ANNUAL REPORT

2021

Apata™
TOGETHER WE'RE BETTER

Apata™ TOGETHER WE'RE BETTER

Contents

Board of Directors

Apata Group Limited Board of Directors from left to right: Sean Carnachan, Mark Mayston (Chairman), Stuart Weston (Managing Director), Craig Stephen, Matthew Flowerday, Alan Birley.

The Year in Review

Kiwifruit 2021 Season

With the Covid-19 pandemic extending into a second year, 2021 proved even more challenging than 2020. Labour supply shortages plagued the kiwifruit industry throughout the year, exacerbated by the attrition of overseas workers, and increased wage rates having little to no impact.

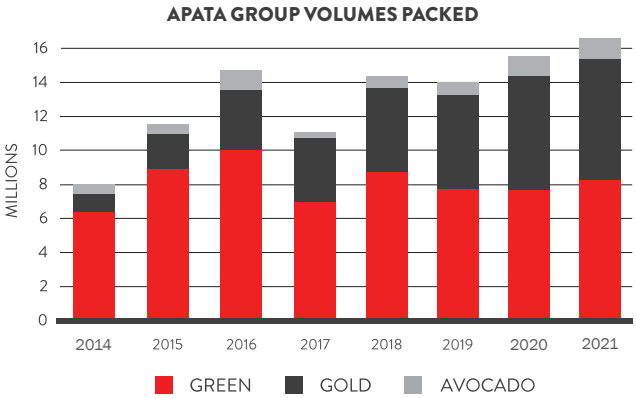
Thanks to a herculean effort of the staff on the ground, we gathered in the entire crop successfully, and exported to Zespri's plan. Fruit size was bigger than the last two years, with reasonable taste, however onshore storage performance was less than ideal, requiring us to repack 130% more volume than the previous year, and late supply fruit in market suffering a higher proportion of soft fruit than previous years.

Despite the challenges, we have performed well within the industry's supply chain metrics and Orchard Gate Returns. Year on year Orchard Gate Returns (OGR) per hectare rose in three of the four fruit groups (the exception being Organic Sungold where the category suffered in part due to the market mix).

2020			2020		
$OGR/TRAY	INDUSTRY	APATA	$OGR/HA	INDUSTRY	APATA
HW1CK	$ 7.11	$ 7.11	HW1CK	$ 72,612	$ 75,364
HW1OB	$ 9.95	$ 9.57	HW1OB	$ 62,801	$ 65,905
GA1CK	$ 12.05	$ 11.79	GA1CK	$ 172,084	$ 152,784
GA1OB	$ 14.58	$ 14.06	GA1OB	$ 150,499	$ 155,271
HE1CK	$ 9.71	$ 9.46	HE1CK	$ 54,465	$ 57,164

2021			2021		
$OGR/TRAY	INDUSTRY	APATA	$OGR/HA	INDUSTRY	APATA
HW1CK	$ 6.34	$ 6.31	HW1CK	$ 75,490	$ 79,502
HW1OB	$ 9.54	$ 9.50	HW1OB	$ 66,436	$ 73,669
GA1CK	$ 11.05	$ 10.88	GA1CK	$ 169,303	$ 172,983
GA1OB	$ 12.23	$ 11.93	GA1OB	$ 139,646	$ 148,035
HE1CK	$ 7.60		HE1CK	$ 53,096	

Volumes processed by our post harvest business for 2021 are outlined below:



Note: Avocado harvest window straddles year end. For the purposes of aligning varieties, '2021 Avocado' is the 2021/22 season.

In reporting Net profit after tax of $6.6m [2020: $4.8m], it must be noted this result is contributed from four key areas: yet another excellent performance from our investment in Primor fruit marketing, significant positive investment property revaluations which is unsurprising in this current environment, gains on the fair value of interest rate hedges and a disappointing trading result. Whilst volume was in line with expectation, we have sustained extraordinary operating costs from labour and salaries, increased onshore logistics, a budget overrun in our fixed price development cost on the Edgecumbe property, much more repacking than anticipated due seasonal factors, and holding costs associated with the protracted process of selling the Edgecumbe property. Collectively these items represent circa $2m that we had expected to flow through as profit and therefore our trading result is not a fair reflection of the potential of the business that we mean to extract.

Our Balance Sheet reflects the continued holding of $2.2m of Edgecumbe land held for sale and a further $5.7m of deposits owed on completion of the subdivision. All the land purchased in 2020 at Edgecumbe, other than the two houses being retained for staff accommodation, is under contract for sale pending issue of new titles post subdivision. To complete subdivision, Council issued a long list of conditions to be met which is taking much longer to complete than we had hoped, in large part due to availability of contractors to complete the work. We expect to have all the conditions met and council sign off in the next quarter so that we can finally complete the sales to the contracted parties.

We retain an investment in two of the syndicates underway. These developments are core to strategic positioning to shape our future supply profile, albeit a timing drag on the Balance Sheet. We aim to continue with further developments, but not to invest anything further, as our reputation as an orchard developer is sound, with a list of willing investors lined up for further developments.

A summary of the developments underway at 31 December 2021 is detailed below (a further 16 canopy hectares of development has commenced since this time and is excluded from the below numbers):

APATA ORCHARD DEVELOPMENTS TABLE

REGION	VARIETY	CANOPY HECTARES	FIRST SEASON PRODUCTION	FULL CANOPY PRODUCTION	FULL CANOPY TRAY EQUIVALENTS
GISBORNE	GOLD	66	2022	2025	1,049,600
EASTERN BAY OF PLENTY (EDGECUMBE)*	GREEN	102	2023	2026	1,196,006
WESTERN BAY OF PLENTY	GREEN	7	2022	2025	100,000
WHANGANUI	GREEN	57	2023	2026	658,720
TOTAL		**232**			**3,004,326**

*Apata has invested $3,525,000 to become a partner in one of Edgecumbe orchards and one of the Whanganui orchards to secure this supply on a long term basis.

The trend continues toward a heavier capital weighting to service the kiwifruit industry.

Coolstores are increasingly expensive to build and of the $18m committed in 2020-2022 to establish an operating site at Old Coach Road site there were significant flag-fall costs such as carparks, roading, waste/power/drainage services, container loading facilities, precooling facilities, offices (circa $3.2m). The 2021 financial year contains the majority of the $18m first stage Capex costs with $13.7m expended. Future coolstore capacity will be much simpler to add on thereafter at this site.

Processing automation remains a key to increasing throughput capacity and de-risking the labour required for our processing capacity. We committed $6.5m for 2021 and a further $6.4m has been committed for 2022. The automation we have commissioned has performed at least as well as expected and the value of labour displaced and improved throughput is returning between 20-25% on investment.

The decision not to pay a dividend in the financial year has weighed heavily on the Board with the key driver being to stay within funding covenants which was only achieved in 2021 by retaining the funds and having the covenants reset in 2021 as the Edgecumbe subdivision was pushed in to 2022. Our bank has been very supportive of our plans, however in light of continuing capital demands and the perennial challenge of balancing all stakeholders' interests, relying on more debt is not prudent, and will be discussed in the 'looking ahead' section of this report.

Avocados 2021/22 Season

All the main Australian growing regions enjoyed strong yields, which glutted this market. Outside of Australia, we also supply key Asian markets, however shipping there has been a major constraint this season.

As a rule of thumb, export returns account for 85% of orchard gate return, the seven year average of which has been running at circa $25/tray.

This year will likely be below $10/tray, placing the majority of growers at break-even or worse. Spilling over to the domestic market, returns are also significantly diminished. Rubbing further salt in the wound has been the extension of the harvest season some six to eight weeks longer than ideal, and many suffering the impact of the remnants of Cyclone Dovi on 13th February 2022. Apata's service charges remain the same in good times and bad and thus little financial

impact on Apata, but it must be said that our dear Growers and Avocado staff have been stoic if not sombre in a very difficult season, taking a longer-term perspective and looking forward to better times ahead. That said, there is significant further supply yet to come on-line from orchard developments both in Australia and NZ over the next five years, highlighting the inevitable trend toward a heavier reliance on Asian markets.

With harvest now complete the below table shows the final season volumes:

TRAY EQUIVALENT	2019/20	2020/21	2021/22
EXPORT	624,515	771,257	765,000
CLASS 2	118,319	198,023	144,208
CLASS 3	70,449		104,438
OIL	130,383	75,708	100,070
	943,666	**1,044,988**	**1,113,716**

Sustainability

The pathway for sustainably produced food could be described as 'murky' at best, however the trend is undeniable, with small volumes emerging of 'zero carbon' NZ food now being offered in overseas markets.

The pathway for sustainably produced food could be described as 'murky' at best, however the trend is undeniable, with small volumes emerging of 'zero carbon' NZ food now being offered in overseas markets. Zespri have articulated their own zero carbon target by 2025, and plan a pilot program for 2023 for which we have flagged our willingness to participate.

There's much more to be done in this space, as innovations such as plant based plastic alternatives begin to emerge. Aside from our own operational effort to improve waste and energy efficiency, many of the initiatives will be driven at an Industry wide level, hence our involvement in these early stages with Zespri's pilot. Change creates risks and opportunities, and we mean to be at the forefront of this issue as 'forewarned is forearmed'.

In January 2022 we completed our audit with Toitu Envirocare and retained Gold status. We retain a cross departmental committee to focus our efforts and have formally incorporated sustainability into our business planning processes.

Looking ahead

For 2022, we face yet more uncertainty and fluid conditions – describing conditions is difficult as any report becomes stale within a day of writing, however the themes all stem from Covid-19, being labour supply and rates, shipping and lead times, China market access, Government policy.

At the time of writing the kiwifruit industry is transitioning from Gold main pack to Green main pack. The COVID-19 wave at its peak saw over 140 of our staff being in isolation at any time which was only a few short weeks ago, we are now seeing these numbers moderate to under 20. In spite of this level of interruption the business has performed remarkably well to date in picking and packing the Gold crop and early Green fruit available.

From the time the industry started packing Gold kiwifruit in March to the latest estimate available at the time of writing (published 10th May) the Gold crop estimate has dropped over 12% and our estimate mirrors the industry. The Green crop estimate has fallen 4% in the same period but could finish at a double digit drop by the time packing has finished in June. As a processor sitting in the middle of the supply chain a 10% drop in estimate has a material impact on our profitability and we will unfortunately see this impact on our 2022 result.

