Seeka
SELECT EXCELLENCE

SEEKA LIMITED

INTERIM REPORT
JUNE 2019

CONTENTS

FROM THE CHAIRMAN AND CHIEF EXECUTIVE

Seeka is pleased to provide you with this report on our unaudited financial and operational results for the six months ended 30 June 2019. In the period, Seeka focussed on achieving excellence through its growth strategy, including consolidating the Northland orcharding and post harvest operations and purchasing Aongatete Coolstores Limited (Aongatete) to add additional kiwifruit volume and processing capacity to our central Bay of Plenty catchment area as well as delivering excellent service to our growers and marketers, principally Zespri.

Since the acquisition of the Northland kiwifruit orchards and related post harvest business from T&G Global Limited in 2018, Seeka has invested $ 15.2m in a new packhouse and new packing technology to better service our expanding Northland grower base, and is progressively selling the kiwifruit orchards to motivated investors who are committed to supplying their fruit to our operations. Our new and improved Northland post harvest facilities and subsequent orchard resales are delivering a new level of service to this growing region and securing ongoing supply to our post harvest operations. The cash flow from the orchard sales has allowed the repayment of debt.

In March 2019, Seeka expanded kiwifruit operations with the acquisition of Aongatete. An innovative company with excellent people and loyal growers, Aongatete was a strategic acquisition in our Bay of Plenty heartland to build kiwifruit volume and deliver packing and storage capacity to our core kiwifruit business.

This summer's dry growing conditions reduced volumes across the Australasian produce sector, including kiwifruit. While our orcharding yields and post harvest volumes were impacted by this seasonal drop, Seeka has delivered a 28% lift in net profit after tax to $11.86m; up from $9.32m in the previous corresponding period (pcp). Seeka maintains its full year EBITDA guidance of $32.5m to $33.5m.

The new NZ IFRS16 lease accounting standard was fully implemented in the period with pcp comparatives restated to ensure comparability of our financial results for the half year. This accounting standard changes the reporting of lease expense along with interest and depreciation.

Seeka is a seasonal business, earning significantly more income in the first six-months and the financial performance of the Company in the first six-months may not reflect the full year earnings.

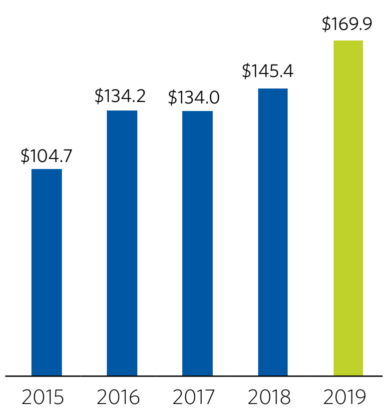
Seeka remains focussed on consolidating operations from the Northland and Aongatete acquisitions, including completing the sale of Northland orchards to repay debt, while securing supply to our core kiwifruit business. This process is currently being extended to Australia where Seeka is investigating the potential to sell and leaseback the Australian kiwifruit orchards and since balance date has advertised for sale the Australian kiwifruit orchard portfolio. This would secure supply to our Australian post harvest and retail operations, realise a cash gain for the business, provide funds to accelerate growth and reduce Seeka's debt.

Results for the six months ended 30 June 2019 include

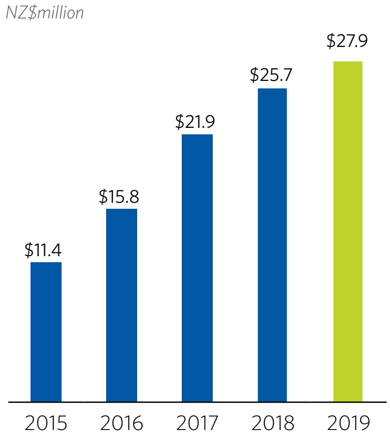
- $11.86m profit after tax (pcp: $9.32m); up 28%.
- $27.91m EBITDA (pcp: $25.71m); up 8.5%.
- $407.43m of assets; up 31% from the pcp
- $148.08m net debt; an increase of $32.1m.
- $5.4m sale of Northland orchards for a realised gain of $1.2m, with a conditional $18.7m sale forecast to settle by year end, for a further $3.1m gain.
- All of the shares in Aongatete Coolstores limited were acquired for $14m.
- $15.2m[1] investment in new packhouse and pack machine at Kerikeri; commissioned for harvest 2019, this large infrastructure build delivers capacity ahead of Northland's growing kiwifruit and avocado production.
- $20.6m[1] refurbishment of Oakside machine 2, with additional pre-cooling and coolstores result in lifting site capacity by approximately 2.25m trays, delivering greater efficiency and providing our growers the ability to harvest at the optimal time for fruit quality lowering the risk of late harvest to our growers.
- Successful harvest and processing operations across New Zealand and Australia including kiwifruit, avocados, kiwiberry, nashi and pears.
- 33.5m tray equivalents of kiwifruit packed by New Zealand post harvest (pcp: 31.1m); 29.6m from Seeka's traditional post harvest operation (5% down on a seasonal drop in Hayward yields), plus 3.9m trays from the 2019 Aongatete acquisition.
- Grower loyalty share scheme secures New Zealand kiwifruit, avocado and kiwiberry supply for three seasons; 2,061,803 shares allotted with an estimated 91% of growers are now Seeka shareholders.
- Rewarding employee engagement with a new employee share scheme; 568,000 shares allotted with an estimated 70% of permanent employees are now Seeka shareholders.
- One serious harm injury to a packer's finger at Aongatete post harvest.
- New Seeka App gives growers online updates on their crop's performance in Seeka's supply chain.

Group financial indicators to 30 June

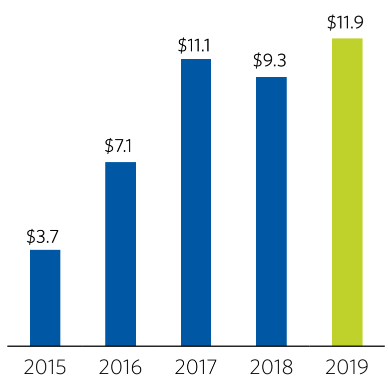
Total revenue
NZ$million



EBITDA
NZ$million



Net profit after tax
NZ$million



1. Costs to date since project inception in June 2018.

Operational performance

New Zealand dollars	Reported result June 2019	Restated result June 2018	(Decrease) / increase to reported 2018 result
Total revenue ($m)	$ 169.9	$ 145.4	17%
EBITDA before impairments and revaluations ($m)	$ 27.9	$ 25.7	9%
EBIT [1] ($m)	$ 20.3	$ 17.6	15%
NPAT ($m)	$ 11.9	$ 9.3	28%
Basic earnings per share	$ 0.35	$ 0.52	(33%)
Net bank debt ($m)	$ 148.1	$ 116.0	28%

1. 2018 reported EBIT was reduced by $1.5m ($1.5m after tax) as a consequence of the impairment and accelerated amortisation of intangible assets.

Dividend announcement

A dividend of $0.12 per share has been declared by the Board. The dividend is fully imputed and will be paid on 9 October 2019 to those shareholders on the register at 5pm on 13 September 2019. The dividend reinvestment plan will apply with a 2% discount applied to determine the strike price.

Outlook

Seeka is anticipating lower operational earnings for the second half of the financial year reflecting lower volumes of fruit in store at 30 June and an early selling season. The company continues to market, negotiate and sell Northland orchards and has started enacting a similar strategy in Australia. When completed these sales are expected to reduce debt and realise a gain on sale. The following guidance is based on Seeka's best estimate on the forward six months' earnings. The market will be updated if there is material deviation.

