SEEKA KIWIFRUIT INDUSTRIES LIMITED

REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2013 [UNAUDITED]

JUNE 2013

SEEKA

KIWIFRUIT INDUSTRIES LIMITED

Contents

FINANCIAL SUMMARY	Unaudited 6 months to 30 June 2013	Audited 12 months to 31 December 2012	Unaudited 6 months to 30 June 2012
Revenue ($000s)	$ 66,971	$ 108,290	$ 79,540
Earnings before interest, depreciation, & amortisation EBITDA ($000s)	$ 4,194	$ 15,464	$ 14,642
Profit before tax ($000s)	$ 850	$ 7,374	$ 11,424
Profit after tax ($000s)	$ 672	$ 5,880	$ 8,471
Operating cash flow ($000s)	$ (2,873)	12,593	$ (1,215)
POST HARVEST DIVISION			
Total trays packed (Class 1 & 2 in 000s)	18,756	21,783	21,338
Post harvest revenue ($000s)	$ 40,224	$69,123	$ 51,219
Post harvest EBITDA ($000s)	$ 5,167	$ 15,244	$ 12,546
ORCHARD DIVISION			
Harvest volumes Green leased & managed (trays in 000s)	6,753	6,202	6,203
Harvest volumes Gold leased & managed (trays in 000s)	178	1,167	1,150
Orchard revenue ($000s)	$ 25,196	$ 35,474	$ 27,082
Orchard EBITDA ($000s)	$ 2,564	$ 6,943	$ 5,597

Half Year Review

The directors and management are pleased to present Seeka's financial results for the six months to 30 June 2013. Earnings in this half year are significantly lower than the previous corresponding period (pcp), reflecting reduced fruit volumes due to Psa-V. The much-reduced volume of Zespri Hort16A gold variety in particular has affected both orchard and post-harvest earnings. Although earnings are down on the pcp, and on two years ago, the company's financial performance for the half year is credible in the prevailing market. The half-year results also reflect a change to pricing arrangements between Seeka and its growers.

The financial year 2013 was predicted to be a tough year, perhaps the low point for the kiwifruit industry. Production volumes have reduced because of the substantial removal of Zespri Hort16A gold fruit and its replacement with Zespri G3, a more Psa-V resistant variety. G3 production is expected to build in 2014, with volumes increasing thereafter.

The post harvest environment remains competitive. Margins have tightened as post harvest companies compete for fruit to process. Seeka prepared well for this environment with a strategy to reduce costs, lower debt and concentrate on operational excellence. Seeka remains in a strong competitive position through its performance and pricing.

The company has continued with the strategy outlined at the shareholders' annual meeting: to rationalise asset holdings and use surplus cash to repay debt, leaving the company in a position to pay dividends. Seeka continues to explore opportunities to diversify into complementary business areas.

OPERATING PERFORMANCE

Operating revenue totalled $67.0m, down 15.8% from the pcp, and down by 31.7% on the same period two years ago.

EBITDA of $4.2m excluding any extraordinary items was 71.3% down from the pcp. There were no significant impairments in this half year. The EBITDA decrease reflects reduced earnings from the Zespri Hort16A gold variety to the orchard division ($3.8m) and to the post harvest division ($4.0m). The change to post harvest pricing policy removed $1.7m in revenue from the reporting period. NPAT totalled $672,000 compared to $8.5m in the pcp.

Negative operating cashflow of $2.9m compares to $1.2m in the pcp. This reduction in cashflow reflects the post harvest pricing reduction, as well as Seeka's normal seasonal business pattern.

Careful cash management enabled Seeka to reduce total interest-bearing debt to $23.6m, down from $31.5m at 30 June 2012, and down from $40.6m at the same time two years ago. The company has realized $1.1m from the sale of non-core assets this half year. This is line with previous advice to shareholders.

REVIEW OF OPERATIONS

Overall harvest volumes were down by 12% from the pcp. Total post harvest trays handled of 18.8 million compares to 21.3 million trays in the pcp. Importantly, the Zespri Hort16A gold volume fell by 2.6m trays to 598,000 trays (down 81%). Green market share is estimated to have increased to 23.5% from 22.0% in the pcp.

Zespri Hort16A gold fruit has been completely removed from the Te Puke growing catchment and the affected orchards largely converted to the new Zespri G3 variety. This variety was handled in Katikati, Coromandel and Northland.

Seeka has continued to redevelop its long-term lease orchards. The following table shows the resulting variety mix and hectares.

Variety	G3 [SunGold]	G14 [Sweet Green]	Hayward [Green]	Bruno [Root stock]	Total
Number of hectares	30.7	7.1	18.5	6.1	62.4

These orchards are expected to yield crop from 2014. This half year Seeka capitalised some $416,000 of redevelopment costs in both green and gold varieties. At balance date no significant Psa-V infection had been detected in the redeveloped orchards.

