



ANNUAL REPORT 2020

T&G
A BayWa
Company

About this report

We are evolving our approach to reporting to show a more integrated view of our economic, social and environmental performance and activities.

Since 2016, we have annually contributed to the Global Reporting Initiative (GRI) Reports for our parent company, BayWa AG. This 2020 Integrated Annual Report is T&G Global's first annual integrated report which we have prepared in accordance with the GRI Standards: Core option. The GRI Standards are the world's most widely used standards for sustainability reporting, helping businesses take responsibility for their impacts. We have included an index of disclosures against the GRI standards on page 139. To guide the structure of our report, we continue to incorporate non-financial information, referencing the Integrated Reporting <IR> framework. <IR> can be used in conjunction with GRI principles and indicators. We have not sought external assurance for the non-financial information in this report. This report is for the period 1 January 2020 to 31 December 2020 and includes T&G Global Limited and its subsidiaries.

T&G Global also participates in the Climate Disclosure Project (CDP) as part of the BayWa Group. The CDP is an international non-profit organisation that assesses the commitment of companies and public bodies to environmental and climate protection each year. BayWa AG participated in the climate rating of the CDP for the first time in 2019. In 2020, its second year of participation, BayWa Group achieved a climate rating of B, thus improving by one score compared to the previous year (2019: C). This success can be attributed, among other things, to a more substantiated disclosure of climate risks and opportunities, a more harmonious linking of climate and corporate strategy, and additionally reported categories in Scope 3 emissions across the BayWa Group. With a CDP rating of B, BayWa Group is above both the European and the industry average.

In this report, we use some words in Māori, including: Aotearoa, which is New Zealand's Māori name; whānau which means a family group, extended family; kaitiaki which means a guardian, caregiver, custodian; and kaitiakitanga which means guardianship, stewardship, trustee.

Please note, the photos in this report were taken both before and after the arrival of COVID-19, so physical distancing and facemasks are not always in-place.



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CHAIRMAN'S REVIEW



PROF. KLAUS JOSEF LUTZ
CHAIRMAN

"T&G was able to successfully build on the foundations laid over the last two years and deliver a strong profit result."

On behalf of the Board of Directors, I am delighted to present the Annual Report for T&G Global Limited and its subsidiary companies ("T&G"), for the year ended 31 December 2020.

In 2020, despite the pervasive challenges associated with COVID-19, T&G was able to successfully build on the foundations laid over the last two years and deliver a strong profit result. Importantly, in spite of the impact of various one-off and climate-related factors, there has been a substantial improvement in the organisation's underlying performance.

Our Apples business finished well ahead of the prior year, due to a strong southern hemisphere season and robust market performance in Europe, North America and Asia. The International Trading business also had an improved result over 2019. The Board has been pleased with the progress in integrating Freshmax New Zealand Ltd, which was acquired in the midst of a COVID-19 lockdown in Aotearoa New Zealand, into the broader T&G Fresh business. The combined sales performance has maintained strong momentum, as the businesses have been combined with minimal disruption, with planned acquisition synergies on track across all areas of the business. These factors, combined with a firm focus on cost savings across the Group, contributed to the year's result.

We have continued our programme of divesting underperforming and non-core assets during the year. In December, we were delighted to announce the sale and leaseback of our 8.03 hectare Nelson coolstore and packhouse site, with the settlement concluded before year end. The sale generated proceeds of \$50.5 million, which we plan to reinvest back into our business in growing our global markets, developing and acquiring new genetics, and investing in our physical assets and technology.

Additionally, in light of the stronger 2020 performance, the Board was able to declare a fully-imputed interim dividend in December of 6 cents per share.

HEALTH AND SAFETY

T&G has an ambitious health and safety strategic plan. The strength of both our Executive team and our Health and Safety team has been integral to our effective management and leadership through COVID-19. The physical distancing requirements, care of vulnerable workers, along with the pandemic's impact on the personal welfare of everyone, has highlighted the need for a broader approach to employee wellbeing. Maintaining and improving the welfare of our people is an absolute key priority for T&G and is critical to the success of our company.

IN MEMORIAM

In June, former Chairman and long-standing Director, Tony Gibbs, sadly passed away following a period of ill health. Tony led T&G Global for 16 years from 1995 until 2011. Throughout his tenure, he reshaped the business to focus on its core strengths, expanding it from a domestic fruit and vegetable seller into a significant player in the international fresh produce industry, introducing new varieties, including Envy™ and JAZZ™ apples.

LOOKING AHEAD

While 2020 was a challenging year, the global economy faces a number of significant ongoing economic risks, including logistics disruption, cyber-security, geopolitical threats, civil unrest and the pervasive impact of COVID-19. The last 12 months have demonstrated that we have the resilience, systems and strategy to be able to respond to these challenges with agility. Additionally, while our industry is particularly vulnerable to the impact of extreme weather-related events, we are confident that our investment in our people and systems has established a strong platform for growth long into the future.

I would like to thank our leadership team and employees around the world for their dedication, passion and energy in delivering a great result for 2020. We look forward to building on this strong momentum for 2021.

PROF. KLAUS JOSEF LUTZ
CHAIRMAN

CEO'S REVIEW



GARETH EDGECOMBE
CHIEF EXECUTIVE OFFICER



Operating profit

\$32.4m

(up \$15.9 million)



Revenue

\$1.4b

(up \$0.2 billion)



Net profit (before tax)

\$22m

(up \$11.7 million)

It has been a year of extraordinary challenges, with the COVID-19 pandemic creating uncertainty and volatility. Around the world, people, companies and industries have been impacted, and at T&G, we haven't been immune.

But what has shone through is the resilience and adaptability of our people, their care for each other and for what they do, and the strength of our underlying business. United by our purpose, mindsets and sharpened global strategy, together we've delivered strong growth for the year ending 31 December 2020.

DELIVERING TOGETHER

Our operating profit has increased to \$32.4 million, from \$16.5 million last year, and revenue is up to \$1.4 billion, from \$1.2 billion in 2019. Net profit before tax increased to \$22.0 million, from \$10.3 million the year prior.

This result hasn't been easy. It's the outcome of a concerted transformation over the past few years to strengthen our balance sheet, become customer-led, deliver value from our intellectual property and build a high-performance culture. While we still have a way to go, our strong underlying results demonstrate our strategy and performance is delivering.

Globally, we were privileged to operate as an Essential Service during COVID-19 lockdowns, and this ensured we kept fresh produce moving to New Zealanders and consumers around the world.

This was underpinned by the great momentum in our core business.

Our Apples business had an outstanding year, improving its operating profit by 56%, from \$33.5 million in 2019 to \$52.1 million in 2020. This was a result of a sustained focus on harnessing the best genetics, building premium brands, delivering strong sales momentum in Asia – one of our key growth markets – and continually optimising our supply chain.

Our Aotearoa New Zealand Envy™ crop saw a 23% increase in sales, with 1.9 million Tray Carton Equivalents (TCEs) sold – and while we faced some challenges with internal browning, the crop sold out before the arrival of

northern hemisphere fruit, thanks to strong consumer demand. JAZZ™ remains a real focus for us. It's a great apple and we have a high quality, closed loop programme, however we haven't yet successfully built demand to meet supply, and as a result its pricing struggles. This will be an area of critical focus in 2021.

STRENGTHENING OUR FOUNDATION

During the year we identified that our strategy, which was set two years prior, had served us really well during the initial stages of our transformation, however, to realise our future vision, it needed refining. The outcome is not a new strategy, we've simply concentrated our efforts on the three areas where we know we can win: Grow great brands; Win in key markets; and Lead Aotearoa's fresh produce future. Detailed information can be found on page 20.

In April, we acquired and integrated Freshmax New Zealand's fresh produce division, thereby creating T&G Fresh. By combining the strengths and cultures of both businesses, T&G Fresh will help play a leadership role in creating a strong, sustainable, customer-led sector in Aotearoa.

To help fund further growth initiatives, including investment back into our business, we closed the year out strongly with the sale and lease-back of our Nayland Road post-harvest facility in Nelson for \$50.5 million.

Underpinning and enabling the delivery of our strategy is our high-performance culture and our role as kaitiaki.

COVID-19 provided a catalyst to embrace a digital-first ethos and this provided the foundation for FLOW, our flexible and optimised way of working. The benefits from a productivity, personal and organisational culture perspective have been immense, and we've now adopted a permanent hybrid model for many of our roles.

From our sharpened global strategy, we've also reset our sustainability framework, which we call Kaitiakitanga. Kaitiakitanga is integral to how we do business, and with a new framework and defined commitments, it will help us balance the needs of our people, place and produce, alongside our economic decisions.

OUR FOCUS FOR THE YEAR AHEAD

Looking to 2021, there's a lot of uncertainty on the horizon. COVID-19 continues to impact our people, their families and many markets, as countries respond to the pandemic. Given border restrictions, it's also affecting our experienced Recognised Seasonal Employee (RSE) workers, with reduced numbers entering Aotearoa New Zealand for the 2021 harvest. To address this, in 2020 we launched an innovative Kiwi-focused recruitment campaign which is delivering positive results.

At the same time, the hail and heavy rain which hit Nelson and Otago in late December has impacted 2021 crops, with Nelson bearing the brunt of the damage. JAZZ™ was most affected by the hail, and we expect a decline in volumes across some varieties this year. While full assessments continue, some allowance has been built into the fair value of our biological assets.

To help navigate this, in 2021 we will be nimble and adaptable, harnessing our strengths to stay on strategy and provide our full support to our people and communities. Key areas of focus include:

- Maximising Envy's™ growth potential
- Accelerating our JAZZ™ demand strategy and brand refresh
- Maximising our IP by investing in new genetics and partnerships
- Further strengthening our capabilities in Asia to grow sales
- Capturing value and efficiencies through continuous improvement
- Strengthening T&G Fresh's categories and partnerships
- Delivering positive change through Kaitiakitanga
- At every level, building and developing leadership capabilities

As a global fresh produce business, we're in an incredible position with immense opportunity. While consumers have always sought out safe, trusted, high-quality food, this year has shown the increased value they place on sustainable nutrition. This is something we do well, and we know we can do it even better. I'm looking forward to working with our team to deliver this.

GARETH EDGECOMBE
CHIEF EXECUTIVE OFFICER



RESPONDING TO COVID-19

This has been a uniquely challenging year. As an Essential Service, we were privileged to operate globally throughout the pandemic, helping to provide healthy fruit and vegetables to consumers around the world.

To do this, our team worked at a time when many people were anxious for their own safety, and that of their families and communities. We did everything we could to keep them safe – moving early to reduce people movements, adhering to physical distancing requirements, maintaining strict hygiene standards and identifying our vulnerable teammates to make sure they were kept safe. We created ‘assurance monitor’ roles, where office-based team members, as well as temporary staff, provided our operational team leaders with an additional set of eyes, helping with the safe running of our business. The safety of our people was our number one priority and without being able to deliver a safe environment for them, we couldn’t have performed at the level that we did.

Navigating the challenges that COVID-19 presented to our business really demonstrated everything that is great about T&G. United by our purpose, strategy and mindsets, our team rose to the challenge. They drew upon their strengths and expertise to solve problems, collaborated to come up with unique solutions, and supported each other to stay safe and keep our business running.

As an example, as global supply chains started to slow, we took the bold step and chartered a ship to move about 31 million apples to Antwerp, as a way

around potential container shortages and port closures. This required a huge team effort, with 13 packhouses in the Hawke’s Bay and Nelson working quickly over a six-week period, along with our teams in Aotearoa New Zealand and Europe. With our apples in market early, we seamlessly moved from northern hemisphere to southern hemisphere supply, ensuring our independent growers’ apples, as well as our own, were sold at good prices.

In Asia, the majority of premium produce sales take place in wholesale markets, but the threat these markets posed to the spread of COVID-19 meant they closed early on in the pandemic, and at the end of 2020 some still remained closed. While this did impact our results, the benefit of our in-market sales model provided a significant advantage for us. Our team on the ground adapted quickly, moving product between customers and countries, enabling us to get the best value possible.

At home in Aotearoa New Zealand, our T&G Fresh business was impacted with the restrictions on physical openings for independent retailers and foodservice operators during various alert levels. For the first time in 123 years, our market floors were closed to customers, with our team embracing live streams and photos to share the day’s produce with customers.

Our independent growers are part of our whānau, as are our RSE team members, and we did everything possible to share information, keep them safe and maintain operations. This included our RSE team working, travelling and staying in bubbles.

With borders closed and many of our RSE workers stranded awaiting repatriation, we maintained their employment throughout the year, working with the community to provide warm clothing, bedding and heaters. In addition, our employees donated more than \$35,000 to provide them with supermarket vouchers.

We also moved quickly to support our communities and those facing food insecurity, with fresh produce donations in Aotearoa New Zealand, China and the United States, including becoming a foundational partner of the New Zealand Food Network (NZFN). This was the genesis of our Fairgrow charity, which donated more than 264,000kg of produce to New Zealanders in need in the last half of 2020. See page 51 and 59 for further information.

COVID-19 has fast tracked our digital-first evolution where we’ve discovered new ways to stay connected with our office-based team members working from home during the pandemic. The impact both professionally and personally has been immense. We have now permanently adopted a hybrid model, FLOW – our flexible and optimised way of working, with our people and teams deciding what works best for them for a place of work. It’s also shown us we don’t need to travel as much, thereby reducing costs and greenhouse gas (GHG) emissions.

Together, our people united more than ever, working as one team to keep each other safe, our business running, and our fresh produce supply chain moving to benefit our customers, consumers, communities and shareholders.

CFO'S REVIEW



BASTIAN VON STREIT
CHIEF FINANCIAL OFFICER



Profit (after tax)

\$16.6m

(up \$10 million)



Apples revenue

\$875.2m

(up 24%)



Apples
operating profit

\$52.1m

(up 56%)

In a year full of challenges, we've delivered a strong result, increasing revenue from \$1.2 billion in 2019 to \$1.4 billion in 2020. This was driven by excellent performance from our Apples business, as well as additional revenue earned in Aotearoa New Zealand following our acquisition of Freshmax New Zealand in April 2020.

Profit after tax has more than doubled, increasing by \$10.0 million, from \$6.6 million in 2019 to \$16.6 million in 2020. This is attributed not only to our increased revenue, but also to the realisation of benefits from our 2019 restructure and the steps taken in 2020 to reduce operating expenses and discretionary spend as COVID-19 began to impact our business.

Our improved 2020 financial results demonstrate the strength of our strategy and the momentum in our business. While there were many challenges throughout the year – from the harvesting of apples, right through to reduced demand in Aotearoa New Zealand as some of our customers were adversely impacted during lockdown – through our team's hard work and resilience we have delivered.

INCREASING OPERATING PERFORMANCE IN CHALLENGING MARKETS

APPLES

The 2020 New Zealand apple season delivered significantly better fruit sizes, volumes and quality than the previous year. This lifted revenue in our major sales markets of North America, Asia and Europe. Additionally, some markets, such as the UK, benefitted from a COVID-19 related increase in supermarket sales. Combined with improved efficiencies in our Apples Operation, these factors offset the impact of a reduction in throughput in our packhouses as well as increased supply chain costs.

Overall, revenue for our Apples business grew by 24%, to \$875.2 million. As a result of increased revenue and efficiency gains, operating profit increased by 56%, from \$33.5 million in 2019 to \$52.1 million in 2020.

INTERNATIONAL TRADING

Our International Trading division experienced a 21% decline in revenue, from \$226.5 million in 2019 to \$178.7 million in 2020. While revenue in our North American business was solid and Asia saw some uplift, this result is largely due to the difficult trading conditions experienced in Australia as a result of COVID-19.

This year, our Peruvian grape farm experienced the region's worst drought since 2002, however a good crop was harvested at the end of the year because of our investment over recent years to improve water storage and supply. The drought adversely impacted fruit quality and increased the proportion of Class 2 product, which impacted average selling prices.

Despite these challenges, the operating result for International Trading increased from \$0.8 million in 2019 to \$2.3 million in 2020.

T&G FRESH

Revenue for T&G Fresh increased by \$75.0 million, to \$357.7 million in 2020. Our acquisition of Freshmax New Zealand and its subsequent integration into T&G Fresh has been a key contributor to this result. Since May, it has contributed around \$3.3 million to T&G Fresh's operating profit, with additional synergies in our Markets business expected to be realised from 2021 onwards.

The lockdown in New Zealand between March and April restricted the ability for some of our foodservice and independent customers to physically operate. This decreased both demand and price for tomatoes, as well as an overall decrease in demand in our wholesale markets, resulting in a negative impact on revenues. Despite a lack of tourism, our Pacific Islands business made its way through the pandemic very well by selling a broader range of products, thereby finishing the year above last year's operating result.

Overall, T&G Fresh's operating result has decreased by \$0.6 million from \$19.0 million in 2019 to \$18.4 million in 2020. However, the prior year operating result included \$3.9 million of revaluation gains not repeated in 2020, and the underlying operating performance in 2020 improved by \$3.3 million from the previous year.

OTHER BUSINESS

Other Business contains the overhead expenses not allocated to our various business divisions. In 2020, its operating

loss of \$40.5 million is \$3.7 million higher than in 2019, when it was \$36.8 million.

Outside of our trading divisions, we saw our share of profit from associates and joint ventures decrease from \$3.3 million in 2019 to \$2.4 million in 2020, largely due to the cessation of business of associate company Allen Blair Properties Ltd. Other income decreased by \$3.8 million in 2020, as the previous year's result included gains from the sale of our post-harvest facility and orchards in Kerikeri.

Due to reduced borrowings, our net financing expenses have decreased by \$0.6 million compared to 2019.

Earnings per share has lifted from 0.7 cents per share in 2019 to 9 cents per share in 2020.

FURTHER STRENGTHENING OF OUR FINANCIAL POSITION

Total assets increased from \$854.2 million at the end of 2019, to \$980.7 million at 31 December 2020. This was primarily driven by the acquisition of Freshmax New Zealand, including intangible assets and goodwill, as well as further redevelopments of orchards. Other contributing factors included the revaluation of assets (\$38.9 million), offsetting the effect of the sale of our Nelson property.

Total liabilities increased by \$81.2 million, reflecting to a large extent additional lease liabilities from the renewal of orchard land leases, as well as the lease-back of our Nelson post-harvest facility sold in December 2020.

T&G Group equity increased by \$45.4 million, with \$38.9 million of the increase coming from revaluation gains recognised directly in reserves.

Our capital expenditure during the year was \$46.8 million, an increase of \$7.3 million from the previous year. This reflects the Group's commitment to recycling capital on growing the business with a major focus on further orchard developments and related bearer plants, as well as capital improvements to futureproof strategic assets. We spent \$27.9 million on the acquisition of Freshmax New Zealand. The increase in net assets has seen net tangible assets per share increase from \$3.56 in 2019 to \$3.61 in 2020.

BASTIAN VON STREIT
CHIEF FINANCIAL OFFICER

HIGHS AND LOWS



Revenue

\$1.4 billion

UP by \$0.2 billion

Net profit before tax

\$22 million

UP by \$11.7 million

Fairgrow

Fairgrow charity
launched; donates

264,475kg
of fresh produce

Operating profit

\$32.4 million

UP by \$15.9 million

**Acquired Freshmax
New Zealand** and
integrated it into **T&G Fresh**

Downward trend in recordable injuries
per **200,000** work hours from **10.5** in **2019** to

8.8 in **2020***

*The calculation methodology for 2020 has been updated. The comparison to our 2019 result is an improvement of 16.2%.

Greenhouse gas emissions* reduced

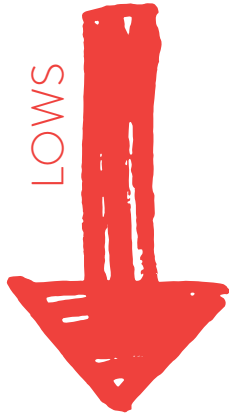
10.2% versus **2017** baseline

*Greenhouse gas emissions includes Scope 1 and 2 only

People Connection Meter

75%

3% above global benchmark



Full or partial closure of
wholesale markets in **Asia**

Lockdowns **restricted**
the physical opening of
independent retailers
and foodservice outlets in
Aotearoa New Zealand

Border restrictions

made it difficult for seasonal
team members to return
home or enter Aotearoa
New Zealand



OUR BUSINESS

Growing healthier futures through fresh fruit and vegetables.

Mā te hua whenua, mā te hua rākau, ka tipu, ka rea mā te tau anamata.

Our story began more than 123 years ago when the company started as Turners and Growers, only located in Auckland. Today, as T&G, our 2,000 people are located in 13 countries, where we grow apples, tomatoes, citrus, grapes and blueberries, and partner with dedicated independent growers to market, sell and distribute nutritious high-quality fresh produce to customers and consumers in more than 60 countries.

Driven by our purpose and united by our clear strategy, we're focused on growing great brands, winning in key global markets and leading Aotearoa's fresh produce future.

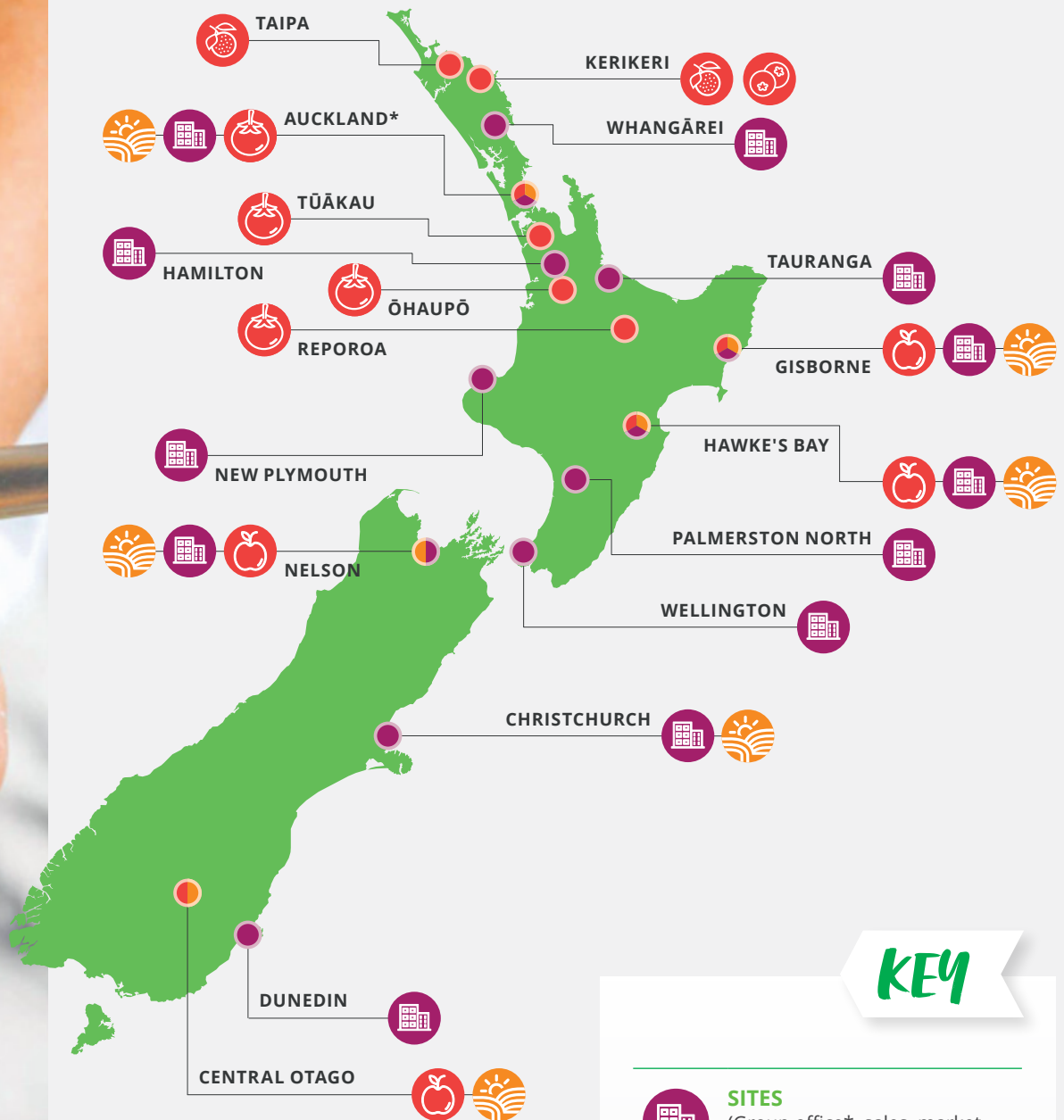
Our high-performance culture and people strategy creates the environment to achieve this, empowering our people to be safe, thrive and perform at their best.

As kaitiaki we're committed to having a positive impact on our land, people, produce, resources and community, and our Kaitiakitanga framework guides everything we do.

Together, this ensures that every day we create value for our people, growers, customers, consumers, communities and shareholders.



OUR FOOTPRINT



KEY



SITES

(Group office*, sales, market floors, distribution centres)



GROWING SITES / REGIONS

T&G apple, blueberry, tomato and citrus regions, and third party apple suppliers

Note: In addition, T&G Fresh partners with over 1,000 third party fruit and vegetable growers throughout New Zealand



POST-HARVEST AND PACKING FACILITIES

T&G facilities and third party apple facilities

OUR FOOTPRINT

UK & EUROPE

Revenue (\$'000)
\$535,839

Employees (permanent)
493

Offices (Group or Sales)
3

GROWING REGIONS:

Austria • Graz • Innsbruck
France • Loire Valley • Occitanie
• Provence
• Lindau • Mannheim
• Bolzano
Germany
Italy
Portugal
Spain • Soria
Switzerland • Lausanne
• Martigny
UK • Herefordshire
• Kent
• Lincolnshire
• Suffolk
• Sussex

ASIA

Revenue (\$'000)
\$355,898

Employees (permanent)
25

Offices (Group or Sales)
5

GROWING REGIONS:

South Korea • Boeun • Yesan
• Geochang • Hongcheon
Thailand

KEY



GLOBAL MARKETS WE SERVE



GROWING REGIONS
Own and third party



OFFICES

In addition, our licenced grower partners sell their JAZZ™ and Envy™ in Chile, Brazil, Argentina, Australia and South Africa under licence.

Note: Employee (permanent) numbers exclude seasonal team members.

GROWING REGIONS:

Egypt
Morocco
South Africa • Eastern Cape
• Western Cape
Zambia



AUSTRALIA & PACIFIC ISLANDS

Revenue (\$'000)
\$101,310
 Employees (permanent)
99
 Offices (Group or Sales)
4

GROWING REGIONS:

- New South Wales
- South Wales
- South Australia
- Tasmania
- Victoria
- Western Australia
- Pacific Islands
- Coffs Harbour
- Griffith
- Adelaide
- Renmark
- Huon Valley
- Koo Wee Rup
- Mildura
- Narre Warren
- Robinvale
- Shepparton
- Swan Hill
- Warragul
- Channyybearup
- Bullsbrook
- New Caledonia
- Samoa
- Tonga
- Loxton

NEW ZEALAND

Revenue (\$'000)
\$331,894
 Employees (permanent)
1,184
 Offices (Group, Sales or Markets)
12

GROWING REGIONS:

- Auckland
- Central Otago
- Gisborne
- Hawke's Bay
- Kerikeri
- Nelson
- Ōhaupō
- Reporoa
- Taipa
- Tūākau

AMERICAS

Revenue (\$'000)
\$87,649
 Employees (permanent)
170
 Offices (Group or Sales)
5

GROWING REGIONS:

- Argentina
- Canada
- Chile
- Ecuador
- Guatemala
- Mexico
- Panama
- Peru
- USA
- British Columbia
- Angol
- Talca
- Temuco
- Ica
- Piura
- California
- Oregon
- Washington State

HOW WE CREATE VALUE

INPUTS

SOCIAL CAPITAL

T&G relies on strong and trusted relationships with growers, distributors, customers and external stakeholders around the world to enable year-round supply of key varieties into global markets.

INTELLECTUAL CAPITAL

Intellectual property, including premium brands and in-market expertise are key to our competitive advantage and future growth.

FINANCIAL CAPITAL

We invest financial capital across our operations (including land, glasshouses, orchards and post-harvest infrastructure), support growers and invest in genetics and facilities.

PHYSICAL CAPITAL

Tangible assets including land, packhouses, cool stores, trucks, post-harvest facilities, 12 market locations, vehicles, equipment and our in-market facilities, enable us to supply key global markets.

HUMAN CAPITAL

A diverse, talented, global workforce, with the best knowledge and insights, ensures we have the skills to develop, grow, pick, sell and deliver our produce to the world's consumers.

NATURAL CAPITAL

Natural resources are fundamental to our business and future prosperity. Soil, water, atmosphere, energy and sunshine, and our precious pollinators, are utilised to grow healthy and nutritious produce.

OUTCOMES

LEADERSHIP

Creating a sustainable business model creates prosperity for our growers, employment in our communities and year-round supply of fresh produce for our customers.

LOYALTY

Meeting consumer and customer needs through high quality premium produce and brands, and the rights to unique Plant Variety Rights (PVRs), drives loyalty from our customers and consumers and enhanced returns for our growers.

FUEL FOR GROWTH

Recycling capital is future-proofing our business for a more sustainable future, including improved efficiencies, stronger yields, enhanced returns and fit-for-purpose assets.

GLOBAL REACH

Our infrastructure gives us the scope to drive sustainable performance across our supply chain, and provide a secure global network for year-round supply of healthy produce and our premium brands.

GREAT WORKPLACE

Creating a high performing, exciting, global workplace that attracts the best talent armed with the best global knowledge, invests in its people, has efficient processes and is a safe place to work.

GUARDIANSHIP

Land that is healthy and continues to support fresh produce production.

A strong focus on conserving water, reducing our greenhouse gas emissions and reusing resources, while providing healthy and nutritious produce to the world.

We grow, partner, source and supply high quality fresh produce which is desired by consumers and customers around the world.



OUR STRATEGY

T&G is a company with incredible potential.

Two years ago, we set out to realise this, developing our enduring purpose – Growing healthier futures through fresh fruit and vegetables – Mā te hua whenua, mā te hua rākau, ka tipu, ka rea mā te tau anamata – which unites us, and captures why we exist and how we make a difference. Guided by our purpose and vision, our Executive Leadership team developed a strategy to begin our transformation towards a customer-led, premium fresh produce business. This strategy has served us well over the past few years. It has been the basis of our evolution to-date, helping get our business moving and restoring operational performance.

With our underlying performance now improving, this year we identified that to achieve our future vision, our strategy needed to differentiate us in the market. It needed to be based on our strengths and advantages, as well as the opportunities we see in the world. Ultimately, it must focus on where we can win.

The outcome of this Executive-led process is not a new strategy, we have simply refined it, concentrating our efforts on three focused areas which will be enabled by our high-performance culture, our mindsets and Kaitiakitanga.

OUR PURPOSE

**GROWING HEALTHIER
FUTURES THROUGH FRESH
FRUIT & VEGETABLES**

OUR VISION

**THE WORLD'S LEADING
PREMIUM FRESH
PRODUCE COMPANY**

OUR MEASURES

- Partner of choice
- Best place to work
- Financial returns
- Brand/category performance

OUR STRATEGY

GROW GREAT BRANDS

- Best genetics in apples, berries and grapes
- Unique varieties and brands loved by consumers
- World class in growing and post-harvest, with global partners maximising our intellectual property

WIN IN KEY GLOBAL MARKETS

- Unlock markets selected for premium and potential
- Close to customers with capability in-market
- Most efficient end-to-end supply chain

LEAD AOTEAROA'S FRESH PRODUCE FUTURE

- Win in key categories
- Optimise channels to market
- Create valued partnerships

HIGH PERFORMANCE CULTURE



OUR MINDSETS



KAITIAKITANGA GUIDES EVERYTHING WE DO



GROW GREAT BRANDS

We will succeed by:

- **Selecting and developing the best genetics in three categories – apples, blueberries and grapes**
- **Wrapping these unique varieties in brands consumers love and seek out**
- **Being a world class grower and post-harvest operator, with growing systems and global partnerships to maximise the potential of our intellectual property**

OUR APPROACH

As a fresh produce company, with a large part of our business positioned at the bottom of the world in Aotearoa New Zealand, we sell into a vast global market, competing against large players and commodity products.

To create value, it's vital we harness intellectual property, such as great genetics, world-class growing and production systems, brands, partnerships and quality, so we can compete globally in the premium space. Not only will this create value to reinvest in our future growth and deliver returns to our shareholders, it'll help build a strong horticultural sector and economy.

As such, we're focused on identifying and harnessing superior genetics in apples – our legacy category which we'll grow extensively into the future – as well as blueberries and table grapes. These unique varieties will be built into desired brands and grown at scale using best practice, to meet global customer and consumer demand.

OUR PROGRESS

Apples business increases revenue despite COVID-19

In 2020, our Apples business had a strong year, delivering 24% increase in revenue, from \$707.0 million in 2019 to \$875.2 million this year. Despite COVID-19, this result was achieved through an integrated end-to-end approach, an unwavering focus on continual improvement, and a lot of hard work.

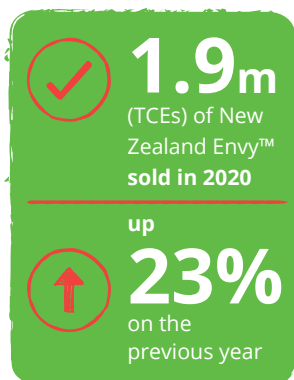
While the weather was kind to our 2020 apple harvest, together, our own orchards and independent growers delivered one of the best harvests we've seen. This was done in the midst of a COVID-19 lockdown, where everyone quickly adapted and implemented new safe work protocols, while looking after our vulnerable team members. Through a significant amount of co-operation, focus and planning, the fruit was harvested within maturity parameters, resulting in great quality, and is testament to the care and commitment of our T&G whānau.

At the same time, supply chain challenges, such as potential container shortages and port closures, required agility and creative solutions. We chartered a ship to get around any potential impact, moving 31 million apples to Antwerp in April. This enabled us to seamlessly move from northern hemisphere supply to southern hemisphere apples and help set our in-market sales teams up for success.

A significant amount of orchard development work has been undertaken this year and will continue in 2021. We've benchmarked our orchards and set a target which will see us performing in the top quartile in Aotearoa New Zealand, across all varieties, and we're continually redeveloping older orchards, planting newer varieties on modern, automation-ready structures.

OUR PROGRESS

Sell-out season for Envy™



Our premium Envy™ apple brand had a record season, selling its entire New Zealand crop before the northern hemisphere crop entered the market.

In 2020, 1.9 million TCEs of New Zealand-grown Envy™ were sold – a 23% increase on the previous year - across Asia and the USA. This is part of a wider Envy™ sales programme of 5 million TCEs per annum, grown in both hemispheres.

Envy™ is a standout performer in the premium apple category, delivering returns on average over NZD\$45.00 per TCE to growers. The strength of the 10-year old brand and its orcharding qualities, means growers have the potential to make more than 15% return on their investment, once their orchard is at full maturity.

With research validating an additional 25 million TCEs will be required by 2030 to meet long term consumer demand, especially in China, Vietnam, Thailand and the USA, we're quickly moving to invest in new plantings with a licence fee structure. This will enable us to reinvest in generating demand as well as growing the brand.

In Asia this year, we saw an additional 371,000 TCEs of Envy™ sent to the various markets, achieving sales growth of 23%. Asian consumers continue to love Envy™ as a variety and as a premium brand, and our focus in 2021 is to maintain this positioning.

In the USA, Envy™ had a great year. While the wider market saw an over-supply of apples, Envy™ came out on top, remaining the #1 premium branded apple, with double digit growth in dollar and volume sales. This was supported by strong marketing investment, including our partnership with American radio personality Ellen K, which reached 43 million people and drove consumers in-store to purchase. Our strong partnerships with key American and Canadian retailers, including Walmart, Kroger and Costco, will position us well for future growth in this key market.

With this strong momentum, by 2025 Envy™ will be a billion-dollar brand.

Internal browning affected some Envy™

This season, we saw some internal browning in Envy™, especially in the Gisborne crop. Internal browning is caused by a build-up of carbon dioxide in the fruit tissue, which is a natural result of fruit respiration. The most affected market was China, with about 65,000 TCEs needing rework. This resulted in a shortfall of Envy™ in the market. We worked quickly to take action and minimise any impact on our growers' livelihoods. The benefit of having established our in-market team was again very apparent, as they rapidly sorted and scanned using new infrared technology which allowed us to sell as much of the fruit as possible. We understand the root cause of the internal browning and have implemented better monitoring of processes throughout our post-harvest network.

Continuous improvement delivering better operational performance

This year, our operations team began to embed a continuous improvement way of working to transform operational performance. This way of working is more than a set of systems and processes to increase efficiencies and reduce waste and costs, it empowers our people to solve problems and deliver value, supported by great leadership. Already, it's contributing to better performance, reduced health and safety incidents, increased engagement and cost savings.

Daily Management Systems have been introduced, from the leadership team through to our orchard teams, ensuring everyone's focused on our key measures and where we need to improve. Each orchard sector is developing their own orchard blueprint, to provide clarity on margin by block and an actionable plan to remediate as required, such as planting more profitable trees or better tree husbandry.

As a result of looking at things differently and taking an end-to-end supply chain approach, we've been able to defer anticipated capital upgrades and expenditure.



OUR PROGRESS

A challenging year for JAZZ™

JAZZ™ is a great tangy-sweet apple, with big potential.

In the UK, despite COVID-19 related uncertainty, we saw significant demand for fruit, as consumers bunkered down and adopted healthy lifestyles, seeking foods with a longer shelf life. As a result, sales volumes for JAZZ™ increased by 21% and sales value was up 20% year-on-year. JAZZ™ is now the fastest growing apple variety in the UK, and it again won the award for the UK's tastiest apple at the United Kingdom National Fruit Show. This positions the brand incredibly well to help create and drive the premiumisation of the fruit category in the UK.

While JAZZ™ is a more established brand than Envy™, in some markets there has been under-investment. This became very clear in 2020 when, as COVID-19 hit, American consumers shifted towards buying more commodity apples. With a lot of competing varieties in the market – as well as stock left over from the previous season – JAZZ™ was adversely impacted, with lower than planned sales.

To strengthen the brand, this year we've developed a more differentiated positioning for JAZZ™ and refined the brand's look and feel. This was based on extensive market research in all key markets. We look forward to rolling it out from the first quarter of 2021, starting with the USA.

