

Seeka Kiwifruit Industries Limited

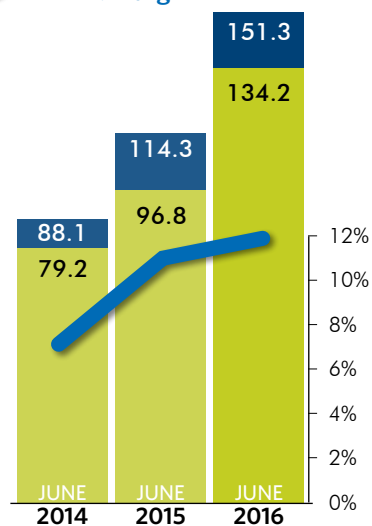
June 2016

INTERIM REPORT

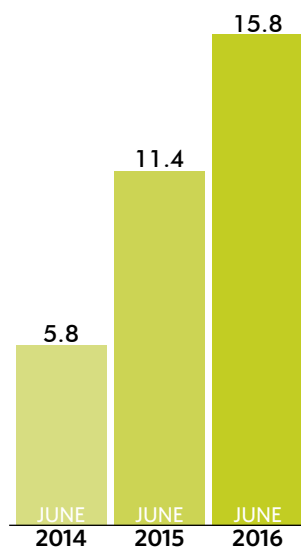


Performance benchmarks

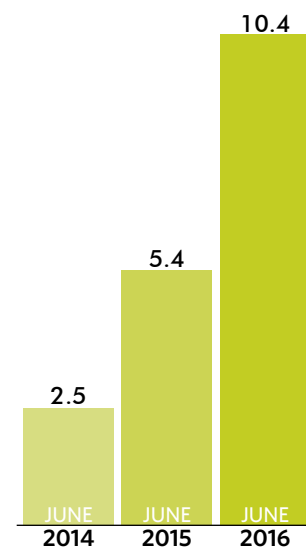
- Turnover¹ \$m
- Revenue \$m, and
- EBITDA margin²



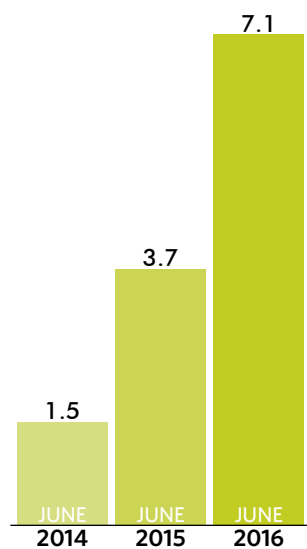
EBITDA²
\$m



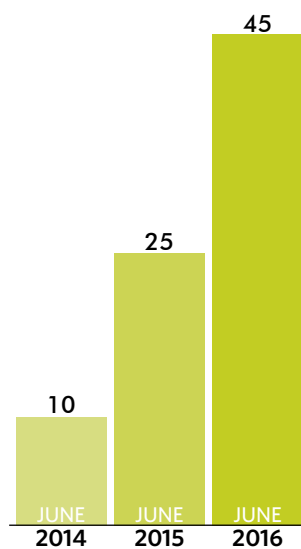
Net profit before tax
\$m



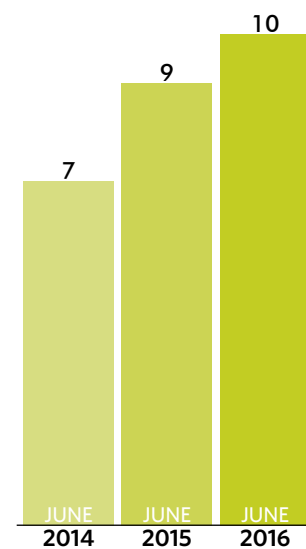
Net profit after tax
\$m



Basic earnings per share
Cents



June dividend declared per share Cents



1. Turnover is a non-GAAP measure, see calculation in note 2 to the financial statements.

2. EBITDA, a non-GAAP measure, is earnings before interest, tax, depreciation, amortisation, impairments and revaluations (see note 1).

3. Net debt or net bank debt, non-GAAP measures, are the sum of current and noncurrent interest-bearing liabilities less cash and cash equivalents.

Introduction

Seeka is pleased to present its financial results for the six months ended 30 June 2016.

It has been a successful six months with major activities including:

- the first harvest and sales programmes for Seeka Australia
- significant infrastructure investment in the New Zealand core kiwifruit business
- successful completion of the 2015/16 avocado selling season which delivered record returns to growers
- successfully managing and processing a record New Zealand kiwifruit crop.

Uncertainty with the Hayward (green) selling season has been factored into Seeka's results with significantly lower Hayward tray returns forecasted for orchard operations. The uncertainty is related to the impact of high volumes on Hayward market returns and China access issues.

Earnings per share for the six months of \$0.45 compares favourably against \$0.25 in the pcp. Seeka issued 431,669 shares during the six months; 33,569 under the dividend reinvestment scheme and 398,100 under the Seeka Employee Share Plan.

Seeka invested significantly in its New Zealand kiwifruit business and in orcharding, packing and fruit storage in Australia, including:

- \$14.6m invested in kiwifruit coolstore and packing infrastructure
- \$4.20m in the strategic property of Kiwi360 and Pukenga orchard for future post-harvest development and Seeka's new headquarters
- \$1.52m in the continuing process of introducing plastic bins to Seeka's business
- \$3.20m in other New Zealand plant, property and equipment
- \$1.61m invested in developing Australian orchards and post harvest facilities.

To finance these investments Seeka increased net debt³ during the period by \$23.90m to \$76.86m while total assets grew to \$214.05m.

Highlights for the six months

- **\$7.12m net profit after tax**
Up 92% on the previous corresponding period (pcp)
- **\$151.26m total turnover¹**
Up 32% on pcp
- **\$15.84m EBITDA²**
Up 39% on pcp
- **\$3.31 cash flow from operations**
Up \$5.75m on pcp
- **\$24.84m of cash flow invested in property plant and equipment** Up \$14.75m on pcp
- **\$76.86m net bank debt³**
Up 142% on pcp

Seeka continues to focus on building and delivering shareholder wealth and increasing dividends. The company consolidated Seeka Australia operations into Seeka by establishing professional planning, business systems and management structures. At the same time the company focused on its core kiwifruit business by delivering packing and coolstorage capacity to process a record 32.3m trays (pcp: 27.8m trays class 1 and 2) produced from our own and from our growers' orchards.

Seeka continues to evaluate options to handle increasing kiwifruit volumes and minimise costly investment, and strive for improvements that deliver leading results. The company continues to look for opportunities to innovate, expand or diversify to secure long-term growth and sustainable profitability. This strategy may see the company contemplate and action value accretive acquisitions or expand its geographical boundaries further. Seeka's vision remains to be "New Zealand's Premier Produce Business".

