


**SEEKA KIWIFRUIT INDUSTRIES LIMITED**

HALF YEAR REVIEW 30 SEPTEMBER 2008

HALF YEARLY REVIEW FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 [UNAUDITED]

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## Summary

- > \$8.4m unaudited six month profit after tax to 30 September 2008, 47% increase on the \$5.7m for the corresponding period in 2007.
- > Operating cash flow \$15.0m for the six months compared with \$4.4m.
- > Full year forecast profit before tax increased to between \$4.8m and \$5.4m reflecting improved performance and better fruit returns.
- > Post harvest operations lowered fruit loss, improved orchard returns, and delivered excellent operating margins for both green and gold.
- > Orchard division delivered high yields, low reject rates, and excellent storing fruit.
- > The lower New Zealand dollar improved fruit returns, and orchard operations returned to profit.
- > Improved support to permanent employees, and overseas workers ensured full staffing during harvest.

## Overview

The Directors of Seeka Kiwifruit Industries are pleased to present the un-audited results for the six months ended 30 September 2008. Net earnings after tax was \$8.4m, 47% ahead of the previous corresponding period. Profit before tax was \$12.1m, compared with \$6.7m earned over the same period in 2007.

Operating cashflow of \$15.0m was strong in the six months, \$10.6m ahead of the same period 2007. This increase in operating cashflow along with lower cash outflow in investing activities resulted in the Company carrying \$11.3m less debt.

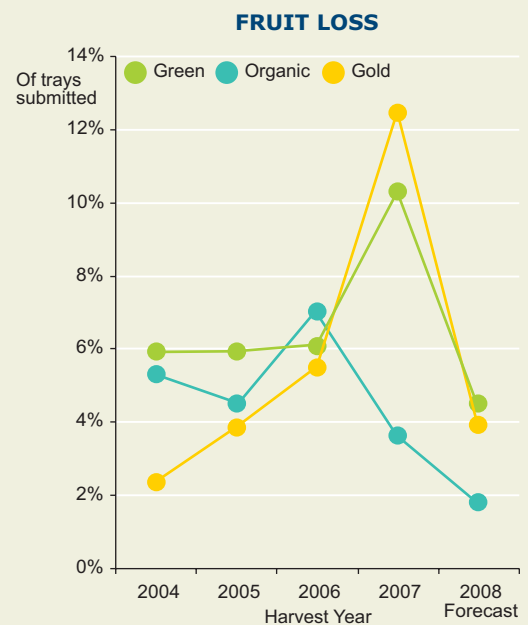
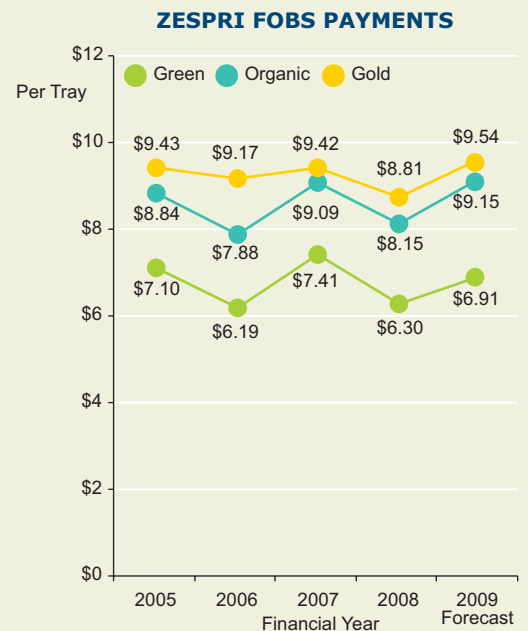
All aspects of Company operations were reviewed following the difficult 2007 year. The Company has delivered a pleasing improvement in operational performance and earnings across all divisions.