The drop in crop estimate and the flow on of this to 2023 and 2024 has led us to pause our capital plans as we have invested ahead in both pack house and cool storage capacity relative to revised projected volumes. The business remains capital constrained and our balance sheet ratios remain tight but we

do have an opportunity to strengthen them considerably before the next wave of capital investment is required. The Board has committed to a strategy to do this such that any future major Capex allows us to retain strong balance sheet ratios by either earning and retaining the funds to grow or introducing new capital, as we cannot grow further by borrowing only. This needs to be done in conjunction with paying a dividend to our shareholders. We will not, however, be paying a dividend with respect to 2021 as we embark on this plan to strengthen the balance sheet but we will be introducing a distribution policy to our constitution effective for the 2022 financial year, assuming shareholders approve the changes. We would encourage you to read the proposed distribution policy when it comes out with the AGM notice of meeting and vote accordingly.

The Recognised Seasonal Employer (RSE) quota has been restored and we did manage, after significant effort, to receive our full quota of RSE's, with the recent border opening announcements too late for backpackers in 2022 but offering some optimism for 2023. Competition particularly for skilled and supervisory staff is heating up, and we're seeing some desperate acts where selected roles are having rates ratcheted up disproportionately. This level of poaching creates a fluid labour market. Ancillary labour costs beyond wage rates are ballooning, as employers seek to differentiate themselves with health insurance, wellness programs, incentive schemes and the like. It's not hard to imagine continued pressure throughout the year as the tornado builds on this wage / price spiral.

Beyond NZ Government's covid framework, China currently has a zero-tolerance stance which poses the risk of processing sites being temporarily barred from export in the inevitable event of a positive test from staff. Since 26% of Sungold kiwifruit is planned for China, we'll be 'walking on eggs' as we progress through the balance of the packing and loadout season.

Shipping continues to be constrained particularly in some Chinese ports due to the zero-tolerance stance and that, along with congestion elsewhere, leaves the situation volatile for the foreseeable future. For kiwifruit the emergence of newly built reefer vessels in the last few years has been a game changer, allowing Zespri to provide a far more reliable supply chain than any relying on container vessels. For avocados relying exclusively on containers, the supply chain will continue to be problematic. Likewise for importing goods. Lead times for infrastructure projects has extended out by as much as a further 12 months, forcing businesses to commit to projects far earlier than ever before. Businesses are 'buffering' up critical components to de-risk their operations. For any planned coolstore builds or automation, we're facing at least 15 months lead-time to commissioning.

Zespri, in conjunction with NZKGI and the post-harvest sector, have been proactive in planning to smooth the harvest flow, with growers being quite cooperative in presenting their crops for harvest which, aside from the obvious labour disruptions, has made for an orderly harvest to date.

Whilst the avocado fruit set promised a similar sized crop for next season, we're still collating the damage wrought by cyclone Dovi. Data to date suggests we'll be 30% less volume for next season. Early indications suggest significantly improved market conditions.

At a macro level we're seeing the change in bargaining power between labour and capital, requiring us to change our paradigm – evolve or go extinct. The nature of the labour force is changing as we witness generational transition. The challenge for all businesses is to understand this changing environment: the emerging workforce is mobile, demands flexibility, less motivated by job stability, communicates and derives their value in social media, more inclined to assert themselves, impatient. We are evolving, trialling novel ways to engage with the emergent workforce, configuring ourselves to flex to the risk/opportunity.

When Zespri embarked on annual Gold licence release tranches of 750ha, it was not difficult to predict labour supply deficits, hence our focus on a multi-year rollout of automation. However this covid environment has brought forward those predictions of deficit by at least two years, so it was a good decision to commence the automation plan when we did three years ago. Just as it is in the NZ economy as a whole, capacity constraints in kiwifruit for labour and shipping is exerting considerable inflationary pressure, as growers are only too aware each time they receive another bill for work done on orchard.

With recent CPI data at 6.9% and the Reserve Bank tightening monetary conditions, it doesn't seem to be suppressing orchard values at all, albeit sales windows are more protracted and there is some evidence of prices plateauing. Collectively NZ Kiwifruit orchards' current day value is circa $17b, all the more staggering given the tenuous reliance industry has on labour to perform time-critical functions. The post-harvest sector is struggling to service a growing national crop and fluid environment. Whilst we pause to consolidate asset efficiency in the short term, the medium term issue posed for the NZ kiwifruit industry as a whole is growers either choose to own and control the future of critical components of their industry (such as Post-Harvest infrastructure), or are left beholding to the capital providers that do, to pay the toll and accept the risk profile those capital providers wish to impose.

In our December correspondence, we announced the appointment of a new Independent Director. I confirm Craig Stephen met with Board members 10 February, and we warmly welcome him. The Board continues to work well together, and we look forward to his contribution as he has proven to be a very quick study with his assimilation of industry and company issues already.

We thank you for your patience during this turbulent time, and look forward to seeing you at the AGM next month.

STUART WESTON
Managing Director

MARK MAYSTON
Chairman

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Consolidated Financial Statements

For the year ended 31 December 2021

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Statutory Information

For the year ended 31 December 2021

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:

	FEES	OTHER BENEFITS	TOTAL
ALAN BIRLEY	25,000	-	25,000
SEAN CARNACHAN	25,000	8,644	33,644
GRAHAM CATHIE (RETIRED 30 MARCH 2021)	11,538	1,000	12,538
MATTHEW FLOWERDAY (APPOINTED 30 MARCH 2021)	19,231	2,250	21,481
MARK MAYSTON	42,308	11,106	53,414
SIMON ROBERTSON (RESIGNED 2 JULY 2021)	12,500	-	12,500
STUART WESTON	-	-	-
TOTAL DIRECTOR REMUNERATION	**135,577**	**23,000**	**158,577**

THE ABOVE PERSONS HELD OFFICE AS DIRECTORS THROUGH 2021. ALAN BIRLEY, SEAN CARNACHAN, MATTHEW FLOWERDAY, MARK MAYSTON AND STUART WESTON WERE HOLDING OFFICE AS DIRECTORS OF THE COMPANY AS AT 31 DECEMBER 2021.

Graham Cathie retired from his position as Director and Chairman on 30 March 2021 and Mark Mayston was elected as Chair on 27 April 2021. Stuart Weston is an employee and a Director and is not remunerated separately for services as a Director.

The following Director remuneration has been disclosed as Other Benefits:

- Sean Carnachan received director fees for services as a director of Rawhiti Orchard GP Limited and Waitotara Kiwifruit GP Limited, and to attend the Orchard Development Board sub-committee.
- Graham Cathie received director fees for services as a director of Primor Produce Limited.
- Matthew Flowerday received director fees for services as a director of Primor Produce Limited.
- Mark Mayston received director fees for services as a director of Primor Produce Limited and Rangitaiki Orchard GP Limited, and to attend the Orchard Development Board sub-committee.

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 Directors, the sum of which is set out in Note 28 to the financial statements disclosing related party transactions.

Directors' Interests

DIRECTOR	POSITION	COMPANY
ALAN BIRLEY	DIRECTOR	APATA SUPPLIERS ENTITY LIMITED
	DIRECTOR	ROYDON KIWI LIMITED
	TRUSTEE	BIRLEY FAMILY TRUST
	TRUSTEE	ALAN BIRLEY TRUST
	TRUSTEE	PAT BIRLEY TRUST
	TRUSTEE	KEITH AND KAY BIRLEY TRUST
SEAN CARNACHAN	DIRECTOR	APATA SUPPLIERS ENTITY LIMITED
	DIRECTOR	WESTERN ORCHARDS LIMITED
GRAHAM CATHIE (RETIRED 30 MARCH 2021)	DIRECTOR	KIWIFRUIT MANAGEMENT SERVICES LIMITED
	DIRECTOR	OMNISCIENT HOLDINGS LIMITED
	DIRECTOR	PRIMOR PRODUCE LIMITED
	PARTNER	LOWLAND GREENSTONE ORCHARD PARTNERSHIP
MATTHEW FLOWERDAY (APPOINTED 30 MARCH 2021)	DIRECTOR	APATA SUPPLIERS ENTITY LIMITED
	DIRECTOR	LANDKIND LIMITED
	DIRECTOR	PRIMOR PRODUCE LIMITED
	DIRECTOR	GPSIT LIMITED
	DIRECTOR	GPSIT GROUP LIMITED
	DIRECTOR	HIGH FIVES ORCHARD LIMITED
	DIRECTOR	ENTERPRISE ANGELS
	TRUSTEE	PIPPAJACK TRUST
MARK MAYSTON	DIRECTOR	APATA SUPPLIERS ENTITY LIMITED
	DIRECTOR	PURIRI LANE INVESTMENT NO 1 LIMITED
	DIRECTOR	PRIMOR PRODUCE LIMITED
	DIRECTOR	BRUNTWOOD FARMS LIMITED
	DIRECTOR	MANIAROA PROPERTIES LIMITED
	DIRECTOR	MANIAROA FARMS LIMITED
	DIRECTOR	OPOU KIWI LIMITED
	DIRECTOR	SEESPRAY LIMITED
	TRUSTEE	COPPELIA TRUST

2 Entries recorded in the interests register *(continued)*

DIRECTOR	POSITION	COMPANY
SIMON ROBERTSON (RESIGNED 2 JULY 2021)	DIRECTOR	ALLIANCE GROUP LIMITED
	DIRECTOR	BALLANCE AGRI-NUTRIENTS LIMITED
	DIRECTOR	INDEPENDENT TIMBER MERCHANTS CO-OPERATIVE LIMITED
	DIRECTOR	SYNLAIT MILK LIMITED
	DIRECTOR	SYNLAIT MILK FINANCE LIMITED
STUART WESTON	DIRECTOR	NEW ZEALAND GOLDEN KIWIFRUIT COMPANY LIMITED
	DIRECTOR	G4 KIWI SUPPLY LIMITED
	TRUSTEE	WESTON INVESTMENT TRUST

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

During the year ended 31 December 2021, the following share transactions with directors occurred:

- High Fives Orchards Limited, of which Matthew Flowerday is a director, purchased 73,333 shares.
- Coppelia Trust, of which Mark Mayston is a trustee, purchased 77,895 shares

During the year ended 31 December 2020, there were no share dealings with directors.

