HUME Pack-N-Cool Annual Report 2020

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."

“The real success of the 2020 season was our performance across packing and storage, allowing us to make some much-needed gains following the impact of COVID-19.”

HUME Katikati's Kiwifruit Company.

Managing Directors Report

SUCCESS DURING TIMES OF GLOBAL ADVERSITY.

WHAT A SEASON 2020 TURNED OUT TO BE WITH EXTERNAL FACTORS HAVING A MASSIVE IMPACT ON THE COMPANY DURING THE YEAR.

With the onset of Covid 19 the Directors made the decision to defer and ultimately cancel the proposed 2019 Dividend, to ensure that we had the capital protection as we faced uncertainty of what was unfolding both here and abroad as a result of the global pandemic.

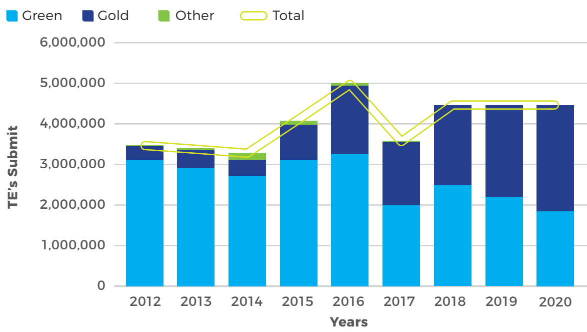
As the outlook for the company continued to improve through the later part of the year the Directors took the decision to reinvest that Dividend into the future by way of a significant improvement in the level of automation in the packhouse. The basis of this decision was to protect the company against the inevitable labour cost increases and shortages going forward.

The closeout to the year was much better than anticipated restoring levels of profitability and as a result the Directors have approved the payment of a net dividend of 6c per share in respect of the 2020 year. This improvement is a reflection of the teams dedication and hard work to deliver the best outcomes for Stakeholders in the company.

A heartfelt thanks to everyone involved for their performance and commitment during this exceptional time.

ML Hume - Managing Director

TE'S SUBMIT



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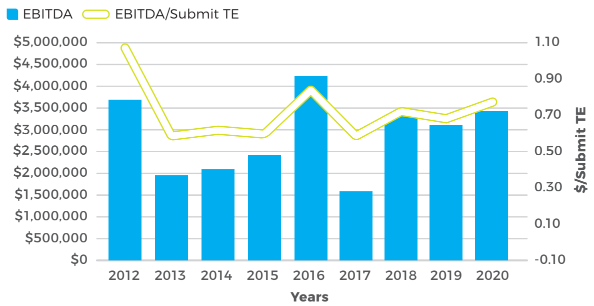
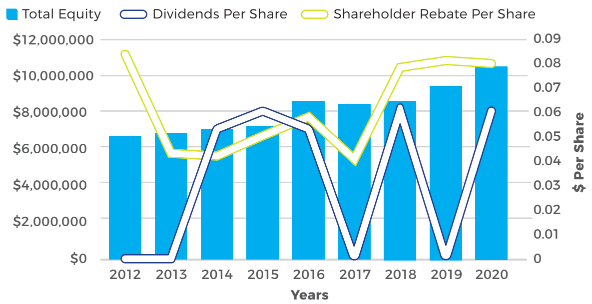
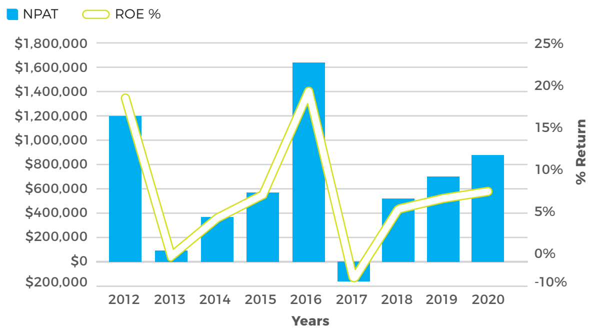


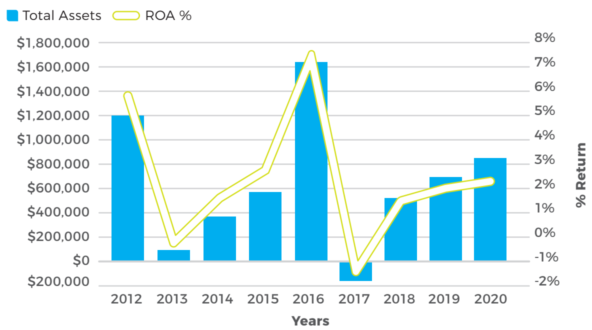
EQUITY, SHAREHOLDERS REBATES AND DIVIDENDS RETURNED



RETURN ON EQUITY



RETURN ON ASSETS



General Managers Report

ROLLING INTO THE 2020 HARVEST AFTER A LONG, HOT, DRY SUMMER, WE WERE PREPARED FOR A CHALLENGING HARVEST (AS THEY ALL ARE).