Dividend announcement

An increased dividend of \$0.10 per share has been declared by the Board as a result of the reported financial results (\$0.09 declared in the pcp). The dividend is fully imputed and will be paid 29 September 2016 to those shareholders on the register at 5pm on 22 September 2016. The dividend reinvestment plan will apply.

Outlook

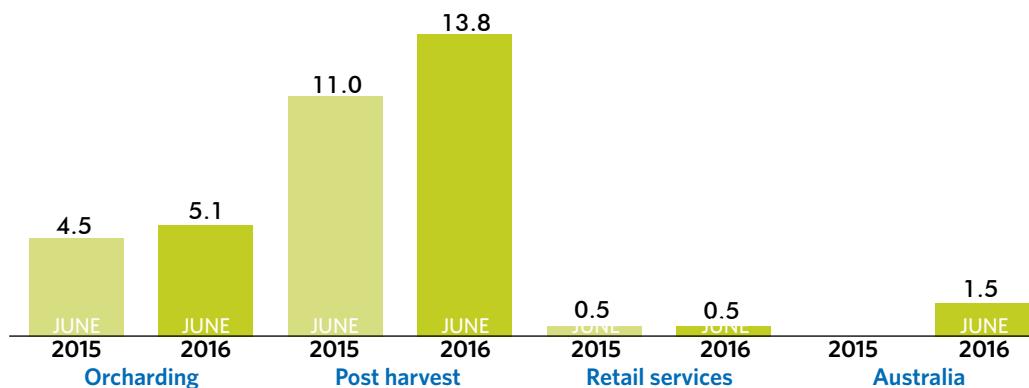
Seeka will provide guidance for the current trading year at its Stakeholder Update to be held 21 October, by which time Seeka expects to have greater certainty over its financial forecasts including trends relating to fruit quality, kiwifruit selling prices, the completion of Australian fruit sales, and any final resolution to the 2015 Oakeside fire insurance claim. The outstanding claim relates to the grower retention payment made last year. The outcome is unknown. The policy is held by Zespri Group Limited (Zespri) for this claim as they take insurance for the New Zealand kiwifruit industry.

Segment summary¹

6 months to June [\$ million]	Orcharding		Post harvest		Retail services		Australia	
	2015	2016	2015	2016	2015	2016	2015	2016
Revenue	32.9	37.7	59.8	78.0	4.1	5.1	-	13.3
EBITDA	4.5	5.1	11.0	13.8	0.5	0.5	-	1.5
EBIT	4.1	4.9	6.2	11.4	0.5	0.5	-	1.2

1. Excludes all other segments. See note 1 for segment analysis.

Segment EBITDA \$m



Commentary

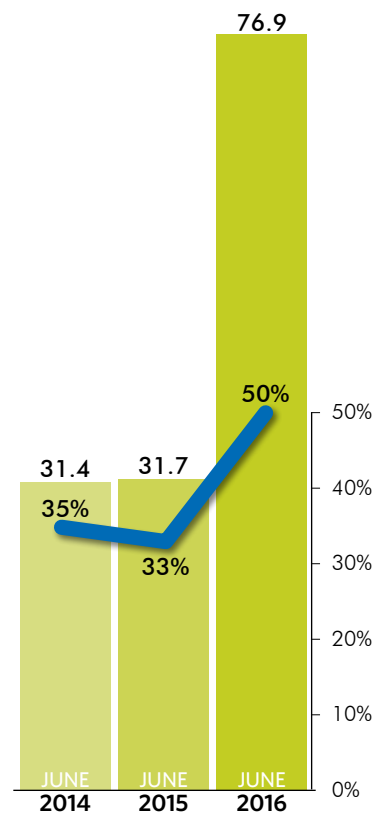
Profits are up. Profit after tax of \$7.12m is \$3.40m ahead of the pcp (+92%), reflecting the successful completion of the avocado selling season, the commencement of harvest and selling of our Australian-grown produce and record kiwifruit volumes in New Zealand. Higher New Zealand kiwifruit volumes have led to better earnings, but required significant investment. The half year results include one-off gains from discontinuing long term leases which added \$457,000 to the after tax result.

Australian operations commenced profitably in their first harvest and selling season. In 2016 Seeka harvested 580,000 tray equivalents of Australian kiwifruit and 1,432 tonnes of Nashi pears; the two major Australian crops grown by Seeka. While earnings were lower than expected, they reflect a challenging first growing season with Seeka learning how to operate in the Australian business environment. Australian operations were profitable with EBITDA of \$1.52m and delivered positive after tax earnings of \$660,000 for the half year. Seeka Australia is 100% debt financed.

Seeka's integrated avocado service and strong marketing programmes to export and the local markets delivered record returns to growers. In a profitable selling season, Seeka returned \$26.86 per export tray to growers, the third year in a row Seeka has topped industry returns.

Kiwiberry volumes increased from 38,675 trays in 2015 to 62,407 trays in 2016. Disruptions in the marketing plan occurred when the China market closed following cancellation of the industry's phytosanitary protocol. Seeka and Freshmax responded by opening new markets and achieved higher sales in Australia. Overall returns to growers averaged \$41,775 per hectare, reflecting a very good recovery. Kiwiberry volumes are forecast to more than double to 158,000 trays in 2017.

Net debt \$m, and Gearing ratio



Net debt = bank debt less bank deposits

A non-GAAP measure, net debt is the sum of current and noncurrent interest-bearing liabilities less cash and cash equivalents.

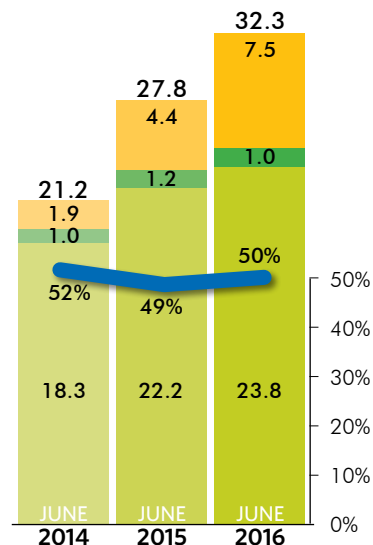
Gearing ratio =
 $\text{net debt} / (\text{net debt} + \text{total equity})$

New Zealand kiwifruit volumes are up. Hayward Class 1 volumes handled by post-harvest increased by 1.3m trays and market share remained steady at 24.8%. Zespri SunGold volumes increased by 3.5m trays with market share increasing from 14% to 16%. Further growth in Zespri SunGold is anticipated as orchards continue to recover from Psa-V and new areas are grafted under an additional license release by Zespri. Total New Zealand kiwifruit volumes handled by Seeka increased to 32.3m trays from 27.8m in the pcp (class 1 and 2).