The company was well prepared for the lower crop volumes. It took significant steps in the preceding financial year to reduce costs and lower debt. Detailed capacity planning allowed Seeka to optimise post harvest efficiency. Efficiency targets were exceeded in the 2013 harvest and Seeka's earlier investment in green packing technology (the new MAF RODA machine in particular) enabled Seeka to deliver margins while meeting the market with a competitive packing price.

Competition within the post harvest sector remains high as operators seek to fill surplus packing and coolstore capacity. Prices charged to growers and margins are predicted to remain low until fruit volumes recover.

POST HARVEST OPERATIONS

The post harvest division co-ordinates the harvest, packing, coolstore and logistics operations for our kiwifruit and avocado growers.

EBITDA for the six months totalled $5.1m, compared to $12.5m in the pcp.

Total kiwifruit volumes fell from 21.3 million trays in 2012 to 18.8 million in 2013 (down 12%). Fruit size was particularly small. A very dry summer and early harvest period was followed by a wet main harvest period. Harvest was completed on 9 June in spite of the rain.

Early-harvest fruit was typical of a dry growing period. Green volumes were lower than expected. Dry matter levels were high and 2013 is a vintage taste and eating experience for consumers.

Later-harvest fruit delivered better yields but fruit size remained small. An average full-year fruit count size of 35.08 compares to 34.2 in the pcp. Despite the smaller fruit, yields per hectare totalled 8,859 trays compared to 8,260 in 2012.

	Audited 9 months 31 December 2010	Audited 12 months 31 December 2011	Audited 12 months 31 December 2012	Unaudited 6 months 30 June 2012	Unaudited 6 months 30 June 2013
OPERATING EARNINGS — EBITDAF					
Earnings before interest, tax, depreciation, amortisation, fair value adjustments, impairments and asset revaluations	**$ 19,660**	**$ 21,036**	**$ 16,563**	**$ 14,642**	**$ 4,194**
Depreciation and amortisation expense	(4,938)	(6,603)	(5,676)	(2,922)	(2,734)
Fair value movement in biological assets — vines	(282)	(9,730)	(292)	—	—
Impairment charges	367	(5,796)	(1,759)	—	—
Revaluation	(157)	(3,763)	(6)	530	—
Interest	(2,055)	(2,766)	(1,878)	(881)	(610)
Fair value of non-hedge derivatives	84	300	422	55	—
Net profit / (loss) attributable to shareholders	**$ 12,679**	**$ (7,322)**	**$ 7,374**	**$ 11,424**	**$ 850**
Tax (charge) / credit	(6,248)	269	(1,494)	(2,953)	(178)
Net profit / (loss) attributable to shareholders	**$ 6,431**	**$ (7,053)**	**$ 5,880**	**$ 8,471**	**$ 672**

Seeka's volume of Zespri Hort16A reduced dramatically. The volume of new varieties increased with Seeka handling 237,000 trays of the new Zespri G3 (SunGold), 88,000 trays of the G9 (Charm) and 96,000 trays of G14 (Sweet Green). G3 in particular is forecast to significantly increase in volume over the next three years. Until the G3 plantings mature their ability to yield the predicted volume increase in a Psa-V environment in our region remains unclear.

The Seeka Near-Infra-Red (NIR) technology installed at Oakside continues to give Seeka an advantage particularly for its G9 (Charm) growers. This technology enables Seeka to segregate fruit of differing internal flesh colour at packing and then use differing coolstore protocols to ensure Zespri receives a more-consistent product to sell in the market.

Seeka has expanded its post harvest operations to provide pre-packing and punnet programmes to serve its expanding, quality-conscious retail market in Australia. In-house pre-packing has improved cool chain integrity, product quality and supply-chain costs. This programme is growing and delivering better margins from this value-added activity - our growers have seen better market returns with more than 250,000 punnets on order for 2013.

Seeka has commissioned a new packhouse in Kerikeri, bringing a new supply catchment on-stream. The packhouse broke even in its first six months of kiwifruit operations. It will start packing avocados in the second half of 2013. Interest from Northland growers is high.

ORCHARD OPERATIONS

The orchard division handles all growing and orchard management services for the company's own long-term lease orchards, and for short-term leased and managed orchards.

EBITDA of $2.6m compares to $5.6m in the pcp, reflecting the substantial removal of Zespri Hort16A gold.

The orchard division produced 6.9 million trays from all varieties in 2013 compared to 7.3 million trays in 2012. Importantly, Zespri Hort16A gold volume amounted to 155,000 trays in 2013 compared to 1.2 million trays in the pcp.

The Seeka orcharding team has delivered its growers exceptional volumes and yields in 2013. Overall green yields per hectare totalled 9,295 trays (compared to Zespri Industry average of 8,140). Production was excellent considering the dry and challenging growing environment, particularly with Psa-V symptoms in the spring of 2012.