But no-one knew just how challenging it would be. With a February estimate of 2.73m Gold and 2.34m Green, we had expected to be back up over 5m trays again. Fruit size was extremely challenging across the industry following the drought (with Katikati particularly affected), so the end result was 2.53m Gold and 1.91m Green, giving a final total of 4.45m. This was in line with past years and did not deliver the expected growth.

On 25th March when New Zealand moved into Level 4 lockdown in response to COVID-19, our company had to move quickly to adopt social distancing and compliance measures. Meeting these requirements restricted the number of staff in our packhouse and subsequently limited our packing capacity and ability to pack single layered trays. This resulted in an unfavourable pack mix at the end of the season versus our budget. Despite earlier industry concerns about being able to continue operating during Level 4, we were able to harvest and pack 1.91m trays of Gold which represented 43% of our total volume handled. This is a testament to the hard work of our team and their ability to rapidly adjust and overcome obstacles put in front of them.

The real success of the 2020 season was our performance versus budget across packing and storage, allowing us to make some much-needed gains following the impact of COVID-19. Through our team's determination to overcome what was one of the most challenging seasons in recent times, we were able to deliver a respectable profit in a year that was all about survival.

The commitment of staff and growers to our company was evident in 2020, with everyone doing their part to get the job done and ensure overall success. People are our most important asset and knowing we have strong support puts us in good stead moving forward.

With COVID-19 still presenting local and international challenges, and the increasing cost of recruiting and retaining adequate staff, automation has become a lot more affordable. A large automation project has been rolled out to reduce our labour component and subsequent cost. This project is focussed on box assembly, bagging, filling, labelling and sorting, all of which can now take place with virtually no human intervention – and at twice the speed. The bulk filling is taken care of, and after two years of successful trials with automated IT tray filling, additional units have been implemented. Over half of our hourly production is now handled through automation. This has enabled us to lift our average hourly production by 40% with less staff actively working on the floor.

With increased production comes increased pallets to cool and store. To ensure this did not restrain our capacity, additional precooler space has been added to speed up cycle times, increasing throughput. We plan to start building three additional coolstores in September, each with capacity to store 1000 pallets. A state-of-the-art Glycol refrigeration system will be installed to deliver reliable and efficient cooling.

With a February crop estimate of 3.14m Gold and 2.51m Green, we should again see volumes back up over 5m after being relatively static during the past three seasons.

With the additional coolstores and automation both lifting capacity, our site should be capable of handling 8m trays in the coming seasons. This will enable us to align our company with industry growth and expand our current grower base.

To set ourselves up for success through this growth, we have welcomed a number of new employees. This injection of both experience and capability has set a platform for us to move forward, with the professional development of staff remaining a top priority for Hume.

New Faces

As our industry and company continue to grow, so does the team behind Hume. People are the engine behind our company and remain our biggest asset to ensure we deliver exceptional results to growers, shareholders and the staff themselves.

Our company's goals moving forward mean we have been able to attract some exceptional people both within and outside the kiwifruit industry who want to be part of our company's future. This brings both industry know-how, enabling us to hit the ground running, as well as a fresh set of eyes and ideas to ensure we continually evolve what, and how, we do things.

As our company continues to grow, so will the team behind it.

Nav Singh
GM Post Harvest

Nav grew up in Katikati and his 16 year career in the Kiwifruit industry started as an after school job. He studied Business Management after college and not surprisingly, Nav worked his way up within the industry quickly and has held management roles from the ripe age of just 21 years old.

One of his biggest achievements so far is turning around a 3 million tray site to one that was pumping out 8 million in the space of just six years. He brings a wealth of experience to us here at Hume Pack N Cool.

When he's not working, Nav enjoys playing golf and cricket as well as spending time with his wife and two boys.

Darshan Singh
External Operations Manager

Since the age of 8, I have called Katikati home! While studying at Katikati college I worked weekends and after school on the line, packing fruit at Hume Pack-N-Cool. In 2013, I graduated with a Bachelor of Engineering from AUT University. After graduation, I spent four years as an electrical engineer in Christchurch and Tauranga, working on some high-profile buildings. Our family has always been connected to the kiwifruit industry. At the start of 2018, I made the move over and started working in the kiwifruit industry as a grower services representative for another post-harvest facility.

To further develop my skills and capabilities, I am in the process of completing my MBA from Otago University. In my spare time, I enjoy playing and watching sports, golf in particular, and spending time with my family.

Pete Staples
Packhouse Operations Manager

I moved to NZ in early 2004 after serving nearly 17 years in the Royal Navy as a Physical Training Instructor and I served on Destroyers enjoying free travel around the world.

I have recently left Papua New Guinea and I was in the mining/logistics and supply chain management industry for 7 years over there. Completely the opposite end on the spectrum to Kiwifruit but each industry has its own acronyms and language to understand and get your head around which will take a bit to get used too.