In addition to increasing our investment in the brand, to help rebalance demand and supply, where we have older, under-performing T&G JAZZ™ orchards which can't be addressed by better tree husbandry, we're progressively removing the trees and replanting with Envy™.

Freshworx recruitment campaign attracts Kiwis to the sector

With borders closed, many of our RSE seasonal team members couldn't return home to their Pacific Nations (see page 43 for further information). As the year progressed, with borders still closed and rising unemployment in Aotearoa New Zealand, the nature of the country's seasonal workforce needed to change. We launched Freshworx, our largest recruitment campaign ever, to attract Kiwis to the sector, and we maximised partnerships with iwi, training providers and fellow primary sector companies. In late 2020, the Government announced that 2,000 RSE workers will be able to enter the country to help with the forthcoming harvest. While these workers will be shared across employers, we're very grateful to have these experienced workers working alongside Kiwis during our 2021 harvest. Our local recruitment activities will continue strongly in 2021, to ensure we have adequate resourcing to harvest all crops.

Marketing Campaign of the Year in Asia

In November, we won Marketing Campaign of the Year at the Asia Fruit Logistica 2020 Awards for our marketing activities for Envy™ and JAZZ™, our two premium apple brands.



OUR PROGRESS

First year of blueberry and grape strategy

2020 was the first year of our emerging category strategy. It was a difficult year to develop a foothold – as the blueberry and grape sectors operate with a push-pull model, requiring stable supply and customer demand at the same time.

Despite these dynamics, we made solid progress against our core goal of obtaining proprietary blueberry genetics, and our blueberry volumes are doubling year-on-year.

In February 2020, we entered an agreement with Plant & Food Research to breed and commercialise new varieties of blueberries to be sold globally under our Orchard Rd brand. The berries will have improved yield and resistance to disease, and consumers will enjoy larger, tastier berries, with a longer season.

We also teamed up with CarSol Fruit Export S.A., a blueberry multi-national based in Chile, which will enable year-round supply and sale of high-quality berries into Asia. With our combined strengths, CarSol will supply berries in Chile, Peru and Portugal, utilising new genetics and modern growing methods, and we'll harness our Asian market knowledge and sales and marketing expertise to reach consumers.

We now have growers across Chile, Peru, Mexico, the USA and Australia co-packing blueberries to meet our high-quality specifications, with the product sold in markets across Asia.

A successful trial of bulk blueberry shipments to China was completed, with fruit packed into bulk trays and repacked in-market. This provides better service to customers, with custom packs, higher fruit quality and 30-40% increased container capacity, thereby increasing shipping volumes and reducing costs and emissions.

Despite COVID-19 constraints, our extensive international presence of technical and product experts were still able to scour the world for new genetic varieties, while monitoring trial blocks in eight countries. We also successfully ran consumer evaluations on new apple varieties in six countries. The first variety, 'HOT84A1', from the Hot Climate Programme, has been successfully trialled in Spain where it's proven to be sunburn resistant while retaining excellent eating qualities. It's now being tested with partners in Aotearoa New Zealand, South Africa, Europe, the UK and Australia. See page 48 for further information.

This year, our grape farm in the north of Peru experienced the region's worst drought since 2002 on top of COVID-19 difficulties. Our team worked incredibly hard to keep our employees safe and keep the farm operating. Our investments in recent years to improve water storage and supply proved their worth. A good crop was harvested at the end of the year for sale into export markets in the fourth quarter of 2020 and early 2021.



WHAT'S NEXT

In 2021, we will:

- Grow Envy™ supply in Aotearoa New Zealand and the USA, with increased plantings
- Develop and rollout accelerated demand plans for Envy™ and JAZZ™ brands, including introducing our new refreshed JAZZ™
- Continue securing and commercialising new proprietary genetics in our core categories of apples, blueberries and table grapes
- Think and work differently to develop our future seasonal workforce labour model
- Further embed continuous improvement across our growing and post-harvest operations

WIN IN KEY GLOBAL MARKETS

With our roots in Aotearoa New Zealand, we'll grow globally by:

- **Unlocking potential in the 'right' premium markets**
- **Investing in-market capability to be close to our customers and provide great service**
- **Developing a highly efficient end-to-end supply chain**

OUR APPROACH

To succeed in a world where the needs and expectations of consumers are continually changing, we need to build trusted partnerships with our customers and get as close as possible to selling directly to consumers. To do this well, we must be based in-market, with our people on the ground. This will also help ensure our business is robust, able to withstand and adapt to volatility in the global market.

For this reason, over the last few years we've intentionally shifted from an export-led model to an in-market model, building teams with the right capabilities to provide exceptional service. Through an efficient end-to-end supply chain, we then connect our selling to our growing, ensuring our nutritious produce is accessible 365 days a year.

Our approach is targeted. We've identified key markets with significant potential – Asia, the USA, Europe and the UK.

We build out these markets through a very structured transformation process – firstly establishing an entity to import fruit, then developing our team with the right capabilities, including supply chain, quality, commercial and demand creation expertise. This gives us the ability to sell through a variety of channels, such as retail, e-commerce and wholesale markets.

OUR PROGRESS

COVID-19 required agility and grit

In all markets, COVID-19 changed the playing field – and this was especially the case in Asia. Our in-market sales teams became expert at making decisions based on incomplete information and actively seeking out opportunities. In most countries, wholesale markets, which are a key channel for us, either fully or partially closed and at the end of 2020, Thailand's still remained closed.

In retail, consumers moved away from buying loose apples, especially in China and Vietnam, which put us in a strong competitive position given we're the only player in the market that sells apples in multi-packs.

Likewise, sampling plays an important role in driving apple purchasing decisions in-store. However, this year we had to be innovative with how this was done, such as our live Tmall Envy™ sampling event. Tmall is a Chinese e-commerce platform owned by Alibaba, where we partnered with a well-known Chinese actress to showcase Envy™, taste the apple during the live stream and invite consumers to do the same. Over four million consumers joined the show and we received more than 10,000 orders within a three-hour period.

While COVID-19 has had a significant impact on 2020 and will continue to impact in 2021, we've been able to manage the risk across our different markets, capitalising on the opportunities, while continuing to implement our strategy to build out these winning markets.



Strengthening capability and footprint in Asia

We see Asia as our growth engine, with significant potential. In our five key markets – China, Japan, Thailand, Vietnam and Singapore – we now have presence and capability, and we continue to export successfully into other markets, such as Malaysia, Indonesia and Taiwan.

Building off the base we've created over the last three to four years, in 2020 we made good progress in further strengthening our presence and capabilities in Asia.

In China, we now have a full trading office with cross functional capability, such as sales, quality, supply chain, finance and marketing. We've secured third party logistics partnerships with strong local companies and we're exploring how these partnerships can support our growth ambitions. Despite some tough trading conditions, China delivered above budget and we're excited about the growth we're seeing in the market. Good headway has been made in growing our direct to retail channel with customers, such as Alibaba's grocery chain Hema, which has significantly increased our business.

Thailand is the most established of our Asian offices where we have cross functional capability sitting in-market, supporting our customers and partners across our core categories. This year we've made progress with our direct relationships with retailers and this will continue to be a key focus for 2021 and beyond. Trading conditions in Thailand were very tough in 2020, with the wholesale markets largely shut down, however through careful cost management and some strong northern hemisphere apple sales late in 2020, Thailand delivered its budget.

In line with our 2020 plans, we're now trading as the Importer of Record in Singapore for apples and starting to capture margin as a return on the investment we're making in the market. COVID-19 did create some instability in Singapore but our retail strength reduced our exposure to this.

Japan continues to perform well, particularly for JAZZ™, where we are starting to see some good growth and performance in grapes and berries. COVID-19 mainly impacted Japan's foodservice channel which, given it's currently underrepresented in our business, limited our exposure.

Vietnam is a very exciting market for us, where we have recently appointed a Country Manager to realise the market's potential. Pending any further COVID-19 related disruption, we will become an Importer of Record in the first half of 2021 and begin trading. Our strategy in Vietnam is focused on going broader regionally and more direct to retail, and we're confident this will become an even stronger market for us.

Overall, the impact of COVID-19 in Asia made trading difficult but we were able to deal with issues quickly, re-route product to markets that were open, and chase the best value possible. Our strong finish to the year is evidence of this. In line with our strategy, by having more people on the ground in Asia to deal with issues quickly and work together to find alternative and creative solutions, we were in a stronger position relative to some competitors who were having to manage everything from Aotearoa New Zealand.

Opening up new markets, channels and customers

In all markets, we continue to look for growth opportunities and this year we had some real success in our secondary markets. In India, we were able to sell directly to end customers resulting in a trebling of total exports to India. This includes two new customers – one in retail and one in wholesale distribution, and we've also started to work with retailers in Bangladesh. We have also broadened our coverage in Malaysia with new customers, and in Russia we've made real progress in selling JAZZ™, which we're confident we will be able to replicate in coming seasons.

Hard work in the USA paying off

In 2019, we made some significant changes to our sales model in the North American market, providing us with greater control of our fruit and taking more of a brand-led approach with the trade. This hard work resulted in the 2019 and 2020 seasons running more smoothly. This year, COVID-19 provided challenges for parts of our portfolio and particularly JAZZ™, which competed with many other varieties for shelf space as retailers simplified their business in light of COVID-19 and started to consolidate their SKUs and the apples they stock. Envy™ had a great year and continues to go from strength to strength. A huge amount of work is going into building out the consumer franchise and desire for Envy™ in the USA, and we continue to make changes to our model to ensure we have as much influence as possible over this premium brand.

A strong 2020 for Europe

Europe had a strong 2020, delivering a result well ahead of its budget – with consumer demand for JAZZ™ and Braeburn apples high and consistent. With the majority of our apples going into retail channels, we were able to increase sales and redirect apples from other markets to help meet customer and consumer demand, while maintaining good prices. This gives us confidence in the work we're doing to review our model in Europe and access the true potential we see in this market for JAZZ™.

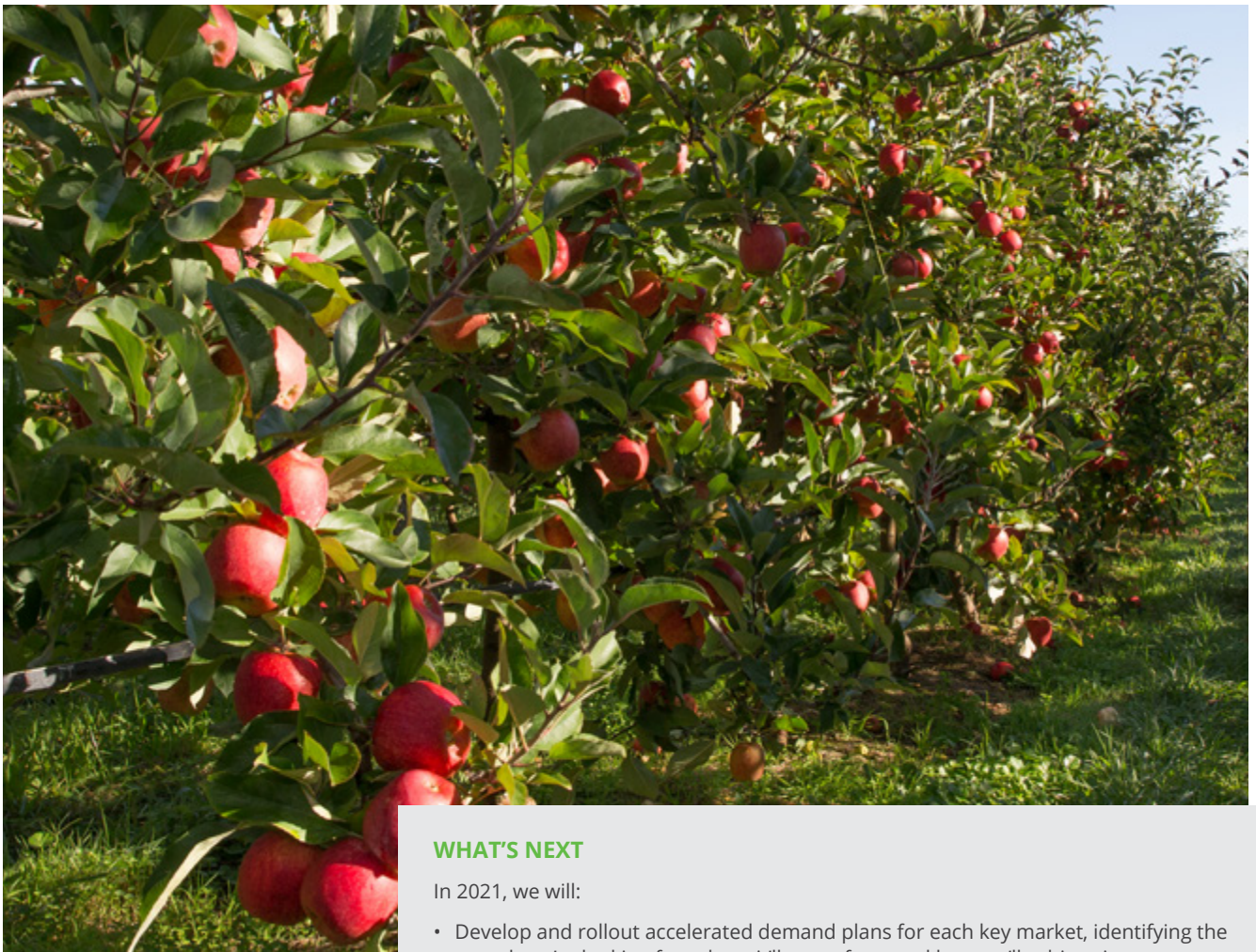
OUR PROGRESS

UK harnesses COVID-19 retail boom

Worldwide Fruit, our joint venture partner in the United Kingdom, had a stellar year – delivering more than 50% above budget, with apple results well ahead of the year prior. This business is a full-service produce provider to retailers, with a diverse category portfolio. Worldwide Fruit's strong and productive partnerships with the UK's largest retailers, meant it was well positioned to take advantage of the retail boom and pick up business where other suppliers fell short on supply.

Strengthening our supply chain and driving efficiency

In 2020, we've shone the spotlight on our supply chain, starting to identify where we can be more efficient and more customer centric. A good example of this is our project looking at our JAZZ™ end-to-end supply chain to ensure we're managing this variety at a cost level as closely and as effectively as possible. Other initiatives include looking at bulk format shipping, as well as early packing and shipping to capitalise on early sales opportunities before New Zealand apples start to arrive in volume. In addition, we are developing the best practice sales and operations processes to ensure we're getting the right fruit to the right place at the right time, and always at the best price.



WHAT'S NEXT

In 2021, we will:

- Develop and rollout accelerated demand plans for each key market, identifying the growth we're looking for, where it'll come from and how we'll achieve it
- Further expand our USA presence, including new Envy™ plantings in Washington State, strengthening our supply chain and building out our consumer offerings for Envy™ and JAZZ™
- Continue building out our supply chain capability to support our apples and emerging categories, such as quality control and warehouse inventory management
- Strengthen in-market marketing and sales capabilities via a sales transformation programme with priorities being pricing, key account management and business development
- Become an Importer of Record in Singapore for blueberries and in Vietnam for apples, and build out both offices and people and organisational capability

LEAD AOTEAROA'S FRESH PRODUCE FUTURE

We'll help power our sector forward by:

- Winning in key categories
- Optimising channels to market
- Creating valued partnerships

OUR APPROACH

Aotearoa New Zealand is our home. For more than 123 years, we've nourished generations of Kiwis with our nutritious fruit and vegetables, and we're committed to doing the same for generations to come.

As Kiwis' needs change and as retailers and foodservice providers adapt to meet their needs, we'll be there, exceeding their expectations. We'll do this through T&G Fresh, our New Zealand business unit which has its own management and governance. It's divided into two parts: T&G Farms and T&G Markets.

T&G Farms is our vertically integrated growing business. It starts with our growers – either directly or through partnerships with other passionate growers – and spans our entire supply chain to retail partnerships.

We know that to be competitive in today's market we must be a strong grower and provide a unique offering. T&G Farms will do this by having the best genetics; a great category and product portfolio, matching customer and consumer needs; building leading brands; and strong, value-driving partnerships.

Our T&G Markets business represents more than 1,200 independent growers who sell their fresh produce through one of our 12 national trading floors to independent retailers and foodservice providers. It sells and imports a full range of produce, and partners with T&G Farms to provide surety of supply in our key categories, including tomatoes, root crops, citrus, apples and berries.

In addition, T&G Fresh exports fresh produce to the Pacific Islands, Australia, Asia, Europe and North America, providing our own growing operations and independent growers a one stop marketing solution.



COVID-19 impacted the sector

In late March 2020, Aotearoa New Zealand went into its first Alert Level 4 lockdown to protect the community and help stamp out the virus. In the week leading up to lockdown, we experienced exceptional demand for staple vegetables, such as potatoes, carrots and onions, as Kiwis stockpiled. Orders doubled during the week, and on one day we delivered five times the usual volumes to one of our customers' distribution centres. As a result, our Pukekohe pre-pack team worked incredible hours and were joined by people from across the business, including some of our Finance team, to help fulfil the increased demand.

Unlike supermarkets, under Alert Level 4, independent retailers and foodservice operators were not classified as an Essential Service and were unable to physically open. This had a significant impact on many of our customers, as well as our own business. In our tomatoes business, about 40% of sales are to foodservice customers, however given many were restricted in their ability to operate during lockdown, our tomatoes business was hit particularly hard. This was further impacted in the last quarter of the year, due to reduced capacity and higher costs on airfreight. We weren't alone, as the lockdown also impacted other growers who were in peak season, and without a market for their various grade produce, were left with large volumes of produce to donate or dump.

During this time – and for the first time in 123 years – our market floors were also closed to customers. Fortunately, we were able to remain open for business and our customers were able to order and purchase produce via our T&G Fresh online ordering tool 'FirstPick'. Our team rapidly adjusted to a new way of selling produce, embracing live streams and photos to share the days produce with customers, and arranging contactless deliveries and pickups. Across our business we dealt with significant volumes, as evidenced by our customers who have online businesses and experienced over 100% growth over this period.

Our team did this while quickly adapting to new ways of working, maintaining physical distancing and keeping themselves, their families, workmates and communities safe. Through their care, commitment and hard work, we kept fresh produce flowing in Aotearoa New Zealand.

Freshmax acquisition brings new strengths and scale



In April – in the middle of an Alert Level 4 lockdown – we took ownership of Freshmax New Zealand's domestic fruit and vegetable business and created T&G Fresh. This brought the strengths of both organisations together under a new business and brand, supported by a newly established leadership team and dedicated governance structure.

We were joined by a team of 240 people, three market sites in Auckland, Wellington and Christchurch, a national distribution business, passionate independent avocado and strawberry growers, as well as a partnership to supply fresh produce to an in-home meal kit delivery partner.

Joining during lockdown was never going to be easy, with people unable to meet physically and having to use different systems and processes. What got us through was our newly combined team – their mindset, resilience and openness to change. Everyone stayed focused on what needed to be done and maintained continuity to our customers and consumers.

With COVID-19 impacting independent retailers and foodservice providers, our volumes and sales were significantly reduced. Through the strength of our newly acquired business we were able to minimise the impact. While T&G Fresh's operating result decreased by \$0.6 million from \$19.0 million in 2019 to \$18.4 million in 2020, the prior year's operating result included \$3.9 million of revaluation gains not repeated in 2020. Therefore, T&G Fresh's underlying operating performance in 2020 improved by \$3.3 million from the previous year.

In the second half of the year, we made some changes to our business, especially in our Markets where, as a result of the acquisition, we had multiple wholesale markets in three cities. We now operate from single sites in Auckland, Wellington and Christchurch, providing a renewed buzz and increased foot traffic. It has however put pressure on our teams and processes, and highlighted areas for improvement as a result of combined volumes. We have begun to address this and will continue to do so in 2021.

Following the integration of our Markets, we now have a solid foundation to build upon as we further invest in technology and progress our plans to optimise our channels-to-markets.

Creating a high-performance culture

With our newly combined team, we're actively moving towards creating a high-performance culture.

This year, we've established a new T&G Fresh leadership team, bringing in consumer goods and supply chain expertise and capabilities. A clear vision has been developed to guide us forward – to be Aotearoa's most trusted and innovative fresh produce brand, delivering excellence – and we have a clear strategy as to how we'll do this.

We've also made a real step-change in how we engage and involve our people in helping shape and deliver our future. In late 2020, more than 90% of our people attended one of our 43 Fresh Future workshops across the country, where we shared our new strategy and gathered ideas about how everyone is able to connect and contribute to it. The sessions were invaluable and really showed the benefit of a positive and open team culture.

OUR PROGRESS

Adaptability powers our Fiji business forward

With international tourism virtually ground to a halt, our Fijian business was significantly impacted. As a business that has grown to serve the cruise and tourism sector, as well as the domestic market, with nutritious fresh produce, it instantly lost a significant part of its revenue as a result of COVID-19 and the resultant loss of tourism to Fiji. However, this did not stop our team who quickly shifted to selling a variety of food to local Fijians. This agility and a winning mindset enabled the team to deliver above last year's operating result.

Innovative premium strawberries to be grown and sold in Aotearoa

New Zealanders will benefit from an exclusive partnership we now have with one of the world's leading strawberry breeding companies, California-based Plant Sciences Incorporated (PSI). Signed in June, we will test, grow and market unique strawberry varieties, resulting in bigger, tastier, year-round premium strawberries.

Despite the challenges of COVID-19, in 2020 we were able to access a small quantity of propagated plants in our four new licensed varieties. Next year, this will significantly increase to over 150,000 plants across the four varieties, and we've already begun to work with New Zealand strawberry growers to prepare them for trialling and transitioning to these new genetics. Initial feedback from early trials is exciting, with higher yields, better fruit quality, a longer shelf-life, growing and harvesting efficiencies, as well as superior flavour and texture. The relationship with PSI sees T&G Fresh having access to a pipeline of new material and in 2020 we selected a further four new varieties for commercial trial in New Zealand and these are now going through the quarantine process and will be available for growers in the coming years.

We're excited to be working with the support of our Innovation and Technical team to provide growers with new varieties which can reduce their growing costs and increase productivity, as well as delight Kiwis with great tasting, longer lasting strawberries. In 2021, we will continue to import further complementary strawberry varieties as well as introduce other exciting new berry types and varieties to our grower and customer base.

JAZZ™ Juniors delight Kiwis

In July, we partnered with Countdown Supermarkets in a 'Back to School' campaign which featured JAZZ™ Juniors, resulting in a 30% increase in JAZZ™ Junior 6-pack sales during the promotion. Reaching over 2 million shoppers, the integrated campaign spanned Countdown's digital mailer, instore and online promotions, as well as PR and social media activity where great lunch box ideas were shared. This campaign helped lift total JAZZ™ Junior sales in 2020, with a 68% increase in value and 118% increase in volumes sold in Aotearoa New Zealand.

Innovative grafting transforms mandarin orchards

Throughout 2019 and 2020, we've transformed more than 20 hectares of our Northland mandarin orchards using novel grafting techniques. Having collected graft wood from mature Afourer mandarin trees, our team embedded it onto 24,000 freshly cut stumps of rootstock which previously grew Satsuma mandarins. Since then, the trees have grown incredibly well, with the first 10 hectares bearing fruit in 2020. Afourer mandarins are a new late-season variety, with a bright orange colour and excellent flavour. Given it harvests after the Satsuma season, it enables us to provide Kiwis with mandarins for a longer-period of time, as well as opening up export opportunities into Hong Kong and Japan. In 2021 we expect an initial commercial crop of around 25 tonnes.

WHAT'S NEXT

In 2021, we will:

- Continue deepening our vertical growing business and grower partnerships, bringing innovation to our key categories and expanding our category range
- Build strong partnerships with our retail customers, providing valuable insights into the industry and supporting the delivery of their strategies
- Roll out and embed a continuous improvement way of working
- Drive a digital transformation of our Aotearoa New Zealand Markets
- Continue building a high-performance culture





BUILDING A HIGH- PERFORMANCE CULTURE

The world is changing at pace. While the opportunities in front of us are substantial and exciting, the reality is, business is becoming more competitive and fast paced. Standing still is not an option.

Building a high-performance culture is an intentional process at T&G. Our intent is to create the environment which will enable our people and teams to perform at their best, day after day, year after year.



PERSON
LIFT
REQUIRED

We've used a well-established performance framework to help us understand what needs to be done to create an environment that delivers high-performance.

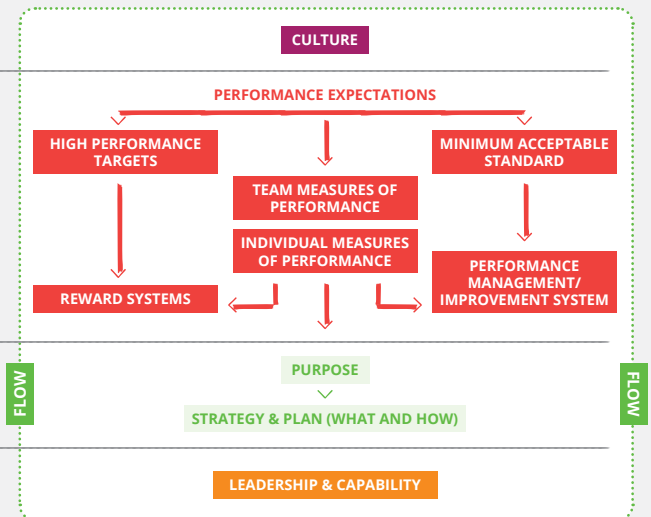
Our people strategy is designed around this high-performance framework.

T&G HIGH-PERFORMANCE FRAMEWORK

Culture

Performance

Leadership & Capability



This model is adapted from the Andy Meikle – HPES

CULTURE

It has been said externally that “culture eats strategy for lunch”. At T&G, we’re purposefully shaping our culture so our people understand what we want to achieve, have the ability to influence outcomes, can operate with autonomy, know and feel their ideas are valued, and have a sense of ownership for the outcomes. Shaping culture starts with having a conversation as a team. We call that culture action planning and it’s our approach to shaping our T&G culture.

In 2020, we intended to conduct an in-depth culture survey to help measure the progress of our culture programme. However in the first quarter of the year as COVID-19 began to challenge our people and their families, as well as every facet of our business, we decided it was more critical to measure connection, including the wellbeing of our people, their stress levels, productivity and quality of leadership.

In May, in the midst of New Zealand’s lockdown, we rolled out Human Synergistics’ Connection Meter to our global workforce, discovering 74% of our people felt connected. Throughout the year it rose to a high of 77%, before finishing in November at 75% (3% above the global benchmark). The survey insights for each team inform their culture action plans. We intend to continue with quarterly Connection Meter surveys in 2021.

PERFORMANCE

We have a structured Performance Management System – *Thrive*. This system is how we connect the dots between strategy and individual performance, focus people on the two to three key deliverables which will move the dial and agree the performance range for high and low performance. Our reward and recognition systems are informed by the outcomes of the performance system.

LEADERSHIP AND CAPABILITY

As we continue with our transformation journey and the delivery of our refreshed strategy, we're asking a lot of our people. To help them thrive and be their best, we're investing in their capabilities. This will provide our people with development and growth opportunities, and help our business innovate, adapt and succeed. This year, we have invested in the development of our senior and front-line leaders.

In 2020, we were grateful to receive Provincial Growth Funding from the Government to help us develop an Emerging Leaders Programme. Launched in our operations business in 2020 and run over a 14 week period, it focused on building the leadership skills of our front-line and future leaders, including effective communication, continuous improvement, developing people, and leading safety and wellbeing. The results have been remarkable. More than 51 people have participated, and we've watched our people grow in confidence and capability, taking responsibility for business performance and the environment we operate in. The programme continues in 2021 and will be expanded to also include our T&G Fresh business.

With our senior leadership teams, we have used the Human Synergistics Life Styles Inventory 360 tool as the foundation of our development activity. Holding a mirror up to our individual leadership styles and receiving structured coaching to support everyone to build a constructive leadership approach.

To support our leaders in successfully leading their teams, we hold fortnightly virtual sessions, alternating between business updates and capability builds. This year, we identified that given the complex nature of our business, we will focus our 2021 capability build sessions on strengthening commercial acumen.

With four out of ten Kiwis having literacy and/or numeracy challenges, we want to help our people build the skills and confidence they need to thrive – both at work and personally. With funding from the Tertiary Education Commission, this year we've run Branch Out, a literacy and numeracy programme delivered by Upskills, a workplace training company in the Hawke's Bay. Forty team members have participated in the 10 week programme, which will continue in 2021.

PURPOSE

High-performance organisations are purpose-led. At T&G, purpose sits at the centre of everything we do, and is an enduring guide to inform direction and decision-making across generations of leaders.

Our purpose reflects both the work we do and the environment we create for our people, growers, partners, customers and consumers. See page 20 for further information on our purpose.

STRATEGY

High-performance organisations also have strong strategic clarity. The strategy determines what must be done to navigate our way towards our vision; it's the roadmap to inform the 'must do's' and defines what we will do and therefore what we won't do. Our strategy is brought to life and shared through our performance management system.

In September, we held town hall sessions with all of our global people leaders, bringing to life each element of our refreshed strategy and providing clarity on their role as leaders. See page 20 for further information on our strategy.

FLOW

We know flexibility and work-life support are key drivers of employee engagement, performance and productivity.

COVID-19 lockdowns taught us that flexibility and work-life integration, enabled through technology, are achievable, effective and deliver incredible benefits. So, to help make our workplace the best place to work, we created FLOW – a culture where work is what you do and the focus is on the outcomes you deliver – regardless of your work location. This is T&G FLOW – our flexible and optimised way of working.

At its core, T&G FLOW is 'digital first', where technology is critical in helping us work, connect and collaborate, both internally with our teammates and externally with our partners. It has been very positively embraced by our people in computer-based roles, providing a better blend between work and personal life, as well as increased productivity.

A close-up photograph of a person's hand, wearing a pink patterned sleeve, reaching into a wooden crate filled with many bright red apples. The lighting is warm, highlighting the texture of the apples and the wood of the crate.

THE HIGH-PERFORMANCE FRAMEWORK – IS IT DELIVERING?

The great thing about the high-performance framework, is that we can measure whether our environment is changing (or not). Late last year we completed our third survey, to determine how we rate against a high-performance environment. In our first year (2019) we had seen a 10% improvement from our baseline survey. In 2020, we delivered a 26% improvement, which means we're now starting to operate at the low end of high-performance. Whilst we still have a long way to go, we're definitely building momentum.

These results are now showing up in our financial performance. 2020 has seen vastly improved financial results across the business, as we focus on the strategic initiatives which will drive performance outcomes, and at the same time address poor performing areas which create performance drag. Most importantly, we've deliberately worked to create a high-performance culture, and we're now building momentum towards that goal.

KAITIAKITANGA

As kaitiaki, we're committed to being a leader in sustainability. For us, Kaitiakitanga means treating the land, people, produce, resources and community with the greatest of respect and care, as guardians of their future. It's a commitment that deeply resonates with our people, partners and stakeholders, unifying us in wanting to do and be better, and make a genuine, long-lasting, positive impact in the world.



OUR KAITIAKITANGA FRAMEWORK

OUR PEOPLE



We're growing a safe, healthy and passionate team, where everyone's empowered to be their best and thrive.

OUR PLACE



As kaitiaki, we're building a healthier planet by protecting and nurturing our natural environment and using our resources responsibly.

OUR PRODUCE



Our safe and sustainable produce value chain provides nutrition to our customers and consumers, and enhances livelihoods.

ASPIRATIONS

PROTECT & GROW

FAIRNESS IN OUR WORKPLACE

CLIMATE ACTION

CLOSING THE LOOP

LOWER IMPACT, SMARTER GROWING

SAFE FOOD

RESPONSIBLE PARTNERSHIPS

HEALTHY COMMUNITIES



Ngati Tahu-Ngati Whaoa blessing the site of New Zealand's first commercial food waste-to-bioenergy facility at Reporoa

OUR CONTEXT

Like every business, we operate in a world full of volatility, uncertainty and change. How we navigate this is through a clear strategy, a high-performing culture and an engaged workforce, and a commitment to creating a better tomorrow.

The world needs to change the way it produces, consumes and accesses nutritious food. Likewise, the health of our planet needs to improve so we live within our limits, and we need to create a fairer and more just society. It's this context that guides us.

As a global fresh produce business, many sustainability challenges such as climate change, biodiversity loss, waste, inequality and food insecurity, can have a detrimental impact on our people and activities. These are big, complex challenges which require everyone to work together and invest in addressing. However, at the same time, we have an incredible opportunity to play a transformational role in creating a sustainable future for food. We know the health of people and our planet are interwoven – we can't address one without the other, and as we make positive progress with this, it will improve not only our planet, communities and livelihoods, but also create a more sustainable, productive and inclusive T&G.

REFINING OUR APPROACH

Since our 2018 introduction of Kaitiakitanga, we've made good progress on a number of our eight supporting aspirations – but there's still a long way to go. To ensure we're focused on what matters most and have absolute clarity on what we want to achieve, this year we refreshed our Kaitiakitanga strategy to better understand what's important to our stakeholders and ensure their expectations are being delivered.

Extensive interviews were conducted with both internal and external stakeholders in late 2019 and in the first half of 2020, to identify key areas we need to focus on due to their ability to either potentially impact our business or our potential impact on them.

According to our stakeholders, what matters most is:

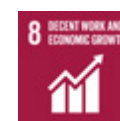
- **Environment:** Materials and energy; GHG emissions and climate change adaption; water and soil quality, and land degradation
- **Social:** Health and safety; labour rights, working conditions and fair trading
- **Economic and governance:** Quality and traceability of our fresh produce; vulnerability of production, supply and markets; and compliance.

To ensure our Kaitiakitanga framework, targets and initiatives address these priority opportunities and risks, we assessed their relevance at each step of our end-to-end supply chain, resulting in the refinement of our entire Kaitiakitanga framework.

Our new framework has three key pillars: Our People, Our Place and Our Produce, each underpinned by aspirations, which we'll further support with clear targets and objectives. It applies to our entire global business, spanning growing, packing, distribution, marketing and sales. We have strengthened it from our initial 2018 strategy by extending its focus to now include food safety and quality, fairness in our workplace, as well as exploring Scope 3 emissions. We have now set out key activities for the short term, as well as our objectives and targets for the medium-to-long term.

The outcome from this process is a holistic, robust Kaitiakitanga framework which will steer our business forward, delivering a positive impact to all of our key stakeholders, including contributing to multiple United Nations Sustainable Development Goals (SDGs).

OUR THREE PILLARS AND THEIR RESPECTIVE ASPIRATIONS CONTRIBUTE TO THE FOLLOWING UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



OUR PEOPLE

We're growing a safe, healthy and passionate team, where everyone's empowered to be their best and thrive.

Every day, our incredible team of 2,000 people put their energy, effort and passion into growing, distributing, selling and delighting people around the world with nutritious fresh fruit and vegetables.

We believe that success for T&G is all about our people – a talented team with clear goals, who are respected, inspired and empowered to do their best. This is what will create the most success for our business.

To help them be their best, we're creating a caring workplace. This means the health, safety and wellbeing of our people is paramount, that they have a real sense of belonging, and can comfortably and confidently bring their true self to work. We know that this, combined with the high-performance culture we're creating (see page 32 for further information), will make us the best place to work and help drive our future success.





OUR COMMITMENTS AND PROGRESS

2020 PROGRESS

Reduce Total Recordable Injury Frequency Rate (TRIFR) by 20%

Progress: Overall reduction of 16.2% compared to 2019

2025 TARGETS

A total recordable injury rate (TRIFR) less than 5

Progress: A decrease to 8.8, equating to a 16.2% reduction towards the target

Robust infrastructure to promote inclusion and diversity

Progress: Became a member of Diversity Works and completed a stocktake

Inclusive leadership that reflects the T&G population, supported by mentoring and training emerging leaders and key talent

Progress: Emerging Leaders Programme completed in Hawke's Bay operations

Non-biased recruiting practices, from advertising to hiring

Progress: 2021 target set to create framework and action plan

2030 VISION

A 'leading' safety culture where everyone goes home safe every day and T&G is seen as best in industry

Progress: Completed first year of strategic action plan to take us to 'leading'

Grow from a 'starter' inclusion and diversity organisation, to being an industry 'champion' of inclusion and diversity

Progress: New flexible work and parental leave policies

PROTECT AND GROW

We're building a workplace where everyone goes home safe every day, and our people have the tools and knowledge to improve their own and their colleagues' health, safety and wellbeing.

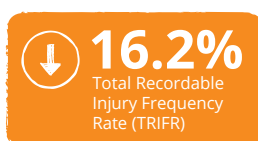
We want to have a leading safety and wellness culture. To do this, we need to look after our people's safety, providing them with the knowledge and tools they need to keep themselves and their workmates safe and well.

OUR APPROACH

2020 is the first full year of our three-year health, safety and wellbeing strategy, which is designed to take us from a SafePlus grading of 'developing' to a business which is graded as 'leading'. SafePlus is a health and safety performance improvement toolkit for businesses, which defines what good health and safety looks like, above and beyond minimum compliance. It's centred on three fundamental performance areas: leadership, engagement and risk management. Given the challenges faced this year with COVID-19, an incredible amount of effort and support went into keeping our people safe while continuing operations as an Essential Service. We're therefore encouraged by the progress we've made on the transformation of our health and safety performance.

OUR PROGRESS

TRIFR tracking in right direction



This year, with the inclusion of the Freshmax New Zealand business which we acquired in April 2020, we reduced our Total Recordable Injuries by 37, from 213 in 2019 to 176 in 2020. This resulted in a 16.2% reduction in our Total Recordable Injury Frequency Rate (TRIFR) against a target of 20%. While we did not meet our ambitious target, we're continuing to make our workplace safer.

Through a concerted transformation in its way of working, our operations business has reduced its TRIFR by 27.2%, from 13.6 in 2019 to 10.0 in 2020. The holistic approach the team has adopted to health and safety starts with strong leadership, embedding a continuous improvement mindset and supporting processes, and the early intervention of physiotherapy and modified duties for workers who experience pain and discomfort.

Strengthening leadership through training

Our Protect and Grow leadership training programme commenced at the end of 2019 and has four modules: CARE, RISK, ENGAGE and LEARN. All operational people leaders and health and safety representatives participate in the programme.

The introduction of our first training module in late 2019, CARE, has seen behavioural based safety conversations and observations, which we call CARE Conversations, introduced across our Aotearoa New Zealand operations, with an average of 24 happening per employee in 2020.