The company proactively sought to support growers. For example, the orchard division commissioned a large-scale pollen milling operation making pollen available to growers at an affordable cost. The orchard division milled over 30 tonnes of flowers to provide growers with pollen sufficient to pollinate 300 hectares (300 kgs). Both growers and Seeka benefitted from the resultant higher yields.

SEEKAFRESH AND AVOFRESH

SeekaFresh handles all the non-Zespri supplied fruit sales, the kiwifruit sales under collaborative marketing agreements, and avocado marketing. Programmes include avocado sales to New Zealand, Australia and Japan and kiwifruit sales to New Zealand, Australia, Malaysia and China.

SeekaFresh continues to expand its operations and its contribution to the business. A new, collaborative kiwifruit programme to China was approved by Kiwifruit New Zealand for the Wilkins variety. This programme (undertaken with our partner Dole China) has been an outstanding success and adds value to all growers.

Seeka in conjunction with its Malaysian collaborative marketing partner, AQV, is in discussions to invest in a new coolstore complex located at the Port of Tanjung Pelepas in Johor, Malaysia. This complex will provide a unique coolstore facility in the bonded area of the port allowing access and distribution for New Zealand produce throughout southern Malaysia, Indonesia and Singapore.

SeekaFresh has continued to innovate in promotional support programmes including 'added value' initiatives. In 2013 a new 'ready-to-retail' punnet programme has delivered improved returns to growers. The outlook for the SeekaFresh and AvoFresh business remains positive.

Seeka's avocado business continues to grow market share. Seeka has a unique value offering for avocado growers as its operations are completely integrated from orchard to consumer. Seeka leases orchards, and harvests, handles and markets fruit. Seeka has delivered excellent returns to its growers. An important component of Seeka's competitive offering to growers is technical support that helps growers to deliver a sustainable yield.

PSA-V

The kiwifruit industry has been rocked since the outbreak of Psa-V in November 2010. The release of the Zespri tolerant varieties gives rise to some fragile optimism of a pathway to recovery. In 2013 significant areas have been licensed by Zespri to growers to graft to the new Zespri variety G3, reflecting an increasing optimism that it is able to survive and produce sustainable returns. This most recent release means a total of 1,130 hectares have been grafted to G3. Hayward, the dominant variety within the industry, has shown good tolerance to the disease to date, although some pockets show infection. The spring period will be a critical time for the industry as it monitors orchards for any signs of deterioration. Seeka continues to exercise caution in all facets of its operation.

PEOPLE

Our people remain a significant point of difference for Seeka. Our people are organised into teams designed to deliver our growers professional service and leading returns. The impact of Psa-V on the business led Seeka to reorganise and downsize, significantly lowering employee numbers. This was a difficult time and process but the company has emerged far leaner and its people are committed to delivering excellent results.

Seeka remains committed to the safety and development of all employees, with formal safety processes and policies in place. Seeka has and will continue to take proactive steps to ensure all people involved with the company are safe.

Seeka remains committed to its people in recognition of the important contribution they make to the company.

DAVE EMSLIE RETIREMENT

The Board and management would like to thank Dave Emslie, a company director from June 2000 until his retirement in June 2013.

Dave played a valuable role within the company's governance and strategy making process, providing useful and unique insights into the issues the company faced.

CLOSE

Industry kiwifruit volumes have dropped to a new low. Significant new areas of G3 have been licensed and have been progressively grafted into orchards with production scheduled to progressively increase in future years. Psa-V remains an uncertainty, however there is increasing optimism that the new varieties will succeed. Seeka has deployed a cautious strategy to weather the current environment by lowering costs and debt, and it is well positioned to benefit as and when volumes recover.

Fred Hutchings
Chairman

Michael Franks
Chief Executive

Statement of Financial Performance *For the six months ended 30 June 2013*

	6 months to June 2013 $000s Unaudited	12 months to December 2012 $000s Audited	6 months to June 2012 $000s Unaudited
Revenue	66,971	108,290	79,540
Cost of sales	57,148	82,715	59,185
Gross profit	**9,823**	**25,575**	**20,355**
Other income	76	437	99
Share of profit of associates	99	433	52
Other costs	5,345	9,952	4,882
Fair value movement in biological assets - crop and vines	459	1,029	982
Earnings (EBITDA) before revaluations and impairments	**4,194**	**15,464**	**14,642**
Depreciation expense	2,713	5,584	2,871
Loss on revaluation of land and buildings	-	6	-
Impairment of lease interest in land	-	418	-
Impairment of plant and equipment	-	383	-
Impairment of investments in associates	-	89	-
Impairment of land held for resale	-	62	-
Gain on revaluation of available-for-sale financial assets	-	-	(530)
Amortisation of intangibles	21	92	51
Earnings (EBIT)	**1,460**	**8,830**	**12,250**
Interest expense	610	1,878	881
Fair value adjustments on non-hedging derivatives	-	(422)	(55)
Net profit before tax	**850**	**7,374**	**11,424**
Total tax charge	178	1,494	2,953
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS	672	5,880	8,471
Earnings per share for profit attributable to the ordinary equity holders of the Company during the period			
Earnings per share	$0.05	$0.41	$0.59
Diluted earnings per share	$0.05	$0.41	$0.59

