

# ANNUAL REPORT

31 MARCH 2010

**SEEKA KIWIFRUIT INDUSTRIES LIMITED**



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## Seeka's Business

Seeka's primary business strategy is to continue the organic growth of our kiwifruit and avocado orcharding and post harvest business. In addition, Seeka will consider acquisition and alliance opportunities in areas that will enable the company to leverage off its existing core capabilities.

### BUSINESS COMPONENTS

#### Seeka Orcharding

Seeka is New Zealand's largest kiwifruit orcharding business growing more than 1,100 hectares of kiwifruit in the Coromandel and Bay of Plenty regions. Along with leased and managed orchards, Seeka has also developed 140 hectares of mainly Gold kiwifruit orchards on long-term-leased land.

Orcharding operations produced approximately 10.3m trays of class 1 kiwifruit from harvest 2010, representing 44% of total supply.

In addition to kiwifruit, Seeka also operates 36 hectares of avocado orchards.

#### Seeka Post Harvest

Seeka operates 13 packhouses and 30 coolstores organised into 6 operational hubs.

In full production, the facilities are capable of packing 650,000 class 1 trays of kiwifruit a day. In addition, Seeka operates controlled atmosphere stores capable of holding 3.5m trays of kiwifruit. Controlled atmosphere fruit is stored in bulk and packed after the main harvest has been completed, effectively ensuring a timely harvest and extending the packing season.

Post harvest operations handled approximately 23.7m class 1 trays of kiwifruit from harvest 2010, representing 23% of New Zealand's total production.

Post harvest also undertakes avocado packing and coolstorage.

#### Seeka IFSL

Seeka IFSL is a Zespri-registered supply entity that fully manages the order and supply interface between Seeka and the market.

#### SeekaFresh

SeekaFresh manages the marketing and supply of non-class-1 kiwifruit in Australasia, plus undertakes avocado marketing and supply.



## Chairman's Report

On behalf of the board, I am pleased to present Seeka's annual report for the year ended 31 March 2010.

Net profit before non-recurring items and tax of \$7.5m increased by 34.9% on the previous year. Earnings before interest, tax, depreciation and amortisation (EBITDA) remained strong at \$14.5m, up by 3.5% on the previous year.

These results reflect both Seeka's share of the Opotiki Packing and Coolstorage (OPAC) loss for the year of \$1.0m, and a gain in net income of \$1.1m from kiwifruit packed during March 2010.

Net profit before tax of \$1.4m reflects a number of one-off items detailed in the chief executive's report.

These items have distorted the operational and financial improvements delivered in a challenging environment. Productivity gains and sound financial management continue to improve Seeka's underlying financial performance.

Group operating cashflow when normalised is \$10.2m. This cashflow has allowed for the investment of capital in plant and equipment totalling \$8.4m, and the maintenance of the company's dividend distribution policy.

Directors have declared a fully imputed dividend of 10 cents per share, bringing total imputed dividends for the year to 20 cents per share. The declared

dividend will be paid on 29 June and applies to all shares on the register on 18 June 2010. The dividend reinvestment plan will not apply.

Two shareholders have taken major stakes in the company during the year 2009/10. Japanese produce logistics company Fresh MD Holdings purchased 2.4 million shares in August 2009, and Te Awanui Whenua Trusts Limited increased their shareholding to 2.5 million shares with a placement of 1.8 million shares as part of the purchase of Huka Pak in December.

Mr Amiel Diaz joined the board on 19 October 2009 and Mr Taari Nicholas on 23 April 2010. They will seek confirmation of their appointments at the annual shareholder meeting.

Mr Peter Dawe announced his retirement in April 2010 after 23 years of service to the company. Seeka is grateful to Mr Dawe for his long service and leadership.

We look forward to discussing the year with you in greater depth at the annual shareholder meeting to be held Tuesday, 17 August.



**Kim Ellis**  
Chairman

## Chief Executive's Report

### INTRODUCTION

2009/10 has been a defining year for Seeka. It started with Zespri forecasting a significant over-supply of fruit resulting in the industry managing crop volumes and leaving some fruit unharvested. A large hail storm in May then created an even more challenging operating environment. The company responded well to these challenges.

Seeka continued to grow as a company, making a major acquisition in Huka Pak in December. This increased our size by 25%, added a major site and gave us an early catchment of fruit, as well as new relationships with Huka Pak shareholders and growers. Importantly, it brought a talented pool of experienced post-harvest and orchard personnel to Seeka. Huka Pak is a very positive addition all round.

Earnings before non-recurring items rose to \$7.5m, consistent with guidance and compared to \$5.6m the year before. If the write-off of OPAC's loss at its Italian orchard was excluded, operational earnings would have been \$8.6m, a year-on-year increase of 53%. The early-maturing Huka Pak fruit — handled before 31 March 2010 — added \$1.1m to operational earnings.

EBITDA rose to \$14.5m on revenue of \$120.9m (which were \$14.0m and \$107.5m respectively in 2008/09).

A number of one-off items affected Seeka's overall result. As outlined in the interim report, the company took action to fully impair its investment in Vital Foods (\$1.8m) and to vary the consideration associated with the sale of its interest in SAPAC (\$0.4m). Seeka has also expensed the cancellation of a management contract associated with buying Huka Pak (\$3.9m).

Profit before tax accordingly totals \$1.4m, compared to \$5.6m in 2008/09.

The improved operational financial performance is creditable given the challenging environment. The hail storm was devastating for many growers. Seeka responded rapidly, working with them to minimise the financial effect to them. At the same time, our post-harvest and technical teams used fruit handling techniques to maximise the fruit performance to ensure maximum returns. Seeka's response to its growers stood out from our competitors. Given the widespread scale of the storm, which damaged about 4 million trays of fruit, Seeka's fruit loss performance in 2009 has been good.

Continuing investment and innovation are key to delivering sustainable and improving returns to shareholders and growers. Any capital spent on new technologies must be matched by gains. An innovation drive within Seeka has led to efficiencies, improved fruit handling and better inventory management. We are providing more quality fruit to Zespri, and we are making capital investments that will maintain or sustain margins and increase throughputs. Seeka's size allows it to pursue this technological edge.

Information Systems, especially Inventory Management Systems, have taken a step change in the past year. Systems developed by Seeka's technical team delivered competitive fruit loss statistics to growers, despite the hail.

The company has attracted new growers because of our developing reputation for price leadership, quality, efficiency and innovation. Seeka has proven itself able to complete and integrate major

	2006*	2007	2008	2009	2010
Revenue (\$000s)	\$97,736	\$96,682	\$106,868	\$107,464	\$120,887
Earnings before interest, depreciation and amortisation and non-recurring items ((\$000s)	\$13,215	\$13,932	\$10,118	\$14,042	\$14,538
Profit before non-recurring items and tax (\$000s)	\$5,291	\$7,092	\$2,030	\$5,589	\$7,539
<b>POST HARVEST DIVISION</b>					
Total trays packed (class 1 and 2 in 000s)	19,997	20,019	21,198	20,961	22,174
Post harvest revenue (\$000s)	\$70,740	\$67,387	\$77,245	\$69,849	\$76,290
Post harvest EBITDA (\$000s)	\$16,440	\$14,132	\$15,654	\$12,808	\$12,853
<b>ORCHARD DIVISION</b>					
Harvest volumes green leased & managed (trays in 000s)	5,112	6,202	7,448	7,253	6,638
Harvest volumes gold leased & managed (trays in 000s)	1,077	1,395	2,057	2,184	1,874
Orchard revenue (\$000s)	\$20,670	\$28,969	\$29,222	\$36,780	\$38,990
Orchard EBITDA (\$000s)	-\$320	\$3,371	-\$1,742	\$6,278	\$7,680

\*Pre IFRS

acquisitions. The company now stands well-placed to deliver the benefits of its Huka Pak purchase to shareholders and growers, while contemplating future growth.

## Operational update AN EDGE FROM INNOVATION

### POST-HARVEST AND SUPPLY OPERATIONS

Post-harvest operations delivered EBITDA of \$12.9m from revenue of \$76.3m (compared to \$12.8m and \$69.9m respectively in 2008/09). The total volume of 22.2 million trays was significantly affected by crop management and hail. As part of the mechanism to cope with the anticipated over supply of green fruit in 2009, the industry agreed to send some class 1 fruit to Australia instead of class 2, which reduced the volume of trays handled. That strategy changed after the hail storm.

The year's fruit loss statistics, a key performance indicator for growers, are creditable given the challenging fruit-handling year. Seeka is close to or better than the industry average in every variety. Fruit loss statistics carry through to time-related earnings for our growers, and Seeka performed very well in every category. Gold fruit returns were outstanding.

Our performance and returns have been assisted by the new Advanced Inventory Management System (AIMS), which Seeka's technical team commissioned during the year. This system provides real-time information about the individual lines of fruit which are in store, and lets us more accurately prioritise fruit for load out. It means more fruit reaches market

in top-quality condition, and therefore more money for growers.

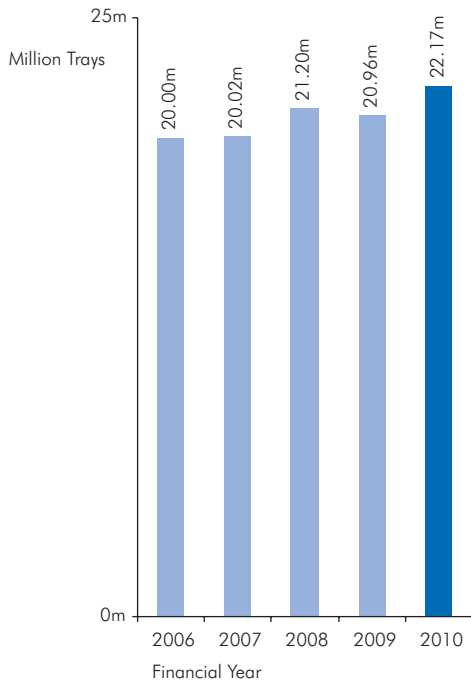
Innovative processing technology remains a focus for Seeka. Two major systems are in development or deployment. New technology has been deployed to automate bulk packing. It processes the same volume of fruit at a low labour cost per tray. Seeka is also trialling single-layer tray rapid packing technology, which again allows more fruit to be packed faster with less labour. This technology looks very promising. These systems, with further investment, are positioning Seeka to maintain or improve margins in future.

In 2010, Seeka will trial a new supply chain model and establish a Shanghai packing operation with Zespri distributor Neuhof Shanghai Trade Company. It will see fruit graded, sized, labelled and shipped in bulk to Shanghai, where it will be packaged to Zespri's specifications. While this trial is unlikely to deliver immediate financial benefits, the industry must find innovative options to handle forecast volume growth while minimising costly infrastructure investment.

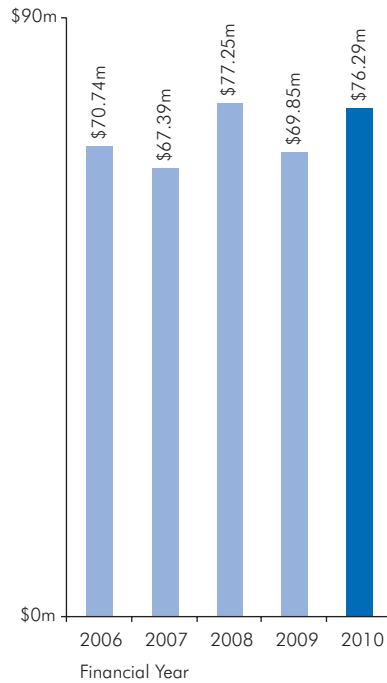
Our supply chain and logistics arm, Integrated Fruit Supply and Logistics (IFSL), functioned very well in 2009. It has a reputation for delivering fruit to specification and on-time, and is often called upon by Zespri to meet short-notice supply. At the end of 2009, IFSL and its partners, OPAC and Mount Pack and Cool (MPAC), agreed to split the function, with each of the partners taking responsibility for their own order and supply. This fragmentation reflects changes within the industry and cannot lead to efficiency gains.

### POST HARVEST PERFORMANCE

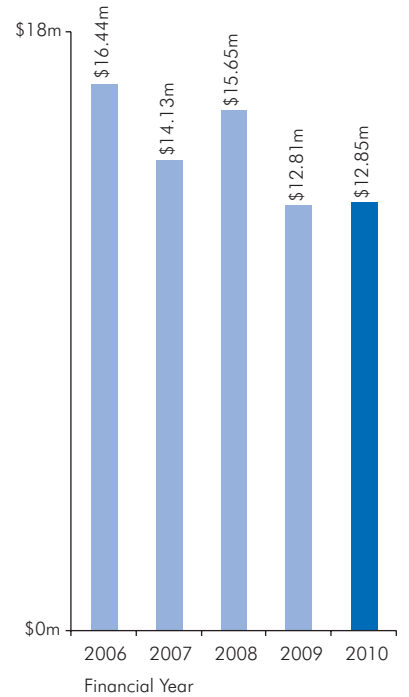
**CLASS 1 & 2 PACKED TRAYS**



**TOTAL REVENUE**

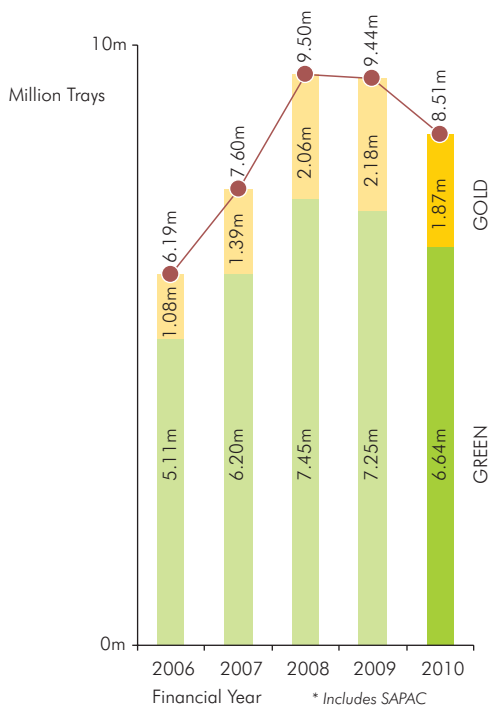


**EBITDA**

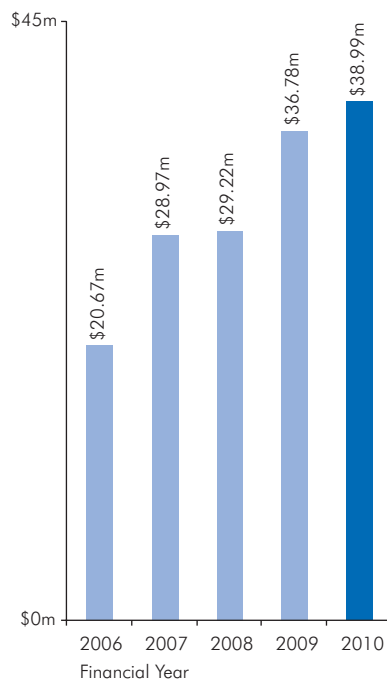


### ORCHARD DIVISION PERFORMANCE

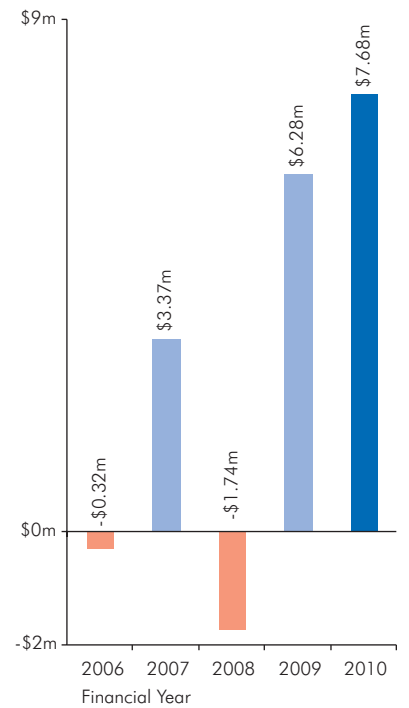
**GREEN & GOLD CLASS 1 VOLUMES  
LEASED & MANAGED ORCHARDS**



**TOTAL REVENUE**



**EBITDA**



### FRUIT LOSS — SEEKA vs THE INDUSTRY

FRUIT LOSS	2006	2007	2008	2009	2010
<b>GREEN</b>					
Seeka Green	5.29%	16.08%	10.29%	5.68%	5.26%
Industry Green	3.32%	11.06%	6.24%	6.40%	4.85%
<b>GOLD</b>					
Seeka Gold	3.84%	5.46%	12.39%	4.21%	3.58%
Industry Gold	3.66%	10.60%	7.15%	4.44%	3.74%

The fruit catchment supplying Seeka has not typically been early-maturing. This meant Seeka's infrastructure has been idle early in the harvest season while other companies had more fruit than they could handle. Huka Pak was such a company, and Seeka's acquisition of it will deliver better capacity to early growers and increase infrastructure utilisation. The Huka Pak site is well-located and fits elegantly into Seeka's post-harvest management structure. It is a very positive addition to the division and to the company.

#### ORCHARD DIVISION DEDICATION AND EXPERIENCE

Orchard division delivered EBITDA of \$7.680m from total revenue of \$38.990m (compared to \$6.278m and \$36.780m respectively in 2008/09). Yields reduced from 9.5 million trays to 8.5 million trays as a direct result of the hail storm. Still, orchard division's EBITDA rose by 22% despite this 11% reduction in volume.

This is a reflection of the strong returns in the gold variety and high yields from Seeka's long-term lease orchards. By comparison green variety returns remain flat, with many orchards at break-even levels. In 2007, Seeka introduced a new lease structure to its orchard-leasing operations. The transition to Total Value Lease (designed to more fairly share the risks and rewards between the land owner and Seeka) will be complete in 2010.

Seeka continues to focus on high-performing, high-yielding orchards. Because of our track record, there are steady requests for Seeka to lease or manage new orchards. This reflects the dedication and

experience of our team of orchard managers, and performance delivered to orchard owners.