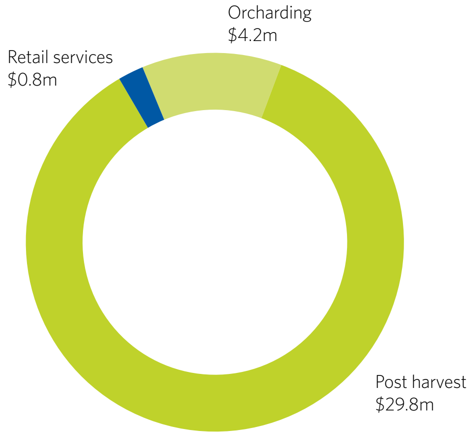
New Zealand dollars	2019 guidance Lower range	2019 guidance Upper range	2018 full year Restated
EBITDA ($m)	$ 32.5	$ 33.5	$ 31.0
Increase over 2018	+ 5%	+ 8%	

Operating segment overview

Seeka supplies high-value produce to world markets. Founded on New Zealand's kiwifruit industry, our New Zealand operating segments service the value chain from orchard to market, with the Seeka group also owning and operating a fully-integrated orchard-to-market business in Australia.

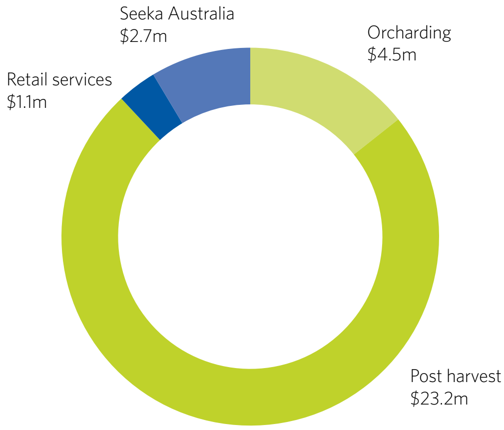
Operating segment EBITDA

EBITDA to June 2019 - $27.9m



Excludes ($6.7m) EBITDA for the Group's administration and grower services overheads and a ($0.2m) loss from Seeka Australia.

EBITDA to June 2018 - $25.7m



Excludes ($5.8m) EBITDA for the Group's administration and grower services overheads.

Segment operations

Orcharding, New Zealand

Orcharding production covers the growing of kiwifruit, avocado and kiwiberry on leased, long term leased, and Seeka-owned orchards.

Post harvest, New Zealand

Post harvest handles all produce from our orcharding operations and from independent growers.

Retail services, New Zealand

Includes marketing avocados, class 2 New Zealand kiwifruit, imported tropical fruits, and manufacturing Kiwi Crush and avocado oil.

Seeka Australia

Owns and operates kiwifruit, nashi and pear orchards and post harvest facilities, and directly markets Seeka produce to retailers.

Review of operations

Financial performance

Revenue for the six months ended 30 June 2019 increased 16.8% to $169.87m (pcp: $145.44m). Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) was $27.91m (pcp: $25.71m); up 8.6%. This includes an $0.15m EBITDA loss from Seeka Australia (pcp: $2.71m gain), from a very dry summer resulting in lower Hayward kiwifruit volumes and an underperforming nashi programme.

Consolidated profit after tax was up 27.3% to $11.86m (pcp: $9.32m), with cash flow from operations up 107% to $5.15m (pcp: $2.49m).

In the period, Seeka invested $25.82m in property plant and equipment, primarily building the Kerikeri pack house and commissioning a new packing machine and upgrading Oakside packing machine 2, pre-coolers and coolstores. Once additional pre-cooler and coolstore builds at Kerikeri are completed, Seeka's post harvest capacity is forecast to be able to handle fruit supply for the next two seasons.

In the six months, $7.13m was realised from completed Northland property sales (of which $1.73m relates to a sale recorded in 2018), with $5.4m of orchard sales made in the period for a gain of $1.2m. Since 30 June 2019, Seeka completed a further $11.71m of orchard sales to realise a $1.5m gain and has $7.0m of conditional sales expected to settle before year end which will realise a further $1.6m gain.

Seeka holds a further $21.65m in orchards at fair value. These are expected to be substantially sold this financial year with the sale proceeds returning debt to more conservative levels.

Net debt at 30 June (bank loans less bank deposits) was $148.08m (pcp: $115.98m); an increase of $32.1m, driven by the investment in post harvest capacity and the Aongatete acquisition.

New Zealand operations

Orcharding

Spanning from Northland through to the Coromandel, Bay of Plenty and East Coast, orcharding production covers the growing of kiwifruit, avocado and kiwiberry on leased, long term leased, and Seeka-owned orchards. Orcharding also provides comprehensive orchard management and vine management services to orchard owners.

Orcharding kiwifruit volumes increased in 2019 from new production associated with the Northland and Aongatete acquisitions, with the company growing 41.11m kilograms of kiwifruit (11.42m trays) compared to the prior year's 37.44m kilograms (10.4m trays). The acquired orchards helped offset the drop in Hayward yields to 9,800 trays per hectare (pcp: 11,800 trays per hectare), which was primarily due to a hot summer restricting fruit size and increasing reject rates, mainly from sooty mould contamination. Hayward yields have now fluctuated over the last three seasons, with this variety showing signs of biennial bearing.

Seeka also grew 732,000 kilograms of avocados (pcp: 200,000 kgs) and 64,400 kilograms of kiwiberry (pcp: 15,000 kgs).

Orchard operations revenue of $48.33m is up $9.34m from the pcp, while EBITDA of $4.16m is in line with the prior period, reflecting a reduction in the productive orchard area under long term lease. Seeka continues to invest in long term lease arrangements with fruit volumes set to increase as these orchards reach maturity.

Post harvest

Post harvest operates eight major facilities spread throughout the major growing regions in the North Island handling all produce from our orcharding operations and from our independent growers.

In the period, 33.5m trays of kiwifruit were packed (pcp: 31.1m), with 3.9m trays supplied by growers associated with our new Aongatete acqusition completed 18 March.

Total post harvest volumes were impacted by the dry summer, with Hayward yields from Seeka's traditional supplying growers down 17% on the prior period. Felt across the industry, this significant drop in Hayward production reduced product flow to Seeka's post harvest operations, and tempered the positive impact Aongatete has delivered to our core post harvest business.

The company had the capacity, systems and personnel to deliver a timely harvest to our grower clients. Coolstorage fruit loss, a key measure of performance for our growers, has remained low. The following table shows week 30 fruit loss (to 28 July).

Week 30 class 1 fruit loss over total volumes submitted (to 28 July)	Seeka	Industry
Hayward HW	0.05%	0.06%
Hayward organic HWOB	0.03%	0.04%
SunGold G3	0.26%	0.46%

Aongatete is being progressively integrated into Seeka with significant synergies to be realised from 2020 onwards.

Post harvest revenue of $105.29m increased 19% on the pcp ($88.58m). Post harvest costs are up across our industry, driven by higher wage rates and the ongoing focus on health and safety. EBITDA of $29.82m compares with $23.24m in the pcp.

Retail services

Includes the supply and sale of avocados and class 2 New Zealand kiwifruit, sale of New Zealand kiwifruit through collaborative programmes, handling of imported tropical fruits, and the manufacture and sale of Kiwi Crush and avocado oil.

EBITDA of $0.76m is down from $1.06m in the prior period due to a reduced kiwiberry harvest (in line with lower Hayward yields), lower avocado volumes with more fruit having been picked prior to 1 January, and challenging avocado supply lines due to changes to the phytosanitary certification processes, particularly to Australia. The retail services business has stabilised.

Australia operations

Seeka Australia PTY Limited, a 100% Seeka-owned entity, owns and operates kiwifruit, nashi and pear orchards along with associated post harvest facilities in Victoria, and directly markets Seeka produce to retailers.

Kiwifruit yields were again down following a very hot and dry summer which impacted fruit size; kiwifruit remain profitable, albeit at lower levels. The green nashi sales programme delivered a loss. Volumes and planted areas have been reset to match the crop to profitable market opportunities.

Seeka is positive about its Australian investment and its Australian orchard portfolio, and is confident that its proposed strategy to sell and leaseback its kiwifruit orchards will realise a gain that will be used to repay debt.