The orchard division delivered high yields, low reject rates and achieved excellent storage performance. Particular emphasis was placed on harvesting processes to ensure that harvest teams delivered a crop in optimal condition to post harvest. Orchard earnings benefited from increased fruit earnings from Zespri as a direct result of the lower value of the New Zealand dollar against key trading currencies.

Operational improvements within the post harvest division improved operating margins for both green and gold varieties. Commercial charging regimes introduced with growers both encouraged and rewarded performance. The hub structure, implemented within post harvest, along with new inventory personnel and management systems, lowered fruit loss and improved returns to our growers and Company. Seeka, as a direct result of improved management, will deliver growers an estimated \$15.5m in additional returns over harvest 2007.

Integrated Fruit Supply Logistics Limited (IFSL), was restructured, to ensure Seeka meet its supply commitments on behalf of growers. The new structure improved supply performance and earned premiums for Seeka and growers by making up other suppliers' delivery shortfalls.

Shareholders are reminded that Seeka operates within a seasonal industry with a significant proportion of profits earned in the first six months of the year. Directors have increased the forecast profit guidance that was advised to shareholders at the annual shareholder meeting. Profit before tax is expected to be in the range of \$4.8m to \$5.4m.



# Operational Review

## **Post Harvest – improved financial and operational performance**

Overall Seeka's kiwifruit harvest marginally declined from the record 21.2m trays in 2007 to 21.1m trays in 2008. Avocados will also be lower in 2008, with a forecast export crop of 150k trays compared to 330k trays in 2007.

Despite reduction in volumes, the company expects to improve the current full year contribution from post harvest compared to last year.

Operational highlights include significantly lower fruit loss in every category, improved supply delivery, and excellent packing and coolstore margins. Lowered fruit loss is a pleasing result of the Company's commitment to improve this measure. 2008 was a better fruit storage year, particularly in gold. All varieties had substantially lower fruit loss and required less rework. This lower level of rework makes the financial forecast for post harvest more satisfying.

The Company focused on post harvest operations. The new hub structure along with inventory management delivered better results. The Company assigned orchards to specific hubs and aligned both packing and coolstore capacity based on forecast volumes and likely load out patterns. Any imbalances were addressed. Additional coolstorage was constructed at Katikati in order for it to handle gold fruit. The role of inventory manager was created at each hub to coordinate operations from orchard to load-out, with key measures in place for all staff including load-out performance. The new structure effectively models operations at the Peninsula packhouse where the Company consistently achieves best practice.

Harvest processes were refined. A new quality control process was implemented across gold harvest operations. Each gold picking crew now has a quality controller. This complements the quality auditing process already in place with the green variety. A picker penalty system was implemented that penalises contractors picking out of grade with the proceeds going to growers. Overall and particularly in gold, a better quality crop with lower physical damage was delivered to packhouses.

New commercial mechanisms agreed with Seeka Growers differentiate and reward performance. Changes cover risk pools, reject charges, and coolstorage charging mechanisms. Innovatively, Seeka Growers agreed to operate a non-trunk-girdled pool of just over 3m trays to test the assumption that girdling does not increase fruit loss. This non-trunk-girdled pool delivered growers significantly improved time related income per tray, reflecting better keeping characteristics.

The significant steps taken to simplify contractual terms between Seeka and Seeka Growers will continue.

Seeka provided information to empower employees and orchardists. Along with real time inventory reporting, Seeka achieved a step change through the innovation of reporting by maturity area rather than consolidated reporting at orchard level. Orchardists see the financial differentiation of their various maturity areas and understand the variation in returns from different growing techniques or profiles within their orchard.

Across post harvest, disciplined planning, quality improvements, and a determination to do the job right first time, lifted financial and operational performance. Improved disciplines instilled in the division, along with experienced and dedicated personnel, give the Company a confident outlook on a continuing improvement in operational and financial performance.

