Annual Report 2019

HUME PACK-N-COOL – ANNUAL REPORT 2019

HUME Katikati's Kiwifruit Company.

Contents

MISSION STATEMENT

"To be the top performing contributor in the kiwifruit industry through commitment, innovation and service, maximising grower return."

Managing Director's Report

THE SOLID PLATFORM FROM 2018 BUILT ON IN 2019 WITH ANOTHER SOLID YEAR.

2019 was a momentous year for both the industry and us, as for the first time the volume of Gold trays packed exceeded the volume of Green trays. At 73.7 million trays of Gold and 71.9 million trays of Green Class 1 trays – Gold represented 50.6% of the industry production.

One of the big challenges for last year was the dry season and the impact that had on both fruit size and volumes, particularly in the green crop. This held back overall volume growth for the packhouse with the number of Class 1 trays packed similar to 2018 at 4.461 million trays as compared to 4.464 million. A 266K increase in Gold trays was offset by a decrease in the volume of Green.

Overall net profit before tax for the year is a healthy $0.932 million as compared to $1.304 million in the previous year. This profit is after allowing for a shareholder rebate of $0.15 per eligible tray. With this strong result the directors have declared a net $0.06 per share dividend (before imputation and tax credits). This dividend is being deferred until later in the year when the country returns to a more normal environment after Covid 19.

During the last 18 months we have made a major investment in providing accommodation facilities as the pressure on finding staff continues to build.

We have made a substantial commitment to providing in-house accommodation and our staff village now has the infrastructure in place to provide a home for 120 people. With an overall spend on the project approaching $2 million this project makes a significant contribution in meeting the long-term housing needs of our seasonal team members.

One significant variation in the company structure is the promotion of Simon Bowker to General Manager Operations. Simon is now responsible for the day to day operations of the business freeing up more time for me to focus on preparing the business for the challenges ahead.

I would also like to take this opportunity to thank the team here at Humes who are essential in making the company the success it is. Right the way through from the seasonal workers to the directors they all play a vital part in building the company. Also, a thank you to the contractors and other support companies that again without whom it would be impossible to operate.

ML Hume - Managing Director

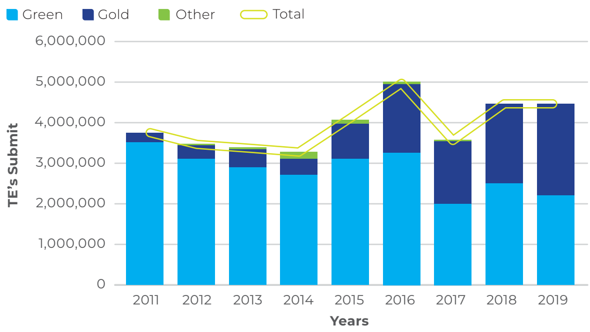
Outlook for 2020

Covid 19 has obviously had a tremendous impact on both the industry and Humes. We are fortunate that as a food provider we are an essential service and are able to continue operating. But the methodology of operating has been influenced by the requirements of social distancing and protecting our staff in the work environment.

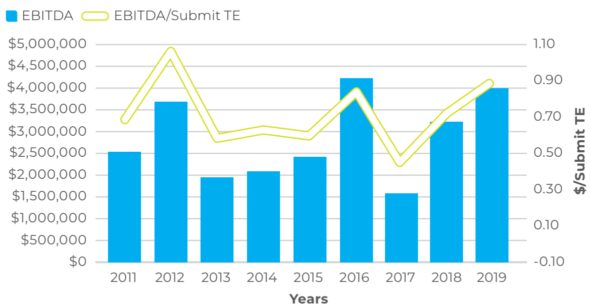
We are expecting tray volumes to be similar again this year to last year, but looking forward crop volumes are going to increase and we will need to invest in efficiency and the effective operation of the packhouse to ensure that we can continue to process the volumes of fruit that will be presented. Already this season we have invested in a new data consolidation platform that gives live analysis of the packing performance to help us better understand how to improve the system.

We have been trialing innovations around automation for the last couple of years and believe that the staff pressures felt in the current operating environment mean it is the right time to implement these innovations and add more automation to the packing process. That along with increasing capacity will be the focus of our investment strategy over the next few years.

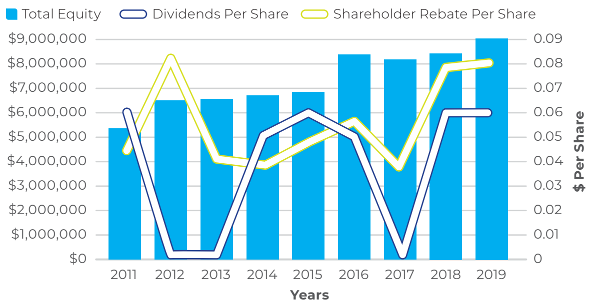
TE'S SUBMIT



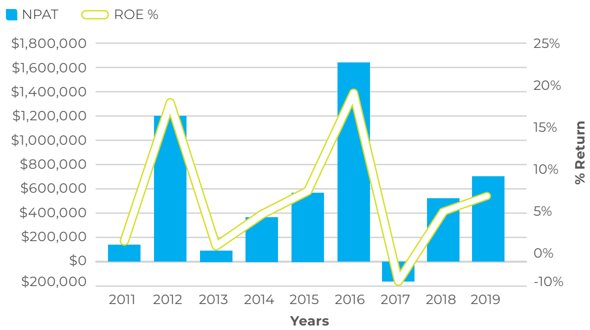
EBITDA, EBITDA/SUBMIT TE



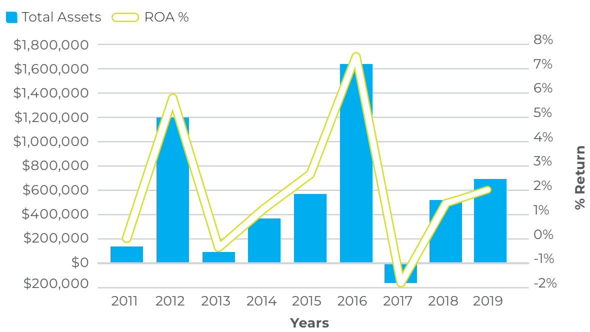
EQUITY, SHAREHOLDERS REBATES AND DIVIDENDS RETURNED



RETURN ON EQUITY



RETURN ON ASSETS



HUME PACK-N-COOL LIMITED AND

Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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Statutory Information

FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL ACTIVITIES

The Company and subsidiaries principal activities are Packing and Coolstorage of Kiwifruit. There has been no change in the nature of the Company's business during the financial year to December 2019.

