Seeka

SELECT EXCELLENCE

INTERIM REPORT

June 2018

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FROM THE CHAIRMAN AND CHIEF EXECUTIVE

Seeka's Board is pleased to provide you with this report on our financial and operational results for the six months ended 30 June 2018. A number of strategic highlights were achieved during the last six months. This report profiles these highlights, comments on the performance of the company and updates the full year financial guidance.

The seasonal nature of Seeka's foundation business of growing, packing, storing, shipping and selling fresh produce means the company is more profitable in the first six months of each financial year. The financial performance for the half year does not reflect the company's forecast full year performance. Full year EBITDA earnings are forecast to increase between 4% and 8% on 2017's $23.13m, and NPAT between 12% and 24% on the previous full year's result of $5.83m. Any material deviation to this guidance will be advised to shareholders and investors through the NZX.

Results for the six months ended 30 June 2018 include

- Profit after tax of $10.37m (2017: $11.09m); a decrease of 6.5%.
- EBITDA of $23.47m (2017: $21.93m); an increase of 7%.
- Further impairment and accelerated amortisation of the goodwill and supplier contract in the tropical business, Seeka Glassfields, of $1.5m.
- Increased New Zealand kiwifruit crop volumes with 31.1m tray equivalents handled (2017: 25.6m); up 21%.
- Improvement in earnings for Seeka's emerging business, the Delicious Nutritious Food Company. Earnings at an EBITDA level of $0.40m compared to $0.16m for the first six months in 2017.
- Record returns in the 2017/18 avocado selling season. Seeka successfully distributed and marketed 209,850 trays of avocados delivering an exceptional average return to growers of $40.81 (2016/17: $24.85).
- Successful and safe harvest seasons for all crops across New Zealand and Australia including kiwifruit, avocados, nashi and pears.
- Successful completion of the first year of maturity testing services for Zespri at Seeka's laboratory testing business VLS.
- Successful acquisition and integration of the Northland post harvest business and related kiwifruit orchards from Turners and Growers Horticulture Limited (T&G Horticulture). The post harvest business was integrated into Seeka mid harvest without issue.
- Continuing investment in Seeka Australia's orchard development which will significantly increase production in coming years.
- The New Zealand High Court decided in favour of growers in their claim against the Crown for losses related to New Zealand's Psa outbreak. This includes Seeka as a grower. Seeka was unsuccessful in its claims related to losses as a post harvest operator. The decision was appealed by the Crown and subsequently cross-appealed by the plaintiffs including Seeka's claim as a post harvest operator.

Operational performance

The following table outlines Seeka's performance for the six months ended 30 June 2018. The 2018 result was adjusted for non-recurring items including the impairment and accelerated amortisation of intangible assets.

New Zealand dollars	Reported result June 2017	Non-recurring items (Note 1)	June 2017 underlying trading result	Reported result June 2018	Non-recurring items (Note 2)	June 2018 underlying trading result	(Decrease) / increase to reported 2017 result	Increase to underlying 2018
Total revenue ($m)	$ 134.0	-	$ 134.0	$ 145.4	-	$ 145.4	9%	9%
EBITDA before impairments and revaluations ($m)	$ 21.9	$(0.1)	$21.8	$ 23.5	-	$ 23.5	7%	8%
EBIT ($m)	$ 17.7	$(0.1)	$ 17.6	$ 17.4	$ 1.5	$ 18.9	(2)%	7%
NPAT ($m)	$ 11.1	$(0.1)	$ 11.0	$ 10.4	$ 1.5	$ 11.9	(7)%	8%
Basic earnings per share	$ 0.69	-	$ 0.69	$ 0.61	$ 0.09	$ 0.70	(12)%	1%
Net bank debt ($m)	$ 94.5	-	$ 94.5	$ 116.0	-	$ 116.0	23%	23%

1. 2017 reported EBITDA was increased by a non-recurring benefit of $0.1m ($0.07m after tax) relating to the early termination of a long-term orchard lease agreement.
2. 2018 reported EBIT was reduced by $1.5m ($1.5m after tax) as a consequence of the impairment and accelerated amortisation of intangible assets (see note 6).

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 21 September 2018 to those shareholders on the register at 5pm on 14 September 2018. The dividend reinvestment plan will apply to the distribution.

Outlook

Seeka is anticipating improved operational earnings for the remainder of 2018 compared to 2017, reflecting the rebound in volumes of New Zealand kiwifruit production and stronger avocado volumes and earnings. 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	2017 Full year actuals	2018 guidance Lower range	2018 guidance Upper range
EBITDA ($m)	$ 23.1	$ 24.0	$ 25.0
Increase over 2017		*+ 4%*	*+ 8%*
Net profit after tax ($m) [1]	$ 5.8	$ 6.5	$ 7.2
Increase over 2017 [2]		*+ 12%*	*+ 24%*

1. NPAT is based on normal tax rates applying in New Zealand and Australia.
2. The increase of 12%-24% in net profit after tax against 2017 is due to a number of non-recurring negative adjustments that occurred in 2017. This included a $2m impairment of goodwill and a $1m deferred tax adjustment.

Review of operations

Revenue for the six months ended 30 June 2018 totalled $145.44m (2017: $134.01m).

Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) totalled $23.47m (2017: $21.93m); up 7%. Included in the consolidated result was $2.70m EBITDA from Seeka Australia (2017: $3.41m); down by 21% from a dry summer growing period.

Profits for the six months were impacted by a $1.53m write down of goodwill in the tropical business, Seeka Glassfields.

Consolidated profit after tax for the six months was $10.37m (2017: $11.09m); down 6.5%.

Cash flow from operations totalled $1.55m (2017: $4.73m); reflecting additional interest paid on debt and timing of tax paid.

Seeka invested a total of $26.10m, which was partly offset by $6.33m of asset disposals. The investment includes payments for Northland assets some of which are now being marketed for sale via tender, including 15.5 hectares of Zespri SunGold in production and 18.6 hectares in development. As at 30 June, Seeka had paid $8.32m for the post harvest facility and $8.99m for the orchards with clear title. The remaining $22.63m purchase price will be paid when titles to the remaining orchards become available.

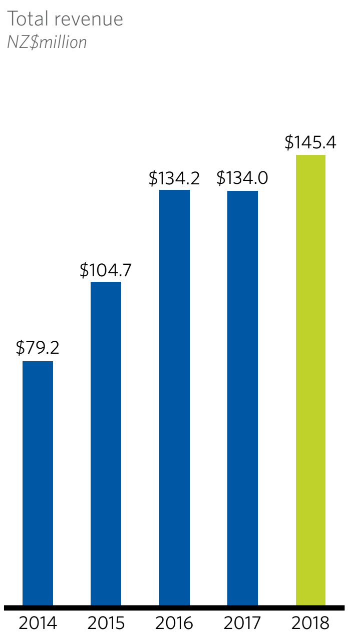
At 30 June, Seeka has advanced its grower pools $12.9m (2017: $11.1m) to assist with cash flow. This advance was fully repaid by 20 July.

