Seeka
SELECT EXCELLENCE

INTERIM REPORT

JUNE 2022


New Zealand
Fresh Kiwifruit
Seeka
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Contents

Welcome to our Interim Report where we detail our financial and operational performance for the six months to 30 June 2022.

The best way to view this integrated report is with Adobe Acrobat Reader. To navigate, click the section headers listed above. You can also click any light blue text for direct links to additional information. To return to a contents page, click the navigation header at the top of each page.

Chair and Chief Executive's report

Welcome to Seeka's interim financial report and commentary for the six months ended 30 June 2022. It's been a tough six months for the Group with a backdrop of Covid-19, adverse weather events, extreme labour shortages, machine commissioning delays, shipping disruption, lower fruit yields and poor fruit quality all impacting performance. The Group has hunkered down, toughed it out and focussed on the immediate job of optimising its operations and results in a volatile environment with significant inflationary pressure and geopolitical events affecting key markets.

The Seeka team have focussed on core business and operations having completed and integrated the OPAC, Orangewood and NZ Fruits businesses in the last twelve months. New Zealand kiwifruit crop volumes were well down on expectation across the industry. The Group has innovated in a tight labour market exacerbated by illness. Loyal personnel, including support staff, were redeployed to "play-out-of-position" at peak stress load to ensure the continuity of operations. The Group, at one stage, was short of more than 1,100 people from its New Zealand seasonal workforce but managed to get through the harvest with an influx of RSE workers from the Pacific Islands. The cost of labour has increased significantly as the Group competed to recruit staff to fully resource its operations. Seeka people have worked hard through the season. The new, highly automated MAF Roda kiwifruit packing machine was commissioned late at KKP as a result of shipping disruptions and the Group had to switch production to other sites to alleviate the delay.

Weather also played its part in a challenging harvest as in late 2021 a storm in Ōpōtiki destroyed an estimated 2 million trays of kiwifruit crops, while an unseasonably late maturing Gisborne kiwifruit region was then hit with heavy and continuous rain.

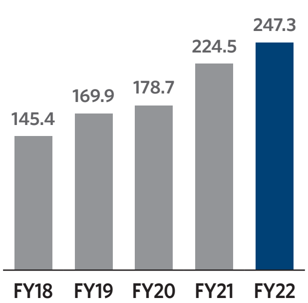
Shipping delays have disrupted the supply chain to market. Fruit quality in 2022 has been poor, creating pressure on fruit quality checking processes as the Group strives to deliver excellent fruit to the market. Ultimately the low-quality fruit later in the season has significantly impacted the costs of rechecking and fruit loss.

Seeka Australia has performed well in the six months. The business has recovered from a challenging 2021 and there are signs of improved earnings outlook for this business as the orcharding investments made in this business move into production.

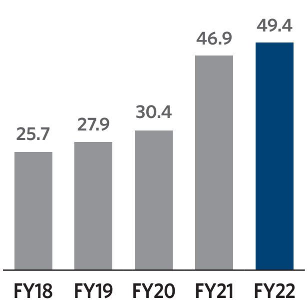
The Group has prepared and published its first Sustainability Report including three years of independently verified carbon footprint analysis. Seeka has adopted carbon reduction targets including a 30% reduction on baseline by 2025, 50% by 2030 and net zero by 2050.

Seeka reminds readers that it operates in a seasonal business and industry where earnings can occur unevenly in the year with substantial earnings in the first six months associated with harvest in New Zealand and Australia. The Group has provided earnings guidance that it expects net profit before tax to be between $9m and $11m for the full year.