BOARD OF DIRECTORS

DA Hume retired as Director in June 2019 and DH Hayes was appointed as Director in June 2019. There were no other changes to the board in 2019. The Board of Directors have met regularly during the year.

ENTRIES IN THE INTERESTS REGISTER/INTERESTED TRANSACTIONS

During the financial year to December 2019 no notices were received from Directors in relation to any interest in any transactions or proposed transactions by the Company and subsidiaries.

COMPANY INFORMATION

During the financial year to December 2019 no notices were received from Directors requesting to use Company and subsidiaries information in their capacity as Directors which would not have been otherwise available to them.

EMPLOYEE REMUNERATION

There were four non-director employees that earned in excess of $100,000 during the financial year to December 2019. One employee's remuneration earned was between $100,000 and $110,000, One employee's remuneration earned was between $110,000 and $120,000, one employee's remuneration earned was between $120,000 and $130,000 and one employee's remuneration earned was between $130,000 and $140,000.

DIRECTORS' LOANS

There were no loans by the Company and subsidiaries to Directors.

REMUNERATION OF DIRECTORS

The following Directors were remunerated in their capacity as Directors during the 12 month period to December 2019:

	2019	2018
D. Grayling	15,714	10,000
D. Hume (retired June 2019)	1,310	10,000
G. Hume	15,714	10,000
M. Hume	15,714	15,000
O. Hume	15,714	10,000
A. Powell	15,714	10,000
E. Woudberg	15,714	10,000
D. Hayes	14,405	-
	110,000	**75,000**

In addition to the Directors Fees paid above, salaries were paid to the following Directors in their capacity as employees:

	2019	2018
D. Hume (retired June 2019)	98,351	95,186
O. Hume	13,603	13,507
M. Hume	212,709	216,759

SHARE DEALINGS

During the year, no shares were purchased in the Company and subsidiaries by the Directors, or entities over which the Directors had significant influence or control.

STATEMENT OF DIRECTORS

In the opinion of the Director's, the Statement of Financial Position fairly states the Company and subsidiaries affairs at 31 December 2019 and the Statement of Profit or Loss and Comprehensive Income fairly states the results for the year ended on that date.

Statement of Profit or Loss and Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Operating Revenue	4	40,560,300	35,955,332
Expenses	5	39,144,757	34,062,773
Results from Operating Activities		**1,415,543**	**1,892,559**
Finance Income	6	19,123	21,865
Finance Expense	6	621,252	610,321
Net Finance Cost	6	**(602,129)**	**(588,456)**
Net Profit before capital gains, share of profits of associate and tax		**813,414**	**1,304,103**
Capital Gains	14(c), 16	266,202	-
Share of Profits of Associate	17	118,875	4,653
Net Profit Before Tax		**1,198,491**	**1,308,756**
Income Tax Expense	7	239,276	791,574
Net Profit for the year attributable to shareholders		**959,215**	**517,182**
Other Comprehensive Income			
Financial Assets: Current year gains/(losses)		43,602	(1,607)
Total Other Comprehensive (Loss)/Income		**43,602**	**(1,607)**
Total Comprehensive Income for the year attributable to shareholders		**1,002,817**	**515,575**

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share Capital $	Capital Reserve $	Fair Value Reserve $	Retained Earnings $	Total Equity $
Opening Balance at 1 January 2019		3,609,495	129,748	124,569	4,555,788	8,419,600
Impact of Change in Accounting Policy	3	-	-	-	(13,525)	(13,525)
Net Profit for the year		-	266,202	-	693,013	959,215
Other Comprehensive Income		-	-	43,602	-	43,602
Dividends Paid		-	-	-	(340,200)	(340,200)
Closing Balance at 31 December 2019	8	**3,609,495**	**395,950**	**168,171**	**4,895,076**	**9,068,692**
Opening Balance at 1 January 2018		3,609,495	128,748	126,176	4,379,806	8,244,225
Net Profit before capital gains, share of profits of associate and tax		-	1,000	-	516,182	517,182
Other Comprehensive Income		-	-	(1,607)	-	(1,607)
Dividends Paid		-	-	-	(340,200)	(340,200)
Closing Balance at 31 December 2018	8	**3,609,495**	**129,748**	**124,569**	**4,555,788**	**8,419,600**

Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Current Assets			
Cash and Cash Equivalents	9	2,370,047	3,015,636
Trade and Other Receivables	10	4,329,330	3,332,013
Prepayments	11	105,105	91,175
Inventories		496,121	466,652
Biological Assets	12	1,166,149	1,572,822
Work in Progress		47,207	21,282
Total Current Assets		8,513,959	8,499,580
Non-Current Assets			
Property, Plant & Equipment	14	21,203,058	17,199,112
Net Profit before capital gains, share of profits of associate and tax	16	247,722	182,357
Equity Accounted Associates	17	204,578	180,785
Total Non-Current Assets		21,655,358	17,562,254
Total Assets		**30,169,317**	**26,061,834**
Equity			
Share Capital (Fully Paid)	8	3,609,495	3,609,495
Reserves		564,121	254,317
Retained Earnings		4,895,076	4,555,788
Total Equity		9,068,692	8,419,600
Current Liabilities			
Trade and Other Payables	13	7,753,023	6,293,274
Dividends Payable		342,504	340,200
Current Portion of Borrowings	19(f)	250,935	8,227,980
Income Tax Payable		114,759	64,732
Total Current Liabilities		8,461,221	14,926,186
Non-Current Liabilities			
Deferred Tax Liabilities	7	615,757	719,705
Non Current Borrowings	19(f)	12,023,647	1,996,343
Total Non-Current Liabilities		12,639,404	2,716,048
Total Liabilities		21,100,625	17,642,234
Total Equity And Liabilities		**30,169,317**	**26,061,834**