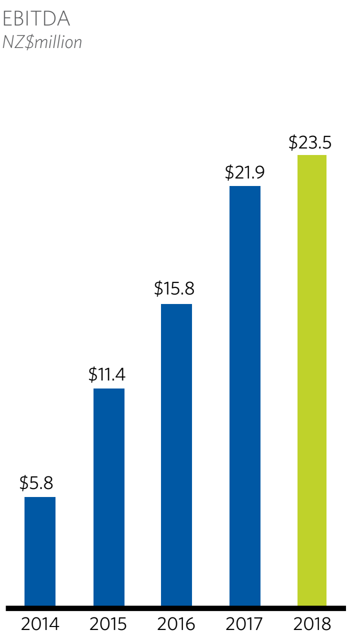
Seeka has continued to review and refine its coolstore and packing capacity plans. The signalled replacement of the Seeka KKP packing machine was deferred in favour of an upgrade to machine number 2 at Seeka Oakside. Additional pre-cooling and coolstores will be built to balance capacity. The newly acquired post harvest facility in Kerikeri is also scheduled for an upgrade with a new packhouse and increased packing, precooling and coolstore capacity.

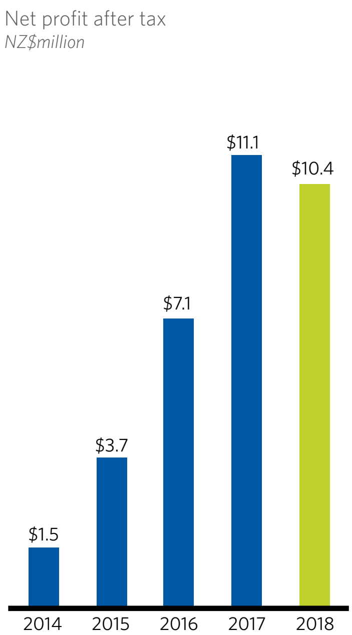
These two projects are planned to balance Seeka's capacity with forecast demand for the next 36 months.

Net debt at 30 June (bank loans less bank deposits) totalled $115.98m (2017: $94.55m); an increase of $21.43m noting both the investment in the Northland assets and the advance to Seeka Growers Limited.

Group financial indicators to 30 June





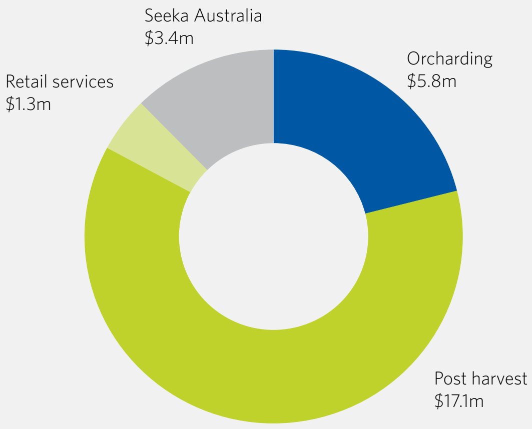


Operating segment overview

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.

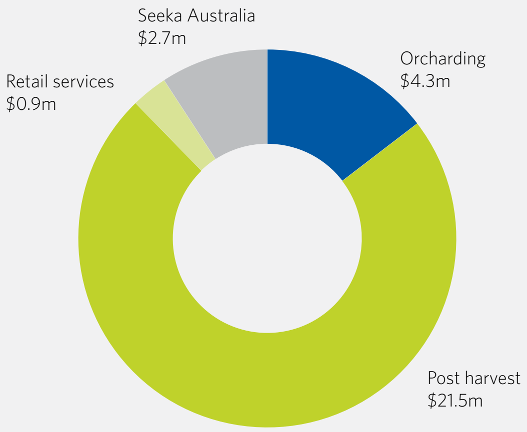
Operating segment EBITDA

EBITDA to June 2017 - $27.6m



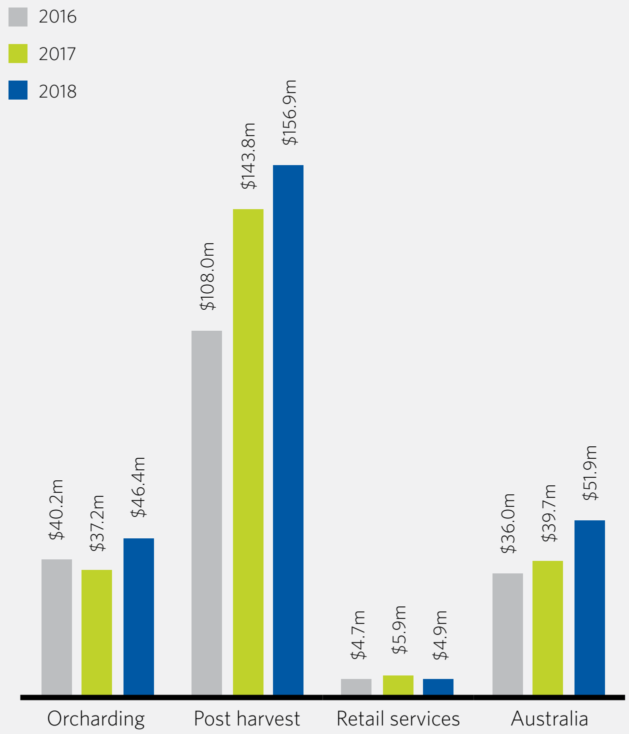
Excludes ($5.7m) EBITDA for the Group's administration and grower services overheads.

EBITDA to June 2018 - $29.4m



Excludes ($5.9m) EBITDA for the Group's administration and grower services overheads.

Operating segment assets to 30 June



Excludes the Group's administration, grower services and unallocated assets.

Segment operations

Orcharding, New Zealand

The servicing and growing of kiwifruit, kiwiberry and avocados through managed, leased and long term leased arrangements.

Post harvest, New Zealand

Coordinates the harvest, packing, storage and dispatch of kiwifruit and avocados to the market, or for kiwifruit supplied to Zespri to the port of their direction.

Retail services, New Zealand

The supply and sale of avocados, class 2 New Zealand kiwifruit and imported tropical fruits, and the Delicious Nutritious Food Company business.