I enjoy multi day hikes, anything outdoors and I have recently taken up kite surfing which I can say I am not very good at just yet, give me time and the kite surfing and kiwifruit jargon will all click into place.

Audrey Barbarich
Quality Manager

Audrey is a born and bred East Coast girl who grew up in Matawai near Gisborne. Her career started off in customer service roles and due to a change in her partner's work circumstances, relocated to the Bay of Plenty. It was at this time that she tried her hand in the kiwifruit industry, starting in the packhouse, moving on to Kiwigreen Pest Monitoring and finally finding her niche in Quality.

One of Audrey's favourite parts of being a manager is watching people develop their skillset and start elevating their career in the kiwifruit industry, just as she has done.

Audrey has three beautiful granddaughters to her one son and loves to spend time with them when she is away from the packhouse. She is also quite fond of getting in a round of two or golf in the weekends as well.

Chris Clement
Technical & Automation Manager

Chris joined the kiwifruit industry in 2008 after completing his studies towards a BSc majoring in Horticultural Science at Massey University. His first role in kiwifruit was at a postharvest supplier in a technical support role looking after maturity testing and the selection and monitoring of crops for controlled atmosphere storage.

In 2012 he joined Kiwifruit Vine Health as an Operations Advisor, providing advice to growers on the management of Psa on their orchards. Following this, Chris returned to post-harvest in 2015 as an Operations Technical Manager.

Chris is a previous winner of both the Bay of Plenty Young Fruit Grower and New Zealand Young Fruit Grower of the Year competitions.

Bevan Meiklejohn
Grower Services Representative

I grew up in the Bay of Plenty and once leaving home, ended up travelling and living in Canada, Australia and most recently, Central Otago.

I've come full circle returning to the area and bringing with me my wife, son, daughter and two dogs. My family got into the world of kiwifruit after purchasing a local orchard several years ago. It's an exciting industry to be in with a fantastic, unique product.

I gained a Bachelor of Social Science at the University of Waikato in 2006. This was a huge benefit in commencing my customer facing career where I have spent a lot of time in the automotive and finance sectors.

In my spare time, I love getting out on my mountain bike and exploring the region on two wheels in the fresh air.

Jared Mills
Maintenance Engineer

Jared grew up in Auckland, and after leaving school, completed his apprenticeship in Maintenance and Diagnostic Engineering. Following his apprenticeship, he went on to work at the Devonport Naval Base working on diesel ship engines.

In 2014 he moved with his family to Papamoa. His career in the kiwifruit industry began as a Maintenance Engineer for a post-harvest facility where he gained experience maintaining a range of fruit packing machines, as well as assisting with the installation of a whole new packing line. Jared started with us here at Hume Pack in 2021, commencing the next step in his journey.

On the weekends Jared likes to spend time with his daughters and family. His past-times include windsurfing and working on his cars which he likes to take for long Sunday drives.

HUME PACK-N-COOL LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

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Statutory Information

FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL ACTIVITIES

The Company and subsidiary 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 2020.

BOARD OF DIRECTORS

DH Hayes & A Powell retired as Directors in July 2020. There were no other changes to the board in 2020. The Board of Directors have met regularly during the year.

ENTRIES IN THE INTERESTS REGISTER/INTERESTED TRANSACTIONS

During the financial year to December 2020 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 2020 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 five non-director employees that earned in excess of $100,000 during the financial year to December 2020. Three employee's remuneration earned was between $100,000 and $110,000, One employee's remuneration earned was between $130,000 and $140,000 and one employee's remuneration earned was between $160,000 and $170,000.

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 2020:

	2020	2019
D. Grayling	18,857	15,714
D. Hume (retired June 2019)	-	1,310
G. Hume	18,857	15,714
M. Hume	18,857	15,714
O. Hume	18,857	15,714
A. Powell (retired July 2020)	7,857	15,714
E. Woudberg	18,857	15,714
D. Hayes (retired July 2020)	7,857	14,405
	110,000	**110,000**

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

	2020	2019
D. Hume (retired June 2019)	-	98,351
O. Hume	16,599	13,603
M. Hume	209,767	212,709

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 subsidiary affairs at 31 December 2020 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 2020

	Note	2020 $	2019 $
Operating Revenue	4	39,231,120	40,560,300
Expenses	5	37,696,432	39,146,442
Results from Operating Activities		**1,534,688**	**1,413,858**
Finance Income	6	13,216	19,123
Finance Expense	6	505,119	619,567
Net Finance Cost	**6**	**(491,903)**	**(600,444)**
Net Profit before capital gains, share of profits of associate and tax		**1,042,785**	**813,414**
Capital Gains 16(b)	16(b)	12,533	266,202
Share of Profits of Associate	17	34,729	118,875
Net Profit Before Tax		**1,090,047**	**1,198,491**
Income Tax Expense	7	232,282	239,276
Net Profit for the year attributable to shareholders		**857,765**	**959,215**
Other Comprehensive Income			
Financial Assets: Current year gains		48,074	43,602
Total Other Comprehensive Income		**48,074**	**43,602**
Total Comprehensive Income for the year attributable to shareholders		**905,839**	**1,002,817**

