Seeka
SELECT EXCELLENCE

INTERIM REPORT

JUNE 2020

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Oakside packing SunGold kiwifruit during level 4 lockdown.

FROM THE CHAIRMAN AND CHIEF EXECUTIVE

Seeka is proud to provide you with this report on our unaudited financial and operational results for the six months ended 30 June 2020. Having successfully completed harvest in a very challenging operating environment, in this report we comment on our results for the six months ended 30 June 2020, the impact of Covid-19 and our actions, dividend, outlook, a review of our business operations, strategic highlights and health and safety.

The impacts of Covid-19, drought, a change to the fruit maturity clearance protocols and severe labour shortages all created unprecedented operational and financial challenges. Seeka and its people responded to these challenges with commitment and innovation by drawing together as a team to deliver a timely harvest to our growers and business continuity to our stakeholders. We appreciate and thank our management teams, staff and contractors for their stamina and outstanding efforts to date. Our people demonstrated tremendous leadership in successfully delivering the harvests of kiwifruit, avocado, kiwiberry in New Zealand, and kiwifruit, nashi, and European pears in Australia. All undertaken under demanding harvest circumstances and a never experienced before Covid-19 environment. We know that as a team, we can draw on our experience, culture and reserves to create a sustainable and profitable future for Seeka.

The following factors impacted on Seeka's operational and financial performance for the six months ended 30 June 2020:

- Covid-19 lockdown protocols increased costs and reduced early-harvest productivity and fruit flows.
- More than 450 experienced RSE workers were still in their home countries when the borders closed and their absence exacerbated a severe labour shortage within New Zealand. This shortfall led to Seeka estimating it was more than 800 people short in its pack house operations at peak harvest. Labour productivity was impacted and labour administration costs also increased.
- A prolonged summer drought which for the second year in a row affected the size and yield of New Zealand Hayward kiwifruit.
- Kiwifruit volumes were below expectations which reduced operational margins.

Being a seasonal business, Seeka earns more of its income in the first six months and is carrying lower volumes of fruit in store into the second six months. Despite the negative financial impacts of the above factors, Seeka's financial results are ahead of the same period in 2019 and our full year forecast is similar to 2019, although its composition is significantly different. Additionally, a change in the tax deductibility of depreciation on buildings and its effect on deferred tax has an unaudited one-off tax benefit of $5.6m. Seeka expects to produce higher after tax earnings for the full year. This demonstrates Seeka's financial and operational resilience.

As a result of Covid-19, Seeka focussed solely on operational matters and performance. The company was allowed to continue to operate through lockdown and enacted processes to ensure the safety of all people, including investing in screens, social barriers, temperature checking, and changed its processes to ensure social distancing. The company did not receive any wage subsidy from the Government, outside of $27,800 to pay vulnerable people who were unable to work on site due to age or pre-existing medical conditions, and where working from home was not an option. Seeka paid $12.2m in salaries and wages and $3.0m to contractors during the lockdown period.

The company has continued to focus on the asset sale process, with the orderly sell down of orchards held for sale. Northland orchard sales yielded a $2.5m gain on sale. A conditional sale and lease back of three Australian kiwifruit orchards for AU$26.5m, is subject to the approval of the Australian Foreign Investment Review Board, expected on or before 29 August 2020. Proceeds from this sale when completed will both reduce debt and release capital gains.

The company suspended its dividend payments on March 19. At that point, the Covid-19 outbreak was creating fundamental uncertainty across all business sectors, both in New Zealand and internationally. Seeka was conscious of its debt position and determined that shareholder capital distributions should be suspended.

Seeka has moved to embrace sustainability through the formation of a Board sub-committee and is acting to understand and reduce our business's impact on the environment, including establishing a state-of-the art worm farm.

Results for the six months ended 30 June 2020

Key financial components of the six months include:

- $178.7m revenue (previous corresponding period to June 2019 (pcp):$169.9m); up 5%.
- $18.4m profit after tax (pcp: $11.9m); up 55%.
- $30.4m EBITDA (pcp: $27.9m); up 9%.
- $416.3m of assets; up 2.6% from the pcp.
- $129.3m net debt; a decrease of $18.8m from the pcp.
- $10.4m sales of Northland orchards for a realised gain on sale of $2.5m.
- AU$26.5m sale and lease back of three Australian kiwifruit orchards, conditional on Australian Foreign Investment Review Board approval. This sale will release funds to repay debt and release a gain on sale.

Key operational components include:

- Successful harvest and processing operations across New Zealand and Australia including kiwifruit, avocado, kiwiberry, nashi and pears.
- 33.4m tray equivalents of kiwifruit packed by New Zealand post harvest (pcp: 33.5m).
- Direct Covid-19 costs of $3.1m and productivity losses estimated at $2.2m.
- Successful and timely completion of the harvest, despite extreme labour shortages.
- Two serious harm injuries involving forklifts and one involving a tractor. Corrective actions and traffic management plans in place at all sites.

Operational performance

The following table outlines Seeka's performance for the six months ended 30 June.

New Zealand dollars	June 2020	June 2019	Change
Total revenue ($m)	$ 178.7	$ 169.9	5.2%
EBITDA before impairments and revaluations ($m)	$ 30.4	$ 27.9	9.1%
EBIT ($m)	$ 21.4	$ 20.3	5.4%
NPAT ($m)	$ 18.4	$ 11.9	54.9%
Basic earnings per share	$ 0.57	$ 0.39	46.2%
Net bank debt ($m)	$ 129.3	$ 148.1	(12.7%)

Impact of Covid-19

Summary of Covid-19's impact and Seeka's response

Covid-19 response committee formed prior to harvest. Including senior operational and support managers, this committee worked to put in place mechanisms to ensure the safety of our people. Actions included moving workers sourced from overseas through the RSE programme to less populated accommodation. Houses were set up in case our people were infected and we had to quarantine them in our own facility. Later, when a manager of a third-party local accommodation facility was confirmed as Covid-19 positive, Seeka used its facilities to house people until they were confirmed as negative. Seeka worked closely with the health professionals managing the response. The committee also sourced items including masks, gloves, sanitiser and thermometers well ahead of lockdown. They then set up a process of checking and logging people's temperature as they came on site. Throughout harvest, Seeka's pack houses and sites were established as "bubbles" with a total ban on personnel moving between facilities. The company transitioned to working from home and remote management.

Covid-19 meant that many experienced overseas workers were unable to come to New Zealand to work at Seeka. Seeka were 450 RSE workers short, many of whom were experienced in intermediate and senior seasonal roles. Backpackers were also in short supply, and at its height Seeka was more than 800 seasonal workers short. Many workers with displaced employment were supported by the Government's wage subsidy scheme and understandably did not want to risk working in a pack house. Staff turnover was very high. Nightshift, traditionally resourced by RSE workers, was particularly difficult to resource and one night shift machine was unable to be operated for a large part of the season. Recognising the commitment made by our key staff, Seeka put in place a loyalty payment to reward key roles for their dedication in the season. Seeka took direct action to lift its profile, employment and recruitment including campaigns on social media, radio and television. More recently Seeka has recruited RSE workers from the Hawke's Bay, where their work had completed but they were unable to travel home, with more than 275 workers brought in to assist with our orchard winter work programme.

Proactive steps to ensure safety. Seeka took numerous steps to ensure all its people were safe in addition to our ongoing traffic management plans and guarding upgrades. In the pack house, access and egress processes were changed so social distancing could be maintained at all times, additional temporary tearooms were created, gloves, masks and sanitiser were made available and extra 24 hour cleaning regimes adopted at all sites. No personnel were allowed to travel between pack houses and Seeka limited all contractors and Zespri personnel from coming on any site unless absolutely necessary. Seeka developed and deployed screens, as required, to ensure two metres of separation on all machines. Our wholesale markets continued to operate as essential services, with strict operating protocols ensuring physical distancing.

Safety over production. Seeka switched pack plans to a greater bulk percentage (large boxes of fruit) and closed machines while it initiated screens and distancing. Production fell to 65% of normal throughputs in the first ten days before gradually increasing to 85% handling the normal pack mix of layered pack types.

Eurofins withdrawal had a double-down effect. Critically, Eurofins withdrew its industry maturity testing services citing Covid-19 as the primary cause, its service having significantly faltered prior. This was a huge loss to the industry at the early stage of the harvest. Seeka, along with the other major post harvest operators, worked to deliver a solution to growers to enable the harvest. It should be noted that at that point there was no certainty that the crop could be entirely harvested or completely sold. Eurofins withdrawal led to the necessary withdrawal of dry-matter incentives which in prior years meant that growers self regulated their harvest based on optimal fruit maturity. Seeka lost some volume as the rush of growers wanting their fruit harvested exceeded the available post harvest capacity for a short period.

So what did it cost? Seeka estimates it cost $5.3m, comprising $3.1m of direct Covid-19 costs associated with harvests 2020 and $2.2m from volume loss from extraordinary productivity constraints.

Dividend

At the date of signing the directors declared a fully-imputed dividend of $0.10 per share, to be paid on 30 September 2020 to those shareholders on the register at 5pm on 4 September 2020. The dividend reinvestment plan will apply with a 2% discount to the strike price.

Outlook

Seeka is anticipating lower operational earnings for the second half of the financial year reflecting lower volumes of fruit in store at 30 June and an early selling season. The company has conditionally sold and leased back three Australian kiwifruit orchards for AU$26.5m. When completed these sales are expected to reduce debt and realise a gain on sale. The following guidance is based on Seeka's best estimate on the forward six months' earnings including the anticipated gain from the sale of the Australian orchards. The market will be updated if there is material deviation.

The following table outlines Seeka's guidance for the 12 months ended December 2020.