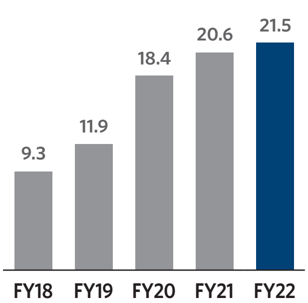
Group revenue
NZD Millions



Group EBITDA [1]
NZD Millions



Group net profit after tax [1]
NZD Millions



1. FY18 EBITDA and NPAT were restated for *NZ IFRS 16*.

Key financial components of the 2022 six months include:

- $247.3m revenue (previous corresponding period to June 2021 (pcp): $224.5m); up 10.2%.
- $49.4m EBITDA (pcp: $46.9m); up 5.3%.
- $35.4m Earnings before interest and tax (pcp: $34.7m); up 2.0%
- $30.1m profit before tax (pcp: $30.8m); down 2.3%.
- $21.5m profit after tax (pcp: $20.6m); up 4.3%.
- $594.4m of total assets; up 14.5% from the pcp.
- $161.3m net interest-bearing debt; an increase of $33.4m from the pcp after purchases of Orangewood and NZ Fruits. At balance date Seeka had advanced $34.7m to growers which was substantially repaid in July (compared to $23.0m in the pcp).
- No dividend payable at this time.

Key operational components include:

- Successful harvests, despite operational processing and capacity management issues across New Zealand and Australia including kiwifruit, avocado, kiwiberry, nashi and other pears in a very challenging environment
- Integration of the new businesses into Seeka; while crop volumes were below expectation, these businesses are integrated and ready to deliver accretive earnings
- Publication of Seeka's first Sustainability Report
- Excellent kiwiberry harvest and integrated packing and selling programme in conjunction with Freshmax. Fifth year of excellent returns to growers with average orchard gate returns over $200k per hectare.
- Operational improvements at Seeka Australia, delivering earnings before interest and tax of $1.2m.

The following table outlines Seeka's financial performance for the half year

New Zealand dollars	6 months to June 2022 Unaudited	6 months to June 2021 Unaudited	Change
Total revenue **(millions)**	$ 247.3	$ 224.5	10.2%
EBITDA before impairments and revaluations **(millions)**	$ 49.4	$ 46.9	5.3%
EBIT **(millions)**	$ 35.4	$ 34.7	2.0%
NPAT **(millions)**	$ 21.5	$ 20.6	4.3%
Basic earnings per share (cents)	$0.52	$0.65	(20.0%)
Net bank debt **(millions)**	$ 161.3	$ 127.8	26.1%

Review of operations

Financial

Revenue for the six months ended 30 June 2022 of $247.3m was up 10.2% on the pcp (pcp: $224.5m). Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) was $49.4m (pcp: $46.9m); up 5.3%. Profit before tax of $30.1m compared with $30.8m in the pcp (down 2.3%).

New Zealand orchard operations

Orchard operations span from Northland through the Coromandel, Bay of Plenty, Ōpōtiki and Te Kaha. Orchard operations includes all aspects of growing and harvesting kiwifruit, avocado and kiwiberry on leased, long term leased, and Seeka-owned orchards. The orcharding business provides comprehensive orchard and vine management services to owners alongside contract work for orchard owners on an as-required basis. The business develops orchards for landowners on contract or under long term leases and in partnership with iwi.

The Seeka business grew 17.1m trays of kiwifruit compared to 14.4m trays in the pcp. The Ōpōtiki growing region was hit hard by high winds and wild weather late in 2021 lowering crop volumes in this region by around 2m trays.

Hayward yields were much lower than expected. The average 2022 Hayward production per hectare from Seeka's orcharding operations of 8,497 trays is down on 2021 by 31% (pcp 12,302 trays per hectare).

SunGold yields of 13,172 trays per hectare were also down 7.3% on 14,206 trays per hectare in 2021.

Seeka also grew 1.610m kilograms of avocado (pcp: 1.394m kgs) and 116,400 kilograms of kiwiberry (pcp: 140,000 kgs), on orchards which it either owned or managed.

Orchard operations revenue for the six months of $45.674m was down by $7.997m reflecting lower crop returns across kiwifruit and avocado. EBITDA for the period totalled $5.087m compared to pcp of $5.658m reflecting lower revenues from the markets and higher costs. The Group redeployed picking crews including RSE workers from the orchards to the packhouses to keep harvest operations fully functioning. The Group relied heavily on its contracting community where generally labour supply was sufficient compared to post-harvest which struggled for labour. This resulted in lower earnings to the orchard operations.