14/04/2020

ML Hume - Managing Director

14/04/2020

OR Hume - Director

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Cash Flows from Operating Activities			
Receipts from Customers		40,077,491	36,402,222
Interest Received		5,381	7,660
Dividends Received		13,742	18,129
Payments to Suppliers and Employees		(36,178,437)	(32,606,933)
Interest Paid		(499,360)	(621,954)
Interest Paid Lease Liabilities		(131,007)	-
Income Taxes Paid		(281,265)	(88,290)
Other Taxes Paid		(4,828)	(5,977)
Net Cash Generated from Operating Activities		3,001,717	3,104,857
Net Profit before capital gains, share of profits of associate and tax			
Proceeds from the Sale of Property, Plant and Equipment		778,291	14,653
(Payments)/Proceeds for Investments in Associate		126,264	(7,800)
Purchase of Property, Plant and Equipment		(2,439,008)	(1,054,275)
Purchase of Investments		(21,763)	(1,246)
Proceeds/(Payments) to Related Parties		(54,985)	2,376
Net cash used in investing activities		(1,611,201)	(1,046,292)
Cash Flows from Financing Activities			
Proceeds from Bank Borrowings		296,428	676,609
Repayments of Other Borrowings		(8,576)	(36,809)
Dividends Paid		(337,896)	-
Repayment of Bank Borrowings		(1,798,708)	(1,718,021)
Repayment of Lease liabilities		(187,353)	-
Net cash generated/(used) in financing activities		(2,036,105)	(1,078,221)
Net (decrease)/Increase in Cash and Cash Equivalents		**(645,589)**	**980,344**
Cash and Cash Equivalents at the beginning of the year		3,015,636	2,035,292
Cash and Cash Equivalents at the end of the year	9	**2,370,047**	**3,015,636**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The consolidated financial statements presented here are for Hume Pack-N-Cool Limited (The Company), its subsidiary (Prospect Fencourt Limited) and its equity accounted investees (together the "Group"). The Group's main activities is the provision of services in connection with the packing and cool storage of Kiwifruit. The Group is incorporated and domiciled in New Zealand and is registered under the Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and Companies Act 1993.

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"). They comply with New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ("NZ IFRS RDR") and other applicable Financial Reporting standards, as appropriate for Tier 2 for-profit entities. The Group has elected to report in accordance with Tier 2 for-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity.

These consolidated financial statements are presented in New Zealand Dollars ($), which is the Company's functional currency. All amounts are rounded to the nearest dollar.

(b) Basis of Measurement

The Group financial statements have been prepared on the historical cost basis. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The principal accounting policies are set out below.

(c) Basis of Consolidation

The consolidated financial statements include the Company and its subsidiaries. Subsidiaries are accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation.

(d) Going Concern

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

3. SPECIFIC ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years in these financial statements apart from the new standard mentioned below.

IFRS 16 Leases

The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below.

<u>Definition of lease</u>

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assess whether a contract is or contains a lease based on the definition of a lease, as outlined in Note 3(k).

On transition of IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contract that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

<u>As a Lessee</u>

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term lease of machinery and leases of IT equipment (see Note 3(k)). For Leases of other assets, which were classified as operating under IAS 17, the Group recognised right-of-use assets and lease liabilities.

(i) Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to all of its leases.

The weighted-average incremental borrowing rate applied is 4.7%.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains option to extend or terminate the lease.

(ii) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and the lease liability under IAS 17 immediately before that date.

Impact on the financial statements

On transitions to IFRS 16, the Group recognised an additional $321,366 of right-of use assets and $340,152 of lease liabilities, recognising the difference in retained earnings. A deferred tax benefit of $5,259 (see note 7) has been accounted for on the net adjustment to retained earnings. The net impact of the accounting policy change is $13,525 expense to the Group.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average incremental borrowing rate applied is 4.7%.

	1 January 2019 $
Operating lease commitment at 31 December 2018 as disclosed in the Group consolidated financial statements.	**1,437,328**
Discounted using the applicable rates as at 1 January 2019	1,269,777
Recognition exemptions for:	
- Short term Assets	(1,154,263)
- Leases of low-value assets	(18,419)
Extension and termination options reasonably certain to be exercised	243,057
Lease liabilities recognised at 1 January 2019	**340,152**

(a) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of goods and services, net of GST, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised as follows:

(i) Orchard services

This includes orchard management and associated services provided to growers who supply fruit to the Group. Fees for these services are invoiced on a monthly basis and recognised as the service is provided.

(ii) Fruit Proceeds from Leased Orchards

Fruit proceeds from leased orchards includes revenue from fruit proceeds received for leased orchards. The revenue is recognised when Zespri take control of the fruit, which occurs within the financial year.

(iii) Post harvest services

This includes fruit packing, coolstorage and other associated activities. These services are predominantly provided during the period from April to October with the majority of revenues collected by the end of November each year. Revenue is recognised as the service is provided.

(iv) Other Operating services

This includes all other services provided.

When the Company acts in the capacity of an agent rather than a principal in the transaction, the revenue recognised is the amount receivable from the services provided by the Company.

(b) Equity Accounted Associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The financial results and assets and liabilities of associates are incorporated in the Group financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where necessary, adjustments are made to bring the associates accounting policies in line with those used by other members of the Group.

(c) Property, Plant and Equipment
Property, plant and equipment are stated at cost less accumulated depreciation. Property still under construction at balance date, and not yet commissioned for use, has been included at cost as fixed assets under construction.

