

# 2016

ANNUAL REPORT



# Seeka

Seeka is a Te Puke-headquartered, NZX-listed produce company. Our operations span New Zealand, and Australia through our wholly-owned subsidiary Seeka Australia Pty Limited. Kiwifruit is our foundation fruit.

Our New Zealand operations include growing, picking, processing and dispatching kiwifruit, avocados and kiwiberry to key world markets. Seeka is the largest kiwifruit grower in New Zealand. Our operations take local produce and create premium New Zealand exports, either directly or in conjunction with Zespri; the principal exporter of New Zealand-grown kiwifruit.

Seeka is also a major importer of bananas and other tropical fruits to New Zealand and provides retail services through its Glassfields operations.

In Australia, Seeka is the country's largest kiwifruit grower and packer and markets Australian and imported Seeka New Zealand kiwifruit. Seeka is also Australia's largest nashi grower and supplier and a large grower of European pears, along with smaller volumes of cherries, plums and apricots. Seeka directly markets all of its Australian fruit with Seeka brands sold in stores across Australia 12 months of the year.

Seeka is extending further into food processing. In 2016 the company purchased the Kiwi Crush range of products to complement its small avocado oil processing operation, delivering incremental returns to growers and stakeholders from non-class-1 fruit. Kiwi Crush products are highly regarded in the health and hospital sectors, aiding people recovering through treatment processes or relieving symptoms. Seeka will open a food processing centre in 2017.

The company is following a deliberate growth strategy. In 2016, Seeka revitalised its brand to reflect the company it aspires to be. Our goal is to profitably grow the company and deliver wealth to our key stakeholders. We aspire to be inspirational leaders, independently ingenious and obsessed by quality. To be always safe and growing futures for all stakeholders founded on relationships, now and into the future. Our core brand attribute is Select Excellence; we want everyone who associates with the company to experience that when they select Seeka, they Select Excellence.



# Report of the Chairman and Chief Executive

## Introduction

2016 was an exciting year for Seeka, one with considerable change including shortening our name to Seeka Limited as a result of a rebranding programme that presents us in a more modern and fresh way. This annual report incorporates the branding for the first time.

In addition to Seeka producing a record profit and delivering operational improvements, outstanding fruit handling results were achieved for our growers and customers.

The company successfully handled record kiwifruit volumes in New Zealand, delivered leading avocado returns from its targeted export programmes, initiated its Australian business operations and continued to develop its retail services business centred on its tropical fruits category in New Zealand.

Our strategy of focussing on excellence in everything we do has delivered outstanding results for our stakeholders. Our achievements are outlined in the following financial and operational highlights.

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## Contents

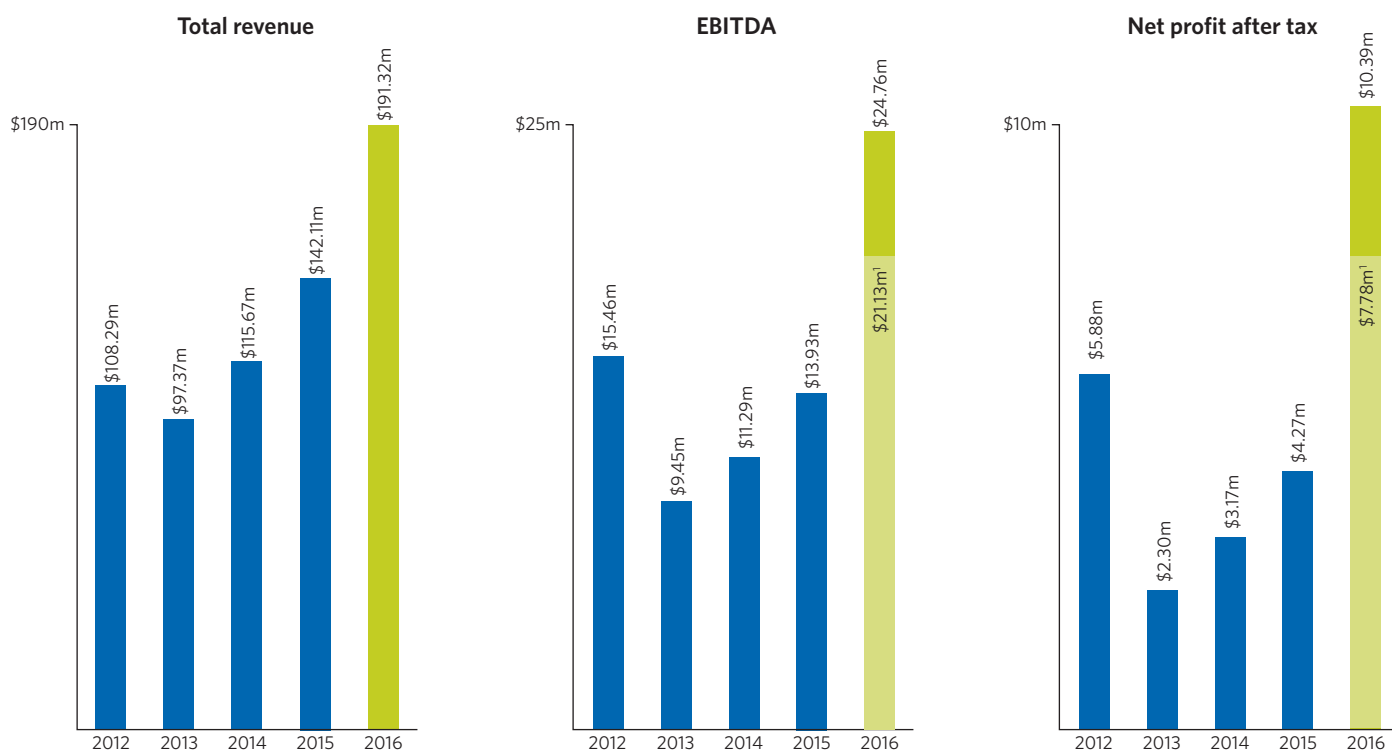
1	Report of the Chairman and Chief Executive	16	Statement of Cash Flows	68	Corporate Governance Statement
12	Statement of Financial Performance	17	Notes to the Financial Statements	70	Shareholder Analysis
13	Statement of Comprehensive Income	56	Auditors' Report		
14	Statement of Financial Position	60	Directors		
15	Statement of Changes in Equity	62	Disclosures		

## Financial metrics

The key financial metrics for the year include:

- \$191.32m total revenue — up 35% on the previous corresponding period (pcp)
- \$24.76m EBITDA — up 78% on pcp
- Excluding the effect of insurance settlement (\$ 3.63m), EBITDA totalled \$21.14m — up 52% on pcp.
- \$16.96m EBIT — up 135% on pcp
- \$10.39m net profit after tax — up 143% on pcp
- \$0.65 basic earnings per share — compared with \$0.29 pcp — up 124%
- \$197.31m total assets — up 20%
- \$4.88 net asset backing per share — compared with \$4.34 at 31 December 2015
- \$68.73m long term borrowings — up 31%
- \$1.25 increase in share price for the year

Seeka's audited profit after tax for the year ended 31 December 2016 totals \$10.39m which is within the forecast range of \$9.5m to \$10.6m. The resulting basic earnings per share of \$0.65 is also within the forecast range of \$0.59 to \$0.66.



1. Excludes effect of insurance settlement.

## Key indicators

12 months to 31 December (\$'000s)	2012	2013 Restated	2014	2015	2016
Revenue	\$ 108,290	\$ 97,371	\$ 115,672	\$142,112	\$ 191,317
EBITDA by operating segment					
Post harvest	\$ 15,855	\$ 12,558	\$ 10,770	\$ 13,292	\$ 26,784
Orchard	\$ 7,201	\$ 2,832	\$ 4,179	\$ 3,977	\$ 5,638
Retail services <sup>1</sup>	-	\$ 703	\$ 1,773	\$ 1,730	\$ 1,941
Australia <sup>2</sup>	-	-	-	\$(1,382)	\$ 1,029
All other operations	\$(8,025)	\$(5,868)	\$(5,434)	\$(3,692)	\$(10,628)
<b>Operating earnings</b>					
<b>EBITDAF</b> Earnings before interest, tax, depreciation, amortisation, fair value adjustments, impairments and asset revaluations	<b>\$ 16,563</b>	<b>\$ 9,942</b>	<b>\$ 11,529</b>	<b>\$ 13,955</b>	<b>\$ 24,798</b>
Fair value movement in biological assets — vines	( 292)	-	-	-	-
Movement in onerous lease provision	( 807)	494	241	30	34
<b>EBITDA — before impairments and revaluations</b>	<b>\$ 15,464</b>	<b>\$ 9,448</b>	<b>\$ 11,288</b>	<b>\$ 13,925</b>	<b>\$ 24,764</b>
Depreciation and amortisation expense	( 5,584)	( 5,418)	( 5,250)	( 5,749)	( 7,187)
Amortisation of intangibles	( 92)	( 73)	( 272)	( 456)	( 470)
<i>Impairment charges</i>					
Short-term lease costs	( 62)	22	-	-	-
Plant and equipment	( 383)	-	-	-	( 118)
Investments in associates	( 89)	( 615)	( 120)	-	( 38)
Investments in shares	-	-	-	-	( 340)
Lease interest in land	( 418)	-	( 325)	-	-
Insurance costs	-	-	-	( 1,740)	-
<i>Revaluation</i>					
Land and buildings	( 6)	776	245	1,228	347
Interest	( 1,878)	( 1,139)	( 1,303)	( 1,962)	( 3,346)
Fair value of non—hedge derivatives	422	-	-	-	-
<b>Net profit before tax</b>	<b>\$ 7,374</b>	<b>\$ 3,001</b>	<b>\$ 4,263</b>	<b>\$ 5,246</b>	<b>\$ 13,612</b>
Tax	( 1,494)	( 706)	( 1,095)	( 974)	( 3,227)
<b>Net profit attributable to shareholders</b>	<b>\$ 5,880</b>	<b>\$ 2,295</b>	<b>\$ 3,168</b>	<b>\$ 4,272</b>	<b>\$ 10,385</b>
<b>Net assets per share</b>	<b>\$ 3.89</b>	<b>\$ 4.02</b>	<b>\$ 4.07</b>	<b>\$ 4.34</b>	<b>\$ 4.88</b>

EBITDAF and EBITDA are considered by the board to be key measures of performance and a reflection of cash flow generation.

1. Separate reporting of retail services commenced 2013. Retail services were previously reported in all other segments.
2. Australia operations commenced August 2015 with the acquisition of an established Australian business.

## Operational highlights

The key operational highlights include:

- Handling a record 32.44m trays of New Zealand kiwifruit — up 17% on pcp
- Excellent New Zealand kiwifruit performance; 2.68% fruit loss for Hayward conventional, (pcp 7.66%), 1.11% for Hayward organic ( pcp 3.58%) and 0.35% for SunGold (pcp 1.85%)
- Excellent avocado returns of \$26.86 per tray (pcp \$16.64) — again delivering industry-leading returns to growers
- First harvest of produce grown by Seeka Australia
- Construction of additional coolstores and new kiwifruit packing machine in Australia
- Establishment of Australian nursery operations and the trialling of approximately 10 hectares of new varieties in Australia
- Integration of Seeka Australia team and systems
- Settlement of the Oakside mitigation losses at \$3.63m
- Reinstatement of the Oakside facility following the March 2015 fire
- Purchase of the Kiwi Crush range of products
- Successful rebrand of Seeka
- Major infrastructure and capacity build with coolstore and precooler expansion at two of our main sites at Main Road Katikati and KKP in Maketu
- 9,500 new Seeka Surestore plastic bins added to the business
- Purchase of Seeka 360 property at Young Road, Paengaroa, and initial site refurbishment for Seeka's new headquarters

## Dividend

The directors have declared a fully imputed dividend of \$0.10 per share. The dividend will be paid 24 March to those shareholders on the register at 5pm on 17 March, 2017. The dividend reinvestment plan will apply. This dividend declaration brings fully imputed dividends distributed to shareholders relating to the 2016 financial year to \$0.20 per share, compared to \$0.19 per share relating to the 2015 financial year.

## Shares issued

Seeka issued 1,132,922 shares during the year:

- 68,698 for the dividend reinvestment plan
- 398,100 to the Seeka employee scheme — approximately 4% of company shares are held for employees under this scheme with the first vesting occurring in October 2017
- 666,124 for the final year of the successful grower share scheme

By helping nearly all growers become shareholders, the grower share scheme secured loyalty during the period of uncertainty created by Psa, with participating growers benefiting from Seeka's strong performance from secure crop volumes. In return for committing to supply Seeka over the scheme's three-year period, growers were issued 2,010,226 shares (11.5% of Seeka's total shares) at a total issue value of \$7.26m. By the end of 2016, these shares had a market value of \$9.45m. Combined with \$0.57m of dividend payments, this represents a total capital and dividend gain of \$2.76m — a 38% return to growers on the issue value.

## Commentary

Seeka remains in a strong period of growth. Fuelled by increasing New Zealand kiwifruit volumes the company has invested in growing its New Zealand capacity and improving existing infrastructure. Kiwifruit volumes increased by 17% to 32.44m trays. At the same time Seeka integrated its Australian business and set a platform for growth in that market. As a result, the company has year-round branded produce in the Australian market. Turnover increased to \$229.40m (up 24%) and revenue to \$191.32 (up 35%).

Profitability continues to improve reflecting economies of scale. EBITDA increased by 78% to a record \$24.76m.

Basic earnings per share is up to \$0.65 compared to \$0.29 in the pcp.

Seeka invested \$43.06m in its New Zealand kiwifruit business and in orcharding, packing and fruit storage in Australia. Investments included:

- \$16.94m developing New Zealand kiwifruit coolstore and packing infrastructure
- \$3.98m acquiring the strategic property of Seeka 360
- \$2.01m acquiring the Pukenga orchard — a strategic land bank for future post-harvest development
- \$2.36m in the ongoing rollout of plastic bins
- \$4.74m upgrading New Zealand kiwifruit packing equipment ahead of 2017
- \$9.78m upgrading other New Zealand plant, property and equipment
- \$3.25m developing Australian orchards and post harvest facilities

To finance these investments Seeka increased net debt (all interest-bearing debt less cash deposits) by \$19.80m to \$72.76m while total assets grew to \$197.31m.

Seeka continues to:

- Focus on building and delivering shareholder wealth and increasing dividends. During the year the company successfully integrated Seeka Australia, including implementing our business systems into our Australian operations. At the same time the company focused on its core kiwifruit business by delivering packing and coolstorage capacity to process a record 32.44m trays in New Zealand and 0.66m trays in Australia, along with 1,523 tonnes of nashi pears and 1,790 tonnes of European pears; the other major crops Seeka grows in Australia.
- Evaluate options to handle increasing kiwifruit volumes and minimise costly investments, and strive for improvements that deliver leading results. The company continues to look for opportunities to innovate, expand or diversify to secure long-term growth and sustainable profitability.
- Focus and take advice on its financial position and balance sheet to pursue growth opportunities.

Implementing Seeka's strategy may result in the company undertaking value-accretive acquisitions or further expanding geographical boundaries. Our vision remains to be "New Zealand's Premier Produce Business".

## Outlook

Seeka advised stakeholders late 2016 that New Zealand Hayward kiwifruit volumes are forecast to be 20% to 25% down on the previous year's record levels. This is in line with industry-wide estimates. Partially offsetting this reduction are expected increases in SunGold volumes and anticipated improved earnings from Seeka Australia and our retail services business. Our early guidance is that operational earnings in 2017 may be up to 15% lower than the record levels achieved in 2016.

## Review of operations

Profits are up. Profit after tax of \$10.39m is \$6.12m ahead of the pcp (+143%), reflecting record New Zealand kiwifruit volumes, successful avocado selling seasons, and the first year of operations in Australia. In addition, Seeka settled the outstanding insurance claim for mitigation costs arising from excess grower fruit loss as a consequence of the 2015 Oakside fire. Taking some 18 months, the settlement resulted in a receipt of \$3.63m, the associated costs of \$4.04m being recorded in the prior period.

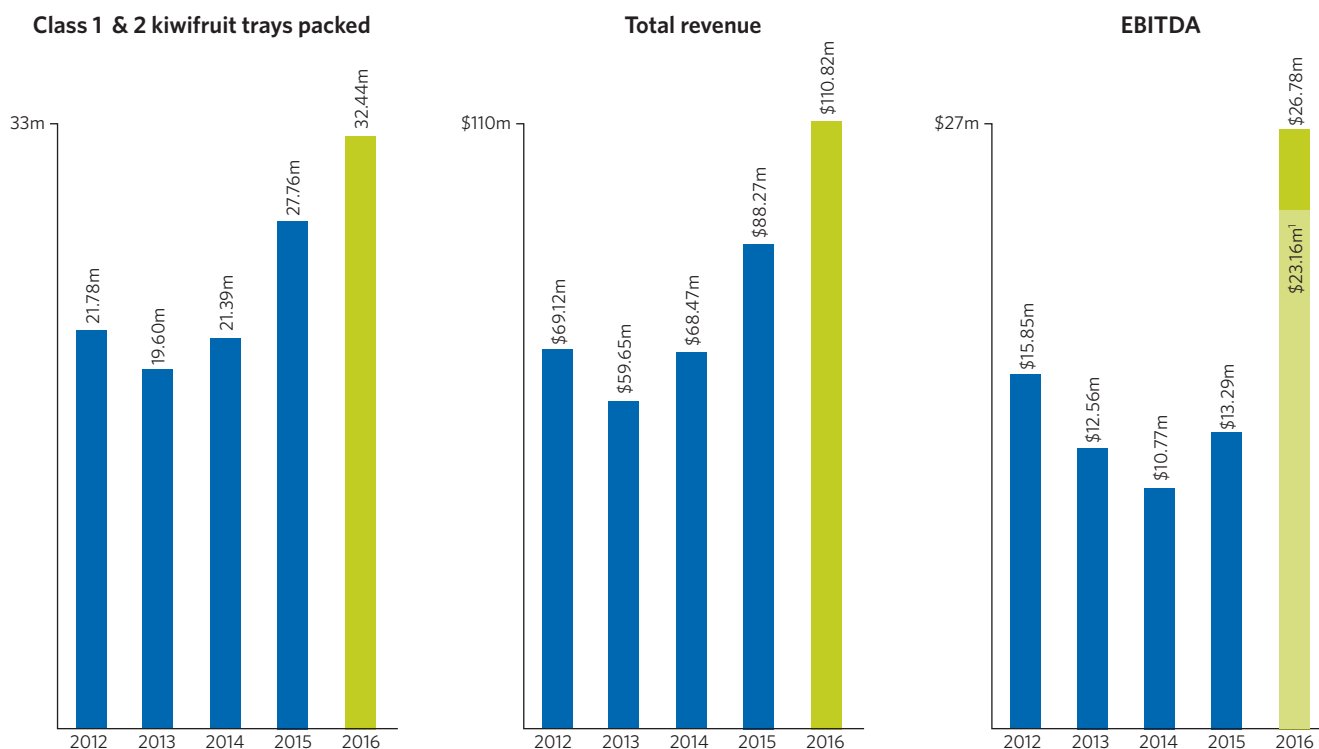
While higher New Zealand kiwifruit volumes have led to better earnings, they have required significant investment and Seeka increasing long-term borrowing.