Seeka delivered its growers a timely harvest and facilities were fully utilised. On 19 June, Seeka's infrastructure was full. Disciplined and professional planning ensured that Seeka had the capacity to handle its growers' fruit. There were 1.3m trays shipped from our stores the week after harvest completion and the infrastructure investment required for that marginal crop volume was approximately \$15m; an inefficient use of capital for both shareholders and growers who pay to use the facilities.

Seeka continues to focus on infrastructure expansion and capacity planning to ensure adequate capacity for forecast volumes. There is little alternative to further investment in New Zealand infrastructure considering the kiwifruit industry's inertia to implementing offshore handling and storage, and limited collaborative marketing opportunities. In late 2015, Seeka strove to introduce an innovative supply chain concept to its operation through a collaborative marketing application to Hainan Island, China. The application involved Seeka utilising significant empty coolstores in China for a very low cost to supply a targeted retail programme. This innovative collaborative marketing programme, if proved successful, provided the opportunity to avoid significant capital investment in New Zealand infrastructure. All growers benefit from such innovation with the risk to growers underwritten by Seeka. Seeka was denied its application and appealed via judicial review, the only mechanism of appeal. Seeka resubmitted its application following the judicial review, but again was denied. Seeka believes that innovative concepts that results in the avoidance of investing in inefficient infrastructure to be to the betterment of all in the kiwifruit industry.

Post harvest class 1 and 2 trays millions
 Green cultivars packed
 Green cultivars UFI storage
 Gold cultivars packed, and
Percent loaded by 30 June



Review of operations

Post-harvest earnings increased following significant investment in infrastructure, primarily to handle higher volumes of Zespri SunGold. Our post-harvest division coordinates the New Zealand harvest, packing, coolstore and logistics for our kiwifruit, kiwiberry and avocado growers. EBITDA of \$13.8m compares to \$11.0m in the pcp. Total assets employed in the division were \$108m, up \$21m in the pcp. Overall kiwifruit handled or packed in 2016 grew to 32.3m trays compared to 27.8m in the pcp (class 1 and 2).

New capacity was built in 2016 including a significant build at KKP Maketu on newly-acquired land adjacent to the site. Seeka constructed five coolstore rooms and eight pre-cooler rooms with static capacity of 1.80m trays.

Seeka has undertaken detailed planning in anticipation of further kiwifruit volumes through to 2020. Seeka will focus on fully utilising existing sites and infrastructure, with further coolstores planned for KKP, Main Road and Transcool with improvements at Waimapu to increase capacity from existing facilities.

New packing machines are scheduled for KKP and Main Road with the existing Main Road machine planned to be shifted to the Peninsula packhouse where Seeka has an extended lease with a right of purchase. This series of investments is primarily focused on ensuring that Seeka has capacity for increasing SunGold volumes from existing growers and will deliver packing capacity to handle fruit at optimal maturity.

The 7.9-hectare Kiwi360 site and adjoining 5.4-hectare Pukenga orchard purchases secure sufficient land for the potential construction of a greenfields post-harvest site.

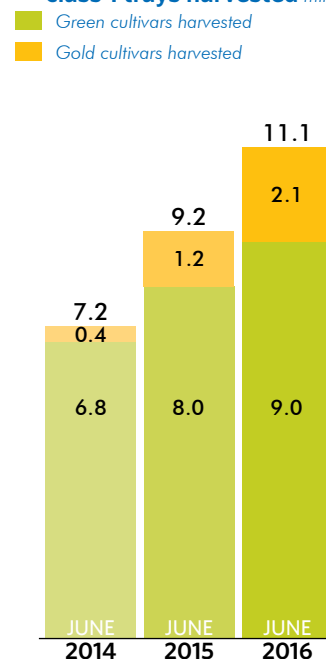
Seeka strives for operational excellence. The post-harvest environment remains competitive. Seeka aims to deliver competitive pricing for grower services while pushing innovation and strict cost control in its operations. Margins remained tight, however increased volumes delivered the benefits of scale to both shareholders and growers. Again in 2016, supplying growers delivered an exceptional crop, and benefited from a late growing season whereby fruit kept sizing in a late-maturing year.

Early inventory performance for both Hayward and SunGold has been excellent.

Seeka undertook significant recruitment in post-harvest ahead of the volume increase. Careful planning ensured Seeka had experienced people in the right roles to handle increasingly-complex kiwifruit quality protocols and bigger volumes.

Orchard operations increased profit. The orchard division handles all the growing and orchard management services for Seeka's own long-term leased orchards, short-term leased and managed orchards. EBITDA of \$5.5m compares to \$4.5m pcp.

Orchard operations class 1 trays harvested millions



Seeka made a one-off gain of \$457,000 from discontinuing long-term leases. The original long-term lease contract permitted the land owner to buy back the orchard development at any time during the last five years of the contract. Two growers elected to exercise this option in the six month period. Seeka continues investing in long-term lease developments where those developments fit Seeka's criteria.

In total leased and managed orchards produced 11.1m trays compared to 9.2m in 2015.

Increased yields helped offset higher growing costs from rising labour costs and more-intensive on-orchard work, with Hayward on-orchard costs now approximately \$36,000 per hectare and SunGold closer to \$40,000 per hectare.

Returns to the orchard gate for SunGold are expected to remain high, averaging approximately \$8 per tray - or \$100,000 per hectare.

Per tray market returns for Hayward have reduced. The later harvest and larger crop resulted in Zespri removing 5.2m trays of Hayward from inventory to support optimal market returns for the remaining crop. This will impact on Seeka's returns from orchard operations, with Hayward tray returns forecast to fall to \$4.26 per tray this season, down from \$4.97 in 2015; a 14.3% decrease. Better yields will soften the fall with average returns forecast at \$54,100 per hectare compared to \$60,500 in 2015; a 10.6% decrease.

Retail services earnings are flat. The retail services operations comprise domestic and overseas selling of produce and kiwifruit not sold through Zespri. EBITDA of \$0.5m for the six months compares to \$0.5m in the pcp.

Retail services includes the operations of SeekaFresh exporting kiwifruit, kiwiberries and avocados and the domestic supply programmes which include avocados, kiwifruit, seasonal produce and importation and ripening services of bananas, pineapples and papaya. Flat earnings reflect lower kiwifruit prices for New Zealand kiwifruit sold in Australia, and a period of high competition in the New Zealand banana market together with some supply issues. Seeka has moved to realign its banana business with new supply arrangements and is sourcing bananas from a new Ecuadorian supplier to complement the Sumifru supply from the Philippines and Ecuador.