New Zealand dollars	2020 guidance Lower range	2020 guidance Upper range	2019 Full year actual
Net profit before tax ($m)	$ 9.0m	$ 12.0m	$ 9.9m
Change on 2019	(9 %)	+ 22 %	

New Kerikeri pack house operating prior to lockdown.

Review of operations

Financial performance

Revenue for the six months ended 30 June 2020 increased 5.2% to $178.68m (pcp: $169.87m). Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) was $30.43m (pcp: $27.91m); up 9.1%.

The result includes a turn-around in Seeka Australia with earnings at an EBITDA level for the six months of $1.89m compared to an EBITDA loss of $0.15m in the pcp. Changes made in the Australian business combined with continuing focus from the Australian management team have improved results.

The six month results include a gain on sale from the disposal of held for sale orchards of $2.5m, compared against $1.2m in the pcp.

Consolidated profit before tax of $17.39m compares against $16.54m in the pcp. However, a change in the deductibility of depreciation on buildings and its effect on deferred tax has resulted in a much higher profit after tax. Profit after tax as a result of the taxation benefit totals $18.38m, up 55% on the pcp, resulting in $0.57 earnings per share compared with $0.39 in the pcp.

Net cash flow from operations totalled $9.41m, compared against $5.14m in the pcp.

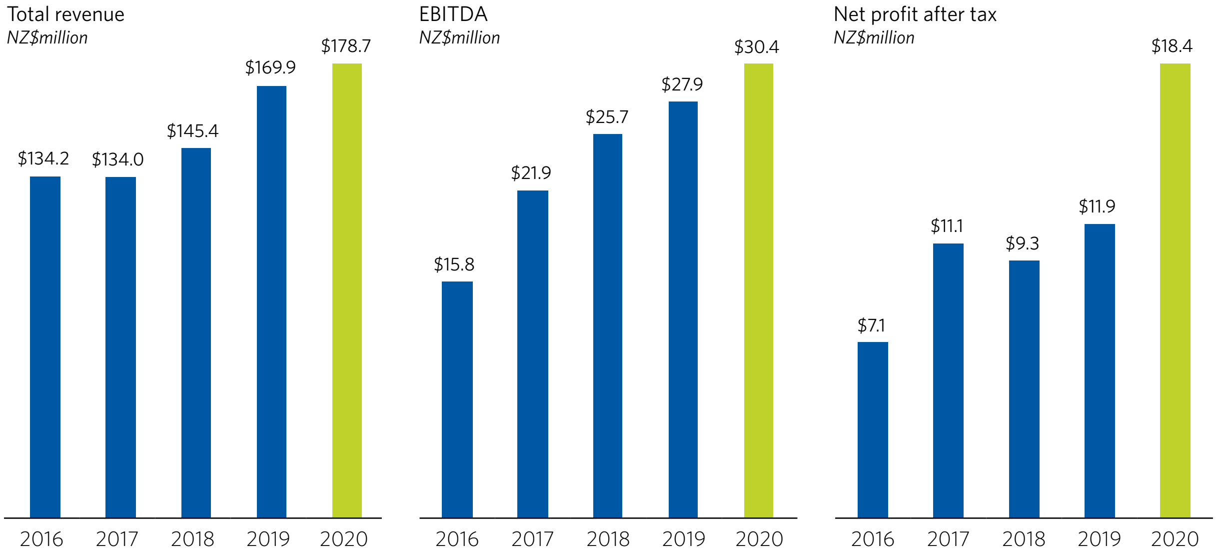
Seeka invested $10.51m (pcp: $25.82m) in property, plant and equipment, primarily in maintenance capital and continuing the Kerikeri packhouse build. The company invested $2.05m in long term leased orchards compared to $3.73m in the pcp.

Sales of orchards and property held for sale totalled $10.4m (pcp: $5.4m). Sold orchards include a continuing Northland sale programme and the completion of an orchard unconditionally sold at 31 December 2019. Seeka still holds $19.53m in assets held for sale compared with $37.49m in the pcp.

Advances to growers totalled $21.14m at 30 June, this was substantially repaid in July 2020.

Net debt at 30 June (bank loans less bank deposits) was $129.30m (pcp: $148.08m); a decrease of $18.78m, driven by the planned disposals of orchards held for sale. Net debt is forecast to continue reducing as advances are repaid along with the continuing sale proceeds, including the conditional sale and lease back of the three Australian kiwifruit orchards.

Key financial indicators to 30 June



1. Excludes effect of 2017 insurance settlement on EBITDA and NPAT. 2. 2016 and 2017 EBITDA and NPAT are reported pre implementation of NZ IFRS 16.

Revenue by operating segment overview

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

Orcharding, New Zealand

Growing export crops of kiwifruit, avocado and kiwiberry from more than 330 orchards via management, lease and long-term lease contracts.

$47.4m revenue June 2020

$78.9m assets June 2020

Post harvest, New Zealand

A contract processing service to harvest, pack, coolstore and supply kiwifruit, avocado and kiwiberry from more than 800 orchards, including all produce from our orchard operations and for independent growers.

$108.1m revenue June 2020

$244.7m assets June 2020

Retail services, New Zealand

Seeka markets local and imported produce in New Zealand, exports to Australia and niche international markets, plus manufactures and sells the high-value nutritional foods Kiwi Crush and avocado oil.

$9.7m revenue June 2020

$18.2m assets June 2020

Seeka Australia

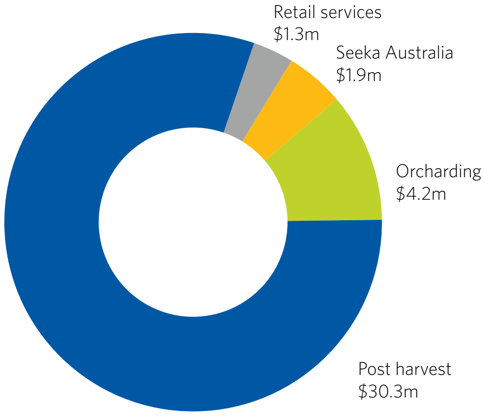
Owns nine large orchards plus post harvest facilities that supply Australian retailers with a large portion of Australia's locally-grown kiwifruit, nashi and pears.

$13.3m revenue June 2020

$55.5m assets June 2020

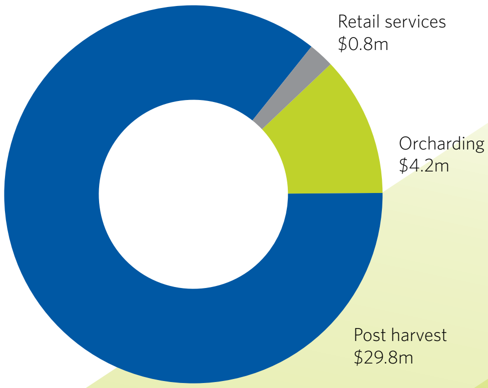
Operating segment EBITDA

EBITDA to June 2020 - $30.4m



Excludes ($7.2m) EBITDA for the Group's administration and grower services overheads

EBITDA to June 2019 - $27.9m



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

New Zealand orchard operations

Seeka's orchard operation spans from Northland through to the Coromandel, Bay of Plenty and East Coast, with orcharding production covering the growing of kiwifruit, avocado and kiwiberry on leased, long term leased, and Seeka-owned orchards. Orchard operations provides comprehensive orchard management and vine management services to orchard owners and Seeka develops orchards under contract for landowners or via long term leases, including in partnership with Iwi.

Seeka's orcharding operations grew 12.98m trays of kiwifruit in 2020, compared to 11.42m trays in the pcp. For the second year, Hayward volumes were affected by drought, being down an estimated 0.5m trays. At an average 10,200 trays per hectare in 2020, Hayward yields were below the five-year average of 10,800 trays per hectare. Drought affected the quality of the canopy tied down to grow next year's crop and we anticipate it will take a few years for production to return to higher levels, even if we have good growing seasons.

Seeka also grew 1,614,000 kilograms of avocado (pcp: 732,000 kgs) and 171,750 kilograms of kiwiberry (pcp: 64,400 kgs).

Orchard operations revenue of $47.38m is down by $0.95m from the pcp reflecting our expectation of weaker returns from Zespri in 2020. EBITDA of $4.16m is in line with the prior period.

Seeka continues to invest in long term lease arrangements with fruit volumes set to increase as these orchards reach maturity and outside the reported period has committed to two large scale Iwi developments supported by the Provincial Growth Fund.

New Zealand post harvest operations

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

In the period, 33.4m trays of kiwifruit were packed (pcp: 33.5m), down on expectation with drought affecting volumes by an estimated 2.4m trays combined with volumes lost in the grower harvest rush and a shortfall in capacity.

Seeka is satisfied with the quality of its fruit in store which is performing very well compared to industry.

During the year the company continued to redevelop the Kerikeri site, with the previous pack house demolished, new offices and amenities completed, and construction started on new cool stores.

Cool store fruit loss has remained low, and this is a key measure of performance for our growers.

The following table shows fruit loss to 12 August.

Week 33 class 1 fruit loss over total volumes submitted to 12 August 2020.	Seeka	Industry
Hayward	0.09%	0.07%
Hayward organic	0.03%	0.06%
SunGold	0.39%	0.49%

Post harvest revenue of $108.13m is an increase of 2.7% on the pcp's $105.29m. Post harvest costs are up across our industry, driven by higher wage rates and Covid-19 costs. EBITDA of $30.29m, while up on the pcp's $29.82m, is well down on expectation.

Seeka branded avocados destined for Australian retail.

New Zealand retail services operations

Includes the supply, export and sale of avocados, class 2 New Zealand kiwifruit and kiwiberry, sale of New Zealand kiwifruit through collaborative programmes, operation of the New Zealand wholesale marketing business including imported tropical fruits, and the manufacture and sale of Kiwi Crush and avocado oil.

