

annual report 31 march 2003

K I W

I F R

U I T





growing great  
prospects in kiwifruit

## contents

highlights	2
business review	4
financial statements	11
auditor's report	30
corporate profile	31

## highlights

- > Orchard Lease contracts reach 475 hectares – up six percent on prior year
- > Nine percent growth in Shareholder funds supports total dividend of 15 cents per share – down on last year's 18 cents
- > Operating Profit before tax \$3.022m – down 28 percent on the record results of the previous year
- > Increased bank facilities secured to meet growth in operating activities
- > Strong kiwifruit export returns assist growers to offset poor yields
- > Successful integration of Waimapu operations set to capture additional revenue from 2004 and beyond
- > Leading advocate in grower interests – Seeka management and directors are actively shaping the industry





helping growers manage risk  
and improve profitability

## business review



### Financial year in review

Seeka Kiwifruit Industries Limited's financial performance for the year ended 31st March 2003 – the period under review – was dominated by the complex relationship between climate and kiwifruit production. Despite strong growth in total supplying hectares, overall grower yields from harvest 2002 fell 20 percent from the previous year. Seeka's own orchard activities were similarly affected and contributed to a financial loss from Orchard Operations, which could not be offset by the strongest orchard returns since the 1999/2000 kiwifruit selling season.

This was in stark contrast to the previous year when record harvest volumes contributed to Seeka's strongest-ever financial performance.

A particularly important strategic objective for harvest 2002, the first of the new Seeka – Waimapu merged entity, was to instil and maintain high levels of grower confidence in our ability to handle the surge in growth and scale expected from the Waimapu acquisition. In reality the company was well prepared in terms of post harvest capacity to meet these challenges – perhaps too well prepared. Our inability to forecast reduced yields until almost the end of harvest 2002, further impacted on financial performance. Accurate and timely forecasts would have allowed Seeka to scale back the overhead structures and costs which had been put in place to smoothly and efficiently process substantially higher volumes.

The fact that these influences were not unique to Seeka and dominated the national kiwifruit harvest in 2002 is of little comfort. In the final analysis, however, Seeka's biggest challenge in the short to medium term is to develop more effective strategies to manage crop variations through improved capital efficiency.

On the surface it may appear that Seeka's operating margin has eroded. In reality this result is due to the seasonal shift which has given additional weight to orchard operations and related revenue, in relation to post harvest activities. This was in part expected due to the structures surrounding the orchard

leasing arrangements secured as part of the Waimapu purchase.

Whilst this was evident and recognised at the time of purchase, the results were exacerbated by the unexpectedly very low yields experienced from these properties. Significant re-writing of this business has occurred in the past 12 to 18 months on terms aligned with traditional contracts successfully operated by Seeka both now and in the past.


During the year the company experienced difficulties at our Kiwi Coast site. Malfunctions occurred with the existing controlled atmosphere plant, along with construction defects in the new CA rooms installed just prior to harvest 2002. The higher levels of fruit loss arising from these factors meant a significant volume of fruit was not available for packing. While insurance recoveries have maintained revenues for growers, Seeka's financial performance was affected by reduced revenues plus the higher costs associated with working through these issues. Construction defects associated with the new rooms were a huge disappointment and your Directors are determined to seek redress for lost revenues.

Despite the many adverse influences affecting company performance in the year under review, we can report that Seeka's strong management structures, solid partnership arrangements with growers, and sensible governance have meant that our financial performance has remained strong in relative terms. Our continued focus on strong relationships with our grower suppliers has seen Seeka once again in the top tier of Supply Entity performance, with Seeka Growers Limited turnover reaching record highs in excess of \$70m in the same period. Seeka not only manages Seeka Growers Limited's supply arrangements with Zespri, but works with Seeka Growers Limited directors to ensure that Seeka growers enjoy continued strong and consistent returns.

instil and maintain high levels of grower confidence in our ability to handle the surge in growth and scale

strong management structures, solid partnership arrangements with growers, and sensible governance have meant that our financial performance has remained strong



A photograph of a kiwifruit in a lush green field. In the background, there is a tall metal net structure, likely for grape or kiwifruit cultivation. The sky is clear blue with a few wispy clouds. A mountain is visible in the distance behind the net structure. A banner with various logos is visible at the base of the net structure.

poised to secure  
advantages of the  
seeka-waimapu  
amalgamation

Despite the set backs of 2002/03 Seeka remains well placed to exploit the inherent advantages that the Seeka – Waimapu amalgamation continues to hold. In the last 12 months Seeka has:

- > Successfully integrated the two entities while capturing key management strengths, including the establishment of "site" management structures to deliver superior service and performance for both growers and Seeka.
- > Built on existing relationships to consolidate and enhance grower supply.

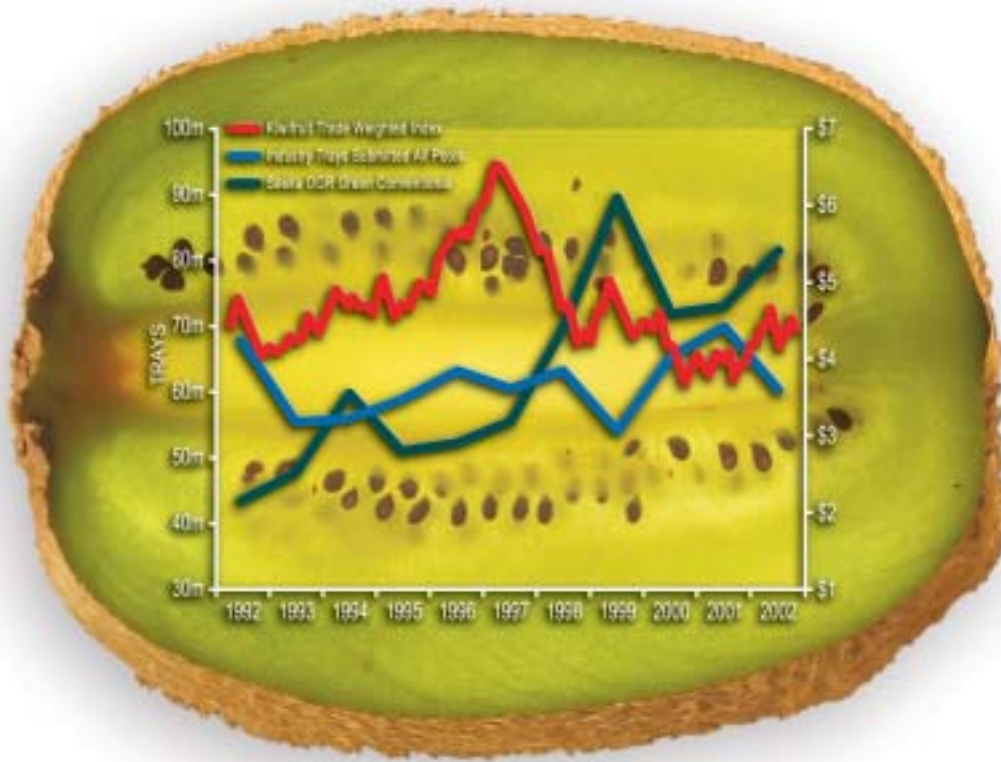
- > Strengthened and refined Orchard Leasing arrangements to reflect today's kiwifruit operating environment and optimise the benefits for Seeka and land owners alike.
- > Implemented a Product Quality Systems team which uses enhanced technology in the Harvest and Post Harvest environments. This is providing superior compliance, information and reporting systems for growers, Seeka and Zespri.

These factors hold promise for a strong resurgence in Seeka's financial performance in 2003/04 together with the opportunity to grow even stronger in the years ahead. While spring frosts have again restricted optimal yields for the 2003 harvest, these factors are now

anticipated and have been adequately planned for. Increased focus on improved orchard management techniques through the independent consultation services of Peter Mulligan, combined with a strong peer review process is showing promise of immediate results. The review and rearrangement of orchard leasing contracts is now substantially complete. Relatively strong export returns seem likely to continue through 2003/04 due to Zespri's foreign exchange arrangements and stable volumes.

On the negative, energy cost increases are likely to erode post harvest margins, particularly from coolstorage operations, and to a lesser extent packing.

## Kiwifruit returns are influenced by foreign exchange rates and production levels



strong global marketing structures at our disposal

A significant highlight amid the gloom of low yields and average-sized fruit, is the strong returns Zespri has achieved across the export-kiwifruit category. Increased sales revenue has helped growers offset lower yields. Even though returns were assisted by the combination of a weak New Zealand dollar and reduced New Zealand production, credit is due to Zespri for capturing these benefits for the New Zealand kiwifruit grower. Like the rest of the industry, Zespri was also trapped into expectations of a significantly larger New Zealand crop until well into the sales season. Zespri's ability to change strategic tack at short notice is a reflection of the strong global marketing structures at our disposal.