Seeka Australia

Owns and operates predominately kiwifruit, nashi and pear orchards, along with packing and logistics infrastructure. The company directly markets its Australian grown fruit to retailers and wholesale, along with imported New Zealand fruit.

Harvest 2018 highlights [1]

- $5.49 forecast Hayward OGR, with yields up 30%.
- $9.96 forecast SunGold OGR, with yields up 14%.
- $8.46 forecast Hayward Organic OGR, with yields up 50%.
- $40.81 average avocado return per export tray for 2017/18 season, up 64%.
- $12.08 forecast kiwiberry OGR, with yields up 6%.
- 6.1m kilograms of fruit harvested from Seeka orchards in Australia

New Zealand operations

Orcharding

Orchard operations span from Northland through to the Coromandel, Bay of Plenty and East Coast.

Kiwifruit volumes grown by Seeka increased in 2018 following 2017's industry-wide drop in Hayward yields. In 2018, Seeka orchard operations grew 37.44m kilograms of fruit (10.4m trays) compared to the prior year's 30.70m kilograms (8.45m trays).

Seeka also grew 200,000 kilograms of avocados and 15,000 kilograms of kiwiberry compared to 540,000 kilograms of avocados and 40,000 kilograms of kiwiberry in the prior year.

Total revenue for orchard operations for the six months of $38.98m compares against $36.83m in the prior year. EBITDA of $4.29m compares with $5.82m reflecting a reduced proportion of long term leases in Seeka's orcharding operations. Seeka is now investing in long term lease arrangements with volumes set to increase over the next three years.

Post harvest

In 2018, 31.1m trays of kiwifruit were packed (2017: 25.6m); an increase of 5.5m trays reflecting a rebound in Hayward yields and an increasing number of SunGold orchards coming into production.

The company delivered growers a safe and timely harvest and importantly had sufficient packing and coolstore capacity to handle all fruit at its optimum. Additional technology was deployed with near-infrared (NIR) installed at Huka Pak, primarily to assist SunGold growers to achieve yield from lines of fruit that struggle to achieve Zespri's stringent dry matter thresholds.

On 30 April, Seeka purchased and took over the Kerikeri post harvest business of T&G Horticulture. The business was integrated mid harvest bringing a new facility to Seeka's network and new crops. Seeka is contracted to pack citrus and blueberries for T&G Horticulture.

Post harvest revenue of $88.58m is an increase of $14.21m on the prior period of $74.37m; up 19.1%. At 30 June, Seeka's coolstores were close to full. The higher stock level from 2017 added to the improved earnings outlook. EBITDA of $21.48m compares with $17.07m in the prior year.

Retail services

EBITDA of $0.91m compares against $1.32m in the prior period reflecting a continuing slowdown in the tropical business, Seeka Glassfields, and lower avocado volumes in the 2017/18 selling season. Avocado volumes for 2018/19 are forecast to be strong due to higher yields and additional supply.

1. Tray returns are the pool averages for all growers supplying Seeka; kiwifruit and kiwiberry are early-season forecasts, avocado is the audited total payment to growers.

Seeka impaired the goodwill associated with the tropical business with a write down of $0.95m and accelerated the amortisation on the related supplier contract by $0.55m. The business has suffered with the decision of Seeka's major customer to supply their own bananas and centralise ripening alongside their new supply chain and distribution centre strategy. Goodwill of $0.44m remains on the balance sheet for Glassfields.

The Delicious Nutritious Food Company is delivering strong growth. Earnings for the six months delivered EBITDA of $0.40m compared to $0.16m in the previous corresponding period.

The Delicious Nutritious Food Company produces three innovative products with a new manufacturing and processing facility commissioned at Seeka's KiwiCoast facility in Te Puke:

- Kiwi Crush - the Kiwi Crush range turns non-export-grade kiwifruit into a high quality and high value functional food sold to hospitals and the retail market.
- Avocado oil – the manufacture, processing, bottling and distribution of avocado oil products destined for premium export markets.
- Kiwiberry – the specialist packing, storage and distribution of kiwiberry, with a new punnet line to increase packing capacity for this high-value product.

The kiwiberry component was added to the business during the past six months with an investment made in a high capacity kiwiberry packing line. This machine delivered a step change in sophistication and volume, giving kiwiberry growers a more timely harvest and better delivery of high quality produce to the market.

The Delicious Nutritious Food Company is poised for further growth.

Australia operations

Seeka Australia PTY Limited

Kiwifruit harvest yields were lower in 2018 due to a very hot and dry summer, which impacted on fruit size and growth. Seeka has 67 hectares in development for production in 2020 which will significantly lift volumes.

Across all varieties Seeka is concentrating on quality as well as increasing yields. The following table shows historical volumes by variety.

Class 1 and 2	30 June 2018 Kilograms	Tray equivalents	30 June 2017 Kilograms	Tray equivalents
Kiwifruit	2,593,550	720,431	2,990,826	826,195
Nashi	1,623,199		1,172,163	
Packham	1,153,994		854,000	
Corella	453,443		423,788	
Other pears	258,382		83,421	
Plums	-		25,605	

With high sunlight hours, Australian kiwifruit have excellent quality and taste. Seeka has concentrated on upgrading the post harvest infrastructure and developing new orchards. A new plant nursery was built which produced plants for both existing and new orchards. Seeka is planning to develop one of its new kiwifruit orchards as organic to fulfil market demand for organic produce.

In the pear orchards Seeka is concentrating on introducing new hybrid varieties. These exciting, sweeter pears deliver a better taste experience to consumers, along with higher yields and lower per unit production costs. Increasingly Australian consumers are moving away from commodity pears to high quality hybrid pears.

EBITDA of $2.70m (2017: $3.41m) was a positive result considering the difficult growing season.

Seeka's Australian operations are an important investment in diversity and we will continue to further develop the business, including new orchards and improvements to existing orchards. Yields will improve over the next three years as new plantings mature.

Seeka continues to closely monitor and invest in water to ensure it has sufficient to grow existing and future crops.

Strategic highlights

Seeka continues to enact its defined strategy. Kiwifruit is our core product, with the company diversifying geographically and targeting other produce varieties. The key focus is on growth that delivers accretive value to our stakeholders, including shareholders, growers, employees, contractors and community.

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 kiwiberries. Kiwifruit, avocados, nashi and European pears are the major varieties in which Seeka delivers orchard to market excellence.