The accompanying notes form an integral part of these financial statements

Statement of Comprehensive Income

For the six months ended 30 June 2013

	6 months to June 2013 $000s Unaudited	12 months to December 2012 $000s Audited	6 months to June 2012 $000s Unaudited
Net profit for the period	**672**	**5,880**	**8,471**
Items that will not be reclassified to profit or loss			
Loss on revaluation of land and buildings, net of tax	-	(330)	-
Total items that will not be reclassified to profit or loss	**-**	**(330)**	**-**
Items that may be reclassified subsequently to profit or loss			
Movement in cashflow hedge reserve, net of tax	34	(2)	18
Gain on revaluation of available for sale financial assets, net of tax	58	174	90
Total items that may be reclassified subsequently to profit or loss	**92**	**172**	**108**
Other comprehensive income for the period, net of tax	15	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS	**779**	**5,722**	**8,579**

The accompanying notes form an integral part of these financial statements

Statement of Financial Position *As at 30 June 2013*

	Notes	June 2013 $000s Unaudited	December 2012 $000s Audited	June 2012 $000s Unaudited
Equity				
Share capital		35,690	35,690	35,690
Reserves		3,002	2,895	3,161
Retained earnings		17,418	17,612	20,203
TOTAL EQUITY		**56,110**	**56,197**	**59,054**
Current assets				
Cash and cash equivalents		229	5,183	244
Trade and other receivables	10	22,020	7,594	28,471
Short-term lease prepayments		392	8,731	277
Inventories - crop		9,598	-	9,198
Inventories - packaging and other		1,332	1,681	1,094
Current tax receivables		1,521	-	-
Land and property held for resale	13	2,797	3,756	1,619
Total current assets		**37,889**	**26,945**	**40,903**
Non-current assets				
Advances		188	834	704
Property, plant and equipment	12	60,701	62,659	68,901
Intangible assets		874	895	1,370
Available-for-sale financial assets		936	1,110	1,537
Biological assets	5	871	914	141
Investment in associates		3,078	3,073	2,971
Total non-current assets		**66,648**	**69,485**	**75,624**
Total assets		**104,537**	**96,430**	**116,527**
Current liabilities				
Current tax liabilities		-	2,412	1,731
Trade and other payables		14,709	6,834	12,801
Onerous lease provision		322	322	-
Interest-bearing liabilities		4,148	2,376	8,738
Financial derivatives		197	245	396
Total current liabilities		**19,376**	**12,189**	**23,666**
Non-current liabilities				
Onerous lease provision		368	485	-
Interest-bearing liabilities		19,402	20,590	22,778
Deferred tax		9,281	6,969	11,029
Total non-current liabilities		**29,051**	**28,044**	**33,807**
Total liabilities		**48,427**	**40,233**	**57,473**
NET ASSETS		**56,110**	**56,197**	**59,054**

On behalf of the Board

F. Hutchings
Chairman

S. Burns
Director

Dated: 20 August 2013

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

For the six months ended 30 June 2013

	Notes	Share capital $000s	Available for Sale revaluation reserve $000s	Cash flow hedge reserve $000s	Share based payments reserve $000s	Land and buildings revaluation reserve $000s	Retained earnings $000s	Total $000s
GROUP								
Equity at 1 January 2012 (audited)		**35,690**	**55**	**(174)**	**114**	**3,058**	**11,732**	**50,475**
Net profit		-	-	-	-	-	8,471	8,471
Other comprehensive income		-	90	18	-	-	-	108
Total comprehensive income		**-**	**90**	**18**	**-**	**-**	**8,471**	**8,579**
Transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity at 30 June 2012 (unaudited)		**35,690**	**145**	**(156)**	**114**	**3,058**	**20,203**	**59,054**
Net (loss)		-	-	-	-	-	(2,591)	(2,591)
Other comprehensive income/(loss)		-	84	(20)	-	(330)	-	(266)
Total comprehensive income/(loss)		**-**	**84**	**(20)**	**-**	**(330)**	**(2,591)**	**(2,857)**
Transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity at 31 December 2012 (audited)		**35,690**	**229**	**(176)**	**114**	**2,728**	**17,612**	**56,197**
Net profit		-	-	-	-	-	672	672
Other comprehensive income		-	58	34	15		-	107
Total comprehensive income		**-**	**58**	**34**	**15**	**-**	**672**	**779**
Transactions with owners								
Dividends paid	7	-	-	-	-	-	(866)	(866)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**(866)**	**(866)**
EQUITY AT 30 JUNE 2013 (UNAUDITED)		**35,690**	**287**	**(142)**	**129**	**2,728**	**17,418**	**56,110**