EBITDA of $1.31m is 73% up on the pcp's $0.76m. This result is from a sound strategy and good enactment of the plan, particularly since the business was largely closed through lockdown. Momentum continues to build with sound leadership and dedicated staff.

Australia operations

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

Kiwifruit yields were again lower than expected following a very hot and dry summer which impacted fruit size; the kiwifruit business, however, remains profitable. Green nashi sales returned to profitability as Seeka balanced supply to demand. Seeka has 17 hectares of the exciting new Ricó pear coming to the market in 2021.

Seeka has announced the conditional sale and lease back of three of its mature kiwifruit orchards for AU$26.5m. The sale is subject to the approval of the Australian Foreign Investment Review Board, expected in August 2020. In addition, and alongside the sale, Seeka has sourced and leased sufficient water to operate those orchards. The lease term is for an initial 10 years, with a right of renewal of 10 years followed by two additional rights of renewal of five years each. The monies released from the sale will be used to repay debt and finance the completion of 70 hectares of kiwifruit development.

Seeka remains positive about its Australian investment strategy.

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

EBITDA of $1.89m compares to a loss in the pcp of $0.15m.

Avocados and kiwiberry positive highlights

Seeka continues to build its emerging categories of kiwiberry and avocado. Both positively contribute to Seeka's earnings while delivering competitive returns to growers.

In 2020, Seeka successfully harvested 82,000 trays of kiwiberry and marketed these both directly and in collaboration with Freshmax. Grower returns averaged an estimated $220,000 per hectare with the highest return over $320,000. This performance has seen more growers graft a portion of their orchard to kiwiberry.

Likewise, Seeka's avocado business continues to grow. From the 2019/2020 harvest (spanning financial year end), Seeka processed 765,000 trays of avocados to deliver leading grower returns that averaged $18.79 per export tray and $10.66 per local market tray.

These categories that are processed by Seeka are also sold by Seeka, with our brand reputation for quality creating retail consumer demand that generates superior returns to our growers.

Strategic highlights

Seeka continues to enact our strategy. Necessarily, the company focused on operations through the Covid-19 lockdown. At the same time, Seeka was able to make significant strategic progress. Kiwifruit is our core product, with the company diversifying geographically and targeting complementary produce categories. The focus is on growth that delivers accretive value to our stakeholders, including shareholders, growers, employees, contractors and community. We work to deliver our marketers, principally Zespri, the highest quality fruit and deliver our growers great returns through our supply chain.

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

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

The company has focussed on asset utilisation and capacity planning and has substantially built the infrastructure to handle the anticipated immediate volumes. Seeka has deliberately positioned itself in Northland to provide excellent service to the region's growth in avocados and kiwifruit, and has actively increased its avocado market share. This has delivered a benefit to growers, investors and increased market share to Seeka.

Health and safety

The Covid-19 environment made our operations very challenging, but at no time did we compromise the health and safety of our people. Seeka's focus is on continuous improvement to ensure the health and safety of all personnel at all our locations. All reported incidents and near-misses are followed up within the company. The company reviewed and enacted improved traffic management systems, new barriers at post harvest sites, new fatigue-management systems, and lifted its investment in machine guarding. Forklifts are now largely removed from post harvest areas where foot traffic is present.

This season's lockdown placed significant load on our safety drive, which was exacerbated by the severe shortage of people. Seeka took all efforts to ensure that it made its people safe, in all operations, and invested in their safety.

Disappointingly, after lockdown ended there were two post harvest serious harm incidents involving forklifts, and one in orchard operations involving the loading of a tractor for transportation. This impacted the severity rate in the period. All incidents were reviewed, including independent review of the post harvest incidents, as the company relentlessly drives for a safer environment. Seeka continues to refine its safety focus, and in 2020 will conduct a complete audit of its orchard equipment.

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

Actuals and targets	To 30 June 2020	Annual threshold
Total recordable injury frequency rate	3.85	Less than 4.5
Notifiable injuries	3	0
Notifiable injuries including incidents	3	1
Severity rate	7.18	Less than 4.5

The total recordable injury frequent rate (TRIFR) measures the number of injuries per 200,000 hours worked. Seasonal pressures can be challenging along with harvest deadlines. Seeka TRIFR was 5.0 for 2019.

Severity rate measures the average number of days that an injured person is away from work. Seeka had 3 notifiable injuries including incidents in 2019.

Sustainability

Seeka continued to develop its "Growing Futures" brand attribute with a focus on sustainability. A Board sub-committee was formed to work with and provide oversight to management as the company works to understand how it will become more sustainable.

Some early and notable wins have been achieved. Seeka has purchased, installed and commissioned a new worm farm that will lower the volume of bio waste to landfill and will create a circular pathway for our orchards; orchard waste being recovered and returned to the orchard. This will reduce transport and waste costs, and improve our carbon footprint.

Seeka has started to switch its vehicle fleet to hybrids, saving fossil fuels and reducing emissions. Solar LED lights and electricity load shedding are being evaluated.

The company is moving paperless with the implementation of electronic documentation systems that will remove paper from the purchasing, payments and employment processes.

Work is underway to calculate our carbon footprint. Personnel in the team are progressing the calculations and developing ideas to reduce the carbon footprint across our business.

Hayward spring growth in the Te Puke region, early October.

The Seeka team

Seeka's people have excelled during the extremely challenging six months to 30 June 2020.

Seeka has continued to invest in its people to become the employer of choice in a tight labour market. The company has increased wages and continued to implement competitive remuneration levels.

Seeka continues to focus on talent development and has 14 cadets, with some now emerging as qualified orchard managers. Wellness programmes continue to be implemented across the company.

Seeka continues to actively source New Zealand workers to fulfil peak seasonal labour demand and operates a parallel recognised seasonal employer programme (RSE) that delivers focussed pastoral care for our overseas' workers. Of our 3,500 strong seasonal workforce, 1,073 were scheduled to come from overseas via this scheme. Seeka remains engaged with Government, noting that even with higher domestic unemployment, there remains insufficient local seasonal labour to safely undertake the harvests.

Summary

We are proud of how the company has performed in an unprecedented, challenging environment. Covid-19 has tested the resilience of our people but with their dedication and leadership across the company, the Seeka team alongside our community got the job done.

The company responded to a changing climate and environment through the creation of a sustainability sub-committee of the Board and targeted initiatives intended to "Grow a Better Future".

Covid-19 and drought have placed financial pressures on the company, however pleasingly our operational financial performance is similar to 2019, with taxation benefits lifting our after tax returns. The company awaits the FIRB decision on the sale and lease back of three of its orchards in Australia.

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

Fred Hutchings
Chairman

Michael Franks
Chief executive

INTERIM FINANCIAL STATEMENTS

SIX MONTHS TO JUNE 2020

STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 30 June 2020

New Zealand dollars	Notes	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Revenue	3	178,681	169,872	236,868
Cost of sales		124,497	118,879	190,109
Reduction / (increase) in fair value of biological assets - crop	8	16,467	16,460	(705)
Gross profit		**37,717**	**34,533**	**47,464**
Other income	3	2,289	1,228	4,139
Other costs		9,571	7,855	17,084
Earnings (EBITDA) [1]		30,435	27,906	34,519
Depreciation expense	6	5,773	5,249	10,870
Lease depreciation expense		3,125	2,210	5,372
Loss on revaluation of land and buildings		-	-	60
Impairment of property, plant and equipment		-	-	395
Amortisation of intangible assets	7	118	133	265
Earnings (EBIT) [2]		21,419	20,314	17,557
Interest expense		2,106	2,412	4,930
Lease interest expense		1,919	1,363	2,764
Net profit before tax		**17,394**	**16,539**	**9,863**
Income tax charge		(1,045)	(1,091)	4,084
Deferred tax charge		5,622	5,766	(1,105)
Tax effect of reintroduction of tax on depreciation of buildings [3]		(5,561)	-	-
Total tax charge		**(984)**	**4,675**	**2,979**
Net profit attributable to equity holders		**18,378**	**11,864**	**6,884**
Earnings per share for profit attributable to the ordinary equity holders of the company during the year				
Basic earnings per share [4]		$0.57	$0.39	$0.22
Diluted earnings per share [4]		$0.57	$0.39	$0.22

1. EBITDA, a non-GAAP measure, is earnings before interest, tax, depreciation, amortisation, impairments and revaluations.
2. EBIT, a non-GAAP measure, is earnings before interest and tax.
3. Legislation enacted on 25 March 2020 reinstated tax depreciation deductions on non-residential buildings.
4. June 2019 basic and diluted earnings per share shown after removing adjustment for rights issue (previously $0.35 and $0.35).