During the six months Seeka purchased the post harvest assets and related kiwifruit orchards from T&G Horticulture. Subsequent to the purchase Seeka secured SunGold licences for a portion of these orchards and placed the orchards for sale with a conditional long-term supply commitment to Seeka. The acquisition provides Seeka with kiwifruit and avocado packing capacity and volumes, as well as providing services for citrus and berries.

Alongside the T&G Horticulture transaction, Seeka's largest offshore shareholder sold a parcel of shares to New Zealanders. This off-market transaction lowered Seeka's foreign ownership below 25% and outside the regime of the Overseas Investment Office.

The company has focussed on asset utilisation while deliberately balancing on shore coolstore and packing capacity to ensure great service and results to supplying growers. Plant utilisation was improved by handling new varieties including Northland avocados and citrus.

Market conditions for Australian grown produce are good and the fruit produced is of excellent quality, noting it is a completely different growing environment. Production in Australia is set to double in the next five years.

Seeka has actively increased its market share in avocados primarily through direct purchase and syndication of orchards in the Far North of New Zealand. This strategy delivered a benefit to investors as well as bringing new volume and market share to Seeka.

Seeka continues to focus on talent development with 12 cadets in the business, with some now emerging as qualified orchard managers. Seeka has continued to actively source New Zealand workers to fulfil peak seasonal labour demand. The company has an RSE programme to complement the local workforce and supports those workers with focussed pastoral care.

Health and safety

Seeka's focus is on continuous improvement and ensuring the health and safety of all personnel at all locations. Our total recordable injury frequency (TRIFR) remains below Seeka's target threshold. Seeka has recorded no notifiable injuries or incidents in the six months; a good result at the end of the main packing season.

All incidents and near miss incidents are reported and followed up within the company.

A number of initiatives were launched by the health and safety team, including a focus on the six major safety issues in the business. Moreover, the Board has commissioned a strategic review of safety risks and remedial strategies.

The company continues to refine its health and safety strategy and systems to ensure it complies with legislation and keeps its people, contractors and stakeholders safe.

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

2018 actuals and targets	To 30 June	Annual threshold
Total recordable injury frequency rate [1]	4.37	Less than 4.6
Notifiable injuries	0	0
Notifiable incidents	0	0
Severity rate [2]	2.83	Less than 3.0

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 average number of days it takes a person to get back to work after a lost time injury. Severity rate = (number of days lost) / (number of lost time injuries).

VLS

The Seeka-owned laboratory business VLS successfully won a contract to supply the kiwifruit industry with maturity analytical services. The laboratory was upgraded along with its systems, staffing and resources. VLS is an ISO17025 accredited laboratory and tested 6,067 samples to produce a modest profit to the company in the first year of a three-year contract. This new service to the kiwifruit industry was a significant event for Seeka, one requiring extraordinary effort and dedication from the team involved.

The Seeka team

Seeka's people have excelled during the six months to 30 June 2018.

Seeka has continued to invest in its people to make it the employer of choice in a tight labour market. Active development programmes are underway across the company including a cadet programme that has been operating for four years. Trained cadets exit the programme with external qualifications to pursue a pathway in the company on the orchards or in post harvest. Wellness programmes are being implemented across the company with 100 employees currently signed into the quarterly programme.

Sourcing seasonal labour continues to challenge the industry. Increasingly the industry is reliant on overseas seasonal labour to complement the local available workforce, with the supply of local workers fully utilised at key times of the season. Seeka recruits some 460 overseas workers through the RSE scheme from a total seasonal workforce of more than 3,000. Backpackers that are traditionally employed were in short supply in 2018, adding to employment pressure. This pushed harvest and post harvest operations to the limit. In these circumstances, the safety profile changes. Seeka continues to work on initiatives to make Seeka the employer of choice.

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 to work with our contractor and subcontractor community to coach, audit, and undertake gap analysis to ensure we achieve better than compliant.

Summary

A rebound in New Zealand kiwifruit harvest volumes and strong continuing earnings in avocados have led to an improved half year result. Earnings in Australia are lower, reflecting a drier summer and the orchard investments yet to start producing. Earnings in Seeka's tropical business remain lacklustre.

Great progress was made with strategic initiatives with the acquisition and integration of the Northland assets of T&G Horticulture, and Seeka is midway through repositioning some of these assets.

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

Fred Hutchings
Chairman

Michael Franks
Chief executive

INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 30 June 2018

New Zealand dollars	Notes	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s
Turnover [1]	2	**154,876**	**148,900**	**217,902**
Revenue	3	145,436	134,012	186,814
Cost of sales		100,300	91,104	151,537
Reduction in fair value of biological assets - crop	7	15,388	14,872	-
Gross profit		**29,748**	**28,036**	**35,277**
Other income	3	21	-	404
Income from insurance proceeds	3	-	-	125
Other costs		6,299	6,109	12,678
Earnings (EBITDA) before revaluations and impairments [2]		**23,470**	**21,927**	**23,128**
Depreciation expense	5	4,360	3,940	8,218
(Gain) on revaluation of land and buildings and interest in leased land		-	-	(1,396)
Impairment of property, plant and equipment		-	29	102
Impairment of intangible assets	6	946	-	2,301
Amortisation of intangible assets	6	814	222	484
Earnings (EBIT) [3]		**17,350**	**17,736**	**13,689**
Finance expense		2,211	1,904	3,781
Net profit before tax		**15,139**	**15,832**	**9,908**
Income tax charge		4,766	4,739	4,075
Total tax charge		**4,766**	**4,739**	**4,075**
Net profit attributable to equity holders		**10,373**	**11,093**	**5,833**
Earnings per share for profit attributable to the ordinary equity holders of the company during the year				
Basic earnings per share		$0.61	$0.69	$0.35
Diluted earnings per share		$0.59	$0.64	$0.34

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 six months ended 30 June 2018

New Zealand dollars	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s
Net profit for the period	**10,373**	**11,093**	**5,833**
Items that will not be reclassified to profit or loss - net of tax			
Gain on sale of shares	270	-	-
Movement in revaluation of land and buildings	-	-	4,455
Total items that will not be reclassified to profit or loss	**270**	**-**	**4,455**
Items that may be reclassified subsequently to profit or loss, net of tax			
Movement in cash flow hedge reserve	39	(37)	147
Movement in foreign currency translation reserve	(4)	(91)	(840)
Movement in foreign currency revaluation reserve	-	13	743
Gain on revaluation of water shares	354	-	976
Gain on revaluation of investment in shares	51	1,180	4,141
Total items that may be reclassified subsequently to profit or loss	**440**	**1,065**	**5,167**
Total comprehensive income for the period attributable to equity holders	**11,083**	**12,158**	**15,455**