Seeka Australia delivered positive earnings from its first harvest. EBITDA of \$1.52m is behind expectation following a challenging growing period and hail events in Shepparton. 580,000 tray equivalents of kiwifruit were harvested and 1,432 tonnes of Nashi pears.

The company remains very positive with its Australian investment and continues to invest and develop the business, including building new coolstores and upgrading the packing machine in Bunbartha, with the upgrades to be completed in 2017. Plans are set to increase production from the existing orchards and bring available bare land into production. These increases are expected to yield returns in the next three years as new plantings mature.

Water in Australia remains closely monitored and Seeka continues to invest in water to ensure that it has sufficient to grow existing and future crops.

Innovation

Seeka continues its focus on innovation. Two recent initiatives include:

- the ongoing roll out of plastic field bins with all bins scheduled to be plastic within three years.
- developing and deploying information systems that enable key decision makers to make better operational decisions by accessing live information from multiple sites.

The leading-edge information systems deployed by Seeka enable management to deliver real-time gains. The company continues to invest in information technologies that deliver ongoing efficiency gains for shareholders and growers.

The Seeka team

Seeka people have excelled through the six months. The company continues to refine its health and safety strategy and systems to ensure that it complies with new legislation and keeps its people safe.

Seeka remains committed to safety and the development of all employees; formal safety processes and policies are in place. Safety processes continue to be reviewed with targeted projects identified for the next six months.

The company's continued focus on health and safety is delivering tangible reduction in the lost time injury rate

While seasonal labour was adequate in 2016, shortages loom. Seeka utilised 460 recognised seasonal employer (RSE) workers from Malaysia and the Pacific to complement the local workforce. Seeka initiated innovative arrangements with Work and Income New Zealand to maximise work opportunities for New Zealanders including initiatives to employ people from outlying areas including Murupara, Rotorua and Kawerau.

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

Close

The six months operations have been dynamic for Seeka. The company has delivered a pleasing improvement in baseline financials, rewarded shareholders and delivered excellent results to growers. The company thanks all staff, contractors, growers, suppliers and customers for their efforts and looks forward to the successful completion of the year.



Fred Hutchings
Chairman



Michael Franks
Chief Executive

June 2016

INTERIM REPORT

Financial statements

Statement of financial performance	9
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14
Directory	28



SEEKA
KIWIFRUIT INDUSTRIES LIMITED

Statement of financial performance for the six months ended 30 June 2016

	Notes	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Turnover ¹	2	151,258	114,315	184,740
Revenue ⁴	3	134,243	96,839	142,112
Cost of sales ⁴		96,837	71,976	122,574
Reduction / (increase) in fair value of biological assets - crop	8	15,928	11,074	(4,187)
Gross profit		21,478	13,789	23,725
Other income	3	1	19	307
Income from insurance proceeds for asset loss	3	-	2,317	5,462
Share of (loss) of associates	3	-	-	(5)
Acquisition costs and stamp duty		-	-	1,120
Grower relationship payment	4	-	-	4,042
Other costs	4	5,635	4,691	10,402
Earnings (EBITDA) before revaluations and impairments ²		15,844	11,434	13,925
Depreciation expense	7	3,227	2,924	5,749
(Gain) on revaluation of land and buildings		-	-	(1,228)
Impairment of investments in associates	5	340	-	-
Impairment of assets - fire loss	3	-	2,174	1,740
Amortisation of intangibles		218	186	456
Earnings (EBIT) ³		12,059	6,150	7,208
Finance expense	4	1,670	794	1,962
Net profit before tax		10,389	5,356	5,246
Income tax charge		3,268	1,638	974
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS		7,121	3,718	4,272
Earnings per share for profit attributable to the ordinary equity holders of the company during the period				
Basic earnings per share		\$0.45	\$0.25	\$0.29
Diluted earnings per share		\$0.43	\$0.24	\$0.27

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

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

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

4. For the six month period to 30 June 2015, revenue and cost of sales have been restated to appropriately recognise banana sales made as an agent. There is no impact on gross profit or the financial result for the period. Restatement is not required of the audited 31 December 2015 or 31 December 2014 financial statements. See note 18.

Statement of comprehensive income for the six months ended 30 June 2016

	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Net profit for the period	7,121	3,718	4,272
<i>Items that will not be reclassified to profit or loss</i>			
Movement in revaluation of land and buildings, net of tax	(127)	-	3,130
Total items that will not be reclassified to profit or loss	(127)	-	3,130
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cash flow hedge reserve, net of tax	(82)	(141)	(147)
Movement in foreign currency translation reserve, net of tax	333	-	9
Movement in revaluation reserve, net of tax	127	-	(51)
Gain on revaluation of investment in shares, net of tax	535	-	132
Total items that may be reclassified subsequently to profit or loss	913	(141)	(57)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS	7,907	3,577	7,345

Statement of financial position *as at 30 June 2016*

	Notes	June 2016 \$000s Unaudited	June 2015 \$000s Unaudited	December 2015 \$000s Audited
Equity				
Share capital	14	41,674	37,898	40,651
Reserves		10,077	6,098	9,418
Retained earnings		26,354	21,662	20,750
TOTAL EQUITY		78,105	65,658	70,819
Current assets				
Cash and cash equivalents		2,855	549	1,192
Trade and other receivables	9	48,994	33,385	21,208
Biological assets - crop	8	1,437	520	17,365
Inventories	10	17,212	16,547	3,185
Water allocation account	11	95	-	349
Current tax receivables		3,884	3,593	1,314
Property held for sale		-	1,190	-
Total current assets		74,477	55,784	44,613
Non current assets				
Trade and other receivables		4,323	4,383	3,772
Property, plant and equipment	7	118,039	73,374	98,718
Intangible assets		15,227	5,735	15,526
Investment in shares		1,972	1,601	1,689
Investment in associates		9	497	-
Total non current assets		139,570	85,590	119,705
Total assets		214,047	141,374	164,318
Current liabilities				
Current tax liabilities		25	-	-
Trade and other payables	12	32,954	26,669	24,854
Liability on grower incentive scheme	3	2,936	2,546	-
Onerous lease provision		17	20	34
Interest bearing liabilities		20,425	13,265	1,630
Financial derivatives		367	246	254
Total current liabilities		56,724	42,746	26,772
Non current liabilities				
Onerous lease provision		8	38	8
Interest bearing liabilities		59,295	19,000	52,522
Deferred tax		19,915	13,932	14,197
Total non current liabilities		79,218	32,970	66,727
Total liabilities		135,942	75,716	93,499
NET ASSETS		78,105	65,658	70,819