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share Capital $	Capital Reserve $	Fair Value Reserve $	Retained Earnings $	Total Equity $
Opening Balance at 1 January 2020		3,609,495	395,950	168,171	4,895,076	9,068,692
Profit for the year		-	12,533	-	845,232	857,765
Other comprehensive income		-	-	48,074	-	48,074
Dividend Cancellation (September 2020)		-	-	-	340,200	340,200
Closing Balance at 31 December 2020	8	**3,609,495**	**408,483**	**216,245**	**6,080,508**	**10,314,731**
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		-	-	-	(13,525)	(13,525)
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**

HUME PACK-N-COOL LIMITED AND SUBSIDIARIES

Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 $	2019 $
Current Assets			
Cash and Cash Equivalents	9	895,861	2,370,047
Trade and Other Receivables	10	3,962,129	4,329,330
Prepayments	11	116,171	105,105
Inventories		456,784	496,121
Biological Assets	12	2,415,589	1,166,149
Work in Progress		18,691	47,207
Income Tax Receivable		129,274	-
Total Current Assets		7,994,499	8,513,959
Non-Current Assets			
Property, Plant & Equipment	14	22,698,286	21,203,058
Investments	16	295,795	247,722
Equity Accounted Associates	17	186,702	204,578
Total Non-Current Assets		23,180,783	21,655,358
Total Assets		**31,175,282**	**30,169,317**
Equity			
Share Capital (Fully Paid)	8	3,609,495	3,609,495
Reserves		624,728	564,121
Retained Earnings		6,080,508	4,895,076
Total Equity		10,314,731	9,068,692
Current Liabilities			
Trade and Other Payables	13	8,425,438	7,753,023
Dividends Payable		2,304	342,504
Current Portion of Borrowings	19	7,852,946	250,935
Income Tax Payable		-	114,759
Total Current Liabilities		16,280,688	8,461,221
Non-Current Liabilities			
Deferred Tax Liabilities	7	812,965	615,757
Non Current Borrowings	19	3,766,897	12,023,647
Total Non-Current Liabilities		4,579,862	12,639,404
Total Liabilities		**20,860,550**	**21,100,625**
Total Equity And Liabilities		**31,175,281**	**30,169,317**

14 April 2021

Director

14 April 2021

Director

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 $	2019 $
Cash Flows from Operating Activities			
Receipts from Customers		40,004,583	40,077,491
Interest Received		5,622	5,381
Dividends Received		7,594	13,742
Payments to Suppliers and Employees		(36,244,221)	(36,178,437)
Interest Paid		(350,057)	(499,360)
Interest Paid Lease Liabilities		(160,621)	(131,007)
Income Taxes Paid		(275,943)	(281,265)
Other Taxes Paid		(4,968)	(4,828)
Net cash generated from operating activities		2,981,989	3,001,717
Cash Flows from Investing Activities			
Proceeds from the Sale of Property, Plant and Equipment		16,820	778,291
Proceeds from Investments in Associate		43,200	126,264
Proceeds from the sale of Investments		12,533	-
Purchase of Property, Plant and Equipment		(3,218,454)	(2,439,008)
Advance - Other		(600,000)	(21,763)
Proceeds/(Payments) to Related Parties		40,000	(54,985)
Net cash used in investing activities		(3,705,901)	(1,611,201)
Cash Flows from Financing Activities			
Proceeds from Bank Borrowings		48,166	296,428
Repayments of Other Borrowings		(468)	(8,576)
Dividends Paid		-	(337,896)
Repayment of Bank Borrowings		(544,646)	(1,798,708)
Repayment of Lease liabilities		(253,326)	(187,353)
Net cash used in financing activities		(750,274)	(2,036,105)
Net decrease in Cash and Cash Equivalents		**(1,474,186)**	**(645,589)**
Cash and Cash Equivalents at the beginning of the year		2,370,047	3,015,636
Cash and Cash Equivalents at the end of the year	**9**	**895,861**	**2,370,047**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

HUME PACK-N-COOL LIMITED AND SUBSIDIARIES

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 Company 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 subsidiary. 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. Whilst the Group has a negative working capital balance at 31 December 2020, this is mostly due to two factors:

1. The timing of cashflows in relation to preparation for the coming harvest, which takes place after balance date in the months of March to June; and
2. Included in the negative working capital is the current portion of ANZ Group lending facilities which are refinanced as they become due.

The current banking facility has various maturity dates from 31 May 2021 onwards. The facilities maturing earlier have been refinanced for a further fixed term. The Directors have considered the positive crop volumes and strong banking relationships and continue to adopt the going concern basis as appropriate.