The purchase of Huka Pak brings additional personnel and orchards to Seeka, including 30 hectares of gold long-term lease orchards in typically early-maturing locations.

These new orchards, the existing long-term lease orchards, high gold fruit volumes, the Total Value Lease transition and our experienced and talented orchard team combine to provide the division with a positive outlook.

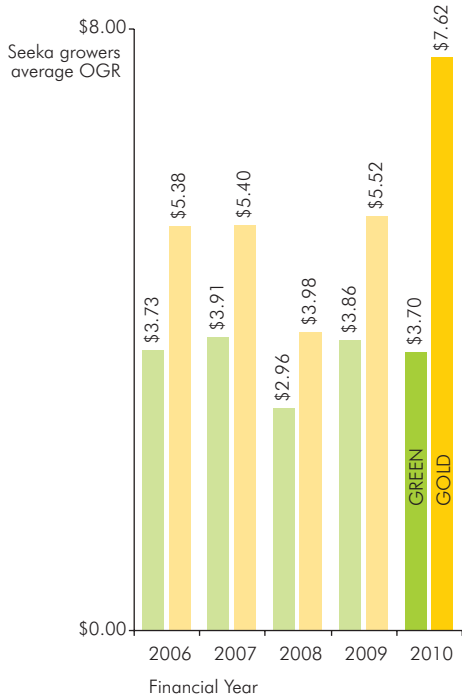
#### SEEKAFRESH AND AVOFRESH GROWING BUSINESS UNITS

SeekaFresh and AvoFresh are growing business units within Seeka. The SeekaFresh business includes the marketing of all non-Zespri supplied kiwifruit to wholesale and retail markets in New Zealand and Australia. The 2009 change in Australia supply arrangements saw Seeka purchasing class 1 fruit from Zespri to supply retail programmes, and class 1 and 2 fruit distributed to wholesale markets. New Zealand markets were supplied with class 2 fruit on a consignment commission basis. The SeekaFresh brand launched in Australia was positively received by the market. The business unit's positive contribution to the company's earnings is expected to continue.

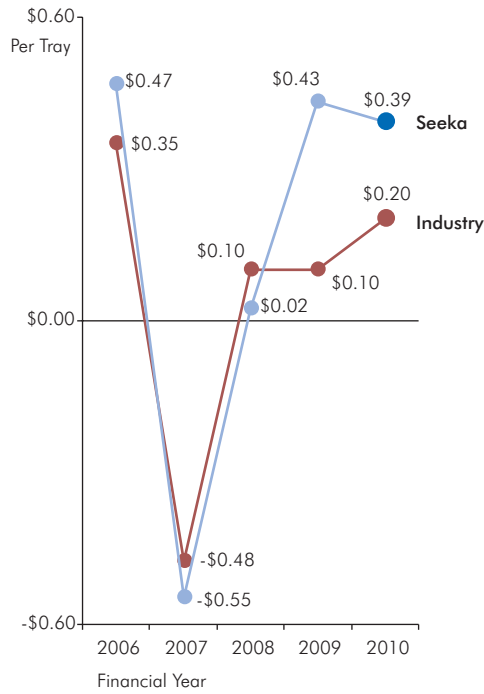
AvoFresh is Seeka's emerging avocado business. The avocado industry continues to be affected by uneven cropping, and 2009 was a particularly low-volume year. Seeka handled some 165,000 export trays and 85,000 local-market trays. The Huka Pak

### HISTORICAL SEEKA ORCHARD GATE RETURNS & NET TIME RELATED RETURNS

**AVERAGE ORCHARD GATE RETURNS PER TRAY**



**GREEN NET TIME RELATED EARNINGS SEEKA vs INDUSTRY**

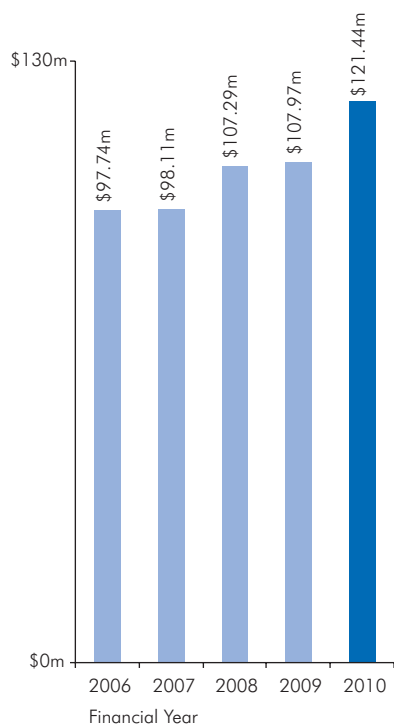


**GOLD NET TIME RELATED EARNINGS SEEKA vs INDUSTRY**

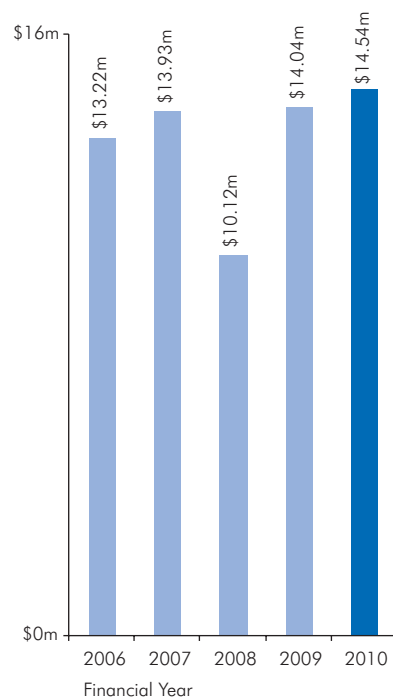


### KEY FINANCIAL INDICATORS

**TOTAL INCOME**



**EBITDA BEFORE NON-RECURRING ITEMS**





purchase includes new avocado supply, including a 28-hectare long-term lease orchard (which contributed positively in 2009). While volumes are low compared to kiwifruit, the operation provides key staff with employment and uses Seeka's infrastructure during the kiwifruit off-season. AvoFresh has provided growers with very competitive returns. The avocado industry itself remains fragmented and Seeka is well-positioned to assist with consolidation.

#### TE AWANUI HUKA PAK ACQUISITION

Seeka completed the purchase Huka Pak in December 2009. The transaction totalled \$24.6m. The land at the site was immediately sold to Te Awanui Whenua Trusts Limited (Te Awanui) for \$11.0m and leased back for 99 years. Covenants within the lease ensure the economic viability of the site as a post-harvest operation.

1.8m shares were placed with Te Awanui at \$3.6 per share as part of the purchase. This placement increased Te Awanui's shareholding to 2.5m shares, and makes them the largest shareholder in Seeka with 17%.

The purchase brings a modern, well-located post-harvest facility to Seeka. Additional land has been leased for further expansion. The fruit supplied to Huka Pak comes from high-quality orchards with a predominance of early-maturing fruit. The business is well positioned to positively contribute to future earnings.

#### OUR PEOPLE — OUR FUTURE

Our people are a significant point of difference for Seeka. We have a talented team of people across the company, in structures designed to deliver professional service and leading results to our growers. The company has talented technical and innovation teams with experienced people empowered to make a difference.

Seeka continues to look for ways to find, retain and develop the leaders of tomorrow. The very successful Italian exchange programme has again seen two Seeka people undertake in-market work experience.

The appointment of a dedicated Occupational Safety and Health Manager delivered immediate results. A safer working environment and improved statistics have been achieved through initiatives like work place drug and alcohol assessments and active workplace safety assessments.

Seeka remains committed to investing in its people, because of the important contribution they make to the ongoing success of the company and the industry. The company remains committed to delivering a safe work environment.

#### CLOSE

Seeka is well placed. It has the scale, the assets, the growers and the people to grow positively in the future and to deliver the benefits from this growth to our stakeholders.



**Michael Franks**  
Chief Executive

## Financial Statements

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# Statement of Financial Performance

for the year ended 31 March 2010

	Notes	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Revenue	7	120,887	107,464	120,251	107,464
Cost of sales	8	98,702	87,705	98,764	87,705
<b>Gross profit</b>		<b>22,185</b>	<b>19,759</b>	<b>21,487</b>	<b>19,759</b>
Other income	7	552	508	924	677
Share of (loss) profit of associates	20	(847)	509	-	-
Other costs	8	7,352	6,734	7,366	6,734
<b>Earnings (EBITDA) before non-recurring items</b>		<b>14,538</b>	<b>14,042</b>	<b>15,045</b>	<b>13,702</b>
Depreciation and amortisation expense		5,103	4,630	4,647	4,630
<b>Earnings (EBIT) before non-recurring items</b>	8	<b>9,435</b>	<b>9,412</b>	<b>10,398</b>	<b>9,072</b>
Interest expense		2,107	2,831	2,107	2,831
Fair value adjustments on non-hedging derivatives		(211)	992	(211)	992
<b>Profit before non-recurring items and tax</b>	8	<b>7,539</b>	<b>5,589</b>	<b>8,502</b>	<b>5,249</b>
Cancellation of management contract	34	3,900	-	-	-
Investment impairment	17	1,794	-	1,794	-
Reduction in consideration received on sale of joint venture	28	400	-	400	-
<b>Net profit before tax</b>		<b>1,445</b>	<b>5,589</b>	<b>6,308</b>	<b>5,249</b>
Income tax expense	9	1,075	1,609	2,159	1,609
<b>NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>370</b>	<b>3,980</b>	<b>4,149</b>	<b>3,640</b>
<b>EARNINGS PER SHARE FOR PROFIT BEFORE NON-RECURRING ITEMS AND TAX ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY DURING THE YEAR</b>					
Earnings per share (cents)	30	0.58	0.45	0.66	0.42
Diluted earnings per share (cents)	30	0.58	0.45	0.66	0.42
<b>EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY DURING THE YEAR</b>					
Basic earnings per share (cents)	30	0.03	0.32	0.32	0.29
Diluted earnings per share (cents)	30	0.03	0.32	0.32	0.29

# Statement of Comprehensive Income

for the year ended 31 March 2010

	Notes	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Net profit for the year</b>		<b>370</b>	<b>3,980</b>	<b>4,149</b>	<b>3,640</b>
Movement in cash flow hedge reserve, net of tax		50	(151)	50	(151)
Gain (loss) on revaluation of land and buildings, net of tax		814	(363)	814	(363)
Gain (loss) on revaluation of available for sale financial assets, net of tax		42	56	40	56
Realisation of available for sale financial asset reserves		(83)	-	(83)	-
Realisation of land and building reserves		-	399	-	399
Employee share option expense, net of tax		-	18	-	18
<b>Other comprehensive income (loss) for the year, net of tax</b>	26	<b>823</b>	<b>(41)</b>	<b>821</b>	<b>(41)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>1,193</b>	<b>3,939</b>	<b>4,970</b>	<b>3,599</b>

# Statement of Financial Position

as at 31 March 2010

	Notes	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>EQUITY</b>					
Share capital	25	35,600	28,947	35,600	28,947
Reserves	26	7,742	6,920	7,741	6,920
Retained earnings	26	16,970	19,301	19,985	18,538
<b>TOTAL EQUITY</b>		<b>60,312</b>	<b>55,168</b>	<b>63,326</b>	<b>54,405</b>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	10	531	458	339	458
Trade and other receivables	11	11,476	6,880	11,038	6,880
Short term lease prepayments		13,283	13,612	13,283	13,612
Inventories	12	7,774	9,156	7,774	9,156
Current tax receivables		658	108	658	108
<b>TOTAL CURRENT ASSETS</b>		<b>33,722</b>	<b>30,214</b>	<b>33,092</b>	<b>30,214</b>
<b>NON CURRENT ASSETS</b>					
Advances	28	1,290	5,348	1,273	5,331
Property, plant and equipment	15	81,190	62,330	66,817	62,330
Intangible assets	16	4,943	2,407	3,208	2,407
Available for sale financial assets	17	1,893	3,689	1,800	3,689
Biological assets	18	17,151	10,892	13,353	10,892
Investment in subsidiaries	19	-	-	23,662	39
Investment in associates	20	3,993	5,242	4,457	4,457
<b>TOTAL NON CURRENT ASSETS</b>		<b>110,460</b>	<b>89,908</b>	<b>114,570</b>	<b>89,145</b>
<b>TOTAL ASSETS</b>		<b>144,182</b>	<b>120,122</b>	<b>147,662</b>	<b>119,359</b>
<b>CURRENT LIABILITIES</b>					
Current tax liabilities		436	6	-	6
Trade and other payables	21	13,206	14,438	15,768	14,438
Provision for onerous leases	23	-	45	-	45
Interest bearing liabilities	24	24,236	16,025	24,236	16,025
Financial derivatives	13	951	1,233	951	1,233
<b>TOTAL CURRENT LIABILITIES</b>		<b>38,829</b>	<b>31,747</b>	<b>40,955</b>	<b>31,747</b>
<b>NON CURRENT LIABILITIES</b>					
Interest bearing liabilities	24	31,124	23,000	31,124	23,000
Deferred tax	22	13,917	10,207	12,257	10,207
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>45,041</b>	<b>33,207</b>	<b>43,381</b>	<b>33,207</b>
<b>TOTAL LIABILITIES</b>		<b>83,870</b>	<b>64,954</b>	<b>84,336</b>	<b>64,954</b>
<b>NET ASSETS</b>		<b>60,312</b>	<b>55,168</b>	<b>63,326</b>	<b>54,405</b>

On behalf of the Board


K. R. Ellis  
Chairman

J. Scotland  
Director

Dated: 25 May 2010

The accompanying notes form an integral part of these financial statements

## Statement of Changes in Equity

for the year ended 31 March 2010

	Notes	Share capital \$000	Available for sale revaluation reserve \$000	Cash flow hedge reserve \$000	Share based payments reserve \$000	Land and buildings revaluation reserve \$000	Retained earnings \$000	Total \$000
<b>GROUP</b>								
Equity at 1 April 2008		28,878	417	-	96	6,847	16,433	52,671
Total comprehensive income		-	56	(151)	18	(363)	4,379	3,939
<i>Transactions with owners</i>								
Shares issued	25	69	-	-	-	-	-	69
Dividends paid	27	-	-	-	-	-	(1,511)	(1,511)
Total transactions with owners		69	-	-	-	-	(1,511)	(1,442)
Equity at 31 March 2009		28,947	473	(151)	114	6,484	19,301	55,168
Total comprehensive income		-	(41)	50	-	814	370	1,193
<i>Transactions with owners</i>								
Shares issued	25	6,653	-	-	-	-	-	6,653
Dividends paid	27	-	-	-	-	-	(2,702)	(2,702)
Total transactions with owners		6,653	-	-	-	-	(2,702)	3,951
<b>EQUITY AT 31 MARCH 2010</b>		<b>35,600</b>	<b>432</b>	<b>(101)</b>	<b>114</b>	<b>7,298</b>	<b>16,970</b>	<b>60,312</b>
<b>PARENT</b>								
Equity at 1 April 2008		28,878	417	-	96	6,847	16,010	52,248
Total comprehensive income		-	56	(151)	18	(363)	4,039	3,599
<i>Transactions with owners</i>								
Shares issued	25	69	-	-	-	-	-	69
Dividends paid	27	-	-	-	-	-	(1,511)	(1,511)
Total transactions with owners		69	-	-	-	-	(1,511)	(1,442)
Equity at 31 March 2009		28,947	473	(151)	114	6,484	18,538	54,405
Total comprehensive income		-	(43)	50	-	814	4,149	4,970
<i>Transactions with owners</i>								
Shares issued	25	6,653	-	-	-	-	-	6,653
Dividends paid	27	-	-	-	-	-	(2,702)	(2,702)
Total transactions with owners		6,653	-	-	-	-	(2,702)	3,951
<b>EQUITY AT 31 MARCH 2010</b>		<b>35,600</b>	<b>430</b>	<b>(101)</b>	<b>114</b>	<b>7,298</b>	<b>19,985</b>	<b>63,326</b>

The accompanying notes form an integral part of these financial statements

# Statement of Cash Flows

for the year ended 31 March 2010

	Notes	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>OPERATING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Receipts from customers		113,188	107,566	112,417	107,566
Interest and dividends received		1,012	677	981	677
<i>Cash was disbursed to:</i>					
Payments to suppliers and employees		(103,333)	(92,251)	(102,632)	(92,251)
Cancellation of management contract	34	(3,900)	-	-	-
Interest paid		(2,053)	(2,743)	(2,053)	(2,743)
Income taxes received (paid)		(1,177)	(658)	(1,065)	(658)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	29	<b>3,737</b>	<b>12,591</b>	<b>7,648</b>	<b>12,591</b>
<b>INVESTING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Sale of property, plant and equipment		49	997	49	997
Sale of available for sale investments		229	84	229	103
Repayment of advances		3,513	34	4,783	34
<i>Cash was applied to:</i>					
Purchase of property, plant and equipment		(8,396)	(6,453)	(8,396)	(6,453)
Purchase of available for sale investments net of cash acquired		(144)	(57)	(143)	(57)
Purchase of subsidiaries	34	(4,601)	-	(17,975)	-
Advances		-	(834)	-	(853)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(9,350)</b>	<b>(6,229)</b>	<b>(21,453)</b>	<b>(6,229)</b>
<b>FINANCING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Proceeds of term bank borrowings		10,500	-	10,500	-
Proceeds of short term bank borrowings		32,403	13,105	32,403	13,105
Issue of shares		53	69	53	69
<i>Cash was applied to:</i>					
Repayment of term debt		(9,000)	(1,000)	(1,000)	(1,000)
Repayment of bank borrowings		(25,568)	(16,650)	(25,568)	(16,650)
Payment of dividend to shareholders		(2,702)	(1,511)	(2,702)	(1,511)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>5,686</b>	<b>(5,987)</b>	<b>13,686</b>	<b>(5,987)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>73</b>	<b>375</b>	<b>(119)</b>	<b>375</b>
<b>Opening cash and cash equivalents</b>		<b>458</b>	<b>83</b>	<b>458</b>	<b>83</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<b>531</b>	<b>458</b>	<b>339</b>	<b>458</b>

# Notes to the Financial Statements

for the year ended 31 March 2010

## NOTE 1. — REPORTING ENTITY

Seeka Kiwifruit Industries Limited and its subsidiaries (together 'the Group') provide and manage service activities to the horticultural industry. The Company is a limited liability company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer in terms of the Financial Reporting Act 1993. The Consolidated Financial Statements of the Group for the year ended 31 March 2010 comprise the Company and its subsidiaries and interests in associates. The address of its registered office is 6 Queen Street, Te Puke.

