Annual Report


Apata

Contents

The Year in Review

Apata's 2022 performance did not meet the Board's or our stakeholders' expectations, despite our dedicated team's tremendous efforts. We remain committed to providing strong Orchard Gate Returns for our growers, wealth growth and significant dividends for our shareholders, and a sense of achievement for the Apata Team.

The 2022 Kiwifruit season started positively; however, with increased fruit quality challenges facing the industry and a delayed response to operational issues. This, combined with the resignation of our Managing Director, required the Board to shift focus onto loss minimisation. The Board appointed Damian Young as Interim General Manager (now Chief Executive Officer) to guide our operational recovery and maximise the value of the remaining fruit in storage.

I would also like to extend our gratitude to our industry partners who assisted in repacking our growers' fruit, demonstrating unity in our shared goal of industry success.

The 2022/23 avocado season also presented numerous challenges, with persistent rainfall, shipping and logistical issues, and increased market competition. Cyclone Dovi reduced export-grade supply, and poor pack-outs placed downward pressure on local market prices during the early part of the season. These issues have resulted in lower-than-average returns. I commend our grower's unwavering resilience, and we remain committed to packing the highest quality export fruit into the future.

An overall reduced submit volume, lower pack-outs, fruit quality issues and the landslips at our Turntable Road site created an unfavourable commercial environment, negatively impacting our financial performance. The Board decided not to declare a dividend for 2022. When making this decision, the Board considered the 2022 adverse financial performance as well as the need to improve the company's financial position going forward.

2022 Financial Results

Apata Group's profitability was significantly impacted by the quality and quantity of fruit volume and our ability to process it efficiently. Reduced volumes, higher labour costs, poor fruit quality, and decreased efficiencies contributed to a net loss after tax of ($1.5m) [2021: $6.6m net profit].

Labour shortages led to decreased efficiency and increased overall labour costs. The fruit quality issue in the second half of 2022 resulted in our inability to repack fruit in time to meet orders. Consequently, a large volume of fruit was contract repacked externally, negatively affecting our Coolstore margin. EBITDA at $7.5m ($0.49/te) compared to 2021 EBITDA of $16.2m ($0.98/te) underscores the reduced operational efficiency contributing to this disappointing result.

Our Balance Sheet shows a reduction in capital investment from previous years. Major capital investments in 2022 include the Packmaster and flow wrap machines at Turntable Road and Mends Lane, automated box fillers at Mends Lane, and the addition of the Relative Humidity environment at Mends Lane.

Assets held for sale in 2021 for $2.2m were sold during 2022. The house on the Edgecumbe site, has been transferred from Investment property and is now on the market. The Edgecumbe orchard development land subdivision was completed in 2022, and all funds owed to the Group were settled during the year.

In January 2023, our loan facility with BNZ was extended to June 2024. However, as the reporting date is December 31, 2022, all loans and borrowing are treated as current in the year-end accounts.

2023 and Beyond

Automation

We have successfully completed the implementation of packhouse automation, commissioning flow wrap machines and palletising robots at both Mends Lane and Turntable sites. This significant investment addresses the growing gap between Zespri's increasing crop volumes and available labour. The Board is pleased to announce that this state-of-the-art hardware is already demonstrating its potential, enabling unprecedented volumes to flow through the packhouses in April/May 2023.

Syndicated Orchards

The development of our syndicated orchards has been diligently overseen by the Board via the Orchard Development Committee, which consists of two directors, Sean Carnachan and myself, along with essential Apata Team members. This collaborative approach ensures the successful delivery of the program.

A notable achievement in 2022 was the harvesting and packing of fruit from Rawhiti Orchard in Gisborne, the first of our syndicated orchard developments to become operational. The early start gold kiwifruit harvest in March yielded over 14,000 trays, with projections to pack approximately one million trays by 2027.

Here is an overview of two more large syndicated orchards in development:

- Rangitaiki Orchard Limited Partnership:
  - Location: Edgecumbe
  - Producing Hectares upon Completion: 71 hectares
  - First Crop Expected: 2024, ~75,000 trays
  - Full Production: 2028, ~831,000 trays
- Waitotara Limited Partnership:
  - Location: Whanganui
  - Producing Hectares upon Completion: 21 hectares
  - First Crop Expected: 2024, ~29,000 trays
  - Full Production: 2027, ~245,000 trays

These orchard developments encountered unexpected delays and cost increases, primarily due to Covid-related factors. Despite these challenges, investors have benefited from increased orchard prices and gold license valuations.

Rawhiti, Rangitaiki, and Waitotara orchards have completed their development phases and are currently fully operational, managed by Apata GROW. Consequently, the Orchard Development Sub-Committee has been disbanded as of April 2023.

Strategy

Apata's future success relies on our ability to create value for our key stakeholders: Shareholders, Growers, and Team. Achieving success requires a clear understanding of their needs. We have engaged a local consultancy firm Blue Ocean to aid in this process.

As of mid-April, Blue Ocean is finalising its business analysis and stakeholder interviews. While specific details are forthcoming, we are confident that a stronger and more efficient Apata will emerge, capitalising on opportunities to create value.

This year, a revitalised leadership team led by Damian is committed to delivering operational excellence through consistency and discipline, using performance indicators to monitor progress and make necessary adjustments. We stand by our team and remain dedicated to restoring your confidence in us by delivering the results we know we are capable of.

Mark Mayston
Chairman

The year of Challenges and Lessons Learned

In the kiwifruit industry, it's not uncommon for a year to present one or two major challenges that require considerable resources and effort. During 2020 and 2021, the Covid pandemic brought about labour shortages, increased operating costs, and a disrupted supply chain. As we entered 2022, the industry shifted its focus to handling a substantial crop amidst significant labour concerns as the number of positive Covid cases rose dramatically.

This focus led to well-intentioned plans that, in retrospect, destabilised the supply and value chain. As an industry, we planned for a volume that did not materialise, and we accepted practices that did not reflect the level of care required for delivering quality fruit to our customers.

At Apata, we recognise the need for improvement: to be more agile in decision-making and better positioned to influence the industry. We believe an integrated and aligned industry can create more value, and we are determined to become better and stronger.

Three key factors contributed to an increasingly unstable commercial operating environment:

1. A challenging growing season led to lower submit volumes than initially forecasted.
2. This challenging supply season resulted in the industry delivering fruit to the market that didn't meet Zespri's brand promise.
3. Landslides at our Turntable Road site in late July and early October further complicated matters.