The Directors have assessed the risk on operation performance due to the Coronavirus Pandemic as low.

Based on the above the Directors are satisfied that the going concern basis is appropriate.

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.

(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;

	2020
Buildings	2.0% to 25.0%
Plant and Equipment	9.5% to 80.4%
Office Equipment & 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.

HUME PACK-N-COOL LIMITED AND SUBSIDIARIES

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

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

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 decisionmaking 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.

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.

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.

The Group is not a lessor.

4. REVENUE

The following items are included in revenue:

	Notes	2020 $	2019 $
Orchard services		2,405,728	3,707,477
Fruit Proceeds from Leased Orchards		18,059,463	17,747,166
Post Harvest Services*		18,220,254	18,519,882
Other Operating Revenue		545,675	585,775
		39,231,120	**40,560,300**

*Net of Rebates and Discounts

5. EXPENSES

The following items are included in expenses:

	Notes	2020 $	2019 $
Operating Expenses		18,504,856	19,991,504
Administrative Expenses		2,015,327	1,744,086
Expenses Non-Deductible for Tax Purposes		27,864	10,754
Auditor's Remuneration		41,997	29,100
Directors Fees		110,000	110,000
Doubtful Debts (Movement)		53,938	(6,885)
Variable Lease Payments		15,125,301	15,619,023
Depreciation	14	1,482,996	1,383,740
Depreciation Right of Use Assets	15	308,691	236,520
Loss on Disposal of Non-Current Assets		25,462	28,600
		37,696,432	**39,146,442**

6. FINANCE INCOME & EXPENSE

	Notes	2020 $	2019 $
Interest Income		5,622	5,381
Dividends Received		4,995	7,824
Dividends Received - Non-Assessable		2,599	5,918
Finance Income		**13,216**	**19,123**
Interest Expense		344,498	488,560
Interest Expense Lease Liabilities		160,621	131,007
Finance Expense		**505,119**	**619,567**
Net Finance Costs		**(491,903**	**(600,444)**

7. INCOME TAX EXPENSE

	Notes	2020 $	2019 $
Profit before income tax for the period		1,090,047	1,198,491
Imputation Credits on dividends received		1,943	2,205
		1,091,990	**1,200,696**
Income tax using the Company's domestic tax rate 28%		305,757	336,195
Tax effect of amounts which are non-deductible/(taxable) in calculating taxable income:			
Credit for Imputation Credits		(1,943)	(2,205)
Income tax relating to associate entities		(9,919)	(31,700)
Non-assessable income		(4,237)	(78,359)
Non-deductible expenses		17,555	24,403
Deferred Tax Adjustment for Depreciation of buildings pre May 2010*		(63,280)	(10,907)
Reintroduction of Depreciation of buildings**		(9,848)	-
Tax Penalties		(1,803)	1,849
Total income tax expense		**232,282**	**239,276**

*A deferred tax adjustment is required to acccount for the difference between the accounting base and tax base of buildings purchased prior to May 2010. As buildings are depreciated the deferred tax liability will reduce.

** This is a result of the COVID-19 (Taxation and Social Assistance Urgent Measures) Bill enacted on 25 March 2020, which impacted the deferred tax as shown in Note 7.

The income tax expense is represented by:

Current tax expense			
Tax payable in respect of the current period		38,820	338,320
Credit for imputation credits		(1,943)	(2,205)
Tax Penalties		(1,803)	1,849
Total current tax expense		**35,074**	**336,115**

Deferred tax (benefit)/expense			
Movement of temporary differences	7	197,208	(98,688)
Total deferred tax (benefit)/expense		**197,208**	**(98,688)**
Total income tax expense		**232,282**	**239,276**

		Assets / (Liabilities)	
Deferred Taxation		**2020 $**	**2019 $**
Accrued Expenses		35,515	14,000
Provision for Bad Debts		19,060	3,957
Holiday Pay Accrued		46,237	18,974
Work in Progress		(681,599)	(339,741)
Depreciation of buildings pre May 2010		(268,693)	(331,974)
Right of Use Leases		34,529	19,027
Tax Loss Carried Forward		1,986	-
Total Deferred Liability		**(812,965)**	**(615,757)**

Movement in Temporary Differences

Year Ended 31 December 2020	**Balance 1 January 2020 $**	**Recognised in Profit or Loss $**	**Balance 31 December 2020 $**
Accrued Expenses	14,000	21,515	35,515
Provision for Bad Debts	3,957	15,103	19,060
Holiday Pay Accrued	18,974	27,263	46,237
Work in Progress	(339,741)	(341,858)	(681,599)
Depreciation of buildings pre May 2010	(331,974)	63,281	(268,693)
Recognition of Right of Use Leases	19,027	15,502	34,529
Tax Loss Carried Forward	-	1,986	1,986
Total Temporary Differences	**(615,757)**	**(197,208)**	**(812,965)**

Year Ended 31 December 2020	**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)**