The accompanying notes form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Net profit for the period	**18,378**	11,864	6,884
Items that will not be reclassified to profit or loss, net of tax			
Gain on revaluation of land and buildings	-	-	3,203
Reclassification of leases under NZ IFRS 16	(215)	235 [1]	-
Gain / (loss) on revaluation of water shares	(146)	18	944
Total items that will not be reclassified to profit or loss	(361)	253 [1]	4,147
Items that may be reclassified subsequently to profit or loss, net of tax			
Movement in cash flow hedge reserve	(215)	(502)	(375)
Movement in foreign currency translation reserve	(35)	(32)	19
Movement in foreign currency revaluation reserve	510	-	(183)
Total items that may be reclassified subsequently to profit or loss	260	(534)	(539)
Total comprehensive income for the period attributable to equity holders	18,277	11,582 [1]	10,492

1. June 2019 has been restated based on audited results from 31 December 2019.

The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

New Zealand dollars	Notes	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Equity				
Share capital		96,827	95,890	96,773
Reserves		21,977	17,287 [1]	21,512
Retained earnings		54,824	45,771	36,659
Total equity		**173,628**	**158,948 [1]**	**154,944**
Current assets				
Cash and cash equivalents		1,945	2,353	2,849
Tax receivables		1,667	1,605	-
Trade and other receivables	10	82,645	70,825	28,283
Biological assets - crop	8	2,162	1,464	18,629
Inventories	11	18,858	18,416	5,455
Irrigation water rights		120	114	846
Assets classified as held for sale	5	19,527	37,490	27,083
Total current assets		**126,924**	**132,267**	**83,145**
Non current assets				
Trade and other receivables	10	991	2,617	683
Property, plant and equipment	6	226,069	220,019	220,422
Intangible assets	7	18,581	22,961 [1]	18,686
Right-of-use lease assets	9	43,166	27,434	44,724
Investment in shares		586	586	586
Total non current assets		**289,393**	**273,617 [1]**	**285,101**
Total assets		**416,317**	**405,884 [1]**	**368,246**
Current liabilities				
Current tax liabilities		-	-	1,709
Trade and other payables	12	43,254	42,004	22,933
Current lease liabilities	9	5,622	3,970	5,211
Interest bearing liabilities		34,842	65,404	21,854
Total current liabilities		**83,718**	**111,378**	**51,707**
Non current liabilities				
Interest bearing liabilities		96,402	85,032	97,778
Lease liabilities	9	43,723	27,814	45,267
Derivative financial instruments		1,088	963	790
Deferred tax liabilities		17,758	21,749 [1]	17,760
Total non current liabilities		**158,971**	**135,558 [1]**	**161,595**
Total liabilities		**242,689**	**246,936 [1]**	**213,302**
Net assets		**173,628**	**158,948 [1]**	**154,944**

On behalf of the Board.

F Hutchings
Chairman

A Waugh
Director

Dated: 19 August 2020

The accompanying notes form an integral part of these financial statements

1. June 2019 has been restated based on audited results from 31 December 2019.

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

New Zealand dollars	Notes	Share capital $000s	Investment in shares revaluation reserve $000s	Cash flow hedge reserve $000s	Foreign currency revaluation reserve $000s	Foreign currency translation reserve $000s	Share reserve $000s	Water share revaluation reserve $000s	Land and buildings revaluation reserve $000s	Retained earnings $000s	Total $000s
Equity at 1 January 2019 (audited) As per December 2019		94,406	248 [1]	(194)	(108)	(172)	159	2,372 [1]	15,468 [1]	37,071 [1]	149,250 [1]
Net profit		-	-	-	-	-	-	-	-	11,864	11,864
Foreign exchange movement		-	-	-	(22)	5	-	-	-	(15)	(32)
Other comprehensive income / (loss)		-	-	(502)	-	-	-	18	-	235 [1]	(249) [1]
Total comprehensive income / (loss)		-	-	(502)	(22)	5	-	18	-	12,084 [1]	11,583 [1]
Transactions with owners											
Shares issued		358	-	-	-	-	-	-	-	-	358
Employee share scheme receipts		1,126	-	-	-	-	-	-	-	-	1,126
Movement in employee share entitlement reserve		-	-	-	-	-	15	-	-	187	202
Dividends paid	14	-	-	-	-	-	-	-	-	(3,571)	(3,571)
Total transactions with owners		1,484	-	-	-	-	15	-	-	(3,384)	(1,885)
Equity at 30 June 2019		95,890	248 [1]	(696)	(130)	(167)	174	2,390 [1]	15,468 [1]	45,771 [1]	158,948 [1]
Equity at 1 January 2020 (audited)		96,773	-	(569)	(291)	(153)	529	3,325	18,671	36,659	154,944
Net profit		-	-	-	-	-	-	-	-	18,378	18,378
Foreign exchange movement		-	-	-	510	(37)	-	-	-	2	475
Other comprehensive income / (loss)		-	-	(215)	-	-	-	(146)	-	(215)	(576)
Total comprehensive income / (loss)		-	-	(215)	510	(37)	-	(146)	-	18,165	18,277
Transactions with owners											
Employee share scheme receipts		54	-	-	-	-	-	-	-	-	54
Movement in employee share entitlement reserve		-	-	-	-	-	78	-	-	-	78
Movement in grower share entitlement reserve		-	-	-	-	-	275	-	-	-	275
Total transactions with owners		54	-	-	-	-	353	-	-	-	407
Equity at 30 June 2020		96,827	-	(784)	219	(190)	882	3,179	18,671	54,824	173,628

1. June 2019 has been restated based on audited results from 31 December 2019.

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

New Zealand dollars	Notes	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Operating activities				
Cash was provided from:				
Receipts from customers		143,914	130,460	233,671
Interest and dividends received		113	9	217
Cash was disbursed to:				
Payments to suppliers and employees		(128,632)	(121,549)	(204,946)
Interest paid		(2,106)	(2,412)	(4,930)
Lease interest paid		(1,919)	(1,363)	(3,136)
Income taxes paid		(1,959)	-	(2,288)
Net cash flows from operating activities	4	**9,411**	**5,145**	**18,588**
Investing activities				
Cash was provided from:				
Sale of property, plant and equipment		-	-	905
Sale of investments in shares		-	119	-
Proceeds from sale of property held for sale		15,294	7,129	44,529
Repayment of advances		1,238	-	1,575
Cash was applied to:				
Purchase of property, plant, equipment and intangibles		(10,507)	(25,820)	(34,668)
Development of bearer plants		(2,052)	(3,737)	(3,906)
Acquisition of business	13	-	(14,000)	(14,000)
Purchase of property held for sale and SunGold licence	5	(418)	(10,940)	(27,453)
Purchase of water shares		-	(154)	-
Advances		(22,137)	(12,635)	(2,920)
Net cash flows (used in) investing activities		**(18,582)**	**(60,038)**	**(35,938)**
Financing activities				
Cash was provided from:				
Proceeds of non-current bank borrowings		5,000	51,039	59,026
Proceeds of current bank borrowings		31,453	31,577	51,703
Proceeds from employee share scheme		54	1,127	1,563
Cash was applied to:				
Lease payments		(3,396)	(1,912)	(5,070)
Repayment of non-current bank borrowings		(326)	(10,729)	(42,024)
Repayment of current bank borrowings		(25,204)	(12,383)	(39,750)
Payment of dividend to shareholders	14	-	(3,047)	(6,310)
Net cash flows from financing activities		**7,581**	**55,672**	**19,138**
Net increase / (decrease) in cash and cash equivalents		**(1,590)**	**779**	**1,788**
Effect of foreign exchange rates		686	234	(279)
Opening cash and cash equivalents		2,849	1,340	1,340
Closing cash and cash equivalents		**1,945**	**2,353**	**2,849**

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020

This section contains the notes to the consolidated financial statements for Seeka Limited, its subsidiaries and associates.

To give stakeholders a clear insight into how Seeka organises its business, the note disclosures are grouped into five sections.

Basis of preparation

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

Reporting entity and statutory base

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

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

Nature of operations

Seeka is a produce business operating in New Zealand and Australia.

In New Zealand the Group provides orchard management, post harvest and retail services to New Zealand's kiwifruit, avocado, citrus, berry and kiwiberry industries. Seeka manufactures and sells the Kiwi Crush and Kiwi Crushies product range along with avocado oil. The Group also provides retail and ripening services for imported tropical produce, and operates a wholesale market.

In Australia, Seeka owns and operates orchards and associated post harvest assets, making the Group the largest producer and supplier of Australian kiwifruit and nashi pears, a major supplier of European pears, plus lesser production of other temperate-climate fruits, including plums and apricots.

Statement of compliance and basis of preparation

Group consolidated interim financial statements for the half year reporting period ended 30 June 2020 have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZ GAAP) and comply with the New Zealand International Financial Reporting Standards (NZ IFRS) and other reporting standards as applicable to profit-oriented entities. Specifically, Group interim financial statements have been prepared in accordance with NZ IAS 34, "Interim Financial Reporting". This consolidated interim financial information does not include all of the information required for the full annual audited financial statements and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2019, which have been prepared in accordance with NZ IFRS.

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

The financial statements were approved by the Board of Directors (the Board) on 19 August 2020. The Directors do not have the authority to amend the financial statements after issue.

Summary of significant accounting policies

Other than detailed below, the accounting policies applied are consistent with those of the annual audited financial statements for the year ended 31 December 2019, 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.

Going concern assumption

The financial statements have been prepared on a going concern basis. As at 30 June 2020, the Company has net assets of $173.63m, including total assets of $416.32m and total liabilities of $242.69m

Covid-19 has had an impact on the business. However, the impact has been minimised as the Group operates in the food sector, continues to trade, and was able to harvest its crops and those of its supplying growers, generate revenue from its post harvest processing operations, and sell its produce. All kiwifruit crops were harvested for 2020. Seeka has announced guidance for the 2020 year and continues to trade profitably, despite the challenging economic environment.

Goods and services tax (GST)

The statement of financial performance and statement of comprehensive income have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Impact of standards issued but not yet applied by the entity

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

Current economic environment

Covid-19 has had a material impact on the financial statements, primarily as a result of an increase in expenses. Seeka continued to operate as an essential business for fruit production, processing and wholesale market operations throughout all levels of Government lockdowns in New Zealand and Australia. The kiwifruit harvest started as New Zealand went into level four lockdown and finished early June when the country was at level two.

Statement of financial performance

The Group was able to operate throughout the lockdown period, with additional costs being incurred to maintain stringent distancing and hygiene protocols.

Revenue was impacted by Covid-19, however fruit returns have remained strong and volumes consistent with the prior year, although down on expectation due to a dry summer.

The financial impact of Covid-19 for the first six months of the year has been assessed at $5.3m (unaudited).