(d) Depreciation
Land is not depreciated. All other property, plant and equipment are depreciated on a diminishing value basis at rates calculated to allocate the asset costs less estimated residual value over their estimated useful lives. Depreciation rates used are as follows;

	2019
Buildings	2.5% to 25.0%
Plant and Equipment	9.5% to 80.4%
Office Equip. & Furniture	9.5% to 80.4%
Motor Vehicles	12.0% to 30.0%
Right to use Assets	5.0% to 33.33%
Fixed Assets under construction	0.0%

(e) Accounts Receivable
Trade and other receivables are classified as amortised cost financial assets. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any loss allowance. Trade and other receivables are short term in nature and the carrying amounts are considered to be a reasonable approximation of fair value. The Group applies the simplified approach to measure the loss allowance for trade and other receivables. Under this approach the loss allowance is the lifetime expected credit loss taking into account days past due and historical loss experience.

(f) Inventories
Inventory is stated at the lower of cost or net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(g) Biological Assets/Work in Progress
The Group has a contractual right to grow and harvest kiwifruit crops under orchard leases. The Group carries costs until all picking, packing and production costs have been met. All proceeds beyond this point are paid to the owner.

The Group also undertakes other orchard maintenance work on non-leased orchards under a contract agreement.

The Group has determined that cost approximates fair value at reporting date as insufficient biological transformation has occurred. The costs incurred in biological assets/work in progress relate to direct labour, materials and other direct costs incurred in growing kiwifruit.

(h) Goods and Services Tax
These Financial Statements have been prepared on a GST exclusive basis, apart from trade payables and receivables, which have been disclosed inclusive of GST. The net amount of GST recoverable from or payable to the Inland Revenue Department is recorded in the Statement of Financial Position.

(i) Taxation
The income tax expense charged to the Statement of Profit or Loss and Comprehensive Income includes both the current year's provision and the income tax effects of the timing differences using the liability method.

Tax effect accounting has been applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences, is only recognised if there is virtual certainty of realisation.

(j) Financial Assets – Classification
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired and the nature of the cashflows. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

Financial Assets at amortised cost
Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

A provision for doubtful debts is considered based on the collectability of receivables, which is reviewed on an ongoing basis. Where a receivable is known to be uncollectible, it is written off to the statement of profit and loss and other comprehensive income

Financial assets comprise cash and cash equivalents, trade and other receivables and lease payments in advance.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income comprise: Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. The Group has made an irrevocable election at initial recognition for financial assets, being investments in shares to be presented as fair value through other comprehensive income as they are not held for trading.

The Group has no financial assets classified as financial assets at fair value through the profit or loss.

Financial Liabilities – Classification
The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost.

Financial liabilities measured at amortised cost
Financial liabilities measured at amortised cost include trade and other payables and borrowing. These financial liabilities are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method.

Financial liabilities measured at amortised cost are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

(k) Leases
The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of the changes is disclosed in Note 3 (above).

Policy applicable from 1 January 2019
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified

asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has substantive substation right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined. The Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines who and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policy applicable before 1 January 2019
For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:
- fulfilment of the arrangement was dependent on the use of the specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of output; or
  - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a Lessee
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index of a rate, initially measured using the index of rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of -use asset, or is recorded in profit or loss if the carrying amount of the right-of-use has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and lease liabilities in "loans and borrowings" in the statement of financial position (see note 14 & 19c).

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17
In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

The Group is not a lessor.

4. REVENUE

The following items are included in revenue:

	Notes	2019 $	2018 $
Orchard services		3,707,477	3,873,855
Fruit Proceeds from Leased Orchards		17,747,166	12,575,247
Post Harvest Services		18,979,658	19,251,214
Shareholder Rebates		(459,776)	(443,835)
Other Operating Revenue		585,775	698,851
		40,560,300	**35,955,332**

5. EXPENSES

The following items are included in expenses:

	Notes	2019 $	2018 $
Operating Expenses		19,991,504	20,124,765
Administrative Expenses		1,742,401	1,178,322
Expenses Non-Deductible for Tax Purposes		10,754	23,238
Auditor's Remuneration		29,100	21,475
Directors Fees		110,000	75,000
Doubtful Debts (Movement)		(6,885)	(3,358)
Lease Payments		15,619,023	11,280,142
Depreciation	14	1,383,740	1,279,942
Depreciation Right of Use Assets	15	236,520	-
Loss on Disposal of Non-Current Assets		28,600	83,247
		39,144,757	**34,062,773**

6. FINANCE INCOME & EXPENSE

	Notes	2019 $	2018 $
Interest Income		5,381	7,660
Dividends Received		7,824	9,783
Dividends Received - Non-Assessable		5,918	4,422
Finance Income		**19,123**	**21,865**
Interest Expense		488,560	610,321
Interest Expense Lease Liabilities		131,007	-
Valuation fees		1,685	-
Finance Expense		**621,252**	**610,321**
Net Finance Costs		**(602,129)**	**(588,456)**

7. INCOME TAX EXPENSE

	Notes	2019 $	2018 $
Profit/(loss) before income tax for the period		1,198,491	1,308,756
Imputation Credits on dividends received		2,205	2,205
		1,200,696	**1,310,961**
Income tax using the Company's domestic tax rate 28%		**336,195**	**367,069**
Tax effect of amounts which are non-deductible/(taxable) in calculating taxable income:			
Credit for Imputation Credits		(2,205)	(2,205)
Income tax relating to associate entities		(31,700)	(1,303)
Non-assessable income		(78,359)	(1,238)
Non-deductible expenses		24,403	28,506
Deferred Tax Adjustment for Depreciation of buildings pre May 2010*		(10,907)	342,880
Tax Penalties		1,849	1,915
Under provided in prior years		-	55,950
Total income tax expense		**239,276**	**791,574**

Total income tax (benefit)/expense is represented by:

Current tax expense			
Tax payable/(refundable) in respect of the current period		338,320	172,593
Credit for imputation credits		(2,205)	(2,205)
Adjustment for prior period		-	13,156
Tax Penalties		1,849	1,947
Total current tax expense		**337,964**	**183,544**

Deferred tax expense/(benefit)			
Movement of temporary differences	7	(98,688)	606,083
Total deferred tax (benefit)/expense		**(98,688)**	**606,083**
Total income tax expense		**239,276**	**791,574**

**A deferred tax adjustment is required to account for the difference between the accounting base and tax base of buildings purchased prior to May 2010. The first year the adjustment was recognised was 31 December 2018. As buildings are depreciated the deferred tax liability will reduce.