Statement of Cash Flows

For the six months ended 30 June 2013

	Notes	6 months to June 2013 $000s Unaudited	12 months to December 2012 $000s Audited	6 months to June 2012 $000s Unaudited
Operating activities				
Cash was provided from:				
Receipts from customers		48,632	111,891	60,259
Interest and dividends received		96	713	185
Cash was disbursed to:				
Payments to suppliers and employees		(49,211)	(94,934)	(59,159)
Interest paid		(590)	(1,827)	(1,035)
Income taxes paid		(1,800)	(3,250)	(1,465)
Net cash flows (used in)/from operating activities	**8**	**(2,873)**	**12,593**	**(1,215)**
Investing activities				
Cash was provided from:				
Sale of property, plant and equipment		37	1,080	106
Sale of available-for-sale investments		275	82	27
Repayment of advances		353	104	237
Cash was applied to:				
Purchase of property, plant and equipment		(807)	(978)	(605)
Purchase of available-for-sale investments		-	(78)	-
Advances		(1,240)	-	(3)
Development of long-term lease assets		(416)	(820)	(53)
Net cash flow (used in) investing activities		**(1,798)**	**(610)**	**(291)**
Financing activities				
Cash was provided from:				
Proceeds of short-term bank borrowings		8,611	26,073	13,795
Cash was applied to:				
Repayment of term debt		(1,188)	(3,376)	(1,188)
Repayment of short-term bank borrowings		(6,840)	(30,400)	(11,760)
Payment of dividend to shareholders		(866)	-	-
Net cash flows (used in)/from financing activities		**(283)**	**(7,703)**	**847**
Net (decrease)/increase in cash flow		**(4,954)**	**4,280**	**(659)**
Opening cash and cash equivalents		5,183	903	903
CLOSING CASH AND CASH EQUIVALENTS		**229**	**5,183**	**244**

The accompanying notes form an integral part of these financial statements

NOTE 1. REPORTING ENTITY

Seeka Kiwifruit Industries Limited and its subsidiaries (together 'the Group') provide orchard lease and management, and post harvest service activities to the horticultural industry. The Company is a limited liability company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993 and listed on the New Zealand Stock Market (NZX). The Company is an issuer in terms of the Financial Reporting Act 1993. The Consolidated Financial Statements of the Group for the period ended 30 June 2013 comprise the Company and its subsidiaries and interests in associates. The address of its registered office is 6 Queen Street, Te Puke.

Glossary

Company	Seeka Kiwifruit Industries Limited
Parent	Seeka Kiwifruit Industries Limited
Group	Seeka Kiwifruit Industries Limited and its subsidiaries

The financial statements were authorised for issue by the Board of Directors on 20 August 2013. The Directors do not have the authority to amend the financial statements after issue.

NOTE 2. BASIS OF PREPARATION

The Group interim financial information for the six months ended 30 June 2013 has been prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZ GAAP) as applicable to profit-oriented entities. Specifically the Group interim financial information has been prepared in accordance with NZ IAS 34, "Interim Financial Reporting". The Group interim financial information should be read in conjunction with the annual audited financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS.

NOTE 3. 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 2012, as described in those annual financial statements.

a. Comparatives

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

NOTE 4. SEGMENT INFORMATION

a. Description of segments

Directors have determined the operating segments based on the reports reviewed by the senior management team, which are used to make operational decisions.

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

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

The reportable operating segments are as follows:

Orchard operations

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

Post harvest operations

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

Business development operations

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

All other segments

These represent the aggregated administration, grower services and overhead sections of the Group.

	6 months to June 2013 $000s Unaudited	12 months to December 2012 $000s Audited	6 months to June 2012 $000s Unaudited
b. The segment information for the period ended 30 June 2013 is as follows:			
Segment revenues			
Orchard division	25,196	35,474	27,082
Post harvest division	40,224	69,123	51,219
Business development division	1,532	3,267	1,220
All other segments	19	426	19
TOTAL REVENUE	**66,971**	**108,290**	**79,540**
Segment earnings (EBIT)			
Orchard division	2,419	6,677	5,452
Post harvest division	2,621	10,007	10,177
Business development division	(643)	(1,096)	(699)
All other segments	(3,036)	(7,191)	(2,732)
Share of associates	99	433	52
Total EBIT	**1,460**	**8,830**	**12,250**
Net finance costs	610	1,456	826
Profit before tax	**850**	**7,374**	**11,424**
Tax charge on profits	178	1,494	2,953
PROFIT AFTER TAX	**672**	**5,880**	**8,471**
Segment impairment and revaluation			
Orchard division	-	(258)	-
Post harvest division	-	(611)	-
All other segments	-	(89)	-
TOTAL IMPAIRMENT AND REVALUATION	**-**	**(957)**	**-**