8. EQUITY

Share Capital (Fully Paid):	2020$	2019 $
5,670,000 (2019: 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	2020 $	2019 $
ANZ Bank - Imprest Account		379	744
ANZ Bank - Call Account		881,183	2,020,850
ANZ Bank - Freeplan Account	20	14,324	45,926
ANZ Bank - RSE Digicel		203	63
ANZ Bank - Prospect Fencourt Limited - Flexi Facility	20	(471)	20,951
ANZ Bank - Prospect Fencourt Limited - Call Account		243	243
ANZ Bank - Prospect Fencourt Limited - Term Deposit		-	281,270
		895,861	**2,370,047**

10. TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
Employee Receivables	1,759	3,604
Staff Loans	79,802	79,802
Accrued Leased Orchard Income	2,511,172	2,599,778
Net Trade Receivables	677,482	1,538,560
Trade Receivables from Related Parties	76,164	91,836
Advance - Other	600,000	-
Advance - UPNZ Limited	15,750	15,750
	3,962,129	**4,329,330**

11. PREPAYMENTS

	2020 $	2019 $
Prepaid Insurance	116,171	105,105
	116,171	**105,105**

12. BIOLOGICAL ASSETS

	2020 $	2019 $
Carrying amount at the beginning of the year	1,166,149	1,572,822
Harvested	(1,166,149)	(1,572,822)
Cost incurred in growing crops	2,415,589	1,166,149
	2,415,589	**1,166,149**

13. TRADE AND OTHER PAYABLES

	2020 $	2019 $
Accrued Expenses	285,188	198,928
Audit Fees accrual	36,000	32,000
Directors Fees Payable	12,650	12,321
Grower Payable	3,696,148	3,105,402
Grower Accrual for Fruit Proceeds from Leased Orchards	2,511,172	2,599,778
Interest Accrual	21,743	28,250
Shareholder Rebates Payable	440,700	459,774
Trade Payables	914,856	709,719
Wages Payable	450,702	466,548
GST Payable	56,279	140,303
	8,425,438	**7,753,023**

14. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

(a) Property, Plant and Equipment

	Note	2020 $	2019 $
Property, Plant and Equipment owned	14 (b)	19,418,280	17,709,896
Right-of-use Assets	15 (a)	3,280,006	3,493,162
		22,698,286	**21,203,058**

(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 2020	15,028,802	16,684,966	103,507	709,194	1,227,795	**33,754,264**
Additions	1,409,102	708,661	43,792	144,161	921,037	**3,226,753**
Disposals	(14,751)	(268,044)	(23,726)	(31,000)	-	**(337,521)**
Balance at 31 December 2020	16,423,153	17,125,583	123,573	822,355	2,148,832	**36,643,496**
Accumulated Depreciation						
Balance at 1 January 2020	3,687,479	11,770,864	57,061	528,964	-	**16,044,368**
Depreciation	442,669	969,336	16,145	54,846	-	**1,482,996**
Disposals	(10,543)	(245,552)	(15,649)	(30,404)	-	**(302,148)**
Balance at 31 December 2020	4,119,605	12,494,648	57,557	553,406	-	**17,225,216**
Carrying Amount						
At 1 January 2019	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**
At 31 December 2020	12,303,548	4,630,935	66,016	268,949	2,148,832	**19,418,280**

As at 31 December 2020, the Directors consider the fair market value of Land and Buildings of the Group to be at least $21,500,000 (2019: $19,750,000). The Directors have made their assessment based on the last independent valuation carried out on 31 December 2020.

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 2020	3,326,324	15,675	561,775	**3,903,774**
Additions	-	-	95,535	**95,535**
Disposals	-	-	(51,615)	**(51,615)**
Balance at 31 December 2020	3,326,324	15,675	605,695	**3,947,694**
Accumulated Depreciation				
Balance at 1 January 2020	140,290	3,592	266,730	**410,612**
Depreciation	166,927	3,919	137,845	**308,691**
Disposals	-	-	(51,615)	**(51,615)**
Balance at 31 December 2020	307,217	7,511	352,960	**667,688**
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**
At 31 December 2020	3,019,107	8,164	252,735	**3,280,006**

(b) Amounts recognised in Profit or Loss

	Note	2020 $	2019 $
Interest on lease liabilities	6	160,621	131,007
Variable lease payments not included in measurement of lease liabilities		14,665,501	15,075,532
Expenses relating to short term leases		459,801	543,491
		15,285,923	**15,750,030**

(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 2020, 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

	2020 $	2019 $
Shares - Seeka Corporation Limited	15,932	15,012
3,285 shares @ $4.85 (Market Value) (2019: $4.57)		
Shares - TrustPower Limited	113,427	106,680
14,358 shares @ $7.90 (Market Value) (2019: $7.43)		
Shares - Tilt Renewables Limited	109,755	69,349
17,230 shares @ $6.37 (Market Value) (2019: 21,537 shares @ $3.22)		
Shares - G6 Kiwi Limited	21,951	21,951
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)
	295,795	**247,722**

(b) Investments Sold
The Group sold 4,307 shares in Tilt Renewables Limited, resulting in a capital gain of $12,533.