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

New Zealand dollars	Notes	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s
Equity				
Share capital		46,504	45,241	46,195
Reserves		16,103	13,643	21,456
Retained earnings		45,324	37,200	30,974
Total equity		**107,931**	**96,084**	**98,625**
Current assets				
Cash and cash equivalents		1,897	887	2,389
Current tax receivable		1,942	-	-
Trade and other receivables	8	70,360	60,406	17,401
Biological assets - crop	7	1,294	1,174	16,682
Inventories	9	8,496	9,359	4,808
Irrigation water rights		57	83	151
Property held for sale	11	10,738	700	-
Total current assets		**94,784**	**72,609**	**41,431**
Non current assets				
Trade and other receivables	8	1,494	2,579	1,066
Property, plant and equipment	5	163,137	143,940	155,371
Intangible assets	6	20,529	15,534	16,727
Investment in shares		3,736	3,467	7,428
Total non current assets		**188,896**	**165,520**	**180,592**
Total assets		**283,680**	**238,129**	**222,023**
Current liabilities				
Current tax liabilities		-	2,806	1,404
Trade and other payables	10	36,463	26,057	20,281
Interest bearing liabilities		23,926	14,535	10,827
Financial derivatives		74	384	128
Total current liabilities		**60,463**	**43,782**	**32,640**
Non current liabilities				
Interest bearing liabilities		93,950	80,897	74,683
Deferred tax		21,336	17,366	16,075
Total non current liabilities		**115,286**	**98,263**	**90,758**
Total liabilities		**175,749**	**142,045**	**123,398**
Net assets		**107,931**	**96,084**	**98,625**

On behalf of the Board.

F Hutchings
Chairman

A Waugh
Director

Dated: 23 August 2018

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

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
Equity at 1 January 2017 (audited)		**44,950**	**1,939**	**(241)**	**(476)**	**620**	**284**	**10,370**	**27,865**	**85,311**
Net profit		-	-	-	-	-	-	-	11,093	**11,093**
Foreign exchange movement		-	-	-	13	(91)	-	-	-	**(78)**
Other comprehensive income / (loss)		-	1,180	(37)	-	-	-	-	-	**1,143**
Total comprehensive income / (loss)		-	1,180	(37)	13	(91)	-	-	11,093	**12,158**
Transactions with owners										
Shares issued		157	-	-	-	-	-	-	-	**157**
Employee share scheme receipts		134	-	-	-	-	-	-	-	**134**
Movement in employee share entitlement reserve		-	-	-	-	-	82	-	-	**82**
Dividends paid	*12*	-	-	-	-	-	-	-	(1,758)	**(1,758)**
Total transactions with owners		**291**	-	-	-	-	**82**	-	(1,758)	**(1,385)**
Equity at 30 June 2017		**45,241**	**3,119**	**(278)**	**(463)**	**529**	**366**	**10,370**	**37,200**	**96,084**
Equity at 1 January 2018 (audited)		**46,195**	**7,056**	**(94)**	**265**	**(220)**	**99**	**14,350**	**30,974**	**98,625**
Net profit		-	-	-	-	-	-	-	10,373	**10,373**
Foreign exchange movement		-	-	-	-	1	-	-	(5)	**(4)**
Other comprehensive income / (loss)		-	(5,426)	40	-	-	-	-	6,100	**714**
Total comprehensive income / (loss)		-	(5,426)	40	-	1	-	-	16,468	**11,083**
Transactions with owners										
Shares issued		211	-	-	-	-	-	-	-	**211**
Employee share scheme receipts		98	-	-	-	-	32	-	-	**130**
Dividends paid	*12*	-	-	-	-	-	-	-	(2,118)	**(2,118)**
Total transactions with owners		**309**	-	-	-	-	**32**	-	(2,118)	**(1,777)**
Equity at 30 June 2018		**46,504**	**1,630**	**(54)**	**265**	**(219)**	**131**	**14,350**	**45,324**	**107,931**

STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

New Zealand dollars	Notes	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s
Operating activities				
Cash was provided from:				
Receipts from customers		106,064	109,449	190,132
Interest and dividends received		50	-	519
Insurance proceeds		-	-	125
Cash was disbursed to:				
Payments to suppliers and employees		(99,065)	(102,773)	(168,795)
Interest paid		(2,155)	(1,886)	(3,756)
Income taxes paid		(3,345)	(63)	(4,167)
Net cash flows from operating activities	*4*	**1,549**	**4,727**	**14,058**
Investing activities				
Cash was provided from:				
Sale of property, plant and equipment		124	42	1,267
Sale of investments in shares		6,112	-	-
Repayment of advances		98	839	4,133
Cash was applied to:				
Purchase of property, plant and equipment		(4,541)	(13,217)	(20,870)
Development of bearer plants		-	(815)	(3,488)
Acquisition of business	*11*	(19,456)	-	(1,000)
Purchase of intangible assets		(1,420)	-	-
Purchase of water shares		(685)	(254)	(689)
Advances		(12,916)	(11,147)	(1,536)
Net cash flows (used in) investing activities		**(32,684)**	**(24,552)**	**(22,183)**
Financing activities				
Cash was provided from:				
Proceeds of term bank borrowings		19,806	11,841	11,880
Proceeds of short term bank borrowings		25,207	22,890	29,880
Issue of shares		-	134	916
Cash was applied to:				
Repayment of term bank borrowings		-	-	(7,500)
Repayment of short term bank borrowings		(12,107)	(14,140)	(25,100)
Payment of dividend to shareholders	*12*	(1,807)	(1,601)	(3,190)
Net cash flows from financing activities		31,099	19,124	6,886
Net (decrease) in cash and cash equivalents		**(36)**	**(701)**	**(1,239)**
Effect of foreign exchange rates		(456)	(100)	1,940
Opening cash and cash equivalents		2,389	1,688	1,688
Closing cash and cash equivalents		**1,897**	**887**	**2,389**

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 2018. 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 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 2018 have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZ GAAP) and complies with the New Zealand International Financial Reporting Standards (NZ IFRS) 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 2017, 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 23 August 2018. The Directors do not have the authority to amend the financial statements after issue.

Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual audited financial statements for the year ended 31 December 2017, as described in those annual financial statements. A number of new and amedended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- *NZ IFRS 9 'Financial Instruments'*, and
- *NZ IFRS 15 'Revenue from Contracts with Customers'*.

The impact of the adoption of these standrads and the new accounting policies are disclosed in note 8 for *NZ IFRS 9* and note 3 for *NZ IFRS 15*. The other standards did not have any impact on the Group's accounting policies.