Australian operations generated a positive EBITDA. In 2016 Seeka harvested 656,000 tray equivalents of Australian kiwifruit, 1,523 tonnes of nashi pears and 1,790 tonnes of European pears; the three major Australian crops grown by Seeka. While earnings were lower than expected, they reflect a challenging first growing season with Seeka learning to operate in the Australian business and orcharding environment. Australian operations produced an EBITDA of \$1.03m. Seeka Australia is 100% debt financed.

During the year the company commenced direct marketing and selling capability in Australia for both Seeka's Australian and New Zealand produce.

Seeka's integrated avocado service and strong export and local marketing programmes delivered a record \$26.86 per export tray to growers for the 2015 to 2016 season with a forecast return of \$24.42 per tray for the 2016 to 2017 season; the third year in a row Seeka has topped industry returns.

### Post harvest performance



1. Excludes effect of insurance settlement.



Kiwiberry volumes increased to 62,407, up from 38,675 trays in the pcp. Volumes are expected to increase to 140,000 trays in 2017. Good returns were delivered to growers. This is despite issues with the industry's China phytosanitary protocol and the sudden closure of this key market. The industry is working to reopen the Chinese market.

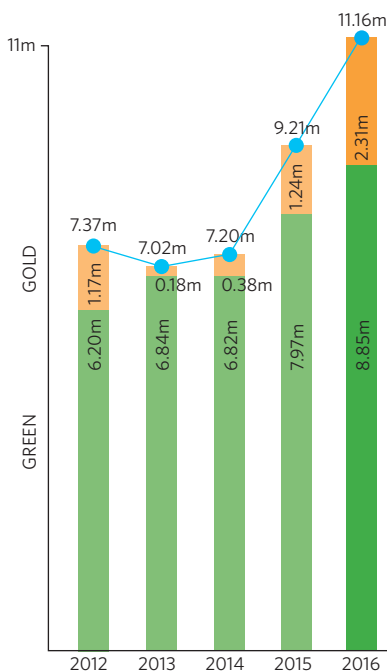
New Zealand kiwifruit volumes were up. Hayward class 1 volumes handled by post-harvest increased by 1.36m trays as yields reached a record average of 12,800 class 1 trays per hectare (the equivalent of 46 tonnes of fruit across all supplying hectares). Market share remained steady at 24.8%. Zespri SunGold volumes increased by 3.54m trays with market share increasing from 14% to 16%. Further growth in Zespri SunGold is anticipated as orchards continue to recover from Psa-V and new areas are grafted as more licenses are released by Zespri. Total New Zealand kiwifruit volumes handled by Seeka increased to 32.44m trays — up from 27.76m in the pcp (class 1 and 2).

Seeka delivered growers a timely harvest and facilities were fully utilised. Disciplined and professional planning ensured that Seeka had the capacity to handle all growers' fruit.

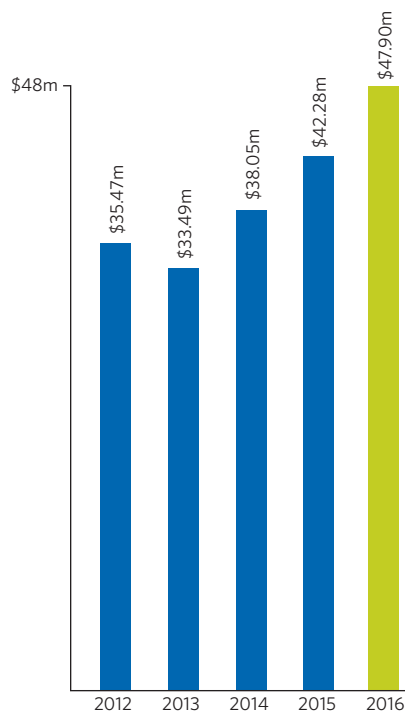
Seeka continues to focus on infrastructure expansion and capacity planning to ensure we have adequate capacity for forecast volumes. While the company is pursuing innovative collaborative marketing programs that would use existing vacant infrastructure offshore, there is little alternative to further investment in New Zealand considering the kiwifruit industry's inertia to implementing offshore handling and storage, and its minimal approach to collaborative marketing. All growers and stakeholders will benefit from the long-overdue overhaul of this component of our industry.

### Orchard division performance

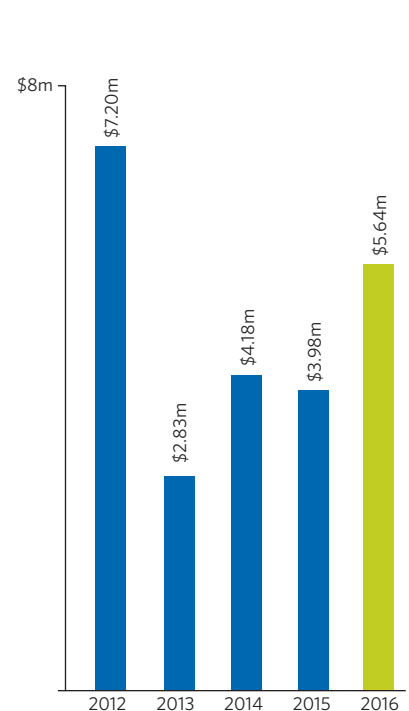
Class 1 kiwifruit trays grown



Total revenue



EBITDA



## Continuing post-harvest investment for New Zealand kiwifruit

New Zealand post-harvest earnings have increased on bigger kiwifruit volumes. Assets assigned to our post-harvest operations increased from \$83.44m to \$111.72m during the year with coolstore and pre-cooling investments primarily at KKP in Maketu and Main Road Katikati. The anticipated volume increase will see further capacity increases at these sites along with additional coolstores at Transcool in Maketu. Packing machine investments also occur in 2017 with a new leading-edge Compac Spectrim being installed at Main Road with the current machine being relocated to an upgraded Peninsula packhouse in Whenuakite to handle bigger volumes from the Coromandel.

The post-harvest division delivered EBITDA of \$26.78m — up 102% on pcp. Post harvest earnings are expected to decline in 2017 on lower Hayward volumes.

While annual volumes may fluctuate, as anticipated in 2017, Seeka has undertaken detailed planning in anticipation of growing kiwifruit volumes through to 2020. Resource consents and longer lead times require Seeka to commit even earlier to infrastructure investment. Our first priority is to focus on fully utilising existing sites and infrastructure.

The company has strategically secured the Pukenga Orchard (adjoining Seeka 360) on the edge of the proposed Rangiora business park for future expansion.

## Seeka Australia — Platform for growth

Seeka undertook its first harvest and selling season in 2016. Volumes were lower than expected reflecting hail and a challenging first growing season. EBITDA totalled \$1.03m compared to the pcp EBITDA loss of \$1.38m (reflecting acquisition costs).

Seeka grows kiwifruit, nashi, European pears (multiple varieties), apricots, plums and cherries in Australia, with operations being progressively rationalised to the core products of pears, nashi and kiwifruit.

Seeka has extensively upgraded its post-harvest assets in Australia with extra coolstore capacity and a new kiwifruit packing machine which is expected to deliver efficiencies in 2017.

Underlying business systems, including key safety systems have been upgraded.

Seeka plans to expand the orcharding area and has secured additional land to develop alongside its existing bare land holdings. Additional water rights have been secured to ensure sufficient water resources in 2017 and beyond.

In addition Seeka is trialling new fruit varieties for its Australian business.

## Seeka is our brand

The company undertook an extensive review to revitalize its brand so it projected our company's vision, core strategy and beliefs. This included independent insights and guidance from a renowned brand specialist. While kiwifruit remains our foundation, our new brand Seeka better reflects our emerging produce business.

As part of the branding process, management and the board considered the attributes the company wants to be recognised for in all stakeholder dealings. The six key brand attributes are:

- Safety always
- Founded on relationships
- Inspirational people
- Independently ingenious
- Quality obsession
- Growing futures

The Seeka brand incorporates our aspiration "Select Excellence". It is our aspiration to be excellent, to drive excellence in our operations, decision making and behaviours. We want the consumers of our produce, the growers who choose to supply Seeka, and Seeka investors to know they are selecting excellence when they select Seeka.



**Seeka**  
SELECT EXCELLENCE

## Seeka 360 campus — opening of new headoffice

Seeka 360 is scheduled to open at 3pm on 30 March 2017 and all stakeholders are invited. This facility delivers a new grower-centric headquarters for Seeka's international business. Based on 7.4 hectares adjacent to the Seeka-owned Pukenga orchard, our new headquarters is in the heart of the Maketu packing hub and close to the Oakside facility.

Seeka's new headquarters, expected to be completed at a total cost of \$5m, will accommodate 80 staff and include extensive grower facilities with a 150-seat auditorium.

## The Seeka team

Seeka people continue to be the key asset in Seeka. The company continues to refine its health and safety strategy and systems to ensure that it exceeds legislative thresholds and keeps its people safe.

Seeka remains committed to safety and the development of all employees; formal safety processes and policies are in place. Safety processes continue to be reviewed with targeted projects underway. Key operating systems for monitoring safety have been reviewed and refined during the year and Seeka's compliance teams have worked to ensure the compliance of Seeka's contractors and suppliers.

While seasonal labour was adequate in 2016, shortages loom. Seeka employed 460 recognised seasonal employer workers (RSEs) from Malaysia and the Pacific Islands to complement the local workforce. We initiated innovative arrangements with Work and Income New Zealand to maximise work opportunities for New Zealanders, including employing people from regional outlying centres for our packhouses.

Seeka has recruited cadets into its business with nine cadets now in the company. Creating a sustainable workforce is a priority for Seeka.

## Mr Bryan Grafas

Bryan Grafas, Seeka's general manager orchards, retired after 28 years with the company. Bryan helped grow the company to become the largest kiwifruit orchardist in Australia and New Zealand, along the way he developed the long term leases, many of which are now transitioning back to the landowners having delivered significant economic benefit to Seeka and its investors.

He was a truly inspirational leader; he led Seeka's orchard business through the Psa outbreak. Bryan remains closely associated with Seeka, he remains a grower and friend of the company. Seeka thanks Bryan for his service and leadership.

## Mr Malcolm Cartwright

Malcolm Cartwright, Seeka's deputy chair, retires following 15-years of service to the board and company. Malcolm brought a strong grower and governance focus to the board, having been the inaugural chair of Seeka Growers Limited (SGL) up to 2014, and a director of AvoFresh Limited since 2008.

Prior to joining Seeka, Malcolm held positions at NZKMB, NZKGI and KNZ, and was instrumental in forming a competitive post harvest kiwifruit industry and generating value from a coordinated, single-desk export structure. While a director, and grower-supplier to Seeka, he helped shape our business as we formed close working relationships with growers founded on performance.

Malcolm will continue to make a valuable contribution to our business as a council member of SGL, a director of AvoFresh, and a loyal and much-valued supplier of kiwifruit and kiwiberry. The board and company thank Malcolm for his insights and service.

## Close

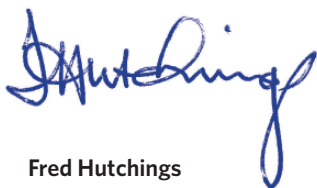
In 2016, Seeka delivered record operational earnings on the back of exceptional kiwifruit yields, record fruit volumes and strong post harvest performance.

Seeka has confidence in the long-term growth in the New Zealand kiwifruit industry, although lower Hayward volumes will impact in 2017. Seeka's strategy will see it buffer the direct consequence of the lower volumes on financial results through its diversified business strategy.

While we forecast a drop in earnings, your company is well positioned to deliver rewarding stakeholder performance in 2017; we have a large and loyal grower base that has benefitted from our strong operational and financial performance, and a more-diverse product offering to our key supply-chain partners.

We remain focused on growing the value of our business and growing shareholder earnings.

Directors and management thank our many stakeholders for the support they have given our business. We are committed to providing you with a high-quality service and the opportunity to select excellence as a grower, contractor, supplier, or investor, as we grow rewarding futures for this and future generations.



**Fred Hutchings**  
Chairman



**Michael Franks**  
Chief Executive

## Statement of Financial Performance

For the year ended 31 December 2016

New Zealand dollars	Notes	2016 \$000s	2015 \$000s
<b>Turnover <sup>1</sup></b>	2	<b>229,397</b>	<b>184,740</b>
Revenue	3	191,317	142,112
Cost of sales	4	157,883	118,387
<b>Gross profit</b>		<b>33,434</b>	<b>23,725</b>
Other income	3	370	307
Income from insurance proceeds	3	4,125	5,462
Share of (loss) of associates	25	-	( 5)
Acquisition costs and stamp duty	4	-	1,120
Grower relationship payment	4	-	4,042
Other costs	4	13,165	10,402
<b>Earnings (EBITDA) <sup>2</sup></b>		<b>24,764</b>	<b>13,925</b>
Depreciation expense	9	7,187	5,749
(Gain) on revaluation of land and buildings	4	( 347)	( 1,228)
Impairment of investments in associates	25	38	-
Impairment of investments in shares	22	340	-
Impairment of assets	9	118	1,740
Amortisation of intangibles	10	470	456
<b>Earnings (EBIT) <sup>3</sup></b>		<b>16,958</b>	<b>7,208</b>
Interest expense		3,346	1,962
<b>Net profit before tax</b>		<b>13,612</b>	<b>5,246</b>
Income tax charge	6	3,227	974
<b>Net profit attributable to equity holders</b>		<b>10,385</b>	<b>4,272</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company during the year</b>			
Basic earnings per share	19	\$0.65	\$0.29
Diluted earnings per share	19	\$0.62	\$0.27

1. Turnover is a non-GAAP measure, see calculations in note 2.

2. EBITDA, a non-GAAP measure, is earnings before interest, tax, depreciation, amortisation and revaluations.

3. EBIT, a non-GAAP measure, is earnings before interest and tax.

## Statement of Comprehensive Income

For the year ended 31 December 2016

New Zealand dollars	Notes	2016 \$000s	2015 \$000s
<b>Net profit for the year</b>		<b>10,385</b>	<b>4,272</b>
<i>Items that will not be reclassified to profit or loss</i>			
Gain on revaluation of land and buildings, net of tax		2,071	3,130
<b>Total items that will not be reclassified to profit or loss</b>		<b>2,071</b>	<b>3,130</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cash flow hedge reserve, net of tax	20	( 57)	( 147)
Movement in foreign currency translation reserve, net of tax	20	611	9
Movement in foreign currency revaluation reserve, net of tax	20	( 425)	( 51)
Gain on revaluation of investment in shares, net of tax	22	864	132
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>993</b>	<b>( 57)</b>
<b>Total comprehensive income for the year attributable to equity holders</b>		<b>13,449</b>	<b>7,345</b>

## Statement of Financial Position

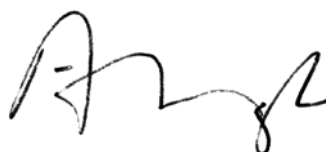
As at 31 December 2016

New Zealand dollars	Notes	2016 \$000s	2015 \$000s
<b>Equity</b>			
Share capital	18	44,950	40,651
Reserves	20	12,496	9,418
Retained earnings	20	27,865	20,750
<b>Total equity</b>		<b>85,311</b>	<b>70,819</b>
<b>Current assets</b>			
Cash and cash equivalents		1,688	1,192
Trade and other receivables	12	20,589	21,208
Biological assets - crop	11	16,046	17,365
Inventories	13	3,389	3,185
Irrigation water rights	14	195	349
Current tax receivables	6	-	1,314
<b>Total current assets</b>		<b>41,907</b>	<b>44,613</b>
<b>Non current assets</b>			
Trade and other receivables	12	3,350	3,772
Property, plant and equipment	9	134,489	98,718
Intangible assets	10	15,276	15,526
Investment in shares	22	2,287	1,689
<b>Total non current assets</b>		<b>155,402</b>	<b>119,705</b>
<b>Total assets</b>		<b>197,309</b>	<b>164,318</b>
<b>Current liabilities</b>			
Current tax liabilities	6	2,365	-
Trade and other payables	15	21,703	24,854
Onerous lease provision	16	8	34
Interest bearing liabilities	17	5,716	1,630
Financial derivatives	31	332	254
<b>Total current liabilities</b>		<b>30,124</b>	<b>26,772</b>
<b>Non current liabilities</b>			
Onerous lease provision	16	-	8
Interest bearing liabilities	17	68,729	52,522
Deferred tax	7	13,145	14,197
<b>Total non current liabilities</b>		<b>81,874</b>	<b>66,727</b>
<b>Total liabilities</b>		<b>111,998</b>	<b>93,499</b>
<b>Net assets</b>		<b>85,311</b>	<b>70,819</b>

On behalf of the board



F Hutchings  
Chairman



A Waugh  
Director

Dated: 27 February 2017



## Statement of Changes in Equity

For the year ended 31 December 2016

New Zealand dollars	Notes	Share capital \$000s	Investment in shares revaluation reserve \$000s	Cash flow hedge reserve \$000s	Foreign currency revaluation reserve \$000s	Foreign currency translation reserve \$000s	Share based payments reserve \$000s	Land and buildings revaluation reserve \$000s	Retained earnings \$000s	Total \$000s
<b>Equity at 1 January 2015</b>		37,773	943	( 37)	-	-	36	5,297	19,185	63,197
Net profit for the year		-	-	-	-	-	-	-	4,272	4,272
Foreign exchange movement		-	-	-	( 51)	9	-	-	-	( 42)
Other comprehensive income/(loss) for the year		-	132	( 147)	-	-	-	3,130	-	3,115
<b>Total comprehensive income for the year</b>		-	132	( 147)	( 51)	9	-	3,130	4,272	7,345
<i>Transactions with owners</i>										
Shares issued	18	2,678	-	-	-	-	-	-	-	2,678
Employee share scheme receipts	18	200	-	-	-	-	-	-	-	200
Movement in employee share entitlement reserve	20	-	-	-	-	-	106	-	-	106
Dividends paid	21	-	-	-	-	-	-	-	( 2,707)	( 2,707)
<b>Total transactions with owners</b>		2,878	-	-	-	-	106	-	( 2,707)	277
<b>Equity at 31 December 2015</b>		40,651	1,075	( 184)	( 51)	9	142	8,427	20,750	70,819
Net profit for the year		-	-	-	-	-	-	-	10,385	10,385
Foreign exchange movement		-	-	-	( 425)	611	-	-	-	186
Other comprehensive income/(loss) for the year		-	864	( 57)	-	-	-	1,943	128	2,878
<b>Total comprehensive income/(loss) for the year</b>		-	864	( 57)	( 425)	611	-	1,943	10,513	13,449
<i>Transactions with owners</i>										
Shares issued	18	3,207	-	-	-	-	-	-	-	3,207
Employee share scheme receipts	18	1,092	-	-	-	-	-	-	-	1,092
Movement in employee share entitlement reserve	20	-	-	-	-	-	142	-	-	142
Dividends paid	21	-	-	-	-	-	-	-	( 3,398)	( 3,398)
<b>Total transactions with owners</b>		4,299	-	-	-	-	142	-	( 3,398)	1,043
<b>Equity at 31 December 2016</b>		44,950	1,939	( 241)	( 476)	620	284	10,370	27,865	85,311