Statement of financial position

A review of the impact of Covid-19 on Seeka's assets is outlined in the following table. Assets were also assessed for any indicators for impairment. Where indicators exist, impairment testing was performed and detailed in these financial statements.

Seeka has maintained a strategy of reducing debt through asset sales over the past two years. This has created sufficient head room to respond to any future demand for cash.

Future impact

Due to Seeka's seasonal nature, the majority of Seeka's revenue was earned in the first six months of the year and is consistent with the prior year (see note 3). For the remaining six months of the year, further fixed costs are incurred. Seeka has provided guidance to the market in the range of $9.0m and $12.0m net profit before tax.

The future financial impact of Covid-19 is unknown and, while the business operates in the fresh food sector, there remain potential market and labour risks.

The following table details an analysis of how Covid-19 may impact asset carrying value.

Asset	Impact on carrying value?	Explanation
Cash and cash equivalents	No	Cash is held with Westpac.
Tax receivables	No	Tax receivables are from the IRD and are receivable upon the filing of returns.
Trade and other receivables	No	Trade receivables largely consist of receivables for kiwifruit income from Zespri Group. Fruit returns remain high in the global market and initial forecasts from Zespri Group are consistent with the prior year. Seeka's debtors are expected to remain recoverable, as they relate to the revenues earnt in a market that has continued to perform well for kiwifruit growers. There is observable, strong demand for our customers' products and there have been no noted or recent instances of non-payment or reduced payment related to Covid-19. Payments are occurring per our normal course of business and we remain confident in the ability of our customers to continue paying Seeka.
Biological assets - crop	No	Crops are valued at cost in the half year statements and fruit returns remain high in the current environment and there is no indication of impairment.
Inventories	No	Inventory is primarily harvested kiwifruit crops held in coolstores. Fruit has been loaded out similar to the prior year and plans have all fruit loaded out by November 2020. Packaging and other inventories relate to kiwifruit and avocado stock and remain usable through the course of business.
Irrigation water rights	No	Irrigation water rights are currently held by Seeka in Australia and are usable as crops are grown for the next harvest season.
Assets classified as held for sale	No	Assets held for sale relate to orchards being sold in Northland and Australia. The Australian orchards have a conditional contract for sale and leaseback which supports the carrying value. The contract is only conditional upon obtaining Australian Foreign Investment Review Board approval. The Northland orchards remain for sale and are held at values that are considered recoverable based on recent sales in the area.
Property, plant and equipment	No	Land and buildings make up the significant portion of the carrying value and a third of the portfolio is revalued each year. Property values were reviewed and considered supportable based on recent sales in the area and values holding firm for properties in the food production industrial portfolio. Further information is detailed in note 6. The remaining assets are held at depreciated cost and are considered recoverable through use in the business.
Intangible assets	No	Goodwill represents around half of the total intangible assets. Goodwill was assessed for indicators of impairment and has been detailed in note 7. Water shares make up a majority of the remainder of the intangible assets. Their value is related to the observable price obtained on an active market for permanent water shares in Victoria, Australia.
Right-of-use lease assets	No	The right-of-use lease assets represent Seeka's interest in leased land, buildings, orchards, equipment and vehicles. The kiwifruit industry remains strong and demand for fruit produce remains high, suggesting the carrying value of these assets represents the future benefit of growing kiwifruit. No underlying lease arrangements have been affected by Covid-19.
Investment in shares	No	Seeka's investment in shares are valued at cost and are of minimal value. The value of shares is expected to be recoverable.

Performance

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

1. Segment information

The Group's operating segments 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, such as EBITDA and EBIT, and are responsible for setting strategic direction.

The Group has five operating segments:

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

Direct segment revenues and operating costs are allocated to each operating segment. Administration costs, overheads, and grower service costs recorded in the statement of financial performance are allocated to All other segments. Transactions between segments are conducted at arm's length and are eliminated on consolidation.

Segment information is prepared on the same basis as the annual audited financial statements for the year ended 31 December 2019.

New Zealand segments

Orchard operations

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

The Group produces kiwifruit, avocado and kiwiberry crops from:

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

Post harvest operations

The Group provides post harvest services to the kiwifruit, avocado, citrus, berry, and kiwiberry industries. This includes all crops from the Group's orchard management and lease operations, plus crops from independent orchard owners.

Retail service operations

The Group provides fruit marketing services in New Zealand and internationally, particularly in the Australian and Asian markets. This includes fruit from the Group's New Zealand based orchard and post harvest operations. In New Zealand the Group also provides retail and ripening services for imported fruit, and operates a wholesale market.

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

All other segments - New Zealand

This represents the Group's aggregated administration, grower services and overhead sections recorded in the statement of financial performance and impairment and revaluations of other assets not attributed directly to any other segment. It also includes the gain on sale from assets that had been classified as held for sale.

Australian operations

The Group owns and operates Australian orchards, provides post harvest operations and markets the fruit produced from those orchards, primarily in Australia. The main products are kiwifruit, nashi pears and European pears.

EBITDA and EBIT

EBITDA is earnings before interest, tax, depreciation, amortisation, impairments and revaluations. EBITDA is an indicator of profitability and reflects operating cash flow generation.

EBIT is earnings before interest and tax; an indicator of profitability that excludes interest and income tax expenses.

The following table details the operating segments at balance date.

New Zealand dollars	New Zealand Orchard operations $000s	New Zealand Post harvest operations $000s	New Zealand Retail service operations $000s	New Zealand All other segments $000s	Australia Australian operations $000s	Group Total $000s
2020						
Income statement						
Turnover [1]	47,382	108,126	21,594	189	13,300	**190,591**
Gross segment revenue	47,391	110,834	9,684	189	13,300	**181,398**
Eliminations	(9)	(2,708)	-	-	-	**(2,717)**
Total segment revenue	**47,382**	**108,126**	**9,684**	**189**	**13,300**	**178,681**
EBITDA [2]	**4,161**	**30,285**	**1,312**	**(7,213)**	**1,890**	**30,435**
Depreciation expense [4]	(323)	(4,062)	(170)	(724)	(494)	**(5,773)**
Lease depreciation expense [5]	(515)	(2,068)	(209)	(309)	(24)	**(3,125)**
Amortisation of intangible assets	-	-	-	(113)	(5)	**(118)**
EBIT [3]	**3,323**	**24,155**	**933**	**(8,359)**	**1,367**	**21,419**
Lease interest expense [5]	(318)	(1,143)	(261)	(196)	(1)	**(1,919)**
EBIT [3] (after lease interest expense)	**3,005**	**23,012**	**672**	**(8,555)**	**1,366**	**19,500**
Interest expense [6]						**(2,106)**
Tax charge on profit						**984**
Profit						**18,378**
Balance sheet						
Segment assets	78,930	244,689	18,245	19,003	55,450	**416,317**
Total assets	**78,930**	**244,689**	**18,245**	**19,003**	**55,450**	**416,317**
Segment liabilities	48,166	121,080	9,680	25,102	38,661	**242,689**
Total liabilities	**48,166**	**121,080**	**9,680**	**25,102**	**38,661**	**242,689**
June 2019						
Income statement						
Turnover [1]	48,328	105,293	15,736	20	11,399	180,776
Gross segment revenue	48,395	107,606	4,832	20	11,399	172,252
Eliminations	(67)	(2,313)	-	-	-	(2,380)
Total segment revenue	**48,328**	**105,293**	**4,832**	**20**	**11,399**	**169,872**
EBITDA [2]	**4,158**	**29,821**	**760**	**(6,682)**	**(151)**	**27,906**
Depreciation expense [4]	(223)	(3,407)	(145)	(954)	(520)	(5,249)
Lease depreciation expense [5]	(343)	(1,530)	(103)	(222)	(12)	(2,210)
Amortisation of intangibles	-	-	(125) [7]	-	(8)	(133)
EBIT [3]	**3,592**	**24,884**	**387**	**(7,858)**	**(691)**	**20,314**
Lease interest expense [5]	(132)	(708)	(141)	(381)	(1)	(1,363)
EBIT [3] (after lease interest expense)	**3,460**	**24,176**	**246**	**(8,239)**	**(692)**	**18,951**
Interest expense [6]						(2,412)
Tax charge on profit						(4,675)
Profit						**11,864**
Balance sheet						
Segment assets	61,496	228,896	15,798	50,856	48,838	405,884
Total assets	**61,496**	**228,896**	**15,798**	**50,856**	**48,838**	**405,884**
Segment liabilities	43,217	135,036	5,532	24,646	38,505	246,936
Total liabilities	**43,217**	**135,036**	**5,532**	**24,646**	**38,505**	**246,936**

1. Turnover is a non-GAAP measure, see calculations in note 2.
2. EBITDA, a non-GAAP measure, is earnings before interest, tax, depreciation, amortisation, impairments and revaluations.
3. EBIT, a non-GAAP measure, is earnings before interest and tax.
4. Depreciation includes the depreciation of fixed assets.
5. Lease interest and lease depreciation are as a result of *NZ IFRS 16 Leases*, see note 9.
6. Interest includes finance costs for bank debt.
7. June 2019 has been restated based on audited results from 31 December 2019.

The following table reconciles segment EBITDA before and after applying NZ IFRS 16.

New Zealand dollars	New Zealand Orchard operations $000s	 Post harvest operations $000s	 Retail service operations $000s	 All other segments $000s	Australia Australian operations $000s	Group Total $000s
2020 - EBITDA pre NZ IFRS 16	3,088	26,950	912	(7,698)	1,866	25,118
Capitalised lease costs	1,073	3,335	400	485	24	5,317
EBITDA after applying NZ IFRS 16	4,161	30,285	1,312	(7,213)	1,890	30,435
2019 - EBITDA pre NZ IFRS 16	3,745	27,444	533	(6,939)	(151)	24,632
Capitalised lease costs	413	2,377	227	257	-	3,274
EBITDA after applying NZ IFRS 16	4,158	29,821	760	(6,682)	(151)	27,906

2. Turnover

The following table reconciles turnover to revenue.