Directors' shareholdings

Directors held the following number of shares at 31 December 2021:

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
SEAN CARNACHAN	58,333	SHARES HELD BY WESTERN ORCHARDS LIMITED OF WHICH SEAN CARNACHAN IS A SHAREHOLDER AND DIRECTOR
SEAN CARNACHAN	13,333	SHARES HELD BY TWIN KAURI ORCHARDS LIMITED OF WHICH SEAN CARNACHAN IS A SHAREHOLDER AND DIRECTOR
MATTHEW FLOWERDAY	1,135,616	SHARES HELD BY HIGH FIVES ORCHARD LIMITED OF WHICH MATTHEW FLOWERDAY IS A DIRECTOR
MARK MAYSTON	942,258	SHARES HELD BY BRUNTWOOD INVESTMENT TRUST OF WHICH MARK MAYSTON IS A BENEFICIARY
MARK MAYSTON	77,895	SHARES HELD BY COPPELIA TRUST OF WHICH MARK MAYSTON IS A TRUSTEE AND BENEFICIARY
STUART WESTON	215,312	SHARES HELD BY WESTON INVESTMENT TRUST OF WHICH STUART WESTON IS A TRUSTEE AND BENEFICIARY
TOTAL SHARES CONTROLLED BY DIRECTORS	**4,083,326**	

Loans to Directors

There were no loans to Directors issued during the year ended 31 December 2021 nor any loans outstanding by Directors at 31 December 2021.

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.

3 Employees' remuneration

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

NUMBER OF EMPLOYEES	2021	2020
100,000 - 109,999	5	6
110,000 – 119,999	6	7
120,000 – 129,999	4	2
130,000 – 139,999	2	1
140,000 – 149,999	2	1
150,000 – 159,999	0	1
160,000 – 169,999	2	1
170,000 – 179,999	2	1
180,000 – 189,999	0	2
190,000 – 199,999	1	1
210,000 – 219,999	1	1
220,000 – 229,999	1	2
230,000 – 239,999	1	0
240,000 – 249,999	1	0
360,000 – 369,999	0	1
380,000 – 389,999	1	0

4 Audit fees

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

5 Donations

Donations of $20,674 were made during the period. (2020: $21,000)

Statutory Information Continued

Directors' Declaration

In the opinion of the Directors of Apata Group Limited, the consolidated financial statements and notes, on pages 11 to 33:

- 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 2021 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 to 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 2021.

For and on behalf of the Board of Directors:

M N MAYSTON
Director
25 March 2022

S B WESTON
Director
25 March 2022

Consolidated Statement of Financial Position

As at 31 December 2021

	NOTE	2021 ($'000)	2020 ($'000)
ASSETS			
PROPERTY, PLANT AND EQUIPMENT	8	90,200	68,448
INVESTMENT PROPERTY	9	1,800	1,190
RIGHT-OF-USE ASSETS	11	13,055	12,357
TERM RECEIVABLES	12	-	88
OTHER INVESTMENTS	14	802	157
INVESTMENT IN EQUITY ACCOUNTED ASSOCIATES	15	4,796	5,846
TOTAL NON-CURRENT ASSETS		**110,653**	**88,085**
INVENTORIES	17	1,858	2,838
BIOLOGICAL ASSETS	13	290	213
TRADE AND OTHER RECEIVABLES	18	18,748	13,258
DERIVATIVES	24	643	-
ASSETS CLASSIFIED AS HELD FOR SALE	10	2,182	6,021
CASH AND CASH EQUIVALENTS	19	617	1,287
TOTAL CURRENT ASSETS		**24,337**	**23,617**
TOTAL ASSETS		**134,990**	**111,702**
EQUITY			
SHARE CAPITAL	20	11,457	11,457
RESERVES	20	5,548	3,723
RETAINED EARNINGS	20	35,569	28,980
TOTAL EQUITY		**52,574**	**44,159**
LIABILITIES			
LOANS AND BORROWINGS	21, 24	57,082	42,824
LEASE LIABILITIES	11	11,232	10,706
DEFERRED TAX LIABILITIES	16	97	200
TOTAL NON-CURRENT LIABILITIES		**68,411**	**53,730**
LEASE LIABILITIES	11	1,895	2,060
EMPLOYEE BENEFITS PAYABLE	22	1,081	967
CURRENT TAX LIABILITY		532	322
DERIVATIVES	24	-	321
TRADE AND OTHER PAYABLES	23	10,497	10,143
TOTAL CURRENT LIABILITIES		**14,005**	**13,812**
TOTAL LIABILITIES		**82,416**	**67,543**
TOTAL EQUITY AND LIABILITIES		**134,990**	**111,702**

THE NOTES ON PAGES 14 TO 33 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 2021

	NOTE	2021 ($'000)	2020 ($'000)
REVENUE	5	**86,007**	**75,053**
WAGES AND SALARIES		31,460	25,444
PACKAGING MATERIALS		15,473	15,279
PICKING AND CARTAGE		4,979	4,223
ELECTRICITY		2,447	1,954
REPAIRS AND MAINTENANCE		1,925	1,962
LEASE EXPENSES	11	1,369	1,051
GROWER PAYMENTS - CLASS 2 AND LOCAL MARKET		2,123	1,778
ORCHARD GROWING EXPENSES		357	348
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		340	7
DIRECTORS' FEES		159	159
AUDITORS' REMUNERATION - AUDIT FEES		41	39
OTHER EXPENSES		10,253	10,067
		70,924	**62,312**
SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES, NET OF TAX	15	1,115	815
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION AND FAIR VALUE ADJUSTMENTS		**16,198**	**13,556**
DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT	8	4,981	4,274
DEPRECIATION ON RIGHT-OF-USE ASSETS	11	2,337	1,847
EARNINGS BEFORE INTEREST, TAX AND FAIR VALUE ADJUSTMENTS		**8,880**	**7,435**
FINANCE EXPENSE	6	2,616	1,804
EARNINGS BEFORE TAX AND FAIR VALUE ADJUSTMENTS		**6,264**	**5,630**
GAIN ON REVALUATION OF INVESTMENT PROPERTY	9	610	118
GAIN ON RIGHTS TRANSFERRED ON LEASE BACK OF ASSETS CLASSIFIED AS HELD FOR SALE		364	210
WRITE DOWN TO FAIR VALUE OF ASSETS CLASSIFIED AS HELD FOR SALE	10	(118)	-
NET CHANGE IN FAIR VALUE OF DERIVATIVES	24	964	41
NET PROFIT BEFORE TAXATION		**8,084**	**5,999**
INCOME TAX EXPENSE	7	1,495	1,123
NET PROFIT FOR THE PERIOD		**6,589**	**4,876**
OTHER COMPREHENSIVE INCOME			
GAIN ON REVALUATION OF LAND	8	1,778	1,750
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**1,778**	**1,750**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**20**	**8,367**	**6,626**

THE NOTES ON PAGES 14 TO 33 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	NOTE	SHARE CAPITAL ($'000)	REVALUATION RESERVE ($'000)	EMPLOYEE SHARE RIGHTS RESERVE ($'000)	ASSOCIATE RESERVE ($'000)	RETAINED EARNINGS ($'000)	TOTAL EQUITY ($'000)
OPENING BALANCE 1 JANUARY 2020		11,457	1,948	-	24	25,948	39,378
PROFIT FOR THE PERIOD		-	-	-	-	4,876	4,876
OTHER COMPREHENSIVE INCOME		-	1,750	-	-	-	1,750
DIVIDEND PAID		-	-	-	-	(1,845)	(1,845)
CLOSING BALANCE AT 31 DECEMBER 2020		**11,457**	**3,698**	**-**	**24**	**28,980**	**44,159**
PROFIT FOR THE PERIOD		-	-	-	-	6,589	6,589
OTHER COMPREHENSIVE INCOME		-	1,778	-	-	-	1,778
EMPLOYEE SHARE RIGHTS RECOGNISED		-	-	48	-	-	48
CLOSING BALANCE AT 31 DECEMBER 2021	**20**	**11,457**	**5,476**	**48**	**24**	**35,569**	**52,574**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	NOTE	2021 ($'000)	2020 ($'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH RECEIPTS FROM CUSTOMERS		82,264	69,933
CASH PAID TO SUPPLIERS AND EMPLOYEES		(71,728)	(59,251)
INTEREST PAID ON FINANCIAL LIABILITIES		(1,904)	(1,524)
INTEREST PAID ON LEASE LIABILITIES		(587)	(331)
INCOME TAX RECEIVED (PAID)		(1,388)	(1,487)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**27**	**6,656**	**7,340**
CASH FLOWS FROM INVESTING ACTIVITIES			
INTEREST RECEIVED		0	10
DIVIDENDS RECEIVED		933	761
PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT		4	12
PROCEEDS FROM SALE OF ASSETS CLASSIFIED AS HELD FOR SALE		1,574	4,112
PROCEEDS FROM SALE OF OTHER INVESTMENTS		625	
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		(22,047)	(6,485)
ACQUISITION OF ASSETS CLASSIFIED AS HELD FOR SALE		-	(13,253)
ACQUISITION OF INVESTMENT PROPERTY		-	(1,064)
ACQUISITION OF OTHER INVESTMENTS		-	(4,159)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(18,911)**	**(20,067)**
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM BORROWINGS		14,258	15,844
REPAYMENT OF LEASE LIABILITIES		(2,673)	(1,620)
DIVIDENDS PAID		-	(1,845)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**11,585**	**12,380**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(670)	(347)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,287	1,634
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**19**	**617**	**1,287**

THE NOTES ON PAGES 14 TO 33 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, Apata Group ESI Trustee Limited, Apata Orchard Investments Limited, Rawhiti Orchard GP Limited, Rangitaiki Orchard GP Limited and Waitotara Kiwifruit GP Limited (collectively "the Group") as at and for the year ended 31 December 2021. 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 directors have assessed the risk on operational performance due to the pandemic as low (Note 30). Banking facilities have been secured for a further two years, and budgets and internal financial reports are regularly reviewed. For this reason, the Group continues to adopt the going concern basis for preparing financial statements. The financial statements were approved by the Board of Directors on 25 March 2022.