Seeka continues to test the production and marketing of new kiwifruit and licenced pear varieties on its Australian orchards, and has 70 hectares of kiwifruit and 26 hectares of pears in development which will add to production from 2020 onwards.

The detection of Psa in Australia has not created issues in our mature Hayward kiwifruit orchards and the company continues to monitor its development orchards.

Across all varieties Seeka is concentrating on quality and increasing yields.

EBITDA loss of $0.15m (pcp : $2.70m gain) was a result of lower yields and an under-performing green nashi programme.

Seeka's Australian operations are an important investment in extending our geographical reach and product range and we will continue to further develop the business, including upgrading existing and developing new orchards, and investing in water to grow production. Yields per hectare and total volumes are expected to improve over the next three years as new plantings mature.

Strategic highlights

Seeka continues to enact our strategy. Kiwifruit is our core product, with the company diversifying geographically and targeting complementary produce categories. The focus is on growth that delivers accretive value to our stakeholders, including shareholders, growers, employees, contractors and community. Our focus is on delivering our marketers, principally Zespri, the highest quality fruit and delivering our growers great returns through our supply chain.

Seeka has excelled where it operates the entire value chain from the orchard to the customer and delivered incremental returns to growers; as demonstrated by avocados and kiwiberry. Seeka delivers orchard-to-market excellence in New Zealand kiwifruit, avocados, class 2 kiwifruit, and kiwiberry, along with Australian kiwifruit, nashi and European pears.

Seeka has focussed on consolidating its position, setting its management structures, and selling orchards with secure supply contracts to reset debt while pursuing operational excellence.

During the six months, Seeka has expanded our core business through the Aongatete acquisition, and secured Northland post harvest volumes while negotiating $24.11m of orchard sales. We are also progressing the sale of the remaining Northland orchards currently held at the fair value of $21.65m.

Seeka is also now marketing its Australian kiwifruit orchard portfolio to test if the same outcomes can be obtained in Australia.

Market conditions for Australian-grown produce are good and the fruit is of excellent quality, noting it is a completely different growing environment. Kiwifruit production in Australia is set to double in the next five years. The planned sale and leaseback of three kiwifruit orchards will help accelerate growth in this key market while repaying company debt.

The company has focussed on asset utilisation and capacity planning and has substantially built the infrastructure to handle volume growth over the next two seasons. It has deliberately positioned itself in Northland to provide excellent service to the region's growth in avocados and kiwifruit, and has actively increased its avocado market share, including directly purchasing and syndicating Far North orchards. This has delivered a benefit to investors and new volumes and market share to Seeka.

Health and safety

Seeka's focus is on continuous improvement to ensure the health and safety of all personnel at all locations. All reported incidents and near-misses are followed up within the company. A serious harm injury occurred during harvest 2019 when a packer injured a finger at the Aongatete facility. Reviews and machine changes have been made across the company to ensure this injury will not reoccur.

The total recordable injury frequency rate is above the annual 4.5 threshold and ahead of the pcp rate of 4.37. The company continues to monitor, manage and take all reasonable steps to prevent workplace injuries.

The following table shows key safety measures to 30 June against annual thresholds.

2019 actuals and targets	To 30 June 2019	Annual threshold
Total recordable injury frequency rate [1]	4.93	Less than 4.5
Notifiable injuries	1	0
Notifiable incidents	0	1
Severity rate [2]	5.89	Less than 4.5

1. Total recordable injury frequency rate (TRIFR) is a key measure that compares total lost time injuries and medical treatments against the total number of hours worked. TRIFR = (number of recordable lost time and medical treatment injuries) x 200,000 / (number of employee hours worked).
2. The severity rate measures the number of days lost per lost-time injury. Severity rate = (number of days lost) / (number of lost time injuries).

The Seeka team

Seeka's people have excelled during the six months to 30 June 2019.

Seeka has continued to invest in its people to become the employer of choice in a tight labour market. The company has reset minimum wages to new thresholds, and comprehensively reviewed all remuneration levels to ensure Seeka people are well remunerated. Importantly, we have reviewed work hours, particularly in the early part of the season as the industry chases premium early incentives on behalf of its growers.

Seeka continues to focus on talent development and has 12 cadets, with some now emerging as qualified orchard managers. Wellness programmes continue to be implemented across the company.

Seeka continues to actively source New Zealand workers to fulfil peak seasonal labour demand and operates a parallel recognised seasonal employer programme (RSE) that delivers focussed pastoral care for our overseas' workers. Of our 3,500 strong seasonal workforce, Seeka recruited 970 overseas workers through the RSE scheme.

Seasonal labour continues to be a challenge, with the industry increasingly relying on overseas labour to complement the available local workforce. Backpacker labour was in short supply, adding to employment pressure. This employment environment pushed the industry to the limit. These circumstances increase the risk profile. Seeka continues to work on initiatives to keep our people safe.

The company has gone to significant lengths to ensure contractors and subcontractors comply with labour, health and safety legislation, and strive to achieve best practice. Seeka has a dedicated team that coaches, audits and undertakes gap analysis with our contractor and subcontractor community to ensure we achieve better than just compliant.

Summary

Seeka continues to consolidate its operations following the Northland acquisition, whilst also seizing the opportunity to purchase Aongatete; a reputable competitor in our region, operating in our core business with excellent people and loyal growers. The company has made excellent progress selling the Northland orchards, secured supply from the region, and developed a world-class post harvest facility in Kerikeri. Seeka is now pursuing a similar sale and potential leaseback strategy for orchards in Australia.

Hayward kiwifruit yields were down on last season, and this impacted our profit in the period. However, the company is benefiting from substantial cash gains realised by the ongoing sales of our Northland orchard portfolio.

Seeka expects 2019 full year EBITDA to be in the range of \$32.5m to \$33.5m, with debt lowered by year end.

We thank all growers, shareholders and stakeholders for the loyalty and support you willingly give to Seeka.

Fred Hutchings
Chairman

Michael Franks
Chief executive

INTERIM FINANCIAL STATEMENTS TO 30 JUNE 2019

STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 30 June 2019

New Zealand dollars	Notes	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited Restated $000s	12 months to December 2018 Audited Restated $000s
Revenue	3	169,872	145,436	203,713
Cost of sales		118,879	98,061	161,490
Reduction / (increase) in fair value of biological assets - crop	8	16,460	15,388	(1,242)
Gross profit		**34,533**	**31,987**	**43,465**
Other income	3	1,228	21	1,907
Other costs		7,855	6,299	14,363
Earnings (EBITDA) [1]		**27,906**	**25,709**	**31,009**
Depreciation expense	6	5,249	4,360	8,816
Lease depreciation expense		2,210	1,996	4,093
Loss on revaluation of land and buildings		-	-	4
Impairment of property, plant and equipment		-	-	300
Impairment of intangible assets		-	946	946
Amortisation of intangible assets	7	133	814	964
Earnings (EBIT) [2]		**20,314**	**17,593**	**15,886**
Interest expense		2,412	2,211	4,549
Lease interest expense		1,363	1,296	2,671
Net profit before tax		**16,539**	**14,086**	**8,666**
Income tax charge		4,675	4,766	3,220
Total tax charge		**4,675**	**4,766**	**3,220**
Net profit attributable to equity holders		**11,864**	**9,320**	**5,446**
Earnings per share for profit attributable to the ordinary equity holders of the company during the year				
Basic earnings per share		$0.35	$0.52	$0.34
Diluted earnings per share		$0.35	$0.51	$0.33