c. **Segment assets**

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

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

	6 months to June 2013 $000s Unaudited	12 months to December 2012 $000s Audited	6 months to June 2012 $000s Unaudited
Reportable segments' assets are reconciled to total assets as follows:			
Orchard division	24,076	18,189	27,213
Post harvest division	73,218	64,335	81,817
Business development division	281	935	241
All other segments	1,198	2,692	2,504
Unallocated:			
Cash	229	5,183	244
Net GST receivable	-	18	-
Available-for-sale financial assets	936	1,110	1,537
Investment in associates	3,078	3,073	2,971
Intangibles	-	895	-
Current tax	1,521	-	-
TOTAL ASSETS PER THE STATEMENT OF FINANCIAL POSITION	**104,537**	**96,430**	**116,527**

d. Impact of seasonality

The interim financial statements reflect the revenues associated with the kiwifruit harvested between March and June 2013, including kiwifruit crops owned by the Company under short and long-term lease contracts which are recorded at fair value at each reporting date.

NOTE 5. BIOLOGICAL ASSETS

a. Long term leases

The Group, as part of its operations, leases land and grows and harvests kiwifruit on orchards for which it has long term leases. Harvesting of orchards takes place from March to June each year. The orchards are situated throughout the Bay of Plenty region of New Zealand. During the period the Group continued with the redevelopment of orchards that were cut out due to the impact of Psa.

	6 months to June 2013 $000s Unaudited	12 months to December 2012 $000s Audited	6 months to June 2012 $000s Unaudited
Kiwifruit/avocado biological assets at fair value			
Carrying value at beginning of period	914	1,123	1,123
Orchard lease development	416	820	
Fair value movement in crop	(459)	(737)	(982)
Fair value movement in vines	-	(292)	-
CARRYING VALUE AT END OF PERIOD	**871**	**914**	**141**
Biological assets are classified as follows			
Fully-developed orchards - kiwifruit	185	644	95
Fully-developed orchards - avocado	91	91	46
Orchards under development - kiwifruit	595	179	-
CARRYING VALUE AT END OF PERIOD	**871**	**914**	**141**
Biological asset - crop	83	542	95
Biological asset - vines	788	372	46
CARRYING VALUE AT END OF PERIOD	**871**	**914**	**141**

As at 30 June 2013 the Group had long term leases on a total of 97 hectares (Dec 2012 - 97 hectares) of kiwifruit and 26 hectares (Dec 2012 - 26 hectares) of avocado orchards comprising 14 individual orchards (Dec 2012 - 14). The leases were entered into over a period of time and generally have a maximum term of up to 20 years with the last lease expiring in June 2025.

Long term leases are classified as either:

- *Fully-developed*: Being 35 hectares of established kiwifruit orchards (Dec 2012 - 35) and 26 hectares of avocado orchards (Dec 2012 - 26) that have full canopies or trees and are producing crops. The fair value of the kiwifruit and avocado orchards (land, vines and trees) for long-term leased orchards is determined by Directors having taken into account an independent valuation performed at each annual reporting date by Logan Stone Registered Valuers and any events subsequent to that valuation.
- *Orchards under development*: Being those orchards that have been affected by Psa and are being either replanted or re-grafted with new varieties. During the period the Group has continued the redevelopment of 62 hectares (Dec 2012 - 62), contract variations have now been agreed and documentation is being completed with the affected landowners to reflect the investment and risk to the Group and the landowners of re-establishing the orchards.

Impact of Pseudomonas syringae pv. actinidiae (Psa) on long term leases

The standard long term lease allows the Group to exit the lease where there has been partial or total destruction of the improvements to the land, being the orchard. Where an orchard is confirmed as being infected with Psa, a decision is then made, in conjunction with the landowner, whether to redevelop the orchard.

b. Fair value of harvested crops

During the period to 30 June 2013, the Group harvested 335,610 trays of kiwifruit (Dec 2012 - 972,966 trays) from long-term leased orchards and 4,223,788 trays of kiwifruit (Dec 2012 - 3,820,194 trays) from short-term leased orchards.

The value of the harvested crop at balance date is $21.47m (Dec 2012 - $26.54m), based on the assumptions below for orchard gate returns. A portion of this crop is still held in Seeka's coolstores at the half year balance date and recorded as inventory crops of $9.59m (Dec 2012 - Nil). The remaining $7.76m (Dec 2012 - $3.84m) is recorded within trade and other receivables.