## Statement of Cash Flows

For the year ended 31 December 2016

New Zealand dollars	Notes	2016 \$000s	2015 \$000s
<b>Operating activities</b>			
<i>Cash was provided from:</i>			
Receipts from customers		188,583	141,700
Interest and dividends received		204	311
Insurance proceeds - Fruit loss mitigation claim	3	3,627	-
<i>Cash was disbursed to:</i>			
Payments to suppliers and employees		( 166,863)	( 137,066)
Interest paid		( 3,325)	( 1,941)
Income taxes paid		( 974)	( 1,200)
<b>Net cash flows from operating activities</b>	<b>5</b>	<b>21,252</b>	<b>1,804</b>
<b>Investing activities</b>			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		4,124	156
Sale of investments in shares		30	307
Received from insurance proceeds for asset loss	3	3,478	2,478
Repayment of advances		1,614	263
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		( 40,920)	( 16,393)
Development of Bearer Plants		( 882)	( 74)
Investment in business combination and shares		( 6,089)	( 20,159)
Purchase of inventory		-	( 200)
Purchase of water shares		-	( 509)
Advances		( 1,192)	( 1,662)
<b>Net cash flows (used in) / from investing activities</b>		<b>( 39,837)</b>	<b>( 35,793)</b>
<b>Financing activities</b>			
<i>Cash was provided from:</i>			
Proceeds of term bank borrowings		38,886	34,393
Proceeds of short term bank borrowings		23,140	15,000
Issue of shares		1,092	-
<i>Cash was applied to:</i>			
Repayment of term bank borrowings		( 16,003)	-
Repayment of short term bank borrowings		( 24,770)	( 14,535)
Payment of dividend to shareholders	21	( 3,122)	( 2,519)
<b>Net cash flows from financing activities</b>		<b>19,223</b>	<b>32,339</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>638</b>	<b>( 1,650)</b>
Effect of foreign exchange rates		( 142)	( 81)
Opening cash and cash equivalents		1,192	2,923
<b>Closing cash and cash equivalents</b>		<b>1,688</b>	<b>1,192</b>

## Notes to the Financial Statements

For the year ended 31 December 2016

This section contains the notes to the consolidated financial statements for Seeka Limited, its subsidiaries and associates. To give stakeholders a clear insight into how Seeka organises its business, the note disclosures are grouped in seven sections.

### **Basis of preparation**

Accounting policies that apply to the full set of financial statements

### **Performance**

Where revenues are generated and their associated operating costs

### **Assets**

How Seeka allocates resources across its operations

### **Working capital**

How Seeka manages its operating cash flow

### **Funding**

How Seeka organises its capital structure

### **Investments**

Investments and financial performance of subsidiaries and associates

### **Other Notes**

All other note disclosures

## Basis of Preparation

This section sets out the Group's accounting policies that apply to the full set of financial statements. Accounting policies which are limited to a specific note, are described in that note.

### **Reporting entity and statutory base**

The financial statements presented are those of the consolidated Seeka group comprising Seeka Limited (the Company) together with its subsidiaries (the Group, Seeka or Seeka Group).

Seeka Limited is a profit-orientated company registered in New Zealand under the Companies Act 1993 and an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. Seeka Limited is listed and its ordinary shares are quoted on the NZX main board equity security market (NZX Main Board).

On Friday 28 October 2016 Seeka Kiwifruit Industries Limited was renamed Seeka Limited.

### **Nature of operations**

Seeka is a produce business operating in New Zealand and Australia.

In New Zealand the Group provides orcharding, post harvest and retail services to New Zealand's kiwifruit, avocado and kiwiberry industries. The Group also provides retail and ripening services for imported tropical produce, and operates a wholesale market.

In Australia, following a 2015 acquisition of land, orchards and business assets, the Group became the largest single producer and supplier of Australian kiwifruit and nashi pears, a major supplier of European pears, plus lesser production of other temperate-climate fruits.

### **Statement of compliance and basis of preparation**

The consolidated financial statements for the Group have been prepared in accordance with the requirements of Part 7 of the FMC Act 2013. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (GAAP), incorporating New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-oriented entities. The Group financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements are prepared on a historical cost basis, with the exception of:

- financial assets and liabilities (including derivative instruments) at fair value through the profit or loss (note 31 and 32)
- biological assets at fair value (note 11)
- land and buildings at the revaluation model (note 9)
- Irrigation water rights (note 14)

The significant accounting policies applied in the preparation of the financial statements are set out below.

The financial statements were approved by the Board of Directors (the Board) on 27 February 2017.

**Basis of consolidation**

**Subsidiaries**

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The acquisition 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. Direct acquisition costs are expensed as incurred.

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.

**Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing during the month of that transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

**Foreign operations**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each entity's balance sheet within the Group are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each entity's income statement and statement of other comprehensive income, are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the accompanying notes. The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements. Certain comparative information has been reclassified to conform with the current year's presentation. There are no new standards, amendments or interpretations that have been issued and effective, that are expected to have a significant impact on the Group (note 33).

**Critical accounting estimates and judgements**

The Group makes estimates and assumptions concerning future operational and financial performance. By definition, these assumptions may not always equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are identified in the notes below. Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Assumptions underlying management's estimates can be found in the following notes to the financial statements.

Area of estimation	Note
Property, plant and equipment	9
Goodwill	10
Biological assets	11

**Going concern assumption**

The Group reported a profit before tax of \$13.61m (2015: \$5.25m) and operating cash inflows of \$21.25m (2015: \$1.80m) for the year ended 31 December 2016. As at 31 December 2016 the Group had net assets of \$85.31m (2015: \$70.82m).

The ability of the Group to remain in compliance with its bank covenants has been considered by the Board in the adoption of the going concern assumption during the preparation of these financial statements. The Board forecasts that the Group can trade at levels appropriate to meet its bank covenants for the 2017 financial year.

In doing so they have considered forecast information, the security of bank funding, and any potential impact on ongoing crop supply including Psa-V.

**Goods and services tax (GST)**

The statement of financial performance and statement of comprehensive income has 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.

## Performance

This section focuses on the Group's financial performance and details the contributions made from the individual operating segments.

### Note 1. Segment Information

The Group's operating segments are entities that engage in business activities that earn revenues, incur expenses and are reported in a manner consistent with the internal reports provided to the chief decision makers, being the Directors, who regularly evaluate the allocation of resources alongside operational outcomes and are responsible for implementing strategic decisions.

The Group has five operating segments:

- Four New Zealand segments express the range of complementary services delivered to New Zealand's produce industries.
- A single Australian segment encompasses the integrated business associated with the Group's Australian-grown produce.

Direct segment revenues and operating costs are allocated to each segment. Administration costs, overheads, grower service costs and insurance proceeds recorded in the statement of financial performance are allocated to all other segments. Transactions between segments are conducted at arm's length and are eliminated on consolidation.

#### New Zealand segments

##### *Orchard operations*

The Group provides on-orchard management services to orchard owners who produce kiwifruit, avocado and kiwiberry crops.

The Group also produces kiwifruit, avocado and kiwiberry crops from:

- Leased orchards (typically three-year rolling contracts) whereby the Group recovers costs and shares any profits with the orchard owners.
- Leased land (long term contracts) which the Group has developed into productive orchards, pays all development and production costs, and owns all crops for the term of the lease.

##### *Post harvest operations*

The Group provides post harvest services to the kiwifruit, avocado and kiwiberry industries. This includes all crops from the Group's orchard management and lease operations, plus crops from independent orchard owners.

##### *Retail service operations*

The Group provides fruit marketing services in New Zealand and internationally, particularly in the Australian and Asian markets. This includes fruit from the Group's orchard and post harvest operations. In New Zealand the Group also provides retail and ripening services for imported fruit produce, and operates a wholesale market.

In the second half of the year the Group entered a direct buying arrangement for the importation and supply of bananas in New Zealand whereby total revenues and expenses are reported in the statement of financial performance. Previously the Group had imported bananas on an agency arrangement whereby the Group only reported commission revenue.

Since September 2016, following the Group's purchase of the Kiwi Crush and Kiwi Crushies product ranges (see note 24), retail service operations include the production and selling of Kiwi Crush and Kiwi Crushies to hospitals and the retail sector.

##### *All other segments - New Zealand*

This represents the Group's aggregated administration, grower services and overhead sections along with insurance proceeds recorded in the statement of financial performance and impairment and revaluations of other assets not attributed directly to any other segment.

#### Australian operations

The Group owns and operates Australian orchards, provides post harvest operations and markets the fruit produced from those orchards, primarily in Australia. The main products are kiwifruit, nashi pears and European pears.

## Turnover

Turnover (a non-GAAP measure) includes the value of fruit sales made on behalf of growers and suppliers where the Group acts as the agent, and is considered the vendor by the purchasing party. (See note 2).

#### EBITDA and EBIT

EBITDA is earnings before interest, tax, depreciation, amortisation, impairments and revaluations. EBITDA is an indicator of profitability and reflects operating cash flow generation.

EBIT is earnings before interest and tax; an indicator of profitability that excludes interest and income tax expenses.

The following table details the operating segments at balance date.

	New Zealand				Australia	Group
	Orchard operations \$000s	Post harvest operations \$000s	Retail service operations \$000s	All other segments \$000s	Australian operations \$000s	Total \$000s
New Zealand dollars						
<b>2016</b>						
Income statement						
<b>Turnover</b> <sup>1</sup>	<b>47,889</b>	<b>110,823</b>	<b>53,695</b>	<b>590</b>	<b>16,400</b>	<b>229,397</b>
Gross segment revenue	47,889	116,629	16,847	590	15,168	197,123
Eliminations	-	5,806	-	-	-	5,806
<b>Total segment revenue</b>	<b>47,889</b>	<b>110,823</b>	<b>16,847</b>	<b>590</b>	<b>15,168</b>	<b>191,317</b>
Income from insurance proceeds	-	3,627	-	498	-	<b>4,125</b>
<b>EBITDA</b> <sup>2</sup>	<b>5,638</b>	<b>26,784</b>	<b>1,941</b>	<b>( 10,628)</b>	<b>1,029</b>	<b>24,764</b>
(Gain) on revaluation of land & buildings	-	( 347)	-	-	-	<b>( 347)</b>
Depreciation expense	515	5,550	118	367	637	<b>7,187</b>
Amortisation of intangibles	-	-	304	158	8	<b>470</b>
Impairment of investment in associates and shares	-	-	-	378	-	<b>378</b>
Impairment of assets	-	-	-	-	118	<b>118</b>
<b>EBIT</b> <sup>3</sup>	<b>5,123</b>	<b>21,581</b>	<b>1,519</b>	<b>( 11,531)</b>	<b>266</b>	<b>16,958</b>
Net finance costs	-	-	-	2,814	532	3,346
Tax charge on profit	-	-	-	3,460	( 233)	3,227
<b>Profit after tax</b>	<b>5,123</b>	<b>21,581</b>	<b>1,519</b>	<b>( 17,805)</b>	<b>( 33)</b>	<b>10,385</b>
Balance sheet						
Segment assets	33,557	111,721	4,696	6,619	35,530	192,123
Unallocated assets	-	-	-	5,186	-	5,186
<b>Total assets</b>	<b>33,557</b>	<b>111,721</b>	<b>4,696</b>	<b>11,805</b>	<b>35,530</b>	<b>197,309</b>
Segment liabilities	12,602	34,551	4,175	12,841	36,778	100,947
Unallocated liabilities	-	-	-	11,051	-	11,051
<b>Total liabilities</b>	<b>12,602</b>	<b>34,551</b>	<b>4,175</b>	<b>23,892</b>	<b>36,778</b>	<b>111,998</b>
<b>2015</b>						
Income statement						
<b>Turnover</b> <sup>1</sup>	<b>42,279</b>	<b>88,270</b>	<b>52,240</b>	<b>709</b>	<b>1,242</b>	<b>184,740</b>
Gross segment revenue	42,279	93,473	9,612	709	1,242	147,315
Eliminations	-	5,203	-	-	-	5,203
<b>Total segment revenue</b>	<b>42,279</b>	<b>88,270</b>	<b>9,612</b>	<b>709</b>	<b>1,242</b>	<b>142,112</b>
Income from insurance proceeds asset loss - fire	-	-	-	5,462	-	5,462
<b>EBITDA</b> <sup>2</sup>	<b>3,977</b>	<b>13,292</b>	<b>1,730</b>	<b>( 3,692)</b>	<b>( 1,382)</b>	<b>13,925</b>
(Gain) on revaluation of land and buildings	-	( 1,228)	-	-	-	<b>( 1,228)</b>
Depreciation expense	613	4,407	117	455	157	5,749
Amortisation of intangibles	-	-	368	88	-	456
Impairments of asset - fire loss	-	1,740	-	-	-	1,740
<b>EBIT</b> <sup>3</sup>	<b>3,364</b>	<b>8,373</b>	<b>1,245</b>	<b>( 4,235)</b>	<b>( 1,539)</b>	<b>7,208</b>
Net finance costs	-	-	-	1,587	375	1,962
Tax charge on profit	-	-	-	1,236	( 262)	974
<b>Profit after tax</b>	<b>3,364</b>	<b>8,373</b>	<b>1,245</b>	<b>( 7,058)</b>	<b>( 1,652)</b>	<b>4,272</b>
Balance sheet						
Segment assets	24,253	83,438	4,082	13,117	32,744	157,634
Unallocated assets	-	-	-	6,684	-	6,684
<b>Total assets</b>	<b>24,253</b>	<b>83,438</b>	<b>4,082</b>	<b>19,801</b>	<b>32,744</b>	<b>164,318</b>
Segment liabilities	13,279	21,803	5,546	9,284	32,028	81,939
Unallocated liabilities	-	-	-	11,560	-	11,560
<b>Total liabilities</b>	<b>13,279</b>	<b>21,803</b>	<b>5,546</b>	<b>20,844</b>	<b>32,028</b>	<b>93,499</b>

1. Turnover is a non-GAAP measure, see calculations in note 2.

2. EBITDA, a non-GAAP measure, is earnings before interest, tax, depreciation, amortisation, impairments and revaluations.

3. EBIT, a non-GAAP measure, is earnings before interest and tax.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 2. Turnover</b>		
The following table reconciles turnover to revenue.		
Turnover	229,397	184,740
Value of sales made as agent	( 38,080)	( 42,628)
<b>Revenue</b>	<b>191,317</b>	<b>142,112</b>

#### Turnover

The Board considers turnover a useful measure of the Group's operating activity as it represents the total transactional value of goods and services provided to external customers during the year. As such turnover includes the value of fruit sales made on behalf of growers and suppliers where the Group acts as the agent, and is considered the vendor by the purchasing party. This includes all produce sales both local and export.

In the second half of 2016 the Group entered a direct buying arrangement for the importation and supply of bananas in New Zealand whereby total revenues and expenses are reported in the statement of financial performance. Previously the Group had imported bananas on an agency arrangement whereby the Group only reported commission revenue.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 3. Revenue and other income</b>		
<b>Total revenue</b>	<b>191,317</b>	<b>142,112</b>
Other Income		
Interest	1	18
Dividend	202	289
Net movement in fair value of irrigation water rights	14	-
	<b>370</b>	<b>307</b>
Income from insurance proceeds - asset loss	498	5,462
Income from insurance proceeds - fruit loss mitigation claim	3,627	-
	4,125	5,462
<b>Total other income</b>	<b>4,495</b>	<b>5,769</b>
Total share of (loss) from associates	-	( 5)
<b>Total revenue and other income</b>	<b>195,812</b>	<b>147,876</b>

Revenue is shown net of discounts, which include the \$2.93m cost of the grower incentive scheme (2015: \$2.49m) (see below for details).

#### Impact of seasonality

Group revenues are generated from seasonal horticultural operations, with post harvest revenues recognised as services are provided and orchard revenues recognised once the fruit is harvested. Retail revenues are generated at the point of sale. In New Zealand kiwifruit are harvested from March to June, avocados from August to January, and kiwiberries from February to March. In Australia nashi and European pears are harvested January to March, and kiwifruit from March to May.

#### Oakside fire - insurance proceeds for asset loss

On 4 March 2015 a fire at the Group's Oakside facility destroyed an ancillary packhouse and caused damage to an office space and a number of coolstore buildings and associated plant, all part of post harvest operations. The Group is fully insured for loss on assets and also business interruption, and in 2015 the loss on the asset claim was accepted by the Group insurers NZI, QBE and AIG. During the 2015 financial year the value of insurance recoveries for the loss of property and business interruption was \$5.46m, of which the Group received \$2.48m, recognised as other income in the statement of financial performance. During the current year the value of the claim was finalised, and a further \$0.5m was recorded in the statement of financial performance and the balance of insurance proceeds received.

#### Insurance proceeds - fruit loss mitigation claim

As a result of the March 2015 fire at the groups Oakside facility, Seeka and its growers suffered a financial loss due to extraordinary fruit softening and fruit loss. This loss was subject to an insurance claim and Seeka advanced the grower pool \$4.04m to minimise the risk of grower loss with the advance only to be repaid as a priority charge from any further insurance proceeds received should the active claim be accepted and paid.

During the current financial year the growers insurance claim was accepted and a full and final settlement agreed with the insurer, with Seeka receiving \$3.63m which is recorded in the statement of financial performance (see note 4).

## Grower incentive scheme

In response to industry-wide crop loss from the kiwifruit vine disease Psa-V, in 2013 the Group initiated a grower incentive scheme to secure post harvest volumes for harvests 2014, 2015 and 2016. Eligible growers that joined the scheme committed to supply all kiwifruit and kiwiberry crops from their orchards up to and including harvest 2016. In return, when each season's supply obligation is met (in September) the Company issues each complying grower with \$0.10 worth of shares for every tray supplied that season. Shares are issued at the NZX volume weighted average price (VWAP) of shares prior to the issue.

For accounting purposes, the Group recognises:

- the expense as a discount to sales from post harvest revenue in the statement of financial performance, and
- the value of issued shares as share capital when the shares are issued.

The year ended 31 December 2016 is the final year of the three year scheme.

## Accounting policies

Revenue comprises the fair value received for the sale of goods and services, net of goods and services tax (GST), rebates and discounts and after eliminating sales within the Group.

### Orchard revenue

Managed orchards - revenue is invoiced and recognised as earned for orcharding services provided to managed orchards supplying the Group.