On behalf of the Board


F. Hutchings
 Chairman


A. Waugh
 Director

Dated: 26 August 2016

Statement of changes in equity for the six months ended 30 June 2016

Notes	Share capital \$000s	Available for sale revaluation reserve \$000s	Cash flow hedge and FX movement reserve \$000s	Foreign currency revaluation reserve \$000s	Foreign currency transaction reserve \$000s	Share based payments reserve \$000s	Land and buildings revaluation reserve \$000s	Retained earnings \$000s	Total \$000s
Equity at 1 January 2015 (audited)	37,773	943	(37)	-	-	36	5,297	19,185	63,197
Net profit for the period	-	-	-	-	-	-	-	3,718	3,718
Other comprehensive (loss) for the period	-	-	(141)	-	-	-	-	-	(141)
Total comprehensive income for the period	-	-	(141)	-	-	-	-	3,718	3,577
<i>Transactions with owners</i>									
Shares issued	74	-	-	-	-	-	-	-	74
Employee share scheme receipts	51	-	-	-	-	-	-	-	51
Dividends paid	13	-	-	-	-	-	-	(1,241)	(1,241)
Total transactions with owners	125	-	-	-	-	-	-	(1,241)	(1,116)
Equity at 30 June 2015	37,898	943	(178)	-	-	36	5,297	21,662	65,658
Net profit for the period	-	-	-	-	-	-	-	554	554
FX movement	-	-	-	(51)	9	-	-	-	(42)
Other comprehensive income/(loss) for the period	-	132	(6)	-	-	-	3,130	-	3,256
Total comprehensive income/(loss) for the period	-	132	(6)	(51)	9	-	3,130	554	3,768
<i>Transactions with owners</i>									
Shares issued	2,604	-	-	-	-	-	-	-	2,604
Employee share scheme receipts	149	-	-	-	-	-	-	-	149
Movement in employee share entitlement reserve	-	-	-	-	-	106	-	-	106
Dividends paid	13	-	-	-	-	-	-	(1,466)	(1,466)
Total transactions with owners	2,753	-	-	-	-	106	-	(1,466)	1,393
Equity at 31 December 2015 (audited)	40,651	1,075	(184)	(51)	9	142	8,427	20,750	70,819
Net profit for the period	-	-	-	-	-	-	-	7,121	7,121
FX movement	-	-	-	-	333	-	-	-	333
Other comprehensive income/(loss) for the period	-	535	(82)	-	-	-	(127)	127	453
Total comprehensive income/(loss) for the period	-	535	(82)	-	333	-	(127)	7,248	7,907
<i>Transactions with owners</i>									
Shares issued	126	-	-	-	-	-	-	-	126
Employee share scheme receipts	14	897	-	-	-	-	-	-	897
Dividends paid	13	-	-	-	-	-	-	(1,644)	(1,644)
Total transactions with owners	1,023	-	-	-	-	-	-	(1,644)	(621)
EQUITY AT 30 JUNE 2016	41,674	1,610	(266)	(51)	342	142	8,300	26,354	78,105

Statement of cash flows for the six months ended 30 June 2016

	Notes	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		109,726	74,058	141,700
Interest and dividends received		1	19	311
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees		(104,547)	(75,082)	(137,066)
Interest paid		(1,651)	(727)	(1,941)
Income taxes paid		(219)	(704)	(1,200)
Net cash flows from operating activities	6	3,310	(2,436)	1,804
Investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		3,900	43	156
Sale of available for sale investments		-	20	307
Received from insurance proceeds for asset loss	3	2,000	2,317	2,478
Repayment of advances		-	50	263
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		(24,835)	(10,090)	(16,393)
Development of bearer plants		(399)	(25)	(74)
Investment in associates and subsidiaries		(3,490)	-	(20,159)
Purchase of inventory		-	-	(200)
Purchase of water shares		-	-	(509)
Advances		(4,665)	(3,186)	(1,662)
Net cash flows (used in) investing activities		(27,489)	(10,871)	(35,793)
Financing activities				
<i>Cash was provided from:</i>				
Proceeds of term bank borrowings		21,931	-	34,393
Proceeds of short term bank borrowings		26,945	18,800	15,000
Issue of shares	14	897	-	-
<i>Cash was applied to:</i>				
Repayment of term bank borrowings		(14,340)	-	-
Repayment of short term bank borrowings		(8,150)	(6,700)	(14,535)
Payment of dividend to shareholders	13	(1,518)	(1,167)	(2,519)
Net cash flows from financing activities		25,765	10,933	32,339
Net increase / (decrease) in cash and cash equivalents		1,586	(2,374)	(1,650)
Effect of foreign exchange rates		77	-	(81)
Opening cash and cash equivalents		1,192	2,923	2,923
Closing cash and cash equivalents		2,855	549	1,192

This section contains the notes to the consolidated financial statements for Seeka Kiwifruit Industries 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

Accounting policies that apply to the full set of financial statements.

Performance

Where revenues are generated and their associated operating costs.

Assets

How Seeka allocates resources across its operations.

Working capital

How Seeka manages its operating cash flow.

Dividends, funding and fair value

How Seeka distributes dividends to shareholders, manages share capital and determines the fair value of financial instruments.

Basis of preparation

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

Reporting entity and statutory base

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

The Group interim financial statements presented are those of Seeka Kiwifruit Industries Limited (the Company) together with its subsidiaries (the Group, Seeka or Seeka Group).

The financial statements were approved by the Board of Directors (the Board) on 26 August 2016. The Directors do not have the authority to amend the financial statements after issue.

Nature of operations

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

In Australia the Group is a major producer and supplier of Australian kiwifruit, nashi pears, European pears, plus a lesser production of other temperate-climate fruits.

Statement of compliance and basis of preparation

Group interim financial information for the six months ended 30 June 2016 has been prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZ GAAP) and complies with the New Zealand International Financial Reporting Standards (NZIFRS) and other reporting standards as applicable to profit-orientated entities. Specifically, Group interim financial information has been prepared in accordance with NZ IAS 34, "Interim Financial Reporting". This 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 2015, which have been prepared in accordance with NZIFRS.

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

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 2015, as described in those annual financial statements.

Where a change in the presentational format of the financial statements has been made during the period, comparative figures have been restated accordingly. There are no new standards, amendments or interpretations that have been issued and effective, that are expected to have a significant impact on the Group.

Performance

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

Note 1. Segment information

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

The Group has five operating segments:

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

Direct segment revenues and operating costs are allocated to each segment. Administration costs, overheads 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 2015.

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.