Hazard and risk management training got underway this year, with 240 of our people leaders and health and safety representatives completing the second training module, RISK. Further training on practical application of our risk assessment tools has been piloted and will be delivered to this group in 2021.

Likewise, we have successfully piloted our third module, ENGAGE, which covers worker engagement and running effective toolbox meetings, which will be delivered next year with this group.

The final module, LEARN, will be developed and delivered in 2021. It focuses on incident reporting and investigation processes to support our continual learning and improvement programme.

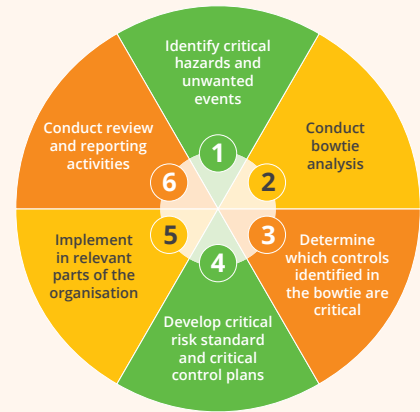


Critical hazard and risk management

In 2020, we commenced a three-year programme of work to assess, using bowtie methodology, the risks associated with our critical hazards.

Critical hazards are those that if uncontrolled, could lead to serious consequences. We define a critical hazard as *“one that has the potential to cause one or more fatalities (acute harm) or in the situation of cumulative exposure may have the potential to cause significantly life changing harm or death (chronic harm).”*

During the year, bowtie risk analysis workshops were held with our people to conduct detailed assessment of the risks associated with vehicles, and mobile plant and equipment. The results of this analysis will be used to develop critical risk standards and control plans in 2021.



Learning from critical events

Pivotal to our continual improvement programme, is actively reviewing all T&G incidents as well as any within the wider sector and business community. In 2020, we notified regulators of five incidents. Four were in New Zealand, which everyone has recovered from and no subsequent action was taken by regulators. There was also one event reported to the regulator in Peru, this investigation is still open and the worker remains in hospital in a stable condition.



WHAT'S NEXT

In 2021, we will:

- Continue with our Protect and Grow leadership training
- Continue with the critical hazard and risk management programme of work
- Introduce a global mental health programme
- Replace our incident reporting system

FAIRNESS IN OUR WORKPLACE

We're creating positive lasting change by creating an inclusive and diverse business.

Vital to our future success is the creation of an inclusive business and culture, reflecting the diversity of our communities and enabling our people to succeed and thrive by being themselves. We know a culture which values all dimensions of diversity, including gender, race, sexual orientation, ability, experiences, backgrounds and beliefs will not only make us a better place to work, it'll make us stronger, more innovative and better able to serve our customers and communities.

OUR APPROACH

Over the years, T&G has organically grown into a diverse business. However, without a deliberate plan we haven't had a baseline to understand and measure where we're at and what we do, nor a structured programme of activity to build on this and truly create a workplace where difference is valued and embraced. We're committed to actively cultivating this culture going forward through the development of a global inclusion and diversity strategy and framework.

OUR PROGRESS

Diversity Works membership

This year we became a member of Diversity Works, New Zealand's national body for diversity and inclusion. Using their diversity and inclusion framework, we've completed a stocktake to capture our data and provide a baseline. This identified we're at 'starter' level and both the Executive and Board have agreed our vision is to shift this to become an industry 'champion'. In 2021, we will build a global programme of work to positively build towards this and will report on this in next year's report.

New parental policy

In October, a new, more substantive parental policy was approved by the Board, providing enhanced parental leave to our employees and their whānau. It includes up to 12 weeks of full pay for primary carers, up to eight weeks of full pay for adoption or surrogacy leave, up to two weeks of paid partner's leave, and annual leave payments which will be made at the employee's ordinary rate on returning from parental leave.

New flexible working policy

COVID-19 provided our business with a real catalyst to harness and permanently embed flexible work. As discussed on page 34, in June, we introduced a flexible working policy which enables our people to work flexible hours and locations, to better promote a healthy work/life blend. As part of this, we launched T&G FLOW – our flexible and optimised way of working, an initiative to create a culture of flexibility which drives employee engagement, performance and productivity. This 'digital first' culture enables our people to connect and collaborate regardless of location.

WHAT'S NEXT

In 2021, we'll develop a global inclusion and diversity (I&D) strategy and framework, which aims to have:

- Robust infrastructure to promote I&D, for example contemporaneous policies, training, diverse networks and cultural celebrations
- Inclusive leadership which reflects our T&G population
- Non-biased recruiting practices, from advertising to hiring



HIGHLIGHT ACHIEVEMENT

When COVID-19 closed borders, many of our team members on the RSE scheme were unable to get home to their Pacific Islands after completing our 2019/20 harvest.

As key members of our T&G whānau, many have worked with us for eight to nine seasons, becoming highly skilled and experienced, including performing vital roles in technical and sometimes physically demanding work. Their income, along with their skills and knowledge, are often reinvested back into their home nations – providing much-needed investment to our Pacific neighbours.

Throughout the year, we did everything we could to provide ongoing work and income for our RSE team members, while we explored all avenues to get them home to family and friends.

Work was found in our orchards, packhouses and market floors, shifts were adjusted and shared to ensure everyone had some income, and we found work with other growers and horticultural companies.

At the same time, together with local communities, we provided additional bedding, heaters and warm clothes, given many weren't expecting to be in Aotearoa New Zealand over winter. In addition, our employees launched an internal 'Give a Little' campaign to raise funds, which together with company, employee social club and personal donations, raised more than \$35,000 which was distributed to 270 RSE team members in supermarket vouchers.

While many of our RSE team remained stranded in New Zealand throughout 2020, as borders began to open to citizens, we worked with the horticultural sector and Government to repatriate 358 of our 600 RSE team home, and we will continue to do the same in 2021.

"With the support you have graciously given us, we are able to provide for our families back home while taking care of ourselves in this foreign country. This isn't the first time you have offered a helping hand. You have always shown compassion and care and we are extremely grateful for your kindness, loyalty and commitment to all of us."

Our Tongan RSE team, based in Riwaka.

Ni-Vanuatu RSE team members farewelling their T&G colleagues prior to their repatriation flight home

New parental policy



up to **12wks** full pay for primary carers



up to **8wks** full pay for adoption or surrogacy leave



up to **2wks** paid partner's leave



OUR PLACE

As kaitiaki, we're building a healthier planet by protecting and nurturing our natural environment and using our resources responsibly.

Papatūānuku, the earth mother, is where our business starts - with our natural resources, knowledge and expertise, helping grow healthier futures through fresh fruit and vegetables. Yet the way we live, work, travel and produce food is challenging earth's natural resources and impacting our business.

In order to leave the planet in a better state while continuing to provide people with nutritious and accessible food, transformational change is required to preserve, protect and restore the environment, and use its finite resources responsibly. This is echoed in what's important to our stakeholders (see page 137 for further information) and increasingly in our customer and market requirements.

At T&G, we're committed to having a positive impact on our planet and we'll do this through our three aspirations of: Climate Action; Closing the Loop; and Lower Impact, Smarter Growing.

OUR COMMITMENTS AND PROGRESS

2020 PROGRESS

Procure Certified Renewable Electricity at 100% of our sites

Progress: Achieved with the purchase of renewable electricity certificates

2025 TARGETS

Reduce GHG emissions* by 22% (T&G operations)

Progress: 10.2% reduction from the 2017 baseline. This includes reductions achieved from renewable electricity

Reduce energy consumption* by 11% (T&G operations)

Progress: 10.7% reduction in energy, closing in on our target

Zero waste to landfill

Progress: 948 tonnes less to landfill than in 2017 (24% reduction)

Donate and/or supply unharvested produce

Progress: Foundational partner of the New Zealand Food Network and established our Fairgrow charity

Polybags, punnets and PLU (price look up code) solutions introduced, aligned to T&G packaging guidelines

Progress: Guidelines introduced for own-brand packaging

2030 VISION

Achieve net zero GHG emissions from our operations

Progress: Broke ground on the anaerobic digestion plant in Reporoa

Innovate with circular system approaches to phase out waste in our operations

Progress: Running extensive pilot trials with partners for tomato vine waste solutions

Avoid produce waste in our supply chain

Progress: Established our Fairgrow charity

All T&G packaging is recyclable and/or made from renewable resources

Progress: Guidelines introduced for own-brand packaging

Define, develop and promote sustainable growing practices, demonstrating leadership in sustainable growing

Progress: Analysis of regenerative agricultural principles and practices, and the potential for introduction in horticulture

* Commitments for our T&G operations refer to our Scope 1 and 2 boundary; see Appendices for more information. Our energy reduction target supports the BayWa Group climate target of reducing energy consumption by 22% in terms of EBITDA of the BayWa Group, against a 2017 baseline.

CLIMATE ACTION

We're making a difference on climate change, reducing our emissions, harnessing clean energy and adapting with innovative solutions.

The climate is pivotal to our business and growing operations, however as it changes, we face significant disruption from rising global temperatures, reduced rainfall and increasing weather events. Like all food producers, we need to take action to reduce our harm on the planet and increase our activities to combat climate change.

OUR APPROACH

In 2019, we published our targets to reduce our Scope 1 and 2 emissions. These targets follow the climate strategy developed by the BayWa Group. The BayWa Group was guided by the Intergovernmental Panel on Climate Change (IPCC) Special Report on 1.5°C global warming and the criteria of the Science Based Targets Initiative of 2018.

We are committed to contributing to the Paris Agreement target of staying well below 2°C of warming and to make efforts to keep the global temperature rise below 1.5°C. In doing so, we want to support creating a carbon positive economy.

To help do this, our ambitious climate action strategy is focused on reducing our GHG emissions footprint by replacing fossil fuels with renewable energy alternatives, maximising energy efficiency and sourcing electricity from renewable energy – with this Kaitiakitanga aspiration encompassing energy, GHG emissions and climate adaption. We have set clear targets for 2025, supported by a long-term goal for 2030.

In our global and diversified business, the majority of our operational (Scope 1 and Scope 2) GHG emissions come from our tomato glasshouse growing operations and transport fleet, contributing approximately 80% of direct emissions in 2020. Other contributors include refrigerant leakage and in 2020 we took the opportunity to retrofit refrigerants on our Auckland sites, resulting in the use of lower global warming potential (GWP) refrigerants.

Commencing in 2020, we're expanding our focus on emissions by building on our Scope 1 and 2 emissions and looking at our Scope 3 emissions, both upstream and downstream, such as shipping and logistics emissions, and business travel.

OUR PROGRESS

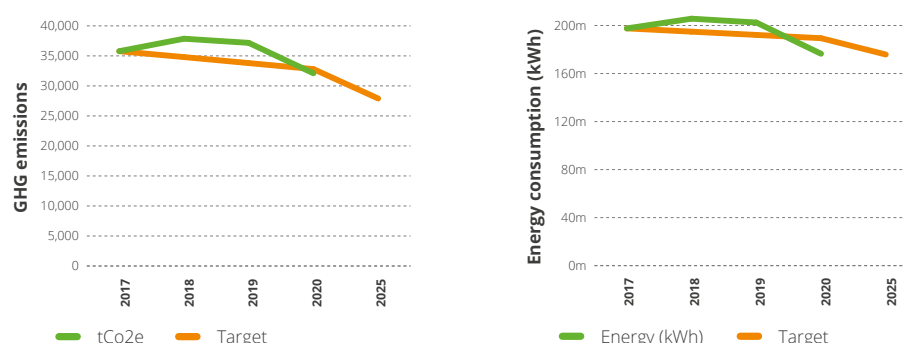
Renewable electricity

Delivering with renewable energy certificates

In 2020, we delivered on our Kaitiakitanga commitment to purchase renewable electricity across all T&G Global sites. For our Aotearoa New Zealand sites, we achieved this by purchasing renewable energy certificates from Meridian Energy, under its certified renewable electricity scheme. For our international sites, we achieved this via renewable electricity contracts. If such a product isn't available on a specific market, we purchased Renewable Electricity Certificates – similar to the approach in Aotearoa New Zealand. See our highlight achievement on page 49 for further information.

Emissions and energy reduction

GHG emissions and energy use at our T&G operations (Scope 1 and 2)



OUR PROGRESS

Emissions and energy reduction



Reduced GHG emissions

In line with our target to reduce Scope 1 and 2 emissions by 22% against our 2017 baseline, this year we reduced our GHG emissions by 10.2%. We achieved this by reducing diesel usage in our transport business (1,763 tCO₂e reduction from 2017), a lower demand for natural gas in our tomato glasshouses (891 tCO₂e reduction from 2017), and by purchasing renewable electricity certificates for our international sites (921 tCO₂e reduction from 2017). In 2017, diesel and natural gas collectively accounted for 78% of our Scope 1 and 2 emissions, with 7% contributed by conventional electricity. These reductions see our emissions 10.2% lower than our 2017 baseline year. Going forward, our savings from conventional electricity will be ongoing however other savings may change due to operational requirements.

Carbon-neutral anaerobic digestion facility

In August, construction began on Aotearoa New Zealand's first large-scale food waste-to-bioenergy facility which is being built by Ecogas on our Reporoa site. Due to be operational in 2022, the anaerobic digestion facility will recover 75,000 tonnes of organic waste from businesses and kerbside food scrap collections in the North Island, turning it into sustainable renewable clean energy. By partnering with Ecogas to build the facility adjacent to our tomato glasshouse operations, we'll purchase renewable electricity, heat and CO₂, which is needed to enhance the growing conditions of our tomatoes. The outcome is a carbon-neutral, circular economy alternative to natural gas at our Reporoa glasshouse.

Reducing emissions from transport

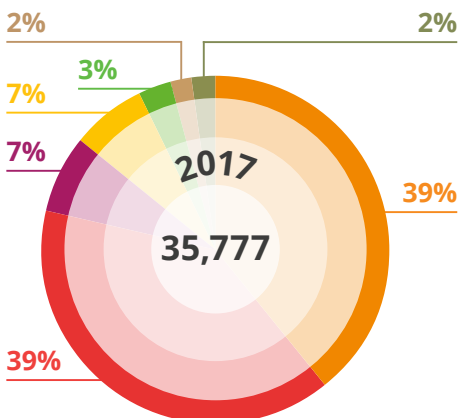
Safety and fuel efficiency are priority focuses for our transport fleet. Our fleet of 48 leased trucks are all fitted with the latest safety equipment. To further enhance this, from 2020 onwards, all replaced vehicles in our transport fleet will be Euro 6 or higher and include full safety and driver aids, such as active cruise control and telematics. This will assist our people in being safer on the road, while reducing fuel consumption. Training is being rolled out to support the full adoption and delivery of benefits. At the same time, following a review of our tyres, we're exploring replacing all tyres with eco-friendly tyres, which will increase fuel efficiency and reduce CO₂ emissions.

To ensure maximum utilisation of our truck fleet, each day our National Dispatch team plan the routes and running of the network. Where required, third party suppliers are used to improve utilisation of truck movements.

Energy consumption tracking downwards

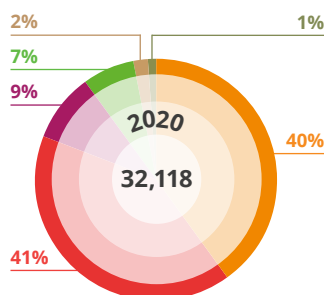
A downward trend of energy consumption has continued in 2020, with a 10.7% reduction ahead of our 2025 target. This has been driven by a reduction in diesel (8%), electricity (19%) and natural gas (6%) usage, compared to our 2017 baseline. Natural gas, electricity and diesel are our predominant uses of energy, and we continue to focus our efficiency efforts on these sources.

GHG emissions

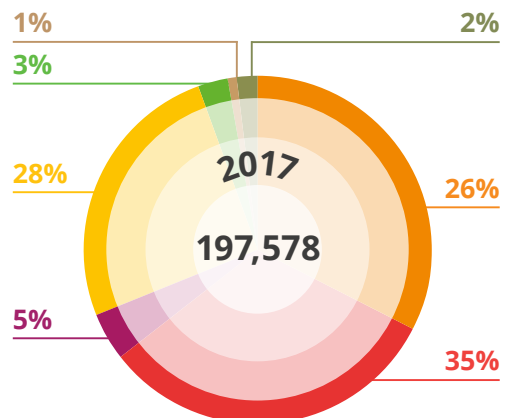


Resource type (tCO₂e)

- DIESEL
- NATURAL GAS
- HEATING OIL
- ELECTRICITY - NON-RENEWABLE
- REFRIGERANTS
- PETROL
- LPG

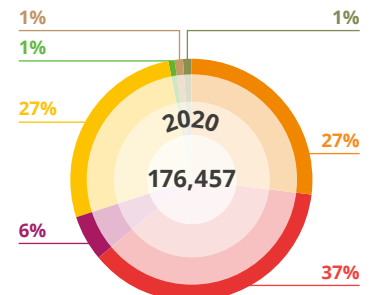


Energy use



Resource type (kWh)

- DIESEL
- NATURAL GAS
- HEATING OIL
- ELECTRICITY - NON-RENEWABLE
- ELECTRICITY - RENEWABLE
- PETROL
- LPG



OUR PROGRESS

Climate change adaption

First climate change adapted apple commercialised

This year, we've continued our focus on climate change adaptation through the Hot Climate Programme, a global pan-industry breeding programme, focused on developing and commercialising apple varieties which are climate change adapted. We're the global commercialisation partner for the programme.

The first variety, 'HOT84A1' has been successfully trialled in Spain, where temperatures reach more than 40°C. The apple has proven to be sunburn resistant, while retaining excellent eating qualities. It's now being tested with our partners in New Zealand, South Africa, Europe, the UK, Australia and Spain, with reports that it grows well, has an attractive rich red colour with excellent texture and a sweet taste, and performs equally as well in temperate climates, as it does in hot climates. The first commercial volumes will be planted in the Iberian Peninsula in February 2021.

Expanding our emissions focus – Scope 3 emissions

Less business travel delivers benefits

In 2020, we expanded the scope of our focus to cover business travel. As a result of COVID-19 border restrictions and closures, this year we significantly reduced our business travel by 65%, resulting in financial savings and a 66% reduction in emissions. The adoption of a digital-first approach to working, has shifted many meetings and workshops online. While the future remains incredibly uncertain, our long-term goal is to continue reducing our business travel, aiming for a 60% reduction versus our 2019 emissions.

Understanding the impact of shipping on our emissions

In the first quarter of 2020, we completed a detailed study of the opportunity to reduce our emissions when exporting apples from Aotearoa New Zealand. We found the volume of apples shipped and distance travelled had the largest impact on our total emissions, with little difference in the emissions between shipping lines. These findings highlighted the importance of working with our shipping line partners to influence a reduction in GHG emissions through ship design, speed and fuel type. Further work is required to evaluate the impact of late orders on emissions, whereby export fruit is transported by truck to the next port in order to meet the sailing.



HOT84A1, the first variety to be commercialised from the Hot Climate Programme

WHAT'S NEXT

In 2021, we will:

- Continue to procure renewable electricity at all of our global sites
- Begin testing biogas from the anaerobic digester at our Reporoa site
- Develop a decarbonisation strategy for our vehicle fleet

HIGHLIGHT ACHIEVEMENT

In order to achieve our GHG emissions reduction targets, in 2019, we committed to covering our entire global electricity supply through renewable sources by the end of 2020.

For our Aotearoa New Zealand sites, we achieved this by purchasing renewable energy certificates from Meridian Energy, under its certified renewable electricity scheme. The third-party renewable energy verifier, New Zealand Energy Certificate System, audits Meridian's renewable energy-generating facilities and then issues renewable energy certificates for each MWh of energy generated. Customers then purchase renewable energy certificates to cover the amount of MWh of electricity they have used. The decision to partner with Meridian was based on the nature of New Zealand's electricity grid. While most of the country's electricity is generated through renewable sources, such as hydro stations and wind farms, it's mixed with non-renewable energy in the single electricity wholesale

pool. Meridian's certified renewable energy product enables us to purchase renewable certification to match our electricity consumption, ensuring the electricity we use from the grid is accounted for in Meridian's renewable energy production.

For our international sites, we achieved our objective of 100% renewable electricity supply by utilising renewable electricity contracts. If such a product is not available on a specific market, we purchased Renewable Electricity Certificates – similar to the approach in Aotearoa New Zealand – for our 2020 electricity consumption, to guarantee all electricity we consume is matched with renewable electricity generation.

This year, we purchased renewable electricity certificates which are equal to our documented electricity consumption of 43,888 mWh. By sourcing renewable electricity in this way, we've been able to reduce our Scope 2 GHG emissions by 921 tonnes of CO₂e.



CLOSING THE LOOP

By supporting a closed-loop system, we retain and regenerate value from produce and materials. We're refusing waste by using resources efficiently, seeking renewable materials, minimising food loss and considering end of life.

In today's economy, there's an incredible amount of waste, including food waste, with many businesses having operated a 'take-make-waste' model. From an ecological and cost perspective, we can no longer operate like this. We want to play an active role in addressing this by transitioning to a closed-loop system.

By doing this, resources will no longer be abandoned to become waste. Instead, we'll work to design out waste and pollution and keep products and materials in use, or alternatively, they'll be used to help regenerate nature.

This is an ambitious but necessary aspiration and we know we can't deliver it alone. It requires partnering and collaboration to help us create, develop and implement products and solutions, and potentially even new business models. It's a challenge we're up for.

OUR APPROACH

To achieve our *Closing the Loop* aspiration, it's important we understand how we can eliminate waste across our end-to-end supply chain. The three areas we've identified which will make the biggest impact are packaging and materials, operational waste and food waste.

Packaging often plays a vital role in keeping our produce fresh and safe, reducing food waste, and meeting market and consumer needs. Yet it also contributes to our direct and indirect waste. With only 14% of the world's plastic waste captured for recycling, and then only 5% of that actually¹ recycled, it's vital that companies like ours focus on reducing waste upstream.

Our internal packaging guidelines for T&G branded produce seek to use low impact materials, prioritise recyclable materials, reduce demand for non-renewable resources and be resource efficient. By 2030, all packaging used on T&G brands will be made from renewable resources or able to be recycled.

Across our business we're embedding a continuous improvement mindset and methodology, to help us address operational waste, and improve engagement, productivity and profitability. In 2020, we made great headway with our operations business and in 2021, T&G Fresh will begin to adopt this way of working too.

With more than 122,000 tonnes of food wasted every year in Aotearoa New Zealand² – and about 60% of this dumped in landfills when it's perfectly edible – we want to put a stop to produce waste in our business and instead maximise our home grown produce to help feed people facing food insecurity. This year, we've expanded the scope of this aspiration to also include produce waste.

¹ Ellen MacArthur Foundation, The New Plastics Economy: Rethinking the future of plastics & catalysing action, 2016

² The New Zealand Government's House of Representative's Environment Committee, Briefing to investigate food waste in New Zealand, March 2020



Delivering a consignment of fresh carrots to the team at KiwiHarvest

OUR PROGRESS

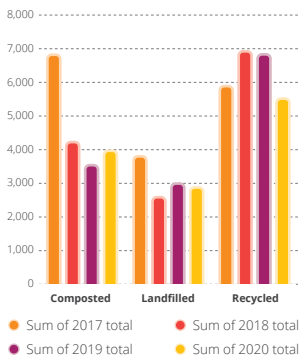
Packaging

Removing plastic packaging

This year, we've continued to collaborate with our partners to introduce innovative, recyclable solutions to non-recyclable plastic packaging and polystyrene, such as increasing the amount of cardboard in our packaging. In Singapore and Japan, more than half of our Orchard Rd grapes are now packaged in cardboard, and in 2021 we'll expand this into South Korea. In Vietnam, we previously packaged some of our JAZZ™ and Envy™ apples in plastic clamshell punnets. While our larger fruit temporarily remains in these punnets, from July 2021 all of our four and six pack range will be packaged and sold in cardboard boxes.

Operational waste

Waste volumes



Focus on diverting from landfill continues

In 2020, we sent 2,918 tonnes of waste to landfill, a 5% decrease from 2019. Due to COVID-19 restrictions and many of our people around the world working from home, we've reduced our general waste, thereby reducing our landfill volumes. At the same time, COVID-19 adversely changed people's behaviour, increasing their use of single-use consumables, with limited recycling opportunities.

Nearly half of our landfill volume is 'pull-out waste' from our tomato glasshouses, and this presents an ongoing challenge in reducing our landfill volume. At the end of each season, our glasshouses pull-out their vines and growing structures (string and clips) for new plantings. The volume of pull-out waste increased in 2020, and we're investigating the leading cause of this.

Worms help divert tomato vines from landfill

We've long faced the challenge of how best to separate the plastic string which holds our tomato vines up when we pull out the entire plant at the end of each season. String is the most effective mechanism for maintaining crop structure across the plant's lifecycle. Unfortunately, when the plants are fully grown, they are entangled with the string, meaning they can't be composted. Following unsuccessful trials of compostable string over the past three years, we investigated alternative solutions. This year, our Reporoa site ran a trial using vermiculture to help us dispose of our tomato vine and leaf waste. By allowing the natural material to decompose with the help of worms, we were able to decompose the vines naturally, leaving only the plastic string for disposal. Our next step is to trial recycling solutions for the remaining string and look at ways to scale the system across all five glasshouses.

Environmental Leadership Award

A highlight for our team was being awarded the Hawke's Bay Regional Council's Environmental Award for Environmental Leadership in Business – Te Hautūtanga Taiao me te Pakihi, in December. This recognised our commitment to the environment by changing the practice of burning pulled-out vegetation, and instead developing alternative mulching options which can be sent to compost.

Food waste

Partnering to address food insecurity and produce waste

In July, we became a foundational partner of the New Zealand Food Network (NZFN), helping address food insecurity and food waste in a sustainable way. NZFN is a new Government-backed not-for-profit organisation, which acts as a centralised distribution hub for bulk donated food – helping match supply with demand. To increase the volume of produce donated, we introduced new practices in our business. In our tomato business, out of spec tomatoes which might have been misshapen, had size defects or markings, would have been graded into a reject bin and composted - when in fact, they were perfectly edible. We've changed this process to now capture all edible out of spec produce and divert it to NZFN. See page 59 for further information on NZFN and our related Fairgrow charity.

WHAT'S NEXT

In 2021, we will:

- Continue replacing polystyrene packaging with cardboard boxes for Orchard Rd grapes
- Work with industry and suppliers to investigate sourcing a certified home compostable PLU sticker to meet customer and regional future requirements, with the view to introducing it in selected export markets within 12 months of sourcing
- Expand scale of vermiculture trials to determine if this is a solution for vine waste at all T&G tomato glasshouses
- Investigate innovative methods of scaling up the supply of produce to Fairgrow

LOWER IMPACT, SMARTER GROWING

We're investing in innovation and genetics which increases our growing efficiency and continues to improve the health of our land and ecosystem.

As the global population grows to a projected 9.8 billion in 2050 and incomes grow across the developing world, overall food demand is projected to increase by more than 50%.³ At the same time, the world's natural resources are limited. Water is becoming increasingly scarce, soil health is degrading and biological diversity is being lost. To help address this, we will innovate and collaborate to produce nutritious food, while protecting and regenerating our ecosystem.

OUR APPROACH

Globally, we employ a range of practices to enhance the efficiency and sustainability of our growing practices. We're currently focused on three key areas: promoting and increasing the use of beneficial insects and thereby reducing the usage of chemical crop protection measures; increasing water use efficiency; and improving soil quality and structure.

Our long-term objective is to define and develop sustainable growing systems which demonstrate measurable benefits and improvements against our baseline. In the short term, this means we'll focus on setting water efficiency strategies across our growing operations and determining suitable sites for riparian plantings.

We continue to support local biodiversity by implementing integrated pest management, supporting pollination services and bee-safe protocols.

³ <https://research.wri.org/wrr-food/executive-summary-synthesis>



The Rowling family from
Moana Orchards, Tasman, Nelson

OUR PROGRESS

Investigating regenerative practices

Our long-term objective is to define and develop sustainable growing systems which demonstrate measurable benefits and improvements against our baseline for ecosystem services, such as soil, carbon, water and biodiversity. To understand what's possible in this space, together with Zespri, we're working with Plant and Food Research New Zealand to review regenerative practices currently in use across Aotearoa New Zealand's horticultural sector to identify gaps for further research and development. In early 2021, workshops will be held with T&G and Zespri growers to identify regenerative outcomes and practices which would benefit our horticultural context. This is an initial step towards a programme to define and develop new regenerative horticultural practices which consumers understand and value, and which improve environmental and social outcomes, as well as production.

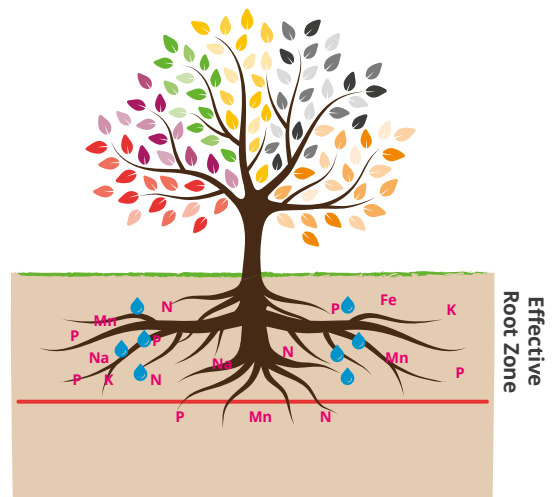
Understanding our water usage and prioritising efficiencies

In all of our growing regions we interact with water. T&G's own growing regions are New Zealand and Peru. Our apple, grape, blueberry and citrus crops are grown outdoors, and utilise either drip or other precision irrigation systems. Our tomatoes are grown in glasshouses, utilising drip irrigation, with all wastewater captured for UV treatment to recycle as much water as possible. All of our independent growers monitor their water use and applications are made based on soil moisture. Driven by a focus on continuous improvement, this year we began to map our current practices across the group, for the purpose of identifying opportunities to improve our efficiency and define our water management targets and objectives in each of our key categories in 2021.

In 2020, we engaged specialist horticultural consultants to review our previous season's water application trends to enable us to develop water management plans for our Hawke's Bay apple orchard sectors. Each block now has a water management plan to maintain water levels within the root zone, preventing over or under watering, which can cause un-due stress to the plant or contribute to nutrient leaching. Water is measured daily against this metric. Our growers have also identified water efficiency practices to trial in 2021, such as smart sprayers.

We've also made improvements with the water recycling systems in our tomato glasshouses, such as new ultraviolet sterilising units replacing aging ones at our Tuakau glasshouses, resulting in a decline in fertilizer use.

Although we're able to monitor water use in our day-to-day operations, we have had limitations in accessing this data for inclusion in this Integrated Report. We continue to work to overcome these issues.



Water monitoring is conducted to ensure water application is within the active root zone, resulting in efficient water and nutrient usage by our crops.

WHAT'S NEXT

In 2021, we will:

- Complete our review of regenerative outcomes and practices, for the purposes of defining a vision for sustainable growing within our apple category which will then be expanded to other categories
- Continue to improve how we monitor our water usage and accurately report consumption and discharge
- Trial the use of 'Smart Sprayer' technology, which is designed to reduce inputs such as water and chemicals by sensing the canopy and adjusting volumes applied to match the size of the tree



OUR PRODUCE

Our safe and sustainable produce value chain provides nutrition to our customers and consumers, and enhances livelihoods.

Fruit and vegetables not only taste great, they're an important part of a healthy diet, providing essential vitamins, minerals and fibre. That's why, every day, we come to work to help grow healthier futures.

We do this by growing and providing safe, high-quality, sustainable fresh produce, while building strong mutually beneficial partnerships.

Yet, we know not everyone can access or afford nutritious food. This was a challenge before COVID-19 which has now been exacerbated, as more and more people face food insecurity. At T&G we're committed to helping address this for families and our communities.

OUR COMMITMENTS AND PROGRESS

As part of our 2021 priorities, we will formalise our Safe Food, Responsible Partnerships and Healthy Communities aspirations with short (2022), mid (2025) and long term (2030) targets.

SAFE FOOD

We're building a world-class, transparent supply chain, committed to the highest standards of food safety, quality and assurance.

Here at T&G, our entire whānau is passionate about providing safe fruit and vegetables to our customers and consumers around the world, which is why we have uncompromising standards of food safety and quality.

At the same time, we know consumers increasingly want to know where their food comes from and how it's produced. We want to harness the hard work, care and pride which goes into producing our delicious, safe fresh produce, and use this as a source of value and competitive advantage.

OUR APPROACH

We have a risk-based global food safety, quality and assurance programme. Food safety and quality is everyone's responsibility, and to support this we have dedicated teams in our apples, T&G Fresh and Delica Australia businesses, working to deliver our strategy to comply with all customer, supplier, Government and global market standards, certifications and processes. We know the consequences of not applying correct food safety principles can be catastrophic, compromising the safety of our customers and consumers, and potentially damaging our reputation. We therefore will continually work to strengthen our global food safety, quality and assurance programs.

We're committed to investing in certifications and accreditations which strengthen our reputation to provide our customers and consumers with trust and confidence in T&G's commitment to the highest standards of food safety and quality.



100%

of New Zealand apple growers GlobalG.A.P certified



100%

of our apple packhouses are BRC and Sedex compliant

OUR PROGRESS

Meeting customer requirements

Across our global, diversified business, T&G provides our customers and export markets with assurances on the safety and quality of our produce, as well as our environmental and social standards through both the application of our own standards and third-party certifications and audits. Many of our large customers also have their own requirements which we actively work to meet and exceed.

This year, all of our apples met GLOBALG.A.P and our post-harvest packing operations BRC certified. We also met additional requirements, such as Sedex and customer audits for Costco and Tesco.

We met all pre-requisite programmes in our T&G Fresh business, including our Food Control Plans, Hazard Analysis and Critical Control Point, as well as Woolworths Vendor QA Programme. We continue to ensure all growers and suppliers that T&G Fresh trades on behalf of, have recognised Food Safety certifications.

Our T&G Fresh tomato, citrus and berry operations (which include growing and packing for both the New Zealand and export markets) has GLOBALG.A.P certification as well as GRASP, which assesses social practices on farm, such as worker health, safety and welfare.

WHAT'S NEXT

In 2021, we will:

- Formalise our focus on Safe Food with short (2022), mid (2025) and long term targets
- Assess our food safety, quality and assurance programme, to develop our desired quality and compliance outcomes, starting with our T&G Fresh business
- Obtain GLOBALG.A.P certification for our T&G Fresh sites
- In Australia, explore and implement a food safety and quality programme which links in-field, destination market, customer and independent reports, supported by quality data analytics
- Ensure all growing partners have the required certifications
- In our Apples business, roll out visual reporting and escalation procedures to enable our people to make optimum fruit quality decisions

RESPONSIBLE PARTNERSHIPS

Through shared social, environmental and economic objectives, we're building strong and sustainable partnerships with our growers, customers, suppliers and communities.

Who T&G partners with influences the impact we have socially, environmentally and economically. We want to have a positive impact on people's lives, society and our planet. We are increasingly seeking to build strong, long-lasting, beneficial partnerships with growers, customers, suppliers and communities.

OUR APPROACH

Our aspiration of responsible partnerships is an emerging area for T&G, as we're committed to taking positive steps to develop, enhance and embed in our policies, standards and business. Currently, we're guided by our customers and country regulations, however we see the value and difference which can be made when we partner with individuals and organisations who are aligned with our purpose, Kaitiakitanga aspirations, and committed to global best practice. As we go forward in 2021 and beyond, this will be an area of focus as we begin to articulate what responsible partnerships means to us.

OUR PROGRESS

Responsible sourcing

This year, we reviewed our approach to responsible sourcing in our global grape and berry categories, across growing, third-party supply, importing and exporting, in Aotearoa New Zealand, Australia and Peru. This was done against global standards.

The findings identified there is opportunity for T&G to potentially go beyond legal compliance. In 2021 we will define what we want to achieve to create impactful change.

Sedex certifications

Sedex certification demonstrates to our global partners that we're committed to responsible and sustainable ethical business practices. This year, we retained Sedex certification across our New Zealand and global Apples Operation, as well as in Australia. Our T&G Fresh blueberry and citrus growing operation in Kerikeri also achieved initial Sedex certification, with the final social audit to take place at a later date.



WHAT'S NEXT

In 2021, we will:

- Formalise our focus on Responsible Partnerships with short (2022), mid (2025) and long term (2030) targets
- Define responsible sourcing and our desired outcomes for T&G, focusing on our third party suppliers and partners, as well as our own operations
- Ensure all of our growing partners in Australia have a responsible sourcing programme in place, for example Sedex certification

HEALTHY COMMUNITIES

We're building thriving communities by promoting healthy nutrition and helping address food insecurity.

We're passionate about the goodness that comes from fresh fruit and vegetables and we want to help improve the health of our local communities, by promoting nutrition and helping get fresh produce to people who need it the most.

OUR APPROACH

We support our local communities in a wide range of ways, including produce donations, our Fairgrow charity, discretionary funding and sponsorship, community investment, and our people using their annual volunteer day helping others.

OUR PROGRESS

Garden to Table programme

2020 was our seventh year supporting the Garden to Table programme in Aotearoa New Zealand. Established in 2008, Garden to Table is a charity which works with thousands of primary school children across the country, changing the way they think about food, by teaching them how to grow, harvest, prepare and share fresh, seasonal food. During the year, our people and growers visited and spoke to some of the schools involved, including Ruakākā School in Whangārei and Riccarton Primary School in Christchurch.

In addition, we worked with Garden to Table to develop the Beekist® Real Life Maths resource for all participating schools, linking it to the country's maths and science curriculum. A teacher at Northcote Primary School, in Auckland, said *"These maths questions led on to the children wanting to learn more about pollination. Lots of discussion about tomatoes being a fruit and how important the bees are in plants being able to produce fruit."*



OUR PROGRESS

Fairgrow charity

In July, we became a foundational partner of NZFN, a not-for-profit organisation, providing people in need with healthy food through the collection and sharing of bulk surplus and donated food (see page 51 for further information).

In the second half of 2020, we took this partnership to the next stage, establishing Fairgrow, our own charity which captures and aggregates fresh produce donations to provide to NZFN, so we can get more fruit and vegetables to New Zealanders in need (see page 59 for further information).

In the period from July to December 2020, together with our passionate third-party growers, we donated 264,475 kilograms of fresh fruit and vegetables - this equates to 1.8 million serves of fresh produce.

