE, RD6, TE PUKE 3186
PHONE 07 533 6212 FAX 07 533 1354

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WWW.APATA.CO.NZ