Seeka continues to actively invest in long term orchard development with partners – currently with 142 hectares of kiwifruit, 2 hectares of kiwiberry and 16 hectares of avocado in development. Fruit volumes from the orchard division are expected to increase as these orchards reach maturity.

Our strategy is to continue to invest in long term leases to secure fruit supply.

New Zealand post-harvest operations

Post-harvest operates eleven packhouse facilities along with a network of coolstores. These packhouse facilities pack, cool and dispatch all produce from our orcharding operations and from our independent growers along with packing citrus and persimmons on contract for external marketers.

In 2022, Seeka packed 43.3m trays of kiwifruit, above last year's combined 40.7m trays (including 3.5m trays OPAC). Hayward volumes were down 23.9% and SunGold volumes were up 35.2%, both significantly impacted by yield per hectare reductions despite the additional fruit provided by the recent acquisitions. In addition to packing avocados for its own marketing programmes, Seeka also packs citrus and persimmons on contract for third party marketers. Post-harvest revenue of $178.508m has increased from last season (pcp: $145.241m) reflecting the recent acquisitions and price increases. The cost of labour increased as the Group competed in a tight labour market and Covid-19 disruption. The compliance costs of meeting demanding market requirements also added cost pressure. EBITDA for the six months totalled, $52.867m compared to $49.128m in the pcp.

New Zealand retail services operations

Seekafresh retail services includes the supply, export and sale of avocados, kiwiberry and class 2 New Zealand kiwifruit, 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.

Turnover decreased by 28.3% to $24.053m. EBITDA of $0.489m compares to a pcp of $1.907m reflecting a soft avocado market and the effect of Covid-19 disruptions on the market. Accounts with new customers have been established for the business which we are expecting to increase trading activity in the second half of 2022. Momentum continues to build with vibrant leadership, dedicated staff, great customer relationships and high-quality produce.

Australia operations

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

Seeka's Australian business was affected by Covid-19 in the same way as New Zealand. The business adapted well under local management and delivered excellent results given the circumstances. Labour was very short, and there is continuing market disruption through lockdown events in Australia.

The Australia team have innovated well with the management of on-orchard labour and post-harvest automation to deliver our customers excellent service and produce despite severe labour shortages and supply chain disruption. Kiwifruit volumes in Australia were lower following labour shortages leading to late work being undertaken on the orchards reducing yields. This has been rectified in the 2022 year for 2023. Markets were strong with good pricing and demand across all categories.

Total revenue for the six months of $14.402m compared to pcp of $13.855m. EBITDA of $2.576m compared to pcp of $2.728m.

Automation, technology and capacity

Seeka has undertaken numerous automation trials and have brought the best equipment together in its latest packhouse investment at KKP. The eight-lane MAF Roda includes fully automated packaging presentation to the machine along with automated packing stations. The machine has a very low labour requirement through automation.

The machine, fabricated in France, missed its April 6 commissioning date with supply chain disruptions leaving containers of key components in Singapore. It was ultimately successfully commissioned in June during the last week of the Hayward harvest. The machine has commissioned well and shown that it will deliver the automation benefits expected.

Seeka has invested in further automation enhancements at the Oakside and Gisborne facilities.

The Oakside investment includes Spectrim grading and pre-sizing on machine 3, which substantially reduces the manual grader requirements. Machine throughputs will be enhanced alongside a labour cost saving, since the investment reduces the number of operators.

The Gisborne investment was already committed when Seeka purchased NZ Fruits. This investment includes automation of the placement and stacking of fruit post-packing. It removes labour and the bottleneck after packing. The operating machine hours at Gisborne will be increased and the automation will reduce the number of people required to run the machine.

Seeka continues to consider its forward capacity equation balancing the likely future crop volumes with the required capacity to handle that volume at as close to its optimal time as possible. There is an anticipated increase in SunGold volumes coming combined with a growing sentiment that the final date of harvest needs to be earlier.