17. EQUITY ACCOUNTED ASSOCIATES

(a) Summary

	Note	2020 $
Investment		
Northern Bay Pollen Company Ltd	17 (b)	159,622
Vineworx Ltd	17 (c)	27,080
		186,702
Income		
Northern Bay Pollen Company Ltd		18,570
Vineworx Ltd		16,159
		34,729

(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 2020 have been used after bringing into account the full twelve months to March 2020. The comparative figures are also based on the management accounts for the nine months ended 31 December 2019, similarly adjusted.

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

	2020 $	2019 $
Balance as at 1 January	184,252	180,785
Share of profits of associate (current year)	18,570	97,667
Movement in Loan from Hume Pack N Cool Ltd	-	(51,000)
Dividend Received	(43,200)	(43,200)
Balance as at 31 December	**159,622**	**184,252**

Northern Bay Pollen Company Limited has no contingent liabilities, contingent assets, or capital commitments as at 31 December 2020 (2019: $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 2020 have been used.

Movement in the carrying amount of Vineworx Limited:

	2020 $	2019 $
Balance as at 1 January	20,326	-
Share of profits of associate (current year)	16,159	21,209
Taxation	-	(5,410)
Funds invested	-	100
Prior year adjustment	-	(4,030)
Movement of Group Lending	(9,405)	8,457
Balance as at 31 December	**27,080**	**20,326**

Vineworx Limited has no contingent liabilities, contingent assets, or capital commitments as at 31 December 2020 (2019: $nil) for which the Group must disclose.

18. RELATED PARTY TRANSACTIONS

TThe 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 58.18% (2019: 59.07%) 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:

	2020 $	2019 $
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 16.67% (2019: 20%) shareholding in Team Kiwi Limited, a company which exports the Class II Kiwifruit. Transactions and balances for the year are:

	2020 $	2019 $
Payments made by Team Kiwi Limited	(626,887)	(534,240)

(c) The Group has a 36% (2019: 36%) shareholding in G6 Kiwi Limited. Transactions and balances for the year are:

	2020 $	2019 $
Balance of Loan advanced to G6 Kiwi Limited	-	-
Balance due from G6 Kiwi Limited	20,530	19,359
Management Services Provided - Income	(238,612)	(242,034)

(d) The Group has a 33% (2019: 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:

	2020 $	2019 $
Balance owing to Northern Bay Pollen Limited	(47,253)	-
Balance due from Northern Bay Pollen Limited	11,500	11,500
Balance of Loan advanced to Northern Bay Pollen Limited	45,000	45,000
Management Services provided - Income	(10,000)	(10,000)

(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:

	2020 $	2019 $
Balance owing to Prospect Kiwi Limited	(7,294)	-
Balance due from Prospect Kiwi Limited	-	641,851
Payments made to Prospect Kiwi Limited for post harvest services	2,837,529	2,849,138
Payments made by Prospect Kiwi Limited for post harvest services	(19,697,056)	(19,164,181)
Repayments made by Prospect Kiwi Limited	-	290,000
Advances made to Prospect Kiwi Limited	-	(290,000)
Management Services provided - Income	(89,146)	(124,727)

Committed to grower profit.

HUME PACK-N-COOL LIMITED AND SUBSIDIARIES

(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:

	2020 $	2019 $
Balance due from Tetley Investor Syndicate	551	559
Payments made to Tetley's Syndicate for Lease	243,529	245,116
Payments received from Tetley's Syndicate for Management Services	(5,455)	(5,387)
Payments on behalf of Tetley's Syndicate for Construction of Assets	5,949	38,696

(g) The Group has a 50% (2019: 50%) 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:

	2020 $	2019 $
Balances due to Vineworx Limited from Prospect Fencourt Ltd	-	(31,543)
Balance due from Vineworx Limited	35,559	11,500
Balance owing to Vineworx Limited	(56,491)	-
Balance of Loan advanced to Vineworx Limited	-	45,000
Orchard Services provided - Income	(200,034)	(291,735)
Orchard Services incurred - Expense	501,342	287,334
Management Services provided - Income	(35,019)	(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 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:

	2020 $	2019 $
Payments to M L Hume for Leased Orchard	770,322	1,184,944
Payments to G S Hume for Leased Orchard	1,331,192	967,905

(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. A Powell and D Hayes reitred as a Directors in July 2020. Transactions and balances for the year are:

	2020 $	2019 $
Balance due from A Powell (Retired as a Director in 2020)	-	81
Balance due from D C Grayling	25,724	12,719
Balance due from M L Hume	21,849	1,671
Balance due from O R Hume	175	2,587
Payments received from M L Hume for orchard services	(532,190)	(301)
Payments received from G S Hume for orchard services	276,952)	(202,603)
Payments received from D Hayes for orchard services (Retired as a Director in 2020)	-	(19,259)
Payments received from D C Grayling for orchard services	(153,983)	(173,054)
Payments received from A D Powell for orchard services (Retired as a Director in 2020)	(117,754)	(127,959)