JAZZ™ and No Kid Hungry

Due to COVID-19, by April 2020, schools in the United States had begun to close, and as a result millions of vulnerable children were losing the school meals they depend upon. For some, it was the only food they would receive in a given day. JAZZ™ apples teamed up with No Kid Hungry, an organisation which works to feed children all year round. During the lockdowns, No Kid Hungry worked to ensure children had three healthy meals a day by developing an online 'Free Meals Finder' and providing emergency relief and grants. JAZZ™ made a cash donation and ran a digital campaign to help raise awareness and funds. In addition, throughout the year, our sales agents and retail partners donated JAZZ™ apples to many regional foodbanks and schools.

Shanghai Charity Foundation receives Envy™ donations

Throughout 2020, we donated apples to the Shanghai Charity Foundation, one of the largest non-profit organisations in China. With a mission of 'caring for elderly and children; sponsoring students and poverty', the foundation is focused on providing relief. Our donated Envy™ apples were provided to hospitals, for both patients and front-line workers, as well as to aged care homes and orphanages.

Fruit in Schools

Every school day, we provide over 64,000 primary school children in Aotearoa New Zealand, in regions of high social and health need, with fresh fruit through the Ministry of Health's Fruit in Schools programme.

In the first half of the year, we provided fruit to 175 schools in Northland, Hamilton, Gisborne and Hastings, and following the integration of the Freshmax New Zealand business in April 2020, this increased to include a further 89 schools in Auckland and Canterbury.

When schools were closed during COVID-19 lockdowns, the programme, which is managed by United Fresh, was repurposed to provide fresh produce boxes to communities. T&G participated in this, providing 39,950 boxes of produce.

In 2020, the Government's Fruit in Schools programme was selected for inclusion in a report for the UN Food and Agricultural Organisation (FAO) and World Health Organisation (WHO), as an example of the effective promotion of fresh produce.



1.8m

serves of **fresh fruit and vegetables** donated by Fairgrow to the New Zealand Food Network



64k

Over Kiwi children provided with **daily fresh fruit**

WHAT'S NEXT

In 2021, we will:

- Formalise our focus on Healthy Communities with short (2022), mid (2025) and long term targets (2030)
- Scale Fairgrow by encouraging more growers to get involved; launching an employee matched giving programme; raising funds to purchase produce not in season and support the harvesting of non-commercial volumes
- Maximise our partnership with Garden to Table and renew our support
- Encourage our people to use their annual employee volunteer day to help make a difference in their local communities

HIGHLIGHT ACHIEVEMENT

With COVID-19 turning many people's lives upside down, large numbers of New Zealanders are finding it difficult to provide healthy and nutritious food to their families – and this need is outstripping what's currently donated.

As a country of nutritious fresh food producers, our T&G team couldn't stand by and let people go hungry.

Following our partnership with the New Zealand Food Network (NZFN) earlier in the year, in December 2020 we launched Fairgrow, a charity which captures and aggregates surplus and donated fruit and vegetables from our 1,200 grower partners, as well as from our own business.

Fairgrow will also raise funds to buy produce when it's not in abundance or readily available, thereby providing New Zealanders in need with greater availability throughout the year. Furthermore, at various times of the year, when some produce might be left in the ground or on trees as it may not have a natural commercial home, Fairgrow will make financial contributions towards helping harvest and donate some of these crops.

As a foundational partner of NZFN, Fairgrow will use our extensive grower network and national fresh produce supply chain to help connect the supply of fresh produce with national demand from NZFN's network of food rescue organisations, iwi and charities. Thereby ensuring our fresh produce gets to the communities who need it the most.

We know addressing food insecurity will require everyone, including businesses, Government and community groups, to work together to take collaborative action. Through Fairgrow, we want to play an active part in helping address this challenge so together we can grow healthier futures for all New Zealanders.

Fairgrow



- 1 Andrew Keaney, Managing Director of T&G Fresh, with Gavin Findlay, CEO of the New Zealand Food Network
- 2 Gareth Edgecombe, Kim Ferguson, Andrew Keaney, Adrienne Sharp and Declan Keaney with JAZZ™ and Envy™ apple donations for the New Zealand Food Network
- 3 The Deadman family of Ohakune donating new season carrots to families in need

BOARD OF DIRECTORS



PROF. KLAUS JOSEF LUTZ
CHAIRMAN & NON-INDEPENDENT
DIRECTOR

Director since April 2012

Prof. Klaus Josef Lutz has been Chief Executive Officer of BayWa Aktiengesellschaft (BayWa) since July 2008. He began his career initially as a lawyer but soon assumed managerial positions in a number of different sectors which enabled him to gain extensive experience, above all in the restructuring and development of companies.

He is a member of the supervisory boards of a number of listed and private companies including Euro Pool System International B.V. (chairman), RWA Raiffeisen Ware Austria AG, Unser Lagerhaus Warenhandels-gesellschaft m.b.H and Giesecke & Devrient GmbH (chairman).

In 2013, Prof. Lutz was appointed as an honorary professor of Managerial Economics of Co-operative Societies at the Technische Universität München.



CAROL CAMPBELL
INDEPENDENT DIRECTOR

Director since June 2010

Board committees: Chair of the Finance, Risk and Investment Committee, Member of the Human Resources Committee.

Carol has extensive finance experience and a sound understanding of effective Board Governance. She was a partner at Ernst & Young for over 25 years and has been a professional Director for over 10 years.

Carol is a Director and Chair of the Audit and Risk Committees at NZ Post Limited, NZME Limited, Asset Plus Limited and Chubb Insurance New Zealand Limited. She is also a Director at Kiwibank Limited and of a number of other private companies.

Carol has a Bachelor of Commerce from Auckland University and is a Fellow of the Chartered Accountants Australia and New Zealand and a Chartered Member of the Institute of Directors.



ANDREAS HELBER
NON-INDEPENDENT DIRECTOR

Director since April 2012

Board committees: Member of the Finance, Risk and Investment Committee.

Andreas Helber has been BayWa's Chief Financial Officer since 2010. Mr Helber began his career at KPMG in Munich where he qualified as a tax consultant and auditor.

Mr Helber is a member of the supervisory boards of a number of private and listed companies including R+V Allgemeine Versicherung AG, RWA Raiffeisen Ware Austria AG, and Unser Lagerhaus Warenhandels-gesellschaft m.b.H.



ROB HEWETT
INDEPENDENT DIRECTOR
 Director since August 2018

Board committees: Chair of the Human Resources Committee, Member of the Finance, Risk and Investment Committee.

Rob Hewett is also chair of Farmlands Co-operative Ltd, co-chair of Silver Fern Farms Ltd and director and immediate past chair of Silver Fern Farms Co-operative Ltd. He is chair of Pioneer Energy Ltd, and a director of Pulse Energy Ltd and the Lincoln University Council.

Mr Hewett holds a Master's Degree in Commerce and Marketing (Hons), a BCom (Ag) Economics and is a Chartered Fellow of the New Zealand Institute of Directors. He won the 2019 Outstanding Contribution to New Zealand Co-operatives award.



BENEDIKT MANGOLD
NON-INDEPENDENT DIRECTOR
 Director since September 2019

Benedikt Mangold joined BayWa in 2011, working initially in the Agricultural Equipment Business Unit. In 2016, Benedikt moved to New Zealand, working for T&G Global Ltd as an export trader before moving into the role as Head of Strategic Planning and Transformation for T&G's International Trading business. Since returning to BayWa in early 2019, Benedikt has been recently appointed Head of Global Produce at BayWa AG.

Mr Mangold is a director of Al Dahra BayWa Agriculture LLC and Afrupro Investments (Pty) Ltd.



RALF TOBIAS PRISKE
NON-INDEPENDENT DIRECTOR
 Director since December 2017

Board committees: Member of the Human Resources Committee.

Ralf Tobias Priske started working for BayWa in 1998 as a member of the legal department providing advice to the various branches of the Company and had a leading role in the acquisition of the majority of the shares of T&G by BayWa in 2012. From 2013 to 2015 he worked for the renewable energy sector of the BayWa Group as Deputy Legal Counsel focusing on establishing the renewable energy business in the US. In July 2015 Mr Priske was appointed as BayWa's Company Secretary.

CORPORATE GOVERNANCE

The Board is the governing body of T&G Global Limited (the Company) and its subsidiary companies (T&G).

ROLE OF THE BOARD

The Board is responsible to shareholders for the performance of the Company, which includes setting the objectives and the strategies for achieving those objectives, identifying significant areas of business risk and implementing policies to deal with those risks, setting the overall policy framework and monitoring the continuing performance of the Company and its management. The Board also ensures that procedures are in place to provide effective internal financial control.

Responsibility for the day-to-day management of T&G is delegated by the Board to the Chief Executive Officer (CEO). The Board is committed to act with integrity and expects high standards of behaviour and accountability from all staff members.

BOARD MEMBERSHIP

There are no executive directors across the Board but a broad mix of skills and industry experience relevant to the guidance of the Company's businesses. Mrs C.A. Campbell and Mr R.J. Hewett are independent Directors for the purposes of the NZX Listing Rules.

CONDUCT OF THE BOARD

The Board has adopted a formal Code of Ethics which sets out the expected standards of professional conduct of its members.

The Board meets at regular intervals and conducts its affairs to ensure matters can be discussed openly, frankly and confidentially. Any potential conflicts of interest relating to Directors are identified and disclosed. Affected Directors are usually not permitted to vote on any related matter where a conflict exists.

The Board operates a code of conduct that forbids Directors and other affected parties to deal in the Company's shares at any time when they are in possession of insider information and during periods which are deemed by the Board to be

'closed' periods. These closed periods customarily include the end of the six and 12 month reporting cycles, and until such time as profit announcements have been publicly disclosed. Closed periods include any additional period when the Board is engaged in matters that are likely to have an impact on the market value of the shares.

BOARD ACCESS TO ADVICE

The Board has established a procedure whereby Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, with the prior approval of the Chairman.

Independent professional advice includes professional legal and financial advice, but excludes any advice on the personal interests of a Director. The Board regularly invites key managers and Executives to attend and present at Board meetings, and interaction with Directors is routinely encouraged.

BOARD COMMITTEES

The Board has two constituted Committees, the Finance, Risk and Investment Committee (FRIC) and the Human Resources Committee (HRC), both of which operate under Board approved charters.

The FRIC meets at least three times per year and is responsible for overseeing compliance with statutory financial regulations and related responsibilities, ensuring that effective systems of accounting and internal control are established and maintained, overseeing internal and external audit, and liaising with T&G's independent auditors. This Committee is chaired by Mrs C.A. Campbell, and comprises Mr R.J. Hewett and Mr A. Helber. The FRIC members also meet separately with the auditors as required.

The HRC is responsible for reviewing, approving and monitoring T&G's Health

and Safety Policy, Strategy, Annual Plan and programme of work. This ensures the health and safety of all those who work for or come into contact with T&G. Additional responsibilities include ensuring that the remuneration strategy, policies and practices reward fairly and responsibly with a clear link to T&G's strategic objectives and corporate and individual performance; and assisting the Board in succession planning for the CEO and senior management positions which identifies and targets individuals for development. This Committee meets at least four times per year and comprises Mr R.J. Hewett (chair), Mrs C.A. Campbell and Mr R.T. Priske.

The Board has not at this stage established a Nominations Committee owing to a belief that director appointments are of such significance that they should be a direct responsibility of the full Board. This matter is kept under review.

INTERESTS REGISTER

The Company and each subsidiary of the Company are required to maintain an interests register in which particulars of certain transactions and matters involving the Directors must be recorded. The interests registers for the Company and its subsidiaries are available for inspection at its registered office.

Details of all matters that have been entered in the interests register of the Company by individual Directors during the year are outlined in the statutory information section of these accounts, and should be read in conjunction with the individual Directors' profiles.

T&G MANAGEMENT STRUCTURE

T&G's organisational structure is focused on its four business divisions being Apples, International Trading, T&G Fresh and Other Business. These operations are managed separately with direct reporting to the CEO and to the Board which exercises overall control.

RISK IDENTIFICATION AND MANAGEMENT

T&G has adopted a system of internal control, based on written procedures, policies and guidelines. To reinforce this, an internal audit function exists that reports to the Board through the FRIC.

The Board acknowledges that it is responsible for the overall internal control framework. In discharging this responsibility the Board has in place a number of strategies designed to safeguard T&G's assets and interests and to ensure the integrity of reporting.

Procedures are in place to identify areas of significant business risk and to remediate and effectively manage those risks. As required, the Board obtains advice from external advisors.

While the Board acknowledges that it is responsible for the overall control framework of T&G, it recognises that no cost effective internal control system will preclude all errors and irregularities.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged directors' and officers' liability insurance covering directors acting on behalf of the Company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for the Company.

The types of acts that are not covered are dishonest, fraudulent and malicious acts or omissions; wilful breach of statute, regulations or duty to the Company; improper use of information to the detriment of the Company; and breach of professional duty.

TAX STRATEGY AND GOVERNANCE

T&G operates within a framework of prudent and proactive tax risk management.

T&G's tax strategy is focused on providing high quality management and governance, which results in ensuring that T&G pays the appropriate amount of tax within each market that it operates.

T&G implements this strategy through the tax risk management principles within its Risk Management Framework.

In conducting its activities in New Zealand and offshore, T&G ensures that it:

- Complies with all relevant tax legislation in each tax jurisdiction in which it operates;
- Meets all its tax obligations on time;
- Pays the correct amount of tax that is due;
- Obtains expert advice as required where complex international transactions are involved.

The statutory corporate tax rate in New Zealand is 28% and on average over the five-year period (2016 to 2020), T&G's effective tax rate was 23%. T&G's average effective tax rate is lower than the statutory corporate tax rate in New Zealand due to the different corporate tax rates applicable for T&G's subsidiaries operating in foreign jurisdictions, and the impact of non-deductible and non-taxable items.

EXECUTIVE LEADERSHIP TEAM



GARETH EDGECOMBE
CHIEF EXECUTIVE OFFICER

Gareth joined T&G as Chief Executive Officer in July 2018. He has extensive experience in business transformation, building high performing teams and developing brands across the Asia Pacific region. Prior to joining T&G he was CEO of Comfort Group, President of the Campbell Soup Company for the Asia Pacific region, and President of The Coca-Cola Company's South Pacific business. A former general manager of Puhoi Valley Cheese, Gareth has also served on the board of the Australian Food and Grocery Council.



BASTIAN VON STREIT
CHIEF FINANCIAL OFFICER

Bastian joined T&G as Chief Financial Officer from his homeland Germany in October 2018. He leads T&G's global finance team across 12 countries. Previously, he was Head of Group Accounting at parent company BayWa AG, and Director of Finance and Accounting at Willy Bogner GmbH & Co KGaA in Munich, responsible for financial and group accounting, credit control, taxes and treasury. Bastian is a graduate of Ludwig Maximilians University in Munich.



CRAIG BETTY
DIRECTOR OPERATIONS

Craig joined T&G as Director Operations in October 2019. Based at our Hawke's Bay site at Whakatu, Craig is responsible for leading T&G's apple business, including our growing, packing and distribution operations. Prior to this, he was Chief Operating Officer for Westland Milk Products, and General Manager Operations for Fonterra. Craig has extensive operations and supply chain management experience across a broad range of industries, including agribusiness.



HEATHER KEAN
DIRECTOR PEOPLE & CULTURE

Heather joined T&G as Director People & Culture in June 2018, with overall responsibility for shaping the change programme to transform T&G into a high performance organisation. Heather also leads the Health & Safety function at T&G. With over thirty years of HR experience, she deeply understands the role of organisational culture in driving business success. Previously, Heather was Head of HR with Goodman Fielder NZ, and before that Director Global HR at Fonterra. She was a founding partner of New Zealand recruitment agency, Pohlen Kean.



ANDREW KEANEY
MANAGING DIRECTOR T&G FRESH

As Managing Director T&G Fresh, Andrew leads T&G Global's domestic New Zealand business. His team is responsible for partnering with growers and customers to produce, import and sell year-round fresh, safe and sustainable produce to New Zealand consumers. Andrew and his T&G Fresh team also lead the diversified export business, Pacific Islands Exports and the Turners and Growers Fiji business. He joined T&G in May 2014 and has extensive experience in the industry, having previously held senior roles with Foodstuffs North Island, Freshmax and Primor Produce.



PETER LANDON-LANE
DIRECTOR INNOVATION & TECHNICAL

As Director Innovation and Technical, Peter leads T&G's team responsible for identifying and commercialising new plant varieties and technologies. Peter joined in April 2018 as Chief Operating Officer, having previously been CEO of Plant & Food Research for nine years. Peter has significant international experience, having led Fonterra businesses in Europe, Japan and Taiwan. Earlier in his career he served as New Zealand Trade Commissioner in the Philippines and in China.



MONIQUE MALLON
DIRECTOR IT

Monique joined T&G in September 2018 and has more than 28 years' experience in IT and large-scale business transformation programmes. Having spent nine years with IBM as an Associate Partner and 14 years working in lead roles with New Zealand businesses, including General Manager of Information Systems at Vodafone and Head of IT for Fletcher Steel, Monique understands the need to deliver value through robust technology solutions which enable businesses to achieve their strategic objectives.



ADRIENNE SHARP
HEAD OF CORPORATE AFFAIRS

As Head of Corporate Affairs, Adrienne is responsible for protecting and enhancing T&G's global reputation. She leads internal and external communications, government, industry and community engagement, sustainability and brand marketing. Adrienne joined T&G in January 2020, with over 20 years' experience in New Zealand, Australia and the UK. Most recently she was General Manager Innovation Communications and General Manager News and Content at Fonterra, and prior to that, Australian Managing Director for the Baldwin Boyle Group.



RACHEL STOTTER
DIRECTOR INTERNATIONAL SALES

As Director International Sales, Rachel leads an international sales team who sell apples, grapes, berries and a number of other categories into more than 40 countries. She joined T&G in March 2019, having previously been Head of Sales and General Manager Dairy Category at Goodman Fielder New Zealand. Prior to that, Rachel held a number of sales and transformation roles across a ten-year period with Fonterra, including Director New Zealand Ingredients and General Manager Sales Excellence.

STATUTORY INFORMATION

AUDITORS

Deloitte has continued to act as the principal auditor of T&G and has undertaken the audit of the financial statements for the year ended 31 December 2020.

DIRECTORS' LOANS

No director is in receipt of any loans from T&G.

DIRECTORS' REMUNERATION

The following persons held office as director during the year. Remuneration paid or accrued included incentive payments, vehicles, superannuation and other benefits, where applicable. On top of fees, directors also receive an annual travel allowance of \$1,000.

12 MONTHS TO 31 DECEMBER 2020

| DIRECTORS OF T&G | \$'000 |
|-------------------------------------|--------|
| Prof. K.J. Lutz | 45 |
| C.A. Campbell (director fees) | 93 |
| C.A. Campbell (Committee work) | 15 |
| A. Helber | 36 |
| R.J. Hewett (Director fees) | 93 |
| R.J. Hewett (Committee work) | 15 |
| R.T. Piske | 36 |
| B.J. Mangold | 36 |
| M.W. Liu (resigned on 24 June 2020) | 17 |

DIRECTORS AND OFFICERS COMPOSITION

At 31 December 2020 the gender composition of T&G's directors and officers was as follows:

| | MALE | FEMALE |
|-----------|------|--------|
| Directors | 5 | 1 |
| Officers | 5 | 4 |

EMPLOYEE REMUNERATION

T&G paid remuneration including benefits in excess of \$100,000 to employees (other than directors) during the 12 months. The salary banding for the employees is disclosed in the following table:

12 MONTHS TO 31 DECEMBER 2020

| | NUMBER OF EMPLOYEES | |
|-----------------------|---------------------|------|
| \$'000 NZD EQUIVALENT | 2020 | 2019 |
| 100-110 | 43 | 45 |
| 110-120 | 36 | 33 |
| 120-130 | 31 | 22 |
| 130-140 | 17 | 22 |
| 140-150 | 18 | 19 |
| 150-160 | 16 | 17 |
| 160-170 | 19 | 10 |
| 170-180 | 7 | 6 |
| 180-190 | 6 | 9 |
| 190-200 | 10 | 8 |
| 200-210 | 10 | 4 |
| 210-220 | 3 | 5 |
| 220-230 | 7 | 2 |
| 230-240 | 1 | 4 |
| 240-250 | 3 | 1 |
| 250-260 | 4 | 2 |
| 260-270 | 3 | - |
| 270-280 | 1 | 3 |
| 280-290 | 2 | 1 |
| 300-310 | - | 3 |
| 310-320 | 2 | - |
| 330-340 | - | 2 |
| 340-350 | 1 | 1 |
| 350-360 | 2 | 1 |
| 360-370 | 1 | - |
| 370-380 | - | 2 |
| 380-390 | 1 | - |
| 390-400 | 1 | - |
| 410-420 | 1 | - |
| 420-430 | 2 | 2 |
| 450-460 | 1 | 1 |
| 460-470 | 1 | 1 |
| 470-480 | 1 | 1 |
| 480-490 | 1 | 2 |
| 530-540 | 1 | - |
| 590-600 | 1 | - |
| 1,070-1,080 | 1 | - |
| 1,300-1,399 | - | 1 |
| Total | 255 | 230 |

The current year total remuneration spread takes into account the impact of exchange rate movements on employees paid in foreign currencies.

CEO REMUNERATION

The CEO remuneration consists of fixed remuneration, short-term incentive and long-term incentive.

Fixed remuneration

Mr Edgecombe received remuneration of \$1,074,271 during the 2020 Financial Year. This amount includes employer kiwisaver contributions, a vehicle allowance and a short term incentive payment. His base salary for 2020 was \$914,940.

Short term incentive

Subject to the achievement of profitability targets set by the Board at the start of each year, Mr Edgecombe will be entitled to an annual bonus of up to 40% of base salary.

This bonus can be over and underachieved with a maximum payment of 150%.

Long term incentive (LTI)

Mr Edgecombe will be entitled to participate in a LTI scheme set by the Board, based on an earnings before interest and tax growth plan. The fulfilment of 100% of the goals under the scheme will entitle Mr Edgecombe to a LTI payment of 50% of his base salary.

From 2020, the LTI payment will partially vest in year three (50%) and close out in year five (50%). No bonus will be paid if the achievement rate is less than 90% and the maximum amount is capped at 150%.

DIRECTORS SHAREHOLDINGS

As at 31 December 2020, no current directors or parties associated with current directors held ordinary shares (2019: nil).

There were no share transactions during the year ended 31 December 2020 in which directors held 'relevant interests'.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company indemnifies all Directors named in this report, and current and former executive officers of T&G against all liabilities (other than to the Company or members of T&G) which arise out of the performance of their normal duties as Director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, T&G has indemnity insurance. The total cost of this insurance including directors and officers of offshore companies during the 12 months was \$40,765 (2019: \$38,500).

INFORMATION USED BY DIRECTORS

No member of the Board of the Company, or any subsidiary, issued a notice requesting to use information received in their capacity as director which would not otherwise have been available to them.

INTERESTED TRANSACTIONS

No directors disclosed the existence of any transactions with T&G during the 12 months in which they held an interest.

SUBSTANTIAL SHAREHOLDERS

The following information is given pursuant to Section 26 of the Security Markets Act 1988.

The following parties are recorded by the Company as at 28 January 2021 as substantial security holders in the Company, and have declared the following relevant interest in voting securities under the Securities Markets Act 1988:

| | |
|--------------------------|------------|
| BayWa Aktiengesellschaft | 90,671,206 |
| Wo Yang Limited | 24,496,386 |

The total number of voting securities issued by the Company as at 28 January 2021 was 122,543,204.

20 LARGEST SHAREHOLDERS

as at 28 January 2021

| NAME | UNITS | % OF ISSUED CAPITAL |
|--|--------------------|---------------------|
| BayWa Aktiengesellschaft | 90,671,206 | 73.99% |
| Wo Yang Limited | 24,496,386 | 19.99% |
| Bartel Holdings Limited | 1,319,154 | 1.08% |
| National Nominees New Zealand Limited | 1,016,830 | 0.83% |
| HSBC Nominees (New Zealand) Limited | 400,649 | 0.33% |
| R.J. Turner, C.E. Turner, Redoubt Trustees Limited & Evans Penell Trustees Limited | 202,689 | 0.17% |
| Tribal Nominees Limited | 170,661 | 0.14% |
| BNP Paribas Nominees (NZ) Limited | 136,165 | 0.11% |
| S.J. Turner, C.M. Turner & D.H. Turner | 108,696 | 0.09% |
| Tribal New Zealand Traders Limited | 108,374 | 0.09% |
| S.A. McCabe | 105,206 | 0.09% |
| L.R. Hotham | 101,482 | 0.08% |
| A.E. Waite | 100,802 | 0.08% |
| FNZ Custodians Limited | 100,479 | 0.08% |
| TEA Custodians Limited Client Property Trust Account | 94,656 | 0.08% |
| P.J.S. Rowland | 93,507 | 0.08% |
| M.C. Goodson, D.D. Perron, Goodson & Perron Independent Trustee Limited | 79,339 | 0.06% |
| New Zealand Depository Nominee Limited | 78,505 | 0.06% |
| R.M. Scott | 63,494 | 0.05% |
| Penmaen Limited | 60,000 | 0.05% |
| Total | 119,508,280 | 97.53% |

SPREAD OF SECURITY HOLDERS

as at 28 January 2021

| RANGE | TOTAL HOLDERS | % OF TOTAL HOLDERS | UNITS | % OF ISSUED CAPITAL |
|---------------------|------------------|-----------------------|--------------------|------------------------|
| 1 to 499 | 76 | 13.33% | 18,030 | 0.01% |
| 500 – 999 | 77 | 13.51% | 56,431 | 0.05% |
| 1,000 – 1,999 | 118 | 20.70% | 162,795 | 0.13% |
| 2,000 – 4,999 | 111 | 19.47% | 338,381 | 0.28% |
| 5,000 – 9,999 | 77 | 13.52% | 517,266 | 0.42% |
| 10,000 – 49,999 | 86 | 15.09% | 1,663,612 | 1.36% |
| 50,000 – 99,999 | 11 | 1.93% | 747,910 | 0.61% |
| 100,000 – 499,999 | 10 | 1.75% | 1,535,203 | 1.25% |
| 500,000 – 999,999 | - | - | - | - |
| 1,000,000 and above | 4 | 0.70% | 117,503,576 | 95.89% |
| Total | 570 | 100% | 122,543,204 | 100% |

DOMICILE OF SHAREHOLDERS

as at 28 January 2021

| LOCATION | TOTAL HOLDERS | % OF TOTAL HOLDERS | UNITS |
|--------------------------|------------------|-----------------------|--------------------|
| New Zealand | 545 | 95.60% | 7,217,397 |
| Australia | 15 | 2.63% | 62,014 |
| Hong Kong | 3 | 0.53% | 24,502,941 |
| Germany | 2 | 0.35% | 90,703,154 |
| Singapore | 2 | 0.35% | 38,432 |
| United Kingdom | 1 | 0.18% | 4,800 |
| Malaysia | 1 | 0.18% | 11,716 |
| United States of America | 1 | 0.18% | 2,750 |
| Total | 570 | 100% | 122,543,204 |

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF T&G GLOBAL LIMITED

Opinion

We have audited the consolidated financial statements of T&G Global Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 76 to 134, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company 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), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor including the provision of audit related services and administration of the corporate tax payer group of which the Group is a member, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined the materiality for the Group financial statements as a whole to be \$7.0 million.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matters | How our audit addressed the key audit matters |
|---|--|
| <p>Biological asset valuations (Note 8)</p> <p>The Group's biological assets of \$23.4 million (2019: \$22.6 million) predominantly represent produce such as apples, grapes, blueberries, citrus fruits and tomatoes, growing on bearer plants (e.g. trees and vines) at balance date.</p> <p>Biological assets are measured at fair value less estimated point-of-sale costs. This is calculated by the Group using discounted cash flow models.</p> <p>The valuation of biological assets is a key audit matter due to the subjective judgements and assumptions in the valuation models, many of which are specific to the location of the asset and therefore unobservable in the market. These unobservable inputs and assumptions include the forecast production per hectare per annum by weight, prices expected to be received, costs expected to be incurred and a discount rate reflecting the risks inherent in the crops.</p> <p>The discount rate takes into account the risk of unknown adverse events including natural events, the possible impact of diseases and other adverse factors that may impact on the quality, yield or price.</p> | <p>We held discussions with management to understand if there were changes in market or environmental conditions, or other risks inherent in the current crop valuations.</p> <p>Our audit procedures were focused on the higher value biological assets, or where in our professional judgement there is a greater level of uncertainty associated with the cash flow forecasts.</p> <p>We engaged our internal valuation specialist to consider whether the valuation methods applied were reasonable.</p> <p>We compared the forecast production per hectare, forecast prices, and forecast costs to the approved budgets for the relevant fruit growing activities, and assessed the historical accuracy of the Group's forecasts.</p> <p>With input from our internal valuation specialist we assessed the discount rates assumed in the model and evaluated changes from the prior year.</p> <p>We also performed a sensitivity analysis to assess the impact that a change in the discount rate would have on the valuation of the biological assets.</p> <p>We checked the mechanical accuracy of the discounted cash flow models.</p> |
| <p>Property, plant & equipment valuations (Note 9)</p> <p>Commercial and orchard land, improvements and buildings ('land and buildings') of the Group amounting to \$243.9 million (2019: \$259.3 million) are measured at fair value less accumulated depreciation and impairment losses at balance date. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value.</p> <p>As disclosed in Note 9, land and buildings were valued using a combination of market comparison, income capitalisation and depreciated replacement cost methodologies.</p> <p>The valuation of land and buildings is a key audit matter because changes to key assumptions used in the valuation methods could have a material impact on the carrying amount of land and buildings, with changes recognised in either other comprehensive income or profit or loss, as appropriate.</p> | <p>Our procedures have focused on the appropriateness of the valuation methodologies and the reasonableness of the underlying inputs and assumptions.</p> <p>We obtained an understanding of the Group's process for valuing the commercial land and buildings as at 31 December 2020.</p> <p>We evaluated the independence and competence of the Group's external valuers engaged to perform the valuation of land and buildings.</p> <p>On a sample basis:</p> <ul style="list-style-type: none"> • We considered whether the underlying assumptions used by the external valuers were consistent with our knowledge of the properties in their specific locations; and • We compared capitalisation rates used to market reports to check that those rates were within reasonable range of those market reports. <p>We also performed a sensitivity analysis to assess the robustness of the methods used by the Group's external valuers on valuation of the land and buildings.</p> |

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| <p>Acquisition of Freshmax New Zealand (Note 11)</p> <p>As disclosed in Note 11 T&G completed the acquisition of Freshmax New Zealand's domestic Fruit & Vegetable business for \$27.9 million on 30 April 2020.</p> <p>On acquisition, the Group is required to identify the assets and liabilities acquired in a business combination, including intangible assets, and to measure them at fair value at the date of acquisition. Goodwill arising is the excess of consideration paid over the fair value of the assets and liabilities acquired. The Group used discounted cash flow models to value the intangible assets acquired. Management have identified intangible assets of \$6.8m and goodwill totalling \$30.1m.</p> <p>The Group allocated the goodwill to the T&G Fresh Markets business unit as this is the business unit expected to benefit from the synergies from the acquisition.</p> <p>We have included the purchase price allocation as a key audit matter because significant judgment and estimates are involved in identifying and determining the fair value of the assets and liabilities acquired and also the allocation of the goodwill.</p> | <p>In order to respond to the significant judgment involved in identifying and valuing the intangible assets acquired we:</p> <ul style="list-style-type: none"> • Read the sales & purchase agreement to obtain an understanding of the transaction and to evaluate whether all identified assets and liabilities were recognised; • Met with the Group to obtain an understanding of the business process undertaken to identify and value the assets acquired and liabilities assumed; • Evaluated whether the identification, measurement and recognition of the intangible assets are consistent with the requirements of NZ IFRS 3 'Business Combinations' and NZ IAS 36 'Impairment of Assets' (NZ IAS 36); • Engaged our internal valuations specialist to challenge the intangible assets identified, the valuation methodology applied and the assumptions used in the intangible asset valuations; and • Challenged the Group's approach to determining the Cash Generating Units ('CGUs') that will benefit from the acquisition and the basis for allocating goodwill across them against the requirements of NZ IAS 36 'Impairment of Assets' and our knowledge of the Group's processes for monitoring and reporting on their CGUs. |

| | |
|--|--|
| Other information | <p>The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.</p> <p>Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.</p> |
| Directors' responsibilities for the consolidated financial statements | <p>The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.</p> |
| Auditor's responsibilities for the audit of the consolidated financial statements | <p>Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.</p> <p>A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:</p> <p>https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1</p> <p>This description forms part of our auditor's report.</p> |
| Restriction on use | <p>This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.</p> |

Deloitte Limited

**Andrew Dick, Partner
for Deloitte Limited
Auckland, New Zealand**

1 March 2021



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INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|---|-------|----------------|----------------|
| Revenue | 4 | 1,412,590 | 1,216,409 |
| Other operating income | 5 | 10,019 | 14,299 |
| Purchases, raw materials and consumables used | | (1,086,876) | (931,807) |
| Employee benefits expenses | 6 | (177,458) | (155,347) |
| Depreciation and amortisation expenses | 6 | (45,879) | (37,753) |
| Other operating expenses | 6 | (80,020) | (89,300) |
| Operating profit | | 32,376 | 16,501 |
| Financing income | 14 | 1,334 | 748 |
| Financing expenses | 14 | (14,108) | (14,084) |
| Share of profit from joint ventures | 24 | 65 | 14 |
| Share of profit from associates | 25 | 2,357 | 3,302 |
| Other income | 5 | - | 3,830 |
| Profit before income tax | | 22,024 | 10,311 |
| Income tax expense | 7 | (5,434) | (3,700) |
| Profit after income tax | | 16,590 | 6,611 |
| Attributable to: | | | |
| Equity holders of the Parent | | 11,056 | 901 |
| Non-controlling interests | | 5,534 | 5,710 |
| Profit for the year | | 16,590 | 6,611 |
| Earnings per share (in cents) | | | |
| Basic and diluted earnings | 16 | 9.0 | 0.7 |

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Profit for the year | | 16,590 | 6,611 |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Gain on revaluation of property, plant and equipment: | | | |
| Held by subsidiaries of the Group | 15 | 38,582 | 57,481 |
| Deferred tax effect on revaluation of property, plant and equipment | 15 | (2,976) | (10,505) |
| Deferred tax effect on sale of property, plant and equipment | 15 | (61) | 6,988 |
| | | 35,545 | 53,964 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | (3,861) | (328) |
| Cash flow hedges: | | | |
| Fair value gain / (loss), net of tax | | 14,420 | (4,854) |
| Reclassification of net change in fair value to profit or loss | | (4,178) | 11,057 |
| | | 6,381 | 5,875 |
| Other comprehensive income for the year | | 41,926 | 59,839 |
| Total comprehensive income for the year | | 58,516 | 66,450 |
| Total comprehensive income for the year is attributable to: | | | |
| Equity holders of the Parent | | 53,563 | 60,407 |
| Non-controlling interests | | 4,953 | 6,043 |
| | | 58,516 | 66,450 |

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020


| | NOTES | Share capital \$'000 | Revaluation and other reserves \$'000 | Retained earnings \$'000 | Total \$'000 | Non-controlling interests \$'000 | Total equity \$'000 |
|---|-------|-------------------------|--|-----------------------------|-----------------|-------------------------------------|------------------------|
| 2020 | | | | | | | |
| Balance at 1 January 2020 | | 176,357 | 111,623 | 172,726 | 460,706 | 13,697 | 474,403 |
| Profit for the year | | - | - | 11,056 | 11,056 | 5,534 | 16,590 |
| Other comprehensive income / (expense) | | | | | | | |
| Revaluation of property, plant and equipment | 15 | - | 38,582 | - | 38,582 | - | 38,582 |
| Deferred tax effect on revaluation of property, plant and equipment | 15 | - | (2,976) | - | (2,976) | - | (2,976) |
| Deferred tax effect on sale of property, plant and equipment | 15 | - | (61) | - | (61) | - | (61) |
| Exchange differences on translation of foreign operations | 15 | - | (3,288) | - | (3,288) | (573) | (3,861) |
| Movement in cash flow hedge reserve | 15 | - | 10,250 | - | 10,250 | (8) | 10,242 |
| Total other comprehensive income / (expense) | | - | 42,507 | - | 42,507 | (581) | 41,926 |
| Transactions with owners | | | | | | | |
| Dividends | 17 | - | - | (7,353) | (7,353) | (5,441) | (12,794) |
| Acquisition of non-controlling interest's share in subsidiary | 23 | - | - | (309) | (309) | (62) | (371) |
| Total transactions with owners | | - | - | (7,662) | (7,662) | (5,503) | (13,165) |
| Transfer from asset revaluation reserve due to asset disposal | 15 | - | (40,841) | 40,841 | - | - | - |
| Balance at 31 December 2020 | | 176,357 | 113,289 | 216,961 | 506,607 | 13,147 | 519,754 |
| 2019 | | | | | | | |
| Balance at 1 January 2019 | | 176,357 | 109,330 | 114,612 | 400,299 | 13,321 | 413,620 |
| Profit for the year | | - | - | 901 | 901 | 5,710 | 6,611 |
| Other comprehensive income / (expense) | | | | | | | |
| Revaluation of property, plant and equipment | | - | 57,481 | - | 57,481 | - | 57,481 |
| Deferred tax effect on revaluation of property, plant and equipment | 15 | - | (10,505) | - | (10,505) | - | (10,505) |
| Deferred tax effect on sale of property, plant and equipment | | - | 6,988 | - | 6,988 | - | 6,988 |
| Exchange differences on translation of foreign operations | | - | (648) | - | (648) | 320 | (328) |
| Movement in cash flow hedge reserve | 15 | - | 6,190 | - | 6,190 | 13 | 6,203 |
| Total other comprehensive income | | - | 59,506 | - | 59,506 | 333 | 59,839 |
| Transactions with owners | | | | | | | |
| Dividends | 17 | - | - | - | - | (5,667) | (5,667) |
| Total transactions with owners | | - | - | - | - | (5,667) | (5,667) |
| Transfer from asset revaluation reserve due to asset disposal | 15 | - | (57,213) | 57,213 | - | - | - |
| Balance at 31 December 2019 | | 176,357 | 111,623 | 172,726 | 460,706 | 13,697 | 474,403 |