### Long-term orchard developments

Long-term orchard developments remain at 113.7 hectares, with Seeka's accumulated investment in this programme reaching \$7.3m as at 31 March 2003. While these developments are progressing well, we have decided to concentrate on canopy development rather than intensive early cropping for the next one to two years. This means our first substantial harvests for stage 1 – 28 hectares – is planned for the 2004/05 financial year with the balance for 2005/06.

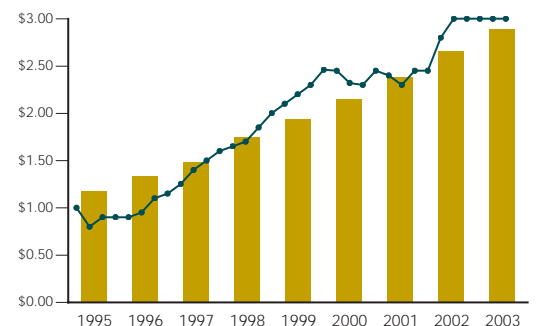
While this strategy will slightly delay initial cashflows, it is expected to provide best results for the longer-term financial performance from these orchards.

### New Zealand Exchange – NZX

NZX – formerly the NZSE – is establishing a new listing facility for companies currently utilising the Unlisted Securities Market – USM. This facility will be known as the AX Market and will operate in a similar manner to the main NZX listing facilities.

Your directors have maintained a watching brief on this process and are confident that the AX listing and compliance requirements will present minimal issues for the company. As a matter of course Seeka has maintained a voluntary programme of disclosure and compliance well in excess of present requirements. This means Seeka is well prepared for the new initiatives. Seeka has been a very successful stock under the existing regime and it remains to be seen whether the new facility provides any advantages for shareholders.

### Share Price Compared to Net Asset Backing







<b>KEY MARKET INDICATORS FOR SEEKA GROUP</b>	<b>2003/2004 HARVEST</b>	<b>2002/2003 ACTUALS</b>	<b>2001/2002 ACTUALS</b>	<b>2000/2001 ACTUALS</b>	<b>1999/2000 ACTUALS</b>	<b>1998/1999 ACTUALS</b>
<b>Volumes</b>						
Market Share	14.7%	13.9%	11.2%	8.9%	9.5%	9.8%
Supplying Hectares	1,374	1,399	945	816	756	
<b>Post Harvest Operations</b>						
Trays Packing	9,116,726	8,182,357	7,173,217	5,548,636	5,193,011	5,848,475
Trays Coolstorage	9,116,726	8,553,078	7,221,802	5,568,371	4,941,362	5,870,349
Class II Tray Equivalents	632,788	907,006	880,280	580,516	711,631	605,654
<b>Orcharding Operations</b>						
Orchard Production Trays	3,077,875	2,545,577	1,889,679	1,485,884	1,463,181	1,410,539
Orchard Production Hectares	475.11	445.13	255.72	241.60	221.68	197.13
Orchard Production Trays/Hectare	6,478	5,719	7,390	6,150	6,600	7,155
<b>Orchard Gate Returns per tray</b>						
Green		\$5.595	\$4.699	\$4.586	\$6.122	\$4.419
Gold		\$6.240	\$5.477	\$5.287		
<b>Key Costs</b>						
Total Interest Costs		\$762,147	\$658,082	\$429,870	\$254,541	\$341,020
Total Depreciation		\$1,777,003	\$1,384,838	\$931,473	\$879,157	\$942,896
<b>KEY FINANCIAL INDICATORS FOR SEEKA GROUP</b>		\$000s	\$000s	\$000s	\$000s	\$000s
Total Income		\$42,858	\$33,733	\$26,281	\$27,062	\$24,092
Net Profit Before Tax		\$3,022	\$4,221	\$3,010	\$3,291	\$2,448
Total Assets		\$43,932	\$38,257	\$24,448	\$19,356	\$16,034
Total Shareholder Funds		\$22,284	\$20,422	\$12,294	\$11,087	\$10,011
Shareholder Equity Ratio		51%	53%	50%	57%	62%
Earnings per Share NPAT		\$0.26	\$0.48*	\$0.38	\$0.44	\$0.30
Dividend per Share		\$0.15	\$0.18	\$0.18	\$0.18	\$0.13
Dividend % of NPAT		62%	41%	48%	42%	43%
Share Price		\$3.00	\$2.95	\$2.35	\$2.20	\$1.68
NPAT on Net Assets		9%	13%	16%	20%	16%
Total Shareholders		376	364	264	234	229
Total Shares on Issue		7,696,068	7,676,815	5,082,748	5,001,629	5,158,270
Annual Share Turnover		312,136	627,717	714,676	190,034	1,281,927

\* Weighted average of shares on issue during the year

setting industry-leading compliance  
and product quality standards







## An advocate for grower interests

Changing macro economic influences, including the strengthening New Zealand dollar and increases in production, will provide significant challenges for the kiwifruit industry over the coming years. The strength of the sector's recent performance has seen orchard prices reach record levels. This in turn gives rise to expectations of continuing high returns. These factors are manageable so long as the industry remains focussed on the industry's critical commercial aspects. This includes ongoing reviews of the cost structures and processes throughout the supply chain, which growers will find increasingly important when assessing orchard profitability.

An important factor in maintaining our single-desk procurement and selling structure is the need to continually test the validity and efficiency of the systems and processes in the absence of the normal competitive environment. Interference in this

process by interest groups seeking merely to increase their sphere of political influence only serves to increase the risk of producing an inefficient and costly supply chain.

Seeka remains actively involved in industry-wide organisations as well as joint supplier initiatives at the highest levels including directors and executive positions on bodies such as the Industry Advisory Council (IAC), New Zealand Kiwifruit Growers Incorporated (NZKGI), Kiwifruit Supply New Zealand Limited (KSNZL), and Kiwifruit Supply Research Limited (KSRL).

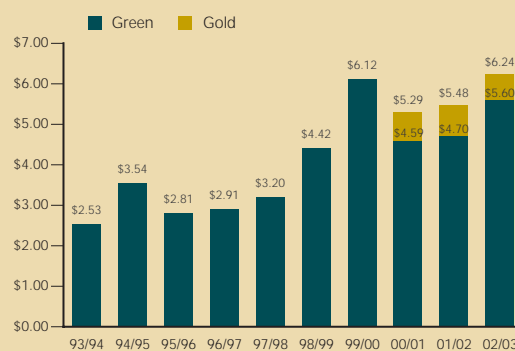
Seeka remains committed to providing strong commercial leadership and focus to satisfy the interests of both our shareholders and our growers – interests that we clearly see as aligned rather than in conflict.

we clearly see  
shareholder and  
grower interests  
are aligned

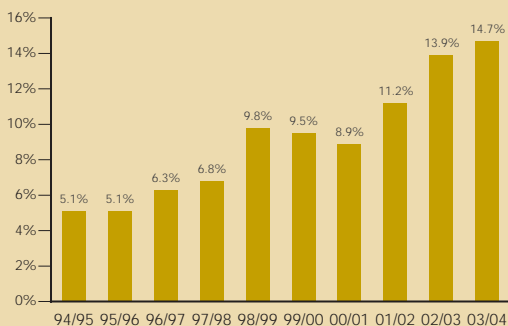
### Earnings Per Share



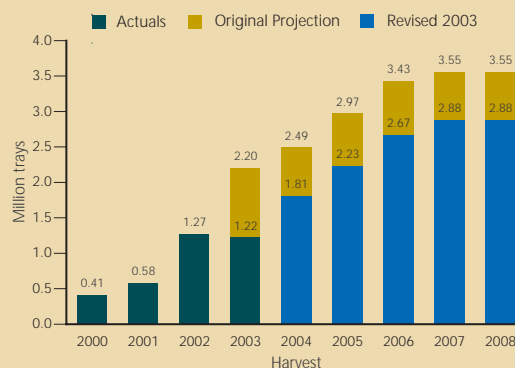
### Orchard Gate Returns – Green & Gold



### Market Share



### Seeka Gold Supply







the success of our growers represents the very fabric of Seeka's own success

### Dividend and dividend re-investment scheme

The directors resolved to maximise dividend returns to shareholders without prejudicing the profitable growth of the company.

Additionally the directors are recommending the introduction of a dividend re-investment scheme, whereby shareholders may elect to have all or some of their dividend converted to ordinary shares in the company. Details of the scheme are contained in the explanatory notes to the constitutional changes proposed with the notice of the meeting, and will be a matter for discussion and resolution at the AGM. It is proposed that any scheme approved by the shareholders would commence with the interim dividend due in February 2004.

### Conclusion

Despite a difficult season and resulting drop in Seeka's financial performance, directors, management and staff view the future with enthusiasm. We have confidence in our ability to drive the innovation and technology necessary to maintain our position as a leader in our field.