Deferred Taxation			
Accrued Expenses		14,000	10,920
Provision for Bad Debts		3,957	22,032
Holiday Pay Accrued		18,974	33,013
Work in Progress		(339,741)	(446,350)
Depreciation of buildings pre May 2010		(331,974)	(342,880)
Recognition of Right of Use Leases		19,027	-
Tax Loss Carried Forward		-	3,560
Total Deferred Liability		**(615,757)**	**(719,705)**

Movement in Temporary Differences

Year Ended 31 December 2019	Balance 1 January 2019 $	Recognised in Profit or Loss $	Balance 31 December 2019 $
Accrued Expenses	10,920	3,080	14,000
Provision for Bad Debts	22,032	(18,075)	3,957
Holiday Pay Accrued	33,013	(14,039)	18,974
Work in Progress	(446,350)	106,609	(339,741)
Depreciation of buildings pre May 2010	(342,880)	10,906	(331,974)
Recognition of Right of Use Leases	5,259	13,768	19,027
Tax Loss Carried Forward	3,560	(3,560)	-
Total Temporary Differences	**(714,445)**	**98,688**	**(615,757)**

Year Ended 31 December 2018	Balance 1 January 2018 $	Recognised in Profit or Loss $	Balance 31 December 2018 $
Accrued Expenses	10,925	(5)	10,920
Provision for Bad Debts	22,972	(940)	22,032
Holiday Pay Accrued	33,534	(521)	33,013
Work in Progress	(364,332)	(82,018)	(446,350)
Depreciation of buildings pre May 2010	-	(342,880)	(342,880)
Tax Loss Carried Forward	183,279	(179,719)	3,560
Total Temporary Differences	**(113,622)**	**(606,083)**	**(719,705)**

8. EQUITY

Share Capital (Fully Paid):	2019 $	2018 $
5,670,000 (2018: 5,670,000) Shares Issued	3,609,495	3,609,495

All shares are fully paid and have no par value. All shares rank equally with one vote attached to each fully paid ordinary share.

Capital Reserve comprises the accumulation of capital gains on the sale of investments.

Fair Value Reserve comprises the cumulative net change in the fair value of financial assets until the investments are derecognised or impaired.

9. CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, and in banks, net of outstanding bank overdrafts.

	Notes	2019 $	2018 $
ANZ Bank - Imprest Account		744	165
ANZ Bank - Call Account		2,020,850	3,041,533
ANZ Bank - Freeplan Account	20	45,926	3,465
ANZ Bank - Revolving Credit		-	100
ANZ Bank - RSE Digicel		63	123
ANZ Bank - Prospect Fencourt Limited - Flexi Facility	20	20,951	(32,929)
ANZ Bank - Prospect Fencourt Limited - Call Account		243	243
ANZ Bank - Prospect Fencourt Limited - Term Deposit		281,270	-
ANZ Bank - Vineworx Limited - Cheque Account		-	2,936
		2,370,047	**3,015,636**

10. TRADE AND OTHER RECEIVABLES

	Notes	2019 $	2018 $
Accrued Revenue		-	865,415
Employee Receivables		3,604	1,343
Staff Loans		79,802	-
Accrued Leased Orchard Income		2,599,778	1,571,015
Lease Payments in Advance		-	43,478
Net Trade Receivables		1,538,560	733,181
Trade Receivables from Related Parties		91,836	77,014
Advance - G6 Kiwi Limited	18(c)	-	24,817
Advance - UPNZ Limited		15,750	15,750
		4,329,330	**3,332,013**

11. PREPAYMENTS

	2019 $	2018 $
Prepaid Insurance	105,105	91,175
	105,105	**91,175**

12. BIOLOGICAL ASSETS

	2019 $	2018 $
Carrying amount at the beginning of the year	1,572,822	1,179,461
Harvested	(1,572,822)	(1,179,461)
Cost incurred in growing crops	1,166,149	1,572,822
	1,166,149	**1,572,822**

13. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Accrued Expenses	198,928	819,082
Audit Fees accrual	32,000	-
Directors Fees Payable	12,321	5,750
Grower Payable	3,105,402	2,312,701
Grower Accrual for Fruit Proceeds from Leased Orchards	2,599,778	1,571,015
Interest Accrual	28,250	37,928
Income in Advance	-	12,307
Shareholder Rebates Payable	459,774	443,835
Trade Payables	709,719	734,409
Wages Payable	466,548	231,761
GST Payable	140,303	124,486
	7,753,023	**6,293,274**

14. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

(a) Property, Plant and Equipment

	Note	2019 $	2018 $
Property, Plant and Equipment owned	14(b)	17,709,896	17,199,112
Right-of-use Assets	15(a)	3,493,162	-
		21,203,058	**17,199,112**

(b) Property, Plant and Equipment owned

See accounting policies in notes 3(c) and 3(d).