## **Orchard Division – returns to profit with lower New Zealand dollar**

Orchard leasing operations grew 7.1m trays in 2008 compared to 7.5m trays in 2007. The difference is more than accounted for by the South Auckland leased crop sold December 2007. Overall orchard leasing declined by 133 hectares as a result of that sale. In addition orchard team grew 2.1m trays from managed orchards. Continuing excellent management practices delivered good yields, crop profile and orchard gate returns. In nearly all circumstances, the orcharding team delivered orchard owners a premium sufficient to more than cover the cost of Seeka's professional management.

Orchard gate returns rose significantly reflecting lower fruit loss, an efficient cost structure and exchange-rate-driven improved Zespri return. The value of the New Zealand dollar fell dramatically through 2008. Forecast FOBS per tray payments made by Zespri increased by \$0.61 to \$6.91 in green, by \$1.00 to \$9.15 in green organic and by \$0.73 to \$9.54 in gold. The resulting forecast orchard gate returns per hectare of \$33,700 green, \$41,706 organic and \$58,037 gold resulted in the division returning to profit.

The orchard division continued the introduction of the new total value lease to good effect. This lease rebalances orcharding risk and reward structures with orchard owners. Uneconomic leases and leases with poor orchard characteristics are not being renewed.

The improvement in orchard earnings and the return to profit is pleasing. The focus remains on improving the financial structure and lease profile of leasing operations. Given the continuing weakness in New Zealand currency and good worldwide demand for kiwifruit, the orcharding outlook remains positive.

### People processes revamped

Seeka concentrated on its most important asset, its people. In order to achieve improved support of permanent employees, Seeka revamped its human resources function, separating the support of permanent employees from seasonal employees.

Nearly every process for permanent staff was reviewed during the six months – including induction and exit processes, employee assistance programmes, and performance and development programmes. Likewise remuneration systems are currently being overhauled.

The Company continued its offshore development programme for up-and-coming employees. Seeka repeated the California project, with a staff member at the Venida packhouse. The programme was extended with two staff members travelling to Italy for a training experience at the Kiwi Pontino packhouse – a Zespri exclusive supplier. These programmes give our key people experience in offshore fruit harvesting and allow them to bring new insights to fruit handling operations in New Zealand.

Seasonal staff shortages were again addressed through overseas workers brought to New Zealand to work in orchards or packhouses. An increased number of Pacific Islanders were added to complement the existing overseas programme of more than 570 workers. The total programme placed some strain on infrastructure and support systems with significant extra effort required to ensure smooth work flow, people management and pastoral care.

While there were some issues with the programme, the benefits were substantial. Seeka and the industry were fully staffed in 2008, despite low local unemployment levels. The overseas workforce was willing, reliable and provided the Company and its growers with excellent service.

Previously the industry suffered labour shortages and was reliant on unscrupulous contractors. As a result of the labour strategy, this reliance has been eliminated.

### Outlook

The Company has benefited from the dramatic decline in the value of the New Zealand dollar. While worldwide economic uncertainty exists, with possible flow on effects from any United States recession, the kiwifruit market remains stable and should translate into increased orchard gate returns despite some softening of prices. The Company is experiencing healthy interest in new crop supply. Provided there is no significant market collapse then the positive outlook for kiwifruit remains.

At the annual meeting in August, shareholders were advised that the 2008 year would return a profit before tax of between \$4.4m and \$5.2m. Directors now advise the forecast profit range to be between \$4.8m and \$5.4m.