Leased orchards and leased land orchards - crop revenue is recognised in the statement of financial performance at the point of harvest based on forecast orchard gate returns (OGRs) with a corresponding increase in the statement of financial position. The proceeds are then received over the 12 month period following harvest. Revenue estimates are updated at balance date.

### Post harvest revenue

From fruit packing, coolstorage and other supply-chain activities. Services peak from April to December with the bulk of revenues collected by end November. Revenue is recognised as services are provided.

### Retail service revenue

Ripening and delivery services, and fruit sales to key retail customers - revenue is recognised as services are provided on a principal or agency basis depending on who bears the risks and rewards.

Fruit marketing and wholesale market sales programmes (domestic and international) – where the Group acts as an agent and collects a commission on sales with revenue recognised when the produce is sold.

Where the Group purchases fruit directly from suppliers for resale, revenue is recognised when the produce is sold.

Collaborative marketing programmes (the Group purchases fruit from Zespri International for sale in agreed international markets under licence from Kiwifruit New Zealand) - revenue is recognised when the produce is sold.

Where the Group manufactures and sells products, revenue is recognised when the products are sold.

### Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### Dividend income

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



New Zealand dollars	Notes	2016 \$000s	2015 \$000s
<b>Note 4. Cost of sales and operating expenses</b>			
Operating materials and services		110,966	84,470
Direct employee benefits		39,871	29,735
Operating lease expense		5,727	8,369
Net movement in fair value of biological assets - crop	11	1,319	( 4,187)
<b>Total cost of sales</b>		<b>157,883</b>	<b>118,387</b>
Acquisition costs		-	616
Stamp duty		-	504
<b>Total acquisition costs and stamp duty</b>		<b>-</b>	<b>1,120</b>
<b>Grower relationship payment</b>		<b>-</b>	<b>4,042</b>
Total other employee benefits		7,012	5,076
General administrative expenses		5,263	4,316
Audit fees paid to principal auditors - (paid on a Group basis)		227	194
Tax fees paid to principal auditors		145	231
Other accounting fees		-	1
Directors' fees and expenses - Seeka Limited		396	400
Movement in onerous lease provision		( 34)	( 30)
Rent and lease expenses		257	292
(Gain) on sale of property plant and equipment and investments		( 101)	( 78)
<b>Total other costs</b>		<b>13,165</b>	<b>10,402</b>
<b>Depreciation</b>	9	<b>7,187</b>	<b>5,749</b>
<b>Amortisation</b>	10	<b>470</b>	<b>456</b>
<b>Impairments and revaluations</b>			
(Gain) on revaluation of land and buildings	9	( 347)	( 1,228)
Impairment of investments in associates	25	38	-
Impairment of investments in shares	22	340	-
Impairment of assets	9	118	1,740
<b>Total Impairment and revaluation</b>		<b>149</b>	<b>512</b>
<b>Total expenses</b>		<b>182,200</b>	<b>142,630</b>

#### Grower relationship payment - fruit loss

On 4 March 2015 a fire at the Group's Oakside packhouse destroyed part of the facility and caused damage to an ancillary packhouse, office space and a number of coolstore buildings and associated plant, all part of post harvest operations. Seeka and its growers suffered extraordinary fruit softening and loss as the result of the fire and the strategy put in place to mitigate fruit loss at that site. While the strategy was successful, growers still suffered extraordinary financial loss that is the subject of a further insurance claim by Seeka Growers Limited for the value of the fruit lost. As at 31 December 2015 the claim was partly agreed, but a substantial portion was still in the process of evaluation by their Insurance underwriters. Seeka considered it important to stand by its growers while they worked through the detailed insurance process and during the 2015 financial year advanced \$4.04m to the grower pool so as to maintain its grower payments thereby minimising the risk of grower loss. In doing so, it was agreed that the advance will only be repaid to Seeka as a priority charge from any further insurance proceeds from the active insurance claim should the claim be accepted. On 11 November 2016, full and final settlement with the grower's insurer was agreed and Seeka was repaid \$3.63m which is recorded in the statement of financial performance as a repayment of the advance made in 2015 by Seeka.

**Accounting policies**

Operating expenses are recognised in the statement of financial performance as incurred, except where a future economic benefit arises and they are recorded as prepayment.

**Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the Group are classified as operating leases.

Operating leases include short term orchard 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.

**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.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 5. Reconciliation of net operating surplus after taxation with cash flows from operating activities</b>		
<b>Net operating surplus after taxation</b>	<b>10,385</b>	<b>4,272</b>
<i>Add non cash items:</i>		
Depreciation	7,187	5,749
(Gain) on revaluation of land and buildings	( 347)	( 1,228)
Impairment of assets	118	-
Impairment of investment in associates	38	-
Impairment of investment in shares	340	-
Movement in deferred tax	( 1,426)	844
Movement in fair value of biological assets - crop	1,319	( 4,187)
Impairment of assets - fire loss	-	1,740
Movement in onerous leases	( 34)	( 30)
Amortisation of intangibles	470	456
Share of loss from associates	-	5
	<b>7,665</b>	<b>3,349</b>
<i>Add / (less) items not classified as an operating activity:</i>		
(Gain) / Loss on sale of property, plant and equipment	( 56)	19
Decrease / (Increase) in current water allocation account	146	-
(Gain) on sale of shares	( 45)	( 97)
Income from insurance proceeds - asset loss	( 498)	( 2,478)
	<b>( 453)</b>	<b>( 2,556)</b>
<i>(Increase) / decrease in working capital:</i>		
Increase in accounts payable	2,538	2,546
(Increase) in accounts receivable/prepayments	( 2,358)	( 4,003)
(Increase) in inventory	( 204)	( 735)
Increase / (Decrease) in taxes due	3,679	( 1,069)
	<b>3,655</b>	<b>( 3,261)</b>
<b>Net cash flow from operating activities</b>	<b>21,252</b>	<b>1,804</b>

**Accounting policies**

Cash flows statements are prepared using the direct approach. Cash and cash equivalents are shown exclusive of GST.

New Zealand dollars	Notes	2016 \$000s	2015 \$000s
<b>Note 6. Income tax expense</b>			
<b>a. Current tax expense</b>			
Current year		4,202	72
Adjustments for prior year		123	58
		<b>4,325</b>	<b>130</b>
<i>Deferred tax expense</i>			
Origination and reversal of temporary differences	7	( 1,098)	844
<b>Total income tax expense</b>		<b>3,227</b>	<b>974</b>
<b>b. Numerical reconciliation of income tax expense to prima facie tax payable</b>			
<b>Profit before income tax expense</b>		<b>13,612</b>	<b>5,246</b>
Tax at the New Zealand tax rate of 28%		4,102	1,981
Tax at the Australian tax rate of 30%		( 294)	( 574)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		170	223
Tax exempt income		( 157)	( 803)
(Over) / Under provision in prior years		( 594)	147
<b>Income tax expense</b>		<b>3,227</b>	<b>974</b>
<b>c. Imputation credit account</b>			
<b>Imputation credits available for use in subsequent reporting periods</b>		<b>9,352</b>	<b>10,414</b>
The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:			
a. Imputation credits that will arise from the payment of the amount of the provision for income tax			
b. Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and			
c. Imputation credits that will arise from the receipts of dividends recognised as receivables at the reporting date.			
<b>d. Current tax receivable / (liability)</b>			
Opening balance of current tax receivable		1,314	244
Adjustments for prior periods		( 123)	( 58)
Current year tax		( 4,202)	( 72)
Reclassify income tax as deferred tax		( 362)	-
Less tax paid		993	1,200
Exchange differences		15	-
<b>Current tax (liability) /receivable</b>		<b>( 2,365)</b>	<b>1,314</b>

In the current year an adjustment has been made between deferred tax and the current tax liability to amend the opening balance.

#### Accounting policies

Income tax expense comprises both current and deferred tax and 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 tax losses of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and that affects neither accounting or taxable profit. Differences relating to investments in subsidiaries and jointly controlled entities are not recognised to the extent that they probably will not reverse in the foreseeable future.

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 at balance 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.

**Note 7. 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 following table details the offset amounts.

New Zealand dollars	2016 \$000s	2015 \$000s
<i>Expected settlement:</i>		
Within 12 months	( 1,076)	456
In excess of 12 months	14,221	13,741
	<b>13,145</b>	<b>14,197</b>
<i>Net deferred tax liabilities:</i>		
<b>Opening balance</b>	14,197	9,703
Reclassify income tax as deferred tax	( 362)	-
Opening balance from purchase of subsidiary	-	3,009
Exchange differences	( 61)	( 118)
Charged to the statement of financial performance	( 1,098)	844
Charged to revaluation reserve	491	816
(Credited) to hedge reserve	( 22)	( 57)
<b>Closing balance at end of year</b>	<b>13,145</b>	<b>14,197</b>
The following table details the composition of deferred tax if any offsetting within the same tax jurisdiction was not taken into consideration.		
Temporary differences on non-current assets	14,221	13,750
Current liabilities	( 2,149)	( 1,409)
Prepayments and accrued income	1,073	1,856
	<b>13,145</b>	<b>14,197</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 (Dec 2015 - Nil).

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

**Note 8. Events occurring after balance date**

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

## Assets

This section focuses on the physical and intangible assets used by the Group to operate the business, deliver benefits to stakeholders, add new income streams and generate revenues. Assets include post harvest facilities, retail service facilities, and software. Assets also include land, bearer plants and crop on Group-owned and leased orchards, along with goodwill and supplier contracts arising from Group acquisitions.

Disclosures are made on additions, disposals, revaluations, depreciation, impairments and amortisation.

New Zealand dollars	Land and buildings \$000s	Plant and equipment \$000s	Motor vehicles \$000s	Bearer plants \$000s	Total \$000s
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### Note 9. Property, plant and equipment

At 1 January 2015

Cost or valuation	45,529	67,503	621	2,437	116,090
Accumulated depreciation and impairment	( 966)	( 44,700)	( 426)	( 51)	( 46,143)
<b>Net book amount</b>	<b>44,563</b>	<b>22,803</b>	<b>195</b>	<b>2,386</b>	<b>69,947</b>

Year ended 31 December 2015

<b>Opening net book amount</b>	<b>44,563</b>	<b>22,803</b>	<b>195</b>	<b>2,386</b>	<b>69,947</b>
Additions	11,463	4,407	113	74	16,057
Additions through business combinations	9,441	1,858	597	5,245	17,141
Exchange differences	( 370)	( 62)	( 35)	( 206)	( 673)
Depreciation	( 1,445)	( 3,912)	( 53)	( 339)	( 5,749)
Disposals	( 1,190)	( 250)	-	-	( 1,440)
Impairment - Assets destroyed by fire	( 1,446)	( 294)	-	-	( 1,740)
Revaluation before tax	5,175	-	-	-	5,175
<b>Closing net book amount</b>	<b>66,191</b>	<b>24,550</b>	<b>817</b>	<b>7,160</b>	<b>98,718</b>

At 1 January 2016

Cost or valuation	68,602	73,162	1,296	7,550	150,610
Accumulated depreciation and impairment	( 2,411)	( 48,612)	( 479)	( 390)	( 51,892)
<b>Net book amount</b>	<b>66,191</b>	<b>24,550</b>	<b>817</b>	<b>7,160</b>	<b>98,718</b>

Year ended 31 December 2016

<b>Opening net book amount</b>	<b>66,191</b>	<b>24,550</b>	<b>817</b>	<b>7,160</b>	<b>98,718</b>
Additions	30,738	11,196	241	882	43,057
Additions through business combinations	-	56	-	-	56
Reclassification of Softw are to PPE	-	( 29)	-	-	( 29)
Exchange differences	( 212)	( 62)	( 3)	( 118)	( 395)
Depreciation	( 2,312)	( 4,344)	( 79)	( 452)	( 7,187)
Disposals	( 1,452)	( 329)	( 24)	( 689)	( 2,494)
Impairment of assets	-	-	-	( 118)	( 118)
Revaluation before tax	2,881	-	-	-	2,881
<b>Closing net book amount</b>	<b>95,834</b>	<b>31,038</b>	<b>952</b>	<b>6,665</b>	<b>134,489</b>

At 31 December 2016

Cost or valuation	100,557	83,994	1,510	7,625	193,686
Accumulated depreciation and impairment	( 4,723)	( 52,956)	( 558)	( 960)	( 59,197)
<b>Net book amount</b>	<b>95,834</b>	<b>31,038</b>	<b>952</b>	<b>6,665</b>	<b>134,489</b>

**Land and buildings**

Land and buildings are revalued to their estimated market value on a three-year rolling cycle (excluding assets under construction and in the 2015 financial year those damaged by the Oakside fire), plus any subsequent additions at cost, less subsequent depreciation for buildings. In New Zealand valuations are undertaken by TelferYoung Valuers, ANZIV, independent registered valuer. In Australia valuations are undertaken by Goulburn Valley Property Services, independent valuers, Shepparton, Victoria, Australia. At each balance date approximately one third of assets classified as land and buildings are revalued and these valuations are used to assess the appropriateness of the carrying values of all assets classified as land and buildings that are held by the group.

Valuations are undertaken by the independent valuers using inherently subjective techniques that include estimations.

The valuers consider four different approaches in concert to arrive at a fair value;

1. Replacement cost - adds the value of the land to the replacement cost of the buildings and other improvements based on the current cost of construction less depreciation based on the age of the building with an allowance for physical depreciation. Specific consideration is given to the 'optimised depreciated replacement cost' methodology.
2. Sales - considers sales of other comparable properties.
3. Investment - assumes a hypothetical lease of the property with a current market rental being established and capitalising this at an appropriate rate of return (10% – 12.5%) that would be expected by a prudent investor.
4. Discounted cash flow –First used in 2016: This is a variation of the investment method whereby it takes the current market rental calculated under the investment method and forecasts net cash flows over a period of 10 years. The cash flows are adjusted for expected growth in market rentals and estimated costs incurred to maintain the land and buildings in operational use. This method assumes the land and buildings are sold in the terminal year (year 11).

The following table details the gain on revaluation of land and buildings recognised in the revaluation reserve, net of tax of \$1,943k (2015: \$3,130k).

New Zealand dollars	Land \$000s	Buildings \$000s	Total \$000s
<b>Land and buildings revaluation reserve</b>	<b>679</b>	<b>1,264</b>	<b>1,943</b>

As a consequence of the building revaluations conducted December 2016, \$1.63m (Dec 2015 - \$0.23m) of accumulated depreciation was offset directly against the assets' cost or valuation, prior to revaluation.

Details of what the depreciated value of land and buildings would be if they were stated on a historical cost basis are as follows.

New Zealand dollars	2016 \$000s	2015 \$000s
Cost	106,489	77,415
Accumulated depreciation	( 21,509)	( 18,077)
<b>Depreciated Historical Cost</b>	<b>84,980</b>	<b>59,338</b>
<b>Net book amount</b>	<b>95,834</b>	<b>66,191</b>

**Impairment**

On 4 March 2015, the Group's Oakside facility suffered a fire which led to the destruction or damage to an ancillary packhouse and office, and a number of coolstore buildings and associated plant, all of which were part of post harvest operations.

As a result the Group recognised a \$1.74m asset impairment expense within the statement of financial performance during the year ended 31 December 2015.

The Group was fully insured for loss on assets and also business interruption with the claim settled in the current financial year. The group received insurance recoveries of \$5.96m of which \$0.50m has been recorded in the statement of financial performance in the current year (2015: \$5.46m).

During the year the group replaced some of its Australian bearer plants as part of a plant and crop renewal plan. This resulted in an impairment and the write off of the carrying value of bearer plants replaced by \$0.1m which has been recognised through the statement of financial performance.

**Accounting policies****Bearer plants**

Bearer plants are the Group's investment in kiwifruit vines, pear, avocado and other fruiting trees on Group-owned and leased land. Bearer plants are stated at historical cost less depreciation. Historical cost includes all costs incurred to purchase the asset.

**Land and Buildings**

Land and buildings are shown at fair value, based on periodic, but at least triennial valuations by independent valuers, plus any subsequent improvements at cost, less subsequent depreciation for buildings. At each annual balance date, approximately one third of assets classified as land and buildings are revalued and those valuations are used to assess the appropriateness of the carrying values of all land and building assets held by the Group. Revaluations are performed more frequently if changing industry conditions may cause their carrying value to differ significantly from fair value. 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.

Changes in the carrying amounts arising on revaluation of land and buildings are accounted through comprehensive income and other reserves, except where an assets fair value is less the original cost, in which case the change is recognised in the statement of financial performance.

**Plant and Equipment and Motor Vehicles**

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes all costs incurred to purchase the asset.

Subsequent additions at cost are included in the asset's carrying value 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.

Impairment of assets are recognised in the statement of financial performance.

**Depreciation**

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. The depreciation of bearer plants on leased land orchards is aligned to the term of the lease.

The estimated useful lives of assets are as follows:

- Buildings: 20 - 50 years
- Machinery: 10 - 20 years
- Vehicles: 4 - 7 years
- Furniture, fittings and equipment: 3 - 10 years
- Bearer plants: 5 - 50 years

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

An asset's carrying amount is immediately written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount, and any gain or loss is included in the statement of financial performance. When revalued assets are sold, the amounts included in the revaluation reserve in respect of those assets is transferred to retained earnings.

	Software \$000s	Goodwill \$000s	Water Shares \$000s	Supplier contract \$000s	Interest in leased land \$000s	Other intangibles \$000s	Total \$000s
<b>Note 10. Intangible assets</b>							
At 1 January 2015							
Cost	1,837	3,414	-	1,877	768	-	7,896
Accumulated amortisation	(1,728)	-	-	(203)	(357)	-	(2,288)
<b>Net book amount</b>	<b>109</b>	<b>3,414</b>	<b>-</b>	<b>1,674</b>	<b>411</b>	<b>-</b>	<b>5,608</b>
Year ended 31 December 2015							
<b>Opening net book amount</b>	109	3,414	-	1,674	411	-	5,608
Additions	410	-	509	-	-	-	919
Additions through business combinations	-	6,271	3,568	-	-	-	9,839
Exchange differences	-	(245)	(139)	-	-	-	(384)
Amortisation	(88)	-	-	(334)	(34)	-	(456)
<b>Closing net book amount</b>	<b>431</b>	<b>9,440</b>	<b>3,938</b>	<b>1,340</b>	<b>377</b>	<b>-</b>	<b>15,526</b>
At 1 January 2016							
Cost	2,247	9,440	3,938	1,877	768	-	18,270
Accumulated amortisation	(1,816)	-	-	(537)	(391)	-	(2,744)
<b>Net book amount</b>	<b>431</b>	<b>9,440</b>	<b>3,938</b>	<b>1,340</b>	<b>377</b>	<b>-</b>	<b>15,526</b>
Year ended 31 December 2016							
<b>Opening net book amount</b>	431	9,440	3,938	1,340	377	-	15,526
Additions	77	-	-	-	-	105	182
Additions through business combinations	-	244	-	-	-	-	244
Software reclassified from PPE	29	-	-	-	-	-	29
Exchange differences	(1)	(142)	(92)	-	-	-	(235)
Amortisation	(134)	-	-	(304)	(32)	-	(470)
<b>Closing net book amount</b>	<b>402</b>	<b>9,542</b>	<b>3,846</b>	<b>1,036</b>	<b>345</b>	<b>105</b>	<b>15,276</b>
As at 31 December 2016							
Cost	2,352	9,542	3,846	1,877	768	105	18,490
Accumulated amortisation	(1,950)	-	-	(841)	(423)	-	(3,214)
<b>Net book amount</b>	<b>402</b>	<b>9,542</b>	<b>3,846</b>	<b>1,036</b>	<b>345</b>	<b>105</b>	<b>15,276</b>

The amortisation period of software is four to five years and the remaining amortisation period for the interest in leased land is from 34 to 92 years.