2022 Kiwifruit Industry Fruit Quality

Poor fruit quality throughout the industry led to a significant increase in repack costs and negatively impacted fruit loss and loadout volumes. The reduced loadout volumes caused a corresponding decrease in loadout revenue. Non-Pathogenic Fungal Growth (NPFG) and, to a lesser extent, Superficial Skin Rub (SSR) were the most prevalent defects. The industry has made significant efforts to identify causal factors, and at Apata, we have implemented a number of effective responses.

Apata Disproportionately Affected

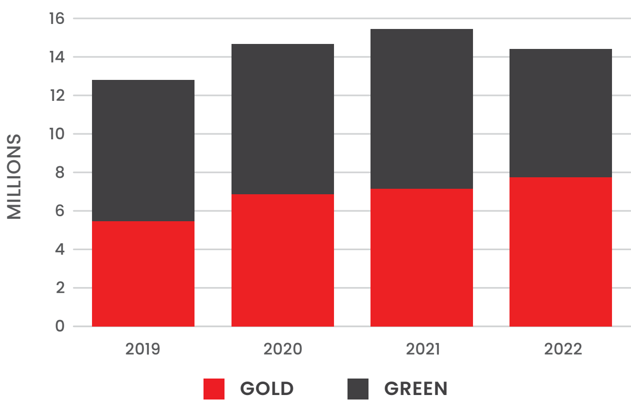
While poor fruit quality impacted all post-harvest operators, Apata experienced a proportionately higher impact due to a higher level of fruit held in store than our competitors due to the following reasons:

1. Apata's historical shortfall in FPP Kiwistart pushed more fruit into the storage pool and later loadouts.
2. Zespri's Advanced Movement Program (AMP was not required by Apata as we had sufficient coolstore capacity). Coolstore capacity is normally a great thing; but it played against us this season. Packhouses with limited coolstore capacity utilised AMP and were able to send fruit early on slow boats to market. Normally, this would not be an issue, as drawdown is balanced by mid-season loadouts, but early offshore quality results came into play.
3. Fruit quality issues became apparent early upon arrival in the market. Zespri, committed to high-quality products, adjusted its quality standards in week 26. At this point, Apata had more fruit in storage (relative to others) due to points 1 and 2 above, which exposed us more to rework and fruit loss risk.
4. Covid labour market dynamics further challenged us as we attempted to recruit additional staff, particularly Fruit Quality supervisors, to handle the unexpected volumes ahead. Our inability to recruit sufficient personnel prevented us from accepting some Zespri orders, exacerbating the surplus of forecasted fruit in storage.

Volumes

A significantly lower gold yield than anticipated led to a substantial reduction in packing margin and base coolstore revenue.

APATA GROUP VOLUMES PACKED – KIWIFRUIT



Fruit Loss

As outlined earlier, Apata held a proportionately higher level of fruit than the industry during mainpack and beyond in a season characterised by widespread fruit quality issues. This resulted in accelerated fruit loss across higher volumes as time progressed, ultimately leading to fruit loss results higher than the industry average.

Fruit Loss All Pool	2022 Season				MainPack % Vol of Pool	
	Apata All	Industry All	Apata MP	Industry MP	Apata MP	Industry MP
ZESPRI Green	9.52%	4.98%	13.03%	7.68%	72.3%	64.8%
ZESPRI Green Organic	15.77%	5.93%	19.52%	8.55%	80.1%	69.4%
ZESPRI SunGold	9.68%	5.74%	16.53%	10.37%	57.3%	55.4%
ZESPRI SunGold Organic	5.85%	3.25%	9.64%	5.48%	59.2%	58.3%
ZESPRI Red	0.01%	0.39%	0.01%	0.39%	100.0%	100.0%

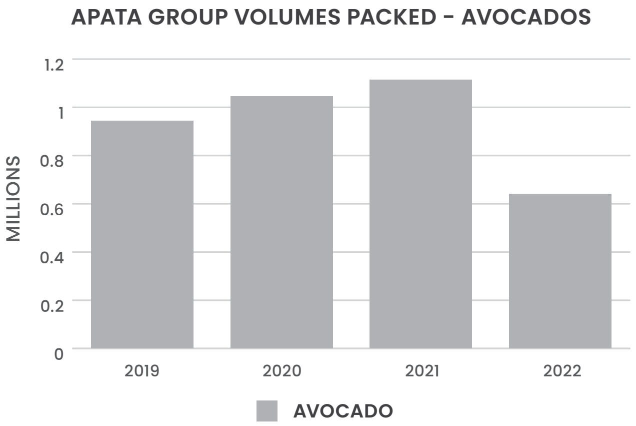
Orchard Gate Return – Kiwifruit

Due to high fruit loss, Apata's kiwifruit OGRs were below Industry in 2022. This is not a result we are proud of, and we have since put in place people and processes to prevent a recurrence.

		Apata	Industry	Variance
Green	OGR/Te	$5.57	$5.55	$0.02
	OGR/Ha	$60,747	$55,394	$5,352
Green Organic	OGR/Te	$6.69	$8.04	($1.35)
	OGR/Ha	$47,198	$56,398	($9,200)
SunGold	OGR/Te	$9.19	$9.79	($ 0.59)
	OGR/Ha	$131,440	$134,962	($3,521)
SunGold Organic	OGR/Te	$10.85	$11.58	($0.73)
	OGR/Ha	$119,622	$125,908	($6,286)
Red	OGR/Te	$21.08	$21.99	($0.91)
	OGR/Ha	$86,634	$41,543	$45,091

2022 Avocado Results

The 2022/23 Avocado season saw a significant drop in volumes compared to the previous season, with a total tray volume of approximately 642k, down from just over 1,045k in the previous season.



Tray Equivalent	2019/20	2020/21	2021/22	2022/23
Export	624,515	771,257	765,000	349,584
Class 2	118,319	198,023	144,208	133,648
Class 3	70,449		104,438	99,499
Oil	130,383	75,708	100,070	59,241
	943,666	**1,044,988**	**1,113,716**	**641,972**

Returns for export fruit were around $15/tray and $10/tray for the local market. Although these figures are still below historical averages, they represent a marked improvement over previous seasons and a reasonable outcome considering the season.

Turntable Road Landslip Costs

The considerable expense incurred by the removal of debris from the landslip in late July was further exacerbated by a second slip in early October, essentially forcing us to start the work again. These costs were unbudgeted, and insurance is expected to cover only a small fraction of the total recovery expenses.