Post harvest operations

The Group provides post harvest services to the kiwifruit, avocado and kiwiberry industries. This includes all product from the Group's orchard management and lease operations, plus product 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 product from the Group's orchard and post harvest operations. In New Zealand the Group also provides retail and 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 revenue plus the value of fruit sold 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.

Notes to the financial statements for the six months ended 30 June 2016

The following table details the operating segments at balance date.

New Zealand dollars	Note	New Zealand				Australia	Group
		Orchard operations \$000s	Post harvest operations \$000s	Retail services operations \$000s	All other segments \$000s	Australian operations \$000s	Total \$000s
June 2016 income statement							
Turnover ¹		37,704	78,029	22,106	78	13,341	151,258
Gross segment revenue		37,704	83,713	5,091	78	13,341	139,927
Eliminations		-	(5,684)	-	-	-	(5,684)
Total segment revenue		37,704	78,029	5,091	78	13,341	134,243
EBITDA ²		5,531	13,833	523	(5,562)	1,519	15,844
Depreciation expense		(199)	(2,452)	(59)	(231)	(286)	(3,227)
Amortisation of intangibles		-	-	-	(215)	(3)	(218)
Impairment of assets		-	-	-	(340)	-	(340)
EBIT ³		5,332	11,381	464	(6,348)	1,230	12,059
Net finance costs		-	-	-	(1,599)	(71)	(1,670)
Tax charge on profit		-	-	-	(2,769)	(499)	(3,268)
Profit after tax		5,332	11,381	464	(10,716)	660	7,121
Balance sheet							
Segment assets		40,223	107,952	4,651	13,481	35,977	202,284
Unallocated assets		-	-	-	11,763	-	11,763
Total assets		40,223	107,952	4,651	25,244	35,977	214,047
Segment liabilities		10,254	11,908	2,557	7,287	37,456	69,462
Unallocated liabilities		-	-	-	66,480	-	66,480
Total liabilities		10,254	11,908	2,557	73,767	37,456	135,942
June 2015 income statement							
Turnover ¹		32,864	59,767	21,543	141	-	114,315
Gross segment revenue	18	32,864	64,539	4,067	141	-	101,611
Eliminations		-	(4,772)	-	-	-	(4,772)
Total segment revenue		32,864	59,767	4,067	141	-	96,839
Income from insurance proceeds		-	-	-	2,317	-	2,317
EBITDA ²		4,464	10,975	526	(4,531)	-	11,434
Depreciation expense		(372)	(2,408)	-	(144)	-	(2,924)
Amortisation of intangibles		-	(152)	-	(34)	-	(186)
Impairments of assets		-	(2,174)	-	-	-	(2,174)
EBIT ³		4,092	6,241	526	(4,709)	-	6,150
Net finance costs		-	-	-	(794)	-	(794)
Tax charge on profit		-	-	-	(1,638)	-	(1,638)
Profit after tax		4,092	6,241	526	(7,141)	-	3,718
Balance sheet							
Segment assets		38,009	87,011	2,948	1,431	-	129,399
Unallocated assets		-	-	-	11,975	-	11,975
Total assets		38,009	87,011	2,948	13,406	-	141,374
Segment liabilities		7,987	9,211	2,551	9,464	-	29,213
Unallocated liabilities		-	-	-	46,503	-	46,503
Total liabilities		7,987	9,211	2,551	55,967	-	75,716

New Zealand dollars	New Zealand				Australia	Group
	Orchard operations \$000s	Post harvest operations \$000s	Retail services operations \$000s	All other segments \$000s	Australian operations \$000s	Total \$000s
December 2015 income statement						
Turnover ¹	42,279	88,270	52,240	709	1,242	184,740
Gross segment revenue	42,279	93,473	9,612	709	1,242	147,315
Eliminations	-	(5,203)	-	-	-	(5,203)
Total segment revenue	42,279	88,270	9,612	709	1,242	142,112
Income from insurance proceeds	-	-	-	5,462	-	5,462
EBITDA ²	3,977	13,292	1,730	(3,692)	(1,382)	13,925
Gain on revaluation of land and buildings	-	1,228	-	-	-	1,228
Depreciation expense	(613)	(4,407)	(117)	(455)	(157)	(5,749)
Amortisation of intangibles	-	(368)	-	(88)	-	(456)
Impairments	-	(1,740)	-	-	-	(1,740)
EBIT ³	3,364	8,005	1,613	(4,235)	(1,539)	7,208
Net finance costs	-	-	-	(1,587)	(375)	(1,962)
Tax charge on profit	-	-	-	(1,236)	262	(974)
Profit after tax	3,364	8,005	1,613	(7,058)	(1,652)	4,272
Balance sheet						
Segment assets	24,253	83,438	4,082	13,117	32,744	157,634
Unallocated assets	-	-	-	6,684	-	6,684
Total assets	24,253	83,438	4,082	19,801	32,744	164,318
Segment liabilities	4,565	1,168	3,092	8,284	32,028	49,137
Unallocated liabilities	-	-	-	44,362	-	44,362
Total liabilities	4,565	1,168	3,092	52,646	32,028	93,499

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.

New Zealand dollars	Note	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Note 2. Turnover				
The following table reconciles turnover to revenue.				
Turnover		151,258	114,315	184,740
Value of sales made as agent	18	(17,015)	(17,476)	(42,628)
REVENUE		134,243	96,839	142,112

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.

Notes to the financial statements for the six months ended 30 June 2016

New Zealand dollars	Note	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Note 3. Revenue and other income				
Total revenue	18	134,243	96,839	142,112
Other income				
Interest		1	-	18
Dividend		-	19	289
		1	19	307
Income from insurance proceeds for asset loss		-	2,317	5,462
Total other income		1	2,336	5,769
Total share of (loss) from associates		-	-	(5)
TOTAL REVENUE AND OTHER INCOME		134,244	99,175	147,876

Revenue is shown net of discounts and includes \$2.936m (Dec 2015 - \$2.49m) for the cost of the grower incentive scheme (see below for details).

Impact of seasonality

Group revenues are linked to the seasonal nature of horticultural operations, with post harvest revenues generated once the fruit is harvested, and orcharding and retail revenues once it is sold. In New Zealand kiwifruit are harvested from March to June, avocados from August to January, and kiwiberries from February to March. In Australia nashi and European pears are harvested January to March, and kiwifruit from March to May.

Oakside fire - insurance proceeds for asset loss

On 4 March 2015, a fire at the Group's Oakside facility destroyed an ancillary packhouse and caused damage to an office space and a number of coolstore buildings and associated plant, all part of post harvest operations. The Group is fully insured for loss on assets and also business interruption. The loss on the asset claim has been accepted by the Group insurers NZI, QBE and AIG. At 31 December 2015 balance date the minimum value of insurance recoveries for the loss of property and business interruption was \$5.46m, recognised in the prior period as other income in the statement of financial performance. The Group received \$2m of the insurance proceeds in the current period and \$2.48m in the prior period with at least \$0.98m remaining to be received. At 30 June 2016 balance date the value of the claim is in the process of being finalised.