The Group's interest in leased land occupied, or held for future development, arose on the acquisition of Huka Pak and is the difference in the value of the lease terms to relative market terms.

Permanent water shares are an integral part of land and irrigation infrastructure required to grow pears, kiwifruit and other annual crops in Australia and are carried at cost. The fair value of permanent water shares used for impairment testing is supported by the traded price of the shares.

#### Impairment tests for goodwill

The Board reviews business performance based on operating segments and monitors goodwill at the operating segment level in accordance with the policy below. Goodwill represents the Group's retail services acquired with Glassfields, the acquisition of Seeka Australia (Pty) Limited and the acquisition of the Kiwi Crush and Kiwi Crushies product ranges.

The recoverable amount is based on the net present value of the 5 year after-tax cash flow projection, with a terminal value beyond 5 years. Cash flows beyond the 5 year period are extrapolated using estimated growth rates and discount rates stated below. The assumptions used for the analysis of the net present value of forecast gross margin for the cash generating unit, is determined based on past performance and Directors' expectations of future market development. No impairment arose in the current year.

No impairment would be required if the discount rate applied was 1% higher or if the terminal growth rate was 1% lower.



The following table details the key assumptions used for value-in-use calculations and the recoverable amount in 2016.

	Cash generating unit within the business	Carrying amount \$000s	Discount rate	Grow th rate 1-5 years	Terminal grow th rate
<i>Goodwill</i>					
Glassfields	Retail services segment	3,414	9.6%	1.0% - 2.0%	2.0%
Seeka Australia Pty Limited	Australian operations	5,884	9.6%	2.3% - 3.5%	2.5%
Kiw i Crush	Retail services segment	244	9.6%	2.0% - 10.0%	2.0%

The following table details how leased land would be stated on the historical cost basis.

	2016 \$000s	2015 \$000s
New Zealand dollars		
Cost	1,735	1,735
Accumulated amortisation	( 262)	( 230)
<b>Depreciated historical cost</b>	<b>1,473</b>	<b>1,505</b>
<b>Net book amount</b>	<b>345</b>	<b>377</b>

## Accounting policies

### Intangible assets

Assets with a finite useful life are subject to depreciation and amortisation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite life are not subject to amortisation and are tested at least annually for impairment, with impairment losses recognised when the carrying amount exceeds the recoverable amount. When assessing impairment, assets are grouped at the lowest identifiable unit able to generate cash flow.

### 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 life (typically three to five years).

### 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 acquisition of a business is included in intangible assets. Goodwill on acquisition of an associate 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 deemed prudent, goodwill 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 that entity.

### Supplier contracts

When an intangible asset is recognised on a supplier contract it is amortised over the life of the contract on a straight line basis. The expense is charged to the statement of financial performance.

### Lease interest in land

The Group's interest in long term leased land occupied, or held for future development, is amortised over the life of the lease and tested for impairment on a triennial basis along with land and buildings.

### Permanent water shares

The Group records permanent water shares at cost; the shares have an indefinite life and are not depreciated. Integral to growing annual crops in Australia, the carrying value is tested annually for impairment and as required, adjusted to take account of any impairment losses.

### Other intangibles

Other intangibles include a licence to grow G3 kiwifruit and is amortised over the life of the licence on a straight line basis. The expense is charged to the statement of financial performance.

## Note 11. Biological assets - crop

Crops growing on bearer plants are classified as biological assets and measured at fair value.

Crop assets are kiwifruit, Nashi pears, Packham Pears, Corella Pears, other pears, cherries, avocado, apricot, and plum crops growing on leased and owned orchards and yet to be harvested at balance date.

The following table reconciles beginning balances to end balances for biological assets crop measured at fair value defined as level 3 in note 30.

New Zealand dollars	2016 \$000s	2015 \$000s
Carrying amount at beginning of period	17,365	11,594
<i>Crop harvested during the period</i>		
Fair value movement from the beginning of the period to point of harvest	21,276	15,610
Fair value when harvested	( 38,641)	( 27,204)
<i>Crop growing on bearer plants at end of period</i>		
Crop where cost is deemed fair value	15,657	16,935
Crop at fair value	389	430
<b>Carrying value at end of period</b>	<b>16,046</b>	<b>17,365</b>

The following table reconciles fair value movement of biological assets crop

New Zealand dollars	2016 \$000s	2015 \$000s
Movement in carrying amount	( 1,152)	5,771
Less current period additions and acquisitions	-	( 1,645)
Less exchange differences	( 167)	61
<b>Net fair value movement in crop</b>	<b>( 1,319)</b>	<b>4,187</b>

Biological assets are classified as follows

New Zealand dollars	2016 \$000s	2015 \$000s
Australia - all varieties	4,678	4,532
New Zealand - kiwifruit crop	11,134	12,721
New Zealand - avocado crop	234	112
<b>Carrying value at end of period</b>	<b>16,046</b>	<b>17,365</b>

### Crop where cost is deemed fair value:

Kiwifruit, Nashi, Packham and Corella pear crops are not considered to have achieved sufficient biological transformation at balance date and as such cost is deemed fair value.

For each crop cost is tested for impairment at balance date using the Group budget for yields and market returns less costs yet to be incurred on an orchard by orchard basis to establish a recoverable value for the crop on each of the groups orchards.

Where the recoverable value is less than cost, the cost is impaired through the statement of financial performance (note 30).

### Accounting policies

Biological assets are the crops growing on bearer plants in the Group's leased and owned orchards. The method to determine fair value depends on the degree of biological transformation (the maturity of the fruit) at balance date.

When insufficient biological transformation has occurred, the fair value is the costs incurred at balance date to grow the crops (so long as the costs are considered recoverable).

When sufficient biological transformation has occurred, fair value is the estimated net market return less selling cost and costs to market.

The estimated market return less selling cost is established by reference to current and expected sales returns when available, in the event market data is not available an assessment is made based on historical data.

## Working Capital

This section focuses on how the Group manages inventories, accounts receivable and accounts payable to ensure an appropriate level of working capital is available to operate the business, deliver benefits to stakeholders and generate revenues.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 12. Trade and other receivables</b>		
Current trade receivables	11,009	9,446
Prepayments	706	851
Insurance receivable for asset loss - fire	-	2,984
GST refund due	-	343
Accrued fruit income and other sundry receivables	8,874	7,584
<b>Current trade and other receivables</b>	<b>20,589</b>	<b>21,208</b>
Non current trade receivables	3,350	3,772
<b>Total receivables</b>	<b>23,939</b>	<b>24,980</b>

Within current trade receivables, \$1.14m are past due (Dec 2015 - \$1.35m), of which 5% are more than 90 days (Dec 2015 - 4%). Non-current trade receivables are considered recoverable and relate to debtors secured against crop supply commitments with repayment terms of up to five years.

### Accounting policies

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 that the Group will not be able to collect all amounts due, and is recognised in the statement of financial performance.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 13. Inventories</b>		
Total packaging at cost	1,783	1,875
Other inventories at cost	1,606	1,310
<b>Total inventories</b>	<b>3,389</b>	<b>3,185</b>

In the current year, \$25.76m (Dec 2015 - \$20.95m) of packaging inventory costs were expensed to cost of sales in the statement of financial performance.

### Accounting policies

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

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 14. Irrigation water rights</b>		
Opening net book amount	349	-
Additions through business combinations	-	437
Purchases of temporary water rights	126	146
Water expensed	( 439)	( 220)
Fair value movement	167	-
Exchange differences	( 8)	( 14)
<b>Closing net book value</b>	<b>195</b>	<b>349</b>

**Accounting policies**

Allocation rights are carried at fair value supported by the value of the traded rights on a recognised exchange or market at measurement date.

Annual water allocation rights are recognised as a current asset when they are allocated to the group's permanent water shares from the first of July each year by the Victorian Water Register, and are subsequently expensed when the water entitlement is used to irrigate the orchards.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 15. Trade and other payables</b>		
Trade payables	5,638	4,402
Accrued expenses	12,152	12,043
Employee expenses	3,613	2,942
GST payable	280	-
Other payables	20	5,467
<b>Total trade and other payables</b>	<b>21,703</b>	<b>24,854</b>

**Accounting policies**

Trade payables are recognised initially at fair value (the invoiced amount). If the Group has been provided with extended terms of trade, they are then recognised at amortised cost using the effective interest method.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 16. Onerous lease provision</b>		
Carrying amount at start of year	42	72
Provision released during the year	( 34)	( 30)
<b>Carrying amount at end of year</b>	<b>8</b>	<b>42</b>
Current provision	8	34
Non-current provision	-	8
<b>Carrying amount at end of year</b>	<b>8</b>	<b>42</b>

The provision for onerous leases relates to a coolstore lease that is no longer required. The lease on the coolstore expires 31 March 2017, and the provision is discounted at 10% per annum.

No other leases were identified as onerous.

**Accounting policies**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and the Group expects to settle the obligation.

## Funding

This section focuses on how the Group manages its capital structure to protect shareholder value, while funding operations that deliver benefits to stakeholders and grow shareholder returns.

Disclosures are made on the Group's bank facilities, retained earnings, dividends paid to shareholders, and earnings per share. Details on the Company's share capital include shares issued under the dividend reinvestment plan, grower incentive and employee share schemes.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 17. Interest bearing liabilities</b>		
Current secured		
Bank borrowings	5,716	1,630
<b>Total current interest bearing liabilities</b>	<b>5,716</b>	<b>1,630</b>
Non-current secured		
Non current portion of term liabilities	68,729	52,522
<b>Total non-current interest bearing liabilities</b>	<b>68,729</b>	<b>52,522</b>

The Group's total facilities of \$114.8m (Dec 2015 - \$115.6m) comprise a multi-option credit facility of \$31.2m (Dec 2015 - \$31.4m) and term loans of \$83.6m (Dec 2015 - \$84.2m).

The Board has assessed the fair value of the term loans as the outstanding balance at balance date.

The Group's bank facilities are held with Westpac and it is expected that all facilities will be refinanced when they become due for review in the normal course of business

The following table details the amounts of the term loans drawn down at balance date and their maturities.

New Zealand dollars	Balance due \$000s	Interest rate	Maturity
<i>Term Loans as at 31 December 2016:</i>			
Term Loan AUD \$17m	17,668	3.44%	28 Feb 2018
Term Loan AUD \$10m	9,561	3.16%	30 Sep 2018
Term Loan NZD \$16.5m	16,500	3.25%	28 Feb 2018
Term Loan NZD \$10m	10,000	3.65%	28 Feb 2018
Term Loan NZD \$9m	9,000	3.65%	28 Feb 2018
Term Loan NZD \$20m	6,000	3.30%	28 Feb 2018
<i>Term Loans as at 31 December 2015:</i>			
Term Loan AUD \$17m	12,771	3.90%	28 Feb 2018
Term Loan AUD \$10m	8,621	3.90%	28 Feb 2018
Term Loan NZD \$16.5m	12,130	3.95%	28 Feb 2018
Term Loan NZD \$10m	10,000	4.42%	28 Feb 2018
Term Loan NZD \$9m	9,000	4.42%	28 Feb 2018

All of the Group's term loans are on interest-only repayment terms.

### Assets pledged as security

Bank loans and overdrafts are secured by first mortgages over the Group's freehold land and buildings. The Group's policy is to protect the term portion of the loans from exposure to changing interest rates. See note 31.

**Accounting policies**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

When it is probable that part or the entire loan will be drawn down, any loan facility establishment fee paid is recognised as a loan transaction cost. When the loan will probably remain undrawn, any loan fee paid is capitalised as a pre-payment for liquidity services and amortised over the period of the facility.

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 balance date.

Shares	2016 Shares	2015 Shares
<b>Note 18. Share capital</b>		
Authorised and issued share capital		
<i>Ordinary shares - fully paid and no par value</i>		
<b>Opening balance</b>	<b>16,325,730</b>	<b>15,526,416</b>
<i>Shares issued under:</i>		
Dividend reinvestment programme	68,698	60,364
Grower incentive scheme	666,124	738,950
Employee share scheme	398,100	-
<b>Total shares issued</b>	<b>17,458,652</b>	<b>16,325,730</b>
<i>Ordinary shares - classified as follows</i>		
Held by ordinary shareholders	16,715,052	15,660,430
Held by Seeka Employee Share Plan Trustees	743,600	665,300
<b>Total shares issued</b>	<b>17,458,652</b>	<b>16,325,730</b>
New Zealand dollars	2016 \$000s	2015 \$000s
<i>Movements in ordinary paid up share capital</i>		
<b>Opening balance of ordinary shares</b>	<b>42,730</b>	<b>40,052</b>
Issues of ordinary shares during the year	4,752	2,678
<b>Closing balance of ordinary share capital</b>	<b>47,482</b>	<b>42,730</b>
<i>Movements in treasury share capital</i>		
<b>Opening balance of ordinary shares</b>	<b>2,079</b>	<b>2,279</b>
Issue of shares under the employee share scheme	1,545	-
Cash received under employee share scheme	( 1,092)	( 200)
<b>Closing balance of shares held as treasury capital</b>	<b>2,532</b>	<b>2,079</b>
<b>Net share capital</b>	<b>44,950</b>	<b>40,651</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.

**Grower Incentive Scheme**

On 7 September 2016, the Group issued 666,124 shares at a price of \$4.40 each in respect of the 2016 kiwifruit supply season to participating growers. See note 3.

**Accounting policies**

Ordinary shares are classified as equity.

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.

New Zealand dollars	2016	2015
<b>Note 19. Earnings and net tangible assets per share</b>		
<i>Basic earnings per share</i>		
Profit attributable to equity holders of the Company (thousands)	10,385	4,272
Weighted average number of ordinary shares in issue (thousands)	16,067	14,971
Basic earnings per share	\$ 0.65	\$ 0.29
<i>Diluted earnings per share</i>		
Profit attributable to equity holders of the Company (thousands)	10,385	4,272
Weighted average number of ordinary shares in issue plus employee share scheme (thousands)	16,770	15,659
Diluted earnings per share	\$ 0.62	\$ 0.27
<i>Net tangible assets per share</i>		
Net tangible assets (thousands)	75,769	61,379
Total ordinary shares issued at the end of the period (thousands)	17,459	16,326
Net tangible asset per share	\$ 4.34	\$ 3.76

**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 period, adjusted for bonus elements in ordinary shares issued during the period.

**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.

**Net tangible asset per share**

Net tangible asset per share is calculated by dividing the Group's net assets less goodwill by the total shares on issue at the end of the period.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 20. Retained earnings and reserves</b>		
<b>Reserves</b>		
Cash flow hedge reserve	( 241)	( 184)
Available for sale revaluation reserve	1,939	1,075
Land and buildings revaluation reserve	10,370	8,427
Foreign currency translation reserve	620	9
Foreign currency revaluation reserve	( 476)	( 51)
Share based payment reserve	284	142
<b>Total reserves</b>	<b>12,496</b>	<b>9,418</b>

The cash-flow hedge reserve is used to record increases and decreases on the revaluation of derivative financial instruments.

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

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

The foreign currency translation reserve is used to record foreign currency translation differences on the translation of the Group entities results and financial position. The amounts are accumulated in other comprehensive income and recognised in profit and loss when the foreign operation is partially disposed of or sold.

The foreign currency revaluation reserve is used to record unrealised gains and losses on the Group's assets and liabilities held in foreign currencies.

**Retained Earnings**

The following table details movements in retained earnings.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Balance at 1 January</b>	<b>20,750</b>	<b>19,185</b>
Net profit for the year	10,385	4,272
Dividends paid	( 3,398)	( 2,707)
Realisation of land and buildings reserve	128	-
<b>Balance at 31 December</b>	<b>27,865</b>	<b>20,750</b>

**Share based payment reserve**

The Group operates two equity-settled, share-based compensation plans: a new employees share scheme that was established in 2014, and a scheme established in 2002 that is not active and is in the process of being terminated with all surplus shares sold during the year.

The active scheme is managed by a trust established in October 2014, and the directors of the trustee company (Seeka Employee Share Plan Trustee Limited) are also Directors of Seeka.

Under the employee share schemes shares are issued to an employee share trust, with certain employees eligible to subscribe to shares held by the trust with this benefit recognised as a share-based payment expense and recorded as an expense over the vesting period. At the end of the vesting period the employee has an option to settle any outstanding debt on the shares and have the shares transferred to them, alternatively the employee can elect not to have the shares transferred to them and any outstanding debt will be forgiven and the shares sold by the trustees.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Balance at 1 January</b>	<b>142</b>	<b>36</b>
Movement in employee share entitlement reserve	142	106
<b>Balance 31 December</b>	<b>284</b>	<b>142</b>

At balance date, the number of shares in respect of which options have been granted to employees and remain outstanding under the schemes was 416,500 (Dec 2015 - 423,300), representing 2.59% (Dec 2015 - 2.59%) of the shares of the Company on issue at that date. There are no shares outstanding under the 2002 scheme (Dec 2015: 242,000).

The shares are issued fully paid in exchange for a loan to the share scheme trust.

The shares held by the ESS carry the same voting rights as other issued ordinary shares. While monies are owed on the shares they remain with the trustee.

The options element of the scheme is valued using a Black Scholes pricing model. Because the Company has a small market capitalisation with minimal trading, the Board forecasts expected volatility.



The following table details inputs to the Black Scholes pricing model.

Inputs into the model	20 May 2016	7 Oct 2014
Shares issued	398,100	429,600
Grant date share price	\$ 3.88	\$ 3.05
Exercise price	\$ 3.88	\$ 3.05
Expected life (interest free loan period)	3 years	3 years
Maximum loan period	5 years	5 years
Time to vest	3 years	3 years
Employee exit rate pre-vesting (% per year)	8.00%	8.00%
Expected volatility (% per year)	10.00%	26.00%
Risk-free interest rate	3.14%	4.12%
Dividend yield	6.83%	6.83%
Value of option	\$ 0.47	\$ 0.74

The following table details movements of options granted under the current active scheme.