Seeka, with the investments outlined, has sufficient capacity to handle the forecast crop volumes for 2023 and is considering the volumes and options beyond that. The substantial new Pukenga packhouse is unlikely to proceed in its previously anticipated form, with the Group considering all available options including a scaled down Pukenga build. Coolstorage capacity is also being assessed. These options will be considered by the Group through the second half of 2022.

Sustainability

Seeka has released its first Sustainability report for the Group. The publishing of the report is an important milestone in Seeka's sustainability journey detailing the initiation of the sustainability team through to the verification of three years of carbon footprint calculations for Seeka and the establishment of our commitments to reduce our impact on the environment.

As a result of these initiatives, Seeka has held its carbon footprint reasonably constant even though the Group has grown. It is our commitment to reduce our carbon footprint from the base year (2019) by 30% by 2025, 50% by 2030 and to be net carbon zero by 2050.

This will be achieved by removing harmful refrigerants and limiting their leaks, switching to low emission vehicles and increasingly investing in solar. The Group has made good progress in understanding sustainability and our impact on the environments we operate in.

Health and safety

The continuing shortage of labour heightens the safety risk profile as the Group strives to deliver service to its grower customers. Seeka people have worked hard, in stressful circumstances, with the added anxiety of Covid-19. Seeka took all efforts to ensure that we kept our people safe and have continued to invest in their safety. Sites were effectively locked down to minimise the chance of spreading illness between operations. Support staff were required to work from home and the business pivoted to remove face-to-face meetings.

The focus continues on physical safety with ongoing emphasis on barriers and guarding. Disappointingly Seeka had one serious harm injury at one of its new sites, Orangewood. In that incident a person fractured their arm having had clothing caught in a drive shaft while repacking fruit after the completion of harvest. It is disappointing given the significant effort and focus on safety throughout the Group and particularly through the heavy pressure of harvest.

Health and safety to 30 June	Actuals	Target
Total Recordable Injury Frequency (TRIFR) (per 200,000 hours)	3.05	Below 4.5
Serious injuries[1]	1	Zero
Inspirational People (H&S Meetings held)	94%	90%

1. Serious injuries are defined as any condition that results in a person being permanently disabled or requiring immediate in-patient hospitalisation.

Strategic highlights

The Group has continued to enact its strategy.

The Group has concentrated on operational excellence undertaking disciplined planning to ensure that for each of the harvests and operations undertaken by Seeka that they are well planned and executed, that we have the capacity and pay attention to keeping people safe, while considering the financial attributes and contingency plans. The Group continues to implement and trial automation technologies to improve efficiency, remove labour and improve fruit quality throughout its operations. Seeka has also concentrated on supply chain efficiency in those parts of its business where it operates an integrated supply chain through to the market or customer. In the first six months, Seeka's resilience has been tested and it has deployed its contingency plans in order to maintain service to our customers.

Seeka has focussed on integrating and optimising the newly-acquired operations from its growth strategy. Seeka predominantly operates in the horticultural industry and therefore operates in a seasonal environment. Yields in 2022 were below normal and fruit quality has been challenging, however our planning expects these fluctuations to normalise. For now the Group is focused on delivering the best outcomes for this current season, however growth remains an important platform in Seeka's strategy.

Seeka has progressed its people and capability initiatives, made pleasing progress with its drive to understand and be more sustainable as a business, increased the headroom in its bank debt facilities, and maintained financial capability to invest and to deliver future earnings growth. The Group continues to concentrate on its foundation through disciplined planning.

The Seeka team

Seeka's people have again excelled with the pressure of the harvest across Australia and New Zealand. They have adapted, innovated and strived through a challenging first six months.

Dedicated key staff across the Group have worked hard to ensure the continuing operation of the business. Our people continue to make Seeka an inspiring produce company to work for and are celebrated for their efforts.