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

NZ IFRS 16 'Leases' was issued in January 2016. It will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance lease is removed. Under the new standard, an asset (the right to use the lease item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at reporting date, the Group expects to recognise $30m-$35m of leased assets with an offsetting liability in the statement of financial position. Further, approximately $4.5m of operating expenses is expected to be reclassified to interest expense and depreciation expense. The Group's key ratios presented in the statement of financial performance will be impacted by this reclassification.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

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, 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 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 and grower service costs 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 2017.

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:

- 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, and shares profit with the landowner after all costs are recovered.

Post harvest operations

The Group provides post harvest services to the kiwifruit, avocado and kiwiberry industries. This includes all produce from the Group's orchard management and lease operations, plus produce 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. The retail service operations include the Delicious Nutritious Food Company which produces and sells Kiwi Crush, Kiwi Crushies, and avocado oil to hospitals and the retail sector. In New Zealand the Group also provides ripening services for imported produce, and operates a wholesale market.

All other segments - New Zealand

This represents the Group's aggregated administration, grower services and overhead sections along with impairments 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 produce from those orchards, primarily in Australia. The main fruit grown by the group 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 (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.

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	New Zealand: Post harvest operations $000s	New Zealand: Retail service operations $000s	New Zealand: All other segments $000s	Australia: Australian operations $000s	Group: Total $000s
June 2018						
Income statement						
Turnover [1]	**38,984**	**88,582**	**15,801**	**(330)**	**11,839**	**154,876**
Gross segment revenue	38,984	90,790	6,360	(329)	11,839	**147,644**
Eliminations	-	(2,208)	-	-	-	**(2,208)**
Total segment revenue	**38,984**	**88,582**	**6,360**	**(329)**	**11,839**	**145,436**
EBITDA [2]	4,287	21,483	907	(5,910)	2,703	**23,470**
Depreciation expense	(141)	(3,249)	(104)	(358)	(508)	**(4,360)**
Amortisation of intangibles	-	-	(814)	-	-	**(814)**
Impairment of intangibles	-	-	(946)	-	-	**(946)**
EBIT [3]	**4,146**	**18,234**	**(957)**	**(6,268)**	**2,195**	**17,350**
Net finance costs	-	-	-	(1,538)	(673)	**(2,211)**
Tax charge on profit	-	-	-	(4,302)	(464)	**(4,766)**
Profit after tax	**4,146**	**18,234**	**(957)**	**(12,108)**	**1,058**	**10,373**
Balance sheet						
Segment assets	46,359	156,851	4,895	16,123	51,877	**276,105**
Unallocated assets	-	-	-	5,632	-	**5,632**
Total assets	**46,359**	**156,851**	**4,895**	**21,755**	**51,877**	**281,737**
Segment liabilities	38,452	91,477	5,108	15,634	23,778	**174,449**
Unallocated liabilities	-	-	-	(643)	-	**(643)**
Total liabilities	**38,452**	**91,477**	**5,108**	**14,991**	**23,778**	**173,806**
June 2017						
Income statement						
Turnover [1]	**36,830**	**74,373**	**25,830**	**29**	**11,838**	**148,900**
Gross segment revenue	36,830	76,413	10,942	29	11,838	**136,052**
Eliminations	-	(2,040)	-	-	-	**(2,040)**
Total segment revenue	**36,830**	**74,373**	**10,942**	**29**	**11,838**	**134,012**
EBITDA [2]	**5,816**	**17,068**	**1,317**	**(5,687)**	**3,413**	**21,927**
Depreciation expense	(364)	(2,901)	(59)	(240)	(376)	**(3,940)**
Amortisation of intangibles	-	-	-	(218)	(4)	**(222)**
Impairments of asset	-	-	-	-	(29)	**(29)**
EBIT [3]	**5,452**	**14,167**	**1,258**	**(6,145)**	**3,004**	**17,736**
Net finance costs	-	-	-	(1,596)	(308)	**(1,904)**
Tax charge on profit	-	-	-	(3,704)	(1,035)	**(4,739)**
Profit after tax	**5,452**	**14,167**	**1,258**	**(11,445)**	**1,661**	**11,093**
Balance sheet						
Segment assets	37,151	143,825	5,863	1,728	39,683	**228,250**
Unallocated assets	-	-	-	9,879	-	**9,879**
Total assets	**37,151**	**143,825**	**5,863**	**11,607**	**39,683**	**238,129**
Segment liabilities	23,183	37,338	5,058	11,253	33,502	**110,334**
Unallocated liabilities	-	-	-	31,711	-	**31,711**
Total liabilities	**23,183**	**37,338**	**5,058**	**42,964**	**33,502**	**142,045**

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	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s

Note 2. Turnover

The following table reconciles turnover to revenue.			
Turnover	154,876	148,900	217,902
Value of sales made as agent	(9,440)	(14,888)	(31,088)
Revenue	**145,436**	**134,012**	**186,814**

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.

New Zealand dollars	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s

Note 3. Revenue and other income

Total revenue	**145,436**	**134,012**	**186,814**
Other income			
Interest and dividends	21	-	558
Net movement in fair value of irrigation water rights	-	-	(154)
Income from insurance proceeds	-	-	125
Total other income	**21**	**-**	**529**
Total revenue and other income	**145,457**	**134,012**	**187,343**

Effective 1 January 2018, the Group adopted *NZ IFRS 15 'Revenue from Contracts with Customers'*. Based on the assessment performed by the Group, the impact of the revised standard on the Group's revenue recognition is minimal and no restatement to the prior years was made. Changes to accounting policy are discussed below.

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 with specific performance obligations. Each performance obligation has a separate transaction price detailed in the contract. Each of the performance obligations are recognised at a point in time relevant to the service being performed.

Orchard management

The orchard management contracts are largely standardised. For management contracts, revenue is recognised over time, as the services are performed. For contracts to collect the supply of kiwifruit, revenue is recognised at a point in time (when the crops are picked).

Retail services

Retail contracts are customised to the service being offered. There are three significant revenue stream under retail with the following performance obligations;

1. To sell fruit on the owner's behalf (agent) where revenue is recognised at a point in time,
2. Storage and ripening of fruits is recognised where revenue is recognised overtime, and
3. Sell of specific Kiwicrush products where revenue is recognised at a point in time.

Australia

Contracts are largely standardized and are with the distributors. There is one performance obligation, to provide the fruit to the distributor and revenue is 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 month 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.