Grant Date	Expiry Date	Fair value at grant date	Exercise Price	1 January shares	Issued shares	Relinquished shares	Exercised shares	31 December shares
07 Oct 2014	07 Oct 2017	\$0.74	\$3.05	423,300	-	-	(62,400)	360,900
Weighted average exercise price				\$3.05				
Weighted average contractual life (years)				3.00				
Grant Date	Expiry Date	Fair value at grant date	Exercise Price	1 January shares	Issued shares	Relinquished shares	Exercised shares	31 December shares
20 May 2016	20 May 2019	\$0.47	\$3.88	398,100	-	-	(21,700)	376,400
Weighted average exercise price				\$3.88				
Weighted average contractual life (years)				3.00				

## Accounting policies

The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the statement of financial performance with a corresponding increase in the share based payment reserve. The fair value 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).

When the shares vest, the amount of the reserve relating to those shares is transferred to share capital.

Shares may be issued at the Board's discretion at a price set by the Board based on the Volume Weighted Average Price (VWAP) calculation of the Company's shares during the period prior to issue. The Employee Share Scheme (ESS) cannot be issued with further shares if that issue would result in the ESS having an interest of more than 5% of the Company's issued capital. Shares are issued fully paid in exchange for a loan to the share scheme trust. Dividends paid on the shares are applied towards repaying the debt between the ESS and the Group on behalf of the employee.

Proceeds received along with any employee contributions are credited to share capital when the options are exercised.

ESS has a non-beneficial interest in all the shares allocated to employees. Annually the Group reviews the scheme and decides upon the allocation of further shares and the price at which those shares will be issued to the ESS. Trustees of ESS are appointed for an unspecified term and may be removed by the Company at any time.

Shares held by the ESS carry the same voting rights as other issued ordinary shares.

Dividends paid	2016	2016	2015	2015
	\$000s	Per share	\$000s	Per share
<b>Note 21. Dividends</b>				
27 March 2015	-	\$ -	1,242	\$ 0.08
18 September 2015	-	\$ -	1,465	\$ 0.09
24 March 2016	1,644	\$ 0.10	-	\$ -
29 September 2016	1,754	\$ 0.10	-	\$ -
<b>Total dividend paid</b>	<b>3,398</b>		<b>2,707</b>	

The dividends are imputed to the fullest extent allowable in the tax year. The total dividend paid includes the non-cash amounts for the dividend re-investment plan. Cash dividend payment was \$3.12m (Dec 2015: \$2.52m).

On 27 February 2017, the directors declared a fully-imputed dividend of \$0.10 per share. The dividend will be paid 24 March to those shareholders on the register at 5pm on 17 March, 2017. The dividend reinvestment plan will apply to the dividend. This dividend declaration brings fully imputed dividends distributed to shareholders relating to the 2016 financial year to \$0.20 per share, compared to \$0.19 per share relating to the 2015 financial year.

#### Accounting policies

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

## Investments

This section focuses on how the Group has made investments to support Seeka's core kiwifruit business, realise synergies along the produce supply chain, and grow Seeka's product base and geographical reach. The Board manages business investments to strengthen the benefits delivered to stakeholders and grow shareholder returns.

Disclosures are made on the Group's holdings in associates and subsidiaries, along with details on the Group's holding of listed and unlisted shares.

As required under NZ IAS 39, equity investments not otherwise held for trading are classified as available for sale.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 22. Investment in shares</b>		
<b>Balance at the beginning of the year</b>	<b>1,689</b>	<b>1,621</b>
(Repayment) of investment	( 26)	( 64)
Impairment of investment	( 340)	-
Purchase of investment	100	
Revaluation recognised in equity	864	132
<b>Balance at end of year</b>	<b>2,287</b>	<b>1,689</b>
<i>Listed equity securities</i>		
Zespri Group Limited	1,701	853
<i>Unlisted securities</i>		
Blackburn General Partner Limited	100	-
Ravensdown Fertiliser Co-operative Limited	238	221
UPNZ Limited	-	340
Ballance Agri Nutrients Limited	225	225
Other share holdings	23	50
<b>Total unlisted securities</b>	<b>586</b>	<b>836</b>
	<b>2,287</b>	<b>1,689</b>

The following table reconciles beginning balances to end balances for unlisted securities measured at fair value defined as level 3 in note 30.

New Zealand dollars	Unlisted equity securities Level 3 \$000s
<b>Balance at 1 January 2016</b>	<b>836</b>
Purchases, disposals, receipts, revaluations and impairments	( 250)
<b>Balance at 31 December 2016</b>	<b>586</b>

### Impairment of investment

The group owns 32% of UPNZ Limited (UPNZ). During the current financial year Seeka fully impaired its \$340,000 investment in the Company. UPNZ imports plastic pocket packs from China and Chile and distributes them to the New Zealand kiwifruit industry. In late March 2016, a visual inspection found grease deposits on several packs supplied by UPNZ. As a consequence Zespri Group Limited (Zespri) placed all kiwifruit packed into UPNZ pocket packs sourced from China on hold until they could determine whether the grease posed any potential food safety issues. UPNZ was forced to recall this product and as a result its customers, including Seeka, suffered costs checking the packed kiwifruit inventory to remove all affected trays. Seeka believes this will have a major impact on the value of its investment in UPNZ and has recognised an impairment in the statement of financial performance.

**Provision**

Prior to discovering the grease contamination, the Group supplied Zespri with 212,153 trays of kiwifruit packed into UPNZ pocket packs that were potentially affected. The Group is advised that offshore checking by Zespri of the 212,153 trays found 12 trays contaminated with grease. As a consequence Zespri has made a claim against the Group for all the costs of checking that product including all fruit loss, irrespective of cause. The Group is in dispute with Zespri over the claim, but the Directors have made a provision in these accounts for the most likely value that they believe the Group could be found liable for. That provision is not disclosed as it is considered commercially sensitive while the dispute is in progress.

**Accounting policies**

The fair values of the listed securities are based on the securities' closing share price at balance date. Where pricing information is available, unlisted securities are revalued at balance date. All other unlisted securities are currently held at cost less impairment as it reasonably represents current fair value. The carrying amount of all unlisted securities have been reviewed at balance date and any impairment is recognised through the statement of comprehensive income to the extent of any related reserve available and then through the statement of financial performance.

Name of entity	Country of incorporation	Class of shares	Equity holding 31 December 2016	Equity holding 31 December 2015
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**Note 23. Principal subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

*Trading subsidiaries*

Seeka Australia (Pty) Limited	Australia	Ordinary	100%	100%
Kiw i Coast Grow ers (Te Puke) Limited	New Zealand	Ordinary	100%	100%
Seeka Te Puke Limited	New Zealand	Ordinary	100%	100%
Integrated Fruit Supply & Logistics Limited	New Zealand	Ordinary	100%	100%
Avofresh Limited	New Zealand	Ordinary	100%	100%

*Not-trading subsidiaries*

Seeka Pollen Australia (Pty) Limited	Australia	Ordinary	100%	100%
Guaranteed Sw eet New Zealand Limited	New Zealand	Ordinary	100%	100%
Eleos Limited	New Zealand	Ordinary	100%	100%
Enviro Gro Limited	New Zealand	Ordinary	100%	100%
Glassfields (NZ) Limited	New Zealand	Ordinary	100%	100%
Seeka Fresh Limited	New Zealand	Ordinary	100%	100%

**Note 24. Business Combinations**

**Acquisition of Kiwi Crush and Kiwi Crushies**

On 31 August 2016 the Group purchased the business and worldwide rights to manufacture and sell the Kiwi Crush and Kiwi Crushies product ranges. The purchase price included items of plant, equipment, packaging and inventory with a value of \$56,000, along with goodwill of \$244,000.

**Note 25. Investment in associates**

The following table details the Group's principal associates.

	Country of incorporation	Business activity	Equity holding 31 December 2016	Equity holding 31 December 2015
Kiw ifruit Supply Research Limited	New Zealand	Not trading	20%	20%
Tauranga Kiw ifruit Logistics Limited	New Zealand	Port service	20%	20%
Eastern Pier SD BHD Malaysia	Malaysia	Coolstore D.C.	0%	25%
Kiw ifruit Vine Protection Company Limited	New Zealand	Not trading	100%	100%
			2016	2015
			\$000s	\$000s
Results of associate companies				
			-	(7)
			-	2
<b>Net (loss)</b>			-	<b>(5)</b>
Interests in associates				
<b>Carrying value at beginning of period</b>			-	<b>475</b>
Purchase of investment			38	-
Transfer to subsidiaries			-	(118)
Impairment in investment in associate			(38)	-
Sale of associates			-	(357)
<b>Balance at end of period</b>			-	-

**Accounting policies**

Associates are entities over which the Group has significant influence, but not control, typically by holding between 20% to 50% of the voting rights in the entity.

Investments in associates are accounted for using the equity method after initially being recognised at cost.

The Group's share of associates' profits or losses are recognised in the statement of financial performance and the carrying amount of the investment in the statement of financial position.

Dividends received from associates are applied to reduce the carrying amount of the investment in the statement of financial position.

## Other Notes

This section contains all other note disclosures about the Group.

### Note 26. Contingencies

There are no contingent liabilities as at 31 December 2016 (Dec 2015 - Nil).

### Note 27. Commitments

#### a. Capital commitments

During the year the Group committed to incur capital expenditure of \$21.31m (Dec 2015: \$17.56m). Commitments within New Zealand include \$5.26m for a new grader, \$8.28m to expand coolstore capacity, \$4.86m for the new Head Office at Kiwi 360 and \$1.16m for the new Kiwi Crush plant. Commitments within Australia include \$1.60m for packhouse and orchard developments. Of the \$21.31m, \$12.50m was incurred in 2016 (Dec 2015: \$3.02m) with the remainder expected to be incurred in 2017.

#### b. Lease commitments

##### Operating leases

Under operating leases the Group has the following commitments.

##### 1. Orchard leases - land and bearer plants

At balance date, 135 orchards (Dec 2015 - 122) are leased by the Group with terms ranging from one to three years. Orchard leases are non-cancellable with lease payments typically determined by total orchard gate returns. Some orchards also have a fixed lease element to their lease payment.

The following table details minimum, non-cancellable operating lease commitments for land and bearer plants on leased orchards.

New Zealand dollars	2016 \$000s	2015 \$000s
Within one year	199	434
Later than one year but not later than five years	170	454
	<b>369</b>	<b>888</b>

In addition to the above lease commitments the group is committed to pay variable lease payments on orchard leases which are contingent on the number of trays harvested, and revenue earned less costs incurred in each year of the lease.

##### 2. Orchard land leases - land only

The Group leases 97 hectares (2015: 123 hectares) of bare land on which it has developed kiwifruit and avocado orchards. 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 three years and the Group has a conditional right to lease the properties for a future term at the expiration of each lease.

The following table details minimum, non-cancellable operating lease Commitments for leased land orchards.

New Zealand dollars	2016 \$000s	2015 \$000s
Within one year	172	380
Later than one year but not later than five years	366	1,504
Later than five years	27	222
	<b>565</b>	<b>2,106</b>

##### 3. Land and buildings

The Group leases land and buildings for a number of its post harvest facilities. Lease terms are typically from three to six years, but can be up to 99 year terms.

The following table details minimum, non-cancellable operating lease commitments for land and buildings used in post harvest operations.

New Zealand dollars	2016 \$000s	2015 \$000s
Within one year	2,815	3,142
Later than one year but not later than five years	7,847	6,090
Later than five years	64,044	64,772
	<b>74,706</b>	<b>74,004</b>

#### 4. Equipment and vehicles

The Group leases office equipment and vehicles on terms up to three years.

The following table details minimum, non-cancellable operating lease commitments for equipment and vehicles.

New Zealand dollars	2016 \$000s	2015 \$000s
Within one year	1,421	1,275
Later than one year but not later than five years	1,631	1,690
	<b>3,052</b>	<b>2,965</b>

### Note 28. Related party transactions

#### Seeka Growers Limited

The Group undertakes transactions with Seeka Growers Limited (SGL), a related party which administers all kiwifruit revenues received for the New Zealand business on behalf of supplying growers. In the current period the Group received \$103.22m (Dec 2015 - \$104.83m) for the provision of services to SGL.

#### Directors

Directors of the Company at any time during the period are: F Hutchings, M J Cartwright, A Waugh, A Diaz, N Te Kani, J Burke, M Brick, P R Cross.

#### Key management and compensation

Key management personnel are all Company Directors or executives with the greatest authority for the Group's strategic direction and management.

The following table details key management personnel compensation.

New Zealand dollars	2016 \$000s	2015 \$000s
Director fees	396	400
Other Director remuneration	-	-
Executive salaries	2,489	2,192
Short term benefits	725	216
<b>Total</b>	<b>3,610</b>	<b>2,808</b>

#### Transactions

Excluding transactions outlined and disclosed above, the following transactions were entered with related parties for post harvest and orchard management services.

New Zealand dollars	2016 \$000s	2015 \$000s
<i>Sales of services</i>		
Directors, management and other personnel	1,841	1,936
<i>Purchase of services</i>		
Directors, management and other personnel	61	25

**Outstanding balances**

The following balances are outstanding at the balance date.

New Zealand dollars	2016 \$000s	2015 \$000s
<i>Current receivables (operating)</i>		
Directors, management and other personnel	520	379
<i>Current payables (operating)</i>		
Directors, management and other personnel	12	10

**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 and no interest is charged on the amount payable.

Outstanding balances are unsecured and repayable in cash.

**Note 29. Risk management**

The Group's activities expose it to a variety of risks specific to producing and selling horticultural crops, along with corporate financial risks related to credit, liquidity and capital risk. The Group operates a comprehensive risk assessment and mitigation programme via its audit and risk committee.

The Group's policy is to ensure that the Group creates value and maximises returns to its shareholders and benefits for other stakeholders, as well as ensuring that adequate financial resources are available for the development of the Group's business whilst managing its financial risks.

**a. Risk management strategies related to orchard and retail operations**

Horticultural operations expose the Group to risks to production and market returns. The main production risks are climatic events, diseases and pests. These impact on volumes produced from the Group's orchards, volumes to post harvest (both from Group operations and independent growers) and volumes available for retail.

Market risks of pricing and exchange rates impact on orchard operations (the amount the Group is paid for growing crops) and impact on retail revenues where the Group imports and sells fruit produce, mainly bananas. The exchange rate risk on imports is managed through the use of foreign exchange contracts to match known and planned purchases. Market risks do not directly impact on post harvest operations, as charges are normally set prior to harvest and deducted before sales revenues are paid to supplying growers.

The Group operates in four regions spread over two countries; New Zealand's Northland, Coromandel and the Bay of Plenty, and in Australia's Mundoona region of Victoria. Main produce lines are kiwifruit, nashi pears, European pears and avocados, with small production of other temperate-climate fruits. Group retail activities are in New Zealand (including imported tropical produce), Australia and Asia. The Group's geographical, product and market spread limits the impact on Group operations from an adverse event occurring in a specific region, produce or market. To further mitigate risks, the Board uses the following strategies.

*Production risks - climatic events, disease and pests*

The Group follows industry best practice to mitigate production risks. This includes orchard management practices to optimise production from Group orchards, and extensive planning to ensure post harvest and retail services are suitably resourced to manage each season's crop volumes.

In New Zealand, the major climatic risks are hail, frost and storm damage.

- hail events are typically highly localised, and for kiwifruit the Group has access to industry hail insurance for its orchard operations, plus top-up payments from a Seeka Growers Limited hail insurance programme.
- frost events are typically regional, and the Group advocates best-practice crop protection, including active frost management on kiwifruit orchards operated by the Group and other growers supplying the Group's post harvest operations.
- storm events are typically regional, and the Group advocates best-practice crop protection, including shelter belts on all orchards operated by the Group and other growers supplying the Group's post harvest operations.

In Australia, the major climatic risks are drought, hail and fire. As the owner and operator of all orchards supplying its Australian operations, the Group actively manages climatic risks of its total production base. The orchards are located on three sites in the Mundoona region.

- Drought: to secure adequate irrigation, the Group has purchased extensive, long-term water shares from a reliable irrigation programme.
- Hail events are typically localised, and the Group currently has hail cloth protecting one orchard.
- Fire: risk of serious grass wild-fire rises during periods of extreme weather, with the Country Fire Authority responsible for risk assessment and management of fire events. The Group takes all practical steps to internally manage fire risk including removing excess vegetation from Group properties.



All horticultural undertakings are susceptible to disease and pest incursions. To minimise the risk of crop loss the Group monitors its orchards and undertakes recognised spray programmes to protect crops to the fullest extent possible. The kiwifruit vine disease *Pseudomonas syringae* pv. *actinidiae* (Psa) is widespread throughout New Zealand, and is being actively managed. To date Psa has not been detected in Australia.

## Market returns

### *New Zealand kiwifruit*

The Group has no direct market risk from the sale of kiwifruit harvested from lease operations, as all export marketing activities are undertaken by Zespri Group Limited (Zespri) under statutory regulations. The Group, however, is impacted by the level of Zespri's market returns which impact on the Group's orchard profitability. The Group monitors Zespri returns and uses modelling techniques to analyse current and projected orchard income. This information is used when setting Group budgets and orchard lease terms.

### *New Zealand avocados and kiwiberries*

The Group has a direct market risk from the sale of avocados and kiwiberries with half of the kiwiberry sales and all of the avocado sales managed by the Group's retail operations. The Group forecasts seasonal supply, monitors market conditions, develops a sales programme around the needs of key retailers and controls product quality and supply to optimise market access and returns. This information is used when setting Group budgets and orchard lease terms.

The Group has a direct currency risk from export sales as it does not own the products but acts as the growers' agent. The Group may hedge up to the total cash flows from each operation using actual sales made and estimated total product volumes to be exported.

### *Imported tropical produce*

The Group has a direct market, price and currency risk from imported fruit produce (banana, pineapple and papaya) where the Group imports fruit produce for sale as the principle through its supply and sale contracts. The Group may hedge up to the total known and projected cash flows to manage the exchange risk. The Group has no material direct price and currency risk from imported fruit produce where the supply agreement enables the Group to amend its purchase price according to trading conditions.

### *Australian produce*

The Group has a direct market and price risk from the sale of all Australian product which is managed by the Group's Australian operations. As the largest single grower and supplier of Australian kiwifruit and nashi pears, the Group has developed strong relationships with key retailers. The Group forecasts seasonal supply, monitors market conditions, develops a sales programme around the needs of key retailers and controls product quality and supply to optimise market access and returns.

Seeka Australia is the Group's single major international operation, exposing the Group to the Australian dollar. Foreign exchange risk includes future commercial transactions, assets, liabilities and net investments. Currency exposure from net assets is managed through borrowings in Australian dollars.

## Accounting policies

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating leases include short term orchard leases. Payments made under operating leases 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.

### **b. Credit risk**

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.

The maximum credit risk is the financial loss to the Group if counterparties fail to discharge a contractual obligation. The Group's maximum exposure is:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position, and
- the amount of contingent liabilities, if any, in relation to the financial guarantees provided by the Group.