Reconciliation of Carrying Amount

	Land and Buildings	Plant and Equipment	Office Equip and Furniture	Motor Vehicles	Under Construction	Total
Cost						
Balance at 1 January 2019	14,805,512	16,442,334	100,266	878,200	478,990	**32,705,302**
Additions	786,607	870,038	29,128	4,348	748,805	**2,438,926**
Disposals	(563,317)	(627,406)	(25,887)	(173,354)	-	**(1,389,964)**
Balance at 31 December 2019	15,028,802	16,684,966	103,507	709,194	1,227,795	**33,754,264**
Accumulated Depreciation						
Balance at 1 January 2019	3,364,115	11,412,451	70,877	658,747	-	**15,506,190**
Depreciation	375,303	959,459	11,098	37,880	-	**1,383,740**
Disposals	(51,939)	(601,046)	(24,914)	(167,663)	-	**(845,562)**
Balance at 31 December 2019	3,687,479	11,770,864	57,061	528,964	-	**16,044,368**
Carrying Amount						
At 1 January 2018	11,754,125	5,397,639	23,299	272,766	75,852	**17,523,681**
At 31 December 2018	11,441,397	5,029,883	29,389	219,453	478,990	**17,199,112**
At 31 December 2019	11,341,323	4,914,102	46,446	180,230	1,227,795	**17,709,896**

As at 31 December 2019, the Directors consider the fair market value of Land and Buildings of the Group to be at least $19,750,000 (2018: $19,750,000). The Directors have made their assessment based on the last independent valuation carried out on 31 December 2018.

(c) Capital gain on sale

Prospect Fencourt Limted (a wholly owned subsidiary) sold a property at 4 Hyde Street. This resulted in a capital gain on sale of $267,584.

15. LEASES

See accounting policies in notes 3 (k).

(a) Right-of-use assets

Reconciliation of Carrying Amount

	Land and Buildings	Office Equip and Furniture	Motor Vehicles	Total
Cost				
Balance at 1 January 2019	102,273	-	393,185	**495,458**
Additions	3,224,051	15,675	168,590	**3,408,316**
Balance at 31 December 2019	3,326,324	15,675	561,775	**3,903,774**
Accumulated Depreciation				
Balance at 1 January 2019	13,731	-	160,361	**174,092**
Depreciation	126,559	3,592	106,369	**236,520**
Balance at 31 December 2019	140,290	3,592	266,730	**410,612**
Carrying Amount				
At 1 January 2019	88,542	-	232,824	**321,366**
At 31 December 2019	3,186,034	12,083	295,045	**3,493,162**

(b) Amounts recognised in Profit or Loss

	Note	2019 $	2018 $
Interest on lease liabilities		152,735	-
Variable lease payments not included in measurement of lease liabilities		15,075,532	-
Expenses relating to short term leases		543,491	-
		15,771,758	**-**

(c) Other Leases

The Group leases vehicles and equipment, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the lease assets at the end of the contract term.

The Group monitors the use of the vehicles and equipment, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets. As at 31 December 2019, the Group estimates that the expected amount payable under the residual guarantees is $nil.

The Group also leases IT equipment and machinery with contract terms of one to three years. These are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

16. INVESTMENTS

(a) Shares held

	2019 $	2018 $
Shares - Seeka Corporation Limited - 3,285 shares @ $4.57 (Market Value) (2018: $4.30)	15,012	14,125
Shares - TrustPower Limited - 14,358 shares @ $7.43 (Market Value) (2018: $6.15)	106,680	88,302
Shares - Tilt Renewables Limited - 21,537 shares @ $3.22 (Market Value) (2018: 14,358 shares @ $2.26)	69,349	32,449
Shares - G6 Kiwi Limited	21,951	12,751
Shares - UPNZ Limited	750	750
Shares - Ballance Agri-Nutrients Limited	31,050	31,050
Shares - Farmlands Trading Society	2,930	2,930
Shares - Team Kiwi Limited	4,000	4,000
Uncalled Capital - Team Kiwi Limited	(4,000)	(4,000)
	247,722	**182,357**

(b) Investments Sold

The Group sold 50% of its shareholding in Vineworx Limited. This company was recorded as wholly owned subsidiary in the 31 December 2018 statements. For the year ended 31 December 2019 the entity is now recorded as an Investment in Associates (see note 17). As a result the Group has incurred a loss on sale of investment of $1,381. This has been recognised in the Capital reserves.

17. EQUITY ACCOUNTED ASSOCIATES

(a) Summary

	Note	2019 $	2018 $
Investment			
Northern Bay Pollen Company Ltd	17(b)	184,252	180,785
Vineworx Ltd	17(c)	20,326	-
		204,578	**180,785**
Income			
Northern Bay Pollen Company Ltd		97,666	4,653
Vineworx Ltd		21,209	-
		118,875	**4,653**

(b) Northern Bay Pollen Company Ltd

The Group has a 33% shareholding in Northern Bay Pollen Company Limited. The reporting date of Northern Bay Pollen Company Limited is 31 March. For the purpose of applying the equity method of accounting, the management accounts for the nine month period ended 31 December 2019 have been used after bringing into account the full twelve months to March 2019. The comparative figures are also based on the management accounts for the nine months ended 31 December 2018, similarly adjusted.

Movement in the carrying amount of Northern Bay Pollen Company Limited:

	2019 $	2018 $
Balance as at 1 January	180,785	123,366
Share of profits of associate (current year)	97,667	4,653
Prior year adjustment	-	(34)
Movement in Loan from Hume Pack N Cool Ltd	(51,000)	96,000
Dividend Received	(43,200)	(43,200)
Balance as at 31 December	**184,252**	**180,785**

Northern Bay Pollen Company Limited has no contingent liabilities, contingent assets, or capital commitments as at 31 December 2019 (2018: $nil) for which the Group must disclose.

(c) Vineworx Ltd

The Group has a 50% shareholding in Vineworx Limited. The reporting date of Vineworx Limited is 31 December. For the purpose of applying the equity method of accounting, the management accounts for the 12 month period ended 31 December 2019 have been used. Vineworx Ltd was previously a wholly owned subsidiary of the Group.

Movement in the carrying amount of Vineworx Limited:

	2019 $	2018 $
Balance as at 1 January	-	-
Share of profits of associate (current year)	21,209	-
Taxation	(5,410)	
Funds invested	100	-
Prior year adjustment	(4,030)	-
Loan to/from the Group	8,457	-
Balance as at 31 December	**20,326**	**-**

Vineworx Limited has no contingent liabilities, contingent assets, or capital commitments as at 31 December 2019 (2018: $nil) for which the Group must disclose.