BALANCE SHEET

AS AT 31 DECEMBER 2020

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | | 44,664 | 36,208 |
| Trade and other receivables | 19 | 184,948 | 188,574 |
| Inventories | 20 | 39,666 | 28,316 |
| Taxation receivable | | 9,942 | 11,842 |
| Derivative financial instruments | 29 | 14,832 | 3,929 |
| Biological assets | 8 | 23,449 | 22,633 |
| Total current assets | | 317,500 | 291,502 |
| Non-current assets | | | |
| Trade and other receivables | 19 | 17,087 | 21,575 |
| Derivative financial instruments | 29 | 6,561 | 4,035 |
| Deferred tax assets | 7 | 1,166 | 1,804 |
| Investments in unlisted entities | | 87 | 93 |
| Property, plant and equipment | 9 | 392,700 | 386,079 |
| Right-of-use assets | 12 | 119,198 | 60,066 |
| Investment property | 26 | 13,500 | 15,000 |
| Intangible assets | 10 | 77,842 | 38,576 |
| Investments in joint ventures | 24 | 3,347 | 4,006 |
| Investments in associates | 25 | 31,753 | 31,496 |
| Total non-current assets | | 663,242 | 562,730 |
| Total assets | | 980,742 | 854,232 |
| Current liabilities | | | |
| Trade and other payables | 21 | 179,098 | 174,744 |
| Loans and borrowings | 13 | 24,729 | 6,557 |
| Lease liabilities | 12 | 21,282 | 13,547 |
| Taxation payable | | 1,861 | 2,025 |
| Derivative financial instruments | 29 | 1,547 | 1,680 |
| Total current liabilities | | 228,517 | 198,553 |
| Non-current liabilities | | | |
| Trade and other payables | 21 | 1,320 | 42 |
| Loans and borrowings | 13 | 76,400 | 84,895 |
| Lease liabilities | 12 | 102,457 | 48,016 |
| Derivative financial instruments | 29 | 5,623 | 5,617 |
| Deferred tax liabilities | 7 | 46,671 | 42,706 |
| Total non-current liabilities | | 232,471 | 181,276 |
| Total liabilities | | 460,988 | 379,829 |
| Equity | | | |
| Share capital | 15 | 176,357 | 176,357 |
| Revaluation and other reserves | 15 | 113,289 | 111,623 |
| Retained earnings | | 216,961 | 172,726 |
| Total equity attributable to equity holders of the Parent | | 506,607 | 460,706 |
| Non-controlling interests | | 13,147 | 13,697 |
| Total equity | | 519,754 | 474,403 |
| Total liabilities and equity | | 980,742 | 854,232 |

Approved for and on behalf of the Board



Prof. K.J. Lutz

Director (Chairman)

1 March 2021



C.A. Campbell

Director (Chair of Finance, Risk and Investment Committee)

1 March 2021

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| <i>Cash was provided from:</i> | | | |
| Cash receipts from customers | | 1,442,418 | 1,220,136 |
| Other | | 71 | 406 |
| <i>Cash was disbursed to:</i> | | | |
| Payments to suppliers and employees | | (1,374,939) | (1,152,104) |
| Interest paid | | (10,997) | (10,959) |
| Income taxes paid | | (272) | (6,470) |
| Net cash inflow from operating activities | | 56,281 | 51,009 |
| Cash flows from investing activities | | | |
| <i>Cash was provided from:</i> | | | |
| Dividends received from joint ventures and associates | | 2,430 | 7,617 |
| External loan repayments from suppliers, customers, associates and joint ventures | | 2,808 | - |
| Sale of other property, plant and equipment | | 605 | 62 |
| Cash acquired with business | | 605 | - |
| Sale of Nayland Road site | 12 | 50,514 | - |
| Sale of coolstore and packhouse | | - | 9,918 |
| Sale of kiwifruit post-harvest and orchard assets | | - | 9,774 |
| Sale of Mt. Wellington site | | - | 65,000 |
| <i>Cash was disbursed to:</i> | | | |
| Purchase of property, plant and equipment | 9 | (41,193) | (36,422) |
| Purchase of intangible assets | 10 | (5,584) | (3,106) |
| Purchase of Freshmax NZ Limited | 11 | (27,904) | - |
| Purchase of non-controlling interest's share in subsidiary | 23 | (371) | - |
| Loans to suppliers, customers, associates and joint ventures | | (449) | (15,657) |
| Net cash (outflow) / inflow from investing activities | | (18,539) | 37,186 |
| Cash flows from financing activities | | | |
| <i>Cash was provided from:</i> | | | |
| Net proceeds from short-term borrowings | | 22,600 | 1,364 |
| Proceeds from long-term borrowings | | 48,953 | - |
| Loans from related party | | - | 5,000 |
| <i>Cash was disbursed to:</i> | | | |
| Dividends paid to non-controlling interests | 17 | (5,441) | (5,667) |
| Dividends paid to Parent's shareholders | 17 | (7,353) | - |
| Repayment of long-term borrowings | | (56,512) | (65,094) |
| Repayment of related party loan | | (5,270) | - |
| Repayment of lease liabilities | | (21,658) | (21,242) |
| Bank facility fees and transaction fees | | (3,311) | (3,303) |
| Net cash outflow from financing activities | 18 | (27,992) | (88,942) |
| Net increase / (decrease) in cash and cash equivalents | | 9,750 | (747) |
| Foreign currency translation adjustment | | (1,294) | 177 |
| Cash and cash equivalents at the beginning of the year | | 36,208 | 36,778 |
| Cash and cash equivalents at the end of the year | | 44,664 | 36,208 |

STATEMENT OF CASH FLOWS (CONTINUED)

RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|--|-------|-----------------|----------------|
| Profit for the year | | 16,590 | 6,611 |
| Adjusted for non-cash items: | | | |
| Amortisation expense | 6 | 2,672 | 1,470 |
| Depreciation expense | 6 | 43,207 | 36,283 |
| Movement in deferred tax | 7 | 882 | (3,951) |
| Movement in expected credit loss allowance | | 1,837 | 293 |
| Share of profit of joint ventures | 24 | (65) | (14) |
| Share of profit of associates | 25 | (2,357) | (3,302) |
| Other movements | | (1,422) | 3,106 |
| | | 44,754 | 33,885 |
| Adjusted for investing and financing activities: | | | |
| Bank facility and line fees | | 3,311 | 3,303 |
| Gain on sale of kiwifruit post-harvest and orchard assets | 5 | - | (3,137) |
| Gain on sale and leaseback of cool store | 5 | - | (693) |
| Net gain from reversal of previous property, plant and equipment revaluation changes through profit and loss | 5 | (13) | (4,419) |
| Loss on disposal of other property, plant and equipment | 6 | 2,838 | 2,327 |
| Fair value adjustment of investment property | 26 | 1,500 | 316 |
| Impairment of loans to associates | | 921 | 791 |
| | | 8,557 | (1,512) |
| Impact of changes in working capital items net of effects of non-cash items, and investing and financing activities | | | |
| Decrease / (increase) in debtors and prepayments | | 6,278 | (35,915) |
| (Increase) / decrease in biological assets | | (816) | 5,552 |
| (Decrease) / increase in creditors and provisions | | (9,468) | 49,012 |
| Increase in inventories | | (11,350) | (3,801) |
| Decrease / (increase) in net taxation receivable | | 1,736 | (2,823) |
| Total | | (13,620) | 12,025 |
| Net cash inflow from operating activities | | 56,281 | 51,009 |

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

This section describes the principles and general accounting policies used in the preparation of the financial statements. Accounting policies that relate to specific line items on the income statement and balance sheet are described in their respective notes.

1. BASIS OF PREPARATION

REPORTING ENTITY AND STATUTORY BASE

T&G Global Limited (the Parent) and its subsidiary companies (the Group), are recognised as one of New Zealand's leading grower, distributor, marketer and exporter of premium fresh produce. Key categories for the Group include apples, grapes, berries, citrus (lemons, mandarins and navel oranges) and tomatoes.

These consolidated financial statements presented are for the Group which comprises the Parent and its subsidiaries, joint ventures and associates as at 31 December 2020.

The Parent is registered in New Zealand under the Companies Act 1993 and is a FMC Reporting Entity under the Financial Markets Conducts Act 2013, and the Financial Reporting Act 2013.

The Parent is a limited liability company incorporated and domiciled in New Zealand and is listed on the New Zealand Stock Exchange. The address of its registered office is 1 Clemow Drive, Mount Wellington, Auckland.

BayWa Aktiengesellschaft (the Ultimate Parent) is the ultimate parent of the Group and is based in Munich, Germany.

STATEMENT OF COMPLIANCE

These consolidated 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 (NZ IFRS) and other applicable New Zealand Financial Reporting Standards as appropriate for profit-oriented entities, and International Financial Reporting Standards (IFRS). These consolidated financial statements are prepared in accordance with the requirements of the Financial Markets Conduct Act 2013.

These consolidated financial statements are expressed in New Zealand dollars which is the presentation currency of the Group. All financial information has been rounded to the nearest thousand (\$'000) unless otherwise stated.

MEASUREMENT BASIS

The measurement basis adopted in the preparation of these consolidated financial statements is historical cost except for certain assets and liabilities, identified in specific accounting policies, which are stated at fair value.

BASIS OF CONSOLIDATION

In preparing these consolidated financial statements, subsidiaries are fully consolidated from the date on which the Group gains control until the date on which control ceases. All intercompany transactions, balances, income and expenses between the Group's companies are eliminated.

Accounting policies of subsidiaries, joint ventures and associates have been aligned where necessary to ensure consistency with policies adopted by the Group.


The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable assets.

Acquisition related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is initially remeasured at fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest and fair value of the Group's previously held interest (if any) over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

BASIS OF ACCOUNTING


Significant accounting policies are set out within the notes to which those policies are applicable and are designated with a  symbol. All other significant accounting policies are set out on the following page.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of the Group's subsidiaries that do not have New Zealand dollars as their functional currency are translated to New Zealand dollars at foreign exchange rates ruling at balance sheet date. The revenues and expenses of these foreign operations are translated to New Zealand dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to New Zealand dollars at the foreign exchange rate on the dates that the fair value was determined.

FAIR VALUE ESTIMATION

Where fair value measurement has been applied, a  symbol designates the paragraph describing the valuation method used.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. BASIS OF PREPARATION (CONTINUED)

FAIR VALUE ESTIMATION (CONTINUED)


The Group uses various valuation methods to determine the fair value of certain assets and liabilities. The inputs to the valuation methods used to measure fair value are categorised into three levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

GOODS AND SERVICES TAX (GST)

The income statement, statement of comprehensive income and statement of cash flows have been presented with all items exclusive of GST. All items in the balance sheet are stated net of GST, except for receivables and payables, which include GST invoiced.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and judgments concerning the future. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and judgments that have a potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed within the notes to which those judgments are applicable and are designated with a  symbol.

| Area of estimate and judgement | Note |
|---|--------------------------------------|
| Fair value of biological assets | Note 8 Biological assets |
| Valuation of property, plant and equipment | Note 9 Property, plant and equipment |
| Carrying value of intangible assets | Note 10 Intangible assets |
| Fair value of acquired assets and liabilities | Note 11 Business combination |
| Calculation of lease liabilities | Note 12 Leases |
| Valuation of investment property | Note 26 Investment property |

COVID-19 PANDEMIC

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19.

To combat the spread of the virus in New Zealand, the New Zealand Government moved the country into a full lockdown of non-essential services from Wednesday 25 March 2020 – Monday 27 April 2020 which impacted the operations of the Group.

As the rate of virus spread in New Zealand slowed, lockdown measures eased between Tuesday 28 April 2020 and Tuesday 12 May 2020 allowing for more activity to resume. Social distancing measures continued easing until Tuesday 9 June when normal activity resumed.

Auckland re-entered into partial lockdown between Wednesday 12 August 2020 to Sunday 30 August 2020, while the rest of the country remained at normal operational activity.

These lockdowns have not significantly impacted the Group's operations.

The Group operates and trades internationally through its overseas subsidiaries. While the response to the COVID-19 pandemic differed from country to country, the Group did not experience significant downturns in trading in its foreign operations with trading remaining strong in Asia, Europe and North America.

The Group has assessed the impact of COVID-19 on items on the balance sheet, specifically considering the carrying value of items held at fair value, or where management judgement is applied in the valuation of an asset or liability. This assessment is based on information available at the time of preparing these financial statements.

TRADE RECEIVABLES

The Group did not see a significant increase in local customer default during the lockdown or post-lockdown period to 31 December 2020. There were also no significant increases in instances of customer default in the Group's international customer base during this time. Because of this, there were no material changes in the inputs used in the recalculation of the Group's allowance for expected credit losses, namely the Probability of Default and the Loss Given Default.

The recalculation showed no additional allowances for expected credit losses were required at 31 December 2020 and the carrying value of trade receivables is assessed as appropriate.

The Group continues to monitor customer activity and any changes that may affect the allowance for expected credit losses and the carrying value of trade receivables.

INVENTORY

The Group noted no significant impact on ageing of inventory or inventory written off during the lockdown period. There has been a normal turnaround of produce in the domestic market, and produce is still able to be moved internationally despite logistical challenges. Once fruit is in-market internationally, the Group's current experience is that produce can still be moved given the demand for fresh produce and sale of produce internationally is occurring.

The carrying value of inventories at 31 December 2020 is assessed as appropriate.

CARRYING VALUE OF COMMERCIAL LAND AND BUILDINGS, AND ORCHARD LAND AND IMPROVEMENTS, AND INVESTMENT PROPERTY

The Group holds these assets at fair value with valuations provided by independent valuers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. BASIS OF PREPARATION (CONTINUED)

CARRYING VALUE OF COMMERCIAL LAND AND BUILDINGS, AND ORCHARD LAND AND IMPROVEMENTS, AND INVESTMENT PROPERTY (CONTINUED)

In assessing the carrying value of property, the most recent valuations carried out during the 2020 financial year has not uncovered any indicators of impairment at 31 December 2020 and the carrying value of commercial land and buildings, orchard land and improvements, and investment property is assessed as appropriate at balance date.

The Group continues to monitor market trends on an ongoing basis and any impact these may have on the carrying value of these assets.

CARRYING VALUE OF BIOLOGICAL ASSETS

The carrying value of biological assets at 31 December 2020 represents initial growing costs incurred to grow the upcoming season's apple crop, and the fair value of citrus and tomatoes. The fair values of citrus and tomatoes are based on expected volume yields and forecasted market prices based on current market evidence at 31 December 2020.

The valuation of apples relies on unobservable inputs such as Export Prices per Tray Carton Equivalent (TCE), volumes of TCE's per hectare, and a risk adjusted discount rate. Assessments on the carrying value of the Group's apple crop has not indicated COVID-19 to have negatively impacted these inputs at 31 December 2020. Because of this, the carrying value of these assets is considered appropriate at 31 December 2020.

GOODWILL

The carrying value of goodwill was assessed to consider the impacts of COVID-19. This was done using discounted cash flow (DCF) models as described in Note 10. Assumptions used in the DCF model reflected forecasted impacts of COVID-19 on the profitability of the Group's cash-generating units to which goodwill is allocated.

The calculations at 31 December 2020 supported the carrying value of goodwill. The Group continues to monitor market conditions on an ongoing basis and any impact these may have on the carrying value of goodwill.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Carrying values of the Group's material investments in associates and joint ventures were assessed to consider the impact of COVID-19 on these investees. In the year ended 31 December 2020, most investees have returned positive share of income to the Group, and reviews of forecasted profitability have indicated no significant downturns in trading that would give rise to indicators of impairment.

The carrying value of material investments in associates and joint ventures is assessed as appropriate at 31 December 2020.

BORROWINGS

The Group's seasonal and term debt facilities are subject to a number of externally imposed bank financial covenants. These covenants are calculated monthly and reported to the banks on a monthly and quarterly basis. As an essential service provider, the Group traded during the lockdown period and generated the required cashflow and earnings to meet its covenants at 31 December 2020.

The Group's seasonal facilities have been repaid before the end of the financial year, and the Group's classification of its term borrowings as non-current liabilities is appropriate at 31 December 2020.

2. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

Amendment to NZ IAS 1 *Presentation of Financial Statements* (NZ IAS 1)

NZ IAS 1 prescribes the basis for the presentation of general purpose financial statements to ensure the comparability of financial information. The amendments to this standard are effective for annual periods beginning on or after 1 January 2020 with the purpose to clarify the existing NZ IAS 1 disclosure requirements relating to materiality and structure of the notes to the financial statements. Consequential amendments have been made to NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, NZ IAS 10 *Events after the Reporting Period* and NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to clarify the definition of material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Materiality depends on the nature or magnitude of information, or both, either individually or in combination with other information.

For the structure of the notes to the financial statements, the amendments clarify that it should be presented in a systematic manner by taking into consideration the effect on the understandability and comparability of financial statements.

The Group early adopted the amendments prospectively in the 2019 financial year. In terms of materiality, the disclosure of the information in financial statements for the Group has not changed as a result of the adoption of these amendments to the standards. Notes to the financial statements have been grouped under the following categories:

- | | |
|-------------------------|---------------------|
| • Financial performance | • Working capital |
| • Operating assets | • Group structure |
| • Funding | • Other disclosures |

Other standards, amendments and interpretations

There are other standards, amendments and interpretations which have been approved but are not yet effective. The Group expects to adopt other standards when they become mandatory. None are expected to materially impact the Group's financial statements although may result in change in disclosure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FINANCIAL PERFORMANCE

This section explains the performance of the Group and details the contributions made by the Group's operating segments. It also describes how the Group earns its revenue and addresses other areas that impact on profitability such as other income, other expenses, and taxation.

3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the Chief Executive Officer, the Chief Financial Officer and the Business Leads of the Group.

The chief operating decision-makers assess the performance of the operating segments based on operating profit, which reflects earnings before financing income and expenses, share of profit from joint ventures and associates, other income, other expenses and income tax expense. Inter-segment pricing is determined on an arm's length basis and segment results include items directly attributable to a segment.

No single external customer's revenue accounts for 10% or more of the Group's revenue.

OPERATING SEGMENTS

The Group comprises the following main operating segments:

| OPERATING SEGMENT | SIGNIFICANT OPERATIONS |
|------------------------------|---|
| Apples | Growing, packing, cool storing, selling and marketing of apples worldwide. |
| International Trading | International trading activities other than apples. Major markets are Asia, Australia and the Americas. Product is sourced from New Zealand, Australia, North America, South America and Europe. |
| T&G Fresh | Growing, trading and transport activities within New Zealand and exports to the Pacific. This incorporates the New Zealand wholesale markets, the newly acquired Freshmax New Zealand Limited business, and the tomato and citrus growing operations. |
| Other | Includes property and corporate costs. |

In line with the Group's strategy to focus on its core business, Processed Foods is no longer considered a main operating segment for the Group in 2020. Results from the business units that previously formed this segment have been included in the International Trading and Other operating segment in the current year. There have been other changes made to the composition of business segments to reflect the Group's internal reporting. Prior year segment results have been re-presented to ensure consistency with the current year.

Segment information provided to the chief operating decision-makers for the reportable segments is shown in the following tables:

| | Apples \$'000 | International Trading \$'000 | T&G Fresh \$'000 | Other \$'000 | Total \$'000 |
|---|------------------|------------------------------------|---------------------|-----------------|------------------|
| 2020 | | | | | |
| Total segment revenue | 947,338 | 199,392 | 370,546 | 930 | 1,518,206 |
| Inter-segment revenue | (72,111) | (20,676) | (12,829) | - | (105,616) |
| Revenue from external customers | 875,227 | 178,716 | 357,717 | 930 | 1,412,590 |
| Purchases, raw materials and consumables used | (695,568) | (168,679) | (222,564) | (65) | (1,086,876) |
| Depreciation and amortisation expenses | (20,170) | (776) | (22,433) | (2,500) | (45,879) |
| Net other operating expenses | (107,382) | (6,935) | (94,316) | (38,826) | (247,459) |
| Segment operating profit / (loss) | 52,107 | 2,326 | 18,404 | (40,461) | 32,376 |
| Financing income | | | | | 1,334 |
| Financing expense | | | | | (14,108) |
| Share of profit from joint ventures | | | | | 65 |
| Share of profit from associates | | | | | 2,357 |
| Profit before income tax | | | | | 22,024 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION (CONTINUED)

| | Apples \$'000 | International Trading \$'000 | T&G Fresh \$'000 | Other \$'000 | Total \$'000 |
|---|------------------|------------------------------------|---------------------|-----------------|-----------------|
| 2019 (restated) | | | | | |
| Total segment revenue | 742,583 | 232,179 | 288,912 | 150 | 1,263,824 |
| Inter-segment revenue | (35,576) | (5,643) | (6,196) | - | (47,415) |
| Revenue from external customers | 707,007 | 226,536 | 282,716 | 150 | 1,216,409 |
| Purchases, raw materials and consumables used | (558,497) | (205,160) | (168,142) | (8) | (931,807) |
| Depreciation and amortisation expenses | (17,875) | (840) | (16,765) | (2,273) | (37,753) |
| Net other operating expenses | (97,161) | (19,677) | (78,802) | (34,708) | (230,348) |
| Segment operating profit / (loss) | 33,474 | 859 | 19,007 | (36,839) | 16,501 |
| Financing income | | | | | 748 |
| Financing expense | | | | | (14,084) |
| Share of profit from joint ventures | | | | | 14 |
| Share of profit from associates | | | | | 3,302 |
| Other income | | | | | 3,830 |
| Profit before income tax | | | | | 10,311 |

The Group is domiciled in New Zealand. The total revenues from external customers in New Zealand and other regions are:

| | 2020 \$'000 | 2019 \$'000 |
|-------------------------------|------------------|------------------|
| New Zealand | 331,894 | 245,437 |
| Australia and Pacific Islands | 101,310 | 118,587 |
| Asia | 355,898 | 386,995 |
| Americas | 87,649 | 84,760 |
| Europe | 535,839 | 380,630 |
| Total | 1,412,590 | 1,216,409 |

The total non-current assets other than trade and other receivables, derivative financial instruments, deferred tax assets and investment in unlisted entities located in New Zealand and other countries are:

| | 2020 \$'000 | 2019 \$'000 |
|--------------|----------------|----------------|
| New Zealand | 583,730 | 481,560 |
| Other | 54,610 | 53,663 |
| Total | 638,340 | 535,223 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS



The Group records revenue from the following sources:

Sale of produce

Revenue from the sale of produce is recognised either on dispatch or when the produce has reached its destination, depending on the terms and agreements with customers and when there is supporting evidence that control and ownership of the produce has transferred to the customer.

Commissions

The Group acts as an agent in certain revenue generating transactions where it facilitates the sale of produce into markets and customers. Commission revenue is recognised in these instances when there is supporting evidence that control and ownership of goods have transferred to the end-customer.

Services

The Group derives the majority of its service revenue through the provision of cool storage and packing services during the growing and selling seasons. Revenue from the provision of services is recognised simultaneously as the services are being performed over the length of the contract or at a point-in-time depending on the specifics of the contract.

Royalties

The Group recognises revenue from royalties when actual sales of the Group's licenced apple varieties occur.

Principal and agency arrangements

The Group holds arrangements in which it acts as the principal and other arrangements in which it acts as the agent. The following factors have been used by the Group in distinguishing whether it acts as the principal or the agent in specific arrangements:

- Primary responsibility for fulfilling the promise to provide the goods or services to the end-customer.
- Inventory risk before goods are transferred to the end-customer.
- The discretion to establish the price of goods and services above.

| | Apples \$'000 | International Trading \$'000 | T&G Fresh \$'000 | Other \$'000 | Total \$'000 |
|--|------------------|------------------------------------|---------------------|-----------------|------------------|
| 2020 | | | | | |
| Nature of revenue | | | | | |
| Sale of produce | 813,072 | 173,136 | 287,198 | - | 1,273,406 |
| Commissions | 20,915 | 2,465 | 21,294 | - | 44,674 |
| Services | 32,840 | 3,115 | 49,225 | 930 | 86,110 |
| Royalties | 8,400 | - | - | - | 8,400 |
| Revenue from external customers | 875,227 | 178,716 | 357,717 | 930 | 1,412,590 |
| Timing of revenue recognition | | | | | |
| <i>At a point in time</i> | | | | | |
| Sale of produce | 813,072 | 173,136 | 287,198 | - | 1,273,406 |
| Commissions | 20,915 | 2,465 | 21,294 | - | 44,674 |
| Services | 23,335 | 3,115 | 49,210 | 930 | 76,590 |
| Royalties | 8,400 | - | - | - | 8,400 |
| | 865,722 | 178,716 | 357,702 | 930 | 1,403,070 |
| <i>Over time</i> | | | | | |
| Services | 9,505 | - | 15 | - | 9,520 |
| | 9,505 | - | 15 | - | 9,520 |
| Revenue from external customers | 875,227 | 178,716 | 357,717 | 930 | 1,412,590 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

| | Apples \$'000 | International Trading \$'000 | T&G Fresh \$'000 | Other \$'000 | Total \$'000 |
|--|------------------|------------------------------------|---------------------|-----------------|------------------|
| 2019 (restated) ⁽¹⁾ | | | | | |
| Nature of revenue | | | | | |
| Sale of produce | 650,756 | 223,005 | 224,414 | - | 1,098,175 |
| Commissions | 17,478 | 2,537 | 21,462 | - | 41,477 |
| Services | 30,845 | 994 | 36,618 | 150 | 68,607 |
| Royalties | 7,928 | - | 222 | - | 8,150 |
| Revenue from external customers | 707,007 | 226,536 | 282,716 | 150 | 1,216,409 |
| Timing of revenue recognition | | | | | |
| <i>At a point in time</i> | | | | | |
| Sale of produce | 650,756 | 223,005 | 224,414 | - | 1,098,175 |
| Commissions | 17,478 | 2,537 | 21,462 | - | 41,477 |
| Services | 22,897 | 994 | 36,605 | 150 | 60,646 |
| Royalties | 7,928 | - | 222 | - | 8,150 |
| | 699,059 | 226,536 | 282,703 | 150 | 1,208,448 |
| <i>Over time</i> | | | | | |
| Services | 7,948 | - | 13 | - | 7,961 |
| | 7,948 | - | 13 | - | 7,961 |
| Revenue from external customers | 707,007 | 226,536 | 282,716 | 150 | 1,216,409 |

⁽¹⁾ Prior year segment results have been re-presented to ensure consistency in the composition of business segments to reflect the Group's internal reporting. Refer to Note 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. OTHER INCOME

OTHER INCOME

The Group recognised income from other operating and non-operating activities during the year.

Other operating income consists of the following:

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Net exchange gains | | 580 | - |
| Net gain from changes in fair value of biological assets | 8 | 5,698 | 6,439 |
| Net gain from reversal of previous property, plant and equipment revaluation changes through profit and loss | | 13 | 4,419 |
| Rent - others | | 2,095 | 1,451 |
| Rent from subleases | | 1,120 | 1,457 |
| Other | | 513 | 533 |
| Total | | 10,019 | 14,299 |

Net exchange gains do not include a net realised foreign exchange gain of \$2.3 million (2019: \$12.8 million) recognised as part of revenue and purchase, raw materials and consumables used. The total impact of exchange differences in the current financial year was a net gain of \$2.9 million (2019: \$5.1 million).

Other income consists of the following non-operating activities:

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Gain on sale of kiwifruit post-harvest and orchard assets | - | 3,137 |
| Gain on sale and leaseback of cool stores | - | 693 |
| Total | - | 3,830 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. OTHER EXPENSES

DEPRECIATION AND AMORTISATION EXPENSES


| | NOTES | 2020 \$'000 | 2019 \$'000 |
|---|-------|----------------|----------------|
| Depreciation of property, plant and equipment | 9 | 20,790 | 20,409 |
| Depreciation of right-of-use assets | 12 | 22,417 | 15,874 |
| Amortisation | 10 | 2,672 | 1,470 |
| | | 45,879 | 37,753 |

Other operating expenses

Other operating expenses includes the following:

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|---|-------|----------------|----------------|
| Directors' remuneration | 27 | 386 | 386 |
| Fleet costs | | 10,135 | 11,515 |
| Net exchange losses | | - | 7,657 |
| Net loss on disposal of property, plant and equipment | | 2,838 | 2,327 |
| Professional fees | | 13,643 | 13,196 |
| Promotion costs | | 8,014 | 9,437 |
| Rental and property related costs | | 15,354 | 13,592 |
| Repairs and maintenance | | 10,759 | 9,405 |
| Research and development | | 2,047 | 1,624 |
| Travel and accommodation | | 2,109 | 4,747 |

EMPLOYEE BENEFITS EXPENSES

 **Defined contribution plans**
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term employee benefits

Employee entitlements to salaries and wages and annual leave, to be settled within twelve months of the reporting date, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

During the year, contributions of \$4.1 million were made by the Group towards employees' superannuation schemes (2019: \$3.9 million).

AUDIT FEES

Audit fees of the Group and related services from the Group's auditors consist of the following:

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Deloitte Limited and affiliated firms | | |
| Audit of the financial statements | 613 | 676 |
| Audit related services | 9 | 9 |
| Other services | 20 | 39 |
| Other auditors | | |
| Audit services provided | 612 | 412 |
| Other services | 134 | 100 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. OTHER EXPENSES (CONTINUED)

AUDIT FEES (CONTINUED)

Services performed by Deloitte Limited in 2020 comprise the following:

- Audit of statutory financial statements for the Group and individual subsidiary companies, including offshore subsidiaries with local statutory audit requirements where Deloitte Limited, or a member of its network, is the auditor.
- Audit related services including procedures relating to the interim financial statements.
- Review of solvency return for a captive insurance subsidiary.
- Other services including whistleblower hotline services and administration of the corporate tax payer group.

During the year, subsidiaries of the Group engaged other auditors to perform audit services and the fees paid were as follows:

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| BDO for Delica (Shanghai) Fruit Trading Company Limited | 10 | 13 |
| Burgess Hodgson LLP for Worldwide Fruit Limited | 103 | 89 |
| HLB Mann Judd for Delica Australia Pty Limited, Delica Domestic Pty Limited, T&G Vizzarri Farms Pty Limited | 178 | 61 |
| Hutchinson and Bloodgood LLP for Delica North America, Inc. | 110 | 137 |
| Moss Adams LLP for ENZAFRUIT Products Inc. | 76 | 86 |
| JPAC for T&G South East Asia Limited | 135 | 26 |
| Total | 612 | 412 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION



Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant taxation authorities based on the current period's taxable income and any adjustments in respect of previous years.

Deferred tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Income tax is recognised in the income statement apart from when it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

(A) TAXATION ON PROFIT BEFORE INCOME TAX

| | 2020 \$'000 | 2019 \$'000 |
|---------------------------------|----------------|----------------|
| Current tax expense | (4,552) | (7,651) |
| Deferred tax (expense) / credit | (882) | 3,951 |
| Total | (5,434) | (3,700) |

(B) RECONCILIATION OF PRIMA FACIE TAXATION AND TAX EXPENSE

The taxation expense that would arise at the standard rate of corporation tax in New Zealand is reconciled to the tax expense as follows:

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Profit before income tax | 22,024 | 10,311 |
| Prima facie taxation at 28% (2019: 28%) | (6,167) | (2,887) |
| (Add) / deduct tax effect of: | | |
| Non-deductible items | (1,778) | (2,812) |
| Effect of tax rates in non New Zealand jurisdictions | 1,533 | 883 |
| Tax on share of joint ventures' and associates' profits | 551 | 683 |
| Recognition of losses previously not recognised | - | 203 |
| Deferred tax assets not recognised | (1,308) | (861) |
| Reinstatement of tax base on depreciable buildings in New Zealand | 1,173 | - |
| Adjustments in respect of prior periods | 276 | (48) |
| Unutilised foreign tax credits not available for future periods | (99) | (1,078) |
| Non-taxable items | 247 | 2,217 |
| Other | 138 | - |
| Total | (5,434) | (3,700) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION (CONTINUED)

(C) DEFERRED TAXATION

Balance of temporary differences

| | Property, plant and equipment \$'000 | Intangible assets \$'000 | Biological assets \$'000 | Provisions and accruals \$'000 | Unrelieved trading losses \$'000 | Other \$'000 | Total \$'000 |
|---|---|--------------------------------|--------------------------------|---|---|-----------------|-----------------|
| 2019 | | | | | | | |
| Balance as at 1 January | (44,533) | (1,701) | (7,892) | 1,365 | 10,554 | 3,222 | (38,985) |
| Recognised in income statement prior year | 4,434 | (341) | (393) | 482 | 870 | (3,859) | 1,193 |
| Recognised in income statement | 1,597 | 39 | 1,605 | 957 | (1,422) | (18) | 2,758 |
| Recognised in equity | (3,517) | - | - | 84 | (2,501) | 58 | (5,876) |
| Foreign exchange movements | (13) | (12) | - | (3) | 35 | 1 | 8 |
| Balance as at 31 December | (42,032) | (2,015) | (6,680) | 2,885 | 7,536 | (596) | (40,902) |
| 2020 | | | | | | | |
| Balance as at 1 January | (42,032) | (2,015) | (6,680) | 2,885 | 7,536 | (596) | (40,902) |
| Additions through business acquisition | 177 | (1,879) | - | 332 | - | - | (1,370) |
| Recognised in income statement prior year | (84) | - | 24 | (165) | (960) | - | (1,185) |
| Recognised in income statement | 5,124 | 150 | (393) | 1,548 | (5,889) | (237) | 303 |
| Recognised in equity | (3,037) | - | - | - | - | 499 | (2,538) |
| Recognised in equity prior year | - | - | - | - | - | 278 | 278 |
| Foreign exchange movements | 16 | (16) | - | (6) | (85) | - | (91) |
| Balance as at 31 December | (39,836) | (3,760) | (7,049) | 4,594 | 602 | (56) | (45,505) |

Net deferred tax balance of \$45.5 million (2019: \$40.9 million) is represented by deferred tax assets of \$1.2 million (2019: \$1.8 million) and deferred tax liabilities of \$46.7 million (2019: \$42.7 million).

Expected settlement

| | 2020 \$'000 | 2019 \$'000 |
|---|-----------------|-----------------|
| Deferred tax (liabilities) / assets expected to be settled within 12 months | (2,318) | 3,741 |
| Deferred tax liabilities expected to be settled in more than 12 months | (43,187) | (44,643) |
| Total | (45,505) | (40,902) |

(D) IMPUTATION CREDITS


The Group had a negative imputation credit account balance of \$2.3 million as at 31 December 2020 (2019: \$0.6 million positive balance) and the Group will be making a voluntary payment before 31 March 2021 to ensure the balance is in credit at that time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)


OPERATING ASSETS

This section describes the assets used to operate the business and generate revenue for the Group. Operating assets include biological assets, property, plant and equipment, and intangible assets.

8. BIOLOGICAL ASSETS

 Biological assets consist of unharvested fruit growing on bearer plants, and are stated at fair value based on their present location and condition less estimated point-of-sale costs. Any gain or loss from changes in the fair value of biological assets is recognised in the income statement.

Point-of-sale costs include all other costs that would be necessary to sell the assets.

 The fair value of the Group's apples, grapes, berries, citrus fruit and tomatoes are determined by management using a discounted cash flow approach.

Costs are based on current average costs and referenced back to industry standard costs. The costs are variable depending on the location, planting and the variety of the biological asset. A suitable discount rate has been determined in order to calculate the present value of those cash flows. The fair value of biological assets at or before the point of harvest is based on the value of the estimated market price of the estimated volumes produced, net of harvesting and growing costs. Changes in the estimates and assumptions supporting the valuations could have a material impact on the carrying value of biological assets and reported profit.

The following significant assumptions and considerations have been taken into account in determining the fair value of the Group's biological assets:

- Forecasts for the following year based on management's view of projected cash flows, including sales and margins, adjusted for inflation, location and variety of crops.
- The Group has unhedged projected cash flows from sales in foreign currencies. These have been translated to the Group's functional currency at average exchange rates sourced from financial institutions based on forecasted sales profiles.
- Discount rates to adjust for risks inherent to the crop, including natural events, disease or any other adverse factors that may impact the quality, yield or price.
- Any significant changes to management of the crop in the current and following year.

Valuation Process

Within the Group's finance team are individuals who work closely with the Group's key biological asset categories during the year. These finance team members are also responsible for performing valuations of the Group's biological assets for financial reporting purposes.

Discussions of valuation processes and results are held between the Chief Financial Officer and the finance team at least once every six-months in line with the Group's reporting requirements.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Production yields, including tray carton equivalents per hectare and tonnes per hectare, are determined based on historical production trends for each orchard and forecasted expected yields based on the underlying age and health of the orchards.
- Annual gate prices represent management's assessment of expected future returns for the biological assets based on historical trends, current market pricing, and known market factors at balance date.
- Discount rates are determined by reference to historical trends and loss events, and an assessment of the time value of money and any risks specific for the current crop being valued.

The fair value of biological assets and the level 3 inputs to the fair value model are analysed at the end of each reporting period as part of the half-yearly discussion held with the Chief Financial Officer.

As part of the analysis the level 3 inputs are reviewed and assessed for reasonableness with reference to current market conditions. The calculated fair value of biological assets is also reviewed to determine if it is a fair reflection of management's expected returns for each crop type.

The cash outflows used in the fair value calculation include notional cash flows for land and bearer plants owned by the Group. They are based on market rent payable for orchards of similar size.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)


8. BIOLOGICAL ASSETS (CONTINUED)

| | Apples \$'000 | Tomatoes \$'000 | Citrus \$'000 | Grapes \$'000 | Blueberries \$'000 | Total \$'000 |
|---|------------------|--------------------|------------------|------------------|-----------------------|-----------------|
| 2019 | | | | | | |
| Balance at 1 January | 23,873 | 2,180 | 1,733 | - | 399 | 28,185 |
| Capitalised costs | 28,505 | 1,655 | 5,661 | 7,313 | 902 | 44,036 |
| Change in fair value less costs to sell | 3,196 | 3,555 | (59) | - | (253) | 6,439 |
| Decrease due to harvest | (37,214) | (5,536) | (5,358) | (6,702) | (1,217) | (56,027) |
| Balance at 31 December | 18,360 | 1,854 | 1,977 | 611 | (169) | 22,633 |
| 2020 | | | | | | |
| Balance at 1 January | 18,360 | 1,854 | 1,977 | 611 | (169) | 22,633 |
| Capitalised costs | 31,267 | - | 5,982 | 692 | 1,796 | 39,737 |
| Change in fair value less costs to sell | 2,077 | 3,327 | 272 | - | 22 | 5,698 |
| Decrease due to harvest | (31,860) | (3,708) | (6,497) | (1,303) | (1,251) | (44,619) |
| Balance at 31 December | 19,844 | 1,473 | 1,734 | - | 398 | 23,449 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. BIOLOGICAL ASSETS (CONTINUED)

FAIR VALUE MEASUREMENT

 Techniques applied by the Group which are used to value biological assets are considered to be level 3 in the fair value hierarchy. Inputs are not based on observable market data (that is, unobservable inputs). There have been no transfers between levels during the year.