Team Performance

The aforementioned factors contributed to the most challenging Kiwifruit season experienced by Apata in over a decade. As mentioned, some obstacles were beyond our control, while others were preventable, making an already difficult season even more challenging. I would like to recognise the leadership and the wider Apata team for their perseverance; they faced many hardships in 2022 and endured increasingly demanding workloads. Upon the season's completion, they actively participated in reviewing the events of 2022 and identified numerous process improvements now in place for the 2023 season.

2023 Outlook

Before the start of 2023, a frost event in early October 2022 led to a significant reduction in anticipated kiwifruit volume for 2023, prompting adjustments to our plans and budgets. Nonetheless, we approach 2023 with a strong sense of purpose and a keen awareness of the importance this year holds for us.

Operationally, our focus is on consistency, discipline, and agility when necessary. We are committed to delivering key operational fundamentals and seeking ways to create value for Shareholders, Growers, and Apata. We are confident that 2023 will not be a repeat of 2022 and that we have the capacity, labour, and resources to pick, pack, and coolstore our Growers' fruit. With the lessons learned from 2022, our automation in operation, and our team bolstered with key new members, we enter 2023 not only with the commitment but also the capacity and capability to deliver results we can all be proud of.

Damian Young
Chief Executive Officer

Statutory Information

1. Directors' remuneration

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

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

In New Zealand dollars	Fees	Other Benefits	Total
Alan Birley	30,000	-	30,000
Sean Carnachan	30,000	21,500	51,500
Craig Stephen (appointed 10 February 2022)	26,539	-	26,539
Matthew Flowerday	30,000	5,000	35,000
Mark Mayston	60,000	21,750	81,750
Stuart Weston (resigned 31 October 2022)	-	-	-
Total Director remuneration	**176,539**	**48,250**	**224,789**

The above persons held office as Directors through 2022. Alan Birley, Sean Carnachan, Matthew Flowerday, Mark Mayston and Craig Stephen were holding office as Directors of the company as at 31 December 2022.

Stuart Weston was an employee and a Director and was not remunerated separately for services as a Director. Stuart resigned from his position with the company as at 31 October 2022.

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.
- 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 27 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
	Director	Rawhiti Orchard GP Limited
	Director	Waitotara Kiwifruit GP Limited
	Director	Twin Kauri Orchards Limited
Craig Stephen (appointed 10 February 2022)	Director	Makana Energy Limited
	Director	Big Blue Energy Limited
	Director	CDS Investments Limited
	Director	CS Stephen Nominees Limited
	Trustee	CD & SH Stephen Family Trust No. 1
	Trustee	The Values Trust
Matthew Flowerday	Director	Apata Suppliers Entity Limited
	Director	Primor Produce Limited
	Director	GPSIT Limited
	Director	Landkind Limited
	Director	GPSIT Group Limited
	Director	High Fives Orchard Limited
	Partner	High Fives Orchard Partnership
	Director	HFKGP Limited
	Trustee	PippaJack Trust
Mark Mayston	Director	Apata Suppliers Entity Limited
	Director	Puriri Lane Investment No 1 Limited
	Director	Primor Produce Limited
	Director	Bruntwood Farms 2021 Limited
	Director	Maniaroa Farms Limited
	Director	Opou Kiwi Limited
	Director	Seespray Limited
	Trustee	Coppelia Trust
	Director	Rangitaiki Orchard GP Limited
Stuart Weston (resigned 31 October 2022)	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 2022, there were no share transactions with directors.

During the year ended 31 December 2021, there were the following share dealings with directors:

- 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

Directors' shareholdings

Directors held the following number of shares at 31 December 2022:

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	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	**3,141,068**	

Loans to Directors

There were no loans to Directors issued during the year ended 31 December 2022 nor any loans outstanding by Directors at 31 December 2022.

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	2022	2021
100,000 - 109,999	12	5
110,000 – 119,999	6	6
120,000 – 129,999	4	4
130,000 – 139,999	1	2
140,000 – 149,999	2	2
150,000 – 159,999	3	0
160,000 – 169,999	1	2
170,000 – 179,999	4	2
190,000 – 199,999	1	1
200,000 – 209,999	2	0
210,000 – 219,999	0	1
220,000 – 229,999	0	1
230,000 – 239,999	1	1
240,000 – 249,999	0	1
380,000 – 389,999	0	1
600,000 - 609,999	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 $18,935 were made during the period. (2021: $20,674).

Directors' Declaration

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

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 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 2022.

For and on behalf of the Board of Directors:

M N Mayston
Director
28 April 2023

C Stephen
Director
28 April 2023

Board of Directors: Craig Stephen, Matt Flowerday, Mark Mayston (Chairman), Sean Carnachan, Alan Birley (from left to right).

As at 31 December 2022

Statement of Financial Position

	Note	2022 ($'000)	2021 ($'000)
Assets			
Property, plant and equipment	8	93,871	90,200
Investment property	9	670	1,800
Right-of-use assets	11	12,227	13,055
Other investments	13	838	802
Investment in equity accounted associates	14	4,466	4,796
Deferred tax assets	15	1,072	-
Total non-current assets		**113,144**	**110,653**
Inventories	16	2,817	1,858
Biological assets	12	639	290
Trade and other receivables	17	13,118	18,748
Derivatives	23	1,669	643
Current tax asset		466	-
Assets classified as held for sale	10	930	2,182
Cash and cash equivalents	18	999	617
Total current assets		**20,638**	**24,337**
Total assets		**133,782**	**134,990**
Equity			
Share capital	19	11,457	11,457
Reserves	19	5,658	5,548
Retained earnings	19	34,033	35,569
Total equity		**51,147**	**52,574**
Liabilities			
Loans and borrowings	20, 23	-	57,082
Lease liabilities	11	10,326	11,232
Deferred tax liabilities	15	-	97
Total non-current liabilities		**10,326**	**68,411**
Loans and borrowings	20, 23	59,137	-
Lease liabilities	11	2,109	1,895
Employee benefits payable	21	1,101	1,081
Current tax liability		-	532
Trade and other payables	22	9,963	10,497
Total current liabilities		**72,310**	**14,005**
Total liabilities		**82,635**	**82,416**
Total equity and liabilities		**133,782**	**134,990**

The notes on pages 17 to 38 are an integral part of these CONSOLIDATED financial statements.