18. RELATED PARTY TRANSACTIONS

The following related party transactions were entered into with the Group during the financial year for which these Financial Statements are prepared:

(a) The Group is owned 59.07% (2018: 58.55%) by Kiwihume Company Limited (KCL). KCL is the ultimate controlling entity of the Group. No funds have been advanced to the Group by KCL during the year. Transactions and balances for the year are:

	2019 $	2018 $
Loan advance from Kiwihume Company Limited	(641,964)	(641,964)
Interest paid to Kiwihume Company Limited	44,937	44,937

(b) The Group has a 20% (2018: 20%) shareholding in Team Kiwi Limited, a company which exports the Class II Kiwifruit. Transactions and balances for the year are:

	2019 $	2018 $
Payments made by Team Kiwi Limited	(534,240)	(623,493)

(c) The Group has a 36% (2018: 37%) shareholding in G6 Kiwi Limited. Transactions and balances for the year are:

	2019 $	2018 $
Balance of Loan advanced to G6 Kiwi Limited	-	24,817
Balance due from G6 Kiwi Limited	19,359	17,682
Management Services Provided - Income	(242,034)	(207,352)

(d) The Group has a 33% (2018: 33%) shareholding in Northern Bay Pollen Company Limited. Northern Bay Pollen Company Limited were contracted to provide services to the Group on terms no more favourable than other customers. Transactions and balances for the year are:

	2019 $	2018 $
Balance due from Northern Bay Pollen Limited	11,500	717
Balance of Loan advanced to Northern Bay Pollen Limited	45,000	96,000
Management Services provided - Income	(10,000)	(7,500)

(e) The Group undertook transactions with Prospect Kiwi Limited. Prospect Kiwi Limited is the Group's supplier entity and share some common Directors. All transactions were the provision of post harvest services and were on normal commercial terms. Transactions and balances for the year are:

	2019 $	2018 $
Balance due from Prospect Kiwi Limited	641,851	-
Payments made to Prospect Kiwi Limited for post harvest services	2,849,138	2,639,977
Payments made by Prospect Kiwi Limited for post harvest services	(19,164,181)	19,581,760
Repayments made by Prospect Kiwi Limited	(290,000)	-
Advances made to Prospect Kiwi Limited	290,000	10,000
Management Services provided - Income	(124,727)	(80,794)

(f) Tetley's Investor Syndicate (the "Syndicate") is a proportionate ownership scheme which owns the Tetley Road Cool Store. The Company by way of Managment agreement manages the property on behalf of the Syndicate. The Company is also the main lease holder of the Tetley Road Cool Store. During the year the Company provided management services, under a management agreement, to the Syndicate. Transactions and balances for the year are:

	2019 $	2018 $
Balance due from Tetley Investor Syndicate	559	4,314
Payments made to Tetley's Syndicate for Lease	245,116	224,484
Payments received from Tetley's Syndicate for Management Services	(5,387)	(2,651)
Payments on behalf of Tetley's Syndicate for Construction of Assets	38,696	372,444

(g) The Group has a 50% (2018: 100%) shareholding in Vineworx Limited. Vineworx Limited were contracted to provide services to the Group on terms no more favourable than other customers. Transactions and balances for the year are:

	2019 $	2018 $
Balances due to Vineworx Limited from Prospect Fencourt Ltd	(31,543)	-
Balance due from Vineworx Limited	11,500	-
Balance of Loan advanced to Vineworx Limited	45,000	-
Orchard Services provided - Income	(291,735)	-
Orchard Services incurred - Expense	287,334	-
Management Services provided - Income	(214,120)	-

(h) The Company contracted to provide post harvest services on behalf of grower shareholders during the year. All transactions for the provision of post harvest services were on normal commercial terms subject to rebate provisions.

(i) The Company undertakes transactions with the Directors in the normal course of business. All transactions are on an arms length basis and on normal trading terms and conditions.

(j) The Company leased orchards on trading terms and conditions no more favourable than other growers from the following Directors or entities over which the Directors have control or significant influence; ML Hume, DA Hume (retired as Director in 2019) and GS Hume. Under the normal provisions of an orchard lease, costs are recovered before payments are made to the leasee. Transactions and balances for the year are:

	2019 $	2018 $
Payments to M L Hume for Leased Orchard	1,184,944	781,373
Payments to D A Hume for Leased Orchard	-	945,501
Payments to G S Hume for Leased Orchard	967,905	825,672

(k) The Company provides orchard services on the same terms and conditions as other growers to the following Directors or entities over which the Directors have control or significant influence. Transactions and balances for the year are:

	2019 $	2018 $
Balance due from A Powell	81	2,312
Balance due from D C Grayling	12,719	19,647
Balance due from G S Hume	1,671	3,985
Balance due from M L Hume	2,587	-
Balance due from O R Hume	301	-
Payments received from M L Hume for orchard services	202,603	(95,242)
Payments received from D A Hume for orchard services	-	(58,674)
Payments received from G S Hume for orchard services	132,903	(88,057)
Payments received from D Hayes for orchard services	(19,259)	-
Payments received from D C Grayling for orchard services	(173,054)	(132,630)
Payments received from A D Powell for orchard services	(127,959)	(133,044)

(l) The Directors provide services to the Company at normal commercial rates. Transactions and balances for the year are:

	2019 $	2018 $
Balances owing to G S Hume	288	-
Payments made to G S Hume for services provided	236,789	151,170

(m) In addition to the Directors Fees paid during the year, the following salaries were paid to:

	2019 $	2018 $
M L Hume	212,709	216,759
D A Hume (Retired as a Director in 2019)	-	95,186
O R Hume	13,603	-

(n) EH Woudberg is a Director of the Company. Accounting services have been provided at normal commercial rates by Young Read Woudberg Limited, a Company in which EH Woudberg is also a Director. Transactions and balances for the year are:

	2019 $	2018 $
Balance owing to Young Read Woudberg	9,200	6,656
Accounting Services provided	43,904	42,066

(o) No related party debts have been written off or forgiven during the year.