The accompanying notes form an integral part of these financial statements

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

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

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

New Zealand dollars	Notes	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited Restated $000s	12 months to December 2018 Audited Restated $000s
Net profit for the period		11,864	9,320	5,446
Items that will not be reclassified to profit or loss - net of tax				
Gain on revaluation of land and buildings		-	-	2,092
Gain on revaluation of water shares		18	354	1,398
Realised gain on revaluation of investment in shares		-	270	270
Total items that will not be reclassified to profit or loss		18	624	3,760
Items that may be reclassified subsequently to profit or loss, net of tax				
Movement in cash flow hedge reserve		(502)	39	(100)
Movement in foreign currency translation reserve		(32)	(4)	48
Movement in foreign currency revaluation reserve		-	-	(373)
Gain on revaluation of investment in shares		-	51	-
Total items that may be reclassified subsequently to profit or loss		(534)	86	(425)
Total comprehensive income for the period attributable to equity holders		11,348	10,030	8,781

The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

New Zealand dollars	Notes	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited Restated $000s	12 months to December 2018 Audited Restated $000s
Equity				
Share capital		95,890	46,504	94,406
Reserves		18,261	16,103	18,747
Retained earnings		45,771	42,524	37,306
Total equity		**159,922**	**105,131**	**150,459**
Current assets				
Cash and cash equivalents		2,353	1,897	1,340
Tax receivables		1,605	1,942	-
Trade and other receivables	9	70,825	56,537	18,365
Biological assets - crop	8	1,464	1,294	17,924
Inventories	10	18,416	22,319	4,564
Irrigation water rights		114	57	587
Assets classified as held for sale	5	37,490	10,738	24,197
Total current assets		**132,267**	**94,784**	**66,977**
Non current assets				
Trade and other receivables	9	2,617	1,494	2,459
Property, plant and equipment	6	220,019	163,137	180,075
Intangible assets	7	24,504	20,529	19,709
Right of use assets		27,434	27,760	26,876
Investment in shares		586	3,736	586
Total non current assets		**275,160**	**216,656**	**229,705**
Total assets		**407,427**	**311,440**	**296,682**
Current liabilities				
Tax liabilities		-	-	36
Trade and other payables	11	42,004	36,463	19,152
Lease liabilities		3,970	2,236	2,403
Interest bearing liabilities		65,404	23,926	21,039
Total current liabilities		**111,378**	**62,625**	**42,630**
Non current liabilities				
Interest bearing liabilities		85,032	93,950	59,361
Lease liabilities		27,814	29,412	28,525
Derivative financial instruments		963	74	267
Deferred tax liabilities		22,318	20,248	15,440
Total non current liabilities		**136,127**	**143,684**	**103,593**
Total liabilities		**247,505**	**206,309**	**146,223**
Net assets		**159,922**	**105,131**	**150,459**

The accompanying notes form an integral part of these financial statements

On behalf of the board

F Hutchings
Chairman

A Waugh
Director

Dated: 26 August 2019

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

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	Water share revaluation reserve $000s	Land and buildings revaluation reserve $000s	Retained earnings $000s	Total $000s
Equity at 1 January 2018 (Audited) (Restated)		46,195	6,082	(94)	265	(220)	99	974	14,350	29,227	96,878
Net profit		-	-	-	-	-	-	-	-	9,320	9,320
Foreign exchange movement		-	-	-	-	1	-	-	-	(5)	(4)
Other comprehensive income/(loss)		-	(5,779)	39	-	-	-	354	-	6,100	714
Total comprehensive income/(loss)		-	(5,779)	39	-	1	-	354	-	15,415	10,030
Transactions with owners											
Shares issued		211	-	-	-	-	-	-	-	-	211
Employee share scheme receipts		98	-	-	-	-	32	-	-	-	130
Dividends paid	*13*	-	-	-	-	-	-	-	-	(2,118)	(2,118)
Total transactions with owners		309	-	-	-	-	32	-	-	(2,118)	(1,777)
Equity at 30 June 2018		46,504	303	(55)	265	(219)	131	1,328	14,350	42,524	105,131
Equity at 1 January 2019 (Audited) (Restated)		94,406	246	(194)	(108)	(172)	159	2,374	16,442	37,306	150,459
Net profit		-	-	-	-	-	-	-	-	11,864	11,864
Foreign exchange movement		-	-	-	(22)	5	-	-	-	(15)	(32)
Other comprehensive income/loss)		-	-	(502)	-	-	-	18	-	-	(484)
Total comprehensive income/(loss)		-	-	(502)	(22)	5	-	18	-	11,849	11,348
Transactions with owners											
Shares issued		358	-	-	-	-	-	-	-	-	358
Employee share scheme receipts	*14*	1,126	-	-	-	-	-	-	-	-	1,126
Movement in employee share entitlement reserve		-	-	-	-	-	15	-	-	187	202
Dividends paid	*13*	-	-	-	-	-	-	-	-	(3,571)	(3,571)
Total transactions with owners		1,484	-	-	-	-	15	-	-	(3,384)	(1,885)
Equity at 30 June 2019		95,890	246	(696)	(130)	(167)	174	2,392	16,442	45,771	159,922

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

New Zealand dollars	Notes	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited Restated $000s	12 months to December 2018 Audited Restated $000s
Operating activities				
Cash was provided from:				
Receipts from customers		130,460	106,064	205,254
Interest and dividends received		9	50	373
Cash was disbursed to:				
Payments to suppliers and employees		(121,549)	(96,826)	(179,112)
Interest paid		(2,412)	(2,155)	(4,634)
Lease interest paid		(1,363)	(1,296)	(2,671)
Income taxes paid		-	(3,345)	(4,915)
Net cash flows from operating activities	4	**5,145**	**2,492**	**14,295**
Investing activities				
Cash was provided from:				
Sale of property, plant and equipment		119	124	218
Sale of investments in shares		-	6,112	9,375
Proceeds from sale of property held for sale		7,129	-	5,236
Repayment of advances		-	98	1,500
Cash was applied to:				
Purchase of property, plant, equipment and intangibles		(25,820)	(5,961)	(31,232)
Development of bearer plants		(3,737)	-	(6,056)
Acquisition of business	12	(14,000)	(19,456)	
Purchase of assets held for sale and G3 licence		(10,940)	-	(30,209)
Purchase of water shares		(154)	(685)	-
Advances		(12,635)	(12,916)	(1,691)
Net cash flows (used in) investing activities		**(60,038)**	**(32,684)**	**(52,859)**
Financing activities				
Cash was provided from:				
Proceeds of non-current bank borrowings		51,039	19,806	19,500
Proceeds of current bank borrowings		31,577	25,207	42,749
Net proceeds from rights issue		-	-	47,916
Proceeds from employee share scheme		1,127	-	219
Cash was applied to:				
Lease payments		(1,912)	(943)	(2,121)
Repayment of non-current bank borrowings		(10,729)	-	(33,989)
Repayment of current bank borrowings		(12,383)	(12,107)	(32,537)
Payment of dividend to shareholders	13	(3,047)	(1,807)	(3,635)
Net cash flows from financing activities		**55,672**	**30,156**	**38,102**
Net increase / (decrease) in cash and cash equivalents		**779**	**(36)**	**(462)**
Effect of foreign exchange rates		234	(456)	(587)
Opening cash and cash equivalents		1,340	2,389	2,389
Closing cash and cash equivalents		**2,353**	**1,897**	**1,340**

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 into the following sections.

Basis of preparation

This section sets out the Group's accounting policies that apply to the consolidated interim financial statements for the half year reporting period ended 30 June 2019. Accounting policies which are limited to a specific note are described in that note.

Reporting entity and statutory base

The Group interim financial statements presented are those of the consolidated Seeka Group. Seeka Limited is referred to as the Company. The group is referred to as the Group, Seeka, or Seeka Group.

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

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, citrus, berry, and kiwiberry industries. Seeka manufactures and sells the Kiwi Crush and Kiwi Crushies ranges along with avocado oil. The Group also provides retail and ripening services for imported tropical produce, and operates a wholesale market.