Statement of Profit or Loss and Other Comprehensive Income

	Note	2022 ($'000)	2021 ($'000)
Revenue	**5**	**86,447**	**86,007**
Wages and salaries		36,304	31,460
Packaging materials		14,333	15,473
Picking & cartage		4,726	4,979
Electricity		2,708	2,447
Repairs & maintenance		2,617	1,925
Lease expenses	11	1,824	1,369
Grower payments - class 2 and local market		2,319	2,123
Orchard growing expenses		348	357
Loss on disposal of property, plant and equipment		145	340
Directors' fees		221	159
Auditors' remuneration - audit fees		48	41
Other expenses		13,544	10,253
		79,137	**70,924**
Share of profit of equity accounted investees, net of tax	14	140	1,115
Earnings before interest, tax, depreciation, amortisation and fair value adjustments		**7,450**	**16,198**
Depreciation on property, plant and equipment	8	5,579	4,981
Depreciation on right-of-use assets	11	2,261	2,337
Earnings before interest, tax and fair value adjustments		**(389)**	**8,880**
Interest received		11	-
Finance expense	6	3,154	2,616
Earnings before tax and fair value adjustments		**(3,532)**	**6,264**
Gain on revaluation of investment property		-	610
Gain on rights transferred on lease back of assets classified as held for sale		-	364
Write down to fair value of assets classified as held for sale	10	(200)	(118)
Net change in fair value of derivatives	23	1,027	964
Net (loss)/profit before taxation		**(2,705)**	**8,084**
Income tax expense	7	(1,169)	1,495
Net (loss)/profit for the period		**(1,536)**	**6,589**
Other comprehensive income *Items that will not be reclassified subsequently to profit or loss, net of tax*			
Gain on revaluation of land	8	66	1,778
Total items that will not be reclassified subsequently to profit or loss, net of tax		**66**	**1,778**
Total items that may be reclassified subsequently to profit or loss, net of tax		**-**	**-**
Total other comprehensive income for the period		**66**	**1,778**
Total comprehensive (loss)/income for the period	**19**	**(1,471)**	**8,367**

The notes on pages 17 to 38 are an integral part of these CONSOLIDATED financial statements.

For the year ended 31 December 2022

Statement of Changes in Equity

	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 2021		**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		**11,457**	**5,476**	**48**	**24**	**35,569**	**52,574**
Profit for the period		-	-	-	-	(1,536)	(1,536)
Other comprehensive income		-	66	-	-	-	66
Employee share rights recognised		-	-	44	-	-	44
Closing Balance at 31 December 2022	**19**	**11,457**	**5,542**	**92**	**24**	**34,033**	**51,147**

The notes on pages 17 to 38 are an integral part of these CONSOLIDATED financial statements.

Statement of Cash Flows

	Note	2022 ($'000)	2021 ($'000)
Cash flows from operating activities			
Cash receipts from customers		91,377	82,264
Cash paid to suppliers and employees		(80,040)	(71,728)
Interest paid on financial liabilities		(2,519)	(1,904)
Interest paid on lease liabilities		(470)	(587)
Income tax received (paid)		(997)	(1,388)
Net cash from (used in) operating activities	**26**	**7,351**	**6,656**
Cash flows from investing activities			
Interest received		11	0
Dividends received		501	933
Proceeds from sale of property, plant and equipment		-	4
Proceeds from sale of assets classified as held for sale		2,037	1,574
Proceeds from sale of other investments		-	625
Acquisition of property, plant and equipment		(9,446)	(22,047)
Net cash from (used in) investing activities		**(6,897)**	**(18,911)**
Cash flows from financing activities			
Proceeds from borrowings		2,054	14,258
Repayment of lease liabilities		(2,126)	(2,673)
Net cash (used in) from financing activities		**(71)**	**11,585**
Net increase (decrease) in cash and cash equivalents		382	(670)
Cash and cash equivalents at the beginning of the period		617	1,287
Cash and cash equivalents at the end of the period	**18**	**999**	**617**

The notes on pages 17 to 38 are an integral part of these CONSOLIDATED financial statements.

Notes to the Consolidated Financial Statements

1. Reporting entity

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

The consolidated financial statements presented are those of Apata Group Limited and its wholly owned subsidiaries, Apata Suppliers Limited, 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 2022.

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.

(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 12 – Biological assets
- Note 23 – 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).

(e) Going Concern

The Group's profitability for the year ended 31 December 2022 was adversely impacted by low crop yields, poor fruit quality, labour constraints and a poor operational performance. A significant frost event in 2022 coupled with Cyclone Gabrielle in February 2023 had material impacts on the 2023 crop yield. The adverse 2022 profitability resulted in the Group breaching financial banking covenants, see note 20. Due to these events and expected adverse crop yield, the Group extended the loan facility to June 2024 and agreed with its Bank to modify the financial covenants for the test dates 31 March 2023, 30 June 2023, 31 December 2023 and 31 March 2024. The Directors have considered forecast covenant compliance and cashflows for the 2023 crop and have concluded that, based on the current information at the time, the Group will be able to comply with their financial covenants within the 12 months following approval of the Group's financial statements. There were three key processes and assumptions applied in preparing the forecast.

- 2023 crop yield based on orchard inspections in 2023.
- More comprehensive orchard inspections & growers discussion with those growers impacted by the weather events described above.
- There were no further adverse weather events affecting 2023 crop and assumed a normal picking and packing season.

2 Basis of preparation continued

The Group's main driver of earnings and cash flow is crop yield which can be impacted by events, especially weather, that we are unable to anticipate. These unanticipated events may increase the possibility of breaching financial covenants. In the event that there is a potential future breach of covenants the Group will instigate an appropriate cost management plan. As a result of these events or conditions, there is a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in normal course of business.

There are uncertainties in the immediate financial performance of the Group, however the outlook for the industry and the company remains positive.

Projected crop volumes will increase as SunGold licence releases start maturing and reach full production. Apata continues to have the support of our bankers and the Board is actively working to improve the financial resilience and stability of the business recognising the various externalities the industry and Apata face. The financial statements have been prepared on a going concern basis.

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.

(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.