The unobservable inputs used by the Group to fair value its biological assets are detailed below:

| PRODUCE | UNOBSERVABLE INPUTS | RANGE OF UNOBSERVABLE INPUTS | |
|-------------|---|------------------------------|-------------------|
| | | 2020 | 2019 |
| Apples | Tray carton equivalent (TCE) per hectare per annum | 1,170 to 5,500 | 1,400 to 6,500 |
| | Weighted average TCE per hectare per annum | 2,335 | 3,366 |
| | Export prices per export TCE | \$10 to \$71 | \$10 to \$70 |
| | Weighted average export prices per export TCE per annum | \$35.39 | \$35.19 |
| | Risk-adjusted discount rate | 35% | 25% |
| Tomatoes | Tonnes per hectare per annum | 159 to 582 | 171 to 628 |
| | Weighted average tonnes per hectare per annum | 435 | 431 |
| | Annual price per kilogram (kg) per season | \$1.34 to \$18.98 | \$1.49 to \$18.78 |
| | Weighted average price per kg per season | \$3.53 | \$3.60 |
| | Risk-adjusted discount rate | 25% | 25% |
| Citrus | Tonnes per hectare per annum | 36 | 29 |
| | Weighted average tonnes per hectare per annum | 36 | 29 |
| | Annual gate price per tonne per season | \$750 to \$2,570 | \$950 to \$2,670 |
| | Weighted average gate price per tonne per season | \$2,139 | \$1,888 |
| | Risk-adjusted discount rate | 14% | 14% |
| Blueberries | Tonnes per hectare per annum | 6.3 | 6.5 |
| | Weighted average tonnes per hectare per annum | 6.3 | 6.5 |
| | Annual gate price per kg per season | \$8.50 to \$18.50 | \$8.50 to \$16.92 |
| | Weighted average gate price per kg per season | \$17.67 | \$16.50 |
| | Risk-adjusted discount rate | 18% | 18% |

As the yield per hectare and gate price or export price per TCE increases, the fair value of biological assets increases. As the discount rate used increases, the fair value of biological asset decreases.

For the Group's apples crop, an increase of 5% in the discount rate would decrease the crop's fair value by \$0.4 million. A decrease of 5% in the discount rate would increase the fair value of crop by \$0.5 million.

For the Group's tomatoes, citrus, and blueberry crops, an increase or decrease of 5% in the discount rate would not have a material impact on the fair value of the crop.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. BIOLOGICAL ASSETS (CONTINUED)

RISK

Being involved in agricultural activity, the Group is exposed to financial risks arising from adverse climatic or natural events. Financial risk also arises through adverse changes in market prices or volumes harvested, and adverse movements in foreign exchange rates.

Price risk is minimised by close monitoring of commodity prices and factors that influence those commodity prices. The Group also takes reasonable measures to ensure that harvests are not affected by climatic and natural events, disease, or any other factors that may negatively impact on the quality and yield of crop. Foreign currency risk is mitigated by using derivative instruments such as foreign currency hedging contracts to hedge foreign currency exposure.

ACTIVITY ON PRODUCTIVE OWNED AND LEASED LAND

The productive owned and leased land growing different types of biological assets and by agricultural product types are detailed in the table below:

| | HECTARES | | PRODUCTION UNITS | | Unit Measure |
|-------------|----------|------|------------------|------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | |
| Apples | 739 | 779 | 1,603,147 | 1,622,308 | TCE |
| Tomatoes | 28 | 28 | 12,372,771 | 12,248,314 | kg |
| Citrus | 90 | 101 | 3,223,001 | 2,644,000 | kg |
| Grapes | 115 | 130 | 340,000 | 270,414 | kg |
| Blueberries | 11 | 11 | 69,711 | 73,182 | kg |

9. PROPERTY, PLANT AND EQUIPMENT



Commercial land and improvements, orchard land and improvements, and buildings are stated at their fair value less accumulated depreciation and impairment losses. All other items of property, plant and equipment are stated at their cost less accumulated depreciation and impairment losses.

Revaluations

The Group's policy is to revalue commercial land and improvements, orchard land and improvements, and buildings every three years with valuations being performed by independent registered valuers based on the price that would be received to sell the asset in an orderly transaction between market participants under current market conditions. Valuation assessments are performed earlier than every three years if market evidence suggests that property values have moved materially since the time of the last valuation assessment.

All property valuers used are members of the New Zealand Institute of Valuers, with the exception of the valuers appointed in Belgium, Peru and the United Kingdom who have the appropriate expertise as required in those jurisdictions.

The revaluations are conducted on a systematic basis across the Group so that the asset revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at balance date. Where valuations are not obtained for land and improvements, and buildings, the carrying values of these assets are reassessed for any material change.

Any increase in value that offsets a previous decrease in value of the same asset is charged to the income statement. Any other increase is recognised directly in other comprehensive income and accumulated in the asset revaluation reserve. Any decrease in value that offsets a previous increase in value of the same asset is charged against the asset revaluation reserve. Any other decrease in value is charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)



Depreciation

Depreciation of property, plant and equipment, other than commercial and orchard land which is not depreciated, is calculated on a straight-line basis so as to expense the cost of the assets, or the revalued amounts, to their expected residual values over their useful lives as follows:

- Commercial land improvements 15 to 50 years
- Orchard land improvements 15 to 50 years
- Buildings 15 to 50 years
- Bearer plants 7 to 40 years
- Glasshouses 33 years
- Motor vehicles 5 to 7 years
- Plant and equipment and hire containers 3 to 15 years

Impairment

Items of property, plant and equipment are assessed for indicators of impairment at each reporting date. Impairment losses are recognised in profit or loss in the period in which they arise.

| | Commercial land and improvements \$'000 | Orchard land and improvements \$'000 | Buildings \$'000 | Bearer plants \$'000 | Glasshouses \$'000 | Motor vehicles \$'000 | Plant and equipment and hire containers \$'000 | Work in progress \$'000 | Total \$'000 |
|---|--|---|---------------------|-------------------------|-----------------------|--------------------------|---|----------------------------|-----------------|
| At 1 January 2019 | | | | | | | | | |
| Cost or valuation | 69,391 | 66,999 | 156,565 | 34,151 | 27,854 | 6,613 | 153,031 | 28,751 | 543,355 |
| Accumulated depreciation and impairment | (1,768) | (1,439) | (12,846) | (6,649) | (11,788) | (4,367) | (107,952) | - | (146,809) |
| Net carrying amounts | 67,623 | 65,560 | 143,719 | 27,502 | 16,066 | 2,246 | 45,079 | 28,751 | 396,546 |
| Year ended 31 December 2019 | | | | | | | | | |
| Opening net carrying amounts | 67,623 | 65,560 | 143,719 | 27,502 | 16,066 | 2,246 | 45,079 | 28,751 | 396,546 |
| Additions | 502 | 140 | 835 | 5,253 | 61 | 432 | 4,254 | 24,945 | 36,422 |
| Reclassifications | 596 | - | 1,483 | 170 | - | - | 4,273 | (6,522) | - |
| Depreciation | (1,376) | (669) | (5,915) | (1,597) | (1,105) | (595) | (9,152) | - | (20,409) |
| Disposals | (41,259) | (3,901) | (29,925) | (2,484) | - | (124) | (3,349) | (7,380) | (88,422) |
| Revaluations | 18,503 | 18,502 | 11,913 | - | - | - | - | 246 | 49,164 |
| Depreciation write back on revaluations | 2,393 | 825 | 9,369 | - | - | - | - | - | 12,587 |
| Foreign exchange movements | 64 | 35 | 250 | (376) | - | 38 | 60 | 120 | 191 |
| Closing net carrying amounts | 47,046 | 80,492 | 131,729 | 28,468 | 15,022 | 1,997 | 41,165 | 40,160 | 386,079 |
| At 31 December 2019 | | | | | | | | | |
| Cost or valuation | 47,394 | 81,705 | 140,883 | 36,547 | 27,915 | 6,487 | 140,576 | 40,160 | 521,667 |
| Accumulated depreciation and impairment | (348) | (1,213) | (9,154) | (8,079) | (12,893) | (4,490) | (99,411) | - | (135,588) |
| Net carrying amounts | 47,046 | 80,492 | 131,729 | 28,468 | 15,022 | 1,997 | 41,165 | 40,160 | 386,079 |
| Year ended 31 December 2020 | | | | | | | | | |
| Opening net carrying amounts | 47,046 | 80,492 | 131,729 | 28,468 | 15,022 | 1,997 | 41,165 | 40,160 | 386,079 |
| Additions | 243 | 159 | 1,039 | 178 | 45 | 2,058 | 9,751 | 27,720 | 41,193 |
| Additions through business acquisition | - | - | 1,063 | - | - | 2 | 2,310 | 104 | 3,479 |
| Reclassifications | 1,133 | 1,136 | 1,730 | 13,951 | - | 13 | 5,009 | (22,972) | - |
| Depreciation | (1,211) | (759) | (6,540) | (1,644) | (962) | (647) | (9,027) | - | (20,790) |
| Disposals | (16,695) | (756) | (33,699) | (1,122) | - | (131) | (1,227) | (992) | (54,622) |
| Revaluations | 12,193 | - | 12,426 | - | - | - | - | 108 | 24,727 |
| Depreciation write back on revaluations | 869 | - | 13,296 | - | - | - | - | - | 14,165 |
| Foreign exchange movements | (69) | (375) | (530) | (849) | - | 9 | 274 | 9 | (1,531) |
| Closing net carrying amounts | 43,509 | 79,897 | 120,514 | 38,982 | 14,105 | 3,301 | 48,255 | 44,137 | 392,700 |
| At 31 December 2020 | | | | | | | | | |
| Cost or valuation | 43,876 | 81,828 | 125,248 | 49,275 | 27,960 | 7,552 | 151,195 | 44,137 | 531,071 |
| Accumulated depreciation and impairment | (367) | (1,931) | (4,734) | (10,293) | (13,855) | (4,251) | (102,940) | - | (138,371) |
| Net carrying amounts | 43,509 | 79,897 | 120,514 | 38,982 | 14,105 | 3,301 | 48,255 | 44,137 | 392,700 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

REVALUATIONS



The methods and valuation techniques used for assessing the current market value of commercial land and improvements, orchard land and improvements, buildings, and investment property by external valuers are disclosed on the following page. Changes in the estimates and assumptions underlying the valuation approaches could have a material effect on the carrying amounts of the properties, with changes in value reflected either in other comprehensive income or through the income statement as appropriate in accordance with the Group's accounting policy.

The following table presents the valuers and valuation techniques of the most recent valuation of the Group's commercial land and improvements, buildings, and investment property carried out between October to December 2020. Overall uplift from the revaluation of property amount to \$38.9 million. Refer to Note 26 for the result of the revaluation of investment property.

| PROPERTY | VALUER |
|--|------------------------|
| Depreciation replacement cost / discounted cash flow / income capitalisation approach | |
| 29 Stuart Road, Pukekohe | Telfer Young |
| 5125 Roxburgh-Ettrick Road, Ettrick, Roxburgh | Telfer Young |
| 490 Nayland Road, Nelson | Telfer Young |
| Depreciation replacement cost / market comparison approach | |
| 153 Harrisville Road, Tuakau, Waikato | Telfer Young |
| 292 Harrisville Road, Tuakau, Waikato | Telfer Young |
| 133 Lynd Road, Ohaupo, Waipa | Telfer Young |
| 3057 Broadlands Road, Broadlands, Rotorua | Telfer Young |
| 655 Main Road, Riwaka, Motueka | Telfer Young |
| Depreciation replacement cost / market comparison approach / income capitalisation approach | |
| 241 Evenden Road, Twyford, Hastings | Logan Stone |
| 22-32 Whakatu Road, Whakatu, Hastings | Logan Stone |
| 2 Anderson Road, Whakatu, Hastings | Logan Stone |
| Income capitalisation approach / market comparison approach | |
| 20 Mihaere Drive, Roslyn, Palmerston North | Telfer Young |
| Market comparison approach | |
| 37 Goodall Road, Riwaka, Motueka | Telfer Young |
| 3800 Sint-Truiden, Belgium | Vangronsveld & Vranken |
| Apple Way, Pinchbeck, Spalding, United Kingdom | Jones Lang LaSalle |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following table presents the valuers and valuation techniques of the most recent valuation of the Group's orchard land and improvements, carried out in 2019 between October and December.

| PROPERTY | VALUER |
|---|-------------|
| Depreciation replacement cost / market comparison approach | |
| Kerikeri orchards, Kerikeri | Logan Stone |
| Apollo orchards, Heretaunga Plains, Hawke's Bay | Logan Stone |
| 2 Anderson Road, Whakatu | Logan Stone |
| 66 Trotter Road, Twyford, Hastings | Logan Stone |
| Ormond Road, Twyford, Hastings | Logan Stone |
| Raupare Road, Twyford, Hastings | Logan Stone |
| Tambo Grande District, Sullana Province, Piura, Peru | Invalsa |
| 657 Main Road, Riwaka, Motueka | Logan Stone |
| 99 Swamp Road, Riwaka, Motueka | Logan Stone |
| 83 Swamp Road, Riwaka, Motueka | Logan Stone |
| 101 Motueka River West Bank Road, Brooklyn, Motueka | Logan Stone |

The principal valuation approaches used by the valuers during their valuations of commercial land and improvements, orchard land and improvements, and buildings, and the impact of a change in a significant unobservable valuation input are described below.

| PRINCIPAL VALUATION APPROACH AND DESCRIPTION OF APPROACH | RELATIONSHIPS OF UNOBSERVABLE INPUTS TO FAIR VALUE |
|---|--|
| Depreciation replacement cost approach This approach involves assessing the replacement cost of building and site improvements, adjusting this cost for depreciation and any obsolescence and the market value of land. | The higher the replacement cost after adjustments, the higher the fair value. |
| Discounted cash flow approach This approach is based on the future projection of rental income cash flows discounted back to their present value, with inputs which include: <ul style="list-style-type: none"> Discount rates with a range from 8.5% to 9.5% Terminal yield rates with a range from 7.75% to 10.5% Investment horizon of 10 years Rental growth estimated at between 0.1% to 9.3% per annum. | The higher the discount rate, the lower the fair value. The higher the terminal yield rate, the lower the fair value. The longer the investment horizon, the higher the fair value. The higher the rental growth rate, the higher the fair value. |
| Income capitalisation approach This approach capitalises the actual contract and / or potential income at an appropriate market derived rate of return. Capitalisation rates applied range from 6.5% to 9.3%. | The higher the capitalisation rate, the lower the fair value. |
| Market comparison approach This approach analyses comparable sales evidence to a sale price per square metre of floor area and makes adjustment to these rates to reflect differences in the location, size and quality of the buildings, together with an adjustment for any market movement since the sales occurred. | The higher the sale price per square metre after adjustments, the higher the fair value. |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

LAND AND BUILDINGS AT HISTORICAL COST

If land and buildings were carried under the cost model, their carrying amounts would be as follows:

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Commercial land and improvements | | |
| Cost | 20,814 | 20,995 |
| Accumulated depreciation and impairment | (5,599) | (6,541) |
| Net carrying amount | 15,215 | 14,454 |
| Orchard land and improvements | | |
| Cost | 63,939 | 63,068 |
| Accumulated depreciation and impairment | (21,087) | (20,368) |
| Net carrying amount | 42,852 | 42,700 |
| Buildings | | |
| Cost | 95,034 | 111,421 |
| Accumulated depreciation and impairment | (34,350) | (38,071) |
| Net carrying amount | 60,684 | 73,350 |

FAIR VALUE MEASUREMENT




Techniques applied by the Group which are used to value certain classes of property, plant and equipment are considered to be **level 3** in the fair value hierarchy. Inputs are not based on observable market data (that is, unobservable inputs). There have been no transfers between levels during the year.

The following values represent fair value at the time of valuation, plus additions and less disposals and accumulated depreciation, since the date of valuations. Management have assessed that these values represent fair value.

| | 2020 \$'000 | 2019 \$'000 |
|----------------------------------|----------------|----------------|
| Commercial land and improvements | 43,509 | 47,046 |
| Orchard land and improvements | 79,897 | 80,492 |
| Buildings | 120,514 | 131,729 |
| Total | 243,920 | 259,267 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INTANGIBLE ASSETS

 Intangible assets, except for goodwill acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

Software, licences and capitalised costs of developing systems are recorded as intangible assets, unless they are directly related to a specific item of hardware and recorded as property, plant and equipment, and are amortised over a period of 3 to 8 years.

Acquired brands are amortised over their anticipated useful lives of 10 to 25 years where they have a finite life.

Goodwill is recorded at cost less any accumulated impairment losses. Goodwill and any other intangible assets with indefinite useful lives are tested for impairment at each balance date.

| | Goodwill \$'000 | Software \$'000 | Plant variety rights \$'000 | Other intangibles \$'000 | Total \$'000 |
|--|--------------------|--------------------|-----------------------------------|--------------------------------|-----------------|
| At 1 January 2019 | | | | | |
| Cost | 20,816 | 22,601 | 4,637 | 10,067 | 58,121 |
| Accumulated amortisation | - | (16,489) | (3,678) | (1,357) | (21,524) |
| Net carrying amounts | 20,816 | 6,112 | 959 | 8,710 | 36,597 |
| Year ended 31 December 2019 | | | | | |
| Opening carrying amounts | 20,816 | 6,112 | 959 | 8,710 | 36,597 |
| Additions | - | 3,013 | 2 | 91 | 3,106 |
| Amortisation | - | (1,051) | (6) | (413) | (1,470) |
| Disposals | - | (50) | - | (5) | (55) |
| Foreign exchange movements | 324 | 7 | - | 67 | 398 |
| Net carrying amounts | 21,140 | 8,031 | 955 | 8,450 | 38,576 |
| At 31 December 2019 | | | | | |
| Cost | 21,140 | 25,571 | 4,638 | 9,630 | 60,979 |
| Accumulated amortisation | - | (17,540) | (3,683) | (1,180) | (22,403) |
| Net carrying amounts | 21,140 | 8,031 | 955 | 8,450 | 38,576 |
| Year ended 31 December 2020 | | | | | |
| Opening carrying amounts | 21,140 | 8,031 | 955 | 8,450 | 38,576 |
| Additions | - | 4,525 | 678 | 381 | 5,584 |
| Additions through business acquisition | 30,057 | 47 | - | 6,712 | 36,816 |
| Reclassifications | - | 61 | - | (61) | - |
| Amortisation | - | (1,315) | (53) | (1,304) | (2,672) |
| Disposals | - | (458) | (139) | - | (597) |
| Foreign exchange movements | (225) | 401 | (9) | (32) | 135 |
| Net carrying amounts | 50,972 | 11,292 | 1,432 | 14,146 | 77,842 |
| At 31 December 2020 | | | | | |
| Cost | 50,972 | 29,852 | 1,609 | 22,787 | 105,220 |
| Accumulated amortisation | - | (18,560) | (177) | (8,641) | (27,378) |
| Net carrying amounts | 50,972 | 11,292 | 1,432 | 14,146 | 77,842 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR GOODWILL



The discount rate used for the purposes of goodwill impairment testing is based on a calculated weighted average cost of capital adjusted for risks specific to the cash-generating units. The weighted average cost of capital is based on the cost of debt and cost of equity weighted accordingly between the relative percentages of debt and equity. The cost of debt is the actual cost of debt and the cost of equity is calculated using the capital asset pricing model.

Goodwill held by the Group relates to acquisitions of Status Produce Limited, the Delica Group (including cash-generating units of Delica Limited, Delica Australia Pty Limited and T&G Vizzarri Farms Pty Limited), Worldwide Fruit Limited and Freshmax New Zealand Limited.

During the year the Group reorganised its reporting structure in a way that changed the composition of the Delica Limited cash-generating unit. Goodwill that was previously allocated to the Delica Limited cash-generating unit has been reallocated to the T&G Covered Crops cash-generating unit and the ENZAFruit New Zealand Limited cash-generating unit. That Status Produce Limited cash-generating unit was amalgamated into the T&G Fresh business and is represented in the T&G Fresh - Covered Crops cash-generating unit.

GOODWILL

| | 2020 \$'000 | 2019 \$'000 |
|--------------------------------|----------------|----------------|
| Delica Limited | - | 2,104 |
| ENZAFruit New Zealand Limited | 1,395 | - |
| Delica Australia Pty Limited | 3,312 | 3,223 |
| T&G Fresh - Covered Crops | 8,699 | 7,989 |
| T&G Fresh - Markets | 30,057 | - |
| T&G Vizzarri Farms Pty Limited | 1,620 | 1,576 |
| Worldwide Fruit Limited | 5,889 | 6,248 |
| Total | 50,972 | 21,140 |



The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as to future profitability of the relevant cash-generating units to which goodwill has been allocated and the choice of a suitable discount rate in order to calculate the present value of those cash flows.

The key assumptions used for the value-in-use calculations are as follows:

| | EBIT growth rate | | Discount rate | | Terminal growth rate | |
|--------------------------------|------------------|-------|---------------|--------|----------------------|-------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Cash-generating units | | | | | | |
| Delica Limited | - | 2.00% | - | 11.00% | - | 2.00% |
| ENZAFruit New Zealand Limited | 1.50% | - | 9.50% | - | 1.50% | - |
| Delica Australia Pty Limited | 1.50% | 2.00% | 9.50% | 11.00% | 1.50% | 2.00% |
| T&G Fresh - Covered Crops | 1.50% | 2.00% | 9.50% | 11.00% | 1.50% | 2.00% |
| T&G Fresh - Markets | 1.50% | - | 9.50% | - | 1.50% | - |
| T&G Vizzarri Farms Pty Limited | 1.50% | 2.00% | 9.50% | 11.00% | 1.50% | 2.00% |
| Worldwide Fruit Limited | 1.50% | 2.00% | 11.90% | 13.00% | 1.50% | 2.00% |

The calculations support the carrying amount of recorded goodwill. Management believes that any reasonable change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.


NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FUNDING

This section focuses on how the Group funds its operations and manages its capital structure.

11. BUSINESS COMBINATION

SUMMARY OF ACQUISITION

 The carrying values of assets and liabilities have been assessed by management as being fair value at acquisition date. Management judgement is applied in determining the Cash Generating Unit that will benefit from the acquisition and the basis for allocating goodwill. The fair value of intangible assets acquired have been determined by management using a discounted cash flow approach with the following assumptions:

- Contract length and associated renewals
- Long-term growth rate
- Future profitability, forecasted revenue growth and expected cost base
- Suitable discount rate to calculate present value of cash flows

On 17 December 2019, the Group announced the acquisition of 100% of the share capital of Freshmax New Zealand Limited (Freshmax NZ), subject to a number of conditions. These conditions were satisfied on 2 April 2020 with the acquisition being approved by the New Zealand Commerce Commission on the same date. The Group completed the acquisition on 30 April 2020.

Freshmax NZ consists of three market sites and distribution services throughout New Zealand. A large proportion of Freshmax NZ's business is the sale of fresh produce and provision of distribution services to its customers which is complementary to the Group's T&G Fresh business.

Freshmax NZ was acquired to grow the Group's domestic fresh produce business and supply chain. The acquisition will bring enhanced trading and strong ongoing supply relationships in key categories.

The acquisition qualifies as a business combination as defined in NZ IFRS 3.

Freshmax NZ contributed \$72.2 million to revenue and \$3.3 million to the Group's profit for the period between the date of acquisition and the reporting date.

If the acquisition of Freshmax NZ had been completed on the first day of the financial year, the Group's revenue for the year would have been \$1.5 billion and profit after income tax would have been \$18.6 million.

Goodwill of \$30.1 million arose from the acquisition of Freshmax NZ because the purchase price included amounts relating to its future profitability expectations, forecast revenue growth, future market development, and synergies with existing Group operations. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill is expected to be deductible for income tax purposes. Goodwill is allocated to the T&G Fresh - Markets business unit (refer to Note 10).

The gross value of trade and other receivables acquired is \$5.2 million which also represents the fair value of trade and other receivables. At acquisition date, it is estimated that all amounts are collectable. The fair value of other identifiable assets and liabilities is assessed as their carrying value at 30 April 2020.

Acquisition related costs of \$0.9 million have been excluded from the consideration transferred and recognised in 'Other operating expenses' in the income statement for the year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. BUSINESS COMBINATION (CONTINUED)

Below is an analysis of the identifiable assets acquired and liabilities assumed at the acquisition date.

| | 30 Apr 2020 \$'000 |
|---|-----------------------|
| Current assets | |
| Cash and cash equivalents | 605 |
| Trade and other receivables | 5,204 |
| Inventories | 1,506 |
| Derivatives financial instruments | 14 |
| Total current assets | 7,329 |
| Non-current assets | |
| Deferred tax assets | 509 |
| Property, plant and equipment | 3,479 |
| Right-of-use assets | 20,987 |
| Intangible assets | 6,759 |
| Total non-current assets | 31,734 |
| Current liabilities | |
| Trade and other payables | (16,724) |
| Employee entitlements | (1,084) |
| Lease liabilities | (3,137) |
| Total current liabilities | (20,945) |
| Non-current liabilities | |
| Employee entitlements | (3) |
| Lease liabilities | (18,389) |
| Deferred tax liabilities | (1,879) |
| Total non-current liabilities | (20,271) |
| Total identifiable net assets | (2,153) |
| Goodwill on acquisition | 30,057 |
| Total consideration | 27,904 |
| Total consideration is comprised of: | |
| Cash paid | 27,904 |
| Total consideration transferred | 27,904 |

PURCHASE CONSIDERATION - CASH OUTFLOW

| | 30 Apr 2020 \$'000 |
|--|-----------------------|
| Net cash outflow arising on acquisition | |
| Cash consideration | 30,000 |
| Less: Working capital adjustment | (2,096) |
| Total consideration transferred | 27,904 |
| Less: Cash and cash equivalent balances acquired | (605) |
| Net outflow of cash from investing activities | 27,299 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. LEASES

The Group as a lessee

The Group leases certain property, plant and equipment. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets where the Group recognises the lease payments as an other operating expense on a straight-line basis over the term of the lease.

Right-of-use (ROU) assets

ROU assets comprise of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Wherever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Asset*. The costs are included in the related ROU asset, unless those costs are incurred to produce inventories.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of ROU assets are determined on the same basis as similar owned assets within property, plant and equipment. Depreciation starts at the commencement date of the lease.

The Group applies NZ IAS 36 *Impairment of Assets* to determine whether a ROU asset is impaired and accounts for any identified loss under the same policy adopted for property, plant and equipment.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and ROU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in other operating expenses in the income statement.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate (IBR).

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities are presented as a separate line in the balance sheet and are subsequently measured by increasing the carrying amount to reflect interest on the lease (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability if:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- Lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. LEASES (CONTINUED)



Key judgement areas include:

- The discount rates applied; and
- The assessment of whether options to extend or terminate a lease will be exercised.

Discount rates used include the Group's incremental borrowing rates (IBR). The Group's IBR is the average of the borrowing rates obtained from financial institutions as if the Group had purchased the leased asset, with the term of the borrowing similar to the lease term. The weighted average rate applied for each leased asset class are:

| | |
|-----------------------|-------|
| • Property | 5.22% |
| • Glasshouses | 5.22% |
| • Orchard land | 5.22% |
| • Motor vehicles | 6.01% |
| • Plant and equipment | 6.18% |

The assessment of whether a lease contract will be extended or terminated at the end of the lease contract is dependent on the asset class and type. For property leases, this will be determined by the Group's intention to exercise a contractual right of renewal at the end of the initial lease term. For motor vehicles, an extension of two months has been applied to all vehicles expiring in the current financial year as this is the average time taken to either return the vehicle to the lessor, or to extend the lease contract.

The Group has applied the following practical expedients when entering into a new lease:

- The use of a single discount rate to a portfolio of leases with similar characteristics;
- Not recognising ROU assets and liabilities for leases with a term of less than 12 months;
- Not recognising ROU assets and liabilities if the underlying leased asset is considered a low-value asset; and

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line bases as permitted by NZ IFRS 16. This expense is presented within other operating expenses in the income statement.

RIGHT-OF-USE ASSETS

| | Orchard land \$'000 | Property \$'000 | Glasshouses \$'000 | Motor vehicles \$'000 | Plant and equipment \$'000 | Total \$'000 |
|--|---------------------------|--------------------|-----------------------|-----------------------------|----------------------------------|-----------------|
| 2019 | | | | | | |
| As at 1 January 2019 | 15,976 | 22,448 | 3,507 | 14,923 | 1,606 | 58,460 |
| Additions | 1,033 | 9,022 | 1,071 | 7,107 | 2,227 | 20,460 |
| Terminations (net) | (89) | (2,618) | (2) | (326) | - | (3,035) |
| Depreciation expense | (1,975) | (4,525) | (914) | (7,896) | (564) | (15,874) |
| Foreign exchange movements | - | 13 | - | 30 | 12 | 55 |
| As at 31 December 2019 | 14,945 | 24,340 | 3,662 | 13,838 | 3,281 | 60,066 |
| 2020 | | | | | | |
| As at 1 January 2020 | 14,945 | 24,340 | 3,662 | 13,838 | 3,281 | 60,066 |
| Additions | 5,831 | 39,601 | - | 14,088 | 1,141 | 60,661 |
| Additions through business acquisition | - | 19,738 | - | 1,249 | - | 20,987 |
| Terminations (net) | - | - | - | (29) | - | (29) |
| Depreciation expense | (1,905) | (10,257) | (1,049) | (8,303) | (903) | (22,417) |
| Foreign exchange movements | - | (26) | - | (40) | (4) | (70) |
| As at 31 December 2020 | 18,871 | 73,396 | 2,613 | 20,803 | 3,515 | 119,198 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. LEASES (CONTINUED)

LEASE LIABILITIES - MATURITY ANALYSIS

| | 2020 \$'000 | 2019 \$'000 |
|----------------------------|----------------|----------------|
| Lease liabilities | | |
| Less than one year | 21,282 | 13,547 |
| Between one and five years | 47,635 | 28,463 |
| More than five years | 54,822 | 19,553 |
| Total lease payable | 123,739 | 61,563 |
| Current | 21,282 | 13,547 |
| Non-current | 102,457 | 48,016 |

The Group leases various items of property, plant and equipment under non-cancellable operating leases expiring within 3 months to 26 years. The leases have varying terms and with no renewal option to purchase in respect of the leased operating plant and equipment in the financial year ended 31 December 2020.

SALE AND LEASEBACK

On 23 December 2020, the Group completed a transaction to sell and leaseback its post-harvest operations, packhouse, and coolstores at 484 Nayland Road, Nelson. The site was sold for \$50.5 million to Property Income Fund Limited, a fund established by Willis Bond, and the sale continues the Group's strategy of releasing capital for reinvestment in business growth.

The Nayland Road site has an initial lease term of 15 years with two further rights of renewal, the first right for a period of 7 years and the second right for a period of 5 years. The Group has recognised a right-of-use asset from the leaseback of the Nayland Road site based on a 15 year lease term, representing the initial assessment that the site will be occupied for a period of 15 years.

Total right-of-use asset additions recognised from the leaseback of the property amounted to \$28.3 million. Proceeds from the sale of the site and associated lease payments are included in the statement of cash flows. No gain on sale was recognised in the income statement as the uplift from the sale and leaseback transaction was recognised directly in retained earnings.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|-------|----------------|----------------|
| Expenses | | | |
| Depreciation of right-of-use assets | 6 | 22,417 | 15,874 |
| Interest on lease liabilities | | 5,181 | 3,190 |
| Short-term leases | | 3,238 | 4,067 |
| Leases of low-value assets | | 594 | 592 |

The total cash outflow for leases in 2020 was \$21.7 million (2019: \$21.2 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. LOANS AND BORROWINGS



Borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

| | 2020 \$'000 | 2019 \$'000 |
|--------------------------|----------------|----------------|
| Current | | |
| Secured borrowings | 24,729 | 1,364 |
| Loans from related party | - | 5,193 |
| Total | 24,729 | 6,557 |
| Non-current | | |
| Secured borrowings | 76,400 | 84,895 |
| Total | 76,400 | 84,895 |

INTEREST RATES

As at 31 December 2020 the weighted average interest rate on the secured and unsecured borrowings is 1.8% (2019: 2.8%), fixed for periods up to 3 months.

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Secured and unsecured borrowings repayment schedule | | |
| Within one year | 24,729 | 6,557 |
| Between one and two years | 76,400 | 84,895 |
| Total | 101,129 | 91,452 |

SECURITY AND BANK FACILITIES

As at 31 December 2020 the Group had a term debt facility from the Bank of New Zealand, HSBC, Rabobank and Westpac amounting to \$140.0 million (2019: \$160.0 million), subject to certain cancellation obligations in respect of proceeds from recent asset sales. The seasonal facility is renewed annually and is not drawn as at 31 December 2020. \$22.7 million of the money market facility was drawn as at 31 December 2020. These facilities are secured by a guarantee from the Ultimate Parent for no consideration.

The banking facilities for the 2021 year are as follows:

| | Amount \$'000 | Expiry date |
|---|------------------|-------------|
| Banking facilities in New Zealand | | |
| Term debt facility | 140,000 | 27 Feb 2023 |
| Seasonal facility | 90,000 | 30 Nov 2021 |
| Money market facility | 40,000 | 27 Feb 2023 |
| Overdraft facility | 3,000 | Uncommitted |
| Banking facilities in the United Kingdom | | |
| Term debt facility | 2,442 | 31 Mar 2022 |
| Term debt facility | 4,187 | 28 Jul 2025 |
| Banking facilities in Australia | | |
| Overdraft facility | 3,319 | Uncommitted |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. NET FINANCING EXPENSES

| | 2020 \$'000 | 2019 \$'000 |
|---|-----------------|-----------------|
| Finance income | | |
| Interest income | 1,334 | 748 |
| Total | 1,334 | 748 |
| Finance expenses | | |
| Interest expense on borrowings | (8,836) | (10,950) |
| Effective interest on long-term receivables | (108) | (117) |
| Interest expense on lease liabilities | (5,181) | (3,190) |
| Capitalised interest | 315 | 581 |
| Bank fees | (298) | (408) |
| Total | (14,108) | (14,084) |
| Net financing expenses | (12,774) | (13,336) |

15. CAPITAL AND RESERVES

SHARE CAPITAL

| | 2020 shares | 2019 shares | 2020 \$'000 | 2019 \$'000 |
|------------------------|----------------|----------------|----------------|----------------|
| Balance at 31 December | 122,543,204 | 122,543,204 | 176,357 | 176,357 |

All ordinary shares on issue are fully paid and have no par value. All ordinary shares rank equally with one vote attached to each fully paid ordinary share. There are no other classes of shares issued and no ordinary shares were issued during the year.

REVALUATION AND OTHER RESERVES

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Asset revaluation reserve | | |
| Balance at 1 January | 115,519 | 118,768 |
| Gain on revaluation of property, plant and equipment | 38,582 | 57,481 |
| Deferred tax effect on revaluation of property, plant and equipment | (2,976) | (10,505) |
| Transfer to retained earnings due to sale of property, plant and equipment | (40,841) | (57,213) |
| Deferred tax effect on sale of property, plant and equipment | (61) | 6,988 |
| Balance at 31 December | 110,223 | 115,519 |
| Foreign currency translation reserve | | |
| Balance at 1 January | (4,118) | (3,470) |
| Exchange differences on translation of foreign operations | (3,288) | (648) |
| Balance at 31 December | (7,406) | (4,118) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. CAPITAL AND RESERVES (CONTINUED)

REVALUATION AND OTHER RESERVES (CONTINUED)

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Cash flow hedge reserve | | |
| Balance at 1 January | 222 | (5,968) |
| Movements in fair value | 17,447 | (2,492) |
| Reclassification of net change in fair value | (4,170) | 11,044 |
| Taxation on reserve movements | (3,027) | (2,362) |
| Balance at 31 December | 10,472 | 222 |
| Total | 113,289 | 111,623 |

| RESERVE | PARTICULARS OF RESERVE |
|---|--|
| Asset revaluation reserve | The revaluation reserve relates to commercial land and improvements, orchard land and improvements, and buildings. |
| Foreign currency translation reserve | The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars. |
| Cash flow hedge reserve | The cash flow hedge reserve accounts for the fair value movements of hedging instruments designated as cash flow hedges. |

16. EARNINGS PER SHARE

The earnings used to calculate basic and diluted earnings per share is net profit after tax attributable to equity holders of the Parent of \$11.1 million (2019: \$0.9 million).

The weighted average number of shares used to calculate basic and diluted earnings per share is 122,543,204 shares (2019: 122,543,204 shares).

The basic and diluted earnings per share is 9.0 cents (2019: 0.7 cents).