Seeka Kiwifruit Industries Limited, as measured at harvest 2002, is the largest post harvest entity in the New Zealand kiwifruit industry. Our ability to have achieved this position reflects grower confidence in the way we have structured our partnership, and the resulting strong returns this strategy continues to deliver.

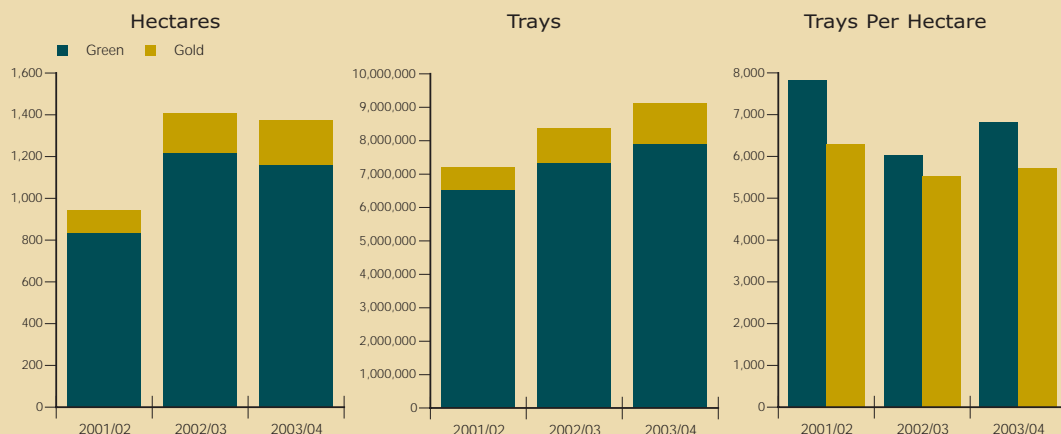
Grower confidence provides Seeka with the platform to achieve exceptional corporate performance, plus provide leadership and direction while establishing industry benchmarks.

These achievements reflect our team commitment to improvement and innovation. We recognise that the success of our growers represents the very fabric of Seeka's own success, and that as a company we are only as good as our people.

**A.E (Tony) de Farias**  
Managing Director

**Brian Allison**  
Chairman

### Seasonal Comparison



## financial statements

disclosures	12
financial performance	14
movement in equity	14
financial position	15
cashflows	16
notes	17
auditor's report	30

## PRINCIPAL ACTIVITIES

The principal activity of the company is to provide and manage service activities to the horticulture industry. The nature of the Company's business has not changed in the year under review.

## DIVIDENDS

An interim dividend was paid in February 2003 of 6 cents per share.

The Directors have declared a final fully imputed dividend of 9 cents per share to be paid in September 2003 to those shareholders registered at 31 August 2003. A provision for \$692,646, being 9 cents on 7,696,068 shares, is included in the Statement of Financial Position as at 31 March 2003.

## DIRECTORS HOLDING OFFICE DURING THE YEAR

The Directors holding office during the year were:

E B Allison	D J Emslie
W I Bowyer	A E de Farias
M J Cartwright	C R Morton
P G Dawe	J A Scotland

## USE OF COMPANY INFORMATION

During the year the Board received no notices from directors requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

## SHARE DEALINGS

During the year the following directors acquired (or sold) interests, either directly or indirectly, in ordinary shares issued by the company.

Director	No of Shares Acquired (Sold)	Consideration Paid (Received)	Date
M J Cartwright	2,930	\$8,760	August 2002
C R Morton	15,500	\$51,150	October 2002
C R Morton	91,453	\$284,129	October 2002



## REMUNERATION AND OTHER BENEFITS

Directors' remuneration paid during the year or due and payable is as follows:

E B Allison	\$30,000
W I Bowyer	\$6,667
M J Cartwright	\$9,333
D J Emslie	\$16,000
P G Dawe	\$16,000
A E de Farias	\$209,765
C R Morton	\$16,000
J A Scotland	\$16,000

## REMUNERATION OF EMPLOYEES

The Company has three employees (last year one), who are not directors, and whose remuneration and benefits exceeded \$100,000 but not \$110,000 in the financial year.

## DIRECTORS INTERESTS

During the year the Company undertook transactions with the directors as set out in Note 20 to the Financial Statements "Related Party Transactions".

Directors have disclosed the following particular directorships held by them:

M J Cartwright – Chairman of Seeka Growers Limited

P G Dawe – Chairman of Kiwigold Developments Limited

A E de Farias – Chairman of Golden Heights Limited and a director of Seeka Growers Limited and Kiwifruit Supply Research Limited

D J Emslie – a director of Opotiki Packing and Coolstorage Co Limited

J A Scotland – a director of AgriQuality NZ Limited

## INDEMNITY INSURANCE

Clause 9.7 of the Constitution allows the Company to indemnify and insure directors to the extent permitted by the Companies Act 1993.

The Company has provided insurance for all directors.

# statement of financial performance

for the year ended 31 March 2003

	Notes	GROUP		PARENT	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
OPERATING REVENUES	2	42,858	33,733	42,858	33,733
OPERATING EXPENSES	2	39,836	29,512	39,836	29,512
OPERATING SURPLUS BEFORE TAXATION		3,022	4,221	3,022	4,221
Taxation expense	3	1,031	1,485	1,031	1,499
<b>NET OPERATING SURPLUS ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>1,991</b>	<b>2,736</b>	<b>1,991</b>	<b>2,722</b>

In November 2001 the company issued a prospectus for a shareholder rights issue. A comparison of the forecast financial information with actual results for the year ended 31 March 2003 is included in Note 22.

# statement of movement in equity

for the year ended 31 March 2003

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<i>Total recognised revenues and expenses for the period</i>				
Net operating surplus attributable to shareholders	1,991	2,736	1,991	2,722
Revaluation of land and buildings	970	1,132	970	655
<i>Contributions from owners</i>				
Sale of treasury stock	57	112	57	112
Shares issued	-	5,272	-	5,272
<i>Amalgamation of subsidiaries</i>	-	-	490	-
<i>Distributions to owners</i>				
Dividend paid	(464)	(434)	(464)	(434)
Dividend payable	(692)	(690)	(692)	(690)
<b>Movement in Equity for the Period</b>	<b>1,862</b>	<b>8,128</b>	<b>2,352</b>	<b>7,637</b>
<b>Equity at Beginning of the Year</b>	<b>20,422</b>	<b>12,294</b>	<b>19,970</b>	<b>12,333</b>
<b>EQUITY AT 31 MARCH 2003</b>	<b>22,284</b>	<b>20,422</b>	<b>22,322</b>	<b>19,970</b>

The accompanying notes form an integral part of these financial statements.

# statement of financial position

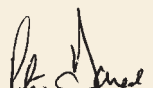
as at 31 March 2003

	Notes	GROUP		PARENT	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>EQUITY</b>					
Share capital	4	11,024	10,967	11,024	10,967
Reserves	5	3,602	2,632	3,602	2,155
Retained earnings	5	7,658	6,823	7,696	6,848
<b>TOTAL EQUITY</b>		<b>22,284</b>	<b>20,422</b>	<b>22,322</b>	<b>19,970</b>
<b>CURRENT ASSETS</b>					
Accounts receivable	6	3,834	3,215	3,834	2,715
Work in progress	7	7,877	6,540	7,877	4,890
Inventory	8	1,539	939	1,539	906
Income tax refund due	3	321	490	321	454
<b>TOTAL CURRENT ASSETS</b>		<b>13,571</b>	<b>11,184</b>	<b>13,571</b>	<b>8,965</b>
<b>NON CURRENT ASSETS</b>					
Advances	9	748	443	748	443
Investments	10	679	786	717	6,057
Property, plant & equipment	11	21,606	20,029	21,606	15,625
Leased property development costs	12	7,328	5,732	7,328	5,732
Goodwill	13		83		83
<b>TOTAL NON CURRENT ASSETS</b>		<b>30,361</b>	<b>27,073</b>	<b>30,399</b>	<b>27,940</b>
<b>TOTAL ASSETS</b>		<b>43,932</b>	<b>38,257</b>	<b>43,970</b>	<b>36,905</b>
<b>CURRENT LIABILITIES</b>					
Bank overdraft	15	180	153	180	153
Accounts payable	14	3,128	3,186	3,128	2,733
Term liabilities	15	488	995	488	995
Provision for dividend		693	690	693	690
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,489</b>	<b>5,024</b>	<b>4,489</b>	<b>4,571</b>
<b>NON CURRENT LIABILITIES</b>					
Term liabilities	15	13,154	9,640	13,154	9,640
Provision for deferred taxation	16	4,005	3,171	4,005	2,724
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>17,159</b>	<b>12,811</b>	<b>17,159</b>	<b>12,364</b>
<b>TOTAL LIABILITIES</b>		<b>21,648</b>	<b>17,835</b>	<b>21,648</b>	<b>16,935</b>
<b>NET ASSETS</b>		<b>22,284</b>	<b>20,422</b>	<b>22,322</b>	<b>19,970</b>