(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 the 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 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 and losses on the disposal of available-for-sale financial assets. 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 will have a material impact on 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

	2022 ($'000)	2021 ($'000)
Services	68,481	67,580
Sales	16,052	17,350
Commission	1,509	697
Lease income	338	342
Finance income	67	38
Total revenues	**86,447**	**86,007**

6. Finance income and expense

	2022 ($'000)	2021 ($'000)
Interest income	11	0
Shares and Dividend Income	67	38
Finance income	**78**	**38**
Interest expense on financial liabilities	2,684	2,030
Interest expense on lease liabilities	470	587
Finance expense	**3,154**	**2,616**
Net finance costs	**3,076**	**2,578**

7. Income tax expense in the income statement

	2022 ($'000)	2021 ($'000)
Current tax expense		
Current period	(1,589)	1,598
Deferred tax expense		
Origination and reversal of temporary differences	420	(103)
Change in tax rules on building depreciation	-	-
	420	(103)
Total income tax expense	**(1,169)**	**1,495**
Reconciliation of effective tax rate		
Profit before income tax	(2,705)	8,084
Imputation credits on dividends received	22	6
Taxable income	**(2,683)**	**8,090**
Income tax using the Group's domestic tax rate 28% (2021: 28%)	(751)	2,265
Net change in fair value of cashflow hedge	(287)	(270)
Gain on revaluation of investment property	-	(170)
Gain on rights transferred on lease back of Held for Sale asset	-	(102)
Impairment of available for sale assets	-	33
Gain on Sale of Development Land	(97)	(67)
Other non-deductible expenses	27	23
Imputation credits received	(22)	(6)
Less tax on share of associates profit recorded net of tax	(39)	(312)
Change in tax rules on building depreciation	-	-
Prior period adjustment	-	100
Total income tax expense	**(1,169)**	**1,495**
Imputation credits		
Imputation credits at the beginning of the period	10,133	8,362
Tax payments, net of refunds	(496)	1,466
Imputation credits attached to dividends received	148	305
Imputation credits attached to dividends paid	-	-
Imputation credits at the end of the period	**9,786**	**10,133**

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 2022	11,726	994	66,138	2,199	38,059	56	2,996	122,167
Additions	10		1,749	-	7,030	-	329	9,118
Disposals	-		-	-	-	-	-	-
Increase from revaluations	66		-	-	-	-	-	66
Balance at 31 December 2022	**11,801**	**994**	**67,887**	**2,199**	**45,089**	**56**	**3,325**	**131,350**
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**
Depreciation and impairment losses								
Balance at 1 January 2022	-	-	15,269	356	14,061	18	2,261	31,967
Depreciation for the period	-	-	2,406	63	2,692	3	348	5,513
Disposals	-	-	-	-	-	-	-	-
Balance at 31 December 2022	**-**	**-**	**17,675**	**419**	**16,754**	**21**	**2,610**	**37,479**
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**
Carrying amounts								
At 31 December 2022	**11,801**	**994**	**50,211**	**1,780**	**28,335**	**34**	**715**	**93,871**
At 31 December 2021	**11,726**	**994**	**50,868**	**1,843**	**23,997**	**38**	**735**	**90,200**

Security

At 31 December 2022 land and buildings with a carrying amount of $64,786,312 (2021: $65,430,952) are subject to a registered debenture to secure bank loans (see Notes 20 & 23).

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	48.4	6,290
Mends Lane, Te Puke	5.7	57.7	3,290
Old Coach Road, Te puke	5.8	55.0	3,215

The valuation at 31 December 2022 resulted in the recognition of Other Comprehensive Income of $65,528 (2021: $1,778,000).

The total cost of land at 31 December 2022 was $7,253,371. (2021: $7,243,847).

Fully depreciated assets

Assets with a cost of $4,636,170 (2021: $4,236,838) 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 2023. 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 2022, $294,673 was received from Lessees in relation to leased assets. (2021: $297,760)

Minimum future lease payments receivable are as follows:

	2022 ($'000)	2021 ($'000)
Less than one year	271	271
Between one and five years	609	880
More than five years	-	-
	880	**1,151**

9. Investment property

	2022 ($'000)	2021 ($'000)
Balance at 1 January	1,800	1,190
Transfer to Assets classified as held for sale	(1,130)	-
Change in fair value	-	610
Balance at 31 December	**670**	**1,800**

Investment property comprises of one (2021: two) residential dwellings that the Group intends to lease to third parties to provide accommodation for orchard development & seasonal labour. During the 2022 year a decision was made to sell one dwelling and therefore this has been transferred to Assets classified as held for sale.

Investment properties are measured at fair value and were 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 group does not consider there has been a material movement in the value and therefore the carrying value remains as fair value. 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

	2022 ($'000)	2021 ($'000)
Carrying value - Land		
Balance at 1 January 2022	2,182	6,021
Transfer from Investment property	1,130	-
Disposals	(2,182)	(3,721)
Write down to fair value	(200)	(118)
Balance at 31 December 2022	**930**	**2,182**

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. The remaining assets have all been sold during the 2022 year.

Assets classified as held for sale are measured at the lower of carrying value or fair value. During the year the Board decided to sell an investment property, which has been reclassified as held for sale. The asset held for sale relates to a house in Edgecumbe which had a sale and purchase agreement in place in March 2023. The sale and purchase agreement was used as the assessment of fair value.

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 2022	8,867	6,157	2,909	222	18,156
Additions	106	-	1,330	12	1,447
Completed leases	-	(45)	(14)	-	(59)
Balance at 31 December 2022	**8,973**	**6,112**	**4,226**	**234**	**19,544**
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**
Depreciation and impairment losses					
Balance at 1 January 2022	924	2,293	1,784	100	5,102
Depreciation for the period	915	632	683	31	2,261
Completed leases	-	(45)	-	-	(45)
Balance at 31 December 2022	**1,840**	**2,880**	**2,467**	**131**	**7,317**
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**
Carrying amounts					
At 31 December 2022	**7,133**	**3,233**	**1,759**	**103**	**12,227**
At 31 December 2021	**7,943**	**3,864**	**1,126**	**122**	**13,055**

Lease liabilities	Land ($000)	Buildings ($000)	Vehicles & Plant ($000)	Office Equipment ($000)	Total ($000)
Balance at 1 January 2022	7,604	4,202	1,194	127	13,127
Additions	106	-	1,276	12	1,393
Interest expense on lease liabilities	220	158	86	5	470
Lease payments	(1,002)	(744)	(771)	(38)	(2,555)
Balance at 31 December 2022	**6,927**	**3,616**	**1,785**	**107**	**12,435**
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**

Carrying value	2022 ($'000)	2021 ($'000)
Current	2,109	1,895
Non - current	10,326	11,232
Balance at 31 December	**12,435**	**13,127**

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 23.

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	2022 ($'000)	2021 ($'000)
Interest expense on lease liabilities	470	587
Lease liabilities principal repayments	2,085	2,071
Lease expense relating to short-term leases	1,495	865
Lease expense relating to variable lease payments not included in lease liabilities	235	292
Lease expense relating to uncertain lease payments	95	211
Total cash outflow for leases	**4,379**	**4,027**

12. Biological assets

	2022 ($'000)	2021 ($'000)
Opening balance	290	213
Increase due to expenditure on the vines	639	290
Harvested kiwifruit transferred to inventories	(290)	(213)
Closing balance	**639**	**290**

At 31 December 2022 biological assets consists of kiwifruit on leased vines. Leased orchards are expected to produce an estimated 63,085 tray equivalents from four orchards for the 2023 season crop (2022 season: 93,630). The orchards will be harvested between April and June 2023. 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.