New Zealand dollars	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s

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

Net operating surplus after taxation	**10,373**	**11,093**	**5,833**
Add non cash items:			
Depreciation	4,360	3,940	8,218
(Gain) on revaluation of land and buildings	-	-	(1,396)
Impairment of property, plant and equipment	-	29	102
Revaluation of employee share scheme	31	-	133
Movement in deferred tax	-	4,234	832
Movement in fair value of biological assets - crop	15,388	14,929	(636)
Movement in onerous leases	-	(8)	(8)
Impairment of intangible assets	946	-	2,031
Amortisation of intangibles	814	222	484
	21,539	**23,346**	**9,760**
Add / (less) items not classified as an operating activity:			
(Gain) on sale of property, plant and equipment	-	(1)	(301)
Decrease in current water allocation account	94	115	44
	94	**114**	**(257)**
(Increase) / decrease in working capital:			
(Increase) / decrease in accounts payable	11,676	4,437	(1,640)
(Increase) / decrease in accounts receivable / prepayments	(40,419)	(32,061)	2,742
(Increase) in inventory	(3,135)	(6,238)	(1,419)
Increase / (decrease) in taxes due	1,421	441	(961)
	(30,457)	**(33,421)**	**(1,278)**
Net cash flow from operating activities	**1,549**	**1,132**	**14,058**

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.

New Zealand dollars	Land and buildings $000s	Plant and equipment $000s	Motor vehicles $000s	Bearer plants $000s	Assets under construction $000s	Total $000s
Note 5. Property, plant and equipment						
At 1 January 2018						
Cost or valuation	106,321	88,909	800	9,188	3,351	**208,569**
Accumulated depreciation and impairment	(2,856)	(48,550)	(379)	(1,413)	-	**(53,198)**
Net book amount	**103,465**	**40,359**	**421**	**7,775**	**3,351**	**155,371**
Period ended 30 June 2018						
Opening net book amount	**103,465**	**40,359**	**421**	**7,775**	**3,351**	**155,371**
Additions	7,116	2,928	74	1,087	1,261	**12,466**
Exchange differences	(116)	(36)	(1)	(41)	(22)	**(216)**
Depreciation	(1,730)	(2,434)	(48)	(148)	-	**(4,360)**
Disposals	-	(96)	(28)	-	-	**(124)**
Closing net book amount	**108,735**	**40,721**	**418**	**8,673**	**4,590**	**163,137**
Period ended 30 June 2018						
Cost or valuation	113,321	91,706	845	10,233	4,590	**220,695**
Accumulated depreciation and impairment	(4,586)	(50,985)	(427)	(1,560)	-	**(57,558)**
Net book amount	**108,735**	**40,721**	**418**	**8,673**	**4,590**	**163,137**

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 2018 the directors believe there are no indicators of impairment that would suggest that the carrying value of land and buildings materially differs from their fair value and as a consequence there is no need to revalue those assets at balance date.

New Zealand dollars	Software $000s	Goodwill $000s	Water shares $000s	Supplier contract $000s	Interest in leased land $000s	Kiwifruit licences $000s	Total $000s
Note 6. Intangible assets							
At 1 January 2018							
Cost or valuation	2,517	7,851	6,150	1,877	2,030	-	**20,425**
Accumulated depreciation and impairment	(2,097)	-	-	(1,146)	(455)	-	**(3,698)**
Net book amount	**420**	**7,851**	**6,150**	**731**	**1,575**	**-**	**16,727**
Period ended 30 June 2018							
Opening net book amount	**420**	**7,851**	**6,150**	**731**	**1,575**	**-**	**16,727**
Additions	193	1,046	-	-	-	3,910	**5,149**
Exchange differences	-	(49)	(48)	-	-	-	**(97)**
Revaluation before tax	-	-	510	-	-	-	**510**
Amortisation	(83)	-	-	(731)	-	-	**(814)**
Impairment	-	(946)	-	-	-	-	**(946)**
Closing net book amount	**530**	**7,902**	**6,612**	**-**	**1,575**	**3,910**	**20,529**
Period ended 30 June 2018							
Cost or valuation	2,710	7,902	6,612	1,877	2,030	3,910	**25,041**
Accumulated depreciation and impairment	(2,180)	-	-	(1,877)	(455)	-	**(4,512)**
Net book amount	**530**	**7,902**	**6,612**	**-**	**1,575**	**3,910**	**20,529**

Following a major customer moving to their own direct supply of bananas in 2018, the Board reassessed the useful life remaining on the intangible asset associated with the contract. The useful life was changed from 6 years to 4 years and the supplier contract intangible asset is now fully amortised. Further, the Board reviewed the latest forecasts and further impaired the carrying value of the goodwill associated with the Glassfields' banana business by $0.95m. The remaining goodwill recognised as an intangible asset on the balance sheet is $0.44m. In December 2017 the Board impaired $2.03m of goodwill in relation to these operations.

The kiwifruit licences are SunGold licences purchased from Zespri Limited on 1st May 2018. The licences give us the right to plant the gold variety of kiwifruit. The licences were purchased with the intention of using them on orchards that are still to be settled with Turners and Growers Horticulture Limited (T&G Horticulture). The orchards are currently sitting in note 16, capital commitments.

Note 7. 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 14.

New Zealand dollars	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s
Carrying amount at beginning of period	**16,682**	**16,046**	**16,046**
Crop harvested during the period			
Fair value movement from the beginning of the period to point of harvest	14,578	13,188	20,903
Fair value when harvested	(31,260)	(29,234)	(36,949)
Crop growing on bearer plants at end of period			
Crop where cost is deemed fair value	1,294	1,174	16,470
Crop at fair value	-	-	212
Carrying value at end of period	**1,294**	**1,174**	**16,682**

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

New Zealand dollars	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s
Movement in carrying amount	(15,681)	(14,928)	346
Exchange differences	293	56	290
Net fair value movement in crop	**(15,388)**	**(14,872)**	**636**

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

New Zealand dollars	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s
Australia - all varieties	722	672	5,918
New Zealand - kiwifruit crop	504	431	10,656
New Zealand - avocado crop	68	71	108
Carrying value at end of period	**1,294**	**1,174**	**16,682**

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	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s
Note 8. Trade and other receivables			
Current trade receivables	20,309	10,708	10,217
Prepayments	2,397	1,654	932
GST refund due	-	73	379
Accrued fruit income and other sundry receivables	47,654	47,971	5,873
Current trade and other receivables	**70,360**	**60,406**	**17,401**
Non current trade receivables	1,494	2,579	1,066
Total trade and other receivables	**71,854**	**62,985**	**18,467**

Effective 1 January 2018, the new accounting standard *NZ IFRS 9 'Financial Instruments'*, has been adopted in the Group's financial statements. The standard requires a default rate analysis in calculating the provision for doubtful debts. Based on the assessment performed by the Group, the revised standard does not have a material effect on the recognition of financial instruments.