On behalf of the Board:



E B Allison  
Chairman



P G Dawe  
Director

Dated: 17 June 2003

*The accompanying notes form an integral part of these financial statements.*



# statement of cashflows

for the year ended 31 March 2003

	Notes	GROUP		PARENT	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>OPERATING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Receipts from customers		42,115	32,664	42,115	33,093
Interest received		37	40	37	40
Dividend received		22	8	22	8
<i>Cash was disbursed to:</i>					
Payments to suppliers and employees		(39,899)	(30,750)	(39,899)	(29,509)
Interest paid		(762)	(658)	(762)	(658)
GST paid		(12)	12	(12)	14
Income taxes paid		(12)	(559)	(12)	(523)
<b>NET CASHFLOWS FROM OPERATING ACTIVITIES</b>	24	<b>1,489</b>	<b>757</b>	<b>1,489</b>	<b>2,465</b>
<b>INVESTING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Sale of property, plant & equipment		77	12	77	12
Sale of investments		107	-	107	-
<i>Cash was applied to:</i>					
Purchase of property, plant & equipment		(2,993)	(5,581)	(2,993)	(3,046)
Purchase of investments		-	(262)	-	(14)
Investments in and advances to subsidiaries		-	-	-	(4,548)
Purchase of goodwill		-	(8)	-	(8)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(2,809)</b>	<b>(5,839)</b>	<b>(2,809)</b>	<b>(7,604)</b>
<b>FINANCING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Sale of shares		57	4,451	57	4,451
Proceeds of term debt		13,400	2,577	13,400	2,577
<i>Cash was applied to:</i>					
Term debt repayments		(10,695)	(743)	(10,695)	(743)
Other advances		(316)	(357)	(316)	(300)
Payment of dividend		(1,153)	(920)	(1,153)	(920)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>1,293</b>	<b>5,008</b>	<b>1,293</b>	<b>5,065</b>
Net increase in overdraft		(27)	(74)	(27)	(74)
Opening overdraft brought forward		(153)	(79)	(153)	(79)
<b>ENDING OVERDRAFT CARRIED FORWARD</b>		<b>(180)</b>	<b>(153)</b>	<b>(180)</b>	<b>(153)</b>

The accompanying notes form an integral part of these financial statements.

## NOTE 1 – STATEMENT OF ACCOUNTING POLICIES

### a. Reporting Entity

Seeka Kiwifruit Industries Limited is a company registered under the Companies Act 1993.

The Group consists of Seeka Kiwifruit Industries Limited, and its subsidiaries.

Seeka Kiwifruit Industries Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements and the group financial statements have been prepared in accordance with the Financial Reporting Act 1993.

### b. Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the group with the exception of certain fixed assets which have been revalued.

### c. Specific Accounting Policies

Specific accounting policies which materially affect the measurement of results and financial position have been applied as follows:

#### (i) Basis of Consolidation - Purchase Method

The consolidated financial statements include the holding company and its subsidiaries accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation. In the Company's financial statements investments in subsidiaries are recognised at their cost.

#### (ii) Valuation of Assets

Accounts Receivable: Trade debtors are valued at estimated realisable value. All known bad debts are written off in the period in which they become evident. All other accounts receivable are stated at cost.

Inventory: Inventory on hand has been valued at the lower of cost or net realisable value after due allowance for damaged and obsolete items.

Advances: Advances are stated at cost.

Investments: Investments have been valued at cost.

Property, Plant & Equipment: The Group has four classes of property, plant and equipment: Land; Buildings; Plant and equipment, motor vehicles, office furniture and equipment; and Leased plant and vehicles. All property, plant and equipment is initially recorded at cost. The land and buildings are revalued to their market values as assessed by an independent qualified valuer. Assets in these classes will be revalued on a systematic basis on a rolling 3 year cycle. Other plant & equipment have been valued at cost less accumulated depreciation.

#### (iii) Depreciation

Depreciation is provided on a straight line or diminishing value basis on all tangible assets other than freehold land, at rates calculated to allocate the assets cost or valuation less estimated residual value, over their estimated useful lives.

Major depreciation periods are:

Freehold buildings	– 20 to 50 years
Plant and equipment	– 10 to 20 years
Motor Vehicles	– 4 to 7 years
Office furniture and equipment	– 3 to 10 years

# notes to the financial statements

for the year ended 31 March 2003

## *(iv) Goodwill*

Goodwill represents the excess of purchase consideration over the net book value of assets at the time of purchase of a business or share in a subsidiary.

Goodwill is amortised over a five year period.

## *(v) Taxation*

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

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

## *(vi) Leases*

Group entities lease land, improvements and buildings and certain plant and equipment. Financial leases which effectively transfer to the entity substantially all of the risks and benefits incidental to ownership of the leased items, are capitalised at the cost of the asset concerned and depreciated in accordance with the accounting policies of the company. The corresponding liabilities are disclosed.

Vehicle Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of leased items, are included in the determination of the net surplus in equal instalments over the lease term.

## *(vii) Leased Property Development Costs*

The group has entered into long term leases of land which it is converting to kiwifruit production.

Pre-production costs are accumulated and capitalised during the pre-production period. The accumulated costs are to be amortised by equal instalments over the remaining term of the lease commencing with the first year of significant production but with a maximum period of 10 years.

Property, plant & equipment are depreciated on a straight-line basis commencing with the first year of significant production but with a maximum depreciation period of 10 years.

## *(viii) The Kiwifruit Crop*

Revenues from the kiwifruit crop are recognised in the Statement of Financial Performance in the year in which the crop is harvested. The cost of growing the crop is expensed in that year. The costs incurred to balance date in growing the crop to be harvested following balance date are included as work in progress in the Statement of Financial Position.

## *(ix) Financial Instruments*

The company includes all financial instrument arrangements in the Statement of Financial Position using the concepts of accrual accounting. These instruments arise as a result of everyday operations and include, bank accounts, accounts receivable, accounts payable, term debt, investments. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. Financial instruments are shown at their fair values.



(x) *Cashflows*

For the purpose of the Statement of Cashflows, cash includes cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

(xi) *Employee entitlements*

A liability for annual leave and long service leave is accrued and recognised in the statement of financial position. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date

**d. Changes in Accounting Policies**

There has been no change in accounting policies.

All accounting policies have been applied on basis consistent with those used in previous years.

GROUP		PARENT	
2003	2002	2003	2002
\$000	\$000	\$000	\$000

**NOTE 2 – OPERATING REVENUES AND EXPENSES**

OPERATING REVENUES

*per the Statement of Financial Performance comprise:*

Sales	42,750	33,667	42,750	33,667
Interest income	53	46	53	46
Dividend income	22	9	22	9
Profit on sale of property, plant & equipment	33	11	33	11
<b>TOTAL OPERATING REVENUES</b>	<b>42,858</b>	<b>33,733</b>	<b>42,858</b>	<b>33,733</b>

OPERATING EXPENSES

*per the Statement of Financial Performance comprise:*

Materials and service expenses	28,721	19,933	28,721	19,933
Employee remuneration	7,681	6,682	7,681	6,682
Audit fees	22	29	22	29
Depreciation	1,777	1,385	1,777	1,385
Directors fees	112	107	112	107
Amortisation of goodwill	79	91	79	91
Interest	762	659	762	659
Loss on sale of property, plant & equipment	45	7	45	7
Rent & lease expenses	637	518	637	518
Share issue costs	-	101	-	101
<b>TOTAL OPERATING EXPENSES</b>	<b>39,836</b>	<b>29,512</b>	<b>39,836</b>	<b>29,512</b>

# notes to the financial statements

for the year ended 31 March 2003

	Notes	GROUP		PARENT	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>NOTE 3 – TAXATION</b>					
<b>NET OPERATING SURPLUS BEFORE TAXATION</b>		<b>3,022</b>	<b>4,221</b>	<b>3,022</b>	<b>4,221</b>
Prima facie taxation		997	1,393	997	1,393
Add tax effect of non-deductible items		34	92	34	106
<b>INCOME TAX EXPENSE</b>		<b>1,031</b>	<b>1,485</b>	<b>1,031</b>	<b>1,499</b>
Tax paid		518	875	518	839
Taxation refund due		(321)	(490)	(321)	(454)
Provision for deferred taxation	16	834	1,100	834	1,114
<b>INCOME TAX EXPENSE</b>		<b>1,031</b>	<b>1,485</b>	<b>1,031</b>	<b>1,499</b>
IMPUTATION CREDIT ACCOUNT					
<b>Balance at beginning of the year</b>		<b>1,666</b>	<b>1,613</b>	<b>1,666</b>	<b>1,613</b>
Net tax paid		15	501	15	501
Imputation credits attached to dividends received		5	4	5	4
Imputation on dividends paid		(569)	(452)	(569)	(452)
<b>BALANCE 31 MARCH 2003</b>		<b>1,117</b>	<b>1,666</b>	<b>1,117</b>	<b>1,666</b>

## NOTE 4 – SHARE CAPITAL

<b>SHARE CAPITAL AT 1 APRIL 2002</b>	<b>10,967</b>	<b>5,583</b>	<b>10,967</b>	<b>5,583</b>
Sale of treasury stock	57	112	57	112
Shares issued as part consideration of the takeover of other companies	-	932	-	932
Shareholder rights issue for cash	-	3,420	-	3,420
Other issues of shares for cash	-	920	-	920
<b>SHARE CAPITAL AS AT 31 MARCH 2003</b>	<b>11,024</b>	<b>10,967</b>	<b>11,024</b>	<b>10,967</b>

The capital of the Company comprises 7,704,267 (last year 7,704,267) ordinary shares fully paid up of which 7,696,068 (last year 7,676,815) are held by shareholders at balance date.