Dividend

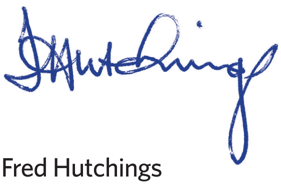
The Board has determined that no dividend is payable at this time, with the dividend to be reconsidered later in the year.

Outlook

Seeka's full year outlook is dynamic, with a challenging second six months forecast. Full year net profit before tax is forecast to be between $9.0m and $11.0m.

Summary

Seeka and its people have proven their resilience through a challenging first six months of 2022. Seeka operates predominantly in a seasonal horticultural industry reliant on the availability of labour. The Group remains focussed on core operations along with growing the crops for next year and ensuring appropriate post-harvest capacity is in place for future years. Seeka thanks its people, growers, contractor community, suppliers of goods and services and investors for their on-going support.



Fred Hutchings
Chair

Michael Franks
Chief executive

Interim financial statements

Six months to June 2022

Statement of financial performance

For the six months ended 30 June 2022

New Zealand dollars	Notes	6 months to June 2022 Unaudited $000s	6 months to June 2021 Unaudited $000s	12 months to December 2021 Audited $000s
Revenue	3	247,345	224,479	309,569
Cost of sales		169,139	146,120	236,337
Reduction in fair value of biological assets - crop	8	(16,240)	(18,220)	-
Gross profit		**61,966**	**60,139**	**73,232**
Other income / (expenses)	3	(192)	(300)	8,446
Share of profit of associates		-	-	236
Other costs		12,414	12,945	25,124
Earnings (EBITDA) [1]		**49,360**	**46,894**	**56,790**
Depreciation expense	6	8,794	7,056	15,185
Lease depreciation expense	9	4,824	3,911	7,943
Impairment of property, plant and equipment	6	111	1,136	1,188
Amortisation of intangible assets	7	235	91	294
Earnings (EBIT) [2]		**35,396**	**34,700**	**32,180**
Interest expense		3,124	1,664	4,082
Lease interest expense		2,207	2,275	4,610
Net profit before tax		**30,065**	**30,761**	**23,488**
Income tax charge		7,110	3,359	7,865
Deferred tax charge		1,501	6,834	763
Total tax charge		**8,611**	**10,193**	**8,628**
Net profit attributable to equity holders		**21,454**	**20,568**	**14,860**
Earnings per share for profit attributable to the ordinary equity holders of the Group during the year				
Basic earnings per share		$0.52	$0.65	$0.43
Diluted earnings per share		$0.52	$0.65	$0.42

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

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

The accompanying notes form an integral part of these interim financial statements

Statement of comprehensive income

For the six months ended 30 June 2022

New Zealand dollars	6 months to June 2022 Unaudited $000s	6 months to June 2021 Unaudited $000s	12 months to December 2021 Audited $000s
Net profit for the period	**21,454**	**20,568**	**14,860**
Items that will not be reclassified to profit or loss - net of tax			
Gain on revaluation of land and buildings	-	-	11,535
Gain on revaluation of water shares	307	-	-
Net realised loss on revaluation of investment in shares	-	-	(3)
Total items that will not be reclassified to profit or loss	307	-	11,532
Items that may be reclassified subsequently to profit or loss - net of tax			
Movement in cash flow hedge reserve	1,709	202	96
Movement in foreign currency translation reserve	(50)	(1)	(38)
Movement in foreign currency revaluation reserve	446	33	(18)
Total items that may be reclassified subsequently to profit or loss	2,105	234	40
Total comprehensive income for the period attributable to equity holders	23,866	20,802	26,432

The accompanying notes form an integral part of these interim financial statements