13. Other investments

	2022 ($'000)	2021 ($'000)
Equity instruments classified at fair value through profit or loss		
MG Marketing Limited	173	149
Ballance Agri-Nutrients Limited	22	22
Farmlands	15	3
G4 Kiwi Supply Limited	4	4
Waitotara Kiwifruit Limited Partnership	625	625
Total Other Investments	**838**	**802**

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 172,550 shares at 31 December 2022 (2021: 148,585 shares held).

Waitotara Kiwifruit Limited Partnership

During 2021, 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.

14. 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**	**2022**	**2021**
Primor Produce Limited	Fruit Marketing	31%	31%
Rangitaiki Orchard Limited Partnership	Kiwifruit Grower	21%	21%

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.

	2022 ($'000)	2021 ($'000)
Results of associate companies		
Share of profit before income tax	221	1,101
Income tax	(82)	(364)
Net profit	**140**	**736**
Other recognised surplus	-	379
Share of total recognised revenues and expenses	**140**	**1,115**
Movement in carrying value of associates		
Carrying value at beginning of period	4,796	5,846
Net earnings	140	1,115
Dividends received	(470)	(915)
Disposals	-	(625)
Derecognition of Associate	-	(625)
Balance at end of period	**4,466**	**4,796**

For the year ended 31 December 2022

Associates Summary Financial Information	2022 ($'000)	2021 ($'000)
Primor Produce Limited (31% Ownership)		
Current Assets	12,045	14,071
Non Current Assets	4,210	2,212
Current Liabilities	(7,100)	(6,915)
Non Current Liabilities	(3,156)	(3,000)
Net Assets	5,999	6,368
Revenue	62,382	56,818
Net profit after tax	669	2,779
Share of net assets	1,880	1,995
Share of profit	210	874
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	112	5,454
Non Current Assets	17,707	14,530
Current Liabilities	-	(6,558)
Non Current Liabilities	(5,424)	-
Net Assets	12,395	13,426
Revenue	697	706
Net profit after tax	(336)	210
Share of net assets	2,586	2,801
Share of profit	(70)	44
Waitotara Kiwifruit Limited Partnership (19% Ownership)		
Net profit after tax	-	(472)
Share of profit	-	(182)
In December 2021 the Group sold 50% of its shareholding in Waitotara Kiwifruit Limited Partnership. The Group now holds 19% of the partnership which means the partnership no longer classifies as an Associate entity of the Group.		

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2022			2021		
	Assets ($'000)	Liabilities ($'000)	Net ($'000)	Assets ($'000)	Liabilities ($'000)	Net ($'000)
Property, plant and equipment	-	(1,241)	(1,241)	-	(781)	(781)
Right of use assets	193	-	193	155	-	155
Employee benefits	229	-	229	299	-	299
Biological assets	-	(179)	(179)	-	(81)	(81)
Orchard developments	(0)	-	(0)	231	-	231
Tax losses carried forward	1,589	-	1,589	-	-	-
Other items	481	-	481	81	-	81
Tax assets/(liabilities)	**2,492**	**(1,420)**	**1,072**	**765**	**(862)**	**(97)**

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)
2022				
Property, plant and equipment	(781)	(460)	-	(1,241)
Right of use assets	155	38	-	193
Employee benefits	299	(70)	-	229
Biological assets	(81)	(98)	-	(179)
Orchard developments	-	(0)	-	(0)
Tax losses carried forward	-	1,589	-	1,589
Other items	81	400	-	481
	(328)	**1,400**	**-**	**1,072**
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)**

16. Inventories

	2022 ($'000)	2021 ($'000)
Packaging materials at cost	2,782	1,832
Orcharding Stocks at cost	35	46
Less Provision for obsolescence	-	(20)
Packaging materials	**2,817**	**1,858**
Opening provision for obsolescence	20	104
Expensed (released) to profit or loss	(20)	(84)
Closing provision for obsolescence	**-**	**20**

In 2022 raw materials, consumables and changes in inventory recognised as cost of sales amounted to $14,333,335 (2021: $15,482,691). In 2022 the write-down of inventories to net realisable value amounted to $0 (2021: $20,214). No inventories are subject to retention of title clauses (2021: nil). All inventories are subject to a general security arrangement referred to in Note 20.

17. Trade and other receivables

	Note	2022 ($'000)	2021 ($'000)
Trade and other receivables due from related parties	27	2,974	9,190
Trade receivables from third parties		3,603	3,531
Prepayments		859	1,020
Other receivables		5,682	5,006
		13,118	**18,748**

All trade and other receivables are subject to a general security arrangement referred to in Note 20.

Expected credit loss allowance	2022 ($'000)	2021 ($'000)
Opening expected credit loss allowance	44	58
Expensed (released) to profit or loss	134	(14)
Closing expected credit loss allowance	**177**	**44**

During the year no trade receivables were written off as a bad debt (2021: $nil). A provision of $177,321 was made at 31 December 2022 for receivables not considered fully receivable (2021: provision $43,696). All other trade and other receivables are considered fully collectible.

18. Cash and cash equivalents

	2022 ($'000)	2021 ($'000)
Bank balances	949	68
Call deposits	50	549
Cash and cash equivalents in the statement of cash flows	**999**	**617**

The average effective interest rate on call deposits in 2022 was 1.62% (2021: 0.17%). All cash and cash equivalents are subject to a general security arrangement referred to in Note 20. In addition, all balances are subject to set off against loans.

The Group has available a $250,000 overdraft facility at 31 December 2022, which is unutilised at balance date. (2021: $250,000, which was unutilised).

19. 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 2022	11,457	-	5,476	48	24	35,569	52,574
Total comprehensive income	-	-	66	-	-	(1,536)	(1,471)
Treasury Shares Cancelled	-	-	-	-	-	-	-
Employee share rights recognised	-	-	-	44	-	-	44
Balance at 31 December 2022	**11,457**	**-**	**5,542**	**92**	**24**	**34,033**	**51,147**
Balance at 1 January 2021	11,634	(177)	3,698	-	24	28,980	44,159
Total comprehensive income	-	-	1,778	-	-	6,589	8,367
Dividend Paid	-	-	-	-	-	-	-
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**

Authorised and issued share capital

	2022 ($'000)	2021 ($'000)
Number of shares		
Ordinary shares	9,224	9,224
Treasury shares	-	-
	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		
Opening balance	-	211
Shares cancelled by the Company	-	(211)
Closing balance	**-**	**-**

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

	2022 ($'000)	2021 ($'000)
Opening balance	48	-
Employee share rights recognised	44	48
	92	**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. During 2022, four senior employees resigned and therefore these employee's PSRs lapsed.