(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
- investment property 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 – Property, plant and equipment
- Note 9 – Investment Property
- Note 10 – Assets classified as held for sale
- Note 11 – Leases as lessee - right-of-use assets
- Note 13 – Biological assets
- Note 24 – Financial instruments

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques 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).

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 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.

Notes to the Consolidated Financial Statements

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 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. 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 Profit or Loss.

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 Profit or Loss as incurred.

(iii) Depreciation

Depreciation is recognised in Profit or Loss 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) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in Profit or Loss. Investment property is not depreciated.

Any gain or loss on disposal of investment property is recognised in Profit or Loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(d) Assets classified as held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily though the sale rather than through continuing use.

These assets are measured at the lower of carrying value and fair value less costs to sell as required by NZ IFRS 5, based on independent valuations of the properties at year end as detailed in Note 10. Any change in carrying value is recognised in Profit or Loss.

Any gain or loss on disposal of assets classified as held for sale is recognised in Profit or Loss.

(e) 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 Profit or Loss. 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.

(f) 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.

(g) Leases

As a lessee

Lease liabilities are measured at the present value of future lease payments, discounted by the incremental borrowing rate or the rate implicit in the lease. The incremental borrowing rate applied to the lease liabilities is the prevailing term loan rate at the time of entering in to the lease.

Right of use assets are initially accounted for at cost, being the initial amount of the lease liability. Right of use assets are subsequently depreciated over the term of the lease on a straight line basis. When considering the lease term, the Group applies judgement in determining whether it is reasonably certain that an extension or termination option will be exercised.

As a lessor

The Group leases out property consisting of commercial coolstore and office buildings. All leases are classified as operating leases from a lessor perspective. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

3 Significant accounting policies *continued*

(h) 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.

(i) Financial instruments

(i) Non-derivative financial instruments

The Group classifies its financial instruments in the following categories:

- Amortised cost for financial assets and liabilities
- Assets at fair value through profit or loss (FVTPL)
- Assets at fair value through other comprehensive income (FVOCI)
- Liabilities at fair value through profit or loss

The classification of financial assets and liabilities under NZ IFRS 9 depends on the purpose for which the instrument was acquired and the nature of the contracted cashflows. Management determines the classification at the initial recognition.

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(n).

Instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss unless it is measured as amortised cost or fair value through other comprehensive income. Financial instruments are designated at fair value through profit or loss if such instruments are held for trading or whose performance is evaluated on a fair value basis. Upon initial recognition, attributable transaction costs are recognised in 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 Profit or Loss.

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 and expected credit 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 Profit or Loss. However, where 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 Profit or Loss. 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. The amount of consideration paid for ordinary shares repurchased, including directly attributable costs, is recognised as a reduction in equity. Repurchased shares not cancelled are classified as treasury shares and are represented as a deduction from total equity.

(j) 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 Profit or Loss.

(i) 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. As the Group experiences minimal impairment of receivables, the allowance for expected credit loss is established based upon the payment profiles and historical credit losses adjusted for forward looking information regarding customers' ability to pay. The Group has calculated its expected credit loss allowance using the simplified approach which calculates the expected credit loss over the lifetime of the receivables.

(ii) 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 cost of disposal. 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.

(k) 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) Share based payment transactions

The grant date fair value of entitlements granted to employees is recognised as an employee expense over the period in which the employees become unconditionally entitled to the entitlements. The amount recognised as an expense is adjusted to reflect the actual number of share entitlements that vest. Equity-settled entitlements are recognised as an increase in equity. Cash-settled entitlements are recognised as a liability until paid.

The equity-settled portion of the grant date fair value of entitlements is not re-measured after grant date. The fair value of the liability of the cash-settled portion is re-measurement at each reporting date and at the date of settlement.

(l) 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.

(m) Revenue

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

(i) Services - Post Harvest Operations

The Group enters into two standardised post harvest contracts:

- The first has two performance obligations; to collect the supply of fruit via picking and transportation, and maturity testing. Charges are separated in the agreement and revenue is recognised when the service is performed.
- The second has three performance obligations; to pack fruit, to cool and dispatch fruit, and to sell class 2 fruit. Each performance obligation has a separate transaction price detailed in the contract and the obligations are recognised when services are performed; packing revenue as fruit is packed, coolstore revenue as fruit is submitted to the coolstores and class 2 as fruit is sold and delivered.

(ii) Commissions - Orchard management

The Group enters into two standardised post harvest contracts:

- The first is a management contract which has one performance obligation; to manage fruit production. Revenue is recognised as the service is performed and is calculated at a cost plus a margin as per the contract. The management fee included in the contract is recognised evenly over the period of the contract.
- The second orchard management contract has one performance obligation; to collect the supply of fruit. The transaction price is determined using a forecasted OGR. Revenue is recognised when crops are picked.

(iii) Lease rental income

Lease rental income is recognised on a straight-line basis over the term of the lease.

(iv) Interest revenue

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

(n) 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 Profit or Loss. 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 financial liabilities, interest expense on lease liabilities, 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 Profit or Loss. All borrowing costs are recognised in Profit or Loss using the effective interest method.

(o) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Profit or Loss 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.

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.

(p) New standards adopted and interpretations not yet adopted

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

No new and revised standards applied this year.

(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 Directors' 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 by reference to current and expected sales returns when available. When market data is not available an assessment is made based on historical data.

(c) Investment property
The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and experience in the location and category of the property. The independent valuers provide the fair value of the investment property at the Group's balance date.

(d) Assets classified as held for sale
In determining the lower of carrying value or fair value in accordance with NZ IFRS 5, the fair value of assets classified as held for sale is determined using valuations by an independent valuer. In conducting the valuations, the valuer considered the market comparison approach and the replacement cost less depreciation approach to determine market value.

(e) 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 based on latest information from securities management.

(f) Trade and other receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less expected credit losses. The Group has recognised expected credit losses for all trade receivables.

Debts which are known to be uncollectible are written off. As the Group experiences very little impairment of receivables, the allowance for expected credit loss is established based upon the payment profiles and historical credit losses adjusted for forward looking information regarding customers' ability to pay their debts.

(g) 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.

(h) 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.

(i) Cash-settled portion of share based payment entitlements
The fair value of the liability of the cash-settled portion of share based payment entitlements is re-measurement at each reporting date based on the Group's share price. The fair value of the Group's share price is determined by an independent valuer or, if no valuation has occurred within three months of balance date, the price of the latest share trade occurring before reporting date.

5 Revenue

	2021 ($'000)	2020 ($'000)
SERVICES	67,580	56,562
SALES	17,350	17,205
COMMISSION	697	960
LEASE INCOME	342	301
FINANCE INCOME	38	24
TOTAL REVENUES	**86,007**	**75,053**

6 Finance income and expense

	2021 ($'000)	2020 ($'000)
INTEREST INCOME	0	10
SHARES AND DIVIDEND INCOME	38	14
FINANCE INCOME	**38**	**24**
INTEREST EXPENSE ON FINANCIAL LIABILITIES	2,030	1,473
INTEREST EXPENSE ON LEASE LIABILITIES	587	331
FINANCE EXPENSE	**2,616**	**1,804**
NET FINANCE COSTS	**2,578**	**1,780**

7 Income tax expense

	2021 ($'000)	2020 ($'000)
CURRENT TAX EXPENSE		
CURRENT PERIOD	1,598	1,267
DEFERRED TAX EXPENSE		
ORIGINATION AND REVERSAL OF TEMPORARY DIFFERENCES	(103)	83
CHANGE IN TAX RULES ON BUILDING DEPRECIATION	-	(227)
	(103)	(144)
TOTAL INCOME TAX EXPENSE	**1,495**	**1,123**
On 25 March 2020 the government reinstated depreciation on non-residential buildings as a tax deductible expenditure. The effect of this change in the 2020 financial statements was to decrease tax expense by $227,019 and decrease deferred tax liability by $227,019.		
RECONCILIATION OF EFFECTIVE TAX RATE		
PROFIT BEFORE INCOME TAX	8,084	5,999
IMPUTATION CREDITS ON DIVIDENDS RECEIVED	6	5
TAXABLE INCOME	**8,090**	**6,004**
INCOME TAX USING THE GROUP'S DOMESTIC TAX RATE 28% (2020: 28%)	2,265	1,681
NET CHANGE IN FAIR VALUE OF CASHFLOW HEDGE	(270)	(11)
GAIN ON REVALUATION OF INVESTMENT PROPERTY	(170)	(59)
GAIN ON RIGHTS TRANSFERRED ON LEASE BACK OF HELD FOR SALE ASSET	(102)	(34)
IMPAIRMENT OF AVAILABLE FOR SALE ASSETS	33	-
GAIN ON SALE OF DEVELOPMENT LAND	(67)	-
OTHER NON-DEDUCTIBLE EXPENSES	23	14
IMPUTATION CREDITS RECEIVED	(6)	(5)
LESS TAX ON SHARE OF ASSOCIATES PROFIT RECORDED NET OF TAX	(312)	(228)
CHANGE IN TAX RULES ON BUILDING DEPRECIATION	-	(227)
PRIOR PERIOD ADJUSTMENT	100	(8)
TOTAL INCOME TAX EXPENSE	**1,495**	**1,123**
IMPUTATION CREDITS		
IMPUTATION CREDITS AT THE BEGINNING OF THE PERIOD	8,362	7,310
TAX PAYMENTS, NET OF REFUNDS	1,466	1,488
IMPUTATION CREDITS ATTACHED TO DIVIDENDS RECEIVED	305	281
IMPUTATION CREDITS ATTACHED TO DIVIDENDS PAID	-	(717)
IMPUTATION CREDITS AT THE END OF THE PERIOD	**10,133**	**8,362**