Accrued fruit and other sundry receivables includes $29.35m (Jun 2017 - $24.60m) of kiwifruit income for kiwifruit harvested and delivered to Zespri from the Group's New Zealand orchards and $13.22m (Jun 2017 - $12.38m) 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 Green Hayward orchard gate return (OGR) of $5.49 per tray (Jun 2017 - $6.06) and an average SunGold G3 OGR of $10.06 per tray (Jun 2017 - $9.21).

New Zealand dollars	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s
Note 9. Inventories			
Crop inventories	3,711	5,573	-
Total packaging at cost	2,556	1,784	2,549
Other inventories at cost	2,229	2,002	2,259
Total inventories	**8,496**	**9,359**	**4,808**

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 2018 52.9% (June 2017 – 63.7%) of New Zealand Class 1 trays have been loaded out. New Zealand kiwifruit inventory is valued at a Green Hayward OGR of $5.49 per tray and a SunGold G3 OGR of $10.06 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, $26.41m (Dec 2017 - $21.98m) of packaging inventory costs were expensed to cost of sales in the statement of financial performance.

New Zealand dollars	6 months to June 2018 Unaudited $000s	6 months to June 2017 Unaudited $000s	12 months to December 2017 Audited $000s

Note 10. Trade and other payables

Trade payables	14,997	7,677	3,472
Accrued expenses	15,498	13,719	12,363
Employee expenses	4,623	4,148	4,212
GST payable	1,280	-	-
Other payables	65	513	234
Total trade and other payables	**36,463**	**26,057**	**20,281**

Trade payables includes $6.33m (Dec 2017 – Nil, Jun 2017: $3.42m) of packaging costs relating to post harvest operations. There was also $4.9m in trade creditors owing at balance date for Zespri SunGold G3 licenses.

Note 11. Business combination and property held for sale

During the period to 30 June 2018 the Group purchased Kerikeri-based kiwifruit orchards, packhouse facilities and related assets and liabilities representing the kiwifruit business previously owned by T&G Horticulture. 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 on 30 June 2018. Three orchards are subject to subdivision and were not settled at 30 June. These orchards shall remain at the risk of T&G Horticulture until the relevant individual titles are issued and they provide the relevant settlement notice. These are detailed in note 16.

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	6 months to June 2018 Unaudited $000s
Stage 1 - 30 April 2018	
Land and buildings	6,603
Property, plant and equipment	775
Inventory	553
Zespri shares	2,149
Prepayments	1
Employee benefits balance	(264)
Deferred tax	(393)
Goodwill	1,046
Total purchase consideration	**10,470**
Stage 2 - 30 June 2018	
Land and buildings	2,725
Bearer plants	5,629
Property, plant and equipment	632
Total purchase consideration (classified as held for sale)	**8,986**
Total business combination (cash consideration paid)	**19,456**

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 the Group'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 $0.29m are included in administrative expenses.

The fair value of the acquired land and buildings and orchards are provisional pending final valuations of those assets. Deffered tax of $0.39m has been provided in relation to the adjustments.

The Group purchased the orchards with the intention to market the Northland land holding as it focussed on refurbishing the post harvest facility. The Group is currently in the process of selling the orchards, which is set to run for five weeks with the current timetable calling for bids on 15 August 2018. The Group also purchased a SunGold kiwifruit licence from Zespri for $1.752m for one of the orchards classified as property held for sale. The property held for sale recognised on the statement of financial position of $10.738m is comprised of the $8.986m detailed above in orchards and the $1.752m of SunGold licence. This represents the fair value of the total property held for sale.

Dividends, funding and fair value

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

	6 months to June 2018 Unaudited		12 months to December 2017 Audited	
Dividends paid	$000s	Per share	$000s	Per share
Note 12. Dividends				
24 March 2017			1,758	$0.10
22 September 2017			1,761	$0.10
23 March 2018	2,118	$0.12		
Total dividend paid or credited as shares under the dividend reinvestment plan (DRP)	**2,118**		**3,519**	

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 $1.81m (Dec 2017 - $3.19m).

At the date of signing the directors have declared a fully-imputed dividend of $0.12 per share. The dividend will be paid on 21 September 2018 to those shareholders on the register at 5pm on 14 September 2018. The dividend reinvestment plan will apply to the distribution.

Note 13. Share capital

During the period to 30 June 2018, $0.10m (Jun 2017 – $0.13m) was received in relation to shares issued under the employee share scheme established in 2014.

Under the dividend reinvestment plan 32,618 shares were issued on 12 April 2018 (Dec 2017 – 62,627).

Note 14. Determination of fair values

Fair value of financial assets

The following table analyses assets and liabilities carried at fair value as at 30 June 2018.

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 water shares.
- 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	-	-	1,294	**1,294**
Water allocation account	57	-	-	**57**
Intangible assets - interest in leased land	-	-	1,575	**1,575**
Water shares	6,613			**6,613**
Property held for sale	-	-	10,738	**10,738**
Land	-	-	19,109	**19,109**
Buildings	-	-	89,626	**89,626**
Listed equity securities	2,199			**2,199**
Unlisted equity securities	-	-	1,536	**1,536**
Derivatives used for hedging (liability)	-	74	-	**74**

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.	**$ 1.29 m**	Estimated market value less selling costs and costs to market (have 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, and interest in leased land	**$ 108.74 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 5 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	**$ 1.54 m**	Based on latest information from securities management. Tested for impairment with carrying amount assesed at balance date.	Securities management information on share price.	Increases with share price information. Reduces if cost is impaired at balance date.

Note 15. 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. In the current period the Group received $61.77m (Jun 2017 - $53.73m) for the provision of services to SGL.

Note 16. Capital commitments

As at 30 June 2018, as part of the acquisition of the Kerikeri-based assets previously owned by T&G Horticulture (see note 11), settlement on three orchards at a cost of $22.6m remains subject to subdivision, and these three orchards are yet to be acquired by the Group. Upon receiving title, the Group will have 10 days to settle the sale.

Note 17. Events occurring after balance date

Other than the dividend being declared (see note 12), there are no 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

Martyn Brick

John Burke

Fred Hutchings
Ex-officio

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 Supply

Kevin Halliday
GM Post Harvest Services

Ray Hook
GM Retail Services

Annmarie Lee
GM Growers

Stuart McKinstry
Chief Financial Officer

Jason Swain
GM Information Services

Rob Towgood
Commercial Manager

Simon Wells
GM Orchards

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Auckland

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Westpac Banking Corporation
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Share register

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