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 2022 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

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 2022 is as follows:

	2022 ($'000)	2021 ($'000)
Equity settled portion - Employee share rights reserve	44	48
Cash settled portion - Liability	47	31
Total Expense	**91**	**78**

Dividends

The following dividends were declared and paid by the Group during the year ended 31 December 2022:

	2022 ($'000)	2021 ($'000)
$Nil per qualifying ordinary share (2021: $0)	-	-

20. 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.

	2022 ($'000)	2021 ($'000)
Non-Current liabilities		
Secured bank loans	-	57,082
Current liabilities		
Secured bank loan	59,137	-

The Group's borrowings consist of Customised Average Rate Term Loans (CARLs) which mature in June 2024 (2021: November 2023).

The current portion represents required principal repayments due within twelve months from reporting date. The average interest rate at 31 December 2022 on the secured borrowings is 5.26% (December 2021: 3.73%). The bank loans are secured over land and buildings with a carrying amount of $64,786,312 (2021: $65,430,952). 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 2022 the total bank funding facility available to the Group was $75.1m, of which $16.0m remained undrawn. (2021: $75.1m of which $18.0m remained undrawn).

The bank facility requires certain financial covenants to be met at 31 December 2022. These covenants include the maintenance of equity & leverage ratios and earnings times interest cover. The leverage ratio covenant as well as the interest cover covenants were not met at 31 December 2022, due to the Group not generating budgeted earnings. The equity covenant was met at 31 December 2022. The bank issued a waiver of the 31 December 2022 covenant breaches. These covenants were met at 31 December 2021. At 30 June 2022 (and at 31 March 2021), the Group breached its leverage ratio covenant due to the purchase of the Edgecumbe land for orchard development which had yet to be disposed at the time. The bank issued a formal waiver of the covenant breach on both occasions. In January 2023, the Group extended it's facility to June 2024.

21. Employee benefits payable

	2022 ($'000)	2021 ($'000)
Annual leave	1,101	1,081
Total employee benefits payable	**1,101**	**1,081**

22. Trade and other payables

	2022 ($'000)	2021 ($'000)
Trade payables	1,319	2,209
Payable to Inland Revenue	1,625	1,915
Payable to Apata Suppliers Entity Ltd	3,218	2,748
Payable to other related parties	222	9
Non-trade payables and accrued expenses	3,579	3,617
	9,963	**10,497**

23. 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 $16.0m of secured bank loans undrawn, of which $15.0m is specifically for working capital (2021: $18m undrawn). There is sufficient bank loan facility to cover operational working capital requirements. There are no scheduled debt repayments prior to June 2024.

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 impairment of financial assets at the reporting date, and therefore an impairment allowance of $177,321, has been recorded (2021: nil). Within trade receivables there is $853,654 of past due receivables between 30 and 120 days (2021: $77,962).

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)
2022							
Secured bank loans	59,137	68,403	1,554	66,849		-	-
Lease liabilities	12,435	16,562	1,277	1,277	2,517	6,325	5,166
Trade and other payables	9,963	9,963	9,963	-	-	-	-
Total non-derivative liabilities	**81,535**	**94,928**	**12,795**	**68,126**	**2,517**	**6,325**	**5,166**
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**

Interest rate risk – repricing analysis
At 31 December 2022 the Group has interest rate swaps in place for $16,000,000; being

- $16,000,000 with an effective interest rate of 3.87% which matures on 6th August 2025

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

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 2022 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 $430,000 (2021: $325,000).

23 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)
2022					
Assets					
Investments	13 & 14	5,304	-	5,304	5,304
Total non-current assets		**5,304**	**-**	**5,304**	**5,304**
Trade and other receivables	17	-	13,118	13,118	13,118
Derivatives		1,669	-	1,669	1,669
Cash and cash equivalents	18	-	999	999	999
Total current assets		**1,669**	**14,117**	**15,786**	**15,786**
Total assets		**6,973**	**14,117**	**21,090**	**21,090**
Liabilities					
Loans and borrowings	20	-	59,137	59,137	59,137
Lease liabilities	11	-	10,326	10,326	10,326
Total non-current liabilities		**-**	**69,462**	**69,462**	**69,462**
Loans and borrowings	20	-	-	-	-
Lease liabilities	11	-	2,109	2,109	2,109
Trade and other payables	22	-	9,963	9,963	9,963
Total current liabilities		**-**	**12,072**	**12,072**	**12,072**
Total liabilities		**-**	**81,535**	**81,535**	**81,535**
2021					
Assets					
Investments	13 & 14	4,548	-	5,598	5,598
Total non-current assets		**4,548**	**-**	**5,598**	**5,598**
Trade and other receivables	17	-	18,748	18,748	18,748
Derivatives		643	-	643	643
Cash and cash equivalents	18	-	617	617	617
Total current assets		**643**	**19,365**	**20,008**	**20,008**
Total assets		**5,191**	**19,365**	**25,606**	**25,606**
Liabilities					
Loans and borrowings	20	-	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	20	-	-	-	-
Lease liabilities	11		1,895	1,895	1,895
Trade and other payables	22	-	10,497	10,497	10,497
Total current liabilities		**-**	**12,392**	**12,392**	**12,392**
Total liabilities		**-**	**80,707**	**80,707**	**80,707**

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)
2022				
Financial assets classified at FVTPL	-	838	-	838
Derivative financial assets	-	1,669	-	1,669
	-	**2,508**	**-**	**2,508**
2021				
Financial assets classified at FVTPL	-	802	-	802
Derivative financial assets	-	643	-	643
	-	**1,445**	**-**	**1,445**

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 $1,026,660 (2021: $963,989).

24. Capital commitments

Prior to 31 December 2022 the Group entered into capital commitments of which $887,856 (2021: $4,437,755) has yet to be completed by period-end.