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 2021	9,851	994	51,970	2,199	27,966	56	2,466	95,501
ADDITIONS	97	-	14,168	-	10,137	-	531	24,933
DISPOSALS	-	-	-	-	(45)	-	-	(45)
INCREASE FROM REVALUATIONS	1,778	-	-	-	-	-	-	1,778
BALANCE AT 31 DECEMBER 2021	**11,726**	**994**	**66,138**	**2,199**	**38,059**	**56**	**2,996**	**122,167**
BALANCE AT 1 JANUARY 2020	8,101	994	47,733	2,199	23,716	56	2,210	85,008
ADDITIONS	-	-	4,241	-	4,702	-	286	9,229
DISPOSALS	-	-	(4)	-	(451)	-	(31)	(486)
INCREASE FROM REVALUATIONS	1,750	-	-	-	-	-	-	1,750
BALANCE AT 31 DECEMBER 2020	**9,851**	**994**	**51,970**	**2,199**	**27,966**	**56**	**2,466**	**95,501**
DEPRECIATION AND IMPAIRMENT LOSSES								
BALANCE AT 1 JANUARY 2021	-	-	13,174	288	11,660	15	1,917	27,053
DEPRECIATION FOR THE PERIOD	-	-	2,096	68	2,469	3	345	4,981
DISPOSALS	-	-	-	-	(67)	-	-	(67)
BALANCE AT 31 DECEMBER 2021	**-**	**-**	**15,269**	**356**	**14,061**	**18**	**2,261**	**31,967**
BALANCE AT 1 JANUARY 2020	-	-	11,278	235	9,758	11	1,604	22,887
DEPRECIATION FOR THE PERIOD	-	-	1,896	53	2,009	3	313	4,274
DISPOSALS	-	-	-	-	(108)	-	-	(108)
BALANCE AT 31 DECEMBER 2020	**-**	**-**	**13,174**	**288**	**11,660**	**15**	**1,917**	**27,053**
CARRYING AMOUNTS								
AT 31 DECEMBER 2021	11,726	994	50,868	1,843	23,997	38	735	90,200
AT 31 DECEMBER 2020	9,851	994	38,796	1,911	16,306	41	549	68,448

Security
At 31 December 2021 land and buildings with a carrying amount of $65,430,952 (2020: $51,552,041) are subject to a registered debenture to secure bank loans (see Notes 21 & 24).

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 independent registered valuer Simon Harris (FNZIV, FPINZ) of Property Solutions (BOP) Limited.

	(HA)	($/SQM)	($'000)
TURNTABLE HILL ROAD & 1623 SH2, APATA	13.0	45.5	5,920
MENDS LANE, TE PUKE	5.7	54.5	3,105
OLD COACH ROAD, TE PUKE	5.8	52.2	3,050

The valuation at 31 December 2021 resulted in the recognition of Other Comprehensive Income of $1,778,000 (2020: $1,750,000).

The total cost of land at 31 December 2021 was $7,243,847. (2020: $7,146,690).

Fully depreciated assets
Assets with a cost of $4,236,838 (2020: $3,430,351) 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 until 31 March 2026. 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 one year period to 30 June 2022. Once this lease expires, and if it is not renewed, it is the intention of the Group to use the dwelling as accommodation for post-harvest employees. During the year to 31 December 2021, $296,760 was received from Lessees in relation to leased assets. (2020: $300,123)

MINIMUM FUTURE LEASE PAYMENTS RECEIVABLE ARE AS FOLLOWS:

	2021 ($'000)	2020 ($'000)
LESS THAN ONE YEAR	271	68
BETWEEN ONE AND FIVE YEARS	880	-
MORE THAN FIVE YEARS	-	-
	1,151	**68**

9 Investment property

	2021 ($'000)	2020 ($'000)
BALANCE AT 1 JANUARY	1,190	-
ACQUISITIONS	-	1,072
CHANGE IN FAIR VALUE	610	118
BALANCE AT 31 DECEMBER	**1,800**	**1,190**

Investment property comprises of two residential dwellings that the Group intends to lease to third parties to provide accommodation for orchard development & seasonal labour.

Investment properties are measured at fair value and are revalued to their estimated fair value as at 31 December 2021 in accordance with the valuation report dated 25 January 2022 by independent registered valuer Simon Harris (FNZIV, FPINZ) of Property Solutions (BOP) Limited The fair value measurement for the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

10 Assets classified as held for sale

CARRYING VALUE - LAND	2021 ($'000)	2020 ($'000)
BALANCE AT 1 JANUARY 2021	6,021	-
ADDITIONS	-	13,914
DISPOSALS	(3,721)	(7,893)
WRITE DOWN TO FAIR VALUE	(118)	-
BALANCE AT 31 DECEMBER 2021	**2,182**	**6,021**

In 2020 the Group purchased approximately 161 hectares of land in Edgecumbe. The Group has since sold and leased back approximately 122 hectares to Rangitaiki Orchard Limited Partnership, an associate of the Group, and 3 other separate entities for the purposes of developing and growing green kiwifruit. Contracts are in place with various third parties to sell the remaining assets during 2022 pending completion of subdivision consent conditions and issue of new titles by LINZ. The Group has determined that it is highly probable that these assets will be sold within the next 12 months and are therefore presented as a disposal group held for sale.

Assets classified as held for sale are measured at the lower of carrying value or fair value. Independent registered valuer, Simon Harris (FNZIV, FPINZ) of Property Solutions (BOP) Limited assessed fair value as being greater than carrying value. The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

11 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 2021	6,056	6,499	2,843	65	15,463
ADDITIONS	2,811	-	66	158	3,035
COMPLETED LEASES	-	(341)	-	-	(341)
BALANCE AT 31 DECEMBER 2021	**8,867**	**6,157**	**2,909**	**222**	**18,156**
BALANCE AT 1 JANUARY 2020	286	6,209	1,764	65	8,324
ADDITIONS	5,770	690	1,080	-	7,539
COMPLETED LEASES		(400)	-		(400)
BALANCE AT 31 DECEMBER 2020	**6,056**	**6,499**	**2,843**	**65**	**15,463**
DEPRECIATION AND IMPAIRMENT LOSSES					
BALANCE AT 1 JANUARY 2021	167	1,775	1,116	48	3,106
DEPRECIATION FOR THE PERIOD	757	860	668	52	2,337
COMPLETED LEASES	-	(341)	-	-	(341)
BALANCE AT 31 DECEMBER 2021	**924**	**2,293**	**1,784**	**100**	**5,102**
BALANCE AT 1 JANUARY 2020	9	1,190	436	24	1,659
DEPRECIATION FOR THE PERIOD	158	984	680	24	1,847
COMPLETED LEASES	-	(400)	-	-	(400)
BALANCE AT 31 DECEMBER 2020	**167**	**1,775**	**1,116**	**48**	**3,106**
CARRYING AMOUNTS					
AT 31 DECEMBER 2021	**7,943**	**3,864**	**1,126**	**122**	**13,055**
AT 31 DECEMBER 2020	**5,889**	**4,724**	**1,727**	**17**	**12,357**

11 Leases as lessee *continued*

LEASE LIABILITIES	LAND ($000)	BUILDINGS ($000)	VEHICLES & PLANT ($000)	OFFICE EQUIPMENT ($000)	TOTAL ($000)
BALANCE AT 1 JANUARY 2021	6,040	4,975	1,733	17	12,765
ADDITIONS	2,209	-	66	158	2,433
INTEREST EXPENSE ON LEASE LIABILITIES	205	261	115	5	587
LEASE PAYMENTS	(850)	(1,035)	(721)	(53)	(2,658)
BALANCE AT 31 DECEMBER 2021	**7,604**	**4,202**	**1,194**	**127**	**13,127**
BALANCE AT 1 JANUARY 2020	282	5,182	1,340	41	6,846
ADDITIONS	5,892	690	1,080	-	7,661
INTEREST EXPENSE ON LEASE LIABILITIES	55	208	68	1	331
LEASE PAYMENTS	(189)	(1,105)	(754)	(25)	(2,073)
BALANCE AT 31 DECEMBER 2020	**6,040**	**4,975**	**1,733**	**17**	**12,765**

CARRYING VALUE	2021 ($'000)	2020 ($'000)
CURRENT	1,895	2,060
NON - CURRENT	11,232	10,706
BALANCE AT 31 DECEMBER	**13,127**	**12,765**

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 24.

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 Profit or Loss 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 one to nine 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	2021 ($'000)	2020 ($'000)
INTEREST EXPENSE ON LEASE LIABILITIES	587	331
LEASE LIABILITIES PRINCIPAL REPAYMENTS	2,071	1,741
LEASE EXPENSE RELATING TO SHORT-TERM LEASES	865	739
LEASE EXPENSE RELATING TO VARIABLE LEASE PAYMENTS NOT INCLUDED IN LEASE LIABILITIES	292	94
LEASE EXPENSE RELATING TO UNCERTAIN LEASE PAYMENTS	211	218
TOTAL CASH OUTFLOW FOR LEASES	**4,027**	**3,124**

12 Term receivables

	2021 ($'000)	2020 ($'000)
PREPAID SUPPLY AGREEMENT	-	88
CLOSING BALANCE	**-**	**88**

PREPAID SUPPLY AGREEMENT		
OPENING BALANCE	88	175
CURRENT PORTION OF PREPAID SUPPLY AGREEMENT	(88)	(88)
CLOSING BALANCE	**-**	**88**

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.

13 Biological assets

	2021 ($'000)	2020 ($'000)
OPENING BALANCE	213	215
INCREASE DUE TO EXPENDITURE ON THE VINES	290	213
HARVESTED KIWIFRUIT TRANSFERRED TO INVENTORIES	(213)	(215)
CLOSING BALANCE	**290**	**213**

At 31 December 2021 biological assets consists of kiwifruit on leased vines. Leased orchards are expected to produce an estimated 93,630 tray equivalents from four orchards for the 2022 season crop (2021 season: 84,800). The orchards will be harvested between April and June 2022. Insufficient biological transformation has occurred at balance date. As such, the fair value of biological assets is the growing costs incurred at balance date and has been categorised as a level 3 fair value. All biological assets are subject to a general security arrangement referred to in Note 21.

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.

14 Other investments

EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2021 ($'000)	2020 ($'000)
MG MARKETING LIMITED	149	138
BALLANCE AGRI-NUTRIENTS LIMITED	22	16
FARMLANDS	3	3
G4 KIWI SUPPLY LIMITED	4	-
WAITOTARA KIWIFRUIT LIMITED PARTNERSHIP	625	-
TOTAL OTHER INVESTMENTS	**802**	**157**

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 148,585 shares at 31 December 2021 (2020: 137,533 shares held).

The Group sold 50% of its shareholding in Waitotara Kiwifruit Limited Partnership and now has a 19% holding in the Partnership. The partnership was classified as an associate in 2020.