## NOTE 2. — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other Financial Reporting standards as applicable to profit oriented entities. The Financial Statements comply with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

#### i) Entities reporting

The financial statements include separate financial statements for Seeka Kiwifruit Industries Limited as a separate legal entity ('Parent') and the consolidated entity consisting of the Parent and its subsidiaries ('Group').

#### ii) Historical cost convention

The financial statements have been prepared under the historical cost convention as modified by the following:

> Financial instruments at fair value through profit or loss are measured at fair value.

> Biological assets are measured at fair value less point-of-sale costs (as applicable).

> Land and buildings are measured using the revaluation model.

#### iii) Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### b. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries and associates of Seeka Kiwifruit Industries Limited (the 'Parent') as at 31 March 2010 and their results for the year then ended. Seeka Kiwifruit Industries Limited, its subsidiaries and associates together are referred to in these financial statements as the Group or the consolidated entity.

#### i) Subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the Parent has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are



measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Financial Performance.

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*ii) Associates*

Associates are entities over which the Group has significant influence but not control, generally evidenced by a holding of 20% to 50% of the voting rights or in combination with other forms of influence, such as representation on the board of directors. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post acquisition profits or losses are recognised in the Statement of Financial Performance, and its share of post acquisition movements in reserves are recognised in Other Comprehensive Income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates in the consolidated financial statements reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**c. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the senior management team which is responsible for strategic decisions.

**d. Functional currency**

The financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

**e. Revenue recognition**

Revenue comprises the fair value received for the sale of goods and services, net of Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

*i) Sales of services*

The Group provides post harvest and orchard services to the horticultural industry.

*Post harvest services*

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

*Orchard services*

This includes orchard management, leasing and associated services. Orchard management services are provided to growers who supply fruit to the Group. Fees for these services are invoiced as incurred on a monthly basis.

The Group also enters into orchard leases via financial arrangements with landowners to produce kiwifruit crops. The costs of growing these crops are incurred over an 11 month period prior to harvest during April/May each year. The revenue from these crops is received over the 10 month period following harvest and is applied against growing costs incurred and payments to landowners.

# Notes to the Financial Statements

for the year ended 31 March 2010

## ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

## iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

## f. Income tax

The income tax expense comprises both current and deferred tax. Income tax expense is recognised in the Statement of Financial Performance.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

The deferred tax liability recognised in the financial statements does not represent the tax that would be payable on the disposal of the buildings. The actual tax payable on disposal of the buildings would be limited to the reversal of tax depreciation claimed on that asset in prior period tax returns.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

## g. Goods and Services Tax (GST)

The Statement of Financial Performance and Statement of Comprehensive Income have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

## h. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Any bank overdrafts are shown within interest bearing liabilities in current liabilities on the Statement of Financial Position.

## i. Cash flow statements

These have been prepared using the direct approach. Cash and Cash Equivalents are described in Note 2(h) and are shown exclusive of Goods and Services Tax (GST).

## j. Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight line basis over the period of the lease, except for short term orchard leases where lease costs are recognised at the same time as other crop related income and expenses.

Where a lease is considered to be onerous, the cost of the onerous portion is recognised immediately.

#### **k. Impairment of non-financial assets**

Assets with finite useful lives are subject to depreciation and amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

#### **l. Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis including debts past due but not considered impaired. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence, such as default or bankruptcy that indicate that the Group will not be able to collect all amounts due according to the original terms of trade. The amount of the provision is the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Financial Performance.

#### **m. Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials and direct labour. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **n. Investments and other financial assets**

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. The Company determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

##### *i) Financial assets at fair value through profit or loss*

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the Company. Derivatives are also categorised as held for trading.

##### *ii) Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are included in receivables in the Statement of Financial Position.

##### *iii) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless the Company intends to dispose of the investment within 12 months of the balance date.

Purchases and sales of investments are recognised on trade date or the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

## Notes to the Financial Statements for the year ended 31 March 2010

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in The Statement of Financial Performance in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in Other Comprehensive Income in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the Statement of Financial Performance as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset or unlisted security is not active, the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

### iv) *Impairment of financial assets*

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to the Trade Receivables policy in note 2(l). In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is removed from equity and recognised in the Statement of Financial Performance. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Other Comprehensive Income. Impairment of loans & receivables are described in Note 2(k).

### o. **Derivative financial instruments and hedging**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The resulting gain or loss is recognised as a financing cost in profit or loss immediately unless the derivative is designated and effective as a hedge instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Refer to Note 13. Derivatives are classified as current or non-current based on the effective date.

### p. **Hedge accounting**

The Group designates certain derivatives as cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

### i) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in Other Comprehensive Income. Amounts accumulated in Other Comprehensive Income are recycled to the Statement of Financial Performance in the periods when the hedged item affects P&L. The gains or losses relating to the effective portion of the interest rate swaps hedging variable rate borrowings are recognised in the Statement of Financial Performance within finance costs. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Financial Performance as fair value movement in derivatives.

Hedge accounting is discontinued when the Group revokes the hedge relationship, the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in Other Comprehensive Income and is recognised when the forecast transaction is ultimately recognised in the Statement of Financial Performance. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Other Comprehensive Income is immediately transferred to the Statement of Financial Performance within 'other gains/(losses)'.

### q. **Non-current assets held for sale**

Upon determination that a sale by the Group is highly probable and an asset's carrying amount will be recovered principally through a sale transaction rather than by continued use, the asset will be reclassified on the face of the Statement of Financial Position as an investment held-for-sale.

A held-for-sale asset is recognised at the lower of its carrying amount and fair value, less costs to sell.

**r. Trade and other payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**s. Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows.

The carrying value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**t. Property, plant and equipment**

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in Other Comprehensive Income, the increase is first recognised in the Statement of Financial Performance. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves in Other Comprehensive Income to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Statement of Financial Performance.

Land is not depreciated. Depreciation on other assets is calculated using the straight line or diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	20 - 50 years
Machinery	10 - 20 years
Vehicles	4 - 7 years
Furniture, fittings and equipment	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## Notes to the Financial Statements for the year ended 31 March 2010

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Financial Performance. When revalued assets are sold, the amounts included in other reserves in respect of those assets is transferred to retained earnings.

### u. Borrowings

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

### v. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

### w. Intangible assets

#### i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business or associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

### x. Employee benefits

#### i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### ii) Employee Staff Share Scheme

The Group operates an equity settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, calculated using the Black Scholes pricing model, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Financial Performance, with a corresponding adjustment to Other Comprehensive Income.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

The scheme is managed by a trust established in October 2002 and the directors of the trustee company (Seeka Employee Share Plan Trust Limited) also hold office as directors of Seeka Kiwifruit Industries Limited.

Dividends paid on the shares are used to repay the debt between the Employee Share Scheme (ESS) and the Company.

Further shares may be issued at the Directors' discretion at a price set by the Directors', except that the ESS cannot be issued with further shares if that issue of shares would result in the ESS having an interest of more than 5% of the issued capital of the Company.

The ESS has a non-beneficial interest in all the shares allocated to employees. Annually the Company will review the scheme and decide upon the allocation of further shares and the price at which those shares will be issued to the ESS. All shares allocated are fully paid up.

The Trustees of the ESS are not appointed for any term and may be removed by the Company at any time.

The shares held by the ESS carry the same voting rights as other issued ordinary shares, however the Trust Deed prohibits the Trustees from exercising any votes on the shares. Further, the employees participating in the ESS are unable to exercise voting rights while monies are owed on the shares.

**y. Dividends**

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

**z. Earning per Share**

*i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

*ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**aa. Biological assets - Long Term Leases**

At the annual balance date, kiwifruit orchards under long term lease and the related kiwifruit crop are measured at their fair value less estimated point of sale costs (as applicable). The fair value of the orchards are determined by an independent valuer.

The fair value of kiwifruit on the vine is measured at fair value less estimated point of sale costs at the time of picking. In the absence of current prices in an active market, the valuations are prepared using techniques as described in Note 18.

The gain or loss in the fair value of the kiwifruit orchards under long term lease and related kiwifruit crop are recorded in the Statement of Financial Performance.

**ab. Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

# Notes to the Financial Statements for the year ended 31 March 2010

## NOTE 3.— APPLICATION OF NEW AND REVISED NEW ZEALAND INTERNATIONAL FINANCIAL REPORTING STANDARDS

### Standards, amendments and interpretations to existing standards that are now in effect

The following new standards, amendments to standards or interpretations are mandatory for the first time in the current year and adopted by the Group:

- i) *NZ IAS 1 (Amendment) 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2009).*

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- ii) *NZ IFRS 2 (Amendment) 'Share based payment' (effective for annual periods beginning on or after 1 January 2009).*

The amendment restricts the definition of a "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. All outstanding share based payments have already vested. This has no impact on financial statement presentation.

- iii) *NZ IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009).*

The amended NZ IFRS 7 introduces a three level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. Refer to Note 5.

- iv) *NZ IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009).*

NZ IFRS 8 replaces NZ IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Refer to Note 6.

- v) *NZ IAS 23 (Amendment) 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009).*

The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of that asset. The option of immediately expensing those borrowing costs has been removed. This amendment has no material impact on the Group.

### Standards, amendments and interpretations to existing standards that are not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

- vi) *NZ IFRIC 17 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009).*

The pronouncement reviews when dividends should be recognised and how they should be measured .

- vii) *NZ IFRS 3 (Amendment and Revision) 'Business combinations' and consequential amendments to NZ IAS 27, 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 July 2009).*

The amendment includes a number of updates which will impact recognised goodwill as well as reported results in the period of acquisition. Further, the amendment requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction as well as changing how subsidiary losses are accounted for.

- viii) *IAS 27 (Revised) 'Consolidated and separate financial statements' (effective from 1 July 2009).*

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in the Statement of Comprehensive Income.

- ix) *IAS 38 (Amendment) 'Intangible Assets' (published April 2009).*

The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.



x) *IFRS 5 (Amendment) 'Measurement of non-current assets' (published April 2009).*

The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

xi) *IAS 1 (Amendment) 'Presentation of financial statements' (published April 2009).*

The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

xii) *IFRS 2 (Amendment) 'Group cash-settled and share based payment transactions' (published April 2009).*

In addition to incorporating IFRIC 8, 'Scope of IFRS 2' and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

#### **NOTE 4. — CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and profit within the next financial year are discussed below:

**a. Valuation of long term leased orchards**

Long leased orchards (land and vines) are measured at fair value as determined by an independent valuer. The independent valuer uses valuation techniques which are inherently subjective and involve estimation. Refer Note 18.

**b. Valuation of kiwifruit and avocados**

Kiwifruit and avocados growing on long term leased orchards at balance date are measured at fair value less point of sale costs as determined by Group forecasts. These forecasts include assumptions in relation to in-market prices, foreign exchange rates, fruit loss and forecast trays expected to be harvested. Refer Note 18.

**c. Valuation of land and buildings**

Land and buildings are measured at fair value as determined by an independent valuer. The independent valuer uses valuation techniques which are inherently subjective and involve estimation. Refer to Note 15.

**d. Fair value of derivatives and other financial instruments**

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are based on quoted market rates and reliance placed on quotes provided by Westpac. Refer to Note 13.

**e. Share based payments**

Share based payments are measured at fair value. Refer to Note 26(d).

Changes to the above valuation assumptions would have a significant impact on the Statement of Financial Performance and Other Comprehensive Income portion of the Company and Group.

# Notes to the Financial Statements

for the year ended 31 March 2010

## NOTE 5. — FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Chief Executive Officer is required to identify and report the major risks affecting the business and develop strategies to mitigate these risks. The Board reviews and approves overall risk management strategies covering specific areas such as market risk, use of derivative and non-derivative financial instruments and investments of excess liquidity.

### a. Market risk

#### i) Foreign exchange risk

The Group and Parent have no material direct currency risk. The group is exposed to currency risk indirectly through its fruit income received on leased orchards. The foreign currency risk associated with the offshore sales is managed by Zespri and is not covered by Seeka.

During the year, the Parent conducted a sales program exporting kiwifruit to Australia. Foreign exchange risk arises as sales and related on-shore costs are denominated in Australian dollars. Management set up a policy to hedge the total cash flows from the operation based upon estimated fruit volumes to be exported. Sufficient forward currency coverage is then obtained to fix the Australian/New Zealand dollar exchange for the duration of the export season which runs from April to November. At 31 March 2010, if the New Zealand dollar had weakened/strengthened 10% against the Australian dollar with all other variables held constant, pre-tax profit for the year would have been \$15,686 (2009 - NIL) higher/lower, mainly as a result of foreign exchange gains and losses on translation of Australian dollar denominated trade receivables and payables as well as cash balances.

#### ii) Price risk

The Group and Parent are exposed to equity securities price risk. This arises from investments held by the Group and classified on the Statement of Financial Position either as available-for-sale or at fair value through profit or loss. These investments are incidental to the business. Management periodically reviews investments held in terms of their individual performance and whether they form a strategic benefit to the Company. No other formal risk management procedures are deemed necessary. Refer to Note 17.

The majority of the Group and the Parent entity's equity instruments are in industry related entities, only some of which are publicly traded.

The table below summarises the impact of increases/decreases in the fair value of equity securities available for sale on the Group's post tax profit for the year and on equity. The analysis is based on the assumption that the equity values increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved in correlation with each other.

	IMPACT ON POST-TAX PROFIT				IMPACT ON EQUITY			
	2010	2009	2010	2009	2010	2009	2010	2009
	+10%		-10%		+10%		-10%	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>GROUP</b>								
Ballance AGR	-	-	(15)	(15)	15	15	(15)	(15)
Golden Heights	-	-	-	-	4	4	(4)	(4)
DMS	-	-	(1)	(1)	1	1	(1)	(1)
Koura Mara	-	-	-	-	-	13	-	(13)
Ravensdown Fertiliser Co-Operative Limited	-	-	(8)	(6)	8	6	(8)	(6)
UPNZ	-	-	(33)	(33)	33	33	(33)	(33)
Vital Foods Limited	-	-	-	(179)	-	179	-	(179)
CMS Logistics Limited	-	-	(3)	-	3	-	(3)	-
Zespri Group Limited	-	-	-	-	123	115	(123)	(115)
<b>PARENT</b>								
Ballance AGR	-	-	(15)	(15)	15	15	(15)	(15)
Golden Heights	-	-	-	-	4	4	(4)	(4)
DMS	-	-	(1)	(1)	1	1	(1)	(1)
Koura Mara	-	-	-	-	-	13	-	(13)
Ravensdown Fertiliser Co-Operative Limited	-	-	(6)	(6)	6	6	(6)	(6)
UPNZ	-	-	(33)	(33)	33	33	(33)	(33)
Vital Foods Limited	-	-	-	(179)	-	179	-	(179)
Zespri Group Limited	-	-	-	-	119	115	(119)	(115)

The decision as to whether an increase or decrease in the fair value of an investment is recorded through Other Comprehensive Income or the Statement of Financial Performance is whether or not a previous revaluation reserve balance was available. If no such reserve existed, then any related loss is processed directly in the Statement of Financial Performance. Otherwise, available reserves would be utilised to offset the loss within other comprehensive income.

iii) *Cash flow interest rate risk*

The Group's cash flow interest rate risk arises primarily from short and long term variable rate borrowings from a financial institution. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. In relation to these variable rate borrowings, the Board continuously reviews the Group's interest rate risk on term borrowings and maintains a portion of the Group's borrowings at fixed rates by entering into interest rate swaps to hedge against its exposure to changes in the cash flows resulting from those borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is applied (see Note 2(p) and 13). During 2010 and 2009, the Group's borrowings were denominated in New Zealand Dollars.

An analysis of interest rate and price sensitivity of the Parent & Group financial assets and liabilities and their impact on the Statement of Financial Performance or equity are shown below. As Cash and Advance balances do not attract interest and are not subject to pricing risk, they have accordingly been excluded from this analysis.