**Kim Ellis**  
Chairman of Directors



**Michael Franks**  
Chief Executive

KEY MARKET INDICATORS	SIX MONTHS TO SEPT 08	FULL YEAR 2007/2008	SIX MONTHS TO SEPT 07
<b>Volumes</b>			
<b>Market Share</b>	<b>18.4%</b>	<b>21.0%</b>	<b>21.3%</b>
<b>Supplying Hectares</b>	<b>2,112</b>	<b>2,473</b>	<b>2,560</b>
<b>Post Harvest Operations – All Classes</b>			
Gross Packed Trays Green	16,786,838	16,955,905	16,955,905
Gross Packed Trays Gold	4,362,933	4,241,698	4,241,698
Total Gross Packed Trays	21,149,771	21,197,603	21,197,603
<b>Orchard Operations – Green</b>			
Orchard Production Trays	5,445,449	5,823,327	5,798,703
Orchard Production Hectares	578	685	685
Orchard Production Trays/Hectares	9,426	8,503	8,465
<b>Orchard Operations – Gold</b>			
Orchard Production Trays	1,778,411	1,649,593	1,647,369
Orchard Production Hectares	171	178	178
Orchard Production Trays/Hectares	10,420	9,280	9,255
<b>Lease Orchard Gate Returns per Tray</b>			
Green	\$3.54	\$2.96	\$2.98
Gold	\$4.01	\$3.98	\$4.10
<b>KEY FINANCIAL INDICATORS</b>			
Total Income (\$000s)	97,082	107,382	95,246
Net Profit Before Tax (\$000s)	12,065	2,030	6,669
Cash Flow From Operations (\$000s)	14,968	5,252	4,374
Total Assets (\$000s)	115,926	116,104	113,084
Total Shareholders Funds (\$000s)	61,249	52,671	53,605
Shareholder Equity Ratio %	53%	45%	47%
Earnings per Share	\$0.67	\$0.20	\$0.46
Dividend per Share	-	\$0.10	\$0.10
Asset Backing per Share	\$4.86	\$4.18	\$4.25
Share Price	\$2.50	\$2.16	\$3.65
NPAT on Net Assets	14%	5%	11%
Total Shareholders	789	791	801
Total Shares on Issue	12,599,995	12,599,995	12,599,995
<b>SEGMENT INFORMATION</b>			
<b>Segment Revenue</b>			
Orchard Segment (\$000s)	27,502	29,222	23,014
Post Harvest Segment (\$000s)	67,663	77,245	70,943
Other (\$000s)	1,917	915	1,289
Total Revenue (\$000s)	97,082	107,382	95,246
<b>Segment EBIT</b>			
Orchard Segment (\$000s)	372	(2,224)	(4,533)
Post Harvest Segment (\$000s)	14,711	12,071	14,662
Associates (\$000s)	-	392	-
Other (\$000s)	(1,378)	(4,921)	(1,911)
Total EBIT (\$000s)	13,705	5,318	8,218
Finance Costs (\$000s)	1,640	3,288	1,549
<b>Profit (Loss) Before Tax (\$000s)</b>	<b>12,065</b>	<b>2,030</b>	<b>6,669</b>
Taxation (\$000s)	3,618	(546)	928
<b>Profit (Loss) After Tax (\$000s)</b>	<b>8,447</b>	<b>2,576</b>	<b>5,741</b>

# Income Statements For the six months ended 30 September 2008

	Notes	Group Unaudited Six Months Sep 08 \$000	Group Audited Year Mar 08 \$000	Group Unaudited Six Months Sep 07 \$000
Revenue	5	95,189	106,868	94,079
Direct operating costs	6	77,115	90,771	80,897
<b>GROSS OPERATING PROFIT</b>		<b>18,074</b>	<b>16,097</b>	<b>13,182</b>
Other income	5	1,893	514	1,167
General and administrative costs		3,914	7,022	3,877
Depreciation and amortisation expense		2,348	4,663	2,254
Finance costs		1,640	3,288	1,549
Share of profit of associates		-	(392)	-
<b>TOTAL EXPENSES</b>	6	<b>7,902</b>	<b>14,581</b>	<b>7,680</b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>12,065</b>	<b>2,030</b>	<b>6,669</b>
Income tax expense	7	3,618	(546)	928
<b>NET OPERATING PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>8,447</b>	<b>2,576</b>	<b>5,741</b>
		Cents	Cents	Cents
<b>EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD</b>				
Earnings per share (cents)		0.67	0.20	0.46
Diluted earnings per share (cents)		0.67	0.20	0.46