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Turnover	190,591	180,776	273,766
Value of sales made as agent	(11,910)	(10,904)	(36,898)
Revenue	178,681	169,872	236,868

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 year. 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 supplier by the purchasing party. This includes all produce sales both local and export.

3. Revenue and other income

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Total revenue	178,681	169,872	236,868
Other income			
Interest	113	9	214
Gain on sale of investment in shares	-	-	243
Gain on sale of assets held for sale	2,475	1,168	3,187
Grower share loyalty scheme	(275)	-	(412)
Dividends received	-	-	3
Net movement in fair value of irrigation water rights	(112)	51	904
Other Income	88	-	-
Total other income	2,289	1,228	4,139
Total revenue and other income	180,970	171,100	241,007

Accounting policies

The Group's major revenue streams are post harvest operations, orchard management, retail services and Australian operations in accordance with NZ IFRS 15.

Post harvest

The Group enters into two standardised post harvest contracts:

- The first has two performance obligations; to collect the supply of fruit via picking and transportation, and maturity testing. The charges are separated in the contract. All revenue is recognised when the service is performed.
- The second has three performance obligations; to pack fruit, to cool and dispatch fruit, and to sell class 2 fruit to authorised markets. These are stand-alone services provided by Seeka. Each performance obligation has a separate transaction price detailed in the contract and the obligations are recognised when services are performed; packing revenue as fruit is packed, cooling revenue as fruit is loaded out from cool storage, and class 2 as fruit is sold.

Orchard management

The Group enters into two orchard management contracts that are largely standardised:

- The first has one performance obligation; to manage fruit growing. Revenue is recognised as the service is performed and calculated at cost plus a margin per the contract. The management fee included in the contract is recognised evenly over the contract's 12 month period. An incentive fee is only recognised when agreed orchard gate return (OGR) targets are achieved and an incentive would be receivable.
- The second has one performance obligation; to collect the supply of fruit. The transaction price is determined using a forecasted OGR. Revenue is recognised when crops are picked (in the June half year accounts for kiwifruit).

Retail services

The Group enters into three retail service contracts which are customised to the service being offered (such as ripening or fruit sales):

- The first has one performance obligation; to sell fruit on the owner's behalf. As the sales agent, Seeka only collects a marketer's commission which is recognised when the fruit is sold.
- The second has one performance obligation; to either store or ripen fruit. Revenue is recognised as the fruit is stored or ripened.
- The third has one performance obligation; to provide ordered product. The transaction price is based on the agreed price (either in writing or verbally) with revenue recognised when the fruit is sold.

Australia

Australian contracts are entered into by the Australian business. The contracts are on a one-to-one basis with the fruit purchaser and are largely standardised. There is one performance obligation; to provide the fruit to the customer. The transaction price is based on the agreed price (either in writing or verbally) and recognised when the fruit is sold.

Principal versus agent relationship

A principal relationship is one where Seeka has the performance obligation to provide the good or service directly and has control of the asset or has a right to direct the asset. An agency relationship is one where the performance obligation is to arrange for the good or service on behalf of the supplier. The Group currently has agent relationships for the sale of some fruit and vegetables in the retail services segment.

Impact of seasonality

Group revenues are generated from seasonal horticultural operations, with post harvest revenues recognised as services are provided and orcharding revenues recognised once the fruit is harvested. Retail revenues are generated at the point of sale. In New Zealand kiwifruit are harvested from March to June, avocados from July to February, and kiwiberry from February to March. In Australia nashi and European pears are harvested January to March, and kiwifruit from March to May. As a result of these harvest timings around 60-70% of orchard revenues are recognised in the first six months of the financial year. Due to seasonal fluctuations, the timing of the provision of post harvest services can vary from year to year, however normally 70-80% is recognised in the first six months of the financial year, but can be impacted by seasonal fluctuations.

Irrigation water rights

Water allocation rights are carried at fair value supported by the value of the traded rights on a recognised exchange or market at measurement date. Annual water allocation rights are recognised as a current asset when they are allocated to the Group's permanent water shares from the first of July each year by the Victorian Water Register, and are subsequently expensed when the entitlement is used to irrigate orchards. Any gain on revaluation is recognised in the statement of financial performance.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Gain on sale of assets held for sale

The gain on sale of assets held for sale is recognised when a sale and purchase agreement is unconditional and the consideration is paid or payable at that date.

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

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Net operating surplus after taxation	**18,378**	**11,864**	**6,884**
Add / (less) non cash items:			
Depreciation	5,773	7,459	10,870
Lease depreciation	3,125	-	5,372
Other non-cash lease adjustments	365	-	-
Loss on revaluation of land and buildings	-	-	60
Impairment of property, plant and equipment	120	-	395
Valuation of employee share scheme	78	15	(44)
Valuation of grower share scheme	275	-	412
Movement in deferred tax	344	-	(2,790)
Movement in fair value of biological assets - crop	16,467	16,460 [1]	(705)
Amortisation of intangible assets	118	133	265
	26,665	**24,067 [1]**	**13,835**
Add / (less) items not classified as an operating activity:			
Loss on sale of property, plant and equipment	-	-	265
Gain on sale of assets held for sale via proceeds of sale of assets	(2,511)	(1,168)	(3,187)
Decrease / (increase) in current water allocation account	106	18	(247)
Gain on sale of investment in shares	-	-	(243)
	(2,405)	**(1,150)**	**(3,412)**
(Increase) / decrease in working capital:			
Increase in accounts payable	21,850	14,134	2,707
(Increase) in accounts receivable / prepayments	(38,509)	(35,335) [1]	(343)
(Increase) in inventory	(13,193)	(13,740)	(3,378)
Increase / (decrease) in taxes due	(3,375)	5,305	2,295
	(33,227)	**(29,636) [1]**	**1,281**
Net cash flow from operating activities	**9,411**	**5,145**	**18,588**

1. June 2019 has been restated based on audited results from 31 December 2019.

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 Group-owned land, vines, trees and crop on Group-owned and leased orchards. The Group also has interests in water shares, leases and goodwill arising from Group acquisitions.

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

5. Assets classified as held for sale

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Opening balance at 1 January	**27,083**	24,197	24,197
Properties settled to Seeka	-	9,778	35,111
SunGold licence purchased	-	5,975	5,728
SunGold licence transferred from intangible assets	-	1,662	1,662
Development costs incurred	418	768	564
Growing costs incurred / (recovered)	(170)	(686)	(346)
Sales settled by third parties	(7,804)	(4,204)	(39,833)
Total assets held for sale	**19,527**	**37,490**	**27,083**

The following table details the assets classified as held for sale by asset class.

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Asset class			
Land and buildings	5,526	16,042	8,382
Property, plant and equipment	1,821	6,967	2,935
Intangible assets	6,903	2,366	8,254
Bearer plants	4,260	11,829	6,398
Biological assets - crop	1,017	286	1,114
Total assets held for sale	**19,527**	**37,490**	**27,083**

At 30 June 2020, 34 hectares of Northland orchards (June 2019 - 135 hectares) owned by Seeka were classified as held for sale. These properties were part of the 2018 purchase of Kerikeri assets from T&G Global Limited.

The assets are classified as held for sale as their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition was met when the sale became highly probable and the assets were available for immediate sale in their present condition. The Group is committed to the sale and expects the sale to be completed within one year from the date of classification. These assets are recorded at the lower of the carrying value or fair value less costs to sell as required by NZ IFRS 5.

Assets related to the sale of three orchards in Australia (Hayward, Austral and Lakes) are also recognised as assets held for sale from 1 September 2019. All of the goodwill from the Australia CGU was allocated in 2019 to the disposal group, based on the Group's assessment of relative fair values of the assets held for sale and Australia assets being retained.

On 20 May 2020 Seeka signed a conditional sale and lease back agreement for these orchards for AUD$26.5m. The contract is subject to the approval of Australian Foreign Investment Review Board (FIRB). The sale is expected to be completed within 12 months. The orchards will initially be leased back for 10 years, followed by a right to renew for a second 10-year term, then two 5-year terms.

Critical accounting estimates and judgements

The Group has used estimates to allocate goodwill to the Australian assets held for sale, as described above.

6. Property, plant and equipment

New Zealand dollars	Land and buildings $000s	Plant and equipment $000s	Motor vehicles $000s	Bearer plants $000s	Assets under construction $000s	Total $000s
At 1 January 2020						
Cost or valuation	165,374	106,949	1,062	11,012	9,214	293,611
Accumulated depreciation and impairment	(10,861)	(59,019)	(602)	(2,488)	(219)	(73,189)
Net book amount	154,513	47,930	460	8,524	8,995	220,422
Period ended 30 June 2020						
Opening net book amount	154,513	47,930	460	8,524	8,995	220,422
Additions and transfers	1,121	4,889	-	2,822	2,228	11,060
Depreciation recovery	-	16	10	-	-	26
Depreciation	(2,479)	(3,111)	(61)	(122)	-	(5,773)
Disposals	-	(54)	(10)	(8)	-	(72)
Assets transferred as held for resale	(10)	(267)	-	32	-	(245)
Foreign exchange	312	121	4	69	145	651
Closing net book amount	153,457	49,524	403	11,317	11,368	226,069
At 30 June 2020						
Cost or valuation	166,797	111,638	1,056	13,927	11,368	304,786
Accumulated depreciation and impairment	(13,340)	(62,114)	(653)	(2,610)	-	(78,717)
Net book amount	153,457	49,524	403	11,317	11,368	226,069

Assets under construction are assets that are yet to be capitalised and are not depreciated. When the asset is ready for use it is transferred to the appropriate asset class. At 30 June 2020, assets under construction are largely related to the Kerikeri coolstore build.