As a result of the fire loss the Group had a \$1.74m impairment loss that was recognised within the statement of financial performance in the prior period.

Grower incentive scheme

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

For accounting purposes, the Group recognises:

- the expense as a discount to sales from post harvest revenue in the statement of financial performance, and
- the value of issued shares as share capital when the shares are issued. Prior to issue the value of the liability is recognised in the balance sheet. At balance date \$2.936m is recognised as a liability with regards to the 2016 harvest in Trade and other payables (Dec 2015 - Nil).

New Zealand dollars

	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Note 4. Operating expense			
<i>Operating expenses include:</i>			
Grower relationship payment	-	-	4,042
Other costs			
<i>Include:</i>			
Loss / (gain) on sale of property, plant, equipment and investments	(449)	29	(78)
Finance expense			
Interest expense	1,670	794	1,962
Total finance expense	1,670	794	1,962

Grower relationship payment – fruit loss

On 4 March 2015, fire at the Group's Oakside facility destroyed or damaged an ancillary packhouse, office space and a number of coolstore buildings and associated plant; all part of post harvest operations. Seeka and its growers suffered material fruit softening and loss as the result of the fire and the strategy put in place to mitigate fruit loss at that site. While the strategy was successful, growers still suffered a material loss that is the subject of a further insurance claim. This claim has partly been agreed, but a substantial portion is still in the process of evaluation by the insurance underwriters.

Seeka considered it important to stand by its growers as it worked through the detailed insurance process and as at 31 December 2015 had advanced \$4.04m to the grower pool to maintain grower payments and to retain its on-going relationship and goodwill with its growers thereby minimising the risk of grower loss. In doing so it was agreed that the advance will only be recovered from any insurance proceeds from the active claim should the claim be accepted.

As at 30 June 2016 balance date the insurance claim continues to be assessed. There has been no change in the financial status of the claim since 31 December 2015.

Note 5. Impairment of investment and provision

Impairment of investment

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

Provision

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

Notes to the financial statements for the six months ended 30 June 2016

New Zealand dollars

	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Note 6. Reconciliation of net operating surplus after taxation with cash flows from operating activities			
Net operating surplus after taxation	7,121	3,718	4,272
<i>Add non cash items:</i>			
Depreciation	3,227	2,924	5,749
Gain on revaluation of buildings	-	-	(1,228)
Movement in deferred tax	5,593	4,284	844
Movement in fair value of biological assets - crop	15,928	11,074	(4,187)
Impairment of investments in shares	340	-	-
Impairment of assets - fire loss	-	2,174	1,740
Movement in onerous leases	(17)	(14)	(30)
Amortisation of intangibles	218	186	456
Share of loss from associates	-	-	5
	25,289	20,628	3,349
<i>Add / (less) items not classified as an operating activity:</i>			
(Gain) / loss on sale of property, plant and equipment	(449)	29	19
(Gain) on sale of shares	-	-	(97)
Insurance proceeds	(2,000)	(2,317)	(2,478)
	(2,449)	(2,288)	(2,556)
<i>(Increase) / decrease in working capital:</i>			
Increase in accounts payable	14,574	12,624	2,546
(Increase) in accounts receivable / prepayments	(24,739)	(19,473)	(4,003)
(Increase) in inventory	(13,927)	(14,296)	(735)
(Increase) in work in progress	(14)	-	-
(Decrease) in taxes due	(2,545)	(3,349)	(1,069)
	(26,651)	(24,494)	(3,261)
NET CASH FLOW FROM OPERATING ACTIVITIES	3,310	(2,436)	1,804

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

Assets

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

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

New Zealand dollars	Land and buildings \$000s	Plant and equipment \$000s	Motor vehicles \$000s	Bearer plants \$000s	Total \$000s
Note 7. Property, plant and equipment					
At 1 January 2016					
Cost or valuation	68,602	73,162	1,296	7,550	150,610
Accumulated depreciation and impairment	(2,411)	(48,768)	(479)	(234)	(51,892)
Net book amount	66,191	24,394	817	7,316	98,718
Period ended 30 June 2016					
Opening net book amount	66,191	24,394	817	7,316	98,718
Additions	20,766	3,845	126	399	25,136
Exchange differences	(178)	(76)	-	-	(254)
Depreciation	(970)	(2,089)	(34)	(134)	(3,227)
Disposals	(1,417)	(106)	(2)	(809)	(2,334)
Closing net book amount	84,392	25,968	907	6,772	118,039
Period ended 30 June 2016					
Cost or valuation	87,773	76,825	1,420	7,140	173,158
Accumulated depreciation and impairment	(3,381)	(50,857)	(513)	(368)	(55,119)
Net book amount	84,392	25,968	907	6,772	118,039

Land and buildings

Land and buildings are revalued to their estimated market value on a three-year rolling cycle (excluding assets under construction and disposals of assets including the disposal of those assets damaged by the Oakside fire – see note 3). Subsequent additions are at cost. In New Zealand valuations are undertaken by TelferYoung Valuers, ANZIV, independent registered valuer. In Australia valuations are undertaken by Goulburn Valley Property Services, independent valuers, Shepparton, Victoria, Australia.

At the half year balance date the Directors believe that the carrying value of land and building assets (excluding assets under construction) does not differ materially from its fair value, and therefore the assets have not been revalued at this half year balance date.

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 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Carrying amount at beginning of period	17,365	11,594	11,594
<i>Prior year crop harvested</i>			
Fair value movement from previous balance date to point of harvest	7,666	11,764	15,610
Fair value when harvested	(25,031)	(23,358)	(27,204)
<i>Current year crop</i>			
Crop where cost is deemed fair value	1,437	520	16,935
Crop at fair value	-	-	430
Carrying value at end of period	1,437	520	17,365

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

New Zealand dollars	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Movement in carrying amount	(15,928)	(11,074)	5,771
Less current period additions and acquisitions	-	-	(1,645)
Less exchange differences	-	-	61
Net fair value movement in crop	(15,928)	(11,074)	4,187

Biological assets are classified as follows.