# Balance Sheets

As at 30 September 2008

		Group Unaudited Six Months Sep 08 \$000	Group Audited Year Mar 08 \$000	Group Unaudited Six Months Sep 07 \$000
	Notes			
<b>EQUITY</b>				
Share capital		28,878	28,878	28,738
Reserves		7,509	7,360	5,231
Retained earnings		24,862	16,433	19,636
<b>TOTAL EQUITY</b>		<b>61,249</b>	<b>52,671</b>	<b>53,605</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		100	83	460
Trade and other receivables	13	22,316	8,277	19,537
Short term lease prepayments		4,933	14,435	6,440
Inventories		1,171	6,957	2,895
Financial derivatives		-	31	183
Investments held for sale	11	-	3,389	-
Current tax receivables		1,093	1,093	898
<b>TOTAL CURRENT ASSETS</b>		<b>29,613</b>	<b>34,265</b>	<b>30,413</b>
<b>NON CURRENT ASSETS</b>				
Advances		6,671	1,134	6,100
Property, plant and equipment		60,810	60,160	57,736
Intangible assets		2,449	2,591	2,722
Available for sale financial assets		3,742	3,593	3,874
Biological assets		7,849	9,424	7,262
Investment in associates		4,792	4,937	4,733
Investment in joint ventures		-	-	244
<b>TOTAL NON CURRENT ASSETS</b>		<b>86,313</b>	<b>81,839</b>	<b>82,671</b>
<b>TOTAL ASSETS</b>		<b>115,926</b>	<b>116,104</b>	<b>113,084</b>
<b>CURRENT LIABILITIES</b>				
Current tax liabilities		3,618	-	1,560
Trade and other payables		8,676	9,433	8,806
Provision for onerous leases		-	84	492
Interest bearing liabilities		8,220	19,570	14,730
Financial derivatives		372	56	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>20,886</b>	<b>29,143</b>	<b>25,588</b>
<b>NON CURRENT LIABILITIES</b>				
Provision for onerous leases		45	45	128
Interest bearing liabilities		23,500	24,000	24,509
Deferred tax		10,246	10,245	9,254
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>33,791</b>	<b>34,290</b>	<b>33,891</b>
<b>TOTAL LIABILITIES</b>		<b>54,677</b>	<b>63,433</b>	<b>59,479</b>
<b>NET ASSETS</b>		<b>61,249</b>	<b>52,671</b>	<b>53,605</b>

## Statement of Changes in Equity For the six months ended 30 September 2008

	Notes	Group Unaudited Six Months Sep 08 \$000	Group Audited Year Mar 08 \$000	Group Unaudited Six Months Sep 07 \$000
Net profit attributable to shareholders		8,447	2,576	5,741
Revaluation of land and buildings		-	2,392	-
Revaluation of available for sale financial assets		122	(281)	-
Employee share option expense		9	18	-
<b>TOTAL RECOGNISED INCOME</b>		<b>8,578</b>	<b>4,705</b>	<b>5,741</b>
Shares issued		-	143	3
<b>CONTRIBUTION FROM OWNERS</b>		<b>-</b>	<b>143</b>	<b>3</b>
Dividends paid	8	-	(1,261)	(1,223)
<b>DISTRIBUTIONS TO OWNERS</b>		<b>-</b>	<b>(1,261)</b>	<b>(1,223)</b>
<b>MOVEMENT IN EQUITY FOR THE PERIOD</b>		<b>8,578</b>	<b>3,587</b>	<b>4,521</b>
<b>EQUITY AT BEGINNING OF THE PERIOD</b>		<b>52,671</b>	<b>49,084</b>	<b>49,084</b>
<b>EQUITY AT END OF THE PERIOD</b>		<b>61,249</b>	<b>52,671</b>	<b>53,605</b>