For banks and financial institutions, only registered banks or their subsidiaries are accepted. The Group does not generally require any collateral or security to support financial instruments due to the quality of the financial institutions.

For customers, including outstanding receivables, the Group 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.

Other than concentration of credit risk on liquid funds 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 approximately 200 customers.

The following table details cash balances at balance date.

New Zealand dollars	2016 \$000s	2015 \$000s
<i>Counter party</i>		
Westpac bank deposits	1,688	1,192
	<b>1,688</b>	<b>1,192</b>

### c. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Group's policy is to regularly monitor its expected cash flows, liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Cash flow forecasting allows for the seasonal nature of Group operations.

When cash flow exceeds working capital management, funds are invested in interest bearing current accounts.

At balance date, the Group had \$114.8m (2015 - \$115.6m) of available credit of which \$74.4m (2015 - \$54.2m) was drawn. All credit lines are currently provided by one finance provider.

The following table details the remaining contractual maturities at balance date of the Group's financial liabilities.

New Zealand dollars	Less than 1 year \$000s	Between 1 and 2 years \$000s	Between 2 and 5 years \$000s	Over 5 years \$000s
<b>Group as at 31 December 2016</b>				
Trade payables	21,703	-	-	-
Derivatives	332	-	-	-
Bank borrowings and current portion of term liabilities	5,716	-	-	-
Term liabilities	-	68,729	-	-
<b>Total</b>	<b>27,751</b>	<b>68,729</b>	-	-
<b>Group as at 31 December 2015</b>				
Trade payables	24,854	-	-	-
Derivative liability	254	-	-	-
Bank borrowings and current portion of term liabilities	1,630	-	-	-
Term liabilities	-	-	52,522	-
<b>Total</b>	<b>26,738</b>	-	<b>52,522</b>	-

### d. Capital risk

Capital risk management focuses on ensuring the Group continues to operate as a going concern and maintains an optimal capital structure to support its business, maximise shareholder value, and the benefits delivered to other stakeholders.

The Group may maintain or adjust its capital structure by adjusting dividends, returning capital to shareholders, issuing new shares or selling assets.

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

The following table details the Group's shareholder equity ratio at balance date.

New Zealand dollars	2016 \$000s	2015 \$000s
Total shareholder funds	85,311	70,819
Total assets	197,309	164,318
<b>Shareholder equity ratio</b>	<b>43.24%</b>	<b>43.10%</b>

The Group is subject to, and monitors, financial covenants imposed by its lenders, including maintenance of equity ratios and earnings times interest cover. At no stage during the year did the Group breach any of its lending covenants. Refer to note 17.

**e. Price risk - equity securities**

The Group has minor exposure to equity securities price risk through incidental investments classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The majority of these investments are in industry-related entities, only some of which are publicly traded.

A 10% increase or decrease in equity investments with all other variables held constant, has minimal impact on the Group's profit and equity reserves.

The Board periodically reviews the performance and strategic benefits of these investments. No other formal risk management procedures are deemed necessary.

The decision to change the fair value of an investment is recorded through other comprehensive income or the statement of financial performance whenever a previous revaluation reserve balance was available. When no such reserve existed, any related loss is processed directly in the statement of financial performance, otherwise available reserves are utilised to offset the loss.

**f. Cash flow interest rate risk**

The Group's cash flow interest rate risk arises primarily from short and long-term variable rate borrowings from financial institutions. The Board continuously reviews term borrowings and uses interest rate swaps to hold a portion of borrowings at fixed rates; these are designated as effective hedging instruments and hedge accounting is applied.

The following table details interest rate and price sensitivity of the Group's financial assets and liabilities and their impact on the statement of financial performance or equity. Cash and advance balances do not attract interest and are not subject to pricing risk, and have therefore been excluded from this analysis.

	Carrying amount \$000s	Interest Rate Risk				Price Risk			
		-1%		+2%		-10%		+10%	
		Profit \$000s	Equity \$000s	Profit \$000s	Equity \$000s	Profit \$000s	Equity \$000s	Profit \$000s	Equity \$000s
<b>New Zealand dollars</b>									
<b>At 31 December 2016</b>									
<i>Financial Assets</i>									
Accounts receivable	23,233	-	-	-	-	( 1,488)	( 1,488)	1,488	1,488
Available for sale investments	2,287	-	-	-	-	( 11)	( 218)	-	229
Derivative assets	-	-	-	-	-	-	-	-	-
<i>Financial Liabilities</i>									
Derivative liabilities	332	-	( 916)	-	1,975	-	( 630)	-	630
Trade payables	21,703	-	-	-	-	-	-	-	-
Term liabilities	68,729	495	495	( 990)	( 990)	-	-	-	-
Bank borrowings and current portion of term liabilities	5,716	41	41	( 82)	( 82)	-	-	-	-
<b>Total increase / (decrease)</b>	<b>-</b>	<b>536</b>	<b>( 380)</b>	<b>( 1,072)</b>	<b>903</b>	<b>( 1,499)</b>	<b>( 2,336)</b>	<b>1,488</b>	<b>2,347</b>
<b>At 31 December 2015</b>									
<i>Financial Assets</i>									
Accounts receivable	24,129	-	-	-	-	( 1,322)	( 1,322)	1,322	1,322
Investment in shares	1,689	-	-	-	-	( 49)	( 120)	-	169
<i>Financial Liabilities</i>									
Derivative liabilities	254	-	( 196)	-	303	-	-	-	-
Trade payables	24,854	-	-	-	-	-	-	-	-
Term liabilities	52,522	378	378	( 756)	( 756)	-	-	-	-
Bank borrowings and current portion of term liabilities	1,630	12	12	( 23)	( 23)	-	-	-	-
<b>Total increase / (decrease)</b>	<b>-</b>	<b>390</b>	<b>194</b>	<b>( 779)</b>	<b>( 476)</b>	<b>( 1,371)</b>	<b>( 1,442)</b>	<b>1,322</b>	<b>1,491</b>

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

New Zealand dollars	Betw een	Betw een	Betw een	Betw een	Betw een	Over 5 years
	0 & 3 months	3 & 6 months	6 & 12 months	1 & 2 years	2 & 5 years	
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
<b>At 31 December 2016</b>						
Expected undiscounted cash flows based on current market interest rates	1,056	955	1,752	74,970	-	-
Floating rate	3.46%					
Average term rate	4.23%					
<b>At 31 December 2015</b>						
Expected undiscounted cash flows based on current market interest rates	849	921	1,788	3,297	60,482	-
Floating rate	5.44%					
Average term rate	4.45%					

### Note 30. Determination of fair values

#### Fair value of financial assets

The following table analyses assets and liabilities carried at fair value.

The different levels are defined as:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Instruments in level 1 are comprised of equity holdings in Zespri Group Limited and irrigation water rights.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability that have to be developed to reflect the assumptions that a market participant would use when determining an appropriate price.

New Zealand dollars	Level 1 \$000s	Level 2 \$000s	Level 3 \$000s	Total \$000s
Biological assets - crop at cost	-	-	15,657	<b>15,657</b>
Biological assets - crop at fair value	-	-	389	<b>389</b>
Irrigation water rights	195	-	-	<b>195</b>
Intangible assets - interest in leased land	-	-	345	<b>345</b>
Land	-	-	15,394	15,394
Buildings	-	-	80,440	80,440
<b>Total land and buildings</b>	-	-	<b>95,834</b>	<b>95,834</b>
Listed equity securities	1,701	-	-	<b>1,701</b>
Unlisted equity securities	-	-	586	<b>586</b>
Derivatives used for hedging (liability)	-	332	-	<b>332</b>

The reconciliations for level 3 fair value requirements are shown.

- Land and buildings (note 9)
- Interest in leased land (note 10)
- Biological assets - crop (note 11)
- Unlisted equity securities (note 22)

The following table shows the valuation techniques used in the determination of fair values within level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation models.

Type	Fair value	Method	Key unobservable inputs	How unobservables impact estimated fair value
<b>Biological assets - crop at cost</b>	<b>\$ 15.66 m</b>			
Includes New Zealand kiw ifruit and Australian kiw ifruit, nashi, packham and corella pears.		Cost - (yet to achieve sufficient biological transformation). Cost is tested for impairment at balance date using the group's budgets on an orchard by orchard basis.	Cost.	Reduces if cost is impaired at balance date.
<b>Biological assets - crop at fair value</b>	<b>\$ 0.39 m</b>			
Includes New Zealand avocados and Australian plums and speciality pears.		Estimated market value less selling costs and costs to market (have achieved sufficient biological transformation).	Forecast yields. Market sales price. Costs to harvest.	Increases w ith yields. Increases w ith price. Decreases w ith higher costs.
<b>Land and buildings, and interest in leased land</b>	<b>\$ 95.83 m</b>			
		Fair value is determined on a rolling 3-year cycle by an independent valuer using four different approaches; replacement cost approach, sales approach, investment approach and discounted cash flow approach. See accounting policies below and note 9 for further details.	Comparative market rents and applicable discount rate. Comparative market sales. Current level of building costs.	Increases w ith market rental, and low er discount rates. Increases w ith market sales. Increases w ith building costs.
<b>Unlisted equity securities</b>	<b>\$ 0.59 m</b>			
		Based on latest information from securities management. Tested for impairment w ith carrying amount assessed at balance date.	Securities management information on share price.	Increases w ith share price information. Reduces if cost is impaired at balance date.

## Accounting policies

### Financial assets, liabilities and instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair value measurements are categorised into a three-level hierarchy, based on the types of inputs to the valuation techniques used.

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 balance date (level 1 inputs). The quoted market price used for financial assets held by the Group 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 (level 2 inputs). 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.

### Trade receivable and payables

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 assets and liabilities with unobservable (level 3 inputs) reflect the assumptions that market participants would use when determining an appropriate price, additional disclosure is provided for the inputs and assumptions used in such cases.

### Land and buildings and interest in leased land

Fair value is determined on a rolling 3-year cycle by an independent valuer, with approximately one third of land and buildings assets are value each year using four different approaches as described in note 9.

New Zealand dollars	2016 \$000s	2015 \$000s
<b>Note 31. Derivative financial instruments</b>		
Liabilities		
<b>Interest rate swap contracts and forward exchange contracts - cash flow hedge</b>	<b>332</b>	<b>254</b>

Group bank loans currently bear an average variable interest rate of 3.5% (Dec 2015 - 5.4%), with the Group using interest rate swaps to protect the term portion of the loans. Swaps cover 64% (Dec 2015 - 93%) of the term liabilities at balance date and are classified as held for trading or as cash flow hedges.

#### Cash flow hedges

The following table details the interest rate swaps.

	Amount \$000s	Variable Rate	Loan maturity	Hedge fixed rate excluding bank margin	Hedge expiry
Term Loan - NZD \$10m	10,000	3.65%	28 February 2018	2.79%	30 December 2019
Term Loan - NZD \$5m	5,000	3.65%	28 February 2018	4.64%	30 December 2017
Term Loan - NZD \$4m	4,000	3.65%	28 February 2018	2.60%	30 December 2018
Term Loan - NZD \$16.5m	16,500	3.25%	28 February 2018	2.60%	30 December 2018
Term Loan - AUD \$17m	17,668	3.44%	28 February 2018	2.08%	30 December 2018

The following table details the forward exchange contracts:

	Amount \$000s	Spot rate	Hedge fixed rate	Hedge expiry
USD Hedges (multiple)	1,848	0.7048	0.7036	31 December 2017
Euro Hedges (multiple)	3,599	0.6682	0.6253	30 April 2019

The fair values of the interest rate swaps and forward exchange contracts are determined by Westpac and reviewed by the Board.

The gains and losses recognised in other comprehensive income appear in the statement of financial performance.

#### Accounting policies

##### *Derivative financial instruments and hedging*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured 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. Derivatives are classified as current or non-current based on the effective date.

##### *Hedge accounting*

The Group designates certain derivatives as cash flow hedges. At the inception of the hedge relationship the Group 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.

##### *Cash flow hedge*

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, is sold, or 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).

##### *Derivatives and financial instruments*

The Board 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.

**Note 32. Financial instruments summary**

The following tables summarise the categories of the Group's financial assets and liabilities.

New Zealand dollars	Loans and receivables \$000s	Assets at fair value through reserves \$000s	Available for sale \$000s	Total \$000s
Financial assets as at 31 December 2016				
Cash and cash equivalents	1,688	-	-	1,688
Trade and other receivables excluding prepayments	19,883	-	-	19,883
Non current trade and other receivables	3,350	-	-	3,350
Available for sale financial assets	-	-	2,287	2,287
<b>Total</b>	<b>24,921</b>	<b>-</b>	<b>2,287</b>	<b>27,208</b>

New Zealand dollars	Liabilities at fair value through reserves \$000s	Other financial liabilities \$000s	Total \$000s
Financial liabilities as at 31 December 2016			
Trade and other payables	-	21,703	21,703
Bank borrowings	-	5,716	5,716
Derivative financial instruments	332	-	332
Term liabilities	-	68,729	68,729
<b>Total</b>	<b>332</b>	<b>96,148</b>	<b>96,480</b>

New Zealand dollars	Loans and receivables \$000s	Assets at fair value through reserves \$000s	Available for sale \$000s	Total \$000s
Financial assets as at 31 December 2015				
Cash and cash equivalents	1,192	-	-	1,192
Trade and other receivables excluding prepayments	20,357	-	-	20,357
Non current trade and other receivables	3,772	-	-	3,772
Available for sale financial assets	-	-	1,689	1,689
<b>Total</b>	<b>25,321</b>	<b>-</b>	<b>1,689</b>	<b>27,010</b>

New Zealand dollars	Liabilities at fair value through reserves \$000s	Other financial liabilities \$000s	Total \$000s
Financial liabilities as at 31 December 2015			
Trade and other payables	-	24,854	24,854
Bank borrowings	-	1,630	1,630
Derivative financial instruments	254	-	254
Term liabilities	-	52,522	52,522
<b>Total</b>	<b>254</b>	<b>79,006</b>	<b>79,260</b>

**Accounting policies**

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. Classification depends on the purpose for which the investments were acquired. The Group determines the classification of its investments at initial recognition and re-evaluates this designation at each balance date.

Regular purchases and sales of financial assets are recognised when 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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of financial performance. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

*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 Group. Derivatives are also categorised as held for trading.

*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.

*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 category. They are included in non-current assets unless the Group intends to dispose of the investment within 12 months of 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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group 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. However, if the loss is deemed to represent objective evidence of an impairment, any additional loss over and above previous gains recognised in reserves will be recognised in the statement of financial performance. 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.

*Impairment of financial assets*

At balance date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. 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 on equity instruments recognised in the statement of financial performance are not reversed through other comprehensive income.



**Note 33. 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 standard and amendments are mandatory for the first time in the current year and adopted by the Group.

NZ IAS 41 (Amendment) 'Agriculture'. (effective for annual periods beginning on or after 1 January 2016). Early adoption was allowed. Biological assets except for bearer plants are accounted for under IAS 41 while bearer plants are accounted for under IAS 16 'Property, Plant and Equipment'. The amendments also clarify that produce growing on bearer plants is to be accounted for under IAS 41. This amendment was adopted early by the Group and applied retrospectively from 1 January 2013.

NZ IFRS 3 'Business Combinations' (effective for annual periods beginning on or after 1 January 2016). The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business in NZ IFRS 3. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained.

**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:

NZ IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017). NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess NZ IFRS 15's full impact. The Group will apply this standard from 1 January 2017.

NZ IFRS 9 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). NZ IFRS 9 is to replace IAS 39 and will simplify the mixed measurement model as well as establish three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit and loss. Basis of classification depends on the entity's business model and contractual cash flow characteristics of the asset. IAS 39 guidance on impairment and hedge accounting will continue to apply.

NZ IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019). NZ IFRS 16 replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'.

The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

## *Independent auditor's report*

To the shareholders of Seeka Limited

The consolidated financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of financial performance for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

### *Our opinion*

In our opinion, the consolidated financial statements of Seeka Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2016, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

Our firm carries out other services for the Group in the areas of tax compliance and consultancy services. The provision of these other services has not impaired our independence as auditor of the Group.

## Our audit approach

### Overview



*An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.*

*Overall group materiality: \$1.88 million, which represents 1% of Group revenue.*

*We selected 1% of revenue as the benchmark for our materiality as we consider this is an appropriate measure of performance of the Group. The Group operates in a high volume low margin industry where net profit is not representative of the scale of the Group.*

*KAM 1 – Valuation of Biological Assets – crop*

*KAM 2 – Valuation of Land and Buildings*

### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We audited both the New Zealand and Australian operations of the Group at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned or based on materiality calculated for statutory reporting purposes where the statutory materiality was lower than that allocated in the Group calculation.

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

## Key audit matter

### *Valuation of Biological Assets - crop*

Biological assets are disclosed in note 11 of the financial statements and are comprised of the crops on the vines and trees on the Group's leased and owned orchards. Biological assets are recorded at fair value. The method to determine fair value depends on the degree of biological transformation (the maturity of the fruit) at balance date.

Management exercise judgement utilising industry knowledge and internal experts in determining the level of biological transformation at balance date. When insufficient biological transformation has occurred, the fair value is the costs incurred at balance date to grow the crops (so long as the costs are considered recoverable).

Management assessed the recoverability of costs by comparing the carrying amount to budgeted costs at year end and ensuring that actual costs incurred plus costs to be incurred in order to get the crop to market did not exceed budgeted revenues from the sale of the crops. Management use historical results and anticipated crop levels as a basis for budgeted revenues.

The total value of biological assets at balance date was \$16.0 million. Of this amount, \$15.7 million (98%) used cost as a proxy for fair value.

### *Valuation of Land and Buildings*

As reflected in note 9 of the financial statements the Group has a policy of revaluing their land and buildings on a three year rolling cycle, (excluding assets under construction). At each balance date approximately one third of the Group's assets are revalued by an independent external valuer. The Group then utilises their internal valuation expertise to determine, based on the results of the third party valuations, that the remaining asset values remain appropriate and materially reflect fair value.

Because the Group does not possess the internal valuation capability to assess the appropriateness of the carrying value of the Australian land and buildings relative to estimated fair value management engaged an independent third party valuer based in Australia to reconfirm the carrying values are materially consistent with fair value.

The value of Group's land and building at year end is \$95.8 million.

## How our audit addressed the key audit matter

Our audit focused on the judgements used to determine the crop value including the degree of biological transformation, the attribution of costs capitalised to the following year's crop and the recoverability of capitalised costs.

Our audit procedures included:

- Gaining an understanding of the crop life cycle and growth periods with reference to relevant independent horticultural industry information to determine the appropriateness of management's assessment of biological transformation.
- Selecting a sample of expenses that were capitalised and agreed to invoices to determine whether capitalisation was valid and directly related to the unharvested crop at 31 December 2016.
- Reviewing management's assessment of the recoverability of capitalised costs which uses judgement to estimate the expected crop yield and future selling price.
- Finally we performed an independent evaluation of impairment indicators by utilising external and internal sources of information to support key metrics included in forecasts such as production rates, or yields, and expected crop sales values. Additionally we evaluated the historical accuracy of management's forecasting.