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

	2020 $	2019 $
Balances owing to G S Hume	(1,076)	(288)
Payments made to G S Hume for services provided	137,446	236,789

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

	2020 $	2019 $
M L Hume	209,767	212,709
O R Hume	16,599	13,603

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

19. BORROWINGS

Summary of Non Current Borrowings

	Note	2020 $	2019 $
Kiwihume Company Limited	19 (a)	641,964	641,964
ANZ Bank New Zealand Limited	19 (b)	-	8,067,686
Right of Use Lease Liabilities	19 (c)	3 ,097,811	3,313,390
UDC Finance	19 (d)	24,322	-
Spark Business - Mobile phones	19 (e)	2,800	607
		3,766,897	**12,023,647**

(a) Kiwihume Company Limited

	2020 $	2019 $
Amount Outstanding:	641,964	641,964

Security: Unsecured
Rate: ANZ Bank Freeplan Account overdraft rate
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	Note	2020 $	2019 $
#1033	Repaid	N/A		-	6,909,198
#1035	31/05/2021	3.30%	23	6,409,198	-
#1003	15/07/2024	4.44%		471,000	471,000
#1005	13/04/2022	3.50%		366,455	391,060
#1006	13/04/2022	3.30%		276,386	296,428
Total ANZ Bank Term Loans				**7,523,039**	**8,067,686**
Less: Current Portion			23	(7,523,039)	-
				-	8,067,686

The following is held as security over all ANZ loans:
- Freehold Horticultural Land to the value of $21,500,000
- 7 Fencourt Crescent, Katikati
- 13 Kattern Street, Katikati
- 1 Hyde Street, Katikati

(c) Right to Use Lease Liabilities

	2020 $	2019 $
Amount outstanding	3,403,325	3,561,115
Less: Current Portion	(305,514)	(247,725)
	3,097,811	**3,313,390**

(d) UDC Finance

	2020 $	2019 $
Amount outstanding	48,165	-
Less: Current Portion	(23,843)	-
	24,322	**-**

Security: Tractor Repayment Terms: 3 x payments of $24,441.34 interest and principal

(e) Spark Business - Mobile phones

	2020 $	2019 $
Amount outstanding	3,350	3,817
Less: Current Portion	(550)	(3,210)
	2,800	**607**

Security: Unsecured
Repayment Terms - 24 months interest free

20. BANK SECURITIES

ANZ Bank Freeplan Account
Available credit on this account is $200,000 as at 31 December 2020 (2019: $200,000). The interest rate applying at balance date was 5.29% per annum (2019: 6.04%). 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 as at 31 December 2020 (2019: $1,500,000). The interest rate applying at balance date was 4.22% per annum (2019: 4.97%). 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 Limited
Available credit on this account is $100,000 31 December 2020 (2019: $100,000). The interest rate applying at balance date was 4.55% per annum (2019: 5.30%).

21. CONTINGENT LIABILITIES

At balance date the Group has no contingent liabilities.

22. CAPITAL COMMITMENTS

At balance date the Group has entered into agreements to upgrade and automate the packhouse. As at 31 December there was $2.1 million incurred and recorded as assets under construction, with a further $1.4 million expected. The total project is estimated to cost $3.5 million. There are no other capital commitments.

23. SUBSEQUENT EVENTS

ANZ Banking Facilities
At balance date the Group was technically in breach of its banking covenant applying to the ANZ lending facilities. As a result $1,113,841 of long term funding has been reclassified to current funding as at 31 December 2020. There was a waiver obtained on 19 March 2021 to rectify this position.

On 24 March 2021 the Group received confirmation of an extension of the group banking facility in relation to loan #1035 for $6,409,198 from 31 May 2021 through to 30 June 2022.

We're growing with you.

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 subsidiary (together, the 'Group') on pages 5 to 29:

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

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

We have audited the accompanying consolidated financial statements which comprise:

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

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

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

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

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.

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 Group, 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

KPMG
Tauranga

14 April 2021

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
OR Hume
EH Woudberg
DC Grayling
AD Powell (retired July 2020)
GS Hume
DH Hayes (retired July 2020)

BANKERS:
ANZ Bank

ACCOUNTANTS:
Young Read Woudberg
Chartered Accountants
Tauranga

SOLICITOR:
Abernethy Broatch Law
Mount Maunganui

AUDITOR:
KPMG
Tauranga

NOTES

Innovative Visionary Leaders
in Post-Harvest Operations.

4 PROSPECT DRIVE, RD2, KATIKATI, 3178 | **PHONE:** 07 549 1011 | **WWW.HUMEPACK.CO.NZ**