# Cash Flow Statements

For the six months ended 30 September 2008

	Notes	Group Unaudited Six Months Sep 08 \$000	Group Audited Year Mar 08 \$000	Group Unaudited Six Months Sep 07 \$000
<b>OPERATING ACTIVITIES</b>				
<i>Cash was provided from :</i>				
Receipts from customers		82,288	104,915	83,712
Interest and dividends received		292	667	285
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees		(66,016)	(97,541)	(77,716)
Interest paid		(1,596)	(3,132)	(1,506)
Income taxes paid		-	343	(401)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	9	<b>14,968</b>	<b>5,252</b>	<b>4,374</b>
<b>INVESTING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		31	(10)	(2)
Sale of available for sale investments		109	42	42
Repayment of employee share scheme advance		-	140	-
Repayment of advances		19	57	91
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		(2,664)	(6,294)	(3,585)
Purchase of available for sale investments		(27)	(727)	(374)
Advances		(569)	(2,564)	20
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(3,101)</b>	<b>(9,356)</b>	<b>(3,808)</b>
<b>FINANCING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
Proceeds of short term bank borrowings		-	6,440	1,598
Issue of shares		-	3	3
<i>Cash was applied to:</i>				
Repayment of term debt		(500)	(1,011)	(500)
Repayment of bank borrowings		(11,350)	-	-
Payment of dividend		-	(1,261)	(1,223)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(11,850)</b>	<b>4,171</b>	<b>(122)</b>
<b>NET INCREASE IN CASH FLOW</b>		<b>17</b>	<b>67</b>	<b>444</b>
Opening cash brought forward		83	16	16
<b>ENDING CASH CARRIED FORWARD</b>		<b>100</b>	<b>83</b>	<b>460</b>

The above cash flow statement should be read in conjunction with the accompanying notes. The above cashflows are stated exclusive of GST.

# Notes to the Financial Statements For the six months ended 30 September 2008

## NOTE 1 – STATEMENT OF ACCOUNTING POLICIES

### Reporting Entity

Seeka Kiwifruit Industries Limited and its subsidiaries (together the Group) provides and manages 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 (NZSX). The Company is an issuer in terms of the Financial Reporting Act 1993. The Consolidated Financial Statements of the Group for the six months ended 30 September 2008 comprise the Company and its subsidiaries and interest in associates. The address of its registered office is 6 Queen Street, Te Puke.

## NOTE 2 – BASIS OF PREPARATION

The Group interim financial information for the six months ended 30 September 2008 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 March 2008, which have been prepared in accordance with NZ IFRS.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Income tax

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### b) Comparative balances

The presentation of certain comparative balances has been amended to ensure consistency with the current period disclosure.

## NOTE 4 – SEGMENT INFORMATION

### a) Description of segments

The Group is organised into the following divisions by product and service type.

#### Orchard

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 production.

#### Post Harvest

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

### b) Primary reporting format - industry segments

	Group Unaudited Six Months Sep 08 \$000	Group Audited Year Mar 08 \$000	Group Unaudited Six Months Sep 07 \$000
SEGMENT REVENUE			
Orchard division	27,502	29,222	23,014
Post harvest division	67,663	77,245	70,943
Unallocated income	1,917	915	1,289
<b>TOTAL REVENUE AND OTHER REVENUE</b>	<b>97,082</b>	<b>107,382</b>	<b>95,246</b>
SEGMENT EARNINGS BEFORE INTEREST AND TAXATION (EBIT)			
Orchard division	372	(2,224)	(4,533)
Post harvest division	14,711	12,071	14,662
Associates	-	392	-
Unallocated	(1,378)	(4,921)	(1,911)
<b>TOTAL EBIT</b>	<b>13,705</b>	<b>5,318</b>	<b>8,218</b>
Finance costs	1,640	3,288	1,549
<b>PROFIT BEFORE TAX</b>	<b>12,065</b>	<b>2,030</b>	<b>6,669</b>
Taxation	3,618	(546)	928
<b>PROFIT AFTER TAX</b>	<b>8,447</b>	<b>2,576</b>	<b>5,741</b>

### c) Impact of seasonality

The interim financial statements reflect the revenues associated with the kiwifruit harvested between April and June 2008, excluding kiwifruit crops owned by the Company under long term lease contracts which are recorded at fair value at each reporting date.