In Australia, Seeka owns and operates orchards and associated post harvest assets, making the Group the largest 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

Group consolidated interim financial statements for the half year reporting period ended 30 June 2019 have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZ GAAP) and comply with the New Zealand International Financial Reporting Standards (NZIFRS) and other reporting standards as applicable to profit-oriented entities. Specifically, Group interim financial statements have been prepared in accordance with NZ IAS 34, "Interim Financial Reporting". This consolidated interim financial information does not include all of the information required for the full annual audited financial statements and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2018, which have been prepared in accordance with NZ IFRS.

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 26 August 2019. The Directors do not have the authority to amend the financial statements after issue.

Summary of significant accounting policies

Other than detailed below, the accounting policies applied are consistent with those of the annual audited financial statements for the year ended 31 December 2018, as described in those annual financial statements.

From 1 January 2019 the Group has retrospectively adopted NZ IFRS 16 Leases. All leases have been retrospectively applied from their original start date as if the standard had always been applied. The comparative information for these leases has been restated and is reflected in the opening balance sheet. The reduction in retained earnings on 1 January 2019 was $2.917m.

All leases have been classified into one of the following asset classes:

- Post harvest leases - leases for packhouse and coolstore buildings
- Property leases - leases for rental of offices and retail service operations
- Land leases - this is primarily for the Group's interest in leased land occupied or held for development at Huka Pak
- Long-term orchard leases - leases held for the development of productive orchards
- Motor vehicles - three year leases for motor vehicles

Under the new lease standard the Group has recognised lease liabilities which were previously classified as "operating lease payments" under the old standard NZ IAS 17 Leases. The lease liabilities are measured at the present value of the remaining lease payments, including any renewal periods that are likely to be exercised, discounted using the Group's incremental borrowing rate which ranges between 5% and 10%.

The Group's right-of-use assets are equal to the leased liability on the day of lease inception. The right-of-use asset cannot be greater than the fair value of the underlying asset being leased. The right-of-use asset is then depreciated on a straight line basis over the period of the lease. Costs incurred with a lease that are not part of the cost of the right-of-use asset are expensed.

The right-of-use assets have been classified at 30 June 2019 as:

Post harvest leases	$ 13.92 m
Property leases	$ 2.28 m
Land leases	$ 6.60 m
Long term orchard leases	$ 2.62 m
Motor vehicles	$ 2.01 m
Total right-of-use assets	$ 27.43 m

The comparative figures have been restated to reflect the changes from NZ IFRS 16 Leases.

The following table explains the movements made from the previously published accounts.

New Zealand dollars	6 months to June 2018 Unaudited $000s	12 months to December 2018 Audited $000s
EBITDA as per published accounts	23,470	26,217
Capitalised payments under NZ IFRS 16	2,239	4,792
Restated EBITDA as per statement of financial performance	**25,709**	**31,009**
Net profit as per published accounts	10,373	7,418
Capitalised payments under NZ IFRS 16	2,239	4,792
Increase in expenses due to lease depreciation expense	(1,996)	(4,093)
Increase in expenses due to lease interest expense	(1,296)	(2,671)
Restated net profit as per statement of financial performance	**9,320**	**5,446**
Total assets as per published accounts	283,680	269,806
Increase due to right of use asset recognised	27,760	26,876
Restated total assets as per statement of financial position	**311,440**	**296,682**
Total liabilities as per published accounts	175,749	116,430
Increase due to current lease liability recognised	2,236	2,403
Increase due to non-current lease liability recognised	29,412	28,525
Deferred tax on right of use assets and lease liability	(1,088)	(1,135)
Restated total liabilities as per statement of financial position	**206,309**	**146,223**
Closing Retained Earnings as per published accounts	45,324	40,223
Adjustments to the statement of financial performance	(1,053)	(1,972)
Adjustments to the statement of financial position	(1,747)	(945)
Restated closing retained earnings as per statement of financial position	**42,524**	**37,306**
Net cash flows from operating activities as per published accounts	1,549	12,174
Lease payments reclassified to financing activities	943	2,121
Restated net cash flows from operating activities	**2,492**	**14,295**
Basic earnings per share per published accounts	$0.61	$0.37
Restated basic earnings per share	**$0.52**	**$0.34**
Diluted earnings per share per published accounts	$0.59	$0.36
Restated diluted earnings per share	**$0.51**	**$0.33**

Where a change in the presentational format of the financial statements has been made during the period, comparative figures have been restated accordingly.

Impact of standards issued but not yet applied by the entity

There are no other new standards, amendments or interpretations that have been issued and are effective that are expected to have a significant impact on the Group.

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 who regularly evaluate the allocation of resources alongside operational outcomes, such as EBITDA and EBIT, 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 and the retail sector
- 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.

Segment information is prepared on the same basis as the annual audited financial statements for the year ended 31 December 2018.

New Zealand segments

Orchard operations

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

The Group produces kiwifruit, avocado and kiwiberry crops from:

- Short term leased orchards (typically three-year rolling contracts) whereby the Group recovers costs and shares any profits with the orchard owners.
- Long term leased land which the Group has developed into productive orchards, pays all development and production costs, owns all crops for the term of the lease, and shares profit with the landowner after all costs are recovered.
- Owned orchards whereby the Group incurs growing and harvest costs and receives all income in relation to the sale of the crops.

Post harvest operations

The Group provides post harvest services to the kiwifruit, avocado, citrus and berry 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 New Zealand based 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.

Retail service operations include the production and selling of Kiwi Crush, Kiwi Crushies and avocado oil to the retail sector and hospitals, along with post harvest services for kiwiberry.

All other segments - New Zealand

This represents the Group's aggregated administration, grower services and overhead sections along with other income 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.

EBITDA and EBIT

EBITDA (a non-GAAP measure) is earnings before interest, tax, depreciation, amortisation, impairments and revaluations. EBITDA is an indicator of profitability and reflects operating cash flow generation (before lease costs).

EBIT (a non-GAAP measure) 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 dollars	New Zealand Orchard operations $000s	 Post harvest operations $000s	 Retail service operations $000s	 All other segments $000s	Australia Australian operations $000s	Group Total $000s
June 2019						
Income statement						
Turnover [1]	**48,328**	**105,293**	**15,736**	**20**	**11,399**	**180,776**
Gross segment revenue	48,395	107,606	4,832	20	11,399	**172,252**
Eliminations	(67)	(2,313)	-	-	-	**(2,380)**
Total segment revenue	**48,328**	**105,293**	**4,832**	**20**	**11,399**	**169,872**
EBITDA [2]	4,158	29,821	760	(6,682)	(151)	**27,906**
Depreciation expense [4]	(566)	(4,937)	(248)	(1,176)	(532)	**(7,459)**
Impairment of intangibles	-	-	(125)	-	(8)	**(133)**
EBIT [3]	**3,592**	**24,884**	**387**	**(7,858)**	**(691)**	**20,314**
Net finance costs [5]	(132)	(707)	(140)	(2,116)	(680)	**(3,775)**
Tax charge on profit	-	-	-	(5,175)	500	**(4,675)**
Profit after tax	**3,460**	**24,177**	**247**	**(15,149)**	**(871)**	**11,864**
Balance sheet						
Segment assets	61,496	230,439	15,798	50,856	48,838	**407,427**
Total assets	**61,496**	**230,439**	**15,798**	**50,856**	**48,838**	**407,427**
Segment liabilities	43,217	135,605	5,532	24,646	38,505	**247,505**
Total liabilities	**43,217**	**135,605**	**5,532**	**24,646**	**38,505**	**247,505**
June 2018 (Restated)						
Income statement						
Turnover [1]	**38,984**	**88,582**	**15,801**	**(330)**	**11,839**	**154,876**
Gross segment revenue	38,984	90,790	6,361	(330)	11,839	**147,644**
Eliminations	-	(2,208)	-	-	-	**(2,208)**
Total segment revenue	**38,984**	**88,582**	**6,361**	**(330)**	**11,839**	**145,436**
EBITDA [2]	**4,523**	**23,244**	**1,064**	**(5,831)**	**2,709**	**25,709**
Depreciation expense [4]	(334)	(4,285)	(309)	(918)	(510)	**(6,356)**
Amortisation of intangibles	-	-	(814)	-	-	**(814)**
Impairment of intangibles	-	-	(946)	-	-	**(946)**
EBIT [3]	**4,189**	**18,959**	**(1,005)**	**(6,749)**	**2,199**	**17,593**
Net finance costs [5]	(201)	(897)	(55)	(1,674)	(680)	**(3,507)**
Tax charge on profit	-	-	-	(4,302)	(464)	**(4,766)**
Profit after tax	**3,988**	**18,062**	**(1,060)**	**(12,725)**	**1,055**	**9,320**
Balance sheet						
Segment assets	49,505	178,445	6,621	24,909	51,960	**311,440**
Total assets	**49,505**	**178,445**	**6,621**	**24,909**	**51,960**	**311,440**
Segment liabilities	42,474	115,401	6,082	18,501	23,851	**206,309**
Total liabilities	**42,474**	**115,401**	**6,082**	**18,501**	**23,851**	**206,309**