Variety	Long term lease	Short term lease
Green — OGR per tray	$4.29	$4.43
Gold — OGR per tray	-	$13.29

NOTE 6. DETERMINATION OF FAIR VALUES

a. Fair value measurement

The table below analyses assets and liabilities carried at fair value. The different levels are defined as below:

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.

At 30 June 2013	Level I $000s	Level 2 $000s	Level 3 $000s	Total $000s
Vines	-	-	788	788
Crop	-	-	83	83
TOTAL BIOLOGICAL ASSETS	**-**	**-**	**871**	**871**
Land	-	-	2,380	2,380
Buildings	-	-	33,001	33,001
TOTAL LAND AND BUILDINGS	**-**	**-**	**35,381**	**35,381**
DERIVATIVES USED FOR HEDGING	**-**	**197**	**-**	**197**
EQUITY SECURITIES	**239**	**-**	**-**	**239**

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements.

At 30 June 2013	Vines $000s	Crop $000s	Land and buildings $000s
Balance at 1 January 2013	**372**	**542**	**35,600**
Acquisitions	-	-	364
Harvested crop / sales	-	(802)	-
Depreciation of assets	-	-	(583)
Orchard lease development expenditure	416	343	-
Gains and losses for the period			
i) Changes in fair value - realised	-	-	-
ii) Changes in fair value - unrealised	-	-	-
BALANCE AT 30 JUNE 2013	**788**	**83**	**35,381**

The table below 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	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
BIOLOGICAL ASSETS			
VINES			
Fully-developed vines	The fair value of the fully developed kiwifruit and avocado orchards (land, vines and trees) is determined in accordance with an independent valuation performed at each annual reporting date by Logan Stone Registered Valuers. The basis of valuation is *Valuation Standard Number 1 - Market Value Basis of Valuation and Practice Standard Number 3 - The Valuation of Rural Properties*. In preparing their valuation, Logan Stone have assumed that the green/Hayward variety will remain tolerant to Psa and continue to be grown through to the end of the lease.	1. Estimated OGR returns per tray and estimated yields per hectare. 2. Orchard costs per hectare. 3. Discount rate applied to cashflow.	The estimated fair value increases the higher the OGR return per tray and the higher the yield per hectare. The estimated fair value increases the lower the cost per hectare. The estimated fair value increases the lower the discount rate.
Vines under development	The fair value of the orchards under development is determined as cost due to insufficient biological transformation having occurred at balance date. Cost is tested for impairment at balance date. In assessing the cost of developing kiwifruit orchards, consideration is given to the level of uncertainty that exists as to the ability of the new vines, or grafts, to survive through to full production.	1. Orchard costs per hectare.	The estimated fair value reduces if cost is impaired at balance date.
CROP			
Crop on orchards fully developed and under development	The fair value of the crop is determined as cost due to insufficient biological transformation having occurred at balance date. Cost is tested for impairment at balance date. In assessing the fair value of crop at cost, consideration is given to the level of uncertainty that exists as to the ability of the crop to survive through to full production and the recoverability of the crop's fair value.	1. Orchard costs per hectare. 2. Estimated yields per hectare.	The estimated fair value reduces if cost is impaired at balance date.

Type	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
LAND AND BUILDINGS			
	The fair value of land and buildings is determined on a rolling 3-year cycle (Note 12) using valuations prepared by an independent valuer.	1. Comparative market rents and the discount rate applied to such.	The estimated fair value increases the higher the market rental.
	In conducting the valuations, the valuer considered 3 different approaches. These approaches are considered in concert in order to arrive at a fair value of the land and buildings. The methodology considered was as follows:	2. Comparative market sales.	The estimated fair value increases the lower the discount rate.
	• ***Replacement cost approach*** - adds the value of the land to the value of the buildings and other improvements based on the current level of buildings cost with an allowance for physical depreciation (2%). Specific consideration is given to the 'optimised depreciated replacement cost' methodology.	3. Current level of building costs.	The estimated fair value increases the higher the building cost.
	• ***Sales approach*** - considers sales of other comparable properties.	4. Physical depreciation allowance.	The estimated fair value increases the lower the depreciation allowance.
	• ***Investment approach*** - assumes a hypothetical lease of the property with a current market rental being established and capitalising this at an appropriate rate of return (12 - 15%) that would be expected by a prudent investor.		