	Group Unaudited Six Months Sep 08 \$000	Group Audited Year Mar 08 \$000	Group Unaudited Six Months Sep 07 \$000
<b>NOTE 5 – REVENUE AND OTHER INCOME</b>			
Orchard sales	27,502	29,222	23,014
Post harvest sales	67,663	77,245	70,943
Other sales	24	401	122
<b>Total sales</b>	<b>95,189</b>	<b>106,868</b>	<b>94,079</b>
Interest income	92	79	25
Dividend income	153	338	131
Profit on sale of property plant and equipment	31	7	-
Profit on sale of shares	109	42	42
Fair value movement in biological assets	1,508	48	969
<b>Total other revenue</b>	<b>1,893</b>	<b>514</b>	<b>1,167</b>
<b>TOTAL REVENUES</b>	<b>97,082</b>	<b>107,382</b>	<b>95,246</b>
<b>NOTE 6 – DIRECT AND ADMINISTRATIVE EXPENSES</b>			
Operating materials and services	59,438	67,724	61,840
Total employee benefits expense	19,538	26,637	20,887
General administrative expenses	1,525	3,954	2,556
Audit fees	96	83	49
Tax fees paid to auditors	-	3	-
Other accounting fees	-	39	-
Movement in onerous leases	(84)	(1,159)	(667)
Directors fees	125	253	119
Loss on sale of property plant and equipment	-	17	2
Rent and lease expenses	44	91	45
Fair value movement in derivatives	347	151	(57)
	<b>81,029</b>	<b>97,793</b>	<b>84,774</b>
DEPRECIATION			
Buildings	603	1,284	515
Plant and equipment	1,473	2,687	1,452
Motor vehicles	12	24	12
Loss on revaluation of building improvements	-	84	-
	<b>2,088</b>	<b>4,079</b>	<b>1,979</b>
AMORTISATION			
Software amortisation	150	349	163
Bragg lease amortisation	110	221	112
Lease impairment charge	-	14	-
	<b>260</b>	<b>584</b>	<b>275</b>
FINANCE COSTS			
Interest expense	1,640	3,288	1,549
Share of loss (profit) of associates	-	(392)	-
<b>TOTAL EXPENSES</b>	<b>85,017</b>	<b>105,352</b>	<b>88,577</b>

# Notes to the Financial Statements For the six months ended 30 September 2008

## NOTE 7 – INCOME TAXES

Income tax expense is recognised based on the current applicable company tax rate which for the 31 March 2009 year end is currently 30%.

	Mar 08		Sep 07	
	\$000	Per share	\$000	Per share
<b>NOTE 8 – DIVIDENDS</b>				
ORDINARY SHARES				
Dividend paid 20 June 2007	1,261	0.10	1,223	0.10
<b>TOTAL DIVIDEND PAID</b>	<b>1,261</b>		<b>1,223</b>	

The dividends are fully imputed.