All shares have equal voting rights and share equally in dividends and surplus on winding up.

### Share Repurchase held as Treasury Stock

During the year the Company sold 19,253 shares at market value in accordance with the terms of certain packing contracts (last year 48,070 shares). The sales totalled \$57,265 (last year \$111,593). A total of 8,199 shares (last year 27,452 shares) are being held as treasury stock at year end.

Notes	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000

## NOTE 5 – RESERVES

### ASSET REVALUATION RESERVE

<b>Balance at 1 April 2002</b>	11	<b>2,632</b>	<b>1,500</b>	<b>2,155</b>	<b>1,500</b>
Revaluation of property		970	1,132	970	655
Amalgamation of subsidiaries		-	-	477	-
<b>BALANCE AT 31 MARCH 2003</b>		<b>3,602</b>	<b>2,632</b>	<b>3,602</b>	<b>2,155</b>

Reserve arising from the revaluation of property

### RETAINED EARNINGS

<b>Balance at 1 April 2002</b>		<b>6,823</b>	<b>5,211</b>	<b>6,848</b>	<b>5,250</b>
Amalgamation of subsidiaries		-	-	13	-
Net operating surplus attributable to shareholders		1,991	2,736	1,991	2,722
Dividend paid		(464)	(434)	(464)	(434)
Provision for dividend		(692)	(690)	(692)	(690)
<b>BALANCE AT 31 MARCH 2003</b>		<b>7,658</b>	<b>6,823</b>	<b>7,696</b>	<b>6,848</b>

## NOTE 6 – ACCOUNTS RECEIVABLE

Trade debtors		1,727	955	1,727	908
Owed by directors		83	-	83	-
Accrued income		1,219	1,318	1,219	930
Prepayments		348	497	348	489
GST refund due		348	347	348	347
Advances		109	98	109	41
		<b>3,834</b>	<b>3,215</b>	<b>3,834</b>	<b>2,715</b>

The accrued income includes \$813,858 for the group (last year \$1,164,021) and \$813,858 for the company (last year \$776,638) for orchard returns for the 2002 season expected to be received after balance date.

## NOTE 7 – WORK IN PROGRESS

<b>Orchard operating costs</b>		<b>7,877</b>	<b>6,540</b>	<b>7,877</b>	<b>4,890</b>
Total Canopy Hectares		475.11	445.13	475.11	310.61

Orchard operating costs include orchard production costs and rentals incurred to balance date in growing the kiwifruit crop on orchards owned and leased by the Company and which will be harvested following balance date.

## NOTE 8 – INVENTORY

Other finished goods		189	409	189	376
Kiwifruit packaging		1,350	530	1,350	530
<b>Total inventory</b>		<b>1,539</b>	<b>939</b>	<b>1,539</b>	<b>906</b>

The kiwifruit packaging includes carry over stocks from last season and stock purchased prior to balance date for the next season. Certain inventories are subject to retention of titles.

# notes to the financial statements

for the year ended 31 March 2003

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>NOTE 9 – ADVANCES</b>				
<b>Advances</b>	<b>748</b>	<b>443</b>	<b>748</b>	<b>443</b>

The advances relate to leased and managed orchards and are for specific projects and where a term lease or management contract is held. Repayment is from crop proceeds and the advance is repayable within the term of the lease or management contract.

## NOTE 10 – INVESTMENTS

### *Investment in subsidiary companies:*

Shares in subsidiary companies	-	-	34	2,361
Advances to subsidiary companies	-	-	4	3,158

### *Other Investments:*

Shares in Orchard Companies	114	114	114	114
Shares in Kiwifruit International Ltd	162	162	162	104
Shares in Zespri Group Ltd	149	149	149	41
Shares in and Advances to Prendo Prepack Ltd	100	65	100	65
Other shares	38	44	38	3
Notes issued by Zespri	116	252	116	211

<b>TOTAL INVESTMENTS</b>	<b>679</b>	<b>786</b>	<b>717</b>	<b>6,057</b>
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### Investments in Subsidiaries and Associated Companies Comprise:

	Percentage Held By Seeka Kiwifruit Industries Limited		Balance Date	
	2003	2002		
Waimapu Packhouse & Coolstore Ltd	-	100%	31 March	Kiwifruit Post Harvest
Waimapu Management Ltd	-	100%	31 March	Orchard Management
Seeka Management Services Ltd	100%	100%	31 March	Non Trading
Envirogro Ltd	100%	100%	31 March	Non Trading
Kiwifruit Supply Research Ltd	20%	20%	31 March	Research
Tauranga Kiwifruit Logistics Ltd	20%	20%	31 March	Supply Logistics
Prendo Prepack Ltd	25%	25%	31 March	Packing
Waimapu Growers Ltd	100%	26%	31 March	Non Trading

All investments are directly owned by Seeka Kiwifruit Industries Limited. During the year Waimapu Packhouse and Coolstore Limited and Waimapu Management Limited were amalgamated with the parent company.



## Acquisition of Subsidiaries

In April 2002 the company purchased all the shares in Waimapu Growers Limited not already owned by it for \$51,765.

*Details of the acquisition are:*

### Consideration

Cash	52
	<b>52</b>

*The net assets acquired were:*

Investments	23
Current assets	29
<b>NET ASSETS</b>	<b>52</b>

GROUP		PARENT	
2003	2002	2003	2002
\$000	\$000	\$000	\$000

## NOTE 11 – PROPERTY, PLANT & EQUIPMENT

Land at valuation	2,410	1,719	2,410	1,539
Buildings at valuation	13,512	13,411	13,512	10,322
Plant & equipment, motor vehicles, office furniture & equipment at cost	12,777	11,361	12,777	8,371
Leased plant & vehicles at cost	394	824	394	824
Accumulated depreciation	(7,487)	(7,286)	(7,487)	(5,431)
<b>NET BOOK VALUE</b>	<b>21,606</b>	<b>20,029</b>	<b>21,606</b>	<b>15,625</b>

Land and buildings are revalued to their estimated market value on a rolling three year cycle. The valuations were completed by J L Middleton, ANZIV, independent registered valuer. Subsequent additions are at cost. Land and Buildings were revalued this year by \$970,714 (\$1,132,937) for the group and \$970,714 (last year \$655,812) for the parent company.

## NOTE 12 – LEASED PROPERTY DEVELOPMENT COSTS

Kiwifruit vines, structures and plants	4,381	3,993	4,381	3,993
Pre-production costs	2,947	1,739	2,947	1,739
	<b>7,328</b>	<b>5,732</b>	<b>7,328</b>	<b>5,732</b>

These kiwifruit vines, structures and plants relate to orchards where the Company has a long term lease and production has not yet commenced. There is a total of 113.7 hectares under lease of which 25% will produce a significant crop for the 2004 season and the remainder will produce significant crops in the 2005 season. The plantings are 27% in Hayward and 73% in Zespri™ Gold.

# notes to the financial statements

for the year ended 31 March 2003

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>NOTE 13 – GOODWILL</b>				
<b>Balance 1 April 2002</b>	<b>83</b>	<b>166</b>	<b>83</b>	<b>166</b>
Goodwill paid	(4)	8	(4)	8
Amortisation of goodwill	(79)	(91)	(79)	(91)
<b>BALANCE 31 MARCH 2003</b>	<b>-</b>	<b>83</b>	<b>-</b>	<b>83</b>

## NOTE 14 – ACCOUNTS PAYABLE

Trade creditors	1,990	1,766	1,990	1,735
Accrued expenses	890	1,213	890	791
Employee entitlements	245	202	245	202
Owed to directors	3	5	3	5
	<b>3,128</b>	<b>3,186</b>	<b>3,128</b>	<b>2,733</b>

The accrued expenses include \$606,109 for the group (last year \$899,908) and \$606,109 for the company (last year \$477,784) for the 2002 season profit share expected to be paid out after balance date to orchard lessors.