The results of our procedures did not identify any material inconsistencies with management estimates.

Our audit focused on the judgement inherent in valuations.

Our procedures included:

- Assessing the objectivity and competence of valuation experts and third party valuers, in addition to assessing the independence of the third party valuers utilised by management.
- Utilising our own internal valuation expert. We have assessed whether or not key assumptions used in the external valuation were relevant by comparing the valuation assumptions and inputs used, such as capitalisation and discount rates, to externally available data. Where external data was not available our internal valuation specialist has utilised his experience and knowledge to determine whether the assumptions used by the third party valuer were reasonable and appropriate in the circumstances.
- Reviewing and challenging management's assessment of the carrying values of the land and buildings not independently revalued during 2016 by preparing our own independent assessment of valuation ranges using our internal valuation expert.

As a result of the audit procedures performed, the values determined by management were within ranges that were considered appropriate in the context of our audit.

### *Information other than the financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

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

### *Responsibilities of the Directors for the consolidated financial statements*

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

[https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page1.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx)

This description forms part of our auditor's report.

### *Who we report to*

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

The engagement partner on the audit resulting in this independent auditor's report is Pip Cameron.

For and on behalf of:



Chartered Accountant  
27 February 2017

Auckland

## Directors

### **Fred Hutchings**

Independent Chairman

Fred has extensive commercial and business experience as a partner at PricewaterhouseCoopers for 27 years. He is chairman of Tui Products Limited a director of Speirs Group Limited and Speirs Food Limited. He is a Past President of Chartered Accountants Australia and New Zealand.

### **Malcolm Cartwright**

Deputy Chairman

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

### **Martyn Brick**

Director

Martyn has extensive experience in agribusiness having worked in a rural banking, finance, and in horticulture. He is a former director of Te Awanui Huka Pak and former chairman of the Te Awanui Growers Council.

### **John Burke**

Director

John is a kiwifruit orchardist and a farmer. He has an agribusiness background and qualifications. Previous positions include general manager KVH and chief executive Te Awanui Huka Pak. Before entering the kiwifruit post harvest business, John operated a rural valuation and consultancy practice.

### **Amiel Diaz**

Director

Mel has been in the fresh produce business in Asia particularly the Philippines and Japan as head of the Philippine subsidiaries of Farmind Corporation. He also has extensive executive management experience in technology, telecommunications, manufacturing, finance, service, business consultancy and fresh produce industries over the last 30 years serving in various executive positions, board memberships and advisory roles.

### **Ashley Waugh**

Independent Director

Ashley has extensive experience in the fresh food industry having worked within the Australasian fast moving consumer goods (FMCG) markets for over 30 years, and has also had considerable global experience in the FMCG, Foodservice and Ingredients markets. Ashley was the CEO of Australian dairy foods and juice giant National Foods up to its merger with Lion Nathan in 2009. His prior business experience was with the New Zealand Dairy Board and Ford Motor Company.

He currently serves on the Board of Colonial Motor Company, and Fonterra Group as a farmer elected director. He is the Chairman of Mōa, New Zealand's largest craft brewer.

Ashley Chairs the Audit and Risk Committee at Seeka.

### **Peter Ratahi Cross**

Director

Ratahi is the Chairman of several Trust Boards throughout the Eastern areas of the North Island. He chairs Te Awanui Huka Pak Limited and Ngāi Tūkairangi Trust, the largest Māori kiwifruit grower in New Zealand. The orchard is the jewel in the crown of Māori kiwifruit orchards and is situated on the Matapihi Peninsula at Mount Maunganui.

Ratahi has a background in natural science specialising in native flora and fauna, he also lectures in Māori history for several tribes he belongs to.

Directors' interests in subsidiaries

The following table shows the position of Group officers in Group subsidiary companies in the year to 31 December 2016.

<b>Subsidiary company</b>	<b>Michael Franks Chief executive officer</b>	<b>Stuart McKinstry Chief financial officer</b>	<b>Anthony Motion Independent director</b>
Seeka Australia Pty Limited	Director	Director	Director
Seeka Pollen Australia Pty Limited	Director	Director	Director
Seeka Fresh Limited	Director	Director	
Integrated Fruit Supply & Logistics Limited	Director		
Kiwi Coast Growers (Te Puke) Limited	Director	Director	
Enviro Gro Limited	Director		
Seeka Growers Limited	Director		
Eleos Limited	Director	Director	
Avofresh Limited	Director		
Seeka Te Puke Limited	Director	Director	
Glassfields (NZ) Limited	Director	Director	
Guaranteed Sweet Limited	Director	Director	

## Disclosures

The annual report is based on audited financial statements. The disclosures are made in accordance with Section 211 of the Companies Act 1993 and the NZX Main Board Listing Rules.

### Principal activities

The principal activities of the Group are to provide orchard lease and management, and post harvest service activities to the horticulture industry. The Group also provides retail services including ripening and delivery for customers in New Zealand and Australia and wholesale market services to independent operators in New Zealand.

The nature of the Company's business has not changed in the year to 31 December 2016 under review.

### Dividends

During the year ended 31 December 2016, a fully imputed dividend of \$0.10 per share was paid on 24 March 2016.

During the year ended 31 December 2016, a fully imputed dividend of \$0.10 per share was paid on 29 September 2016.

### Donations

No donations were made by the Company or its subsidiaries during the year ended 31 December 2016.

### Directors holding office during the year

The directors holding office during the year and as at 31 December 2016 were:

Fred Hutchings	Martyn Brick <sup>(1)</sup>
Ashley Waugh	Peter Cross <sup>(1)</sup> (Appointed 1 March 2016)
Malcolm Cartwright <sup>(1)</sup>	John Burke <sup>(1)</sup>
Amiel Diaz <sup>(1)</sup>	Neil Te Kani <sup>(1)</sup> (Retired 12 February 2016)

(1) Non-independent Directors

### 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 December 2016:

Current Directors	Beneficially held shares	Non-beneficially held shares
F Hutchings - Walker Nominees	10,000	-
M Cartwright	75,325	-
J Burke - J&D Holdings Limited	34,323	-
M Brick - Omega Kiwifruit & Strathboss Kiwifruit Limited	391,706	-
A Waugh	4,300	-
P Cross	-	1,320,300



**Meeting attendance**

The following table details the number of board and committee meetings the directors were eligible to attend and did attend during the course of the 2016 financial year.

	Board of Directors			Remuneration Committee			Audit Committee		
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Fred Hutchings	Chairman	13	13	Chairman	3	3	Ex-officio	7	7
Malcolm Cartwright	Deputy Chair	13	13	Member	3	3			
Martyn Brick	Director	13	12				Member	7	6
John Burke	Director	13	13				Member	7	6
Amiel Diaz	Director	13	13						
Peter Cross	Director	13	11	Member	3	3			
Ashley Waugh	Director	13	12				Chairman	7	7
Neil Te Kani (Retired 12 February 2016)	Director	-	-						

## Share dealings

The following table shows transactions recorded in respect of shares disposed of by directors interests, either directly or indirectly, in the year to 31 December 2016.

	Quantity	Closing Balance	\$ Value
<b>M Brick - Omega Kiwifruit &amp; Strathboss Kiwifruit Limited</b>			
Restated Opening Balance 1 January 2016		367,642	
Purchase – 7 September 2016	24,064	391,706	\$4.40
Closing Balance		391,706	
<b>J Burke - J &amp; D Burke Holdings Limited</b>			
Opening Balance 1 January 2016		22,660	
Purchase - 3 March 2016	11,000	33,660	\$3.80
Purchase - 7 September 2016	649	34,309	\$4.40
Purchase - 7 September 2016	14	34,323	\$4.27
Closing Balance		34,323	
<b>M Cartwright</b>			
Opening Balance 1 January 2016		66,930	
Purchase - 24 March 2016	1,656	68,586	\$3.76
Purchase - 7 September 2016	5,132	73,718	\$4.40
Purchase - 29 September 2016	1,607	75,325	\$4.27
Closing Balance		75,325	
<b>F Hutchings - Walker Nominees Limited</b>			
Opening Balance 1 January 2016		10,000	
Closing Balance		10,000	
<b>P Cross</b>			
Opening Balance 1 January 2016		1,300,224	
Purchase – 24 March 2016	812	1,301,036	\$3.76
Purchase – 7 September 2016	18,136	1,319,172	\$4.40
Purchase – 29 September 2016	1,128	1,320,300	\$4.27
Closing Balance		1,320,300	
<b>A Waugh</b>			
Opening Balance 1 January 2016		4,300	
Closing Balance		4,300	

Directors of Group subsidiary companies did not undertake any share dealings in those companies.

## Directors' interests

During the year the Group undertook transactions with the directors as "Related Party Transactions". At 31 December 2016, the following general disclosures of interests have been made by the directors in terms of section 140 (2) of the Companies Act 1993.

### Directors of the company

Name	Director	Shareholder	Other
<b>F Hutchings</b>			
Amwell Holdings Limited	✓	✓	
Walker Nominees Limited	✓		
Seeka Employee Share Plan Trustees Limited	✓		
Speirs Group Limited and subsidiaries	✓		
Tui Products Limited	✓		
<b>M J Cartwright</b>			
Seeka Growers Limited	✓		
Seeka Employee Share Plan Trustees Limited	✓		
AvoFresh Limited	✓		
Zespri International Limited		✓	
MJ & HC Cartwright Trust			Beneficiary / Trustee
<b>M Brick</b>			
Strathboss Kiwifruit Limited	✓	✓	
Seeka Growers Limited	✓		
Omega Kiwifruit Limited	✓	✓	
Katoa Partnership			Manager
Zespri International Limited		✓	
Rokeyby Trust			Beneficiary
<b>J Burke</b>			
J & D Burke Holdings Limited	✓	✓	
Rokeyby Trust			Trustee
Zespri International Limited		✓	
<b>A Diaz</b>			
Farmind Philippines Inc.	✓		Officer
Farmind Corporation of Japan			Officer
<b>A Waugh</b>			
Primrose Hill Farm (Puke-Roha Limited.) - Te Awamutu	✓	✓	
Moa Group Limited	✓	✓	
The Colonial Motor Group Limited	✓	✓	
Fonterra Co-operative Group Limited	✓	✓	
<b>P Cross</b>			
Ngai Tukairangi Trust			Trustee / Chairman
Te Awanui Huka Pak Limited	✓		

### Directors of subsidiaries

Name	Director	Shareholder	Other
<b>S McKinstry</b>			
Rivas Orchard Limited	✓	✓	
R&M Orchards Limited	✓	✓	

Michael Franks and Anthony Motion have not made any general interest disclosures in respect of New Zealand incorporated subsidiaries other than those disclosed on page 61 along with Stuart McKinstry.

## Remuneration and other benefits

Directors fees and other remuneration paid to Seeka Limited's Directors during the year was:

Director	Directors fees
F Hutchings	\$90,000
A Waugh	\$60,000
M Cartwright	\$50,000
M Brick	\$50,000
J Burke	\$50,000
A Diaz	\$50,000
P Cross	\$41,667
N Te Kani	\$4,167
<b>Total</b>	<b>\$395,833</b>

Directors fees and other remuneration paid to Directors of subsidiaries during the year was:

Director	Directors fees
A Motion	\$28,381

Michael Franks and Stuart McKinstry did not receive remuneration as directors but were compensated as part of their employment.

## Remuneration of employees

The Group had 76 (December 2015 - 63) current employees, including 3 employees (December 2015 – nil) employed by subsidiaries, and 5 (December 2015 - 1) former employees, that are not directors whose annual cash remuneration and benefits (including motor vehicles and termination costs) exceed \$100,000 in the financial year.

Remuneration	Current year		Prior year	
	Continuing	Former	Continuing	Former
\$100,000 - \$109,999	14	1	14	-
\$110,000 - \$119,999	16	-	15	1
\$120,000 - \$129,999	9	1	6	-
\$130,000 - \$139,999	9	1	5	-
\$140,000 - \$149,999	6	-	5	-
\$150,000 - \$159,999	3	-	4	-
\$160,000 - \$169,999	4	-	3	-
\$170,000 - \$179,999	2	1	2	-
\$180,000 - \$189,999	1	-	2	-
\$190,000 - \$199,999	2	-	-	-
\$200,000 - \$209,999	2	-	1	-
\$210,000 - \$219,999	-	-	1	-
\$240,000 - \$249,999	-	-	2	-
\$250,000 - \$259,999	2	-	-	-
\$260,000 - \$269,999	1	1	-	-
\$290,000 - \$299,999	1	-	2	-
\$300,000 - \$309,999	1	-	-	-
\$350,000 - \$359,999	1	-	-	-
\$380,000 - \$389,999	1	-	-	-
\$610,000 - \$620,000	-	-	1	-
\$720,000 - \$729,999	1	-	-	-
<b>TOTAL</b>	<b>76</b>	<b>5</b>	<b>63</b>	<b>1</b>

Remuneration during the year included Key Performance Indicator payments for both the prior year and current year ended 31 December 2016.

Employee remuneration of employees employed by overseas incorporated subsidiaries that are remunerated in currencies other than New Zealand Dollars has been converted into New Zealand Dollars using the average exchange rate for the year ended 31 December 2016. The impact of movements in exchange rates from period to period has been reviewed and has not significantly changed the disclosure above.

### 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, including directors of subsidiaries.

### Directors and offices composition

As at 31 December 2016 the gender composition of the Company's Directors and Officers was as follows:

	Current year		Prior year	
	Male	Female	Male	Female
Directors	7	-	7	-
Officers	2	-	2	-
<b>TOTAL</b>	<b>9</b>	<b>-</b>	<b>9</b>	<b>-</b>

### Summary of waivers granted by NZX

On 1 September 2014, NZX granted Seeka a waiver from NZX Main Board Listing Rule 7.11.1 in relation to its grower incentive scheme in respect of the 2014, 2015 and 2016 kiwifruit supply seasons.

Listing Rule 7.11.1 requires an issuer to issue shares within 5 business days after the latest date on which applications for those shares close. Under Seeka's grower incentive scheme, a grower is required to return an entitlement and acceptance form prior to 31 March in the relevant supply season in order to participate in the scheme. However, a participating grower would not be issued shares under the scheme until 7 September of the relevant supply and any future supply season(s), which is later than the 5 business day period required by Listing Rule 7.11.1.

Accordingly, NZX has granted Seeka a waiver from the requirements of Listing Rule 7.11.1 for the purposes of its grower incentive scheme. A condition of the waiver is that Seeka must issue shares within 5 business days of 31 August in each of the relevant supply seasons.

## Corporate governance statement

This statement is an overview of the Group's main corporate governance policies, practices and processes adopted or followed by the Board of Directors. The Group's corporate governance processes do not materially differ from the principles set out in the NZX Corporate Governance Best Practice Code.

### Responsibilities and functions of the board

The Board of Directors is responsible for the direction and oversight of 'Seeka 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 seven.

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 executive can buy or sell shares 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 and risk 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 chief executive, chief financial officer and external auditors are invited to audit committee meetings as deemed necessary. The committee is comprised of Ashley Waugh, John Burke and Martyn Brick.

The responsibilities of the audit committee include:

- reviewing the annual reports and financial information
- liaising with the external auditors
- reviewing the systems and internal controls
- improving the quality of the accounting function
- establishing a formal risk management policy and programme.

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 executive and directors. The committee is comprised of Fred Hutchings, Malcolm Cartwright and Peter Ratahi Cross

The responsibilities of the remuneration committee includes:

- 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 and regulatory 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

### To 50 shareholders at 17 February 2017

Farmind Corporation - Japan	2,800,567	Custodial Services Limited	77,938
Sumifru Singapore Pte Limited	2,093,558	Birdwood Farms Limited	76,562
Te Awanui Huka Pak Limited	1,267,410	MJ Cartwright & HC Cartwright & Others	75,325
Seeka Employee Share Plan	743,600	AJ Northcote Hill & JM Hill & Others	73,890
CW Flood & M Schlagel	477,130	HO Wright	71,362
National Nominees New Zealand Limited	386,732	Strathboss Kiwifruit Limited	71,312
Omega Fruit Limited	320,394	Forsyth Barr Custodians Ltd	65,401
J & PC Law	310,240	Bowyer Orchards Limited	63,683
AL Bayliss & CJ McFadden	234,457	JP Jensen & PJ Jensen	62,867
Burts Orchards (1997) Limited	195,922	Penmaen Limited	58,535
GA Cole	188,862	CR Malcolm & HA Malcolm	54,872
S Moss	168,016	Bnp Paribas Nominees NZ Limited	54,722
LJ Christie	125,000	T&G Hawthorn, G Hawthorne & Others	53,076
J Slater & RA Slater	122,291	PR Cross & N Te Kani	52,890
New Zealand Permanent Trustees Limited	114,751	RD & CB Clarke	49,529
GK & DJ Oakley & Others	106,441	MG Franks	49,120
MC & HF Salt	103,770	DW Hay	46,085
HSBC Nominees (New Zealand) Limited	102,737	DJ Hicks & JF Hicks & DR Pilbrow	45,700
Custodial Services Limited	101,617	DM Reid & BA Reid & JA Stewart	45,566
D Grindell	100,055	JE Bourke & RJ Bourke	44,837
J Slater & RA Slater	100,000	CW Flood	42,983
BJ & L Cotton-Stapleton	87,954	HM Bowyer	42,255
MI Tremain & BM Tremain	86,963	IG Arnot	42,000
ID Greaves & NA Greaves & CM Thompson	84,395	LM Marx & WB Sheather & PV Sheather & SM Palmer	41,438
BF Grafas	79,771	SE Fisher & JA Fisher	40,662

### Analysis of shareholder by size at 17 February 2017\*\*

	Number of shareholders	Shares held	Percentage of shareholders	Percentage of shares	Average holding
Up to 1,000 shares	407	207,808	29.51%	1.19%	511
1,001 to 5,000 shares	602	1,530,318	43.82%	8.77%	2,542
5,001 to 10,000 shares	188	1,355,418	13.52%	7.76%	7,210
10,001 to 100,000 shares	165	4,306,130	11.92%	24.67%	26,098
100,001 shares or more	16	10,058,908	1.24%	57.62%	628,682
<b>Total</b>	<b>1,378</b>	<b>17,458,652</b>	<b>100.0%</b>	<b>100.0%</b>	<b>12,670</b>

### Substantial Product holders at 17 February 2017\*

	Shares held	Percentage of shareholders
Te Awanui Huka Pak Limited	1,267,410	7.26%
Sumifru Singapore PTE Ltd	2,093,558	11.99%
Farmin Corporation - Japan	2,800,567	16.04%

\*All shares fully paid up

\*\*Shares that are fully paid and have voting rights