	Group Unaudited Six Months Sep 08 \$000	Group Audited Year Mar 08 \$000	Group Unaudited Six Months Sep 07 \$000
<b>NOTE 9 – RECONCILIATION OF NET OPERATING SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Operating Surplus after Taxation	8,447	2,576	5,741
Add non cash items:			
Depreciation	2,088	3,927	1,979
Amortisation of orchard development	111	235	111
Amortisation of intangibles	150	349	163
Loss on revaluation of buildings	-	84	-
Movement in deferred tax	-	185	(805)
Movement in fair value of biological assets	1,493	194	2,278
Movement in onerous leases	(84)	(1,158)	(667)
Movement in derivatives	347	151	(57)
Movement in employee share scheme	9	18	-
Share of income from associates	126	(91)	130
Share of loss from joint ventures	-	53	-
	<b>4,240</b>	<b>3,947</b>	<b>3,132</b>
<i>Add Items Not Classified as an Operating Activity:</i>			
Loss on sale of property, plant and equipment	(31)	10	2
Gain on sale of shares	(109)	(42)	(42)
	<b>(140)</b>	<b>(32)</b>	<b>(40)</b>
<i>Increase (decrease) in working capital:</i>			
Increase (decrease) in accounts payable	(756)	2,255	1,632
(Increase) decrease in accounts receivable	(15,619)	(1,266)	(17,562)
(Increase) decrease in inventory	5,786	(3,027)	1,035
(Increase) decrease in work in progress / prepayments	9,392	1,223	9,104
Increase (decrease) in taxes and GST due	3,618	(424)	1,332
	<b>2,421</b>	<b>(1,239)</b>	<b>(4,459)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>14,968</b>	<b>5,252</b>	<b>4,374</b>

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**NOTE 10 – CONTINGENCIES AND COMMITMENTS**

As at 30 September 2008 the Group had no contingent liabilities or assets (Mar 08 - Nil, Sep 07 - Nil).

NZX/Westpac: Westpac Bank holds a guarantee for a bond of \$75,000 (Mar 08 - \$75,000, Sep 07 - \$75,000) in favour of the New Zealand Stock Exchange.

During the period, the Group acquired property, plant and equipment totalling \$2.8 million (2007 - \$3.6 million).

At 30 September 2008, the Group had no other capital commitments (2007 - Nil).

**NOTE 11 – HELD FOR SALE**

On 1 April 2008, the Group sold its 50% share in the SAPAC Joint Venture for consideration of \$3.5 million, payable to the Group between 2008 and 2011.

**NOTE 12 – 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 \$86,048,473 (2007: 83,206,719) for the provision of post harvest and orchard management services from Seeka Growers Limited.

**NOTE 13 – RECEIVABLES**

At balance date a significant portion of receivables is due from Zespri Group Limited.

**NOTE 14 – EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

Since balance date the Group has renegotiated its working capital facility with Westpac for a maximum facility of \$18m (2007 - \$19m). No other events requiring adjustment to or disclosure in the financial statements occurred after balance sheet date (2007 - Nil).

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## Directory

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### Directors

**Kim Ellis**  
Chairman

**Peter Dawe**  
Director

**Stuart Burns**  
Director

**Malcolm Cartwright**  
Director

**David Emslie**  
Director

**Junichi Moriya**  
Director

**Jim Scotland**  
Director

**Stuart McKinstry**  
Secretary

### Management

**Michael Franks**  
Chief Executive

**Sally Gardiner**  
GM IFSL

**Bryan Grafas**  
GM Orchard Operations

**Stuart McKinstry**  
Chief Financial Officer

**Terry Richards**  
GM Business Development  
& Grower Services

**Greg Rodger**  
GM Information Systems

**Rob Towgood**  
GM Post Harvest Operations

### Corporate

**Offices of Seeka Kiwifruit  
Industries Limited**  
**Head Office**

6 Queen Street, PO Box 47, Te Puke  
www.seeka.co.nz

**Auditor**

**PriceWaterhouseCoopers**  
Auckland

**Accountants**

**Wood Walton Chartered Accountants Limited**  
Tauranga

**Bankers**

**Westpac Banking Corporation**  
Auckland

**Share Registrar**

**Link Market Services Limited**  
Ashburton

**NZX**

**www.nzx.com**

**Legal Advisors**

**Harmos Horton and Lusk**  
Auckland

**McKenzie Elvin**

Tauranga



**SEEKA**  
KIWIFRUIT INDUSTRIES LIMITED