15 Investment in equity accounted associates

Investment in associates 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**	**2021**	**2020**
PRIMOR PRODUCE LIMITED	FRUIT MARKETING	31%	33%
RANGITAIKI ORCHARD LIMITED PARTNERSHIP	KIWIFRUIT GROWER	21%	21%
WAITOTARA KIWIFRUIT LIMITED PARTNERSHIP	KIWIFRUIT GROWER	19%	38%

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.

Rangitaiki Orchard Limited Partnership and Waitotara Kiwifruit Limited Partnership are limited partnerships registered in New Zealand and have 31st March balance dates. The Group does not have significant influence over management of these associates but does have representation on the General Partner Boards. Waitotara Kiwifruit Limited Partnership was de-recognised as an associate at 31 December 2021.

	2021 ($'000)	**2020 ($'000)**
RESULTS OF ASSOCIATE COMPANIES		
SHARE OF PROFIT BEFORE INCOME TAX	1,101	1,083
INCOME TAX	(364)	(269)
NET PROFIT	**736**	**815**
OTHER RECOGNISED SURPLUS	379	-
SHARE OF TOTAL RECOGNISED REVENUES AND EXPENSES	**1,115**	**815**
MOVEMENT IN CARRYING VALUE OF ASSOCIATES		
CARRYING VALUE AT BEGINNING OF PERIOD	5,846	1,628
NET EARNINGS	1,115	815
DIVIDENDS RECEIVED	(915)	(746)
ACQUISITIONS	-	4,150
DISPOSALS	(625)	-
DERECOGNITION OF ASSOCIATE	(625)	-
BALANCE AT END OF PERIOD	**4,796**	**5,846**

ASSOCIATES SUMMARY FINANCIAL INFORMATION	**2021 ($'000)**	**2020 ($'000)**
PRIMOR PRODUCE LIMITED (31% OWNERSHIP) (2020: 33% OWNERSHIP)		
CURRENT ASSETS	14,071	14,019
NON CURRENT ASSETS	2,212	840
CURRENT LIABILITIES	(6,915)	(9,770)
NON CURRENT LIABILITIES	(3,000)	-
NET ASSETS	6,368	5,089
REVENUE	56,818	52,246
NET PROFIT AFTER TAX	2,779	2,335
SHARE OF NET ASSETS	1,995	1,696
SHARE OF PROFIT	874	778
In June 2021 Primor Produce Limited issued a further 95,744 shares to key management staff which diluted the Group's shareholding from 33% to 31%.		
RANGITAIKI ORCHARD LIMITED PARTNERSHIP (21% OWNERSHIP)		
CURRENT ASSETS	5,454	9,904
NON CURRENT ASSETS	14,530	8,980
CURRENT LIABILITIES	(6,558)	(4,973)
NON CURRENT LIABILITIES	-	-
NET ASSETS	13,426	13,911
REVENUE	706	185
NET PROFIT AFTER TAX	210	185
SHARE OF NET ASSETS	2,801	2,902
SHARE OF PROFIT	44	38

15 Investment in equity accounted associates *continued*

WAITOTARA KIWIFRUIT LIMITED PARTNERSHIP (19% OWNERSHIP) (2020: 38% OWNERSHIP)		
NET ASSETS	-	3,244
NET PROFIT AFTER TAX	(472)	(6)
SHARE OF NET ASSETS	-	1,248
SHARE OF PROFIT	(182)	(2)

In December 2021 the Group sold 50% of its shareholding in Waitotara Kiwifruit Limited Partnership, which was 19% of the partnership share. The Group now holds 19% of the partnership which means the partnership no longer classifies as an associate entity of the Group.

16 Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:	2021			2020		
	ASSETS ($'000)	LIABILITIES ($'000)	NET ($'000)	ASSETS ($'000)	LIABILITIES ($'000)	NET ($'000)
PROPERTY, PLANT AND EQUIPMENT	-	(781)	(781)	-	(526)	(526)
RIGHT OF USE ASSETS	155	-	155	80	-	80
EMPLOYEE BENEFITS	299	-	299	246	-	246
BIOLOGICAL ASSETS	-	(81)	(81)	-	(60)	(60)
ORCHARD DEVELOPMENTS	231	-	231	-	-	-
OTHER ITEMS	81	-	81	59	-	59
TAX ASSETS/(LIABILITIES)	**765**	**(862)**	**(97)**	**385**	**(585)**	**(200)**

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)
2021				
PROPERTY, PLANT AND EQUIPMENT	(526)	(255)	-	(781)
RIGHT OF USE ASSETS	80	74	-	155
EMPLOYEE BENEFITS	246	54	-	299
BIOLOGICAL ASSETS	(60)	(22)	-	(81)
ORCHARD DEVELOPMENTS	-	231	-	231
OTHER ITEMS	59	21	-	81
	(200)	**103**	**-**	**(97)**
2020				
PROPERTY, PLANT AND EQUIPMENT	(512)	(14)	-	(526)
RIGHT OF USE ASSETS	51	29	-	80
EMPLOYEE BENEFITS	117	129	-	246
BIOLOGICAL ASSETS	(60)	1	-	(60)
OTHER ITEMS	60	(1)	-	59
	(345)	**144**	**-**	**(200)**

17 Inventories

	2021 ($'000)	2020 ($'000)
PACKAGING MATERIALS AT COST	1,832	1,584
ORCHARDING STOCKS AT COST	46	1,358
LESS PROVISION FOR OBSOLESCENCE	(20)	(104)
PACKAGING MATERIALS	**1,858**	**2,838**
OPENING PROVISION FOR OBSOLESCENCE	104	104
EXPENSED (RELEASED) TO PROFIT OR LOSS	(84)	-
CLOSING PROVISION FOR OBSOLESCENCE	**20**	**104**

In 2021 raw materials, consumables and changes in inventory recognised as cost of sales amounted to $15,482,691 (2020: $15,758,122). In 2021 the write-down of inventories to net realisable value amounted to $20,214 (2020: $104,072). No inventories are subject to retention of title clauses (2020: nil). All inventories are subject to a general security arrangement referred to in Note 21.

18 Trade and other receivables

	NOTE	2021 ($'000)	2020 ($'000)
TRADE AND OTHER RECEIVABLES DUE FROM RELATED PARTIES	28	9,190	8,376
TRADE RECEIVABLES FROM THIRD PARTIES		3,531	2,948
PREPAYMENTS		1,020	516
OTHER RECEIVABLES		5,006	1,418
		18,748	**13,258**

All trade and other receivables are subject to a general security arrangement referred to in Note 21.

EXPECTED CREDIT LOSS ALLOWANCE	2021 ($'000)	2020($'000)
OPENING EXPECTED CREDIT LOSS ALLOWANCE	58	43
EXPENSED (RELEASED) TO PROFIT OR LOSS	(14)	15
CLOSING EXPECTED CREDIT LOSS ALLOWANCE	**44**	**58**

During the year no trade receivables were written off as a bad debt (2020: $nil). A provision of $43,696 was made at 31 December 2021 for receivables not considered fully receivable (2020: provision $57,828). All other trade and other receivables are considered fully collectible.

19 Cash and cash equivalents

	2021 ($'000)	2020 ($'000)
BANK BALANCES	68	128
CALL DEPOSITS	549	1,158
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	**617**	**1,287**

The average effective interest rate on call deposits in 2021 was 0.17% (2020: 0.8%). All cash and cash equivalents are subject to a general security arrangement referred to in Note 21. In addition, all balances are subject to setoff against loans.

The Group has available a $250,000 overdraft facility at 31 December 2021, which is unutilised at balance date. (2020: $250,000, which was unutilised).

20 Capital and reserves

RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

	SHARE CAPITAL ($'000)	TREASURY SHARE CAPITAL ($'000)	REVALUATION RESERVE ($'000)	EMPLOYEE SHARE RIGHTS RESERVE ($'000)	ASSOCIATES RESERVE ($'000)	RETAINED EARNINGS ($'000)	TOTAL EQUITY ($'000)
BALANCE AT 1 JANUARY 2021	11,634	(177)	3,698	-	24	28,980	44,159
TOTAL COMPREHENSIVE INCOME	-	-	1,778	-	-	6,589	8,367
TREASURY SHARES CANCELLED	(177)	177	-	-	-	-	-
EMPLOYEE SHARE RIGHTS RECOGNISED	-	-	-	48	-	-	48
BALANCE AT 31 DECEMBER 2021	**11,457**	**-**	**5,476**	**48**	**24**	**35,569**	**52,574**
BALANCE AT 1 JANUARY 2020	11,634	(177)	1,948	-	24	25,948	39,378
TOTAL COMPREHENSIVE INCOME	-	-	1,750	-	-	4,876	6,626
DIVIDEND PAID	-	-	-	-	-	(1,845)	(1,845)
BALANCE AT 31 DECEMBER 2020	**11,634**	**(177)**	**3,698**	**-**	**24**	**28,980**	**44,159**

20 Capital and reserves *continued*

AUTHORISED AND ISSUED SHARE CAPITAL

	2021 ($'000)	2020 ($'000)
NUMBER OF SHARES		
ORDINARY SHARES	9,224	9,224
TREASURY SHARES	-	211
	9,224	**9,435**
ORDINARY SHARES		
OPENING BALANCE	9,224	9,224
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

	2021 ($'000)	2020 ($'000)
OPENING BALANCE	211	211
SHARES CANCELLED BY THE COMPANY	(211)	-
CLOSING BALANCE	**-**	**211**

Treasury shares
Treasury shares related to the employee share scheme and were held in trust by Apata Group ESI Trustee Limited, a subsidiary of the Company. The Group operated an employee share scheme from 2014 to 2018. During 2021 the Trust was wound up and the 211,254 shares held by the trustee company were repurchased by the Company and cancelled.

Revaluation reserve
The revaluation reserve relates to the revaluation of land.

Associates reserve
The associates reserve relates to the revaluation of investments in associates.