	Carrying amount \$000	INTEREST RATE RISK				PRICE RISK			
		-1%		+2%		10%		+10%	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000
<b>GROUP AS AT 31 MARCH 2010</b>									
FINANCIAL ASSETS									
Accounts receivable	11,233	-	-	-	-	(154)	(154)	154	154
Available for sale investments	1,893	-	-	-	-	(60)	(189)	-	189
FINANCIAL LIABILITIES									
Derivative liabilities	951	(186)	(219)	358	422	-	-	-	-
Trade payables	13,206	-	-	-	-	45	45	(45)	(45)
Term liabilities	31,124	218	218	(436)	(436)	-	-	-	-
Bank borrowings	24,236	169	169	(339)	(339)	-	-	-	-
<b>TOTAL INCREASE / (DECREASE)</b>		<b>201</b>	<b>168</b>	<b>(417)</b>	<b>(353)</b>	<b>(169)</b>	<b>(298)</b>	<b>109</b>	<b>298</b>
<b>PARENT AS AT 31 MARCH 2010</b>									
FINANCIAL ASSETS									
Accounts receivable	10,795	-	-	-	-	(131)	(131)	131	131
Available for sale investments	1,800	-	-	-	-	(55)	(180)	-	180
FINANCIAL LIABILITIES									
Derivative liabilities	951	(186)	(219)	358	422	-	-	-	-
Trade payables	15,768	-	-	-	-	29	29	(29)	(29)
Term liabilities	31,124	218	218	(436)	(436)	-	-	-	-
Bank borrowings	24,236	169	169	(339)	(339)	-	-	-	-
<b>TOTAL INCREASE/ (DECREASE)</b>	-	<b>201</b>	<b>168</b>	<b>(417)</b>	<b>(353)</b>	<b>(157)</b>	<b>(282)</b>	<b>102</b>	<b>282</b>

# Notes to the Financial Statements

for the year ended 31 March 2010

Carrying amount \$000	INTEREST RATE RISK				PRICE RISK				
	- 1%		+1%		- 10%		+10%		
	Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000	
<b>GROUP &amp; PARENT AS AT 31 MARCH 2009</b>									
FINANCIAL ASSETS									
Accounts receivable	5,308	-	-	-	-	(158)	(158)	158	158
Available for sale investments	3,689	-	-	-	-	(234)	(369)	-	369
Advances	3,890	(24)	(24)	48	48	-	-	-	-
FINANCIAL LIABILITIES									
Derivative liabilities	1,233	(292)	(426)	408	609	-	-	-	-
Trade payables	14,438	-	-	-	-	78	78	(78)	(78)
Term liabilities	23,000	161	161	(322)	(322)	-	-	-	-
Bank borrowings	16,025	112	112	(224)	(224)	-	-	-	-
<b>TOTAL INCREASE / (DECREASE)</b>		<b>(43)</b>	<b>(177)</b>	<b>(90)</b>	<b>111</b>	<b>(314)</b>	<b>(449)</b>	<b>80</b>	<b>449</b>

The following tables outline the expected undiscounted cash flows relating to the Group's outstanding term and current debt as at the balance date:

	Between 0 - 3 months \$000	Between 3 - 6 months \$000	Between 6 - 12 months \$000	Between 1 - 2 years \$000	Between 2 - 5 years \$000	Over 5 years \$000
<b>AT 31 MARCH 2010</b>						
Expected undiscounted cash flows based on current market interest rates	9,291	4,085	12,685	23,508	9,166	-
Floating rate	4.50%					
Average term rate	4.51%					
<b>AT 31 MARCH 2009</b>						
Expected undiscounted cash flows based on current market interest rates	6,217	2,643	11,347	20,631	-	-
Floating rate	4.25%					
Average term rate	4.19%					

## b. Credit risk

As at 31 March 2010, the Group's maximum exposure to credit risk is the risk that could cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties. As at 31 March 2010, the Group's maximum exposure arises from:

- > the carrying amount of the respective recognised financial assets as stated in the consolidated Statement of Financial Position; and
- > the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in Note 31 and 32(b).

Credit risk is managed on a regular basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, derivative financial instruments and committed transactions. As part of the Company's financial risk policy, exposures are monitored on a regular basis. For banks and financial institutions, only registered banks or their subsidiaries are accepted. The Company does not generally require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with. For customers, including outstanding receivables, the Company deals predominantly with growers for which it receives payment for post harvest services directly from Seeka Growers Limited. Credit risk is therefore not considered significant. The Company does not generally require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

Other than concentration of credit risk on liquid funds which are deposited with one bank with a high credit rating, the Group does not have any other significant concentration of credit risk as trade receivables are spread over a large number of customers.

The table below shows the cash balances as at the balance date:

	Notes	GROUP		PARENT	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Counter party</b>					
Westpac bank deposits		530,938	455,107	338,276	455,107
Cash on hand		400	3,343	400	3,343
		<b>531,338</b>	<b>458,450</b>	<b>338,676</b>	<b>458,450</b>

Refer to Trade and Other Receivables Note 11 for further information on the credit risk of loans and receivables.

### c. Liquidity risk

Management and the Board regularly monitor the Group's liquidity reserves on the basis of expected cashflows in order to ensure the Group has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that borrowing limits or covenants (where applicable) are not breached. The cash flow forecasting takes the seasonal nature of the Group's operations into consideration.

During the year, should the Group hold cash in surplus of balances required for working capital management, funds are invested in interest bearing current accounts. At the reporting date, the Group did not hold any excess funds.

At the balance date, the Group had \$58,000,000 (2009 - \$42,000,000) of available lines of credit of which \$55,360,000 (2009 - \$39,024,984) were drawn. All credit lines are currently provided by one finance provider. Typically, at the balance date, lines of credit are drawn to their maximum value just prior to receiving cash flows from post harvest activities beginning in April.

The table below analyses the Group and Parent financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Less than 1 year \$000	Between 1 - 2 years \$000	Between 2 - 5 years \$000	Over 5 years \$000
<b>GROUP AS AT 31 MARCH 2010</b>				
Trade payables	13,206	-	-	-
Derivatives	144	-	807	-
Bank borrowings	24,236	-	-	-
Term liabilities	-	22,376	8,748	-
<b>TOTAL</b>	<b>37,586</b>	<b>22,376</b>	<b>9,555</b>	<b>-</b>
<b>PARENT AS AT 31 MARCH 2010</b>				
Trade payables	15,768	-	-	-
Derivatives	144	-	807	-
Bank borrowings	24,236	-	-	-
Term liabilities	-	22,376	8,748	-
<b>TOTAL</b>	<b>40,148</b>	<b>22,376</b>	<b>9,555</b>	<b>-</b>
<b>GROUP &amp; PARENT AS AT 31 MARCH 2009</b>				
Trade payables	14,438	-	-	-
Derivatives	-	-	1,233	-
Bank borrowings	16,025	-	-	-
Term liabilities	-	3,000	20,000	-
<b>TOTAL</b>	<b>30,463</b>	<b>3,000</b>	<b>21,233</b>	<b>-</b>

## Notes to the Financial Statements for the year ended 31 March 2010

### d. Capital risk

The Group's objectives when managing capital (total equity) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of its shareholder equity ratio. This ratio is calculated as total shareholder funds divided by total assets.

The shareholder equity ratio at 31 March is:

	2010 \$000	2009 \$000
Total shareholder funds	60,312	55,168
Total assets	144,182	120,122
Shareholder equity ratio	41.83%	45.93%

The Group is subject to, and monitors, financial covenants imposed by its lenders from time to time. These covenants include such measures as maintenance of equity ratios and earnings times interest cover. At no stage during the year did the Group breach any of its lending covenants.

The Group has current bank facilities of \$24.5 million and term bank facilities of \$33.5 million with the Westpac Banking Corporation, of which \$2.64 million remains undrawn as at the balance date. Typically, at the balance date, lines of credit are drawn to their maximum value just prior to receiving cash flows from post harvest activities in April. The Group expects that all facilities will be refinanced when they become due for review in the normal course of business.

### e. Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes. Refer to the accounting policies for fair value estimation methods as discussed in Note 2(s).

The following table presents the Group's assets and liabilities that are measured at fair value at year end.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>AT 31 MARCH 2010</b>				
ASSETS				
Available-for-sale equity securities	1,227	-	-	1,227
<b>TOTAL ASSETS</b>	<b>1,227</b>	<b>-</b>	<b>-</b>	<b>1,227</b>
LIABILITIES				
Financial liabilities at fair value through profit & loss				
Derivatives held for trading	-	807	-	807
Derivatives used for hedging	-	144	-	144
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>951</b>	<b>-</b>	<b>951</b>
<b>AT 31 MARCH 2009</b>				
ASSETS				
Available-for-sale equity securities	1,152	-	-	1,152
<b>TOTAL ASSETS</b>	<b>1,152</b>	<b>-</b>	<b>-</b>	<b>1,152</b>
LIABILITIES				
Financial liabilities at fair value through profit & loss				
Derivatives held for trading	-	1,018	-	1,018
Derivatives used for hedging	-	215	-	215
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,233</b>	<b>-</b>	<b>1,233</b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. These instruments are included in Level 1. Instruments in Level 1 are comprised of equity holdings in Zespri.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

**f. Financial risk management strategies related to agricultural activity**

The Group undertakes agricultural activities through its leased orchard and long term leased orchard operations. These operations are exposed to business risks including climatic and market returns. The Board and management have adopted the following strategies to manage risk.

*i) Climatic risks*

The Group grows kiwifruit on 196 orchards (2009 - 198) located throughout the Coromandel, Waikato and Bay of Plenty region. This geographical spread provides risk diversification from localised climatic events, such as hail damage, that may negatively impact on the crop. In addition to this the Group encourages the adoption of active crop protection measures, such as frost protection systems, on orchards operated by both it and contract growers who supply the Group's post harvest division.

*ii) Market and price risk*

The Group has no direct market risk from the sale of Class 1 kiwifruit harvested from its leased orchards, as all marketing activities are undertaken by Zespri Group Limited under statutory regulations. The Group, however, is exposed to price risk for fruit returns from Zespri which impact on the Group's orchard profitability. The Group monitors fruit returns from Zespri and uses modelling techniques to analyse current and projected orchard income. This information is used when setting lease terms each year.

Leased orchard contracts are typically entered into for a term of three years with renewal dates staggered so that approximately 1/3 of orchard leases are renegotiated each year.

## NOTE 6. — SEGMENT INFORMATION

**a. Description of segments**

Management has determined the operating segments based on the reports reviewed by the Senior Management Team, which are used to make operational decisions.

Management considers the business from an operational/product perspective rather than geographically, as predominantly all of the company's business is conducted within New Zealand.

Management assesses the performance of the operating segments based on a measure of adjusted EBIT. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as impairments when the impairment is the result of an isolated non-recurring event and restructuring costs.

The reportable operating segments are as follows:

*Orchard Operations*

The Group provides orchard contracting and management services to the kiwifruit and avocado industries. It also leases orchards with short term lease contracts and has entered into long term leases of land that it has converted to kiwifruit and avocado production.

*Post Harvest Operations*

The Group provides services to the kiwifruit and avocado post harvest sector that include fruit packing, cool storage and associated activities.

*Business Development Operations*

The Group provides grower and marketing services including local and Australian fruit marketing programmes.

*All other segments*

These represent the aggregated administration and overhead sections of the Group.

# Notes to the Financial Statements

for the year ended 31 March 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>b. The segment information for the period ended 31 March is as follows:</b>				
<b>SEGMENT REVENUE</b>				
Orchard Division	38,990	36,780	38,708	36,780
Post Harvest Division	76,290	69,849	75,942	69,849
Business Development Division	5,141	485	5,145	485
All other segments	466	350	456	350
<b>TOTAL REVENUE</b>	<b>120,887</b>	<b>107,464</b>	<b>120,251</b>	<b>107,464</b>
<b>SEGMENT EARNINGS (EBIT) BEFORE NON-RECURRING ITEMS</b>				
Orchard Division	7,188	5,707	6,964	5,707
Post Harvest Division	8,761	9,258	8,748	9,258
Business Development Division	(1,009)	(1,670)	(1,009)	(1,670)
All other segments	(4,658)	(4,392)	(4,305)	(4,223)
Share of profit of associates	166	509	-	-
Share of associates investment impairment	(1,013)	-	-	-
<b>TOTAL EBIT BEFORE NON-RECURRING ITEMS</b>	<b>9,435</b>	<b>9,412</b>	<b>10,398</b>	<b>9,072</b>
Net finance costs	1,896	3,823	1,896	3,823
Cancellation of Management Contract	3,900	-	-	-
Investment impairment	1,794	-	1,794	-
Reduction in consideration received on sale of joint venture	400	-	400	-
<b>PROFIT BEFORE TAX</b>	<b>1,445</b>	<b>5,589</b>	<b>6,308</b>	<b>5,249</b>
Taxation	1,075	1,609	2,159	1,609
<b>PROFIT AFTER TAX</b>	<b>370</b>	<b>3,980</b>	<b>4,149</b>	<b>3,640</b>

**c. Segment assets**

The amounts provided to management with respect to total assets are consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Investment in shares (classified as available-for-sale, associates and subsidiaries) held by the Group are not considered to be segment assets, but rather, are managed by the treasury function.

Reportable segments' assets are reconciled to total assets as follows:

Orchard Division	37,256	31,643	33,458	31,643
Post Harvest Division	92,472	68,755	76,626	68,755
Business Development Division	90	-	90	-
All other segments	6,320	9,274	4,651	9,296
<i>Unallocated:</i>				
Cash	531	458	339	458
GST receivable	969	953	969	953
Available-for-sale financial assets	1,893	3,689	1,800	3,689
Investment in associates	3,993	5,242	4,457	4,457
Investment in subsidiaries including goodwill	-	-	24,614	-
Current tax	658	108	658	108
<b>TOTAL ASSETS PER THE STATEMENT OF FINANCIAL POSITION</b>	<b>144,182</b>	<b>120,122</b>	<b>147,662</b>	<b>119,359</b>



#### d. Segment liabilities

The amounts provided to management with respect to total liabilities are consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's interest-bearing liabilities are not considered to be segment liabilities, but rather, are managed by the treasury function.

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Reportable segments' liabilities are reconciled to total liabilities as follows:				
Orchard Division	1,277	1,682	2,605	1,682
Post Harvest Division	9,491	8,790	9,502	8,790
Business Development Division	140	-	140	-
All other segments	2,291	4,011	3,521	4,011
<i>Unallocated:</i>				
Deferred tax	13,917	10,207	12,257	10,207
Current tax	436	6	-	6
GST payable	7	-	-	-
Current borrowings	24,236	16,025	24,236	16,025
Non-current borrowings	31,124	23,000	31,124	23,000
Financial derivatives	951	1,233	951	1,233
<b>TOTAL LIABILITIES PER THE STATEMENT OF FINANCIAL POSITION</b>	<b>83,870</b>	<b>64,954</b>	<b>84,336</b>	<b>64,954</b>

#### e. Impact of seasonality

The financial statements reflect the revenues associated with the kiwifruit harvested between April and June 2009, excluding kiwifruit crops owned by the Company under long term lease contracts which are recorded at fair value at each reporting date.

With the acquisition of Te Awanui Huka Pak Limited (see Note 34), the Group's proportion of early start fruit has significantly increased. The newly acquired fruit volume in addition to the Parent's early start fruit has resulted in a material level of packing activity occurring prior to 31 March 2010 relating to the 2010 kiwifruit crop. This has resulted in an increase in gross revenue of \$6,545,605, which is included in accounts receivable (Note 11) and an improvement of pre-tax net income of \$1,136,927 in the post harvest segment.

Operating cash flows relating to this early crop were negative \$1,562,374 as at 31 March 2010, as the related sales receipts were not received until after year end.

### NOTE 7. — REVENUE AND OTHER INCOME

<b>REVENUE</b>				
Orchard sales	38,990	36,780	38,708	36,780
Post harvest sales	76,290	69,849	75,942	69,849
Other sales	5,607	835	5,601	835
<b>TOTAL REVENUE</b>	<b>120,887</b>	<b>107,464</b>	<b>120,251</b>	<b>107,464</b>
<b>OTHER INCOME</b>				
Interest income	85	179	55	179
Dividend income	467	329	869	498
<b>TOTAL OTHER INCOME</b>	<b>552</b>	<b>508</b>	<b>924</b>	<b>677</b>
<b>TOTAL REVENUE AND OTHER INCOME</b>	<b>121,439</b>	<b>107,972</b>	<b>121,175</b>	<b>108,141</b>

# Notes to the Financial Statements

for the year ended 31 March 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>NOTE 8. — DIRECT &amp; SHORT TERM ADMINISTRATIVE EXPENSES</b>				
Operating materials and services	64,846	57,418	64,924	57,418
Short term orchard lease costs	7,381	7,229	7,332	7,229
Net impairment charges on short term lease payments	170	779	170	779
Total employee benefits expense	30,158	26,103	30,192	26,103
General administrative expenses	2,743	2,462	2,743	2,462
Audit fees	114	138	129	138
Tax fees paid to auditors	38	31	36	31
Other accounting fees	20	34	20	34
Bad and doubtful debts expense	1	21	1	21
Movement in onerous lease provision	(45)	(84)	(45)	(84)
Directors' fees and expenses	354	261	354	261
Donations	3	2	3	2
Research and development costs	10	3	10	3
Rent and lease expenses	168	85	168	85
(Profit) loss on sale of shares	(98)	(103)	(98)	(103)
(Profit) loss on sale of property plant and equipment	(3)	(46)	(3)	(46)
Fair value movement in biological assets	194	106	194	106
	<b>106,054</b>	<b>94,439</b>	<b>106,130</b>	<b>94,439</b>
<i>Depreciation</i>				
Buildings	1,512	1,284	1,302	1,284
Plant and equipment	3,309	2,769	3,063	2,769
Motor vehicles	32	24	32	24
Loss on revaluation of building improvements	-	84	-	84
	<b>4,853</b>	<b>4,161</b>	<b>4,397</b>	<b>4,161</b>
<i>Amortisation</i>				
Software amortisation	250	276	250	276
Bragg lease amortisation	-	193	-	193
	<b>250</b>	<b>469</b>	<b>250</b>	<b>469</b>
<i>Finance costs</i>				
Interest expense	2,107	2,831	2,107	2,831
Fair value adjustments on non-hedging derivatives and ineffectiveness	(211)	992	(211)	992
	<b>1,896</b>	<b>3,823</b>	<b>1,896</b>	<b>3,823</b>
<i>Non-recurring items</i>				
Settlement of Management Contract (Note 34)	3,900	-	-	-
Investment impairment (Note 17)	1,794	-	1,794	-
Reduction in consideration received on sale of joint venture (Note 28)	400	-	400	-
	<b>6,094</b>	<b>-</b>	<b>2,194</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>119,147</b>	<b>102,892</b>	<b>114,867</b>	<b>102,892</b>

## GROUP

## PARENT

	2010	2009	2010	2009
	\$000	\$000	\$000	\$000

**NOTE 9. — INCOME TAX EXPENSE****a. Income tax expense**

## CURRENT TAX EXPENSE

Current period	(263)	1,698	356	1,698
Adjustments for prior periods	154	6	154	6
	<b>(109)</b>	<b>1,704</b>	<b>510</b>	<b>1,704</b>

## DEFERRED TAX EXPENSE (INCOME)

Origination and reversal of temporary differences	1,184	(95)	1,649	(95)
	<b>1,184</b>	<b>(95)</b>	<b>1,649</b>	<b>(95)</b>

**TOTAL INCOME TAX EXPENSE**

	<b>1,075</b>	<b>1,609</b>	<b>2,159</b>	<b>1,609</b>
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**b. Numerical reconciliation of income tax expense to prima facie tax payable**

Profit before income tax expense	1,445	5,589	6,308	5,249
Tax at the New Zealand tax rate of 30%	434	1,677	1,892	1,575
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	917	74	543	59
Tax exempt income	(430)	(148)	(430)	(31)
Under provision in prior years	154	6	154	6
<b>INCOME TAX EXPENSE</b>	<b>1,075</b>	<b>1,609</b>	<b>2,159</b>	<b>1,609</b>

**c. Imputation credit account**

Balance at beginning of year	384	109	384	109
Net tax paid	1,195	700	1,088	700
Imputation credits attached to dividends received	429	242	428	242
Imputation on dividends paid	(1,209)	(667)	(1,209)	(667)
<b>BALANCE AVAILABLE TO SHAREHOLDERS AT YEAR END</b>	<b>799</b>	<b>384</b>	<b>691</b>	<b>384</b>

**NOTE 10. — CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the Statement of Financial Position	531	458	339	458
<b>CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT</b>	<b>531</b>	<b>458</b>	<b>339</b>	<b>458</b>

**NOTE 11. — TRADE AND OTHER RECEIVABLES**

## NET TRADE RECEIVABLES

Trade receivables	2,524	980	2,413	980
Seeka Growers Limited	93	404	93	404
	<b>2,617</b>	<b>1,384</b>	<b>2,506</b>	<b>1,384</b>

Prepayments	243	1,572	243	1,572
GST refund due	969	953	969	953
Other sundry receivables	7,647	2,971	7,320	2,971
<b>TOTAL RECEIVABLES</b>	<b>11,476</b>	<b>6,880</b>	<b>11,038</b>	<b>6,880</b>

## Notes to the Financial Statements for the year ended 31 March 2010

Within trade receivables, \$608,745 are past due (2009 - \$318,811), of which 41.3% are more than 90 days (2009 - 43.76%). However, trade receivables are generally felt to be fully recoverable by management as balances can be recovered directly from grower payments. Thus no provision is made in the financial statements for doubtful balances. Management expect that the fair value of the receivable equals the current value.