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.
4. Depreciation includes the depreciation of fixed assets and depreciation on the right-of-use lease asset.
5. Finance costs include finance costs for bank debt and interest on the lease liability.

Note 2. Turnover

New Zealand dollars	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited $000s	12 months to December 2018 Audited $000s
The following table reconciles turnover to revenue.			
Turnover	180,776	154,876	232,039
Value of sales made as agent	(10,904)	(9,440)	(28,326)
Revenue	169,872	145,436	203,713

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 period. 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.

Note 3. Revenue and other income

New Zealand dollars	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited $000s	12 months to December 2018 Audited $000s
Total revenue	169,872	145,436	203,713
Other income			
Interest	9	21	23
Gain on sale of investment in shares	-	-	300
Gain on sale of assets held for sale	1,168	-	616
Dividend	-	-	350
Net movement in fair value of irrigation water rights	51	-	618
Total other income	1,228	21	1,907
Total revenue and other income	171,100	145,457	205,620

The gain on sale of assets held for sale is in relation to the Northland orchards, refer to notes 5 and 18.

The Group's major revenue streams are post harvest operations, orchard management, retail services and Australian operations.

Post harvest

All post harvest contracts are standardised. The Group enters into two types of post harvest contracts. The first type of post harvest contract has two performance obligations. One is to collect the supply of kiwifruit via picking and transportation. The second performance obligation is maturity testing, which is only provided as needed. The charges are separated in the contract. All the revenue is recognised at a point in time as the service is performed.

The second type of contract has three performance obligations. These are to pack kiwifruit, to cool kiwifruit and to sell class 2 fruit to the local market. These are stand-alone services that Seeka provides. Each performance obligation has a separate transaction price detailed in the contract. Each of the performance obligations are recognised overtime as the service is performed. Packing revenue is recognised as the fruit is packed. Cooling revenue is recognised as the fruit is loaded out from cool storage. Class 2 fruit is recognised as the fruit is sold.

Orchard management

The orchard management contracts are largely standardised, with the occasional customisation being made as a contract is negotiated. There are two contracts that make up the orchard management services. The first is the Management Contract. This has one performance obligation, which is to manage the production of the fruit. Revenue is recognised over time as the service is performed, calculated as cost plus an agreed margin per the contract. The management fee that is included in the contract is recognised evenly over the 12 month period of the contract. An incentive fee is only recognised once the OGR is reached and when an incentive would be receivable.

The second orchard management contract has one performance obligation, to collect the supply of kiwifruit. The transaction price is determined using a forecasted OGR. Revenue is recognised at a point in time, when the crops are picked (in the June half year accounts).

Retail services

The retail service contracts are customised to the service being offered (such as ripening or fruit sales). There are three types of contracts entered into. The first contract has one performance obligation, to sell fruit on the owner's behalf. For this contract, Seeka is an agent and only collects the marketer's commission and is recognised at a point in time when the fruit is sold.

The second type of contract comprises storage and ripening revenue. Both contain one performance obligation, to either store or ripen the fruit. Revenue is recognised over the time as the fruit is being stored or ripened. The third contract is customised with each supplier. The essence of the contracts remain the same. There is one performance obligation, to provide the product ordered. The transaction price is based on the agreed price (either in writing or verbally) and recognised at a point in time when the invoice is raised.

Australia

Australian contracts are maintained by the Australian business. They are on a one-to-one basis with the fruit purchaser and are largely standardised. There is one performance obligation, to provide the fruit to the customer. The transaction price is based on the agreed price (either in writing or verbally) and recognised at a point in time.

Impact of seasonality

Group revenues are generated from seasonal horticultural operations, with post harvest revenues recognised as services are provided and orcharding 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. As a result of these harvest timings around 80% of orchard revenues are recognised in the first six months of the financial year. The timing of the provision of post harvest services can vary from year to year. Normally 70% is recognised in the first six months of the financial year, but seasonal fluctuations can alter this.

Note 4. Reconciliation of net operating surplus after taxation with cash flows from operating activities

New Zealand dollars	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited Restated $000s	12 months to December 2018 Audited Restated $000s
Net operating surplus after taxation	**11,864**	**9,320**	**5,446**
Add non cash items:			
Depreciation	7,459	6,356	12,909
Loss on revaluation of land and buildings	-	-	4
Impairment of intangible assets	-	946	946
Impairment of property, plant and equipment	-	-	300
Revaluation of employee share scheme	15	31	62
Movement in deferred tax	-	-	(301)
Movement in fair value of biological assets- crop	8,038	15,388	(1,242)
Amortisation of intangible assets	133	814	964
	15,645	**23,535**	13,642
Add / (less) items not classified as an operating activity:			
Gain on sale of property held for sale	(1,168)	-	(616)
Decrease / (increase) in current water allocation account	18	94	(443)
Gain on sale of investment in shares	-	-	(300)
	(1,150)	**94**	**(1,359)**
(Increase) / decrease in working capital:			
Increase / (decrease) in accounts payable	14,134	11,676	(2,723)
(Increase) / decrease in accounts receivable / prepayments	(26,913)	(40,419)	621
(Increase) / decrease in inventory	(13,740)	(3,135)	244
Increase / (decrease) in taxes due	5,305	1,421	(1,576)
	(21,214)	**(30,457)**	**(3,434)**
Net cash flow from operating activities	**5,145**	**2,492**	**14,295**

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 crops on Group-owned and leased orchards, along with goodwill and supplier contracts arising from Group acquisitions.

Note 5. Assets classified as held for sale

New Zealand dollars	Note	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited $000s	12 months to December 2018 Audited $000s
Opening balance at 1 January		24,197	-	-
Properties settled to Seeka		9,778	8,986	25,424
G3 licence purchased		5,975	1,752	3,994
G3 licence transferred from intangible assets	7	1,662	-	-
Development costs spent		768	-	478
Growing costs incurred / (recovered)		(686)	-	686
Sales settled to third parties		(4,204)	-	(6,385)
Total orchards including kiwifruit licences held for sale		**37,490**	**10,738**	**24,197**

At 30 June 2019, 135 hectares of orchards located in Northland were classified as held for sale with a fair value (based on purchase cost plus development costs and kiwifruit licences) of $37.49m. This includes $10.6m (Dec 2018 - $3.99m) of SunGold kiwifruit licences. All the orchards were marketed for sale with 57.5 hectares having conditional sale agreements that are expected to become unconditional before the end of the calendar year. Subsequent to balance date two orchard sales settled for a combined sales total of $11.7m, see note 18.