EMPLOYEE SHARE RIGHTS RESERVE

	2021 ($'000)	2020 ($'000)
OPENING BALANCE	-	-
EMPLOYEE SHARE RIGHTS RECOGNISED	48	-
	48	**-**

In 2021 the Company entered into a Performance Share Rights (PSR) plan with senior employees. The plan grants a total of 325,000 Company shares to senior executive employees, which will vest with the employees should they remain an employee of the Group through to 31 December 2025. Upon vesting of the PSRs, new ordinary shares of the Company will be issued to employees for no consideration and will be credited as fully paid up. One PSR will convert into one ordinary share upon vesting and will rank equally with all other ordinary shares on issue. PSRs do not entitle the holder to receive dividends or other distributions, or vote in respect of ordinary shares. Holders of PSRs cannot transfer or grant security interest over them.

The plan also awards a bonus to the employee at 31 December 2025 to cover any tax liability to the employee at the time of vesting. The equity-settled portion of the plan is recognised over the period of the entitlement within the Employee Share Rights Reserve. The cash-settled portion of the plan, relating to the bonus to cover tax liability, is recognised over the period of the entitlement within current or term liabilities.

Should any employee cease employment before 31 December 2025, that employee's PSR lapses and any share right recognised to the termination date is reversed. The fair value of the awards expected to vest are based on the fair value of the share less the exercise price. The fair value of the equity instrument was valued at grant date and was determined by an independent valuation by Baker Tilly, Tauranga at 31 December 2021 as $2.50 per share. The fair value of the equity settled portion of the award is not remeasured after grant date. The fair value of the cash-settled portion of the award was determined by the share value as above and the employees' marginal tax rates. This fair value is remeasured at each balance date based on the Group's share price determined either by an independent valuation or, if no valuation has occurred within three months of balance date, the price of the latest share trade occurring before reporting date.

20 Capital and reserves *continued*

The expensed portion of both the equity-settled and cash-settled amounts are determined by allocating the fair value of the total expected awards to vest over the total time period to the vesting date. The amount of the plan expensed to 31 December 2021 is as follows:

	2021 ($'000)	2020 ($'000)
EQUITY SETTLED PORTION - EMPLOYEE SHARE RIGHTS RESERVE	48	-
CASH SETTLED PORTION - LIABILITY	31	-
TOTAL EXPENSE	**78**	**-**

Dividends

The following dividends were declared and paid by the Group during the year ended 31 December 2021:

	2021 ($'000)	2020 ($'000)
$NIL PER QUALIFYING ORDINARY SHARE (2020: $0.2000)	**-**	**1,845**

On the 25th February 2020 the Directors declared a gross dividend of $0.2778 or $0.2000 per share fully imputed, which was paid on 17th March 2020.

21 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 24.

	2021 ($'000)	2020 ($'000)
NON-CURRENT LIABILITIES		
SECURED BANK LOANS	57,082	42,824
CURRENT LIABILITIES		
SECURED BANK LOAN	-	-

The Group's borrowings consist of Customised Average Rate Term Loans (CARLs) which mature in November 2023 (2020: November 2023).

The current portion represents required principal repayments due within twelve months from reporting date. The average interest rate at 31 December 2021 on the secured borrowings is 3.73% (December 2020: 3.47%). The bank loans are secured over land and buildings with a carrying amount of $65,430,952 (2020: $51,552,041). 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. At 31 December 2021 the total bank funding facility available to the Group was $75.1m, of which $18.0m remained undrawn. (2020: $75.1m of which $32.3m remained undrawn).

The bank facility requires certain financial covenants to be met at 31 December 2021. These covenants include the maintenance of equity ratios and earnings time interest cover. These covenants were met at 31 December 2021. (2020: Covenants met). At 31 March 2021 (and at 30 June 2020), the Group breached its equity ratio covenant due to the purchase of the Edgecumbe land for orchard development which had yet to be partially disposed at the time. The bank issued a formal waiver of the covenant breach on both occasions. No repayment is due within 12 months.

22 Employee benefits payable

	2021 ($'000)	2020 ($'000)
ANNUAL LEAVE	1,081	967
TOTAL EMPLOYEE BENEFITS PAYABLE	**1,081**	**967**

23 Trade and other payables

	2021 ($'000)	2020 ($'000)
TRADE PAYABLES	2,209	3,673
PAYABLE TO INLAND REVENUE	1,915	841
PAYABLE TO APATA SUPPLIERS ENTITY LTD	2,748	2,738
PAYABLE TO OTHER RELATED PARTIES	9	149
NON-TRADE PAYABLES AND ACCRUED EXPENSES	3,617	2,742
	10,497	**10,143**

24 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 $18.0m of secured bank loans undrawn, of which $15.0m is specifically for working capital (2020: $32.3m undrawn). There is sufficient bank loan facility to cover operational working capital requirements. There are no scheduled debt repayments prior to November 2023.

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 derivatives 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 (2020: nil). Within trade receivables there is $77,962 of past due receivables between 30 and 120 days (2020: $292,563).

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 and other non-derivative liabilities 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)
2021							
SECURED BANK LOANS	57,082	63,143	1,054	1,026	61,064	-	-
LEASE LIABILITIES	13,127	17,610	1,329	1,329	2,304	5,911	6,737
TRADE AND OTHER PAYABLES	10,497	10,497	10,497	-	-	-	-
TOTAL NON-DERIVATIVE LIABILITIES	**80,707**	**91,251**	**12,880**	**2,355**	**63,368**	**5,911**	**6,737**
2020							
SECURED BANK LOANS	42,824	46,898	742	742	1,408	44,006	-
LEASE LIABILITIES	12,765	14,687	1,233	1,233	1,945	4,879	5,397
TRADE AND OTHER PAYABLES	10,464	10,464	10,464	-	-	-	-
TOTAL NON-DERIVATIVE LIABILITIES	**66,054**	**72,049**	**12,440**	**1,975**	**3,353**	**48,884**	**5,397**

Interest rate risk – repricing analysis
At 31 December 2021 the Group has interest rate swaps in place for $24,000,000; being
- $2,000,000 with an effective interest rate of 5.02% which matures on 28th February 2022,
- $6,000,000 with an effective interest rate of 5.13% which matures on 5th October 2022
- $16,000,000 with an effective interest rate of 3.30% which matures on 6th August 2025

At 31 December 2020 the Group has interest rate swaps in place for $8,000,000; being
- $2,000,000 with an effective interest rate of 5.37% which matures on 28th February 2022,
- $6,000,000 with an effective interest rate of 5.48% 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 2021 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 $325,000 (2020: $337,000).

24 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)
2021					
ASSETS					
INVESTMENTS	14 & 15	5,598	-	5,598	5,598
TOTAL NON-CURRENT ASSETS		**5,598**	**-**	**5,598**	**5,598**
TRADE AND OTHER RECEIVABLES	12 & 18	-	18,748	18,748	18,748
DERIVATIVES		643	-	643	643
CASH AND CASH EQUIVALENTS	19	-	617	617	617
TOTAL CURRENT ASSETS		**643**	**19,365**	**20,008**	**20,008**
TOTAL ASSETS		**6,241**	**19,365**	**25,606**	**25,606**
LIABILITIES					
LOANS AND BORROWINGS	21	-	57,082	57,082	57,082
LEASE LIABILITIES	11	-	11,232	11,232	11,232
TOTAL NON-CURRENT LIABILITIES		**-**	**68,314**	**68,314**	**68,314**
LOANS AND BORROWINGS	21	-	-	-	-
LEASE LIABILITIES	11	-	1,895	1,895	1,895
TRADE AND OTHER PAYABLES	23	-	10,497	10,497	10,497
TOTAL CURRENT LIABILITIES		**-**	**12,392**	**12,392**	**12,392**
TOTAL LIABILITIES		**-**	**80,707**	**80,707**	**80,707**
2020					
ASSETS					
INVESTMENTS	14 & 15	6,003	-	6,003	6,003
TOTAL NON-CURRENT ASSETS		**6,003**	**-**	**6,003**	**6,003**
TRADE AND OTHER RECEIVABLES	12 & 18	-	13,345	13,345	13,345
CASH AND CASH EQUIVALENTS	19	-	1,287	1,287	1,287
TOTAL CURRENT ASSETS		**-**	**14,632**	**14,632**	**14,632**
TOTAL ASSETS		**6,003**	**14,632**	**20,635**	**20,635**
LIABILITIES					
LOANS AND BORROWINGS	21	-	42,824	42,824	42,824
LEASE LIABILITIES	11	-	10,706	10,706	10,706
TOTAL NON-CURRENT LIABILITIES		**-**	**53,530**	**53,530**	**53,530**
LOANS AND BORROWINGS	21	-	-	-	-
LEASE LIABILITIES	11	-	2,060	2,060	2,060
DERIVATIVES		321	-	321	321
TRADE AND OTHER PAYABLES	23	-	10,143	10,143	10,143
TOTAL CURRENT LIABILITIES		**321**	**12,203**	**12,524**	**12,524**
TOTAL LIABILITIES		**321**	**65,732**	**66,054**	**66,054**

24 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	LEVEL 1 ($'000)	LEVEL 2 ($'000)	LEVEL 3 ($'000)	TOTAL ($'000)
2021				
FINANCIAL ASSETS CLASSIFIED AT FVTPL	-	802	-	802
DERIVATIVE FINANCIAL ASSETS	-	643	-	643
	-	**1,445**	**-**	**1,445**
2020				
FINANCIAL ASSETS CLASSIFIED AT FVTPL	-	157	-	157
DERIVATIVE FINANCIAL ASSETS	-	(321)	-	(321)
	-	**(164)**	**-**	**(164)**

Derivative financial instruments consist of interest rate swap contracts. There fair value of the interest rate swaps are determined by BNZ and reviewed by management. The net change in fair value of interest rate swap is $963,989 (2020: $40,838).

25 Capital commitments

Prior to 31 December 2021 the Group entered into capital commitments of which $4,437,755 (2020: $18,854,219) has yet to be completed by period-end.