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>NOTE 12. — INVENTORIES</b>				
Total packaging at cost	7,388	8,984	7,388	8,984
Other inventories at cost	386	172	386	172
<b>TOTAL INVENTORIES</b>	<b>7,774</b>	<b>9,156</b>	<b>7,774</b>	<b>9,156</b>

Packaging goods purchased but not paid for as at balance date from specific vendors are covered by a security interest. At 31 March 2010, this was \$6,254,403 (2009 - \$6,259,815).

Total packaging inventory costs expensed to cost of sales in the Statement of Financial Performance in the current year was \$19,565,376 (2009 - \$18,883,637).

### NOTE 13. — DERIVATIVE FINANCIAL INSTRUMENTS

#### LIABILITIES

Interest rate swap contracts - cash flow hedge	144	215	144	215
Interest rate swap contracts - held for trading	807	1,018	807	1,018
	<b>951</b>	<b>1,233</b>	<b>951</b>	<b>1,233</b>

Bank loans of the Group currently bear an average variable interest rate of 4.51% (2009 - 4.19%). It is policy to protect the term portion of the loans from exposure to changing 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 60% (2009 - 83%) of the term liabilities outstanding at the balance date and are classified as either 'held for trading' or as 'cashflow hedges'.

#### DERIVATIVES HELD FOR TRADING

A gain on valuation of interest rate swap contracts of \$210,985 (2009 - \$992,053 loss) was recognised during the year owing to a change in the underlying forward interest rates used to value the instruments. Currently, the Group relies upon Westpac for the provision of the year end swap fair values which are then reviewed by management. For each interest rate swap, the asset or liability recognised in the Statement of Financial Position will be continually revalued through to the Statement of Financial Performance until the swap expires and the value becomes NIL.

	TERM LOAN		SWAP	
	Variable Rate	Maturity	Fixed Rate	Expiry
Term Loan #96 - \$10,000,000	4.50%	1 December 2011	8.55%	30 October 2012

#### CASH FLOW HEDGES

The Group elected to apply hedge accounting to a swap contract entered into on 27 January 2009 thereby creating a cash flow hedge. At the balance date, the Group had the following interest rate swap designated as a highly effective hedging instrument in order to manage the Group's variable interest rate exposure in relation to outstanding bank term debt. The terms of the interest rate swap have been negotiated to match the terms of the respective designated hedged item. The major terms for this contract are as follows:

	TERM LOAN		SWAP	
	Variable Rate	Maturity	Fixed Rate	Expiry
Term Loan #95 - \$10,000,000	4.48%	1 December 2011	5.73%	1 December 2010

During the year, fair value gains before tax of \$71,193 (2009 - \$215,355 loss) have been recognised in Other Comprehensive Income. The fair values of the interest rate swaps are measured using quoted values as supplied by Westpac.

The gains and losses recognised in Other Comprehensive Income will be released to the Statement of Financial Performance until the expiry of the related hedge instrument. No gains or losses were reclassified in the current year (2009 - NIL).

	Loans and receivables	Assets at fair value through profit & loss	Held to maturity	Available for sale	Total
	\$000	\$000	\$000	\$000	\$000

#### NOTE 14. — FINANCIAL INSTRUMENTS SUMMARY

The tables below summarise the categories of the Group financial assets and liabilities:

##### 31 MARCH 2010

##### FINANCIAL ASSETS

Cash and cash equivalents	531	-	-	-	531
Trade and other receivables excluding prepaids	11,233	-	-	-	11,233
Advances	1,290	-	-	-	1,290
Available-for-sale investments	-	-	-	1,893	1,893
<b>TOTAL</b>	<b>13,054</b>	<b>-</b>	<b>-</b>	<b>1,893</b>	<b>14,947</b>

		Liabilities at fair value through profit & loss	Other financial liabilities	Total
		\$000	\$000	\$000

##### 31 MARCH 2010

##### FINANCIAL LIABILITIES

Trade or other payables		-	13,206	13,206
Bank borrowings		-	24,236	24,236
Derivative financial instruments		951	-	951
Term liabilities		-	31,124	31,124
<b>TOTAL</b>		<b>951</b>	<b>68,566</b>	<b>69,517</b>

	Loans and receivables	Assets at fair value through profit & loss	Held to maturity	Available for sale	Total
	\$000	\$000	\$000	\$000	\$000

##### 31 MARCH 2009

##### FINANCIAL ASSETS

Cash and cash equivalents	458	-	-	-	458
Trade and other receivables excluding prepaids	5,308	-	-	-	5,308
Advances	5,348	-	-	-	5,348
Available-for-sale investments	-	-	-	3,689	3,689
<b>TOTAL</b>	<b>11,114</b>	<b>-</b>	<b>-</b>	<b>3,689</b>	<b>14,803</b>

		Liabilities at fair value through profit & loss	Other financial liabilities	Total
		\$000	\$000	\$000

##### 31 MARCH 2009

##### FINANCIAL LIABILITIES

Trade or other payables		-	14,438	14,438
Bank borrowings		-	16,025	16,025
Derivative financial instruments		1,233	-	1,233
Term liabilities		-	23,000	23,000
<b>TOTAL</b>		<b>1,233</b>	<b>53,463</b>	<b>54,696</b>

The carrying values of the Group's financial assets and liabilities approximate their fair values.

## Notes to the Financial Statements

for the year ended 31 March 2010

	Loans and receivables	Assets at fair value through profit & loss	Held to maturity	Available for sale	Total
	\$000	\$000	\$000	\$000	\$000
The tables below summarise the categories of the Parent financial assets and liabilities:					
<b>31 MARCH 2010</b>					
FINANCIAL ASSETS					
Cash and cash equivalents	339	-	-	-	339
Trade and other receivables excluding prepaids	10,795	-	-	-	10,795
Advances	1,273	-	-	-	1,273
Available-for-sale investments	-	-	-	1,800	1,800
<b>TOTAL</b>	<b>12,407</b>	<b>-</b>	<b>-</b>	<b>1,800</b>	<b>14,207</b>

	Liabilities at fair value through profit & loss	Other financial liabilities	Total
	\$000	\$000	\$000
<b>31 MARCH 2010</b>			
FINANCIAL LIABILITIES			
Trade or other payables	-	15,768	15,768
Bank borrowings	-	24,236	24,236
Derivative financial instruments	951	-	951
Term liabilities	-	31,124	31,124
<b>TOTAL</b>	<b>951</b>	<b>71,128</b>	<b>72,079</b>

	Loans and receivables	Assets at fair value through profit & loss	Held to maturity	Available for sale	Total
	\$000	\$000	\$000	\$000	\$000
<b>31 MARCH 2009</b>					
FINANCIAL ASSETS					
Cash and cash equivalents	458	-	-	-	458
Trade and other receivables excluding prepaids	5,308	-	-	-	5,308
Advances	5,331	-	-	-	5,331
Available-for-sale investments	-	-	-	3,689	3,689
<b>TOTAL</b>	<b>11,097</b>	<b>-</b>	<b>-</b>	<b>3,689</b>	<b>14,786</b>

	Liabilities at fair value through profit & loss	Other financial liabilities	Total
	\$000	\$000	\$000
<b>31 MARCH 2009</b>			
FINANCIAL LIABILITIES			
Trade or other payables	-	14,438	14,438
Bank borrowings	-	16,025	16,025
Derivative financial instruments	1,233	-	1,233
Term liabilities	-	23,000	23,000
<b>TOTAL</b>	<b>1,233</b>	<b>53,463</b>	<b>54,696</b>

The carrying values of the Parent's financial assets and liabilities approximate their fair values.

	Land \$000	Buildings \$000	Plant and equipment \$000	Motor vehicles \$000	Total \$000
<b>NOTE 15. — PROPERTY, PLANT AND EQUIPMENT</b>					
AT 1 APRIL 2008					
Cost	5,463	33,254	42,128	512	81,357
Accumulated depreciation	-	(378)	(20,625)	(194)	(21,197)
<b>NET BOOK AMOUNT</b>	<b>5,463</b>	<b>32,876</b>	<b>21,503</b>	<b>318</b>	<b>60,160</b>
YEAR ENDED 31 MARCH 2009					
Opening net book amount	5,463	32,876	21,503	318	60,160
Additions	225	3,025	3,950	-	7,200
Revaluation before tax	(402)	559	-	-	157
Depreciation	-	(1,172)	(2,980)	(9)	(4,161)
Disposals	(251)	(682)	(93)	-	(1,026)
<b>CLOSING NET BOOK AMOUNT AT 31 MARCH 2009</b>	<b>5,035</b>	<b>34,606</b>	<b>22,380</b>	<b>309</b>	<b>62,330</b>
AT 1 APRIL 2009					
Cost	5,035	36,034	45,986	512	87,567
Accumulated depreciation	-	(1,428)	(23,606)	(203)	(25,237)
<b>NET BOOK AMOUNT</b>	<b>5,035</b>	<b>34,606</b>	<b>22,380</b>	<b>309</b>	<b>62,330</b>
YEAR ENDED 31 MARCH 2010					
Opening net book amount	5,035	34,606	22,380	309	62,330
Additions	-	1,632	6,104	-	7,736
Acquisitions (Note 34)	-	10,866	3,964	-	14,830
Revaluation before tax	(70)	1,263	-	-	1,193
Depreciation	-	(1,512)	(3,309)	(32)	(4,853)
Disposals	-	-	(46)	-	(46)
<b>CLOSING NET BOOK AMOUNT AT 31 MARCH 2010</b>	<b>4,965</b>	<b>46,855</b>	<b>29,093</b>	<b>277</b>	<b>81,190</b>
AT 31 MARCH 2010					
Cost	4,965	49,087	56,008	512	110,572
Accumulated depreciation	-	(2,232)	(26,915)	(235)	(29,382)
<b>NET BOOK AMOUNT AT 31 MARCH 2010</b>	<b>4,965</b>	<b>46,855</b>	<b>29,093</b>	<b>277</b>	<b>81,190</b>

a. Land and buildings are revalued to their estimated market value on a rolling three year cycle.

The current year's valuations were completed by J L Middleton, ANZIV, independent registered valuer. Subsequent additions are at cost. All KKP and KCG valuations were as at 18 and 23 February 2010 respectively. A valuation was conducted on 21 October 2009 for the Te Awanui Huka Pak Limited site and formed the basis of the fair value assigned for the acquisition of the business on 7 December 2009 (see Note 34). Movements in the value of land and buildings from the valuation dates to the relevant reporting or acquisition date are considered insignificant. The movements in the revaluation reserve, net of tax, are summarised in the table below:

	Land \$	Buildings \$	Total \$
KKP	-	528,156	528,156
KCG	(70,000)	356,115	286,115
	<b>(70,000)</b>	<b>884,271</b>	<b>814,271</b>

## Notes to the Financial Statements for the year ended 31 March 2010

In conducting the valuations, the valuer considered 3 different approaches. These approaches are considered in concert in order to arrive at a fair value of the land and buildings. The methodology considered was as follows:

*Replacement cost approach* - adds the value of the land to the value of the buildings and other improvements based on the current level of buildings cost with an allowance for physical depreciation (2%). Specific consideration is given to the 'optimised depreciated replacement cost' methodology.

*Sales approach* - considers sales of other comparable type properties.

*Investment approach* - assumes a hypothetical lease of the property with a current market rental being established and capitalising this at an appropriate rate of return (11 - 12%) that would be expected by a prudent investor.

As a consequence of the building revaluations conducted in 2010, \$708,358 (2009 - \$122,470) of accumulated depreciation was offset directly against the assets' book value.

Management has reviewed property, plant and equipment for potential impairment. No impairment has been identified.

**b. If land and buildings were stated on the historical cost basis, the amounts for parent and group would be as follows:**

	2010 \$000	2009 \$000
Cost	50,835	38,338
Accumulated depreciation	(7,450)	(5,859)
<b>Net book amount</b>	<b>43,385</b>	<b>32,479</b>

**c. Assets under construction**

Prior to 31 March 2009, the Group had commenced a coolstore capacity increase at its Oakside facility. Construction costs incurred up to the balance date totalled \$1,592,217 and were included in the property, plant & equipment balance.

Prior to 31 March 2010, there were no significant capital projects which the Group had not completed.



	Land \$000	Buildings \$000	Plant and equipment \$000	Motor vehicles \$000	Total \$000
<b>PARENT</b>					
AT 1 APRIL 2008					
Cost	5,463	33,254	42,129	512	81,358
Accumulated depreciation	-	(378)	(20,626)	(194)	(21,198)
<b>NET BOOK AMOUNT</b>	<b>5,463</b>	<b>32,876</b>	<b>21,503</b>	<b>318</b>	<b>60,160</b>
YEAR ENDED 31 MARCH 2009					
Opening net book amount	5,463	32,876	21,503	318	60,160
Additions	225	3,025	3,950	-	7,200
Revaluation before tax	(402)	559	-	-	157
Depreciation	-	(1,172)	(2,980)	(9)	(4,161)
Disposals	(251)	(682)	(93)	-	(1,026)
<b>CLOSING NET BOOK AMOUNT AT 31 MARCH 2009</b>	<b>5,035</b>	<b>34,606</b>	<b>22,380</b>	<b>309</b>	<b>62,330</b>
AT 1 APRIL 2009					
Cost	5,035	36,034	45,986	512	87,567
Accumulated depreciation	-	(1,428)	(23,606)	(203)	(25,237)
<b>NET BOOK AMOUNT</b>	<b>5,035</b>	<b>34,606</b>	<b>22,380</b>	<b>309</b>	<b>62,330</b>
YEAR ENDED 31 MARCH 2010					
Opening net book amount	5,035	34,606	22,380	309	62,330
Additions	-	1,632	6,104	-	7,736
Revaluation before tax	(70)	1,263	-	-	1,193
Depreciation	-	(1,302)	(3,063)	(32)	(4,397)
Disposals	-	-	(45)	-	(45)
<b>CLOSING NET BOOK AMOUNT AT 31 MARCH 2010</b>	<b>4,965</b>	<b>36,199</b>	<b>25,376</b>	<b>277</b>	<b>66,817</b>
AT 31 MARCH 2010					
Cost	4,965	38,221	52,045	512	95,743
Accumulated depreciation	-	(2,022)	(26,669)	(235)	(28,926)
<b>NET BOOK AMOUNT AT 31 MARCH 2010</b>	<b>4,965</b>	<b>36,199</b>	<b>25,376</b>	<b>277</b>	<b>66,817</b>

## Notes to the Financial Statements for the year ended 31 March 2010

	Software	Goodwill	Interest in leased land	Total
	\$000	\$000	\$000	\$000
<b>NOTE 16. — INTANGIBLE ASSETS</b>				
<b>GROUP</b>				
AT 1 APRIL 2008				
Cost	1,842	1,739	-	3,581
Accumulated amortisation	(990)	-	-	(990)
<b>NET BOOK AMOUNT</b>	<b>852</b>	<b>1,739</b>	<b>-</b>	<b>2,591</b>
YEAR ENDED 31 MARCH 2009				
Opening net book amount	852	1,739	-	2,591
Additions	74	18	-	92
Amortisation	(276)	-	-	(276)
<b>CLOSING NET BOOK AMOUNT AT 31 MARCH 2009</b>	<b>650</b>	<b>1,757</b>	<b>-</b>	<b>2,407</b>
AT 31 MARCH 2009				
Cost	1,916	1,757	-	3,673
Accumulated amortisation	(1,266)	-	-	(1,266)
<b>NET BOOK AMOUNT</b>	<b>650</b>	<b>1,757</b>	<b>-</b>	<b>2,407</b>
YEAR ENDED 31 MARCH 2010				
Opening net book amount	650	1,757	-	2,407
Additions	40	60	-	100
Acquisition of subsidiary (Note 34)	-	951	1,735	2,686
Amortisation	(250)	-	-	(250)
<b>CLOSING NET BOOK AMOUNT AT 31 MARCH 2010</b>	<b>440</b>	<b>2,768</b>	<b>1,735</b>	<b>4,943</b>
AS AT 31 MARCH 2010				
Cost	1,956	2,768	1,735	6,459
Accumulated amortisation	(1,516)	-	-	(1,516)
<b>NET BOOK AMOUNT AT 31 MARCH 2010</b>	<b>440</b>	<b>2,768</b>	<b>1,735</b>	<b>4,943</b>

The remaining amortisation period of software is 5 years and the remaining amortisation period for the interest in leased land is from 40 to 99 years.