New Zealand dollars	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Australia - all varieties	744	-	4,532
New Zealand - kiwifruit crop	634	450	12,721
New Zealand - avocado crop	59	70	112
Carrying value at end of period	1,437	520	17,365

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 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Note 9. Trade and other receivables excluding prepayments			
Current trade receivables	10,478	6,262	9,446
Prepayments	2,057	1,075	851
Insurance receivable for asset loss - fire	984	-	2,984
GST refund due	79	-	343
Accrued fruit income and other sundry receivables	35,396	26,048	7,584
	48,994	33,385	21,208

Accrued fruit and other sundry receivables includes \$13.68m (Dec 2015 - \$6.19m) of kiwifruit income for kiwifruit harvested and delivered to Zespri from the Group's New Zealand orchards and \$12.63m (Dec 2015 - \$0.50m) for post harvest operations in New Zealand.

Kiwifruit income is accrued based on forecast information provided by Zespri, being an average Green HW OGR of \$4.26 per tray (Dec 2015 - \$4.95) and an average Gold G3 OGR of \$8.71 per tray (Dec 2015 - \$8.22).

New Zealand dollars	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Note 10. Inventories			
Crop inventories	12,939	14,362	-
Packaging inventories	613	1,706	1,875
Other inventories	3,660	479	1,310
Total inventories	17,212	16,547	3,185

Crop inventories relate to kiwifruit harvested from New Zealand orchards and held in coolstores at balance date. The inventory is valued at a Green HW OGR of \$4.26 per tray and a Gold G3 OGR of \$8.71 per tray.

For specific vendors, packaging goods purchased but not paid for are covered by a security interest. At balance date, this value was \$5.81m (Dec 2015 - Nil). At balance date, \$26.2m (Dec 2015 - \$20.95m) of packaging inventory costs were expensed to cost of sales in the statement of financial performance.

Other inventories include \$0.85m (Dec 2015 - Nil) for pears harvested from the Group's Australian orchards which are sold on consignment.

Notes to the financial statements for the six months ended 30 June 2016

New Zealand dollars	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Note 11. Water allocation account			
Opening net book amount	349	-	-
Additions through business combinations	-	-	437
Purchases	80	-	146
Applied to biological assets - crop	(329)	-	(220)
Exchange differences	(5)	-	(14)
Closing net book value	95	-	349

Water allocation rights for Seeka Australia of 1,709 megalitres of permanent water are recognised as a current asset when they are allocated to water shares each year on 1 July, and are subsequently expensed when the water attached to them is used.

New Zealand dollars	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Note 12. Trade and other payables			
Trade payables	11,917	9,013	4,402
Accrued expenses	12,069	12,965	12,043
Employee expenses	4,033	2,784	2,942
Other payables	4,935	1,907	5,467
	32,954	26,669	24,854

Dividends, funding and fair value

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

New Zealand dollars	6 months to June 2016 Unaudited		12 months to December 2015 Audited	
	\$000s	Per share	\$000s	Per share
Note 13. Dividends				
27 March 2015			1,241	\$0.08
18 September 2015			1,466	\$0.09
24 March 2016	1,644	\$0.10		
Total dividend paid or credited as shares under the dividend reinvestment plan (DRP)	1,644		2,707	

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 \$1.52m (Dec 2015 - \$2.52m).

At the date of signing the directors have declared a fully-imputed dividend of \$0.10 per share. The dividend will be paid on 29 September 2016 to those shareholders on the register at 5pm on 22 September 2016. The dividend reinvestment plan will apply.

Note 14. Share Capital

At 31 December 2015 an employee share trust established in 2002 to administer an equity-settled, share-based compensation plan was in the process of being wound up by the scheme's trustees. During the six month period to 30 June 2016 the trustees sold all 242,000 surplus shares and repaid to Seeka the outstanding loan of \$0.73m in relation to those shares.

Those shares have now been classified as paid up capital in the statement of financial performance and also classified as an issue of shares within funding activities in the statement of cash flows.

An additional \$0.17m was received during the period in relation to shares issued under the employee share scheme established in 2014.

Note 15. Determination of fair values

Fair value of financial assets

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

The different levels are defined as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Instruments in level 1 are comprised of equity holdings in Zespri Group Limited.
- 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
Listed equity securities	1,388			1,388
Unlisted equity securities	-	-	584	584
Derivatives used for hedging (liability)	-	367	-	367

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

New Zealand dollars	Note	Unlisted equities \$000s
Balance at 1 January 2016		836
Additions		100
Impairment of UPNZ	5	(340)
Disposals and receipts		(12)
Balance at 30 June 2016		584

New Zealand dollars	6 months to June 2016 \$000s Unaudited	6 months to June 2015 \$000s Unaudited	12 months to December 2015 \$000s Audited
Fair value of financial assets and liabilities measured at cost			
Non current interest bearing	59,295	19,000	52,522
Current interest bearing	20,425	13,265	1,630
	79,720	32,265	54,152
The fair value of the following financial assets and liabilities approximate their carrying amounts			
Trade and other receivables excluding prepayments	46,923	36,691	20,357
Other current financial assets	1,605	1,601	1,435
Cash and cash equivalents	2,855	549	1,192
Trade and other payables	32,954	26,669	24,854
	84,337	65,510	47,838

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
Unlisted equity securities	\$0.48m	Based on latest financial information from the entity's management. Tested for impairment with carrying amount assessed at balance date.	Financial information provided by the entity's management.	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. In the current period the Group received \$57.64m (Dec 2015 - \$104.83m) for the provision of services to SGL.

Note 17. Events occurring after balance date

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

Note 18. Restatement of prior period

For the six month period to 30 June 2015, revenue and cost of sales have been restated to appropriately recognise banana sales made as an agent. This reduced revenue and cost of sales by \$7.90m leaving gross profit unchanged.

Restatement is not required of the audited 31 December 2015 or 31 December 2014 financial statements.

There is no impact on reported net profit attributable to equity holders for prior periods.

Directory

Directors

Fred Hutchings

Independent Chairman

Malcolm Cartwright

Deputy Chairman

Peter Ratahi Cross

Director

Martyn Brick

Director

Amiel Diaz

Director

John Burke

Independent Director

Ashley Waugh

Independent Director

Management

Michael Franks

Chief Executive

Kate Bryant

GM Supply

Ray Hook

GM Retail Services

Simon Wells

GM Growers

Bryan Grafas

GM Orchard Operations

Stuart McKinstry

Chief Financial Officer
and Company Secretary

Rob Towgood

GM Commercial

Kevin Halliday

GM Post Harvest

Jason Swain

GM Information Services

Corporate

Head office

Seeka Kiwifruit Industries Limited
6 Queen Street, PO Box 47, Te Puke 3153
www.seeka.co.nz

Auditor

PwC
Auckland

Bankers

Westpac Banking Corporation
Auckland

Share registrar

Link Market Services Limited
Auckland

NZX

www.nzx.com



www.seeka.co.nz