The capital commitments outstanding but not provided for include:

- Coolstore build at Old Coach Road, Paengaroa, $1,072,879
- Operational plant and equipment, $3,045,645
- Office upgrades $287,499
- IT systems upgrades $31,730

For 2020, outstanding contracts & commitments included:

- Coolstore build at Old Coach Road, Paengaroa, $14,194,837
- Operational plant and equipment, $4,316,703
- Office upgrades $120,000
- IT systems upgrades $222,679

26 Contingencies

There were no material contingent liabilities at the reporting date. (2020: Nil)

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

	NOTE	2021 ($'000)	2020 ($'000)
NET PROFIT FOR THE PERIOD	PAGE 12	6,589	4,876
ADJUST FOR:			
FINANCE INCOME SHOWN AS INVESTING ACTIVITY	6	(38)	(24)
INCOME TAX EXPENSE	7	1,495	1,123
INCOME TAX RECEIVED/(PAID)	7	(1,388)	(1,487)
DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT	8	4,981	4,274
DEPRECIATION ON RIGHT-OF-USE ASSETS	11	2,337	1,847
SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES	15	(1,115)	(815)
NET CHANGE IN FAIR VALUE OF DERIVATIVES	23	(964)	(41)
LOSS (GAIN) ON SALE OF PROPERTY, PLANT AND EQUIPMENT		(22)	379
CHANGE IN CURRENT BIOLOGICAL ASSETS DUE TO ACQUISITIONS & SALES	13	(77)	2
CHANGE IN INVENTORIES	17	980	(188)
CHANGE IN TRADE AND OTHER RECEIVABLES RELATING TO OPERATING ACTIVITIES	18	(5,556)	(6,706)
CHANGE IN PREPAYMENTS RELATING TO OPERATING ACTIVITIES	18	(697)	1,112
CHANGE IN EMPLOYEE BENEFITS	22	114	351
CHANGE IN TRADE AND OTHER PAYABLES RELATING TO OPERATING ACTIVITIES	23	17	2,636
NET CASH FROM OPERATING ACTIVITIES	**PAGE 13**	**6,656**	**7,340**

28 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 $1,696,544 (2020: $1,678,952) for short-term employee benefits and $78,351 (2020: $Nil) for share based payments. Share based payments owing at 31 December 2021 are $78,351 (2020: $nil). There were no post employment benefits, other long-term benefits, termination benefits or share based payments made during 2021. (2020: $Nil)

Loans to Directors

There were no loans to Directors issued during the year ended 31 December 2021 nor any loans outstanding by Directors at 31 December 2021 (2020: $nil).

Other transactions with Directors and key management personnel

Directors of the Group control 44.3 percent of the voting shares of the Group at 31 December 2021 (2020: 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.

The nature of transactions provided by the Group to key management personnel includes packing, coolstorage and orchard services, and selling of class 2 and local market fruit. The nature of transactions received by the Group from key management personnel includes coolstore lease rentals, accommodation services and kiwifruit development and harvest services.

The aggregate value of transactions and outstanding balances relating to 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	
	2021 ($'000)	2020 ($'000)	2021 ($'000)	2020 ($'000)
INCOME RECEIPTS AND RECEIVABLE TRANSACTIONS				
TRANSACTIONS WITH DIRECTORS AND SENIOR EXECUTIVES IN THE NORMAL COURSE OF BUSINESS	16,482	8,250	1,292	435
TRANSACTIONS WITH ASSOCIATES	9,619	14,599	7,751	7,192
TRANSACTIONS WITH RELATED ENTITIES OTHER THAN ASSOCIATES AND SUBSIDIARIES	627	374	148	748
TOTAL RECEIVABLES BALANCE OUTSTANDING			**9,190**	**8,376**
EXPENSE AND PAYABLE TRANSACTIONS (EXCLUDING REMUNERATION)				
TRANSACTIONS WITH DIRECTORS AND SENIOR EXECUTIVES IN THE NORMAL COURSE OF BUSINESS	506	566	9	149
TRANSACTIONS WITH ASSOCIATES	695	174	-	-
TOTAL PAYABLES BALANCE OUTSTANDING			**9**	**149**

28 Related parties *continued*

Related entities other than associates and subsidiaries consist of Team Kiwi Limited and New Zealand Golden Kiwifruit Limited. All transactions with these entities are at standard commercial terms and conditions.

From time to time Directors and key management personnel of the Group, or their related entities, may purchase other 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. One Director has an individual direct equity interest in Rangitiaki Orchard Limited Partnership at 31 December 2021 (2020: Two Directors).

One Director and one senior executive have individual direct equity interests in Waitotara Kiwifruit Limited Partnership at 31 December 2021 (2020: Nil).

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 2021, the Group received $76,976,177 (2020: $55,584,058) from ASEL in respect of post-harvest services and fruit proceeds; the amount outstanding as at 31 December 2021 is $nil (2020: $nil). During the year to 31 December 2021, payments were made to ASEL of $7,369,984 (2020: $10,249,572) in respect of post-harvest services, the amount outstanding at 31 December 2021 is $2,748,008 (2020: $2,738,170).

29 Subsequent events

Craig Stephen was appointed as an Independent Director on 10 February 2022. Notice has been given to remove Apata Group ESI Trustee Limited from the Companies Register.

30 COVID-19

COVID-19 has severely impacted economies around the world. Globally, businesses are adapting to conditions caused by COVID-19, including changing operations and ceasing or downsizing for significant periods of time. A number of measures have been taken to contain the spread of the virus, including quarantines, travel bans, social distancing and closure of non essential businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

As a critical services entity of a designated essential industry, the Group continued to operate through level 3 and level 4 lockdown, and up until balance date and the date of signing these financial statements there was no material impact from COVID-19 on the financial position. Although a number of vaccines have proved successful, the duration and impact of the COVID-19 pandemic remains unclear at this time.

It is not possible to reliably estimate the duration or severity of the consequences, as well as the impact on the financial position and performance of the Group for future periods. Management continues to assess the Group's ability to continue as a going concern and consider all available information about the future. Key financial and non-financial areas identified as requiring on going assessment and review are availability of labour, supply chain disruptions, customer credit risk and interruptions to production.

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 2021, 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 2021, 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 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

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 property held for sale

Area of focus (Refer also to Note 10)	How our audit addressed it
How our audit addressed it The Group has purchased property for the purposes of on-selling to other entities to develop as orchards. At balance date, a portion has been sold and leased back by the Group; a portion is held for sale, under sale and purchase contracts at balance date; and a final portion is held as investment property. The property leased back is recognised in the Group's Right of Use Assets and Lease Liabilities in accordance with NZ IFRS 16 *Leases.* The property not sold at balance date is highly probable to be sold within 12 months and is therefore presented as Assets Classified as Held for Sale. These assets are recorded at the lower of carrying value or fair value less costs to sell in accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. A sale and purchase agreement has been signed for the remaining portion of land, although title has not been transferred. The agreed sales price is deemed to be the fair value. The classification and valuation of the property requires significant management judgement.	Our audit procedures included: • We reviewed the assumptions made in assessing the land designation in accordance with NZ IFRS 5; • We reviewed the apportionment of property sold during the period and the calculation of the value of the portion remaining as held for sale; • We reviewed the calculation of the lease asset, lease liability and adjusted profit on sale of land and are satisfied they were correctly recorded and disclosed in terms of NZ IFRS 16; • We assessed the assumptions and calculations of the independent valuation to ensure fair value was greater than carrying value.

Key Audit Matters *continued*

Accounting for investment in Associates

Area of focus (Refer also to Note 15)	How our audit addressed it
The Group includes two associates, using equity accounting to recognise its share of earnings and share of net assets. The associates contribute materially to the Group's profit. Management have: • recognised net earnings which increased the investment in associates at the reporting date by $1,115,000, which is recognised in the consolidated statement of profit or loss; • reduced the carrying value of the investment in associates by $915,000 due to dividends received in the year; and • recognised the disposal of $625,000 in associates at the reporting date; and • recognised the derecognition of associates of $625,000 at reporting date.	Our audit procedures included: • We compared the carrying values of the Group's investment in associate to the financial statements of the associate entities to ensure these were accurately reflected, compared to the share of the underlying net asset value; • We completed audit procedures on the material balances in the financial statements of the associate entities • We ensured the carrying value of the investments met the disclosure requirements of NZ IFRS 12 *Disclosure of Interests in Other Entities*

Assessment of going concern

Area of focus (Refer also to Note 2(a) and Note 21)	How our audit addressed it
As disclosed in Note 2(a) and Note 21, the Group is dependent upon banking facilities which include financial covenants. Compliance with covenants is a key determinant of the Group's ability to continue as a going concern. The Group breached covenants during the year but received a formal waiver from the bank and was in compliance at 31 December 2021. The most significant assumption in assessing the Group's ability to continue as a going concern is the forecast financial results and resultant compliance with agreed future covenants. The calculations supporting the assessment require management to make highly subjective judgments. The calculations are based on estimates of future performance and are fundamental to assessing the suitability of the basis adopted for the preparation of the financial statements.	Our audit procedures included: • Reviewing the Directors' going concern assessment, forecasts and covenant compliance for the Group for a period of at least 12 months from the date of approval of the financial statements. This included checking that the forecasts were consistent with the latest Board approved budgets. • Making detailed enquiries of Directors and management on reasonableness of the assumptions made in the preparation of these forecasts. This included making comparisons to actual results achieved in the year. • Assessing the accuracy of management's financial model by testing the mechanical integrity of forecasts, assessing the historical forecasting accuracy and future assumptions. • Reviewing the Group's banking facility agreements, including the updates to terms and conditions during the year, and other key documents for significant matters that could impact on the going concern assessment. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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 information included in the Chairman and Managing Director's Year In Review report, 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.

Directors' Responsibilities
The directors are responsible on behalf of the Group 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/assurance-standards/auditingstandards/ 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 March 2022

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 2021
Alan Birley
Clinton Sean Carnachan
Craig Stephen
Matthew Vincent Flowerday
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
Sheryl Thocolich, HR Manager

Auditor
William Buck Audit (NZ) Limited

Solicitors
Sharp Tudhope, Tauranga

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

Number of Shares
9,223,512

DISTRIBUTION OF SHAREHOLDING – AS AT 31 DECEMBER 2021

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 SHARES	130	55%	646,033	7%	4,969
10,000 TO 24,999 SHARES	48	21%	750,749	8%	15,641
25,000 TO 99,999 SHARES	31	13%	1,613,620	18%	52,052
OVER 100,000 SHARES	17	7%	6,197,931	67%	364,584
TOTALS	**236**	**100%**	**9,223,512**	**100%**	**39,083**

APATA KATIKATI

9 TURNTABLE HILL ROAD, RD 4, KATIKATI 3181
(07) 552 0911

APATA TE PUKE

15 MENDS LANE, RD 6, TE PUKE 3186
(07) 533 6212

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