17. DIVIDENDS

| | 2020 \$'000 | 2019 \$'000 | 2020 Cents per share | 2019 Cents per share |
|--|----------------|----------------|----------------------------|----------------------------|
| Ordinary shares | | | | |
| Interim dividend | 7,353 | - | 6 | - |
| Dividends to non-controlling interests in Group subsidiaries | 5,441 | 5,667 | - | - |
| Total | 12,794 | 5,667 | | |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The below table details changes in the Group's liabilities from financing activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows from financing activities.

| | NOTES | Balance at 1 January 2019 \$'000 | Non-cash changes ⁽¹⁾ \$'000 | Recognised on acquisition \$'000 | Non-financing cash flows \$'000 | Financing cash flows ⁽²⁾ \$'000 | Balance at 31 December 2019 \$'000 |
|--|-------|-------------------------------------|---|-------------------------------------|------------------------------------|---|---------------------------------------|
| Borrowings | | | | | | | |
| Secured borrowings | 13 | 149,911 | 78 | - | - | (63,730) | 86,259 |
| Loans from related parties | 12 | - | 193 | - | - | 5,000 | 5,193 |
| Lease liabilities | 12 | 348 | 82,457 | - | - | (21,242) | 61,563 |
| Total | | 150,259 | 82,728 | - | - | (79,972) | 153,015 |
| Other current liabilities | | | | | | | |
| Deferred payments | 21 | - | - | - | - | - | - |
| Deferred payments to related parties | 21 | 554 | (410) | - | - | - | 144 |
| Total | | 554 | (410) | - | - | - | 144 |
| Total liabilities arising from financing activities | | 150,813 | 82,318 | - | - | (79,972) | 153,159 |
| | NOTES | Balance at 1 January 2020 \$'000 | Non-cash changes ⁽¹⁾ \$'000 | Recognised on acquisition \$'000 | Non-financing cash flows \$'000 | Financing cash flows ⁽²⁾ \$'000 | Balance at 31 December 2020 \$'000 |
| Borrowings | | | | | | | |
| Secured borrowings | 13 | 86,259 | (171) | - | - | 15,041 | 101,129 |
| Loans from related parties | 13 | 5,193 | 77 | - | - | (5,270) | - |
| Lease liabilities | 12 | 61,563 | 62,308 | 21,526 | - | (21,658) | 123,739 |
| Total | | 153,015 | 62,214 | 21,526 | - | (11,887) | 224,868 |
| Other current liabilities | | | | | | | |
| Deferred payments | 21 | - | 202 | - | - | - | 202 |
| Deferred payments to related parties | 21 | 144 | 2,055 | - | - | - | 2,199 |
| Total | | 144 | 2,257 | - | - | - | 2,401 |
| Total liabilities arising from financing activities | | 153,159 | 64,471 | 21,526 | - | (11,887) | 227,269 |

⁽¹⁾ Non-cash changes within lease liabilities in 2020 relate to new leases entered into during the financial year, interest, lease modifications and reassessments of lease terms. Non-cash changes in 2019 includes those relating to the adoption of NZ IFRS 16 and the non-cash changes previously described.

⁽²⁾ Financing cash flows are made up of the net cash inflow / (outflow) from financing activities in the statement of cash flows with the exception of dividends paid, and bank facility fees and transaction fees, which do not result in liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

WORKING CAPITAL

This section reviews the level of working capital the Group generates through its operating activities. The working capital items described below include trade and other receivables, inventories, and trade and other payables.

19. TRADE AND OTHER RECEIVABLES



Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit loss allowance.

The following categories of trade and other receivables are subject to the expected credit loss model:

- Trade receivables
- Loan receivables
- Related party receivables
- Receivables from joint ventures and associates
- Receivables from the Ultimate Parent and associates of the Ultimate Parent

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all the above receivables as they all display the same risk profile. Related party receivables are mainly trade in nature and are on terms consistent with external customers.

The measurement of expected credit losses is a function of the probability of default, loss given default and the estimated exposure at default. The Group considers an event of default as occurring when information obtained (internally and externally) indicates a debtor (this includes trade receivables, loan receivables, and receivables from related parties) is unlikely to pay its creditors including the Group. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information relating to the debtor and general economic conditions of the debtors. As for the estimated exposure at default, this is represented by the assets' gross carrying amount at the reporting date.

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Current | | | |
| Gross trade receivables | | 156,937 | 144,800 |
| Less: expected credit loss allowance | | (1,439) | (997) |
| Prepayments | | 15,111 | 14,063 |
| GST and other taxes | | 11,154 | 8,452 |
| Receivables from joint ventures | 24 | - | 288 |
| Receivables from associates | 25 | 539 | 1,448 |
| Receivables from related parties | 27 | - | 16,635 |
| Receivables from Ultimate Parent | 27 | - | 654 |
| Receivables from Ultimate Parent's associate | 27 | 27 | - |
| Other receivables | | 2,619 | 3,231 |
| Total | | 184,948 | 188,574 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Non-current | | | |
| Trade receivables | | 4,883 | 6,779 |
| Prepayments | | 575 | 600 |
| Receivables from associates | 25 | - | 150 |
| Other receivables | | 11,629 | 14,046 |
| Total | | 17,087 | 21,575 |
| Total trade and other receivables | | 202,035 | 210,149 |

Included in 'Other Receivables' is a loan receivable from a growing partner of \$13.1 million (2019: \$13.7 million) and interest charged of \$0.6 million for the year. The loan is expected to fund joint activities in new growing ventures between the Group and the growing partner, and repayment of the loan is expected within 4 years.

Analysis of receivables

| | Gross receivables | | Impaired receivables | |
|-----------------------|-------------------|----------------|----------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Not past due | 164,361 | 146,464 | - | - |
| Past due 1-30 days | 28,373 | 40,646 | - | - |
| Past due 31-60 days | 5,340 | 14,296 | 1 | 1 |
| Past due 61-90 days | 1,453 | 2,828 | 24 | 21 |
| Past due over 90 days | 3,947 | 6,912 | 1,414 | 975 |
| Total | 203,474 | 211,146 | 1,439 | 997 |

Although the Group has a number of receivables aged more than 30 days past due, the risk of financial loss is mitigated as the Group has a policy of only dealing with creditworthy customers. Credit worthiness and customer limits are determined by reference to credit ratings and country ratings provided the Group's credit insurer. The Group's exposure and the credit ratings of its customers are continuously monitored.

All trade and other receivables are individually reviewed regularly for impairment as part of normal operating procedures and provided for where appropriate.

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Analysis of movements in the expected credit loss allowance | | |
| Balance at 1 January | 997 | 772 |
| Net remeasurement of expected credit loss allowance | 140 | 156 |
| Change in expected credit loss allowance due to new trade and other receivables | 1,697 | 137 |
| Amount written off during the year | (1,395) | (68) |
| Balance at 31 December | 1,439 | 997 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group has numerous credit terms for various customers. These credit terms vary depending on the services provided and the customer relationship. A receivable is considered impaired if there has been any indications of significant financial difficulties for the customer or default or late payments more than 90 days overdue unless there are prior arrangements.

The Group makes advances to customers, suppliers, joint ventures and associates. All advances are within the agreed credit periods. The Group's policy requires security to be taken for advances to third parties. This security ranges from charges over property and assets to personal guarantees. The Group does not hold any collateral over these balances.


Included in the provision for expected credit loss allowance are individually impaired receivables amounting to \$1.1 million (2019: \$0.5 million) for certain balances being past due. The remaining loss allowance balance represents the expected amount of default from customers as well as advances made to customers, suppliers, joint ventures and associates over their lifetime based on historical trends of defaults from customers.

The following table details the risk profile of amounts due from customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for expected credit loss allowance based on past due status is not further distinguished between the Group's different customer base.

| | Trade receivables - days past due | | | | | |
|--|-----------------------------------|---------------------------------|----------------------------------|----------------------------------|------------------------------------|-----------------|
| | Not past due \$'000 | Past due 1-30 days \$'000 | Past due 31-60 days \$'000 | Past due 61-90 days \$'000 | Past due over 90 days \$'000 | Total \$'000 |
| At 31 December 2020 | | | | | | |
| Expected credit loss rate | 0.00% | 0.00% | 0.03% | 2.77% | 11.45% | 2.85% |
| Loss given default rate | 60% | 60% | 60% | 60% | 60% | 60% |
| Estimated total gross carrying amount at default | 164,361 | 28,373 | 5,340 | 1,453 | 3,947 | 203,474 |
| Lifetime ECL | - | - | 1 | 24 | 271 | 296 |
| At 31 December 2019 | | | | | | |
| Expected credit loss rate | 0.00% | 0.00% | 0.01% | 1.24% | 10.48% | 2.35% |
| Loss given default rate | 60% | 60% | 60% | 60% | 60% | 60% |
| Estimated total gross carrying amount at default | 146,464 | 40,646 | 14,296 | 2,828 | 6,912 | 211,146 |
| Lifetime ECL | - | - | 1 | 21 | 434 | 456 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)


20. INVENTORIES

 Inventories are stated at the lower of cost (first in, first out basis) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

| | 2020 \$'000 | 2019 \$'000 |
|-----------------------------------|----------------|----------------|
| Finished and semi-finished goods | 32,564 | 22,657 |
| Consumables (including packaging) | 7,102 | 5,659 |
| Balance at 31 December | 39,666 | 28,316 |

The cost of inventories recognised as an expense and included in 'Purchases, raw materials and consumables used' in the income statement for the year ended 31 December 2020 amounted to \$1,004.1 million (2019: \$847.3 million).

21. TRADE AND OTHER PAYABLES

 Trade and other payables are initially recognised at fair value and then subsequently measured at amortised cost.

| | NOTES | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Current | | | |
| Trade payables | | 73,703 | 103,895 |
| Employee entitlements | | 14,908 | 11,736 |
| Accrued expenses | | 53,232 | 37,053 |
| Payables to associates | 25 | 18,320 | 19,447 |
| Payables to related party | 27 | 17,768 | 1,938 |
| Payables to Ultimate Parent's subsidiary | 27 | 43 | 531 |
| Deferred payments | | 66 | - |
| Deferred payments to related parties | 27 | 1,058 | 144 |
| Total | | 179,098 | 174,744 |
| Non-current | | | |
| Employee entitlements | | 43 | 42 |
| Deferred payments | | 136 | - |
| Deferred payments to related parties | 27 | 1,141 | - |
| Total | | 1,320 | 42 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GROUP STRUCTURE

This section provides information on the Group's structure and the subsidiaries, joint ventures, and associates included in the consolidated financial statements.

22. INVESTMENTS IN SUBSIDIARIES

Significant subsidiaries of the Group are listed below:

| NAME OF ENTITY | PLACE OF BUSINESS AND COUNTRY OF INCORPORATION | OWNERSHIP INTEREST (%) | | PRINCIPAL ACTIVITY |
|---|--|------------------------|------|---|
| | | 2020 | 2019 | |
| Delica Limited | New Zealand | 100 | 100 | Investment company |
| Delica Australia Pty Limited | Australia | 100 | 100 | Fruit exporter |
| Delica Domestic Pty Limited ⁽¹⁾ | Australia | 100 | 80 | Fruit and produce wholesale distributor |
| Delica North America, Inc. | United States of America | 50 | 50 | Fruit exporter |
| Delica (Shanghai) Fruit Trading Company Limited | China | 100 | 100 | In-market services and fruit importer |
| ENZAFRUIT New Zealand (CONTINENT) | Belgium | 100 | 100 | Apple marketing |
| ENZAFRUIT New Zealand International Limited | New Zealand | 100 | 100 | Apple sales and marketing |
| ENZAFRUIT Peru S.A.C | Peru | 100 | 100 | Horticulture operations |
| ENZAFRUIT Products Inc. | United States of America | 100 | 100 | Fruit variety development and propagation |
| Freshmax New Zealand Limited ⁽²⁾ | New Zealand | 100 | - | Fresh produce wholesale distributor |
| Fruit Distributors Limited | New Zealand | 100 | 100 | Investment company |
| Fruitmark Pty Limited | Australia | 100 | 100 | Processed foods broking |
| Fruitmark USA Inc. | United States of America | 100 | 100 | Processed foods broking |
| Status Produce Favona Road Limited | New Zealand | 100 | 100 | Leased property holding |
| T&G CarSol Asia PTE. Limited ⁽³⁾ | Singapore | 50 | - | In-market services and fruit importer |
| T&G Fresh Produce PTE Limited ⁽⁴⁾ | Singapore | 100 | - | In-market services and fruit importer |
| T&G Fruitmark HK Limited | Hong Kong | 100 | 100 | Processed foods broking |
| T&G Global Vietnam Company Limited ⁽⁵⁾ | Vietnam | 100 | - | In-market services and fruit importer |
| T&G Insurance Limited | New Zealand | 100 | 100 | Captive insurance provider |
| T&G Japan Limited | Japan | 100 | 100 | In-market services and fruit importer |
| T&G Processed Foods Limited | New Zealand | 100 | 100 | Processed foods sales and marketing |
| T&G South East Asia Limited | Thailand | 100 | 100 | In-market services and fruit importer |
| T&G Vizzarri Farms Pty Limited | Australia | 50 | 50 | Fruit and produce wholesale distributor |
| Taipa Water Supply Limited | New Zealand | 65 | 65 | Water supply |
| Turners & Growers (Fiji) Limited | Fiji | 70 | 70 | Fresh produce importer |
| Turners & Growers Fresh Limited | New Zealand | 100 | 100 | Fresh produce wholesale distributor and horticulture operations |
| Turners & Growers New Zealand Limited | New Zealand | 100 | 100 | Shared services provider |
| Worldwide Fruit Limited | United Kingdom | 50 | 50 | Apple importer and packing services |

The balance date of all subsidiaries is 31 December.

⁽¹⁾ On 30 April 2020, the Group acquired the remaining 20% of the issued shares of Delica Domestic Pty Limited. Refer to Note 23.

⁽²⁾ On 30 April 2020, the Group acquired 100% Freshmax New Zealand Limited. The entity is located in Auckland, New Zealand.

⁽³⁾ On 14 April 2020, T&G CarSol Asia PTE Limited was incorporated. The entity is located in Singapore.

⁽⁴⁾ On 2 March 2020, T&G Fresh Produce PTE Limited was incorporated. The entity is located in Singapore.

⁽⁵⁾ On 8 April 2020, T&G Global Vietnam Company Limited was incorporated. The entity is located in Vietnam.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

| NAME OF ENTITY | PLACE OF BUSINESS AND COUNTRY OF INCORPORATION | OWNERSHIP INTEREST HELD BY NON-CONTROLLING INTERESTS | |
|----------------------------|--|--|------|
| | | 2020 | 2019 |
| Delica North America, Inc. | United States of America | 50% | 50% |
| Worldwide Fruit Limited | United Kingdom | 50% | 50% |

| NAME OF ENTITY | PROFIT ALLOCATED TO NON-CONTROLLING INTERESTS | | ACCUMULATED NON-CONTROLLING INTERESTS | |
|---|---|----------------|---------------------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Delica North America, Inc. | 1,120 | 1,599 | 3,607 | 4,322 |
| Worldwide Fruit Limited | 2,915 | 2,532 | 6,408 | 6,950 |
| Individually immaterial subsidiaries with non-controlling interests | 1,499 | 1,579 | 3,132 | 2,425 |
| | 5,534 | 5,710 | 13,147 | 13,697 |

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information represents amounts before intragroup eliminations.

DELICA NORTH AMERICA, INC.

The terms of the shareholders' agreement of Delica North America, Inc. specify that the Group has the right to appoint 3 of the entity's 5 directors. The Group therefore has the ability to approve the annual business plan and annual budget, as well as dictate the direction of other fundamental business matters of the entity.

This satisfies the criteria set out in NZ IFRS 10 *Consolidated Financial Statements* around achieving control over an entity and consequently, Delica North America, Inc. is accounted for as a subsidiary by the Group.

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Balance sheet | | |
| Current assets | 48,456 | 51,209 |
| Non-current assets | 106 | 130 |
| Current liabilities | (41,510) | (43,451) |
| Non-current liabilities | (50) | (73) |
| Equity attributable to owners of the Company | (3,395) | (3,493) |
| Non-controlling interests | (3,607) | (4,322) |
| Income statement | | |
| Revenue | 117,082 | 127,827 |
| Expenses | (114,842) | (124,629) |
| Profit for the year | 2,240 | 3,198 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

DELICA NORTH AMERICA, INC. (CONTINUED)

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Income statement (continued) | | |
| Profit attributable to owners of the Company | 1,120 | 1,599 |
| Profit attributable to non-controlling interests | 1,120 | 1,599 |
| Profit for the year | 2,240 | 3,198 |
| Dividends paid to non-controlling interests | 1,524 | 1,240 |
| Cashflows | | |
| Net cash (outflow) / inflow from operating activities | (1,058) | 8,053 |
| Net cash outflow from investing activities | (3,344) | (2,557) |
| Net cash outflow from financing activities | (213) | (140) |
| Total net cash (outflow) / inflow | (4,615) | 5,356 |

WORLDWIDE FRUIT LIMITED

The shareholders' agreement specifies that the Group has the right to approve Worldwide Fruit Limited's annual business plan and annual budget and the right to approve the appointment of the Chief Executive Officer.

This satisfies the criteria set out in NZ IFRS 10 *Consolidated Financial Statements* around achieving control over an entity and consequently, Worldwide Fruit Limited is accounted for as a subsidiary by the Group.

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Balance sheet | | |
| Current assets | 50,140 | 38,265 |
| Non-current assets | 19,614 | 17,035 |
| Current liabilities | (48,792) | (36,216) |
| Non-current liabilities | (5,172) | (3,063) |
| Equity attributable to owners of the company | (9,207) | (9,070) |
| Non-controlling interests | (6,408) | (6,951) |
| Income statement | | |
| Revenue | 409,160 | 267,468 |
| Expenses | (403,330) | (262,404) |
| Profit for the year | 5,830 | 5,064 |
| Profit attributable to owners of the Company | 2,915 | 2,532 |
| Profit attributable to non-controlling interests | 2,915 | 2,532 |
| Profit for the year | 5,830 | 5,064 |
| Dividends paid to non-controlling interests | 3,190 | 2,486 |
| Cashflows | | |
| Net cash inflow from operating activities | 10,758 | 7,475 |
| Net cash outflow from investing activities | (11,115) | (2,549) |
| Net cash inflow / (outflow) from financing activities | 2,202 | (4,012) |
| Total net cash inflow | 1,845 | 914 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)


23. ACQUISITION OF NON-CONTROLLING INTEREST SHARE IN SUBSIDIARY

On 30 April 2020, the Group acquired the remaining 20% of the issued shares of Delica Domestic Pty Limited for a purchase price of \$0.4 million.

On the date of acquisition, the carrying amount of the non-controlling interests in Delica Domestic Pty Limited was derecognised and a decrease in equity attributable to owners of the Group of \$0.3 million was recorded.

| | 2020 \$'000 |
|---|----------------|
| Carrying amount of non-controlling interest acquired | 62 |
| Consideration paid to non-controlling interest | (371) |
| Deferred consideration (present value) | - |
| Net effect in equity | (309) |

24. INVESTMENTS IN JOINT VENTURES

 Under the equity method, an investment in a joint venture is initially recognised in the balance sheet at cost. The investment is adjusted for the Group's share of the profit or loss and other comprehensive income of the joint venture which is recognised from the date that joint control begins, until the date that joint control ceases.

Investments in joint ventures are assessed for indicators of impairment at each reporting date.

Set out below are the joint ventures of the Group as at 31 December 2020. The joint ventures have share capital consisting solely of ordinary shares, which are held directly by the Group.

The Group's investments in joint ventures in 2020 and 2019 are:

| NAME OF ENTITY | PLACE OF BUSINESS AND COUNTRY OF INCORPORATION | OWNERSHIP INTEREST (%) | | PRINCIPAL ACTIVITY |
|--------------------------------|--|---------------------------|------|-------------------------|
| | | 2020 | 2019 | |
| Growers Direct Limited | United Kingdom | 50 | 50 | Apples importer |
| Wawata General Partner Limited | New Zealand | 50 | 50 | Horticulture operations |

The balance date of all joint ventures is 31 December.

For the purposes of applying the equity method of accounting, management accounts of the companies for the year ended 31 December 2020 have been used. Differences in accounting policies between the Group and the joint ventures have been adjusted for.

None of the Group's joint ventures as at 31 December 2020 are considered to be material to the Group during the period.

The Group's share of profit and the carrying amounts of the Group's interest in all joint ventures are presented below:

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Group's share of profit and comprehensive income of joint ventures | 65 | 14 |
| Carrying amount of the Group's interest in joint ventures | 3,347 | 4,006 |

TRANSACTIONS WITH JOINT VENTURES OF THE GROUP

The Group has entered into the following transactions with its joint ventures during the year:

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Sale of produce to joint ventures | 3,033 | 2,555 |
| Purchase of produce from joint ventures | - | - |
| Services provided to joint ventures | 1,046 | 766 |
| Services received from joint ventures | - | (9) |
| Current receivables owing from joint ventures | - | 288 |
| Dividends from joint ventures received by the Group | 625 | 500 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. INVESTMENTS IN ASSOCIATES



Under the equity method, an investment in an associate is initially recognised in the balance sheet at cost. The investment is adjusted for the Group's share of the profit or loss and other comprehensive income of the associate which is recognised from the date that significant influence begins, until the date that significant influence ceases.

Investments in associates are assessed for indicators of impairment at each reporting date.

Set out on the following pages are the associates of the Group as at 31 December 2020. The associates have share capital consisting solely of ordinary shares, which are held directly by the Group.

The Group's investments in associates in 2020 and 2019 are:

| NAME OF ENTITY | PLACE OF BUSINESS AND COUNTRY OF INCORPORATION | OWNERSHIP INTEREST (%) | | PRINCIPAL ACTIVITY |
|--|--|------------------------|------|--|
| | | 2020 | 2019 | |
| Allen Blair Properties Limited | New Zealand | 33 | 33 | Property investment |
| Grandview Brokerage LLC | United States of America | 39 | 39 | Investment company |
| Intelligent Fruit Vision Limited | United Kingdom | 24 | 24 | Orchard technology development |
| Mystery Creek Asparagus Limited ⁽¹⁾ | New Zealand | - | 15 | Horticulture operations |
| POP Worldwide Limited ⁽²⁾ | United Kingdom | - | 24 | Stonefruit importer |
| The Fruit Firm Limited | United Kingdom | 20 | 20 | Stonefruit importer and packing services |

⁽¹⁾ Mystery Creek Asparagus Limited was wound down in November 2020.

⁽²⁾ The Group disposed of shares in POP Worldwide Limited in March 2020.

Allen Blair Properties Limited and The Fruit Firm Limited have a balance date of 31 March. These were the reporting dates established when these companies were incorporated and it is impractical for these companies to change their balance dates. The remaining associates of the Group have a balance date of 31 December.

For the purposes of applying the equity method of accounting, management accounts of the companies for the period ended 31 December 2020 have been used. Differences in accounting policies between the Group and the associates have been adjusted for.

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATE

Set out below is the summarised financial information for Grandview Brokerage LLC, the associate considered to be material to the Group for the period.

GRANDVIEW BROKERAGE LLC

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Balance sheet | | |
| Current assets | 143,851 | 121,110 |
| Non-current assets | 32,974 | 21,284 |
| Current liabilities | (146,997) | (113,681) |
| Non-current liabilities | (7,051) | (14,620) |
| The above amounts of assets includes the following: | | |
| Cash and cash equivalents | 12,260 | 1,673 |
| Income statement | | |
| Revenue | 1,069,098 | 945,878 |
| Depreciation and amortisation expenses | (1,426) | (862) |
| Interest expense | (1,182) | (1,243) |
| Income tax expense | (1,099) | (1,334) |
| Profit after tax and total comprehensive income | 8,782 | 3,168 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. INVESTMENTS IN ASSOCIATES (CONTINUED)

GRANDVIEW BROKERAGE LLC (CONTINUED)

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Group's share of carrying amount | | |
| Carrying amount from Group's share in associate | 8,972 | 5,551 |
| Goodwill on acquisition | 25,028 | 26,692 |
| Other adjustments | (3,233) | (2,366) |
| Group's adjusted share of carrying amount in associate | 30,767 | 29,877 |
| Group's share of profit from continuing operations | | |
| Gain from Group's share in associate | 3,459 | 1,248 |
| Other adjustments | (765) | 799 |
| Group's adjusted share of profit from continuing operations in associate | 2,694 | 2,047 |
| Dividend received from associate | 1,805 | 1,850 |

The Group's share of profit and the carrying amounts of the Group's interest in all associates are presented below:

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Group's share of profit and comprehensive income of associates | | |
| Grandview Brokerage LLC | 2,694 | 2,047 |
| Other | (337) | 1,255 |
| Total | 2,357 | 3,302 |
| Carrying amount of the Group's interest in associates | | |
| Grandview Brokerage LLC | 30,767 | 29,877 |
| Other | 986 | 1,619 |
| Total | 31,753 | 31,496 |

TRANSACTIONS WITH ASSOCIATES OF THE GROUP

The Group has entered into the following transactions with its associates during the year:

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Sale of produce to associates | 33,911 | 35,686 |
| Purchase of produce from associates | - | (23) |
| Services received from associates | (3,641) | (1,420) |
| Current receivables owing from associates | 539 | 1,448 |
| Non-current receivables owing from associates | - | 150 |
| Current payables owing to associates | (18,320) | (19,447) |
| Dividends received from associates | 1,904 | 7,117 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

OTHER DISCLOSURES

This section presents disclosures required to provide readers with an understanding of the Group's activities during the financial year.

26. INVESTMENT PROPERTY



Investment properties are properties held either to earn rental income, for capital appreciation or for both.

Investment properties are measured at fair value as determined by property valuers who are members of the New Zealand Institute of Valuers. Revaluations are conducted annually.

The fair value is determined based on quoted market prices and is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties have each acted knowledgeably, prudently and without compulsion.

Transfers are made to investment properties when there is a change in use of the property. This may be evidenced by ending owner occupation, commencement of an operating lease to another party or commencement of construction or development for future use as investment property.

Investment properties are derecognised when they have been disposed of. Any gains or losses arising from a change in fair value are recognised in the income statement.

Investment property comprises of the commercial property on 490 Nayland Road in Nelson which was previously an owner occupied property. This property is now leased to external parties for the operation of a food ingredients and juicing business. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

| | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|----------------|----------------|
| At fair value | | |
| Balance at 1 January | 15,000 | 15,316 |
| Net loss from fair value adjustment | (1,500) | (316) |
| Balance at 31 December | 13,500 | 15,000 |

VALUATION APPROACH

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The property was valued by Telfer Young in October 2020 (2019: Telfer Young) and the valuation was assessed as appropriate at 31 December 2020. The property was valued at the average of the depreciation replacement cost, discounted cash flow and income capitalisation methods. Refer to Note 9 for details of the methods of valuation, key estimates and assumptions used.

The property is leased out under an operating lease. Rental income earned by the Group from its investment property amounted to \$0.2 million (2019: \$0.3 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. RELATED PARTY TRANSACTIONS

Transactions with the Group's related parties comprise of sales and purchases of produce and services provided and received in the ordinary course of business. Related party sales and purchases of produce are at amounts similar to those with third parties, and services provided and received are agreed at negotiated amounts between the related parties.

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

The Group has related party transactions with its joint ventures and associates. The details of the transactions are contained in Notes 24 and 25 respectively.

TRANSACTIONS WITH THE ULTIMATE PARENT

The Group has related party transactions with the Ultimate Parent as follows:

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Purchase of produce from Ultimate Parent | - | (87) |
| Services provided to the Ultimate Parent | - | 199 |
| Interest on loan charged by the Ultimate Parent | - | (193) |
| Services received from the Ultimate Parent | (915) | (279) |
| Current receivables owing from the Ultimate Parent | - | 654 |
| Undrawn term debt facility from the Ultimate Parent | - | 300 |
| Drawn term debt facility from the Ultimate Parent | - | 5,000 |

TRANSACTIONS WITH THE ULTIMATE PARENT'S SUBSIDIARIES AND ASSOCIATES

The Group has related party transactions with R.I. Solution GmbH and BayWa Obst GmbH & Co. KG, two wholly-owned subsidiaries of the Ultimate Parent, and the transactions with these subsidiaries are detailed as follows:

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Sale of produce to the Ultimate Parent's subsidiaries | 30 | 4 |
| Purchase of produce from the Ultimate Parent's subsidiaries | (287) | (80) |
| Services received from the Ultimate Parent's subsidiaries | (1,872) | (1,540) |
| Current payables owing to the Ultimate Parent's subsidiaries | (43) | (531) |

The Group also has related party transactions with Obst vom Bodensee Vertriebsgesellschaft mbH, an associate of the Ultimate Parent, and the transactions with this associate are detailed as follows:

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Sale of produce to the Ultimate Parent's associate | 1,889 | 582 |
| Services received from the Ultimate Parent's associate | - | (622) |
| Current receivables owing from Ultimate Parent's associate | 27 | - |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. RELATED PARTY TRANSACTIONS (CONTINUED)

TRANSACTIONS WITH RELATED PARTIES

The Group has related party transactions with M&G Vizzarri Farms and David Oppenheimer & Company I, L.L.C and the transactions with the related parties are detailed as follows:

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Sale of produce to related parties | 1,173 | 931 |
| Purchase of produce from related parties | (24,815) | (32,256) |
| Services provided to related parties | - | 8 |
| Services received from related parties | (769) | - |
| Current receivables owing from related parties | - | 16,635 |
| Current payables owing to related parties | (17,768) | (1,938) |

All related party amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the current or prior years for expected credit losses in respect of the amounts owed by related parties.

KEY MANAGEMENT PERSONNEL COMPENSATION

| | 2020 \$'000 | 2019 \$'000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 4,831 | 4,997 |
| Long-term employee benefits | 44 | - |
| Termination benefits | 134 | 386 |
| Directors' remuneration | 386 | 386 |
| Total | 5,395 | 5,769 |

At 31 December 2020, the Group had outstanding deferred payments to key management personnel of \$2.2 million relating to short-term and long-term incentives (2019: \$0.1 million). Refer to Note 21.

28. FINANCIAL RISK MANAGEMENT

The Group is subject to a number of financial risks which arise as a result of its activities, including importing, exporting and domestic trading. Treasury activities are performed by a central treasury function and the use of derivative financial instruments is governed by the Group's policies approved by the Board. The Group does not engage in speculative transactions.

MARKET RISK

(i) Foreign exchange risk

The Group operates internationally and has exposure to foreign currency risk as a result of transactions denominated in foreign currencies from normal trading activities. Major trading currencies include the Australian Dollar, United States Dollar, Euro, Japanese Yen and British Pounds.

The Group's foreign currency risk management policies are designed to protect the Group from exchange rate volatilities as they relate to future foreign currency payments or foreign currency receipts, and the protection of profit margins at the time foreign currency exposures are created or recognised.

To manage foreign currency risk, the Group utilises hedging instruments in the form of spot foreign exchange contracts, forward foreign exchange contracts, and currency options. Any other financial instrument must be specifically approved by the Finance, Risk, and Investment Committee on a case-by-case basis. Contracts are entered into within parameters determined by the Group's Treasury Policy and contracts generally do not exceed 2 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

MARKET RISK (CONTINUED)

(i) Foreign exchange risk (continued)

For hedges of highly probable forecast sales and purchases, as the critical terms of the hedge contracts and the corresponding hedged items are the same the Group performs a qualitative assessment of hedge effectiveness. It is expected that the value of the contract and the value of the corresponding hedged item will change in opposite directions in response to movements in underlying exchange rates.

The main source of hedge ineffectiveness in the Group's hedging relationships are in the timing of cashflows, and differences in the timing of implementation of hedge contracts.

The Group uses forward foreign exchange contracts and currency options to manage these exposures with the main exposure relating to its Apples export business. As at 31 December 2020, the Group held foreign exchange contracts and currency options with a contract value of \$278.3 million (2019: \$311.0 million).

The below tables highlight the foreign exchange cover in place, average exchange rates, notional foreign currency and New Zealand dollar value of the contracts as at 31 December:

| | % of Forecast Exposure | | | |
|-----|------------------------|---------|--------|---------|
| | 2021 | | 2022 | |
| | Actual | Policy | Actual | Policy |
| USD | 61.79% | 31%-75% | 39.12% | 25%-50% |
| GBP | 50.61% | 31%-75% | 26.88% | 25%-50% |
| EUR | 53.46% | 31%-75% | 25.77% | 25%-50% |
| JPY | 46.08% | 31%-75% | 27.65% | 25%-50% |

| | Average exchange rates | | Notional value: Foreign currency | | Notional value: Local currency | |
|-----|------------------------|-------|-------------------------------------|----------------|-----------------------------------|----------------|
| | 2020 | 2019 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| USD | 0.65 | 0.66 | 133,492 | 142,908 | 205,251 | 215,309 |
| GBP | 0.51 | 0.51 | 11,100 | 14,650 | 21,858 | 28,853 |
| EUR | 0.56 | 0.56 | 21,904 | 29,950 | 39,165 | 47,999 |
| JPY | 68.55 | 69.71 | 548,075 | 554,244 | 7,995 | 7,951 |

Exchange rate sensitivity

Reasonable fluctuations in foreign exchange rates were determined based on a review of the last two years' historical movements. A movement of plus or minus 10% has therefore been applied to the exchange rates to demonstrate the sensitivity to foreign currency risk of the Group.

The following sensitivity is based on the foreign currency risk exposures in existence at the balance date. The impact of a plus or minus 10% foreign exchange movement on New Zealand dollars against all trading currencies, with all other variables held constant, is illustrated below:

| | -10% | | +10% | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Pre-tax (profit) / loss | (1,272) | (720) | 1,041 | 590 |
| Equity | (25,310) | (29,788) | 21,066 | 24,826 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

MARKET RISK (CONTINUED)

(ii) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

Interest rate risk is identified by forecasting cash flow requirements, short-term through to long-term. Short-term seasonal funding is provided by a syndicate of four banks. These funding arrangements are negotiated at the start of each season, on behalf of apple growers who bear the interest cost.

The Group has floating rate borrowings used to fund ongoing activities which are repriced on roll-over dates.

As at 31 December 2020, \$73.0 million of interest bearing loans are subject to interest rate repricing within the next 15 months (2019: \$83.1 million).

The table below highlights the weighted average interest rate and the currency profile of interest bearing loans and borrowings:

| | 2020 | | 2019 | |
|-----------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| | Weighted average interest rate | Loans and borrowings \$'000 | Weighted average interest rate | Loans and borrowings \$'000 |
| Australian dollars | - | - | - | - |
| British pounds | 2% | 5,429 | 3% | 3,159 |
| New Zealand dollars | 2% | 95,700 | 3% | 88,293 |
| United States dollars | - | - | - | - |
| Total | | 101,129 | | 91,452 |

Interest rate derivatives

The Group's treasury policy allows up to 100% (2019: 100%) of forecasted core debt to be fixed via interest rate derivatives to protect the Group from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 93.8% (2019: 75%) of the forecasted core debt. The fixed interest rates average 3.4% (2019: 3.6%). The variable rates are set at the bank bill rate 90 day settlement rate, which at balance date was 0.3% (2019: 1.1%). The contracts require settlement of net interest receivable or payable each 90 days as appropriate, and are settled on a net basis. As at 31 December 2020, the Group held swaps with a contract value of \$95.0 million (2019: \$105.0 million).

Hedge effectiveness is tested by matching critical terms for prospective testing and cumulative dollar offset for retrospective tests. The potential sources of hedge ineffectiveness are timing of cashflows, and differences in timing of implementation of the hedge contract.

Interest rate sensitivity

At 31 December 2020, \$73.0 million (2019: \$83.1 million) of loans are at fixed rates for defined periods of up to 3 months, after which interest rates will be reset. Additionally, the Group has overnight deposits that are subject to fluctuations of interest rates. If the Group's loan and deposit balances at 31 December had remained the same throughout the year and interest rates moved by 1% then the impact would be a \$0.5 million gain or loss on pre-tax profits (2019: \$0.8 million).

A 1% sensitivity has been used as this is what management estimates is a likely range within which interest rate movement for the year.

(iii) Price / commodity risk

The Group does not trade in commodity instruments and therefore is not exposed to commodity price risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK

In the normal course of business, the Group is exposed to counterparty credit risks. The maximum exposure to credit risk at 31 December 2020 is equal to the carrying value for cash and cash equivalents, trade and other receivables, derivative financial instruments and a guarantee claimable of \$24.2 million in the event the guarantee in Note 30 is called. Credit risk is managed by restricting the amount of cash and derivative financial instruments which can be placed with any one institution and these institutions are all New Zealand registered banks with at least a Standard & Poor's rating of A. The financial condition and credit evaluation of trade and loan receivables, receivables from joint ventures, associates and related parties are continuously considered.

Due to the nature and dispersion of the Group's customers and growers, the Group's concentration of credit risk is not considered significant.

LIQUIDITY RISK

The Group manages liquidity risk by continuously monitoring cash flows and forecasts and matching maturity profiles of financial assets and liabilities. The Group also maintains adequate headroom on its loan facilities.

Policies are established to ensure all obligations are met within a timely and cost effective manner.

The following table analyses the Group's financial liabilities into relevant contractual maturity groupings based on the remaining period at the balance date to the contractual maturity date. For the purpose of this table, it is assumed that year end interest rates applicable to the term loan will apply through to expiry of the term loan facility, even though the Group has the option to repay the loan prior to its expiry date. For cash flow hedges, the impact on the profit and loss is expected to occur at the same time as the cash flows occur.

The amounts disclosed for financial guarantees are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee.

The amounts disclosed below are contractual undiscounted cash flows at balance date:

| | Carrying amount \$'000 | Less than six months \$'000 | Between six months and one year \$'000 | Between one and two years \$'000 | Between two and five years \$'000 | Over five years \$'000 | Total \$'000 |
|--|------------------------------|-----------------------------------|--|---|--|------------------------------|-----------------|
| 2020 | | | | | | | |
| Borrowings | 101,129 | 24,425 | 1,705 | 81,678 | - | - | 107,808 |
| Trade and other payables (excluding employee entitlements) | 165,467 | 164,190 | - | 1,277 | - | - | 165,467 |
| Derivative financial instruments - cash flow hedges: | 7,040 | - | - | - | - | - | - |
| Inflows | - | (8,964) | (604) | (493) | - | - | (10,061) |
| Outflows | - | 10,191 | 1,601 | 1,826 | 1,086 | - | 14,704 |
| Derivative financial instruments - fair value through profit or loss: | 130 | - | - | - | - | - | - |
| Inflows | - | (2,984) | (394) | - | - | - | (3,378) |
| Outflows | - | 3,129 | 403 | - | - | - | 3,532 |
| Lease liabilities | 123,739 | 15,858 | 15,152 | 22,785 | 44,053 | 73,226 | 171,074 |
| Financial guarantees | 24,200 | 24,200 | - | - | - | - | 24,200 |
| Total | 421,705 | 230,045 | 17,863 | 107,073 | 45,139 | 73,226 | 473,346 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

| | Carrying amount \$'000 | Less than six months \$'000 | Between six months and one year \$'000 | Between one and two years \$'000 | Between two and five years \$'000 | Over five years \$'000 | Total \$'000 |
|--|---------------------------|--------------------------------|---|-------------------------------------|--------------------------------------|---------------------------|-----------------|
| 2019 | | | | | | | |
| Borrowings | 91,452 | 6,283 | 1,084 | 89,636 | - | - | 97,003 |
| Trade and other payables (excluding employee entitlements) | 163,008 | 163,008 | - | - | - | - | 163,008 |
| Derivative financial instruments - cash flow hedges: | 7,261 | - | - | - | - | - | - |
| Inflows | - | (17,012) | (54,287) | (8,030) | - | - | (79,329) |
| Outflows | - | 18,405 | 56,354 | 9,961 | 2,744 | - | 87,464 |
| Derivative financial instruments - fair value through profit or loss: | 36 | - | - | - | - | - | - |
| Inflows | - | (2,924) | - | - | - | - | (2,924) |
| Outflows | - | 2,968 | - | - | - | - | 2,968 |
| Lease liabilities | 61,563 | 8,508 | 8,472 | 14,932 | 20,620 | 26,454 | 78,986 |
| Financial guarantees | 25,803 | 25,803 | - | - | - | - | 25,803 |
| Total | 349,123 | 205,039 | 11,623 | 106,499 | 23,364 | 26,454 | 372,979 |

CAPITAL RISK MANAGEMENT

The main objective of capital risk management is to ensure the Group operates as a going concern, meeting debts as they fall due, maintaining the best possible capital structure and reducing the cost of capital. Group capital consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure the Group has the ability to review the size of dividends paid to shareholders, return capital or issue new shares, reduce or increase debt, or sell assets.