## NOTE 15 – TERM LIABILITIES

Various hire purchase and lease agreements	242	234	242	234
Debentures and mortgages secured over land, buildings and chattels	13,400	10,401	13,400	10,401
	<b>13,642</b>	<b>10,635</b>	<b>13,642</b>	<b>10,635</b>
Less current portion repayable within one year	488	995	488	995
<b>Portion due for repayment later than one year</b>	<b>13,154</b>	<b>9,640</b>	<b>13,154</b>	<b>9,640</b>

The Term Liabilities are repayable within:

Year	Average Interest Rate	GROUP		PARENT	
1 Year (lease liabilities)	9.76%	83	177	83	177
1 Year (other)	6.87%	405	818	405	818
2 Years	6.85%	6,369	6,592	6,369	6,592
3 Years & later	6.85%	6,785	3,048	6,785	3,048
		<b>13,642</b>	<b>10,635</b>	<b>13,642</b>	<b>10,635</b>

The bank overdraft is secured under the same debentures and mortgages as the term debt. The Company has total facilities of \$17 million made up of an overdraft facility of \$500,000, a multi option credit facility of \$7,500,000, term loans of \$8,000,000 and a business finance line of \$1,000,000.

Notes	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000

## NOTE 16 – PROVISION FOR DEFERRED TAXATION

<b>Balance at 1 April 2002</b>		<b>3,171</b>	<b>1,610</b>	<b>2,724</b>	<b>1,610</b>
Provision for tax	3	834	1,100	834	1,114
Deferred tax on purchase of subsidiary company		-	461	-	-
Amalgamation of subsidiaries		-	-	447	-
<b>BALANCE AT 31 MARCH 2003</b>		<b>4,005</b>	<b>3,171</b>	<b>4,005</b>	<b>2,724</b>

The Provision for Deferred Tax is taxation provided on current profits but not due to be paid until after 31 March 2004 due to expenditure relating to later periods claimed for taxation purposes in the current period.

Deferred tax applicable to the operating costs on long term leases make up 24% of the provision and tax relative to these costs will become payable as they are amortised in future years. Deferred tax applicable to work in progress makes up 65% of the provision and arises because of the accounting policy of accruing current season expenditure on orchards as work in progress while claiming the appropriate tax deductibility.

## NOTE 17 – COMMITMENTS

Estimated capital expenditure contracted for at balance date but not provided for

	256	1,064	256	1,064
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The company has arranged term loan facilities of \$3,251,375 (last year \$806,875) to assist with capital expenditure.

*Lease commitments under non-cancellable operating leases:*

Not later than one year	2,522	2,588	2,522	2,588
Later than one year not later than two years	1,438	2,050	1,438	2,050
Later than two years not later than five years	1,379	2,152	1,379	2,152
Later than five years	5,397	5,884	5,397	5,884
	<b>10,736</b>	<b>12,674</b>	<b>10,736</b>	<b>12,674</b>

In addition to the above lease commitments there are commitments for orchard leases which are contingent on the number of trays harvested in each year of the lease. An asset of a greater value than the lease commitment accrues at the time of harvest.

## NOTE 18 – CONTINGENT LIABILITIES

Guarantees of bank facilities for clients \$431,869 (last year \$328,500). The guarantees are for bank loans to clients for specific projects. Securities are held to support the guarantees.

# notes to the financial statements

for the year ended 31 March 2003

## NOTE 19 – FINANCIAL INSTRUMENTS

### CREDIT RISK

Financial Instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable.

The Company performs credit evaluations on all customers requiring credit and generally does not require collateral.

Maximum exposures to credit risk as at balance date are:

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Accounts receivable	3,486	2,718	3,486	2,226
Zespri notes	116	252	116	211
Advances	748	443	748	443

No collateral is held on the above amounts.

The Company is exposed to a concentration of credit risk with Zespri International Limited which is the marketer of kiwifruit for New Zealand.

### LIQUIDITY RISK

Work in progress relates to crop expenditure for crops that will be harvested and revenue received in the next financial year. Crop failures will impact on trading revenue and the Company's liquidity.

### INTEREST RATE RISK

The interest rate on the mortgages are reviewed from time to time and currently range from 6.79% to 7.10% per annum. The interest rate on the hire purchase range from 9.20% to 9.76% and are fixed for the term of the agreement.

### CURRENCY RISK

The Company has no direct currency risk.

### MARKET RISK

The Company has no significant market risk. The value of investments is anticipated to remain constant.

### FAIR VALUES

The carrying amount is considered to be the fair value for each of the financial instruments - bank accounts, accounts receivable, investments, creditors, and term debt.

## NOTE 20 – RELATED PARTY TRANSACTIONS

- (a) The Company undertakes transactions with the directors in the normal course of business, none of which were of a material nature.
- (b) No related party debts have been forgiven or written off during the year.

## NOTE 21 – SEGMENT INFORMATION

All trading activities of the Company relate to the kiwifruit industry.  
All activities are based in the Bay of Plenty, New Zealand.

## NOTE 22 – PROSPECTIVE FINANCIAL INFORMATION COMPARISON

### Statement of Financial Performance For the Year Ended 31 March 2003

	Actual \$000	Forecast \$000
Group operating revenue	42,858	45,023
Operating surplus before taxation	3,022	5,860
Taxation expense	1,031	2,014
<b>Net operating surplus attributable to shareholders</b>	<b>1,991</b>	<b>3,846</b>

### Statement of Movement in Equity For the Year Ended 31 March 2003

<b>Equity at the beginning of the year</b>	<b>20,422</b>	<b>19,676</b>
Net operating surplus attributable to shareholders	1,991	3,846
Revaluation of land and buildings	970	-
<i>Contributions from owners</i>		
Sale of treasury stock	57	-
<i>Distributions to owners</i>		
Dividend paid	(464)	(691)
Dividend payable	(692)	(691)
<b>EQUITY AT 31 MARCH 2003</b>	<b>22,284</b>	<b>22,140</b>



# notes to the financial statements

for the year ended 31 March 2003

## Statement of Financial Position As At 31 March 2003

	Actual	Forecast
	\$000	\$000
<b>EQUITY</b>		
Share capital	11,024	10,943
Reserves	3,602	2,125
Retained earnings	7,658	9,072
<b>TOTAL EQUITY</b>	<b>22,284</b>	<b>22,140</b>
<b>CURRENT ASSETS</b>		
Accounts receivable	4,582	2,617
Work in progress	7,877	7,633
Inventory	1,539	404
Income tax refund due	321	13
<b>TOTAL CURRENT ASSETS</b>	<b>14,319</b>	<b>10,667</b>
<b>NON CURRENT ASSETS</b>		
Investment	679	772
Property, plant & equipment	21,606	20,952
Leased property development costs	7,328	7,137
Investments	-	18
<b>TOTAL NON CURRENT ASSETS</b>	<b>29,613</b>	<b>28,879</b>
<b>TOTAL ASSETS</b>	<b>43,932</b>	<b>39,546</b>
<b>CURRENT LIABILITIES</b>		
Bank overdraft	180	70
Accounts payable	3,128	1,712
Term liabilities - current	488	1,517
Provision for dividend	693	691
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,489</b>	<b>3,990</b>
<b>NON CURRENT LIABILITIES</b>		
Provision for deferred taxation	13,154	9,662
Term liabilities	4,005	3,754
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>17,159</b>	<b>13,416</b>
<b>TOTAL LIABILITIES</b>	<b>21,648</b>	<b>17,406</b>
<b>NET ASSETS</b>	<b>22,284</b>	<b>22,140</b>

The actual operating revenues for the year were less than forecast due to lower volumes as a result of climatic conditions. Costs, especially those relating to orchard operations, are largely of a fixed nature resulting in the net profit after tax being 52% of the forecast.

The revaluation of some of the properties owned by the company this year and last year were not included in the forecasts as these were not predictable. This has resulted in an increase in reserves and fixed assets compared with the forecasts.

Additional bank facilities have been arranged to fund the increased working capital requirements.

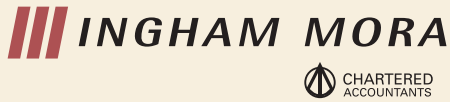
## NOTE 23 – SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no significant events since balance date.