Note 6. Property, plant and equipment

New Zealand dollars	Land and buildings $000s	Plant and equipment $000s	Motor vehicles $000s	Bearer plants $000s	Assets under construction $000s	Total $000s
At 1 January 2019						
Cost or valuation	116,364	95,146	736	11,223	18,868	242,337
Accumulated depreciation and impairment	(6,291)	(53,420)	(475)	(1,857)	(219)	(62,262)
Net book amount	**110,073**	**41,726**	**261**	**9,366**	**18,649**	**180,075**
Period ended 30 June 2019						
Opening net book amount	**110,073**	**41,726**	**261**	**9,366**	**18,649**	**180,075**
Additions	32,344	10,317	712	1,801	327	45,501
Exchange differences	(59)	(24)	(1)	(22)	(18)	(124)
Depreciation	(2,164)	(2,869)	(90)	(126)	-	(5,249)
Disposals	-	(204)	-	-	20	(184)
Closing net book amount	**140,194**	**48,946**	**882**	**11,019**	**18,978**	**220,019**
Period ended 30 June 2019						
Cost or valuation	148,649	105,235	1,447	13,001	19,197	287,529
Accumulated depreciation and impairment	(8,455)	(56,289)	(565)	(1,982)	(219)	(67,510)
Net book amount	**140,194**	**48,946**	**882**	**11,019**	**18,978**	**220,019**

Land and buildings

Land and buildings are revalued to their estimated market value on a three-year rolling cycle (excluding assets under construction), 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.

As at 30 June 2019 the directors believe there are no indicators that would suggest that the carrying value of land and buildings differs materially from their fair value and as a consequence there is no need to revalue those assets at 30 June 2019.

Note 7. Intangible assets

New Zealand dollars	Software $000s	Goodwill $000s	Water shares $000s	Interest in leased land $000s	Other intangibles $000s	Total $000s
At 1 January 2019						
Cost	3,097	10,824	7,858	2,030	1,662	25,471
Accumulated depreciation and impairment	(2,298)	(2,977)	-	(487)	-	(5,762)
Net book amount	799	7,847	7,858	1,543	1,662	19,709
Period ended 30 June 2019						
Opening net book amount	799	7,847	7,858	1,543	1,662	19,709
Additions	29	6,594	-	-	-	6,623
Exchange differences	-	(26)	(32)	-	-	(58)
Revaluation before tax	-	-	25	-	-	25
Amortisation	(133)	-	-	-	-	(133)
Reclassification to held for sale	-	-	-	-	(1,662)	(1,662)
Closing net book amount	695	14,415	7,851	1,543	-	24,504
Period ended 30 June 2019						
Cost	3,126	17,392	7,851	2,030	-	30,399
Accumulated depreciation and impairment	(2,431)	(2,977)	-	(487)	-	(5,895)
Net book amount	695	14,415	7,851	1,543	-	24,504

The goodwill addition of $6.6m was for the purchase of Aongatete Coolstores Limited on 18 March 2019, refer note 12. The remaining goodwill is comprised of $5.9m for Seeka Australia, $1.2m for the purchase of assets in Kerikeri from T&G Global Limited, $0.5m for Glassfields, and $0.2m for Kiwi Crush.

Other intangible assets are kiwifruit licences purchased from Zespri Limited on 1 May 2018. The licences were purchased with the intention of using them on orchards that were still to be settled with T&G Global Limited at 31 December 2018. In June 2019 the orchards have settled to Seeka and subsequently the licences have been reclassified to assets held for sale, see note 5, as at 30 June 2019.

At 30 June 2019, per NZ IAS 36, a review for impairment indicators was performed on goodwill. No impairment indicators were identified.

Note 8. 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 15.

New Zealand dollars	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited $000s	12 months to December 2018 Audited $000s
Carrying amount at beginning of period	17,924	16,682	16,682
Crop harvested during the period			
Fair value increase from previous balance date to point of harvest	15,044	14,578	20,000
Fair value when harvested and transferred to cost of sales	(32,968)	(31,260)	(36,682)
Crop growing on bearer plants at end of period			
Crop where cost is deemed fair value	1,464	1,294	17,745
Crop at fair value	-	-	179
Carrying value at end of period	**1,464**	**1,294**	**17,924**

The following table reconciles fair value movement of biological assets - crop.

New Zealand dollars	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited $000s	12 months to December 2018 Audited $000s
Movement in carrying amount	(16,666)	(15,681)	1,491
Exchange differences	206	293	(249)
Net fair value movement in crop	**(16,460)**	**(15,388)**	**1,242**

The following table details the classification of biological assets - crop.

New Zealand dollars	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited $000s	12 months to December 2018 Audited $000s
Australia - all varieties	642	722	5,020
New Zealand - kiwifruit crop	818	504	12,775
New Zealand - avocado crop	4	68	129
Carrying value at end of period	**1,464**	**1,294**	**17,924**

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.

Note 9. Trade and other receivables

New Zealand dollars	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited Restated $000s	12 months to December 2018 Audited $000s
Current trade receivables	21,840	20,309	9,149
Prepayments	3,370	2,397	1,115
GST refund due	-	-	495
Accrued fruit income and other sundry receivables	45,615	33,831	7,606
Current trade and other receivables	**70,825**	**56,537**	**18,365**
Non current trade receivables	729	1,494	1,059
Non current prepayments	1,888	-	1,400
Non current trade and other receivables	2,617	1,494	2,459
Total trade and other receivables	**73,442**	**58,031**	**20,824**

Accrued fruit and other sundry receivables includes $18.48m (Jun 2018 - $15.53m) of kiwifruit income for kiwifruit harvested and delivered to Zespri from the Group's New Zealand orchards and $16.95m (Jun 2018 - $13.22m) for post harvest operations in New Zealand.

Income from the New Zealand kiwifruit crop is accrued based on forecast information prepared by the Group, being an average Hayward HW orchard gate return (OGR) of $6.00 per tray (Jun 2018: $5.49) and an average SunGold G3 OGR of $10.50 per tray (Jun 2018 - $10.06).

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of sales over a 12 month period before 30 June 2019 and the corresponding historical credit losses during this period, adjusted for any significant known amounts that are not receivable. The provision for bad debts at 30 June 2019 is $0.50m (Dec 2018 - $0.50m).

Accrued fruit income of $13.82m in June 2018 has been reclassified to crop inventory, see note 10. This reflects the value of the crop that has not been loaded out at balance date.

Note 10. Inventories

New Zealand dollars	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited Restated $000s	12 months to December 2018 Audited $000s
Crop inventories	14,653	17,534	-
Total packaging at cost	1,259	2,556	2,989
Other inventories at cost	2,504	2,229	1,575
Total inventories	**18,416**	**22,319**	**4,564**

Crop inventories relate to kiwifruit harvested from New Zealand orchards and held in coolstores at balance date as well as Australian crops harvested at balance date. As at 30 June 2019, 58.4% (Jun 2018 - 52.9%) of New Zealand class 1 trays have been loaded out. New Zealand kiwifruit inventory is valued at a Hayward HW OGR of $6.00 per tray and a SunGold G3 OGR of $10.50 per tray.

Crop inventory from fruit harvested from the Group's Australian orchards is based on actual and forecast market returns for each variety.

At balance date, $28.43m (Dec 2018 - $27.56m) of packaging inventory costs were expensed to cost of sales in the statement of financial performance.

Note 11. Trade and other payables

New Zealand dollars	6 months to June 2019 Unaudited $000s	6 months to June 2018 Unaudited $000s	12 months to December 2018 Audited $000s
Trade payables	17,954	14,997	4,931
Accrued expenses	16,888	15,498	9,239
Employee expenses	5,102	4,623	4,869
GST payable	643	1,280	-
Other payables	1,417	65	113
Total trade and other payables	42,004	36,463	19,152

Trade payables includes $4.02m (Dec 2018 – Nil, Jun 2018 - $6.33m) of packaging costs relating to post harvest operations. December 2018 trade payables also include $1.60m for capital work in progress.

There was $4.6m (Jun 2018 - $4.9m) in trade creditors owing at balance date for Zespri SunGold G3 licences. The licences are recognised as assets held for sale.