There are a number of externally imposed bank financial covenants required as part of seasonal and term debt facilities. These covenants are calculated monthly and reported to the banks on a monthly and quarterly basis.

The key covenants are as follows:

| FINANCIAL COVENANTS | REQUIREMENT IMPOSED |
|--|--|
| Contingent liabilities | Contingent liabilities of the Group shall not at any time exceed 6% (2019: 6%) of total tangible assets of the Group. |
| Debt to debt and equity | The debt to debt and equity percentage shall not exceed the specified percentage as at the end of each month. This percentage ranges from 45% to 55% (2019: 45% to 55%). |
| Tangible net worth | The tangible net worth of the Group shall not be less than \$270.0 million (2019: \$270.0 million). |
| Seasonal facility stock and debtors | Seasonal facility stock and debtors of the Group shall at all times be equal to or exceed the specified ratio as at the end of each month. This ratio ranges from 1.1:1 to 1.25:1 (2019: 1.1:1 to 1.25:1). |
| Total net worth of Ultimate Parent | The total net worth of the Ultimate Parent shall not at any time be less than EUR 800 million (2019: EUR 750 million). |

In addition, the Group also makes the following undertakings:

- At all times, the tangible assets of the Group entities that form part of the guaranteeing group shall not be less than 90% (2019: 90%) of the total tangible assets of the whole Group.
- At all times, the total earnings before interest and tax (EBIT as defined within the banking agreement) of the Group entities that form part of the guaranteeing group shall not be less than 75% for the year (2019: not less than 75% for the year) of the total EBIT of the Group.

The Group complied with all financial covenants during the year.


NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

SEASONALITY

Due to the seasonal nature of the business the risk profile at 31 December is not representative of all risks faced during the year. Seasonality causes large fluctuations in the size of borrowings and debtors.

FINANCIAL INSTRUMENTS BY CATEGORY

 The classification of the Group's financial assets and liabilities depends on the purpose for which the assets were acquired or liabilities were incurred. Management determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at every balance date.

Financial assets and financial liabilities classed as measured at amortised cost are carried at amortised cost less any impairment. Financial assets measured at amortised costs includes cash and cash equivalents which comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in current liabilities in the balance sheet and as a financial liability measured at amortised cost, unless there is a right of offset, and included as a component of cash and cash equivalents in the statement of cash flows.

Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value. Realised and unrealised gains arising from changes in fair value are included in the income statement.

Financial assets and financial liabilities classed as derivatives for hedging are recognised at fair value. The Group recognises the effective portion of changes in the fair value of derivative financial instruments that qualify as cash flow hedges in other comprehensive income. Gains or losses relating to the ineffective portion of a cash flow hedge are recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

Investments in unlisted entities are carried at fair value and classified as fair value through other comprehensive income as they are not held for trading. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income, except for dividends from those investments which are recognised in profit or loss. When investments in unlisted entities are sold, the accumulated fair value adjustments are recycled directly through retained earnings.

Financial assets

| | Measured at amortised cost \$'000 | Fair value through profit or loss (mandatory) \$'000 | Derivatives for hedging \$'000 | Equity instrument designated at fair value through OCI \$'000 | Total \$'000 |
|---|---|--|--------------------------------------|--|-----------------|
| 2020 | | | | | |
| Cash and cash equivalents | 44,664 | - | - | - | 44,664 |
| Trade and other receivables (excluding prepayments and taxes) | 175,195 | - | - | - | 175,195 |
| Investment in unlisted entities | - | - | - | 87 | 87 |
| Derivative financial instruments | - | 1,388 | 20,005 | - | 21,393 |
| Total | 219,859 | 1,388 | 20,005 | 87 | 241,339 |
| 2019 | | | | | |
| Cash and cash equivalents | 36,208 | - | - | - | 36,208 |
| Trade and other receivables (excluding prepayments and taxes) | 187,034 | - | - | - | 187,034 |
| Investment in unlisted entities | - | - | - | 93 | 93 |
| Derivative financial instruments | - | 635 | 7,329 | - | 7,964 |
| Total | 223,242 | 635 | 7,329 | 93 | 231,299 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

| | Measured at amortised cost \$'000 | Fair value through profit or loss (held for trading) \$'000 | Derivatives for hedging \$'000 | Total \$'000 |
|--|---|---|--------------------------------------|-----------------|
| 2020 | | | | |
| Borrowings | 101,129 | - | - | 101,129 |
| Trade and other payables (excluding employee entitlements) | 165,467 | - | - | 165,467 |
| Lease liabilities | 123,739 | - | - | 123,739 |
| Derivative financial instruments | - | 130 | 7,040 | 7,170 |
| Total | 390,335 | 130 | 7,040 | 397,505 |
| 2019 | | | | |
| Borrowings | 91,452 | - | - | 91,452 |
| Trade and other payables (excluding employee entitlements) | 163,008 | - | - | 163,008 |
| Lease liabilities | 61,563 | - | - | 61,563 |
| Derivative financial instruments | - | 36 | 7,261 | 7,297 |
| Total | 316,023 | 36 | 7,261 | 323,320 |

FAIR VALUE MEASUREMENT



Techniques applied by the Group which use methods and assumptions to estimate the fair value of financial assets and liabilities are considered to be level 2 in the fair value hierarchy.

The fair value of derivative instruments designated in a hedging relationship is determined using the following valuation techniques:

- Foreign currency forward exchange contracts have been fair valued using quoted forward exchange rates and discounted using yield curves from quoted interest rates that match the maturity dates of the contracts.
- Foreign currency option contracts have been fair valued using observable option volatilities, and quoted forward exchange and interest rates that match the maturity dates of the contracts.
- Interest rate swaps are fair valued by discounting the future interest and principal cash flows using current market interest rates that match the maturity dates of the contracts. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

Inputs other than quoted prices included within level 1 of the fair value hierarchy are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). There have been no transfers between levels during the year.

The estimated fair values of all of the Group's other financial assets and liabilities approximate their carrying values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. DERIVATIVE FINANCIAL INSTRUMENTS



Derivative financial instruments are used to hedge exchange rate and interest rate risks. The Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised at fair value. Any resulting gains or losses are recognised in the income statement unless the derivative financial instrument has been designated into a hedge relationship that qualifies for hedge accounting.

Cash flow hedges

Cash flow hedges are currently applied to forecast transactions that are subject to foreign currency fluctuations and future interest cash flow on loans. The Group recognises the effective portion of changes in the fair value of derivative financial instruments that qualify as cash flow hedges in other comprehensive income. These accumulate as a separate component of equity in the cash flow hedge reserve.

Gains or losses relating to the ineffective portion of a cash flow hedge are recognised in the income statement in other operating expenses. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement in revenue and cost of goods sold.

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Current assets | | |
| Cash flow hedges | | |
| Forward foreign exchange contracts | 13,018 | 2,680 |
| Foreign currency options | 1,423 | 614 |
| Fair value through profit or loss (held for trading) | | |
| Forward foreign exchange contracts | 391 | 635 |
| Total | 14,832 | 3,929 |
| Non-current assets | | |
| Cash flow hedges | | |
| Forward foreign exchange contracts | 5,305 | 3,441 |
| Foreign currency options | 259 | 594 |
| Fair value through profit or loss (held for trading) | | |
| Forward foreign exchange contracts | 997 | - |
| Total | 6,561 | 4,035 |
| Current liabilities | | |
| Cash flow hedges | | |
| Forward foreign exchange contracts | 392 | 1,274 |
| Foreign currency options | 535 | 183 |
| Interest rate swaps | 490 | 187 |
| Fair value through profit or loss (held for trading) | | |
| Forward foreign exchange contracts | 130 | 36 |
| Total | 1,547 | 1,680 |
| Non-current liabilities | | |
| Cash flow hedges | | |
| Forward foreign exchange contracts | 1 | 119 |
| Foreign currency options | - | 24 |
| Interest rate swaps | 5,622 | 5,474 |
| Total | 5,623 | 5,617 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. CONTINGENCIES

The Group has the following guarantees:

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Bonds and sundry facilities | 75 | 75 |
| Guarantees of bank facilities for associated companies | 24,125 | 25,728 |
| Total | 24,200 | 25,803 |

31. COMMITMENTS

CAPITAL COMMITMENTS

As at 31 December, the Group is committed to the following capital expenditure:

| | 2020 \$'000 | 2019 \$'000 |
|-------------------------------|----------------|----------------|
| Property, plant and equipment | 12,085 | 12,274 |
| Intangible assets | 445 | 300 |
| Total | 12,530 | 12,574 |

NON-CANCELLABLE OPERATING LEASE RECEIVABLES



The Group as a lessor

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease. All properties leased to third parties under operating leases are included in the 'Buildings' category within 'Property, plant and equipment' on the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating lease receivables

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

| | 2020 \$'000 | 2019 \$'000 |
|-----------------------|----------------|----------------|
| Within one year | 1,344 | 1,573 |
| One to two years | 968 | 905 |
| Two to five years | 1,691 | 730 |
| Later than five years | 270 | - |
| Total | 4,273 | 3,208 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. EVENTS OCCURING AFTER THE BALANCE DATE

There are no material events that occurred after the balance date that would require adjustment or disclosure in these accounts.

FIVE YEAR FINANCIAL REVIEW

| | 2020 \$'000 | 2019 \$'000 | 2018 \$'000 | 2017 \$'000 | 2016 \$'000 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | | | | | |
| Continuing activities | 1,412,590 | 1,216,409 | 1,188,203 | 1,068,145 | 871,771 |
| Profit | | | | | |
| Pre-tax profit | 22,024 | 10,311 | 13,242 | 41,954 | 42,095 |
| Net profit after tax | 16,590 | 6,611 | 10,394 | 40,246 | 32,436 |
| Funds employed | | | | | |
| Paid up capital | 176,357 | 176,357 | 176,357 | 176,357 | 176,357 |
| Retained earnings and reserves | 330,250 | 284,349 | 223,942 | 237,417 | 168,082 |
| Non-controlling interests | 13,147 | 13,697 | 13,321 | 11,819 | 2,383 |
| Non-current liabilities | 232,471 | 181,276 | 192,854 | 217,164 | 194,853 |
| Current liabilities | 228,517 | 198,553 | 147,207 | 155,959 | 108,911 |
| | 980,742 | 854,232 | 753,681 | 798,716 | 650,586 |
| Assets | | | | | |
| Property, plant and equipment | 392,700 | 386,079 | 396,546 | 450,981 | 393,974 |
| Other non-current assets | 270,542 | 176,651 | 103,503 | 93,254 | 60,008 |
| Current assets | 317,500 | 291,502 | 253,632 | 254,481 | 196,604 |
| | 980,742 | 854,232 | 753,681 | 798,716 | 650,586 |

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|-------------|-------------|-------------------|-------------|-------------|
| Statistics | | | | | |
| Number of ordinary shares on issue | 122,543,204 | 122,543,204 | 122,543,204 | 122,543,204 | 122,543,204 |
| Earnings per share - cents | 9.0 | 0.7 | 4.6 | 30.2 | 25.1 |
| Net tangible assets per security | \$3.61 | \$3.56 | \$3.08 | \$3.17 | \$2.62 |
| Percentage of equity holders funds to total assets | 53% | 56% | 55% | 53% | 53% |
| Ratio of current assets to current liabilities | 1.39 | 1.47 | 1.74 | 1.63 | 1.81 |
| Ratio of debt to equity ⁽¹⁾ | 0.89 | 0.80 | 0.81 | 0.88 | 0.88 |
| Dividends | | | | | |
| Cents per share on paid up capital | 6 | - | 12 ⁽²⁾ | 6 | 6 |
| Total dividend paid | \$7,352,592 | - | \$14,707,592 | \$7,352,592 | \$7,188,199 |

⁽¹⁾ Debt includes trade payables.

⁽²⁾ An interim dividend and final dividend were paid out at 6 cents each in 2018.



APPENDICES

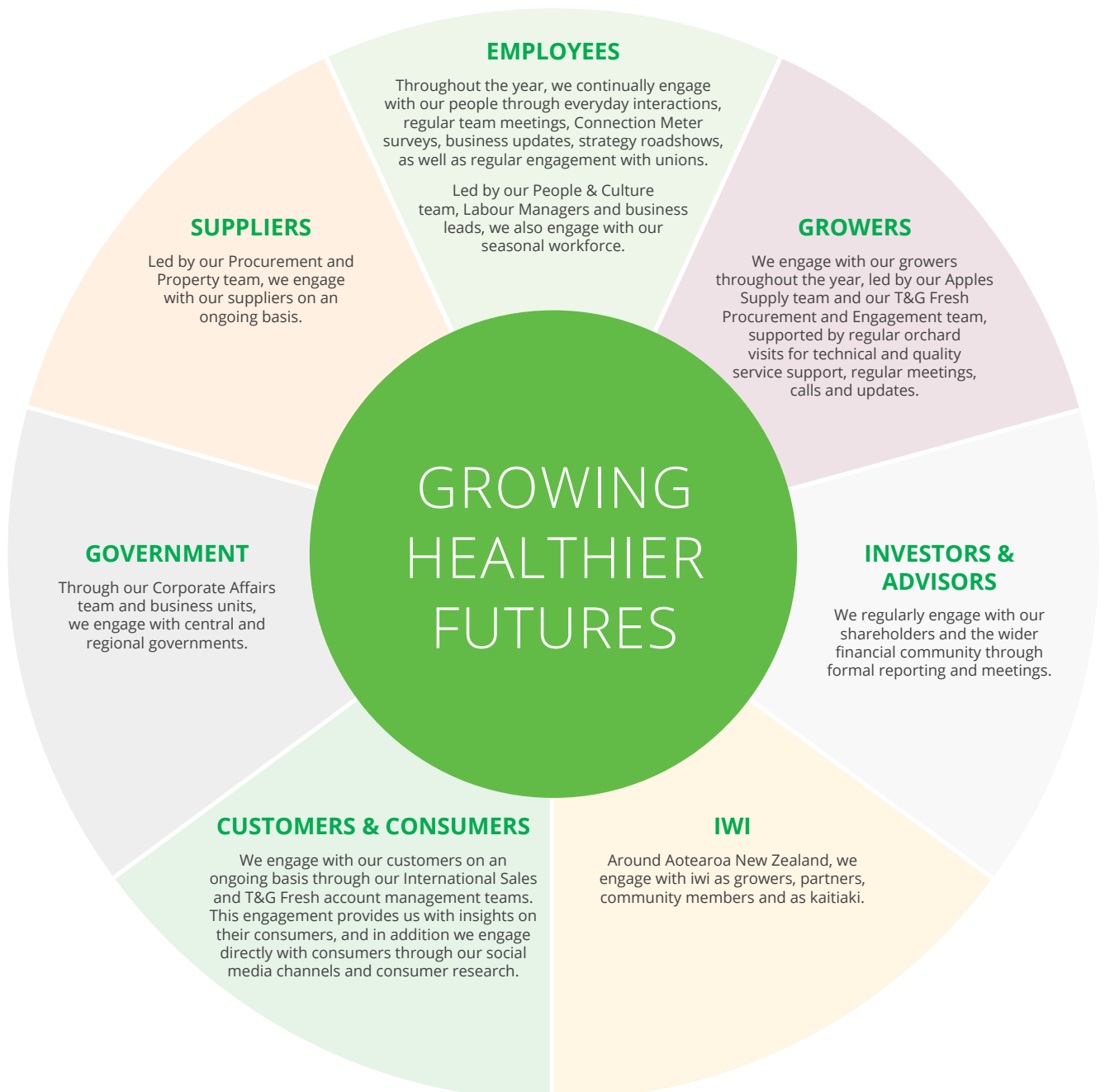
APPENDICES

APPENDIX 1

RESPONDING TO WHAT'S IMPORTANT

Critical to the long-term success of our business, is identifying, understanding and closely managing what matters most to us and our key stakeholders.

During 2020, we engaged with a range of internal and external stakeholders representing the interests of our people, growers and customers to identify and assess relevant issues that could affect our business.



REPORTING WHAT MATTERS

T&G measures its strategic performance against four metrics, two of which are: Partner of Choice and Best Place to Work. This year, we focused our stakeholder engagement on these two metrics to provide us with robust baselines which will inform our strategic decision making and actions.

GROWERS

Pivotal to our long-term success is our relationship with independent apple growers across the Hawke's Bay, Gisborne, Nelson and Otago. To help us understand our growers' alignment with our apple strategy, the value they place on supporting services, and any potential risks and opportunities, an independent review was commissioned with 32 of our larger volume growers of Envy™, JAZZ™ and Royal Gala. The top three areas identified for further improvement were: financial returns; the desire for new varieties to be launched; and communications and relationships. Like our growers, we believe these areas to be critically important to ensure mutually beneficial, sustainable businesses.

A detailed action plan has been developed to be implemented over the next one to two years to address these areas. See pages 21-23 for some of the steps we're taking.

CUSTOMERS

To support our shift to become more customer-centric, in late 2020 an independent Customer Value Management survey was conducted to understand customers' value drivers. Sixty-one customers across a range of importers, receivers, distributors, retailers and wholesalers, as well as produce categories, participated. Two thirds rated T&G as 'best in class', with strengths in customer relationships and image and reputation, while areas identified for further improvement were product performance, operational performance, and price and costs. We agree with our customers in the mutual value that can be delivered in these areas, because by building stronger brands and providing greater consistency in quality, better returns can flow to customers and ourselves. In 2021, we will work through these findings and take steps to improve performance.

EMPLOYEES

Early in 2020, as COVID-19 began to challenge our people and their families, and also impact our business, we chose to replace our planned in-depth culture survey with Human Synergistics' Connection Meter. This bi-monthly survey measures connection, including the wellbeing of our people, their stress levels, productivity and quality of leadership. Commencing in May, we discovered 74% of our people felt connected. Through the year it rose to a high of 77%, before finishing in November at 75% (3% above the global benchmark). See pages 32-35 for how we're responding to these findings.

A representative group from across our business was engaged to help refine our Kaitiakitanga sustainability framework. Through a series of workshops, they helped identify and refine topics of materiality, which were then combined with the findings from our 2019 external materiality assessment to form a new Kaitiakitanga framework, with targets set for 2022, 2025 and 2030. See pages 36-59 for how we're responding to these insights.



APPENDIX 2

GRI INDEX

| GRI Standard | Description | Reference | Page |
|-------------------------------------|--|---|---------|
| General Standard disclosures | | | |
| 102-1 | Name of the organisation | T&G Global Limited | – |
| 102-2 | Activities, brands, products and services | How we create value | 18-19 |
| 102-3 | Location of headquarters | 1 Clemow Drive, Mt Wellington, Auckland 1060, New Zealand | – |
| 102-4 | Location of operations | Our footprint | 15-17 |
| 102-5 | Ownership and legal form | New Zealand limited liability company Listed on the New Zealand Stock Exchange | – |
| 102-6 | Markets served | Our footprint | 15-17 |
| 102-7 | Scale of the organisation | Our footprint | 15-17 |
| 102-8 | Information on employees and other workers | Appendices: Employee and workforce data | 142-144 |
| 102-9 | Supply chain | Our business | 14 |
| | | How we create value | 18-19 |
| | | Our strategy | 20-30 |
| 102-10 | Significant changes to the organisation and its supply chain | Chairman's review | 4-5 |
| | | CEO's review | 6-7 |
| | | Our strategy | 20-30 |
| 102-11 | Precautionary principle or approach | T&G applies a precautionary approach through our sustainability strategy (Kaitiakitanga), and we continue to seek to improve our capability in doing this | – |
| 102-12 | External initiatives | About this report | 2 |
| | | Kaitiakitanga | 36-59 |
| 102-13 | Membership of associations | Appendices: Associations and memberships | 145-146 |
| 102-14 | Statement from senior decision-maker | CEO's review | 6-7 |
| 102-16 | Values, principles, standards and norms of behaviour | Our business | 14 |
| | | High-performance culture | 32-35 |
| 102-18 | Governance structure | Corporate governance | 62-63 |
| 102-40 | Stakeholder groups | Appendices: Responding to what's important | 137-138 |
| 102-41 | Collective bargaining agreements | 3.44% of the workforce is covered by collective agreements | – |
| 102-42 | Identifying and selecting stakeholders | Appendices: Responding to what's important | 137-138 |
| | | Kaitiakitanga – Refining our approach | 36-37 |
| 102-43 | Approach to stakeholder engagement | Appendices: Responding to what's important | 137-138 |
| 102-44 | Key topics and concerns raised | Kaitiakitanga – Refining our approach | 36-37 |
| 102-45 | Entities included in the consolidated financial statements | About this report | 2 |
| 102-46 | Defining reporting content and topic boundaries | About this report | 2 |
| | | Appendices: Responding to what's important | 137-138 |
| | | Kaitiakitanga | 36-59 |

| GRI Standard | Description | Reference | Page |
|---------------------------------------|---|--|---------|
| 102-47 | List of material topics | Kaitiakitanga – Refining our approach | 36-37 |
| 102-48 | Restatements of information | 2020 is T&G Global's first GRI report | - |
| 102-49 | Changes in reporting | About this report | 2 |
| 102-50 | Reporting period | 1 January 2020 to 31 December 2020 | - |
| 102-51 | Date of most recent report | This is T&G Global's first GRI report | - |
| 102-52 | Reporting cycle | Annual | - |
| 102-53 | Contact point for questions regarding the report | Chief Financial Officer, 1 Clemow Drive, Mt Wellington, Auckland 1060, New Zealand | - |
| 102-54 | Claims of reporting in accordance with the GRI Standards | About this report | 2 |
| 102-55 | GRI content index | | 139-141 |
| 102-56 | External assurance | None – refer to: About this report | 2 |
| Topic specific disclosures | | | |
| Water | | | |
| 103-1 | Disclosure on management approach | Lower impact, smarter growing | 52-53 |
| Emissions | | | |
| 103-1 | Disclosure on management approach | Climate action | 46-49 |
| 305-1 | Direct (Scope 1) GHG emissions | Climate action | 46-49 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | Climate action | 46-49 |
| 305-3 | Other indirect (Scope 3) GHG emissions | Climate action T&G is working to expand the scope and quality of its Scope 3 emissions data, and expect to report Scope 3 emissions from 2021 | 46-49 |
| Waste | | | |
| 103-1 | Disclosure on management approach | Closing the loop | 50-51 |
| Food safety | | | |
| 103-1 | Disclosure on management approach | Safe food | 55 |
| 416-2 | Incidents of non-compliance concerning the health & safety of products and services | No incidents of non-compliance occurred in 2020 | - |
| Training and education | | | |
| 103-1 | Disclosure on management approach | Our business | 14 |
| | | High-performance culture | 32-35 |
| | | Our people | 38-43 |
| Occupational health and safety | | | |
| 103-1 | Disclosure on management approach | Protect and grow | 40-41 |

GRI SCOPE, METHODOLOGIES AND LIMITATIONS

SCOPE

T&G Global has reported management approaches for key material topics, but due to limitations in accessing data, we have not reported all specific disclosure requirements. Work is being undertaken to continue to improve our ability to report on the full scope of specific disclosure topics that are material to T&G Global.

ENERGY AND GHG EMISSIONS METHODOLOGIES AND BASELINE

BASELINE

The baseline year for reporting energy and emissions targets is 2017 (unless stated otherwise), this aligns to parent company BayWa and the baseline year used for their sustainability reporting. Historical data was sourced based on previous sustainability reporting and directly from suppliers. This information has been collated into the BraveGen Sustainability Reporting software.

METHODOLOGIES

Site information on use of resources is captured in the BraveGen Sustainability Reporting software. The data is sourced from suppliers, invoices and calculated estimates from sites (when accurate/ actual usage data is not available). Relevant emissions factors are captured within the software and calculates the CO₂ emissions based on usage and emissions factor.

Fuel data from some international offices is not included as the data has not been captured and usage would be minimal due to the type and scale of the operations.

As part of the BayWa Group, T&G Global follow the GHG Protocol's Market-based approach to emissions reporting. In 2017, our baseline year, T&G's New Zealand sites purchased electricity from a provider with 100% renewable electricity and hence T&G New Zealand purchased 100% renewable electricity in 2017, and New Zealand's electricity did not contribute to our Scope 2 emissions.

This approach was valid as Meridian did not sell renewable certificates or alike until 2020. Meridian's renewable electricity product became available in 2020, and T&G has purchased renewable electricity certificates equivalent to its full year electricity consumption of 43,888 mWh in New Zealand to ensure our zero-emission electricity remains valid. As such, the renewable electricity certificates purchased for our New Zealand sites have not been included in our 2020 carbon emissions reduction. Electricity consumption reported for our New Zealand sites has been provided directly from our provider Meridian. Many of our international sites, which only have small office facilities, have no means to capture electricity usage as it's included as part of lease agreements, therefore the usage has been estimated for these sites based on headcount using the calculation of 1,480 kWh per person per year. Electricity used from home offices has not been included.

We receive energy data in different measures and convert all reported measures to kWh using the following conversion rates as supplied and used by BayWa.

| RESOURCE | ORIGINAL DATA METRIC | CONVERSION RATE TO kWh |
|-------------|----------------------|------------------------|
| Diesel | Litres | 9.917 |
| Petrol | Litres | 8.428 |
| Heating Oil | Litres | 10 |
| LPG | Kilograms | 12.78 |

EMISSIONS FACTORS

Emission factors were sourced based on geographic region from multiple sources listed below:

<https://www.mfe.govt.nz/publications/climate-change/measuring-emissions-2020-quick-guide>

GWP source is United Nations

Intergovernmental Panel on Climate Change (IPCC) IPCC AR5

Greenhouse gas reporting: conversion factors 2020 - GOV.UK (www.gov.uk)

Where relevant emissions factors cannot be sourced from the above, the BayWa Corporate Sustainability Team has provided the relevant details from VDA (German Association of the Automotive Industry: <https://www.vda.de/en>).

WATER METHODOLOGIES

Due to limitations in data, water, which is a material topic, has not been reported in full in accordance with the GRI requirements. Consumption data is more readily available than discharge information however this is still limited. Our data capture for the water indicator is limited by the sources and timing availability of the information. Hawke's Bay regional data availability is sourced directly from the Hawke's Bay Regional Council portal, providing real time access to the information for orchard use. Other regions rely on individual readings or provision of reports compiled annually. For these regions, data is received mid-year, meaning a full year of data was not available at the time of publishing this report. International office sites are also limited due to inclusion in leases and no data being provided.

MISSING OR DELAYED DATA

All attempts have been made to capture data from source, but estimates have been used where possible when the data is not available, and usage can be calculated (refer to Scope 2 electricity). The estimated values or missing data will be replaced with actual usage if the data subsequently becomes available and the data will be updated in future reporting.

We aim to build on our data capability to be able to add additional topics and information in future reports.

APPENDIX 3

EMPLOYEE AND WORKFORCE DATA

The following tables provide additional information, context and detail to the main body of the 2020 Annual Report as required by the GRI Standards.

Employee and workforce information has been calculated using data averaged over the required reporting period shown in each table. The data has been rounded.

| Total New Zealand employees by employment contract (permanent and temporary) | | | |
|--|--------------|--------------|--------------|
| 12 months average | | | |
| | Permanent | Temporary | Grand total |
| Male | 749 | 674 | 1,423 |
| Female | 435 | 404 | 839 |
| Grand total | 1,184 | 1,078 | 2,262 |

| Total number of New Zealand employees by employment contract | | | |
|--|--------------|--------------|--------------|
| 12 months average | | | |
| | Permanent | Temporary | Grand total |
| Auckland | 562 | 167 | 729 |
| Christchurch | 79 | 4 | 83 |
| Dunedin | 12 | 7 | 19 |
| Gisborne | 2 | 1 | 3 |
| Hamilton | 38 | 10 | 48 |
| Hastings | 241 | 592 | 833 |
| Kerikeri | 33 | 89 | 122 |
| Nelson | 57 | 172 | 229 |
| New Plymouth | 11 | 0 | 11 |
| Palmerston North | 60 | 10 | 70 |
| Taupō | 34 | 20 | 54 |
| Tauranga | 27 | 5 | 32 |
| Wellington | 26 | 0 | 26 |
| Whangārei | 2 | 1 | 3 |
| Grand total | 1,184 | 1,078 | 2,262 |

| Total number of New Zealand employees by employment type | | |
|--|--------------|------------|
| 12 months average | | |
| | Full time | Part time |
| Male | 1,364 | 59 |
| Female | 778 | 61 |
| Grand total | 2,142 | 120 |

EMPLOYEE AND WORKFORCE DATA

| Average seasonal employee monthly headcount movement, by New Zealand region | | | | | | | | | | | |
|---|-----------|-----------|-------------|--|-----------------|------------|-------------|------------|------|--------|-------------|
| | Male | Female | Grand total | | Male | Female | Grand total | | Male | Female | Grand total |
| Auckland | 79 | 54 | 133 | | Dunedin | 5 | 2 | 7 | | | |
| January | 76 | 55 | 131 | | January | 3 | 1 | 4 | | | |
| February | 76 | 43 | 119 | | February | 4 | 1 | 5 | | | |
| March | 76 | 43 | 119 | | March | 10 | 2 | 12 | | | |
| April | 80 | 50 | 130 | | April | 12 | 2 | 14 | | | |
| May | 97 | 50 | 147 | | May | 11 | 2 | 13 | | | |
| June | 93 | 63 | 156 | | June | 9 | 2 | 11 | | | |
| July | 65 | 49 | 114 | | July | 5 | 2 | 7 | | | |
| August | 59 | 44 | 103 | | August | 4 | 2 | 6 | | | |
| September | 72 | 53 | 125 | | September | 4 | 2 | 6 | | | |
| October | 81 | 64 | 145 | | October | 1 | 2 | 3 | | | |
| November | 86 | 60 | 146 | | November | 0 | 2 | 2 | | | |
| December | 91 | 68 | 159 | | December | 0 | 3 | 3 | | | |
| | | | | | | | | | | | |
| | Male | Female | Grand total | | Male | Female | Grand total | | Male | Female | Grand total |
| Hamilton | 5 | 0 | 5 | | Hastings | 358 | 225 | 583 | | | |
| January | 5 | 0 | 5 | | January | 290 | 108 | 398 | | | |
| February | 6 | 0 | 6 | | February | 363 | 150 | 513 | | | |
| March | 8 | 0 | 8 | | March | 582 | 342 | 924 | | | |
| April | 5 | 0 | 5 | | April | 606 | 361 | 967 | | | |
| May | 5 | 0 | 5 | | May | 559 | 318 | 877 | | | |
| June | 5 | 0 | 5 | | June | 517 | 298 | 815 | | | |
| July | 5 | 0 | 5 | | July | 351 | 238 | 589 | | | |
| August | 5 | 0 | 5 | | August | 189 | 152 | 341 | | | |
| September | 5 | 0 | 5 | | September | 188 | 148 | 336 | | | |
| October | 5 | 0 | 5 | | October | 163 | 140 | 303 | | | |
| November | 5 | 0 | 5 | | November | 209 | 169 | 378 | | | |
| December | 5 | 1 | 6 | | December | 283 | 270 | 553 | | | |

Average seasonal employee monthly headcount movement, by New Zealand region

| | Male | Female | Grand total |
|-----------------|-----------|-----------|-------------|
| Kerikeri | 52 | 33 | 85 |
| January | 55 | 11 | 66 |
| February | 67 | 95 | 162 |
| March | 61 | 79 | 140 |
| April | 41 | 79 | 120 |
| May | 49 | 43 | 92 |
| June | 48 | 29 | 77 |
| July | 71 | 19 | 90 |
| August | 67 | 1 | 68 |
| September | 53 | 0 | 53 |
| October | 45 | 0 | 45 |
| November | 40 | 22 | 62 |
| December | 26 | 22 | 48 |

| | Male | Female | Grand total |
|---------------|------------|-----------|-------------|
| Nelson | 121 | 49 | 170 |
| January | 74 | 9 | 83 |
| February | 81 | 20 | 101 |
| March | 132 | 60 | 192 |
| April | 183 | 75 | 258 |
| May | 153 | 75 | 228 |
| June | 146 | 80 | 226 |
| July | 135 | 73 | 208 |
| August | 131 | 63 | 194 |
| September | 117 | 43 | 160 |
| October | 118 | 37 | 155 |
| November | 96 | 34 | 130 |
| December | 83 | 25 | 108 |

| | Male | Female | Grand total |
|--------------|----------|----------|-------------|
| Taupō | 5 | 6 | 11 |
| January | 3 | 9 | 12 |
| February | 4 | 8 | 12 |
| March | 4 | 7 | 11 |
| April | 4 | 1 | 5 |
| May | 14 | 0 | 14 |
| June | 14 | 0 | 14 |
| July | 0 | 0 | 0 |
| August | 1 | 1 | 2 |
| September | 3 | 4 | 7 |
| October | 3 | 10 | 13 |
| November | 2 | 11 | 13 |
| December | 3 | 11 | 14 |

T&G's full-time temporary workforce can fluctuate due to seasonal demand, this information has been captured separately, please refer to the monthly movement in 2020 for the workforce group. Due to COVID-19-related border closures, some of our seasonal workforce on RSE visas were unable to return home to their Pacific nations, therefore, unlike previous years, we did not see a significant reduction in numbers during the off-season.

Employment data is reported on full-time equivalent (FTE). The data is sourced from the SAP HCM system and is limited to New Zealand based employees. Union information was sourced from DataPay. Due to data limitations, T&G Global is unable to publish detailed employee and workforce data for our international sites. The data has been compiled based on the actual employee headcount data.

APPENDIX 4

ASSOCIATIONS AND MEMBERSHIPS

Detailed below are the industry associations which we're a member of.

| Organisation | Function | Our role |
|--|---|------------------|
| New Zealand | | |
| Business Leaders' Health & Safety Forum | Coalition of business and government leaders, improving performance of workplace health and safety in New Zealand | Member |
| Citrus New Zealand | Incorporated society representing New Zealand citrus growers | Board member |
| Diversity Works New Zealand | Professional body providing guidance for workplace diversity and inclusion | Member |
| Employers & Manufacturers Association | Professional body providing guidance to employers on employee relations in New Zealand | Member |
| Governance New Zealand | Professional body, providing leadership in governance, compliance and risk management | Member |
| Horticulture New Zealand | Industry peak body advocating and representing the interest of New Zealand's vegetable growers | Member |
| Human Resources Institute of New Zealand | Professional body providing services and support for people who work in HR in New Zealand | Member |
| Institute of Directors New Zealand | Professional body providing guidance to New Zealand directors | Member |
| National Road Carriers Inc | Road transport association providing advocacy, representation and business support for New Zealand's road transport industry | Member |
| New Zealand Apples & Pears Inc. | Representative organisation for New Zealand's pipfruit industry | Board member |
| New Zealand Avocado | Industry peak body representing New Zealand's avocado growers | Member |
| The New Zealand Council of Cargo Owners | Professional body representing the shipping supply chain interests of New Zealand's largest exporters and importers | Chairman |
| New Zealand Horticulture Export Authority | A statutory authority working to promote the effective export marketing of horticultural products | Committee member |
| New Zealand Institute of Safety Management | Professional association for New Zealand health and safety practitioners | Member |
| Onions New Zealand | Industry peak body representing growers and exporters of onions in New Zealand | Member |
| Plant Germplasm Import Council | Coalition of plant germplasm import industry groups and the Ministry of Primary Industries, focused on improving New Zealand's germplasm import programme | Member |
| Plant Market Access Council | Incorporated society providing leadership on plant industry market access | Member |
| Potatoes New Zealand | Industry peak body representing interests of New Zealand's potato industry | Member |

| Organisation | Function | Our role |
|---|---|----------------------------|
| Pukekohe Vegetable Growers Association | Charitable organisation representing vegetable growing businesses in the Pukekohe region | Executive Committee Member |
| Road Transport Forum New Zealand | Professional body promoting and advancing the interests of the road transport industry | Member |
| Strawberry Growers of New Zealand | Industry peak body representing the interest of New Zealand's strawberry growers | Member |
| Tomatoes New Zealand | Industry peak body representing New Zealand's tomato growers | Board member |
| United Fresh New Zealand | Professional body providing services and representation to the New Zealand fresh produce industry | Board member |
| Vegetables New Zealand Inc. | Represents the interests of growers of all fresh vegetable crops | Member |
| International | | |
| Freshfel Europe | Forum for the European fresh fruit and vegetable chain, representing its members at EU and international level to ensure a diverse, sustainable, and robust EU fruit and vegetable sector | Member |
| Fresh Trade Belgium | Association representing importers, exporters and wholesalers, fresh cut companies and logistic service providers active in the fruit and vegetable business in Belgium | Member |
| Produce Marketing Association | Global fresh produce trade association | Member |
| United Fresh Produce Association | Professional body providing guidance and advocacy to the United States produce industry | Member |
| Washington State Tree Fruit Association | Professional body providing advocating and supporting the Washington State tree fruit industry | Member |
| Washington Apple Education Foundation | Charitable organisation with a desire to advance Washington's tree fruit industry's charitable work | Member |

DIRECTORY

DIRECTORS

Prof. K.J.Lutz

Chairman and Non-independent Director

C.A. Campbell

Independent Director

A. Helber

Non-independent Director

R.J. Hewett

Independent Director

B.J. Mangold

Non-independent Director

R.T. Priske

Non-independent Director

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PRINCIPAL BANKERS

Bank of New Zealand

HSBC

Rabobank

Westpac New Zealand

PRINCIPAL SOLICITORS

Russell McVeagh

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SHARE REGISTRY CONTACT DETAILS

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NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

NOTES

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