## NOTE 24 – STATEMENT OF CASHFLOWS

Reconciliation of net operating surplus after taxation with cashflows from operating activities

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>Net operating surplus after taxation</b>	<b>1,991</b>	<b>2,736</b>	<b>1,991</b>	<b>2,722</b>
<i>Add non cash items:</i>				
Depreciation	1,777	1,385	1,777	1,385
Movement in deferred tax	834	1,100	834	1,114
	<b>2,611</b>	<b>2,485</b>	<b>2,611</b>	<b>2,499</b>
<i>Add items not classified as an operating activity:</i>				
Amortisation of goodwill	83	91	83	91
Operating costs on leased properties	(1,208)	(948)	(1,208)	(948)
Profit on sale of property, plant & equipment	12	(3)	12	(3)
Purchase of property, plant & equipment included in accounts payable	434	(650)	434	(650)
Advances included in accounts receivable	11	357	11	299
	<b>(668)</b>	<b>(1,153)</b>	<b>(668)</b>	<b>(1,211)</b>
<i>Increase (decrease) in Working Capital:</i>				
Increase (decrease) in accounts payable	(58)	1,888	(58)	1,435
Decrease (increase) in accounts receivable	(619)	(1,691)	(619)	(1,191)
Decrease (increase) in inventory	(600)	(211)	(600)	(178)
Decrease (increase) in work in progress	(1,337)	(3,117)	(1,337)	(1,467)
Increase (decrease) in taxes due	169	(180)	169	(144)
	<b>(2,445)</b>	<b>(3,311)</b>	<b>(2,445)</b>	<b>(1,545)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,489</b>	<b>757</b>	<b>1,489</b>	<b>2,465</b>



## Auditor's Report

### To the Shareholders of SEEKA KIWIFRUIT INDUSTRIES LIMITED

We have audited the financial statements on pages 14 to 29. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 March 2003.

This information is stated in accordance with the accounting policies set out on pages 17 to 19.

### Directors' Responsibilities

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 March 2003 and of their financial performance and cash flows for the year ended on that date.

### Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 14 to 29:
  - comply with generally accepted accounting practice; and
  - give a true and fair view of the financial position of the company and group as at 31 March 2003 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 17th June 2003 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'Ingham Mora', written in a cursive style.

Ingham Mora  
Tauranga

## corporate profile

directors	32
management team	33
post harvest production	34
business development	35
orchard division operations	36
finance and administration	37
corporate governance statement	38
directory	39
shareholder analysis	40

# directors

## Brian Allison

CHAIRMAN  
REMUNERATION COMMITTEE, CHAIRMAN  
AUDIT COMMITTEE, MEMBER



## Peter Dawe

DEPUTY CHAIRMAN  
AUDIT COMMITTEE, CHAIRMAN



## Tony de Farias

MANAGING DIRECTOR



## Malcolm Cartwright

DIRECTOR  
REMUNERATION COMMITTEE, MEMBER



## David Emslie

DIRECTOR  
REMUNERATION COMMITTEE, MEMBER



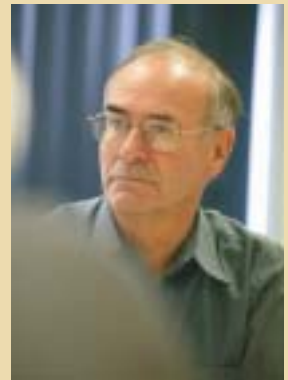
## Chris Morton

DIRECTOR  
REMUNERATION COMMITTEE, MEMBER



## Jim Scotland

DIRECTOR  
AUDIT COMMITTEE, MEMBER



## Peter Wood

COMPANY SECRETARY

### Precise and deliberate strategic direction

Seeka's strategic focus has long stood the company apart from others. Throughout this period, Directors and management have maintained this focus to ensure that the company is best placed to secure and build on our established strengths.

A new six-point plan has been activated which provides the framework for securing the company's objectives.

- > Achieve Continued Earnings Per Share growth
- > Improve Capital efficiency by better utilisation of New Zealand assets and implementation of offshore business partnerships

- > Identify and, if appropriate, divest non-core assets subject to securing value and collateral benefits
- > Secure the advantages of the Zespri Marketing "system" through the establishment of robust industry commercial frameworks
- > Further rationalisation and consolidation through targeted Merger & Acquisition initiatives
- > Ensure appropriate management structures are in place to effect these initiatives

Measures to implement these initiatives have been identified and are regularly reviewed by directors and management.



## management team



**Tony de Farias**  
MANAGING DIRECTOR

We aim to make dealing with Seeka a profitable experience for our growers – whether it's developing a new orchard, installing frost protection, or converting an existing orchard to pergola.

From introducing new production techniques, to analysing and managing inventories to optimise their value, through to managing and reporting grower revenues – we at Seeka have the resources to help growers manage risk and improve profitability.

We have accumulated the best management team in the kiwifruit industry. Our team makes the difference, and we're continually honing our resources to keep our growers ahead of the rest in all facets of the kiwifruit business.

# post harvest production



**Rob Towgood**  
GENERAL MANAGER  
POST HARVEST OPERATIONS

Seeka's post harvest operations are geared to meet the demands of the world-class New Zealand kiwifruit industry.

- > A small integrated team managing production planning for both packing and coolstorage, fruit ordering and supply to our international marketers
- > The operations team is extracting maximum efficiency out of our multi-site operations.
- > An integrated service providing production flexibility to our marketer
- > Skilled site management teams that are continually adopting and adapting to new technology so we can maximise grower outcomes and returns
- > Setting industry-leading compliance and product quality standards including the European BRC retailer standards, and the Envirogro product quality standard

## **Kiwi Kool Pak (KKP)**

Maketu Road, Te Puke  
10-lane Lynx grader  
1.1m trays static coolstore  
Owned

## **Waimapu**

Oropi Road, Tauranga  
4-lane Compac grader  
1.9m trays static coolstore  
Owned

## **Kiwicoast (KCG)**

Te Matai Road, Te Puke  
4-lane Compac grader  
1.0m trays static coolstore  
Owned

## **Transpack**

Young Road, Te Puke  
6-lane Compac grader  
Owned

## **MacLoughlin**

No 3 Road, Te Puke  
8-lane Compac grader  
Owned

## **Berry**

Maketu Road, Te Puke  
4-lane Lynx grader  
0.2m trays static coolstore  
Owned

## **Pioneer**

Te Maire Street, Mount Maunganui  
0.9m trays static coolstore  
Owned

## **Transcool**

Young Road, Te Puke  
0.8m trays static coolstore  
Owned

## **Robertson**

Te Matai Road, Te Puke  
0.4m trays static coolstore  
Leased

## **Bayliss**

No 3 Road, Te Puke  
4-lane Lynx grader  
0.1m trays static coolstore  
Leased

## **Te Puke Orchards**

No 3 Road, Te Puke  
0.3m trays static coolstore  
Leased

## **Moss**

Manoeka Road, Te Puke  
0.3m trays static coolstore  
Leased

## **Moran**

Bayly Road, Te Puke  
0.1m trays static coolstore  
Leased

## Client Relationship Management

- > Managing new and existing grower supply relationships
- > Annual Supply Prospectus and Contract
- > Detailed information and reporting
- > Business growth targets
- > Advertising / marketing
- > Interface with Post Harvest facilities

## Lease/Managed orchard portfolio

- > Financial policy / recommendations
- > Documentation and risk assessment
- > Relationship Management with landowners
- > Communication & reporting to landowners

## Seeka Growers Limited Council

- > Policy development and implementation
- > SGL / SKIL interface and culture
- > Reporting
- > AGM and Annual Report

## Technical Transfer

- > Research and Development
- > Industry Good interface (Zespri Innovation, KSRL, HortResearch)
- > Seeka Orchard Focus Groups
- > Seeka Field Days
- > Green and Gold Technical Bulletin

## Compliance

- > Safety and Health
- > Internal auditing business systems and processes
- > Envirogro / EurepGap compliance
- > Human Resource administration
- > Frost Fan resource matters

## Business Growth & Development

- > In Market Supply
- > Kiwifruit processing opportunities
- > Business diversification
- > Class II and non-standard supply
- > Competitor information

## Industry and Community Matters

- > Sponsorship
- > Zespri interface
- > Regional development



**Steve Low**

BUSINESS DEVELOPMENT MANAGER



**Les Anstis**

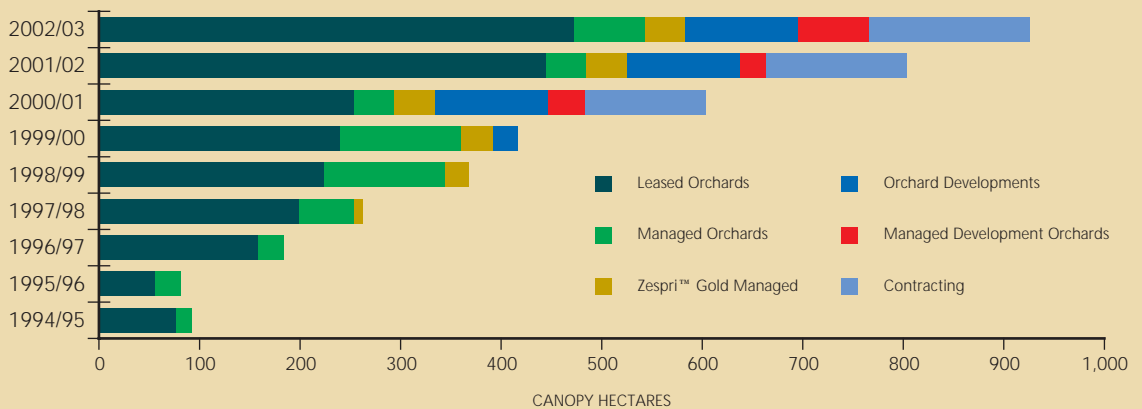
GENERAL MANAGER  
PRODUCT QUALITY SYSTEMS



# orchard division operations



**Bryan Grafas**  
OPERATIONS MANAGER  
ORCHARD DIVISION



The wide range of orchard operations now conducted by Seeka is a testament to the recent growth in the local kiwifruit industry.