Note 12. Business combination

A. Purchase of shares in Aongatete Coolstores Limited

During the six months to 30 June 2019 the Group purchased 100% of the shares in Aongatete Coolstores Limited, a kiwifruit post harvest business based north of Tauranga in the Bay of Plenty, New Zealand. The business owns packhouse and coolstore facilities and operates an orchard management business. The purchase was completed on 18 March 2019 for a purchase price of $14m.

The following table details the fair values of assets and liabilities recognised at acquisition:

New Zealand dollars	6 months to June 2019 Unaudited $000s
Aongatete Coolstores Limited	
Land and buildings	17,450
Property, plant and equipment	1,852
Inventory	438
Leased assets	928
Biological assets	2,080
Cash and debtors	768
Creditors	(428)
Other current liabilities	(2,341)
Deferred tax liability	(1,938)
Leased liabilities	(948)
Term loans	(10,455)
Goodwill	6,594
Total purchase consideration for shares	14,000

The goodwill is allocated to the post harvest and orchard segments and the goodwill is attributable to the operation's strong market position in the Bay of Plenty region and synergies expected to arise after adding additional post harvest and orchard facilities to Seeka's operations. The goodwill is not expected to be impaired in the foreseeable future. None of the goodwill is expected to be deductible for tax purposes. Acquisition-related costs of $0.19m are included in administrative expenses. Deferred tax of $1.9m has been provided in relation to differences between tax written down values and the fair value of certain assets.

The fair value of the acquired land, buildings and other assets and liabilities are provisional pending final valuations.

B. Purchase of Kerikeri assets from T&G Global Limited

During the year ended 31 December 2018, the Group purchased Kerikeri-based kiwifruit orchards, packhouse facilities and related assets and liabilities representing the kiwifruit business previously owned by T&G Global Limited. The transaction was completed in two stages. The first stage was the purchase of the packhouse facilities and related assets on 30 April 2018. The second stage was the purchase of the orchards from 30 June 2018. One orchard remained subject to subdivision at 31 December 2018 and was settled in June 2019. This orchard remained at the risk of T&G Global Limited until the relevant individual titles are issued and they provide the relevant settlement notice.

The following table details the fair values of assets and liabilities recognised at stage 1 and at stage 2 of the acquisition.

New Zealand dollars	2018 $000s
Stage 1 - 30 April 2018	
Land and buildings	6,603
Property, plant and equipment	775
Inventory	553
Zespri shares	1,975
Prepayments	1
Employee benefits balance	(264)
Deferred tax	(393)
Goodwill	1,220
Total purchase consideration	10,470
Stage 2 - 30 June 2018	
Orchards purchased	21,840
Total purchase consideration for assets	21,840
Total business combination	32,310

The goodwill is allocated to the post harvest segment and the goodwill is attributable to the post harvest operation's strong position and profitability in trading in the Northland market and synergies expected to arise after adding an additional packhouse to Seeka's operations. The goodwill is not expected to be impaired in the foreseeable future. None of the goodwill is expected to be deductible for tax purposes. Acquisition-related costs of $0.41m are included in administrative expenses.

Seeka purchased the orchards with the intention to market the Northland land holding for sale with supply commitments for fruit packing to Seeka as it focuses on refurbishing the post harvest facility. Refer to note 5 for details on orchards held for sale.

Dividends, funding and fair value

This section focuses on how the Group pays dividends to grow shareholder returns, manages its share capital, and determines the fair value of its financial assets, securities and liabilities so it can deliver benefits to stakeholders.

Note 13. Dividends

	6 months to June 2019 Unaudited		12 months to December 2018 Audited	
Dividends paid	**$000s**	**Per share**	**$000s**	**Per share**
23 March 2018			2,118	$0.12
21 September 2018			2,155	$0.12
22 March 2019	3,571	$0.12		
Total dividend paid or credited as shares under the dividend reinvestment plan (DRP)	3,571		4,273	

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 $3.05m (Jun 2018 - $1.81m).

At the date of signing the directors have declared a fully-imputed dividend of $0.12 per share. The dividend will be paid on 9 October 2019 to those shareholders on the register at 5pm on 13 September 2019. The dividend reinvestment plan will apply with a 2% discount applied to determine the strike price.

Note 14. Share capital

During the period to 30 June 2019, $1.13m (Jun 2018 - $0.10m) was received in relation to shares issued under the employee share scheme established in 2016.

Under the dividend reinvestment plan, 75,095 shares were issued on 9 April 2019 (Dec 2018 - 69,203).

Under the grower loyalty share scheme established March 2019, 2,061,803 shares were issued on 10 April 2019 at $4.76 per share.

Under the employee share scheme established March 2019, 568,000 shares were issued on 10 April 2019 at $4.76 per share.

Note 15. Determination of fair values of financial assets and liabilities

The following table analyses financial assets and liabilities carried at fair value as at 30 June 2019.

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 water shares 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 fair value	-	-	1,464	1,464
Water shares	7,851	-	-	7,851
Irrigation water rights	114	-	-	114
Land	-	-	22,900	22,900
Buildings	-	-	117,294	117,294
Unlisted equity securities	-		586	586
Derivatives used for hedging (liability)	-	963	-	963

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
Biological assets - crop at fair value Includes New Zealand avocados and Australian plums and speciality pears.	$ 1.46 m	Estimated market value less selling costs and costs to market (where the fruit has achieved sufficient biological transformation).	Forecast yields. Market sales price. Costs to harvest.	Increases with yields. Increases with price. Decreases with higher costs.
Land and buildings	$ 140.19 m	An annual revaluation is used to estimate fair value, which is performed on approximately one third of land and buildings on a 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 and note 6 for further details.	Comparative market rents and applicable discount rate. Comparative market sales. Current level of building costs.	Increases with market rental, and lower discount rates. Increases with market sales. Increases with building costs.
Unlisted equity securities	$ 0.59 m	Based on latest information from securities management. Tested for impairment with carrying amount assessed at balance date.	Securities management information on share price.	Increases with share price information. Reduces if cost is impaired at balance date.

Note 16. Related party transactions

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. These are all transacted on normal commercial terms and conditions. In the current period the Group received $71.08m (Jun 2018 - $61.77m) for the provision of services to SGL.

Note 17. Capital commitments

As at 30 June 2019 the Group was committed to the development of packhouse and coolstore facilities at Kerikeri and Oakside in Te Puke. These two developments are expected to be completed in the next six months with the remaining capital spend being $0.86m (Dec 2018 - $2.6m) in Kerikeri and $2.79m (Dec 2018 - $13.6m) in Te Puke. A further $6.14m has been planned for stage two coolstore development at Kerikeri, to be completed in 2020.

Note 18. Events occurring after balance date

A dividend was declared for $0.12 per share to be paid on 9 October 2019, see note 13.

Since 30 June 2019, 15.68 hectares of Northland orchards held as assets for sale (see note 5), have been sold under three contracts for a combined sales value of $11.71m. A further $7.0m of orchards are under conditional sales contracts that are expected to settle before the end of the 2019 financial year.

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

DIRECTORY

BOARD OF DIRECTORS

Fred Hutchings
Chairman

Martyn Brick

John Burke

Peter Ratahi Cross

Amiel Diaz

Cecilia Tarrant

Ashley Waugh

AUDIT AND RISK COMMITTEE

Ashley Waugh
Chair

John Burke

Fred Hutchings

REMUNERATION COMMITTEE

Fred Hutchings
Chair

Ratahi Cross

Cecilia Tarrant

COMPANY OFFICERS

Michael Franks
Chief Executive Officer

Stuart McKinstry
Chief Financial Officer and Company Secretary

SENIOR MANAGEMENT TEAM

Michael Franks
Chief Executive

Kate Bryant
GM Corporate Services

Kevin Halliday
GM Operations

Stuart McKinstry
Chief Financial Officer

Jim Smith
GM Growers & Marketing

Rob Towgood
GM Commercial

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