### PARENT

At 1 April 2008

Cost	1,842	1,739	-	3,581
Accumulated amortisation	(990)	-	-	(990)
<b>NET BOOK AMOUNT</b>	<b>852</b>	<b>1,739</b>	<b>-</b>	<b>2,591</b>

YEAR ENDED 31 MARCH 2009

Opening net book amount	852	1,739	-	2,591
Additions	74	18	-	92
Amortisation	(276)	-	-	(276)
<b>CLOSING NET BOOK AMOUNT AT 31 MARCH 2009</b>	<b>650</b>	<b>1,757</b>	<b>-</b>	<b>2,407</b>

AT 31 MARCH 2009

Cost	1,916	1,757	-	3,673
Accumulated amortisation	(1,266)	-	-	(1,266)
<b>NET BOOK AMOUNT</b>	<b>650</b>	<b>1,757</b>	<b>-</b>	<b>2,407</b>

YEAR ENDED 31 MARCH 2010

Opening net book amount	650	1,757	-	2,407
Additions	40	60	-	100
Acquisition of subsidiary (Note 34)	-	951	-	951
Amortisation	(250)	-	-	(250)
<b>CLOSING NET BOOK AMOUNT AT 31 MARCH 2010</b>	<b>440</b>	<b>2,768</b>	<b>-</b>	<b>3,208</b>

AS AT 31 MARCH 2010

Cost	1,956	2,768	-	4,724
Accumulated amortisation	(1,516)	-	-	(1,516)
<b>NET BOOK AMOUNT AT 31 MARCH 2010</b>	<b>440</b>	<b>2,768</b>	<b>-</b>	<b>3,208</b>

The remaining amortisation period of software is 5 years.

### Impairment tests for goodwill

Goodwill supports the Group's post harvest operations and is allocated to post harvest cash generating units (CGUs) for the purpose of assessing impairment. Impairment tests are undertaken at the lowest identifiable level of CGU and the value of CGUs is calculated using a value-in-use approach.

The net present value is based on a 10 year return. The return is calculated on the expected number of trays multiplied by the margin on packing and coolstorage. The inflation correction used amounts to 1%.

A segment-level summary of the goodwill allocation is presented below.

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Kiwicoast Growers (Te Puke) Limited (Note 34)	951	-	951	-
Bridgecool Holdings Limited	1,298	1,298	1,298	1,298
Corogrow Kiwifruit Limited	100	100	100	100
Eleos Limited	260	260	260	260
Other post harvest	159	99	159	99
	<b>2,768</b>	<b>1,757</b>	<b>2,768</b>	<b>1,757</b>

Goodwill is tested for impairment using value in use calculations which include the following assumptions:

#### a. Key assumptions used for net present value calculations

	Discount Period	Growth rate	Discount rate
<b>CGU - 2010</b>			
Kiwicoast Growers (Te Puke) Limited	10 Yrs	1%	10%
Bridgecool Holdings Limited	10 Yrs	1%	10%
Corogrow Kiwifruit Limited	10 Yrs	1%	10%
Eleos Limited	10 Yrs	1%	10%
Other post harvest	10 Yrs	1%	10%
<b>CGU - 2009</b>			
Bridgecool Holdings Limited	10 Yrs	1%	10%
Corogrow Kiwifruit Limited	10 Yrs	1%	10%
Eleos Limited	10 Yrs	1%	10%
Other post harvest	10 Yrs	1%	10%

The above assumptions have been used for the analysis of the net present value of budget gross margin of each CGU, which are determined by management based on past performance and its expectations of market development. The discount period used reflects managements intention that these are investments which represent a permanent addition to the Group structure and thus reflect a long investment horizon. The above discount rates are applied to after-tax cash flows and reflect the expected period of benefit from each segment.

No impairments have been identified (2009 - NIL).

# Notes to the Financial Statements

for the year ended 31 March 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>NOTE 17. — AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>				
As required under NZ IAS 39, equity investments not otherwise held for trading are classified as available for sale.				
Balance at the beginning of the year	3,689	3,593	3,689	3,593
Additions/acquisitions	93	50	-	50
Disposals/impairment	(1,931)	(10)	(1,929)	(10)
Revaluation recognised in equity	42	56	40	56
Balance at end of year	1,893	3,689	1,800	3,689
Less: Current portion	-	-	-	-
<b>NON-CURRENT PORTION</b>	<b>1,893</b>	<b>3,689</b>	<b>1,800</b>	<b>3,689</b>
Available-for-sale financial assets include the following:				
<i>Listed securities</i>				
Zespri Group Limited	1,227	1,152	1,193	1,152
<i>Unlisted securities</i>				
Vital Foods Limited	-	1,794	-	1,794
Golden Heights	39	39	39	39
Koura Mara	-	130	-	130
Ravensdown Fertiliser Co-Operative Limited	77	60	60	60
UPNZ	334	334	334	334
Ballance AGR	153	149	149	149
CMS Logistics Limited	33	-	-	-
Other share holdings	30	31	25	31
	<b>1,893</b>	<b>3,689</b>	<b>1,800</b>	<b>3,689</b>

The fair values of the listed securities are based on closing share price at balance date. All unlisted securities are currently held at cost less impairment as it reasonably represents current fair value. Management has reviewed the carrying amount of all unlisted securities and the Company has decided to write off its investment in Vital Foods Limited in the current financial year. This has resulted in a non recurring impairment expense of \$1.794m to the earnings for the Group's financial year ended 31 March 2010.

The Group has not regarded its investment in Vital Foods as a strategic asset for some time and has declined to invest in capital raisings undertaken by Vital Foods since June 2007. Those capital raisings were at prices which supported the carrying cost of the Vital Foods investment in the Group's Statement of Financial Position. During the year, a capital raising, in which the Group did not participate, reduced the value of the Group's shareholding in the business to such an extent that the Group has fully impaired its investment. The Vital Foods investment has not contributed to the operating earnings and cashflow of the Group and, accordingly, this impairment will have no impact on the Group's ongoing operating cashflow.

Additionally, during the year, the Koura Mara investment was liquidated upon the wind up of the syndicate. This resulted in a realised gain on disposal of \$98,203.

The maximum exposure to credit risk at the reporting date is the fair value of the equity securities classified as available-for-sale.

Other than the investment in Vital Foods, none of the available-for-sale financial assets at balance date are considered to be impaired.

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>NOTE 18. — BIOLOGICAL ASSETS</b>				
KIWIFRUIT / AVOCADO LAND AND VINES AT FAIR VALUE				
Carrying amount at 1 April	6,235	6,341	6,235	6,341
Additions/acquisitions (Note 34)	3,798	-	-	-
Fair value movement	(193)	(106)	(193)	(106)
<b>CARRYING VALUE AT 31 MARCH</b>	<b>9,840</b>	<b>6,235</b>	<b>6,042</b>	<b>6,235</b>
KIWIFRUIT CROP AT FAIR VALUE				
Carrying amount at 1 April	4,657	3,083	4,657	3,083
Additions/acquisitions (Note 34)	604	-	604	-
Valuation of current harvest	7,311	4,657	7,311	4,657
Previous and acquired harvest	(5,261)	(3,083)	(5,261)	(3,083)
<b>CARRYING VALUE AT 31 MARCH</b>	<b>7,311</b>	<b>4,657</b>	<b>7,311</b>	<b>4,657</b>
<b>TOTAL BIOLOGICAL ASSETS</b>	<b>17,151</b>	<b>10,892</b>	<b>13,353</b>	<b>10,892</b>

The Group, as part of its operations, leases land and grows and harvests kiwifruit on orchards for which it has long term leases. Harvesting of orchards takes place from April to June each year. The orchards are situated throughout the Coromandel, Waikato and Bay of Plenty regions of New Zealand.

As at 31 March 2010 the Group had long term leases on a total of 141 hectares (2009 - 106) of kiwifruit and 26 hectares (2009 - NIL) of avocado orchards comprising 18 individual orchards (2009 - 14). The leases were entered into over a period of time and generally have a maximum term of 19 years and 11 months with the last lease expiring in June 2025.

	Number of orchards	Hectares	2009 production	Remaining lease term	Carrying value (\$)
<b>KIWIFRUIT</b>					
	1	4.72	42,094	2	159,543
	2	21.37	243,048	5	569,059
	3	16.02	170,606	9	1,610,604
	9	89.77	958,424	10	6,469,393
	1	5.43	60,001	11	726,054
	1	4.07	24,524	15	56,810
		<b>141.38</b>	<b>1,498,697</b>		<b>9,591,463</b>
<b>AVOCADO</b>					
	1	26.25	23,117	4	248,000
		<b>26.25</b>	<b>23,117</b>		<b>248,000</b>

Actual kiwifruit production for the Parent in the 2009 season was 1,117,247 trays as compared to estimated production of 1,047,061. With the inclusion of Te Awanui Huka Pak Limited results, the Group 2009 season was 1,498,697 trays as compared to estimated production of 1,620,282 trays.

The fair value of the kiwifruit and avocado orchards (land, vines and trees) have been determined in accordance with an independent valuation performed at each annual reporting date by Crighton Stone Registered Valuers and at 7 December 2009 for the acquisition of Huka Pak (Note 34). The basis of valuation is Valuation Standard Number 1 - Market Value Basis of Valuation and Practice Standard Number 3 - The Valuation of Rural Properties. In preparing their valuation, Crighton Stone have based their assumptions for orchard gate returns ('OGR') on 10 year averages for each variety.

During the year to 31 March 2010, the Group harvested 1,498,697 trays of kiwifruit (2009 - 1,114,666) from long term leased orchards. The fair value of the crop at the balance date has been assessed at \$7.311 million (2009 - \$4.657 million) based on the following assumptions:

## Notes to the Financial Statements

for the year ended 31 March 2010

	2010 \$000	2009 \$000
<i>Estimated volumes:</i>		
Green volume (tray equivalents)	300,435	503,230
Gold volume (tray equivalents)	1,160,450	1,117,052
	<b>1,460,885</b>	<b>1,620,282</b>
<i>Estimated orchard gate returns:</i>		
Green	\$3.80	\$3.45
Gold	\$6.42	\$5.34
<i>Estimated exchange rates:</i>		
YEN	60.00	60.00
EUR	0.470	0.443
USD	0.720	0.557

### NOTE 19. — INVESTMENT IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2010 %	2009 %
Eleos Limited - Not trading	New Zealand	Ordinary	100%	100%
Envirogrow Limited - Not trading	New Zealand	Ordinary	100%	100%
Kiwi Coast Growers (Te Puke) Limited (Note 34)	New Zealand	Ordinary	100%	n/a

### NOTE 20. — INVESTMENT IN ASSOCIATES

Business activity	Share of issued capital and voting rights		
	2010	2009	
<b>The Group's principal associates are:</b>			
Kiwifruit Supply Research Limited	Research	20%	20%
Tauranga Kiwifruit Logistics Limited	Port Service	20%	20%
Opotiki Packing and Coolstorage Limited	Post Harvest	19.2%	20%
Kiwi Produce Limited	Prepacking	25%	25%

All associate companies are incorporated in New Zealand and have a 31 March balance date, except for Opotiki Packing and Cool Storage Limited which has a 31 December balance date.

During the prior year, the Group's position in Opotiki Packing and Cool Storage Limited ('OPAC') was diluted to 19.2%. Although no longer 20%, the Group still maintains the investment in OPAC as an associate utilising equity accounting as it maintains a member on the board of directors of OPAC. As well, throughout the year, OPAC was a part of Integrated Fruit Supply and Logistics ('IFSL'), a unit of the Group, which facilitates OPAC's fruit sales with Zespri. Lastly, a shareholders agreement exists between the Seeka Kiwifruit Industries Limited and OPAC which effectively gives the Parent the equivalent of 25% voting rights. Due to these factors, the Board has concluded that significant influence still exists.

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
RESULTS OF ASSOCIATE COMPANIES				
Share of (loss) profit before income tax	(712)	623	-	-
Income tax	(135)	(114)	-	-
<b>NET (LOSS) PROFIT</b>	<b>(847)</b>	<b>509</b>	<b>-</b>	<b>-</b>

During the year, OPAC impaired the full value (\$5,277,000) of its investment in its associate, New Gold SRL. The impairment was due to the outbreak of bacteria in the New Gold orchards which is almost certain to result in the destruction of the existing kiwifruit vines. The Group's share of this impairment was \$1,013,184.

INTERESTS IN ASSOCIATES				
Carrying value at beginning of period	5,242	4,937	4,457	4,494
Acquisition of further associate	-	-	-	-
Advances	-	(37)	-	(37)
Net earnings	(847)	509	-	-
Dividends received	(402)	(167)	-	-
<b>BALANCE AT END OF PERIOD</b>	<b>3,993</b>	<b>5,242</b>	<b>4,457</b>	<b>4,457</b>
INTERESTS IN ASSOCIATES BY HOLDING				
Kiwifruit Supply Research Limited	-	-	-	-
Tauranga Kiwifruit Logistics Limited	-	-	-	-
Opotiki Packing and Cool storage Limited	3,021	4,210	3,655	3,655
Kiwi Produce Limited	972	1,032	802	802
<b>INVESTMENT BALANCE</b>	<b>3,993</b>	<b>5,242</b>	<b>4,457</b>	<b>4,457</b>
<b>The amount of goodwill included in the opening balance</b>	<b>1,103</b>	<b>1,103</b>	<b>1,103</b>	<b>1,103</b>
<b>The amount of goodwill included in the closing balance</b>	<b>1,103</b>	<b>1,103</b>	<b>1,103</b>	<b>1,103</b>

Summary financial information for Investees, not adjusted for the percentage ownership held by the company.

Associate	Assets	Liabilities	Revenues	Net profit/(loss)
<b>2010</b>				
Opotiki Packing and Cool storage Limited	19,231	7,748	32,759	(5,299)
	<b>19,231</b>	<b>7,748</b>	<b>32,759</b>	<b>(5,299)</b>
<b>2009</b>				
Opotiki Packing and Cool storage Limited	27,060	9,746	33,312	2,377
	<b>27,060</b>	<b>9,746</b>	<b>33,312</b>	<b>2,377</b>

Due to confidentiality commitments made to the majority shareholders the data for Kiwi Produce Limited, Kiwifruit Supply Research Limited and Tauranga Kiwifruit Logistics Limited cannot be made available for disclosure. These entities are immaterial to the overall disclosure in the Group's financial statements.

# Notes to the Financial Statements

for the year ended 31 March 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>NOTE 21. — TRADE AND OTHER PAYABLES</b>				
Trade payables	9,845	10,313	9,780	10,313
Accrued expenses	1,749	2,391	1,414	2,391
Employee expenses	1,605	1,734	1,605	1,734
Loan from subsidiary	-	-	2,969	-
Other payables	7	-	-	-
	<b>13,206</b>	<b>14,438</b>	<b>15,768</b>	<b>14,438</b>

Subsequent to the acquisition of Te Awanui Huka Pak Limited on 7 December 2009, cash and other working capital balances have been transferred to the Parent as part of the process to bring the acquired company's operations into Seeka Kiwifruit Industries Limited. Transfers were conducted at fair value. The balance of the loan from subsidiary is due on demand and carries no interest.

## NOTE 22. — DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

### a. Expected settlement:

Within 12 months	8,094	5,327	6,530	5,327
In excess of 12 months	5,823	4,880	5,727	4,880
	<b>13,917</b>	<b>10,207</b>	<b>12,257</b>	<b>10,207</b>

### b. Net deferred tax (assets) liabilities:

Opening balance	10,207	10,245	10,207	10,245
Acquisition (Note 34)	2,125	-	-	-
Charged/(credited) to the Statement of Financial Performance	1,184	(95)	1,649	(95)
Charged to revaluation reserve	380	122	380	122
Charged to hedge reserve	21	(65)	21	(65)
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>13,917</b>	<b>10,207</b>	<b>12,257</b>	<b>10,207</b>

The movement in deferred tax assets during the year, without taking the offsetting of balances within the same tax jurisdiction into consideration, is as follows:

Temporary differences on non-current assets	7,650	5,327	6,529	5,327
Current liabilities	(83)	(566)	(526)	(566)
Prepayments and accrued income	6,350	5,446	6,254	5,446
	<b>13,917</b>	<b>10,207</b>	<b>12,257</b>	<b>10,207</b>

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. No amounts were recognised at balance date and there were no unrecognised tax losses (2009 - NIL).



	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>NOTE 23. — ONEROUS LEASE PROVISION</b>				
Carrying amount at start of period	45	129	45	129
Amounts used	(45)	(84)	(45)	(84)
<b>Carrying amount at end of period</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>45</b>
Current	-	45	-	45
Non-Current	-	-	-	-
	-	45	-	45

The onerous lease provision arose on the purchase of Bridgecool Holdings Limited in April 2005. At the date of purchase, the contract terms for each lease within the acquired Bridgecool lease book was assessed against prevailing terms for standard Seeka leases. The onerous lease provision has been progressively utilised over a period up to 31 March 2010.

#### NOTE 24. — INTEREST BEARING LIABILITIES

##### CURRENT

##### SECURED

Bank borrowings	21,860	15,025	21,860	15,025
Current portion of term liabilities	2,376	1,000	2,376	1,000
<b>TOTAL CURRENT INTEREST BEARING LIABILITIES</b>	<b>24,236</b>	<b>16,025</b>	<b>24,236</b>	<b>16,025</b>

##### NON-CURRENT

##### SECURED

Term liabilities	31,124	23,000	31,124	23,000
<b>TOTAL NON-CURRENT INTEREST BEARING LIABILITIES</b>	<b>31,124</b>	<b>23,000</b>	<b>31,124</b>	<b>23,000</b>

The bank overdraft is secured under the same debentures and mortgages as the term debt. The Group has total facilities of \$58,000,000 (2009 - \$42,000,000). This is made up of a multi option credit facility of \$24,500,000 and term loans of \$33,500,000.