	6 months to June 2013 $000s Unaudited	12 months to December 2012 $000s Audited	6 months to June 2012 $000s Unaudited
b. Fair value of financial assets and liabilities measured at amortised cost			
The fair value of borrowings are as follows:			
Non-current	19,402	20,590	22,778
Current	4,148	2,376	8,738
	23,550	**22,966**	**31,516**
The fair value of the following financial assets and liabilities approximate their carrying amounts:			
i) Trade and other receivables	31,168	7,450	37,008
ii) Other current financial assets	1,123	1,944	2,242
iii) Cash and cash equivalents	229	5,183	244
iv) Trade and other payables	14,906	7,079	13,196
	47,426	**21,656**	**52,691**

	6 months to June 2013 $000s Unaudited	12 months to December 2012 $000s Audited	Per share
NOTE 7. DIVIDENDS			
Ordinary shares			
Dividend paid 20 March 2013	866	-	0.06
TOTAL DIVIDEND PAID	**866**	-	

The dividends are imputed to the extent allowable in the tax year.
At the half year balance date, no dividend has been declared by the Company.

	6 months to June 2013 $000s Unaudited	12 months to December 2012 $000s Audited	6 months to June 2012 $000s Unaudited
NOTE 8. RECONCILIATION OF NET OPERATING SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating surplus after taxation	**672**	**5,880**	**8,471**
Add non cash items:			
Depreciation	2,713	5,584	2,871
Amortisation of intangibles	21	92	51
Impairment of lease interest in land	-	418	-
Impairment of plant and equipment	-	187	-
Impairment of investment in associates	-	89	-
Loss on revaluation of land and buildings	-	6	-
Movement in deferred tax	2,312	(934)	2,993
Movement in fair value of biological assets - vines	-	292	-
Movement in fair value of biological assets - crop	459	737	982
Movement in fair value of non-biological assets	-	196	-
Movement in onerous leases	(117)	807	-
Movement in derivatives	(13)	(417)	(255)
Share of income from associates	(99)	(156)	34
	5,276	**6,901**	**6,676**
Add items not classified as an operating activity:			
Loss on sale of property, plant and equipment	316	219	71
Gain on sale of shares	(75)	-	(530)
	241	**219**	**(459)**
(Increase)/decrease in working capital:			
Increase/(decrease) in accounts payable	7,890	(2,323)	3,643
(Increase)/decrease in accounts receivable	(22,440)	3,544	(26,526)
Decrease/(increase) in inventory	1,174	486	1,072
Decrease/(increase) in work in progress / prepayments	8,247	(1,291)	7,412
(Decrease)/increase in taxes and GST due	(3,933)	(823)	(1,504)
	(9,062)	**(407)**	**(15,903)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**(2,873)**	**12,593**	**(1,215)**

NOTE 9. COMMITMENTS AND CONTINGENCIES

Westpac Bank holds a guarantee for a bond of $75,000 (2012 - $75,000) in favour of the New Zealand Stock Exchange (NZX).

As at 30 June 2013 the Group had no contingent liabilities (Dec 2012 - Nil).

NOTE 10. RELATED PARTY TRANSACTIONS

Seeka Growers Limited

In the normal course of business the Group undertakes transactions with Seeka Growers Limited, a related party which administers all post harvest operations and revenues from the sale of kiwifruit on behalf of growers with whom it holds a contract. In the current period the Group received $38.42m (Jun 2012 - $50.32m) for the provision of post harvest and orchard management services to Seeka Growers Limited. At balance date, a significant portion of receivables are due from Seeka Growers Limited. These receivables are funded by future fruit payments from Zespri Group Limited to Seeka Growers Limited.

NOTE 11. INTEREST BEARING LIABILITIES

At balance date, interest bearing liabilities described as current include $2.37m (Jun 2012 - $2.37m) for the current portion of term loans.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT (LAND AND BUILDINGS)

Land and buildings are revalued to their estimated market value on a rolling three year cycle unless there is evidence that indicates the carrying value of the land and buildings may differ significantly from their fair value. With the discovery of Psa the Directors made the decision to revalue all the Group's land and building assets at 31 December 2012. The valuations were completed by TelferYoung Valuers, (incorporating J L Middleton), ANZIV, independent registered valuer. Subsequent additions are at cost. Valuations were as at 31 December 2012.

At the half year balance date the Directors, having considered advice from TelferYoung Valuers, 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 13. LAND AND PROPERTY HELD FOR RESALE

During the period the Group sold an orchard for $0.82m that was recorded as held for sale. A $0.18m loss on sale is recorded in the statement of financial performance.

NOTE 14. EVENTS OCCURRING AFTER BALANCE DATE

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

Directory

DIRECTORS

Fred Hutchings
Independent Chairman

Malcolm Cartwright
Deputy Chairman

Martyn Brick
Director

John Burke
Independent Director

Stuart Burns
Independent Director

Amiel Diaz
Director

Neil Te Kani
Director

MANAGEMENT

Michael Franks
Chief Executive

Bryan Grafas
GM Orchard Operations

Kevin Halliday
GM Corporate Services

Stuart McKinstry
Chief Financial Officer
and Company Secretary

Rob Towgood
GM Post Harvest Operations

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McKenzie Elvin
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