Land and buildings

Land and buildings are revalued to their estimated market value on a three-year rolling cycle (excluding assets under construction), plus any subsequent additions at cost, less subsequent depreciation for buildings. In New Zealand valuations are undertaken by TelferYoung Valuers, ANZIV, independent registered valuer.

In Australia valuations are undertaken by Preston Rowe Paterson Shepparton (previously known as Goulburn Valley Property Services), independent valuers, Shepparton, Victoria, Australia. All Australian land and buildings were revalued at 31 December 2019.

As at 30 June 2020 the directors believe there are no indicators that would suggest that the carrying value of land and buildings differs materially from their fair value and as a consequence there is no need to revalue those assets at 30 June 2020.

Critical accounting estimates and judgements

At 30 June 2020 an assessment of the carrying values of land and buildings was performed. Based on sales data and discussions with experts in the property valuation field, the value of Seeka's property has not materially changed in the last six months. Seeka operates in the food production industry, which has remained stable due to the high demand for healthy fruit despite the Covid-19 environment. Furthermore, properties situated in the Bay of Plenty are expected to be less affected than other regions in New Zealand given the strength of the horticulture and agriculture businesses over the past six months.

Seeka's Australian properties are also located in the food production region of Victoria. Seeka signed a conditional sale and leaseback for approximately 199 hectares of orchards in Australia within a Covid-19 environment, which supports the carrying values of the remaining land and buildings.

Sensitivity analysis suggests property values have moved between ($0.5m) and $1m. This is not considered a material movement in land and building values.

7. Intangible assets

New Zealand dollars	Software $000s	Goodwill $000s	Water shares $000s	Total $000s
At 1 January 2020				
Cost	3,195	10,963	9,122	23,280
Accumulated amortisation and impairment	(2,563)	(2,031)	-	(4,594)
Net book amount	632	8,932	9,122	18,686
Period ended 30 June 2020				
Opening net book amount	632	8,932	9,122	18,686
Additions	67	-	-	67
Disposals	(155)	-	-	(155)
Depreciation recovery	41	-	-	41
Revaluation	-	-	(209)	(209)
Exchange differences	-	-	269	269
Amortisation	(118)	-	-	(118)
Closing net book amount	467	8,932	9,182	18,581
At 30 June 2020				
Cost	3,148	10,963	9,182	23,293
Accumulated amortisation and impairment	(2,681)	(2,031)	-	(4,712)
Net book amount	467	8,932	9,182	18,581

Impairment tests for goodwill

The Board reviews business performance based on operating segments and monitors goodwill at the operating segment level. Goodwill represents the 2019 acquisition of Aongatete Coolstores Limited, the 2018 acquisition of the Northland business, the SeekaFresh business and the Kiwi Crush and Kiwi Crushies product ranges.

The following table details the carrying amount of goodwill from acquired operations.

New Zealand dollars	Group cash generating unit	Carrying amount $000s
2020		
Aongatete Coolstores Limited	Post harvest	7,035
Northland packhouse	Post harvest	1,220
SeekaFresh	Retail services	433
Kiwi Crush	Retail services	244

At 30 June 2020 all goodwill balances were reviewed for indicators of impairment. Based on a review of the assumptions used in the value-in-use calculations performed at 31 December 2019, the goodwill relating to the post harvest segment is supported and the key assumptions are on target to meet the forecasts expected for the 2020 financial year. Kiwifruit harvest volumes are in line with the previous year and packing volumes are expected to increase in future years. Whilst Covid-19 has impacted costs and packing margins in the current financial year, the post harvest segment operated profitably throughout the lockdown period. For these reasons, there are no indications of impairment of the goodwill relating to Aongatete Coolstores Limited and the Northland packhouse.

The goodwill relating to the Kiwi Crush business is supported by the value-in-use calculations performed at 31 December 2019, with key assumptions supported by current trading. The business had a strong start in the first half of the year, and is expected to achieve its targets through to the end of the year. Therefore, there are no indications of impairment of the goodwill relating to the Kiwi Crush business.

SeekaFresh 2020 year started well, until sales were impacted by Covid-19. The business continued to operate as an essential service, but was affected by the temporary closure of hospitality and independent retail based customers during the lockdown. For this reason, indicators of impairment were present and a value in use calculation was prepared at 30 June 2020 to test for any impact on the goodwill or asset carrying values. Using a discount rate of 8%, revenue growth rates of 2%-5% and a terminal growth rate of 2%, there is no impairment of the goodwill balance or associated assets. The current year's trading result and discount rate are consistent with the value-in-use calculation prepared at 31 December 2019. However, the revenue growth rates have been reduced from 3%-13% to 2%-5% to reflect the potential impact of Covid-19 and the economic environment in the next 1-5 years. The terminal growth rate has remained consistent, but sensitivity was performed to ensure a 1% terminal growth rate would not result in an impairment.

No other reasonable changes to key assumptions would require an impairment of goodwill.

Critical accounting estimates and judgements

The review of impairment of intangible assets uses judgement to identify indicators of impairment. Where an impairment test is performed, estimates of financial performance, revenue growth rates, discount rates and terminal growth rates are made.

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, cherry, 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 16.

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Carrying amount at beginning of period	**18,629**	**17,924**	**17,924**
Crop harvested during the period			
Fair value movement from the beginning of the period to point of harvest	15,420	15,044	19,563
Fair value when harvested	(34,049)	(32,968)	(37,487)
Crop growing on bearer plants at end of period			
Crop where cost is deemed fair value	2,162	1,464	18,148
Crop at fair value	-	-	481
Carrying value at end of period	**2,162**	**1,464**	**18,629**

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

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Movement in carrying amount	(16,329)	(16,666)	756
Exchange differences	(138)	206	(51)
Net fair value movement in crop	**(16,467)**	**(16,460)**	**705**

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

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Australia - all varieties	571	642	4,703
New Zealand - kiwifruit crop	1,514	818	13,563
New Zealand - avocado crop	77	4	363
Carrying value at end of period	**2,162**	**1,464**	**18,629**

Critical accounting estimates and judgements

The valuation of biological assets uses estimates of market returns to determine value.

9. Leases

Leases recorded on the balance sheet represent Seeka's interest in leased assets and the associated lease liability reflecting the present value of payments left on the lease. The Group reports all leases on the balance sheet, with the exception of low value leases or leases less than 12 months.

The following table details leases where the Group is a lessee.

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Right-of-use lease assets			
Land and buildings	26,407	21,919	27,168
Orchard leases	11,405	2,619	12,274
Equipment	3,017	881	3,182
Motor vehicles	2,337	2,015	2,100
Total right-of-use lease assets	43,166	27,434	44,724
The movement in right-of-use lease assets in the period are:			
Opening balance	44,724	32,652	32,652
Additions	1,567	1,172	17,444
Reclassification under NZ IFRS 16	-	(4,180)	-
Depreciation	(3,125)	(2,210)	(5,372)
Closing balance	43,166	27,434	44,724

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Lease liabilities			
Current	5,622	3,970	5,211
Non-current	43,723	27,814	45,267
Total lease liabilities	49,345	31,784	50,478
The liabilities are classified as follows:			
Lease liabilities			
Land and buildings	30,879	25,940	31,462
Orchard leases	13,160	2,821	13,847
Equipment	2,931	986	2,990
Motor vehicles	2,375	2,037	2,179
Total lease liabilities	49,345	31,784	50,478
The movement in lease liabilities in the period are:			
Opening balance	50,478	36,840	36,840
Additions	2,263	1,298	18,708
Reclassification under NZ IFRS 16	-	(4,442)	-
Reduction in liability	(3,396)	(1,912)	(5,070)
Closing balance	49,345	31,784	50,478

Additions

On 30 September 2019, the Group entered into the sale and leaseback transaction for an orchard in Northland recognised as an asset held for sale as at June 2019. As part of the sale the Group has a 15 year lease for the orchard.

Key terms explained

Right-of-use lease asset
The asset that the Group obtains control of when signing a lease.

Lease liability
The present value of all future known payments on the lease.

Lease depreciation
The right-of-use lease asset value divided by the term of the lease.

Lease interest
The discounted portion of the lease liability (similar to interest on a table mortgage).

Lease principal
The difference between the cash lease payment and the lease interest.

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.

10. Trade and other receivables

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Current trade receivables (net of provision for doubtful debts)	33,954	21,840	12,035
Prepayments	4,214	3,370	1,347
Prepaid deposits	1,735	-	1,827
GST refund due	-	-	502
Accrued income and other sundry receivables	42,742	45,615	7,622
Accrued unconditional sales of assets classified as held for sale	-	-	4,950
Current trade and other receivables	**82,645**	**70,825**	**28,283**
Non current trade receivables	647	729	683
Non current prepayments	344	1,888	-
Non current trade and other receivables	**991**	**2,617**	**683**
Total trade and other receivables	**83,636**	**73,442**	**28,966**

Accrued income and other sundry receivables includes $19.64m (Jun 2019 - $18.48m) of kiwifruit income for kiwifruit harvested and delivered to Zespri from the Group's New Zealand orchards, $18.62m (Jun 2019 - $16.95m) for post harvest operations in New Zealand and nil (Jun 2019 - $5.65m) relating to kiwifruit harvested, packed and delivered through the acquired Aongatete Coolstores Limited.

Accrued income and other sundry receivables also includes $4.29m (Jun 2019 - $2.40m) of income for kiwifruit and pears harvested in Australia.