The Board has assessed the fair value of the term loans as the outstanding balance at 31 March 2010. Refer to the table below which outlines loan terms and maturities.

Term Loan	Balance Due	Variable Rate	Maturity	Repayment Terms
Term Loan #92 - \$3,000,000	\$3,000,000	4.50%	30 November 2012	Interest Only
Term Loan #93 - \$10,500,000	\$10,500,000	4.55%	1 April 2015	Monthly Repayment
Term Loan #95 - \$10,000,000	\$10,000,000	4.48%	1 December 2011	Interest Only
Term Loan #96 - \$10,000,000	\$10,000,000	4.50%	1 December 2011	Interest Only

##### a. Assets pledged as security

The bank loans and overdraft are secured by first mortgages over the Company's freehold land and buildings.

# Notes to the Financial Statements

for the year ended 31 March 2010

	GROUP		PARENT	
	2010 Shares	2009 Shares	2010 Shares	2009 Shares
<b>NOTE 25. — CONTRIBUTED EQUITY</b>				
<b>a. Authorised share capital</b>				
Ordinary shares - fully paid and no par value	14,433,328	12,599,995	14,433,328	12,599,995
	<b>14,433,328</b>	<b>12,599,995</b>	<b>14,433,328</b>	<b>12,599,995</b>

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>b. Movements in ordinary share capital</b>				
Opening balance of ordinary shares issued	30,158	30,158	30,158	30,158
Issues of ordinary shares during the year	6,600	-	6,600	-
<b>CLOSING BALANCE OF ORDINARY SHARE CAPITAL</b>	<b>36,758</b>	<b>30,158</b>	<b>36,758</b>	<b>30,158</b>
<b>c. Treasury share capital</b>				
MOVEMENTS IN TREASURY SHARE CAPITAL				
Opening balance of ordinary shares issued	1,211	1,280	1,211	1,280
Shares re-issued in period	(53)	(69)	(53)	(69)
<b>CLOSING BALANCE OF HELD AS TREASURY CAPITAL</b>	<b>1,158</b>	<b>1,211</b>	<b>1,158</b>	<b>1,211</b>
<b>Net share capital</b>	<b>35,600</b>	<b>28,947</b>	<b>35,600</b>	<b>28,947</b>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of fully paid shares held.

Shares held in treasury are a component of the Employee Share Scheme and are held in trust.

The Company issued 1,833,333 shares on 7th December 2009 (12.70% of the total ordinary share capital issued) to Te Awanui Whenua Trust Limited as part of the purchase consideration for 100% of the subscribed shares of Te Awanui Huka Pak Limited (Note 34). The ordinary shares issued have the same rights as the other shares on issue. The fair market value of the shares at the date of issue amounted to \$6,599,999 (\$3.60 per share).

## NOTE 26. — RETAINED EARNINGS AND RESERVES

### a. Cash-flow Hedge reserve

BALANCE AT 1 APRIL	(151)	-	(151)	-
Fair value gains/losses in the year	71	(215)	71	(215)
Deferred tax adjustment	(21)	64	(21)	64
<b>BALANCE 31 MARCH</b>	<b>(101)</b>	<b>(151)</b>	<b>(101)</b>	<b>(151)</b>

### b. Available-for-sale reserve

BALANCE AT 1 APRIL	473	417	473	417
Realised reserves on disposal	(83)	-	(83)	-
Change in fair value	42	56	40	56
<b>BALANCE 31 MARCH</b>	<b>432</b>	<b>473</b>	<b>430</b>	<b>473</b>

The available-for-sale reserve is used to record increments and decrements on the revaluation of available for sale financial assets.

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>c. Land and buildings revaluation reserve</b>				
BALANCE AT 1 APRIL	6,484	6,847	6,484	6,847
Realised reserves on disposal	-	(399)	-	(399)
Deferred tax adjustment on disposal	-	59	-	59
Revaluation reserve addition	1,193	157	1,193	157
Deferred tax adjustment	(379)	(180)	(379)	(180)
<b>BALANCE 31 MARCH</b>	<b>7,298</b>	<b>6,484</b>	<b>7,298</b>	<b>6,484</b>

The land and buildings revaluation reserve is used to record increments and decrements on the revaluation of land and buildings.

**d. Share based payments reserve**

The Group operates an Employee Share Scheme under which shares are issued to an Employee Share Trust. Certain employees have an option to subscribe to shares held by the Trust and this benefit is recognised as a share based payment and recorded as an expense over the vesting period.

BALANCE AT 1 APRIL	114	96	114	96
Seeka Employee Share Trust reserve addition	-	18	-	18
<b>BALANCE 31 MARCH</b>	<b>114</b>	<b>114</b>	<b>114</b>	<b>114</b>

At 31 March 2010, the number of shares in respect of which options have been granted and remain outstanding under the scheme was 288,198 (2009 - 295,725), representing 2.00% (2009 - 2.35%) of the shares of the company in issue at that date.

Options are granted periodically and permanent staff are eligible to participate in the plan, subject to availability and board discretion and no consideration is payable on the grant of an option. The vesting periods associated with the options granted are 3 years from the grant date up to a maximum of 6 years, after which, if the option is not exercised, the option expires. Options granted under this scheme carry no dividend or voting rights and are granted at the market price ruling at the date of grant. The option exercise price is determined by the directors of the Company based upon the closing price of the Company's shares on the date of grant.

Options were priced using a Black Scholes pricing model. Expected volatility was based on management judgement as the Company has a small market capitalisation and had only been listed in November 2003.

**Inputs into the model**

	30 August 2003	30 November 2004	31 August 2006
Grant date share price	\$2.91	\$4.70	\$4.00
Exercise price	\$2.91	\$4.70	\$4.00
Expected life (interest free loan period)	5 years	5 years	5 years
Maximum loan period	6 years	6 years	6 years
Time to vest	3 years	3 years	3 years
Employee exit rate pre-vesting (% per year)	30.00%	30.00%	30.00%
Expected volatility (% per year)	35.00%	35.00%	35.00%
Risk-free interest rate	10.30%	6.50%	7.25%
Dividend yield	6.87%	6.38%	7.50%
Value of option	\$0.13	\$0.36	\$0.28

The variables and assumptions used in computing the fair value of the share options are based on management's best estimates. The value of an option varies with different variables of certain subjective assumptions.

## Notes to the Financial Statements for the year ended 31 March 2010

Set out below is the summary of movements of options granted under the scheme:

Grant Date	Expiry Date	Fair value of option at grant date	Exercise price	1 April 2009 open balance (Shares)	Exercised (Shares)	Lapsed (Shares)	31 March 2010 close balance (Shares)
AS AT 31 MARCH 2010							
30 August 2003	30 August 2009	0.13	2.91	50,135	(3,500)	(46,635)	-
30 November 2004	30 November 2010	0.36	4.70	73,000	(997)	-	72,003
31 August 2006	31 August 2012	0.28	4.00	172,590	(3,030)	-	169,560
<b>Total</b>				<b>295,725</b>	<b>(7,527)</b>	<b>(46,635)</b>	<b>241,563</b>
Weighted average exercise price (on exercisable options)				3.99	3.59	2.91	4.21
Weighted average contractual life (years)				2.48			1.90

The 46,635 lapsed shares under the 30 August 2003 option grant have been forfeited and are now held as treasury shares.

Grant Date	Expiry Date	Fair value of option at grant date	Exercise price	1 April 2008 open balance (Shares)	Exercised (Shares)	Lapsed (Shares)	31 March 2009 close balance (Shares)
AS AT 31 MARCH 2009							
30 August 2003	30 August 2009	0.13	2.91	77,986	(27,851)		50,135
30 November 2004	30 November 2010	0.36	4.70	86,000	(13,000)		73,000
31 August 2006	31 August 2012	0.28	4.00	172,180	410		172,590
<b>TOTAL</b>				<b>336,166</b>	<b>(40,441)</b>		<b>295,725</b>
Weighted average exercise price (on exercisable options)				3.93	3.47		3.99
Weighted average contractual life (years)				3.27			2.48

There has been no change in the effective exercise price of any outstanding options during the year and, other than the options granted on 30 August 2003, no further options have expired during the periods covered by the above tables. The Company's average share price during the year was \$2.61 (2009 - \$2.19).

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>e. Retained Earnings</b>				
BALANCE 1 APRIL	19,301	16,433	18,538	16,010
Net profit for the period	370	3,980	4,149	3,640
Dividends paid	(2,702)	(1,511)	(2,702)	(1,511)
Revaluation reserves realised	-	399	-	399
<b>BALANCE 31 MARCH</b>	<b>16,970</b>	<b>19,301</b>	<b>19,985</b>	<b>18,538</b>

	2010		2009	
	\$000	Per share	\$000	Per share
<b>NOTE 27. — DIVIDENDS</b>				
<b>a. Ordinary shares</b>				
Dividend paid 9th December 2008	-	-	1,511	0.12
Dividend paid 26th June 2009	1,259	0.10	-	-
Dividend paid 16th December 2009	1,443	0.10	-	-
<b>TOTAL DIVIDEND PAID</b>	<b>2,702</b>		<b>1,511</b>	

The dividends are imputed to the fullest extent allowable in the tax year.

At the balance date, no dividend has been declared by the Company.

## NOTE 28. — DISPOSAL OF JOINT VENTURE

Prior to 31 March 2008, the Group entered into a contract to sell its 50% share in the SAPAC joint venture. This sale contract was completed on 1 April 2008. Accordingly, the SAPAC investment was reclassified as a held for sale asset and deconsolidated from the Group's Statement of Financial Position as at 31 March 2008.

The SAPAC investment had comprised a component of the Orchard Operation segment as disclosed in Note 6.

The proceeds of the sale of \$3.522 million resulted in a realised gain of \$108,542 upon completion of the contract on 1 April 2008. As per the terms of the sale agreement, the Group was required to pay 50% of the value of SAPAC's 31 March 2008 after tax loss to the remaining joint venture partner. The remaining sale proceeds due comprised a portion of the outstanding Advances on the Statement of Financial Position. As per the terms of the agreement, SAPAC was able to continue to draw upon a loan facility to a maximum capital value of \$3,500,000 until 30 April 2010, at which time the loan would be progressively repaid until 31 March 2011. During the year, additional capital of \$76,000 was advanced (2009 - \$502,070). Subsequent to 31 March 2009, the \$300,000 instalment due for payment on 1 April 2009 and accrued interest of \$165,903 were received in full.

In October 2009, the Company and SAPAC revisited the terms of the sale agreement and agreed upon an adjustment to the value originally attributed to the work in process on short term orchard leases under the original sale contract. The adjustment resulted in a reduction in sale proceeds of \$400,000. Subsequently, on 30 October 2009, SAPAC repaid the remaining outstanding loan facility in full.

	2010	2009
	\$000	\$000
Due to Seeka Kiwifruit Industries Ltd - 1 April 2009	-	300
Interest bearing loan at 5% due in full - 31 March 2011	-	3,590
	-	<b>3,890</b>

# Notes to the Financial Statements

for the year ended 31 March 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>NOTE 29. — RECONCILIATION OF NET OPERATING SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES</b>				
NET OPERATING SURPLUS AFTER TAXATION	370	3,980	4,149	3,640
<i>Add non cash items:</i>				
Depreciation	4,853	4,161	4,397	4,161
Amortisation of orchard development	-	193	-	193
Amortisation of intangibles	250	276	250	276
Movement in deferred tax	1,184	(38)	1,649	(38)
Movement in fair value of biological assets	(2,461)	(1,637)	(2,461)	(1,637)
Movement in onerous leases	(45)	(84)	(45)	(84)
Movement in derivatives	(211)	1,057	(211)	1,057
Movement in employee share scheme	-	18	-	18
Share of income from associates	204	(340)	-	-
Share of OPAC orchard impairment	1,013	-	-	-
	<b>4,787</b>	<b>3,606</b>	<b>3,579</b>	<b>3,946</b>
ADD ITEMS NOT CLASSIFIED AS AN OPERATING ACTIVITY:				
Loss on sale of property, plant and equipment	(3)	(46)	(3)	(46)
Impairment of investment	1,794	-	1,794	-
Adjustment to consideration received on sale of joint venture	400	-	400	-
Gain on sale of shares	(98)	(103)	(98)	(103)
	<b>2,093</b>	<b>(149)</b>	<b>2,093</b>	<b>(149)</b>
<i>(Increase) decrease in working capital:</i>				
Increase (decrease) in accounts payable	(3,017)	4,311	(972)	4,311
(Increase) decrease in accounts receivable/prepayments	(2,577)	1,422	(4,013)	1,422
(Increase) decrease in inventory	1,736	(2,198)	1,736	(2,198)
(Increase) decrease in work in progress	1,631	629	1,631	629
Increase (decrease) in taxes	(1,286)	990	(555)	990
	<b>(3,513)</b>	<b>5,154</b>	<b>(2,173)</b>	<b>5,154</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>3,737</b>	<b>12,591</b>	<b>7,648</b>	<b>12,591</b>

## NOTE 30. — EARNINGS PER SHARE

### a. Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2010	2009	2010	2009
PROFIT BEFORE NON-RECURRING ITEMS AND TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (000s)	7,539	5,589	8,502	5,249
Weighted average number of ordinary shares in issue (000s)	12,934	12,491	12,934	12,491
Basic earnings per share (cents)	0.58	0.45	0.66	0.42
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (000s)	370	3,980	4,149	3,640
Weighted average number of ordinary shares in issue (000s)	12,934	12,491	12,934	12,491
Basic earnings per share (cents)	0.03	0.32	0.32	0.29

**b. Diluted Earnings Per Share**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010	2009	2010	2009
PROFIT BEFORE NON-RECURRING ITEMS AND TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (000s)	7,539	5,589	8,502	5,249
Weighted average number of ordinary shares in issue (000s)	12,934	12,491	12,934	12,491
Adjustment for share options	-	-	-	-
Weighted average number of ordinary shares for diluted earnings per share	12,934	12,491	12,934	12,491
Diluted earnings per share (cents)	0.58	0.45	0.66	0.42
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (000s)	370	3,980	4,149	3,640
Weighted average number of ordinary shares in issue (000s)	12,934	12,491	12,934	12,491
Adjustment for share options	-	-	-	-
Weighted average number of ordinary shares for diluted earnings per share	12,934	12,491	12,934	12,491
Diluted earnings per share (cents)	0.03	0.32	0.32	0.29

**NOTE 31. — CONTINGENCIES**

As at 31 March 2010 the parent entity and Group had no contingent liabilities or assets (2009 - Nil).

NZX/Westpac: Westpac holds a guarantee for a bond of \$75,000 (2009 - \$75,000) in favour of the New Zealand Stock Exchange.

**NOTE 32. — COMMITMENTS****a. Capital commitments**

As at 31 March 2010 the total capital expenditure contracted but not provided for was NIL (2009 - \$2,091,311).

As at 31 March 2010, the associate, Opotiki Packing and Coolstorage Limited had capital commitments at their 31 December 2009 balance date of \$1,398,000 (2008 - \$2,044,000).

**b. Lease commitments : Group and Parent as lessee***Operating leases*

The Group has the following lease commitments:

*Orchard leases:*

At the balance date, 179 (2009 - 184) orchards are leased by the Group with terms ranging from 1 to 3 years. Orchard leases are non-cancellable and typically a lease payment is related to the volume of crop harvested and orchard gate return earned. Some orchards have a fixed lease element to their lease payment.

*Long term leases:*

i) *Land and buildings:* The Group leases land and buildings for its head office and a number of its post harvest facilities. Lease terms are typically for between 3 to 6 years, but can be up to 99 year terms.

ii) *Equipment and vehicles:* The Group leases office equipment and vehicles on terms up to 3 years.

iii) *Long term leased orchards:* The Group lease 168 hectares of bare land on which it has developed kiwifruit orchards. The leases are for periods up to 20 years at the end of which the land, structures and vines revert back to the lessor. Rental reviews are normally every 3 years and the Company has a conditional right to lease the properties for a future term at the expiration of each lease.

## Notes to the Financial Statements

for the year ended 31 March 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>				
Within one year	5,833	3,992	5,833	3,992
Later than one year but not later than five years	11,569	8,372	11,569	8,372
Later than five years	10,695	7,342	10,695	7,342
	<b>28,097</b>	<b>19,706</b>	<b>28,097</b>	<b>19,706</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. A receivable of an equal or greater value than the lease commitment accrues at the time of harvest.

### NOTE 33. — RELATED PARTY TRANSACTIONS

#### a. Seeka Growers Limited

In the normal course of business the Group undertakes transactions with Seeka Growers Limited, a related party which administers all post harvest operations and revenues from the sale of kiwifruit on behalf of growers with whom it holds a contract. In the current year the Group received \$101,387,830 (2009 - \$95,586,266) for the provision of post harvest and orchard management services to Seeka Growers Limited.

#### b. Directors

The names of persons who were directors of the company at any time during the financial year are as follows: K R Ellis, M J Cartwright, J A Scotland, D J Emslie, P G Dawe, S B Burns, J Moryia and A Diaz (Appointed 20 October 2009).

#### c. Key management and personnel and compensation

Key management personnel compensation for the year ended 31 March 2010 and the year ended 31 March 2009 is set out below. The key management personnel are all the directors of the company and the executives with the greatest authority for the strategic direction and management of the company.

	2010	2009
Directors fees	368	274
Executive salaries	1,760	1,591
Short term benefits	189	164
<b>TOTAL</b>	<b>2,317</b>	<b>2,029</b>

During the prior year, the Group established a long term incentive scheme that will reward the executive if agreed profit targets are achieved by 31 March 2011.

The Board has determined that the cost of the scheme in the current financial year is NIL.