	2022 ($'000)	2021 ($'000)
The capital commitments outstanding but not provided for include:		
Operational plant and equipment	231	3,046
Office upgrades	112	287
IT systems upgrades	45	32
Turntable Road slip remediation work and boundary adjustments	500	-
Coolstore build at Old Coach Road, Paengaroa	-	1,073
Total	**888**	**4,438**

25. Contingencies

There were no material contingent liabilities at the reporting date. (2021: Nil)

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

	Note	2022 ($'000)	2021 ($'000)
Profit for the period	page 14	(1,536)	6,589
Adjust for:			
Finance Income shown as investing activity	6	(78)	(38)
Income tax expense	7	(1,169)	1,495
Income tax received/(paid)	7	(997)	(1,388)
Depreciation on property, plant and equipment	8	5,579	4,981
Depreciation on right-of-use assets	11	2,261	2,337
Share of profit of equity accounted investees	14	(140)	(1,115)
Net change in fair value of derivatives	23	(1,027)	(964)
Loss (Gain) on sale of property, plant and equipment		-	(22)
Change in current biological assets due to acquisitions & sales	12	(350)	(77)
Change in inventories	16	(959)	980
Change in trade and other receivables relating to operating activities	17	8,052	(5,556)
Change in prepayments relating to operating activities	17	(3,059)	(697)
Change in employee benefits	21	20	114
Change in trade and other payables relating to operating activities	22	754	17
Net cash from operating activities	**page 16**	**7,351**	**6,656**

27. 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 $2,416,218 (2021: $1,696,544) for short-term employee benefits and $91,128 (2021: $78,351) for share based payments. Share based payments owing at 31 December 2022 are $150,675 (2021: $78,351). This is the carrying value of the liability related to the cash-settled share based payment. There were no post employment benefits, other long-term benefits, termination benefits or share based payments made during 2022. (2021: $Nil)

Loans to directors
There were no loans to Directors issued during the year ended 31 December 2022 nor any loans outstanding by Directors at 31 December 2022 (2021: $nil).

Other transactions with directors and key management personnel
Directors of the Group control 34.05 percent of the voting shares of the Group at 31 December 2022 (2021: 44.3 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	
	2022 ($'000)	2021 ($'000)	2022 ($'000)	2021 ($'000)
Income receipts and receivable transactions				
Transactions with Directors and Senior Executives in the normal course of business	16,412	16,482	1,748	1,292
Directors				
Transactions with Associates and subsidiaries	6,851	9,619	706	7,751
Transactions with Related Entities other than Associates and Subsidiaries	2,485	627	520	148
Total receivables balance outstanding			**2,974**	**9,190**
Expense and payable transactions (excluding remuneration)				
Transactions with Directors and Senior Executives in the normal course of business	534	506	5	9
Transactions with Associates and subsidiaries	695	695	-	-
Total payables balance outstanding			**5**	**9**

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 Rangitaiki Orchard Development Limited Partnership at 31 December 2022 (2021: Two Directors). One Director and one senior executive have individual direct equity interests in Waitotara Kiwifruit Limited Partnership at 31 December 2022 (2021: 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 2022, the Group received $68,947,533 (2021: $76,976,177) from ASEL in respect of post-harvest services and fruit proceeds; the amount outstanding as at 31 December 2022 is $nil (2021: $nil).

During the year to 31 December 2022, payments were made to ASEL of $7,542,433 (2021: $7,369,984) in respect of post-harvest services, the amount outstanding at 31 December 2022 is $3,218,033 (2021: $2,136,496).

28. Subsequent events

On 26th January 2023 the Group extended it's loan facility from 6th November 2023 to 30th June 2024. There were no other subsequent events.

Independent Auditor's Report

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 Limitedand its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 its subsidiaries.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) in the consolidated financial statements, which details the impact of the Group's profitability on banking covenants during the year and its plans for managing future compliance with covenants.
As stated in Note 2(e), these events or conditions, along with other matters as set forth in Note 2(e), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

WilliamBuck
ACCOUNTANTS & ADVISORS

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be a key audit matter to be communicated in our report.

Valuation of land	
Area of focus	**How our audit addressed it**
As disclosed in Note 8 of the consolidated financial statements, the Group has land with a carrying value of $11,801,000. A net revaluation increase of $66,000 is recorded in the current year. The Group has a policy of recording these assets at fair value with periodic valuations performed by an external independent valuer. The valuation of these assets is considered a key audit matter due to the judgment related to the various valuation methodologies used and the assumptions within each of those methodologies. The key assumptions that have the largest impact on the valuations are: — Capitalisation rates. — Comparable sale values.	Our audit procedures included: - Assessing the valuers competence, objectivity and independence as well as their professional qualifications and experience. - Comparing the valuation methodologies applied to prior periods and considering whether any changes to the methodologies were appropriate. - Agreeing the assets recorded in the fixed asset register to those valued by the independent valuer to ensure all applicable assets had been revalued. - Comparing the key assumptions to market evidence and applicable industry data and challenging the application of assumptions in significant items. We had no matters to report as a result of our procedures.

Information Other than the Financial Statements and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the Chairman and Chief Executive Officer's reports, Statutory Information and Company Details, but does not include the financial statements and our auditor’s report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 entity for the preparation of consolidated financial statements that give a true and fair view in accordance with New Zealand equivalents to International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:
https://www.xrb.govt.nz/standards/assurance-standards/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 April 2023

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 2022

- **Alan Birley**
- **Clinton Sean Carnachan**
- **Matthew Vincent Flowerday**
- **Mark Nolan Mayston**
- **Craig Stephen**

Executive

- **Damian Young,** Chief Executive Officer
- **Peter McIntosh,** Chief Financial Officer
- **Thomas Watt,** GM Operations
- **Shaun Vickers,** GM Business Development, Client Services and Orchards
- **Jean-Paul Lassale,** GM Technology
- **Jason Gibbs,** Commercial Manager
- **Sheryl Thocolich,** Organisational Capability Manager
- **Pamela Limford,** HR Manager

Auditor
William Buck Audit (NZ) Ltd

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 2022

Share Range	No of Shareholders	% of Shareholders	Shares Held	% of Shareholding	Average Holding
Up to 1,999 shares	9	4%	15,179	0%	1,687
2,000 to 9,999 shares	127	55%	646,033	7%	5,087
10,000 to 24,999 shares	48	21%	750,749	8%	15,641
25,000 to 99,999 shares	29	13%	1,613,620	18%	55,642
Over 100,000 shares	17	7%	6,197,931	67%	364,584
Totals	**230**	**100%**	**9,223,512**	**100%**	**40,102**

Notes

APATA KATIKATI
9 Turntable Hill Road, RD 4, Katikati 3181
PHONE (07) 552 0911 FAX (07) 552 0666

APATA TE PUKE
15 Mends Lane, RD 6, Te Puke 3186
PHONE (07) 533 6212 FAX (07) 533 1354

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www.apata.co.nz