19. BORROWINGS

(a) Kiwihume Company Limited

	2019 $	2018 $
Amount Outstanding:	641,964	641,964

Rate: ANZ Bank Freeplan Account overdraft rate
Security: Unsecured
Repayment Terms: Interest only.

On 3 April 2017, Hume Pack N Cool Ltd, Kiwihume Company Ltd and ANZ Bank entered into a Deed of Postponement in favour of ANZ bank. This deed restricts Hume Pack N Cool Ltd from making repayments towards Kiwihume Company Ltd debt until such time as the ANZ Bank is satisfied that their debt has been repaid.

(b) ANZ Bank New Zealand Limited Loans

	Date of Maturity	Interest Rate	2019 $	2018 $
#090	30/04/19	N/A	-	405,599
#091	31/12/19	N/A	-	3,798,599
#1032	15/07/19	N/A	-	1,695,000
#1033	30/04/19	N/A	-	2,000,000
#1035	5/01/21	4.05%	6,909,198	-
#1003	15/07/2024	4.65%	471,000	600,000
#1004	Repaid	N/A	-	340,000
#0086	Repaid	N/A	-	316,500
#1005	13/04/22	4.25%	391,060	414,267
#1006	13/04/22	4.05%	296,428	414,267
Total ANZ Bank Term Loans			**8,067,686**	**9,984,232**

The following is held as security over all ANZ loans:
- Freehold Horticultural Land to the value of $19,750,000
- 7 Fencourt Crescent, Katikati
- 13 Kattern Street, Katikati
- 4 Hyde Street, Katikati
- 1 Hyde Street, Katikati.

(c) Right to Use Lease Liabilities

	2019 $	2018 $
Amount Outstanding:	3,561,115	-

(d) AGCO Finance

	2019 $	2018 $
Amount Outstanding:	-	11,114

Security: Sprayer
Repayment Terms - Repaid.

(e) Spark Business - Mobile phones

	2019 $	2018 $
Amount Outstanding:	3,817	1,280

Security: Unsecured
Repayment Terms - 24 months interest free

(f) Current Portion of Term Liabilities

	2019 $	2018 $
ANZ Bank Loan #90	-	(405,599)
ANZ Bank Loan #91	-	(3,798,599)
ANZ Bank Loan #1032	-	(1,695,000)
ANZ Bank Loan #1033	-	(2,000,000)
ANZ Bank Loan #0086	-	(316,500)
Lease Liabilities	(247,725)	-
AGCO Finance	-	(11,114)
Spark Business - Mobile Phone	(3,210)	(1,168)
Total Current Portion of Term Liabilities	**(250,935)**	**(8,227,980)**
Total Non Current Borrowings	**12,023,647**	**1,996,343**

20. BANK SECURITIES

ANZ Bank Freeplan Account
Available credit on this account is $200,000 (2018: $200,000). The interest rate applying at balance date was 6.04% per annum (2018: 6.44%). The Freeplan Account is secured by a first charge registered mortgage on freehold horticultural land to the value of $15,000,000 and a general security agreement over machinery and equipment owned by the Group.

ANZ Flexi Facility
Available credit on this account is $1,500,000 (2018: $1,500,000). The interest rate applying at balance date was 4.97% per annum (2018: 5.37%). There is a general security agreement over machinery and equipment owned by the Group.

Guarantee
The Parent Company has provided an unlimited guarantee to its wholly owned subsidiary, Prospect Fencourt Limited and Investment in associates Vineworx Limited.

ANZ Flexi Facility – Prospect Fencourt Ltd
Available credit on this account is $100,000 (2018: $100,000). The interest rate applying at balance date was 5.30% per annum (2018: 5.90%).

21. CONTINGENT LIABILITIES

At balance date the Group had no contingent liabilities.

22. CAPITAL COMMITMENTS

At balance date the Group had no capital commitments.

23. CAPITAL COMMITMENTS

At balance date the Group had no capital commitments.

24. SUBSEQUENT EVENTS

Coronavirus outbreak
The existence of novel coronavirus (COVID-19) was confirmed in mainland China in December 2019 and the outbreak was subsequently declared a pandemic by the World Health Organisation on 12 March 2020. The group is operating as an essential business, with operations adapted as a result of deploying appropriate protocols to manage the relevant health and safety aspects of the business.

The directors consider this outbreak to be a non-adjusting post balance sheet event. The financial impact of this event cannot be determined with any degree of certainty.

There were no other significant events from the balance date of 31 December 2019 to date of signing that require disclosure.

KPMG

Independent Auditor's Report

To the Shareholders of Hume Pack-N-Cool Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Hume Pack-N-Cool Limited (the 'Company') and its subsidiaries (the 'Group') on pages 9 to 32:

i. Present fairly in all material respects the Group's financial position as at 31 December 2019 and its financial performance and cash flows for the year ended on that date; and

ii. Comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying consolidated financial statements which comprise:

— The consolidated statement of financial position as at 31 December 2019;

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

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

Basis for opinion

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

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

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

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

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

KPMG

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

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

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

Our objective is:

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

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

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

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

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

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

KPMG

Company details

DIRECTORY

IRD & GST NUMBER:
045-687-686

COMPANY NUMBER:
230687

DATE OF INCORPORATION:
29 March 1984

REGISTERED OFFICE:
Prospect Drive,
Katikati

SHARE CAPITAL:
$3,609,495

DIRECTORS:
ML Hume
DA Hume (Retired June 2019)
OR Hume
EH Woudberg
DC Grayling
AD Powell
GS Hume
DH Hayes (Appointed June 2019)

BANKERS:
ANZ Bank

ACCOUNTANTS:
Young Read Woudberg
Chartered Accountants
Tauranga

SOLICITOR:
Abernethy Broatch Law
Mount Maunganui

AUDITOR:
KPMG
Tauranga

Innovative Visionary Leaders
in Post-Harvest Operations.

HUME Katikati's Kiwifruit Company.

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