New developments, Zespri Gold and strong demand for orchard leasing services have generated unprecedented growth for the orchard division.

Orchard management practices focusing on quality yield and long-term outcome remain a priority for our experienced management team with assistance

from independent contractors, Kiwifruit Investments and Colin Beaumont.

Implementation of risk management strategies, including frost protection, have been extremely rewarding while the appointment of Peter Mulligan to provide peer review and independent technical advice has been a significant strategic factor for the orchard management team.



## finance and administration



**Geoff Carey**  
FINANCIAL CONTROLLER

**Jenny Lee**  
ACCOUNTANT

Another exciting year of development to service the demands of a growing company.

- > Implemented a new integrated accounting package with enhanced accounting and reporting functions
- > Rolling out wireless inter-site communications for instant and secure data transfer
- > Managing more than \$70m turnover on behalf of Seeka Growers Limited
- > Implemented new banking services with enhanced online banking facilities and direct access to Westpac's Treasury service

## Responsibilities and Functions of The Board

The Board of Directors is responsible for the direction and oversight of 'Seeka Kiwifruit Industries Limited and its Controlled Entities' (the company) on behalf of the shareholders. Responsibility for day to day operations and administration is delegated by the Board to the Managing Director and the senior management team.

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Each director has the right to seek independent professional advice at the Company's expense.

The directors act collectively as the Board, but in carrying out functions as a member of the Board, each director has a duty to act honestly and with reasonable care and diligence.

## Composition of the Board

The Company's Constitution provides that there shall not be fewer than 3 directors, and, unless otherwise determined by the company in a general meeting, the number, of ordinary directors shall not exceed 7.

At each annual meeting, one-third of the ordinary directors shall retire from office. A retiring ordinary director shall be eligible for re-election.

The Chairman and Deputy Chairman are elected annually by the Board at the first Directors Meeting following the AGM.

## Directors Dealings in Company Shares

Directors or senior executives can buy or sell shares after filing a request with and obtaining the Company's approval .

## Committees

The following permanent committees assist in the execution of the Board's duties. Committee members are appointed from members of the Board and membership is reviewed on an annual basis.

All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

## Audit Committee

The audit committee is comprised of 3 non-executive directors. The role of the committee is to advise on the establishment and maintenance of the framework of internal control and appropriate ethical standards. The Company Secretary and external auditors are invited to Audit Committee meetings as deemed necessary.

The responsibilities of the Audit Committee include:

- reviewing the annual reports
- liaising with the external auditors
- reviewing internal controls
- improving the quality of the accounting function

The Audit Committee reviews the external audit process on an annual basis and oversees the implementation of any recommendations and changes to accounting practices adopted by the company.

## Remuneration Committee

The Remuneration Committee is comprised of 4 non-executive directors. The role of the committee is to recommend appropriate remuneration packages for the senior executives and directors.

Remuneration committee members:

- review the company's compensation policy and procedures for all employees
- review and recommend to the Board any changes regarding the Managing Director's and non-executive directors remuneration.

## Internal Control

The Board is responsible for the overall internal control framework of the company. No cost effective control system will preclude all errors and irregularities however to safeguard the assets of the company and ensure that all transactions are recorded and appropriately reported the Board has instigated and monitors the internal control system.

## Business Risks

The Managing Director and management are required to identify and report on the major risks affecting each business segment and to develop strategies to mitigate these risks.

## The Role of the Shareholders

The shareholders appoint ordinary directors and the approve major business decisions affecting the Company as prescribed in the Company's Constitution.

The Board of Directors ensures shareholders are informed of all major developments affecting the Company's state of affairs.

Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of the shareholders.

# directory

### Offices of Seeka Kiwifruit Industries Limited

#### Head Office

6 Queen Street  
P O Box 47, Te Puke  
www.seeka.co.nz

#### Auditors

##### Ingham Mora

Cnr Wharf and Durham Streets  
P O Box 222, Tauranga

#### Accountants

##### Wood Walton Chartered Accountants Limited

55 Eighth Avenue  
P O Box 2525, Tauranga

#### Bankers

##### Westpac Banking Corporation

Tauranga Branch  
Devonport Road  
P O Box 13-215, Tauranga

# shareholder analysis

## Top 50 Shareholders as at 31 March 2003

SHAREHOLDER	Shares	SHAREHOLDER	Shares
Christopher R Morton	1,264,061	T Hawthorne, G Hawthorne & PJG Benson	50,000
Opotiki Packing & Coolstorage Ltd	1,093,900	A R & H O Wright	48,172
Christopher William Flood	389,537	Nicola A Greaves	45,868
ANZ Nominees Limited	289,228	Te Puke Orchards (1997) Ltd	45,666
J & P C Law	240,000	DN Cooke, JM McLeod & LD Richardson	43,000
Custodial Services Limited <A/C 3>	236,861	J P & P J Jensen	42,126
Rod Bayliss Orchards Ltd	172,266	Fairview Orchards (1997) Ltd	41,968
W J & B E McGillivray & R E Lee	151,674	B & P Investments Ltd	40,364
Deepdale Orchard Ltd	123,112	David T & Glenys E Thomas	38,658
W I Bowyer, H M Bowyer & P M Wood	120,528	D W Hay	36,868
Burts Orchards (1997) Limited	111,589	Robert G & Bertha Y Russell	36,666
Michael Liao	110,000	M J Cartwright, H C Cartwright & others	35,987
T G & J D Newman	91,668	J W & N M Linton	34,160
Keith M Oakley & Margaret A S Oakley	90,017	Peter M Burt	31,200
William V & Wendy J Flowerday	87,354	Dennis J & Jeanette F Hicks	30,982
M C & H F Salt	83,016	Graeme B Lowe	30,666
AJN & JM Hill and V Brownrigg	82,457	T M & M Head and Others	29,333
N P Gray, W R J Gray, W Kameta & B Kingi	77,780	E B May & C J McFadden	29,333
W R & A M Baldwin	59,190	V F May & C J McFadden	29,333
Bowyer Orchards Limited	54,586	J T & M A Robertson	28,415
R A & D G Bibby	53,333	Howard R & Patricia J Joyce	27,174
Robyn M Horncy & Bailey Ingham Trustees Ltd	53,333	Bryan F Grafas	26,847
J A & D L Price	53,333	Peter B Moore	26,666
S R Nelmes & P R Hills & R A Nelmes & P R Hills	51,660	Ronald B & Jennifer L Millar	26,500
W J & B E McGillivray & R E Lee	50,558	Prudence A Burt	23,733

## Analysis of Shareholder by Size at 31 March 2003

Category	No. of Shareholders	Shares Held	Percentage of Shareholders	Shares	Average Holding
Up to 3,000 Shares	176	263,641	46.8%	3.4%	1,498
3,001 to 10,000 Shares	99	568,003	26.3%	7.4%	5,737
10,001 to 25,000 Shares	52	817,431	13.8%	10.6%	15,720
25,001 to 100,000 Shares	37	1,744,237	9.8%	22.7%	47,142
100,001 Shares or more	12	4,302,756	3.2%	55.9%	358,563
<b>Total</b>	<b>376</b>	<b>7,696,068</b>	<b>100.0%</b>	<b>100.0%</b>	<b>20,468</b>

## Analysis of Shareholder by Occupation

Category	No. of Shareholders	Shares Held	Percentage of Shareholders	Shares	Average Holding
Kiwifruit Growers	254	5,056,978	67.6%	65.7%	19,909
Other Investors	122	2,639,090	32.4%	34.3%	21,632
<b>Total</b>	<b>376</b>	<b>7,696,068</b>	<b>100.0%</b>	<b>100.0%</b>	<b>20,468</b>



## our mission

To be the world's leading  
producer and handler of  
export kiwifruit

To continually maximise the  
income we earn for our  
shareholders and suppliers

To be the natural preferred  
choice of both our suppliers  
and customers







[www.seeka.co.nz](http://www.seeka.co.nz)

Seeka Kiwifruit Industries Limited  
6 Queen Street, Te Puke  
PO Box 47, Te Puke, New Zealand  
Phone 07 573 6127 or 07 573 6247  
Fax 07 573 9831