Current trade receivables include $21.14m (Jun 2019 - $12.63m) related to temporary advances to kiwifruit growers during harvest. The increase on 2019 is due to a larger proportion of SunGold versus Hayward kiwifruit packed and loaded out in 2020, with SunGold attracting a higher advance and earlier loadout schedule. Of these temporary advances, $18.24m was repaid in July 2020 (Jul 2019 - $8.83m)

Income from the New Zealand kiwifruit crop is accrued based on forecast information prepared by the Group, being an average Hayward orchard gate return (OGR) of $6.00 per tray (Jun 2019 - $6.00; Dec 2019 - $6.81) and an average SunGold OGR of $11.37 per tray (Jun 2019 - $10.50; Dec 2019 - $11.65).

Critical accounting estimates and judgements

The Group has reviewed trade and other receivables for any debtor impairment, credit risk, or any other such risks that may result in non-payment as a result of Covid-19. The Group has not identified any circumstances where further provisioning or impairment of financial instruments is required.

11. Inventories

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Crop inventories	14,548	14,653	-
Total packaging at cost	1,729	1,259	3,212
Other inventories at cost	2,581	2,504	2,243
Total inventories	**18,858**	**18,416**	**5,455**

Crop inventories relate to kiwifruit harvested from New Zealand orchards and held in coolstores at balance date as well as Australian crops harvested at balance date. As at 30 June 2020, 58.6% (Jun 2019 - 58.4%) of New Zealand class 1 trays have been loaded out. New Zealand kiwifruit inventory is valued at a Hayward OGR of $6.00 per tray and a SunGold OGR of $11.37 per tray.

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

At balance date, $27.30m (June 2019 - $28.43m) of packaging inventory costs were expensed to cost of sales in the statement of financial performance.

Critical accounting estimates and judgements

The Group has reviewed inventory for any risks occurring as a result of Covid-19, and whether additional provisioning or write-offs are required. The Group considers all inventory will be able to be used in the normal course of business.

12. Trade and other payables

New Zealand dollars	6 months to June 2020 Unaudited $000s	6 months to June 2019 Unaudited $000s	12 months to December 2019 Audited $000s
Trade payables	14,503	17,954	6,935
Accrued expenses	20,567	16,888	11,062
Employee expenses	5,900	5,102	4,437
GST payable	302	643	-
Other payables	1,982	1,417	499
Total trade and other payables	43,254	42,004	22,933

Trade payables includes $6.03m (Jun 2019 - $4.02m, Dec 2019 – Nil) of packaging costs relating to post harvest operations.

In June 2019, $4.60m of trade creditors related to Zespri SunGold G3 licences. The licences were recognised as assets held for sale.

Accrued expenses includes $13.79m (Jun 2019 - $12.14m) of kiwifruit costs relating to kiwifruit harvested and to be delivered to Zespri from the Group's New Zealand orchards.

13. Business combination

Purchase of shares in Aongatete Coolstores Limited

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

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

New Zealand dollars	12 months to December 2019 Audited $000s
Aongatete Coolstores Limited	
Land and buildings	17,450
Property, plant and equipment	1,852
Inventory	438
Leased assets	928
Biological assets	2,080
Cash and debtors	768
Creditors	(428)
Other current liabilities	(1,829)
Deferred tax liability	(2,891)
Leased liabilities	(948)
Term loans	(10,455)
Goodwill	7,035
Total purchase consideration for shares	14,000

The goodwill was allocated to the post harvest and orchard segments and is attributable to the operation's strong position in the Bay of Plenty and synergies expected to arise after adding additional post harvest and orchard facilities to Seeka's operations. The goodwill is not expected to be impaired in the foreseeable future. None of the goodwill is expected to be deductible for tax purposes. Acquisition-related costs of $0.20m were included in administrative expenses. Deferred tax of $2.9m was provided in relation to differences between tax values and the fair value of certain assets.

Land and buildings were valued using an independent valuation completed by Telfer Young Valuers using the same approach as other land and buildings detailed in note 6.

No changes have been made since 31 December 2019.

Dividends, share capital and fair value

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

Disclosures are made on the Group's bank facilities, retained earnings, dividends paid to shareholders, and earnings per share. Details on the Company's share capital include shares issued under the dividend reinvestment plan, grower incentive and employee share schemes.

14. Dividends

Dividends paid	$000s	Per share
2019		
April	3,572	$0.12
October	3,897	$0.12
Total dividend paid 2019	**7,469**	
2020		
Total dividend paid 2020	-	

On 25 February 2020, the directors declared a fully-imputed dividend of $0.12 per share, comprising an $0.08 normal dividend (following Board policy on a pre NZ IFRS 16 basis) and a $0.04 special dividend from the completion of property sales negotiated in 2019. Dividend payment was schedule for 17 April 2020.

On 19 March 2020 the directors reviewed the environment and, with the uncertainty of Covid-19, the Group decided to cancel the payment of the declared dividend of $0.12 per share. The decision reflected the uncertainty in the business environment, the reported shortage of labour, and the lower forecast kiwifruit returns from Zespri. The Board, considered those factors, and considered it was prudent that the dividend be cancelled to maintain balance sheet strength and stability, and was reconsidered in June 2020.

On 17 June 2020, the directors confirmed their earlier decision not to pay a dividend of $0.12 per share.

In the last 12 months, $0.12 has been paid in dividends per share (prior 12 months $0.24).

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. The cash dividend payment was $3.05m at June 2019, and $6.31m for the full year ended December 2019.

At the date of signing the directors declared a fully-imputed dividend of $0.10 per share, to be paid on 30 September 2020 to those shareholders on the register at 5pm on 4 September 2020. The dividend reinvestment plan will apply with a 2% discount to the strike price.

15. Share capital

During the period to 30 June 2020, $0.05m (Jun 2019 - $1.13m) was received in relation to shares issued under the employee share scheme established in 2016.

Due to the dividend cancellation as described in note 14, no shares were issued in 2020 under the dividend reinvestment plan (Dec 2019 - 168,526).

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

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

16. Determination of fair values of financial assets and liabilities

The following table analyses financial assets and liabilities carried at fair value as at 30 June 2020.

The different levels are defined as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Instruments in level 1 are comprised of water shares and irrigation water rights.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability that have to be developed to reflect the assumptions that a market participant would use when determining an appropriate price.

New Zealand dollars	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Biological assets - crop at fair value	-	-	2,162	**2,162**
Water shares	9,182	-	-	**9,182**
Irrigation water rights	120	-	-	**120**
Land	-	-	26,157	**26,157**
Buildings	-	-	127,300	**127,300**
Unlisted equity securities	-	-	586	**586**
Derivatives used for hedging (liability)	-	1,088	-	**1,088**

The following table shows the valuation techniques used in the determination of fair values within level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation models.

Type	Fair value	Method	Key unobservable inputs	How unobservables impact estimated fair value
Biological assets - crop at fair value Includes New Zealand avocados and Australian plums and speciality pears.	$ 2.16 m	Estimated market value less selling costs and costs to market (have achieved sufficient biological transformation).	Forecast yields. Market sales price. Costs to harvest.	Increases with yields. Increases with price. Decreases with higher costs.
Land and buildings	$ 153.46 m	An annual revaluation is used to estimate fair value, which is performed on approximately one third of land and buildings on a rolling 3-year cycle by an independent valuer using four different approaches; replacement cost approach, sales approach, investment approach and discounted cash flow approach. See accounting policies and note 6 for further details.	Comparative market rents and applicable discount rate. Comparative market sales. Current level of building costs.	Increases with market rental, and lower discount rates. Increases with market sales. Increases with building costs.
Unlisted equity securities	$ 0.59 m	Based on latest information from securities management. Tested for impairment with carrying amount assessed at balance date.	Securities management information on share price.	Increases with share price information. Reduces if cost is impaired at balance date.

17. Related party transactions

The Group undertakes transactions with Seeka Growers Limited (SGL), a related party which administers all kiwifruit revenues received for the New Zealand business on behalf of supplying growers. These are all transacted on normal commercial terms and conditions. In the current period the Group received $84.26m (Jun 2019 - $71.08m) for the provision of services to SGL.

At 30 June 2020, $21.1m was temporally advanced to SGL (June 2019 - $12.6m), of which $18.24m was repaid in July 2020.

18. Capital commitments

As at 30 June 2020 the Group does not have any capital commitments (Dec 2019 - $1.1m).

19. Events occurring after balance date

A dividend was declared for $0.10 per share to be paid on 30 September 2020, see note 14.

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

DIRECTORY

Board of directors

Fred Hutchings - Chairman

Martyn Brick

John Burke

Peter Ratahi Cross

Amiel Diaz

Cecilia Tarrant

Ashley Waugh

Audit and risk committee

Ashley Waugh – Chair

John Burke

Fred Hutchings

Remuneration committee

Fred Hutchings – Chair

Ratahi Cross

Cecilia Tarrant

Sustainability committee

Cecilia Tarrant – Chair

John Burke

Fred Hutchings

Company officers

Michael Franks
Chief Executive Officer

Stuart McKinstry
Chief Financial Officer and Company Secretary

Senior management team

Michael Franks
Chief Executive

Kate Bryant
GM Corporate Services

Verena Cunningham
GM SeekaFresh and Strategy

Kevin Halliday
GM Operations

Stuart McKinstry
Chief Financial Officer

Jim Smith
GM Growers and Marketing

Rob Towgood
Commercial Manager

Registered office

Seeka Limited

34 Young Road, RD9, Paengaroa 3189

PO Box 47, Te Puke 3153

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Auditor

PricewaterhouseCoopers

Auckland

Bankers

Westpac Banking Corporation

Auckland

Coöperatieve Rabobank U.A. (Rabobank)

Wellington

Share register

Link Market Services Limited

Auckland

NZX

www.nzx.com

Legal advisors

Harmos Horton Lusk Limited

Auckland

MacKenzie Elvin

Tauranga

Seeka

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