#### d. Transactions

Excluding transactions with Seeka Growers Limited which are disclosed above, the following transactions were entered with related parties during the year:



	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<i>Sale of services</i>				
Associates	330	281	330	281
Directors, management and other personnel	812	1,220	812	1,220
<i>Purchase of services</i>				
Associates	-	(369)	-	(369)
Directors, management and other personnel	(59)	(4,542)	(59)	(4,542)
<b>e. Outstanding balances</b>				
The following balances are outstanding at the reporting date in relation to transactions with related parties:				
<i>Current receivables (operating)</i>				
Associates	-	16	-	16
Directors, management and other personnel	243	102	243	102
<i>Current payables (operating)</i>				
Associates	-	(126)	-	(126)
Directors, management and other personnel	(194)	(157)	(194)	(157)

**f. Terms and conditions**

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of advances between the parties.

Outstanding balances are unsecured and are repayable in cash.

**NOTE 34. — BUSINESS COMBINATIONS**

*Acquisition of Te Awanui Huka Pak Limited ('Huka Pak')*

On 9 November 2009, the Company entered into an agreement to acquire 100% of the 11,001,500 subscribed shares of Huka Pak. Huka Pak is a significant post harvest business based in the Bay of Plenty that packs over 5,500,000 trays of kiwifruit in addition to an expanding avocado business of approximately 100,000 trays. The transaction was completed on 7 December 2009.

Huka Pak is not a Code Company (under the Takeovers Act), so the acquisition was undertaken by way of an amalgamation under the Companies Act 1993. Upon acquisition on 7 December 2009, Huka Pak amalgamated with a wholly owned, non-trading subsidiary of the Company (Kiwi Coast Growers (Te Puke) Limited). The subsidiary held no assets nor liabilities at the time of the amalgamation. Subsequently, on 7 December 2009, Huka Pak changed its name to Kiwi Coast Growers (Te Puke) Limited. Immediately after the amalgamation, the management contract between Huka Pak and Coolstore Management Services Limited was cancelled for consideration of \$3,900,000 which was expensed by Huka Pak in the current period.

The acquired Huka Pak business contributed revenues of \$636,135 and net loss of \$(2,529,241) to the Group for the period from 7 December 2009 to 31 March 2010. If the acquisition had occurred on 1 April 2009, contributed Group revenue would have been approximately \$28.0M and estimated net profit before tax would have been \$3.4M, calculated using the Group's accounting policies and excluding the amounts paid for cancellation of the management contract.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	\$000
Cash paid	6,603
Direct costs relating to the acquisition	372
<b>Consideration settled in cash</b>	<b>6,975</b>
Fair value of shares issued (Note 25)	6,600
<b>Total purchase consideration</b>	<b>13,575</b>

## Notes to the Financial Statements

for the year ended 31 March 2010

	Provisional Fair Value \$000	Carrying Value \$000
<i>Assets and liabilities acquired as of 7 December 2009</i>		
Cash and cash equivalents	2,374	2,374
Trade and other receivables	1,842	1,842
Short term lease prepayments	693	693
Biological assets - crop on the vine (Note 18)	604	604
Inventories	570	570
Financial derivatives	-	58
Current tax receivable	291	291
Property, plant and equipment	14,830	14,766
Intangible assets - lease interest in land (Note 16)	1,735	-
Available-for-sale financial assets	93	288
Biological assets - vines (Note 18)	3,798	3,503
Current tax liabilities	(1,458)	(1,406)
Trade and other payables	(2,623)	(2,623)
Interest bearing liabilities	(8,000)	(8,000)
Deferred tax	(2,125)	(2,088)
<b>PROVISIONAL FAIR VALUE OF NET ASSETS</b>	<b>12,624</b>	<b>10,872</b>
Goodwill	951	
<b>NET PURCHASE CONSIDERATION</b>	<b>13,575</b>	

The goodwill is attributable to the future revenues related to the acquired grower base and the economies of scale expected from combining the operations of the Group and Huka Pak.

### Summary of cash outflows on acquisition

Value of shares in Huka Pak	24,575
Less: Seeka shares issued at \$3.60 per share	(6,600)
<b>Parent cash outflows on acquisition</b>	<b>17,975</b>
Less: Proceeds received from sale of land by subsidiary as condition of the acquisition	(11,000)
<b>Group purchase consideration settled in cash</b>	<b>6,975</b>
Cash and cash equivalents acquired in subsidiary	(2,374)
<b>GROUP CASH OUTFLOWS ON ACQUISITION</b>	<b>4,601</b>

As part of the acquisition, the land at the Huka Pak facility was sold to Te Awanui Whenua Trusts Limited for \$11,000,000 and leased back by the Group.

**NOTE 35. — EVENTS OCCURRING AFTER THE BALANCE DATE***Dividends*

Subsequent to the balance date, an imputed dividend of \$0.10 per share was approved by the board for payment on 29 June 2010.

*Company Tax Rate*

On 20 May 2010, the New Zealand government announced a change to the corporate tax rate from 30% to 28% which will be effective from 1 April 2011. The estimated effect of the change in tax rate on the Group and Parent's deferred tax liability is a reduction of \$0.4 million. There will also be a substantial change in the Group and Parent's deferred tax liability as depreciation on buildings will no longer be a tax expense from 1 April 2011.

*Change to Tax Depreciation*

Buildings are currently depreciated for tax purposes. As a result of the change in tax legislation that was announced on 20 May 2010 with the effect from 1 April 2011 being the beginning of the 2011/12 income year, the tax depreciation rate on buildings with an estimated useful life of 50 years or more will be reduced to 0%. This reduction in the tax depreciation rate will significantly reduce the tax base of certain Group and Parent buildings as future tax deductions will no longer be available from the 2011/12 income year. Coolstore facilities and buildings are assumed to still be depreciable for tax purposes under the new legislation. The change in tax legislation will result in an increase to the deferred tax liability in relation to buildings, which will be recognised as a tax expense in the financial statements for the coming year. As the change to the tax legislation was not enacted until after the balance date of these financial statements, the effect of the change to tax depreciation on buildings has not been recognised. Had the change in depreciation rate been applied in calculating the current year's deferred tax liability, this would have resulted in an increase in the Group and Parent's liability of \$4.9 million and \$3.9 million, respectively.

There were no other events occurring subsequent to balance date requiring adjustment to or disclosure in the financial statements.

# Auditors' Report



## Auditors' Report

To the shareholders of Seeka Kiwifruit Industries Limited

We have audited the financial statements on pages 9 to 57. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2010 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 14 to 21.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205 (1) of the Companies Act 1993. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

## Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2010 and their financial performance and cash flows for the year ended on that date.

## Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting 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:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary 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.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors, tax advisors and providers of other accounting services.

## Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 9 to 57:
  - (i) comply with generally accepted accounting practice in New Zealand;
  - (ii) comply with International Financial Reporting Standards; and
  - (iii) give a true and fair view of the financial position of the Company and Group as at 31 March 2010 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 25 May 2010 and our unqualified opinion is expressed as at that date.

Chartered Accountants Auckland

## Corporate Profile

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## Directors

### Kim Ellis

Chairman

Kim is a director of a number of public and private companies and is the former MD of Waste Management.

### Jim Scotland

Director

Independent director since 1998, Jim is also chairman of the Port of Napier, a director of Plant & Food Research and a fellow of the Institute of Directors.

### David Emslie

Director

Kiwifruit orchardist since 1980, David is also a director of OPAC.

### Amiel Diaz

Director

An executive of FreshRemix Corporation, wholly owned by Japanese firm Fresh MD Holdings, Amiel is a certified public accountant in the Philippines and is a certified information systems auditor in the USA.

### Stuart Burns

Director

Chief executive of Rotorua Trust and a director of Hubbard Foods, Stuart is a chartered accountant and a member of the Institute of Finance Professionals and the Institute of Directors.

### Malcolm Cartwright

Director

A kiwifruit orchardist and former director of NZKGI, Malcolm is chairman of Seeka Growers Limited and a director of AvoFresh Limited.

### Peter Dawe

Director

Independent director since 1990, Peter retired as a director 20 April 2010.



### Junichi Moriya

Director

President of Japan's largest fruit wholesaler Tokyo Seika, Junichi is also chair of the Japanese Fresh Produce Import and Safety Association.

#### REMUNERATION COMMITTEE

Kim Ellis	Chairman	
Peter Dawe		Member
Stuart Burns		Member
Malcolm Cartwright	Member	
David Emslie	Member	
Jim Scotland		Chairman

#### AUDIT COMMITTEE

On 23 April 2010, the Board appointed Taari Nicholas as a Director.

## Disclosures

as required by Section 211 of the Companies Act 1993

### PRINCIPAL ACTIVITIES

The principal activity of the Group 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

During the year ended 31 March 2009, an imputed dividend of \$0.12 per share was paid on 10 December 2008.

During the year ended 31 March 2010, an imputed dividend of \$0.10 per share was paid on 26 June 2009.

During the year ended 31 March 2010, an imputed dividend of \$0.10 per share was paid on 15 December 2009.

### DIRECTORS HOLDING OFFICE DURING THE YEAR

The directors holding office during the year and as at 31 March 2010 were:

M J Cartwright <sup>(1)</sup>	J A Scotland
P G Dawe <sup>(3)</sup>	K R Ellis
D J Emslie	S B Burns
J Moriya	A Diaz <sup>(1) (2)</sup>

(1) Non-independent director, all other directors are independent.

(2) Appointed 20 October 2009.

(3) Since the balance date, P G Dawe has retired as a director with effect from 20 April 2010.

### USE OF COMPANY INFORMATION

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

### DIRECTORS SHAREHOLDING

Directors held a relevant interest in the following shares at 31 March 2010:

Current Directors	Beneficially Held Shares	Non-beneficially Held Shares
S B Burns - RotoruaTrust Perpetual Capital Fund Limited	-	306,663
M J Cartwright	54,294	-
P G Dawe	14,597	-
P G Dawe - Omarama Farm Partnership	41,824	-
D J Emslie	155,348	-
J A Scotland	52,120	-

### SHARE DEALINGS

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

Current Directors	Purchased	Sold
S B Burns - RotoruaTrust Perpetual Capital Fund Limited	6,663	-
P G Dawe	-	2,500

### REMUNERATION AND OTHER BENEFITS

Director	Directors Fees	Other Remuneration	Total
K R Ellis	80,000	-	80,000
S B Burns	40,000	-	40,000
M J Cartwright	40,000	25,000	65,000
P G Dawe	42,500	-	42,500
D J Emslie	40,000	-	40,000
J Moriya	40,000	-	40,000
J A Scotland	42,500	-	42,500
A Diaz	17,935	-	17,935
	<b>342,935</b>	<b>25,000</b>	<b>367,935</b>

**REMUNERATION OF EMPLOYEES**

The Company had 31 (2009 - 33) employees that are not directors whose remuneration and benefits exceed \$100,000 in the financial year.

Remuneration	2010 No of Employees	2009 No of Employees
\$100,000 - \$110,000	8	10
\$110,000 - \$120,000	7	8
\$120,000 - \$130,000	4	3
\$130,000 - \$140,000	2	2
\$140,000 - \$150,000	2	2
\$150,000 - \$160,000	1	2
\$160,000 - \$170,000	2	1
\$170,000 - \$180,000	1	-
\$190,000 - \$200,000	-	1
\$200,000 - \$210,000	-	1
\$210,000 - \$220,000	-	1
\$220,000 - \$230,000	-	1
\$230,000 - \$240,000	1	-
\$250,000 - \$260,000	1	-
\$260,000 - \$270,000	1	-
\$320,000 - \$330,000	-	1
\$380,000 - \$390,000	1	-

**DIRECTORS INTERESTS**

During the year the Company undertook transactions with the directors as set out in Note 33 to the financial statements "Related Party Transactions".

Directors have disclosed the following particular directorships held by them:

**K R Ellis**

Enviro Waste Services Limited  
 Freightways Limited  
 NZ Glass Holding Company Limited  
 NZ Social Infrastructure Fund Limited  
 Salvus Strategic Investments Limited  
 Seeka Employee Share Plan Trustees Limited  
 The Tasman Tanning Company Limited

**S B Burns**

Hubbard Foods Limited  
 Rotorua Trust Perpetual Capital Fund Limited  
 Te Arawa Fisheries Limited

**M J Cartwright**

AvoFresh Limited  
 Seeka Employee Share Plan Trustees Limited  
 Seeka Growers Limited

**D J Emslie**

DCD Orchards Limited  
 Kaiaua Holdings Limited  
 OPAC Limited  
 OPAC Properties Limited  
 Seeka Employee Share Plan Trustees Limited  
 Seeka Growers Limited

**J A Scotland**

New Zealand Institute for Plant and Food Research Limited  
 Port of Napier Limited  
 Scotland Services 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.

**DONATIONS**

The Company has made no donations during the year.



# Corporate Governance Statement in summary

## 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 chief executive officer.

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 three directors, and, unless otherwise determined by the Company in a general meeting, the number, of ordinary directors shall not exceed eight.

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 is elected annually by the Board at the first directors' meeting following the ASM.

## DEALINGS IN COMPANY SHARES

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

## 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 three 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 committee is comprised of Jim Scotland, Stuart Burns and Peter Dawe.

The responsibilities of the audit committee include:

- > reviewing the annual reports and financial information

- > liaising with the external auditors
- > reviewing systems and 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 three non-executive directors. The role of the committee is to recommend appropriate remuneration packages for the senior executives and directors. The committee is comprised of Kim Ellis, Malcolm Cartwright and David Emslie.

The responsibilities of the remuneration committee include:

- > review and recommend to the Board any changes regarding the chief executive officer's appointment, remuneration and succession planning
- > review of the Company's compensation policy and procedures for all employees
- > management of risk and compliance with statutory requirements of human resources.

## 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 chief executive officer is 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 they 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.

## Shareholder Analysis

### TOP 50 SHAREHOLDERS AT 9 JUNE 2010\*

Te Awanui Huka Pak Limited	2,453,968	WV & WJ Flowerday	85,910
Fresh MD Holdings, Inc.	2,363,608	NP Gray, WR Gray, W Kameta & B Kingi	80,852
DMS Orchard Management Ltd	608,148	BJ Stapleton & LE Stapleton	78,772
CW Flood & M Schlagel	477,130	JR Griffin & Others	77,441
HSBC Nominees (New Zealand)	378,000	RB Tait & JG Tait & IJ Craig	74,000
RotoruaTrust Perpetual Capital Fund Limited	306,663	SW & RA Nelmes & PR Hills	71,942
J & PC Law	306,353	AR Wright & HO Wright	71,362
Seeka Employee Share Plan Trustees Ltd.	288,198	Fairview Orchards (1997) Limited	64,874
Rod Bayliss Orchards Limited	234,457	Te Puke Orchards (1997) Ltd	64,874
Burts Orchards (1997) Limited	166,663	AJ Hill & JM Hill & VW Brownrigg	64,457
DJ Emslie & DJ Emslie & Others	155,348	Penmaen Limited	60,006
ID Greaves & CM Thompson & MS Thompson	153,890	WR Baldwin & AM Baldwin	59,190
S Moss	148,016	JP & PJ Jensen	56,837
Pho Holdingd Limited	130,000	D J Hicks and Others	55,700
LJ Christie	125,000	Bowyer Orchards Limited	54,586
J Slater & RA Slater & Others	122,291	MJ Cartwright & HC Cartwright & Others	54,294
KM Oakley & MAS Oakley	119,443	RA & DG Bibby	53,333
TG & JD Newman	117,845	T&G Hawthorn & Wood Walton Trustees	53,076
HD & LL Zingel	114,012	BF Grafas	52,309
MC & HF Salt	103,770	JA, JA & NA Scotland	52,120
J Slater & RA Slater	100,000	ID & NA Greaves & CM Thompson	51,078
SD Tebbutt	100,000	Birdwood Farms Ltd	50,000
Custodial Services Limited	91,500	GK & DJ Oakley	49,713
Custodial Services Limited	99,353	RD & CB Clarke	49,529
MI & BM Tremain	86,963	HD Spencer	48,985

### ANALYSIS OF SHAREHOLDER BY SIZE AT 9 JUNE 2010\*

	No. of Shareholders	Shares Held	Percentage of Shareholders	Shares	Average Holding
Up to 1,000 Shares	237	120,861	30.04%	0.84%	508
1001 to 5,000 Shares	307	790,594	38.91%	5.48%	2,575
5001 to 10,000 Shares	98	727,928	12.42%	5.04%	7,428
10,001 to 100,000 Shares	127	3,875,360	16.10%	26.85%	30,515
100,001 Shares or More	20	8,918,585	2.53%	61.79%	469,399
<b>Total</b>	<b>789</b>	<b>14,433,328</b>	<b>100.0%</b>	<b>100.0%</b>	<b>18,293</b>

### SUBSTANTIAL SECURITY HOLDERS AT 9 JUNE 2010\*

	Shares Held	Percentage of Shareholding
Te Awanui Huka Pak Limited	2,453,968	17.00%
Fresh MD Holdings, Incorporated	2,363,608	16.38%

\*All shares in the company are fully paid up.

# Directory

## MANAGEMENT

**Michael Franks**  
Chief Executive

**Geoff Carey**  
GM Grower Information Services

**Kevin Halliday**  
GM IFSL

**Greg Rodger**  
GM Information Technology

**Bryan Grafas**  
GM Orchard Operations

**Stuart McKinstry**  
Chief Financial Officer

**Rob Towgood**  
GM Post Harvest Operations

## CORPORATE

**Offices of Seeka Kiwifruit  
Industries Limited**

**Head Office**  
6 Queen Street  
PO Box 47, Te Puke  
[www.seeka.co.nz](http://www.seeka.co.nz)

**Bankers**  
**Westpac Banking Corporation**  
Auckland

**Auditor**  
**PricewaterhouseCoopers**  
Auckland

**Share Registrar**  
**Link Market Services Limited**  
Ashburton

**NZX**  
**[www.nzx.com](http://www.nzx.com)**

**Legal Advisors**  
**Harmos Horton and Lusk Limited**  
Auckland

**McKenzie Elvin**  
Tauranga



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