Statement of financial position

As at 30 June 2022

New Zealand dollars	Notes	6 months to June 2022 Unaudited $000s	6 months to June 2021 Unaudited $000s	12 months to December 2021 Audited $000s
Equity				
Share capital		162,767	138,175	151,681
Reserves		45,134	33,021	43,246
Retained earnings		67,710	62,134	51,564
Total equity		275,611	233,330	246,491
Current assets				
Cash and cash equivalents		7,783	1,704	12,361
Trade and other receivables	10	106,770	101,099	30,685
Biological assets - crop	8	2,203	1,670	18,443
Inventories	11	17,953	21,270	6,968
Irrigation water rights		43	167	294
Assets classified as held for sale	5	4,754	3,844	1,898
Total current assets		139,506	129,754	70,649
Non current assets				
Trade and other receivables	10	2,652	1,450	814
Property, plant and equipment	6	358,641	304,161	327,830
Intangible assets	7	30,983	27,978	27,079
Right-of-use lease assets	9	54,493	52,789	49,885
Investment in subsidiaries, associates and joint arrangements		3,768	1,834	3,958
Investment in shares		2,485	919	2,054
Derivative financial instruments		1,836	-	-
Total non current assets		454,858	389,131	411,620
Total assets		594,364	518,885	482,269
Current liabilities				
Tax liabilities		8,204	5,589	7,463
Trade and other payables	12	52,210	61,734	33,034
Lease liabilities	9	8,783	7,206	6,782
Interest bearing liabilities		30,548	55,801	5,246
Total current liabilities		99,745	130,330	52,525
Non current liabilities				
Interest bearing liabilities		138,492	73,748	107,757
Lease liabilities	9	59,313	59,531	56,585
Derivative financial instruments		-	391	538
Deferred tax liabilities		21,203	21,555	18,373
Total non current liabilities		219,008	155,225	183,253
Total liabilities		318,753	285,555	235,778
Net assets		275,611	233,330	246,491

On behalf of the Board.

F Hutchings
Chair

R Farron
Director

Dated: 18 August 2022

The accompanying notes form an integral part of these interim financial statements

Statement of changes in equity

For the six months ended 30 June 2022

New Zealand dollars	Notes	Share capital $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
2021										
Equity at 1 January 2021 (audited)		97,917	(484)	108	(170)	1,290	2,597	29,097	45,938	176,293
Net profit		-	-	-	-	-	-	-	20,568	20,568
Foreign exchange movement		-	-	33	(1)	-	-	-	-	32
Other comprehensive income		-	202	-	-	-	-	-	-	202
Total comprehensive income		-	202	33	(1)	-	-	-	20,568	20,802
Transactions with owners										
Shares issued		39,601	-	-	-	-	-	-	-	39,601
Employee share scheme receipts		657	-	-	-	-	-	-	-	657
Movement in employee share entitlement reserve		-	-	-	-	76	-	-	-	76
Movement in grower share entitlement reserve		-	-	-	-	273	-	-	-	273
Dividends paid	14	-	-	-	-	-	-	-	(4,372)	(4,372)
Total transactions with owners		40,258	-	-	-	349	-	-	(4,372)	36,235
Equity at 30 June 2021		138,175	(282)	141	(171)	1,639	2,597	29,097	62,134	233,330
2022										
Equity at 1 January 2022 (audited)		151,681	(388)	90	(208)	526	2,594	40,632	51,564	246,491
Net profit		-	-	-	-	-	-	-	21,454	21,454
Foreign exchange movement		-	-	446	(50)	(2)	2	-	-	396
Other comprehensive income		-	1,709	-	-	-	307	-	-	2,016
Total comprehensive income		-	1,709	446	(50)	(2)	309	-	21,454	23,866
Transactions with owners										
Shares issued		9,297	-	-	-	-	-	-	-	9,297
Employee share scheme receipts		815	-	-	-	-	-	-	-	815
Grower share scheme receipts		403	-	-	-	-	-	-	-	403
Movement in employee share entitlement reserve		459	-	-	-	(450)	-	-	-	9
Movement in grower share entitlement reserve		112	-	-	-	(74)	-	-	-	38
Dividends paid	14	-	-	-	-	-	-	-	(5,308)	(5,308)
Total transactions with owners		11,086	-	-	-	(524)	-	-	(5,308)	5,254
Equity at 30 June 2022		162,767	1,321	536	(258)	-	2,903	40,632	67,710	275,611

The accompanying notes form an integral part of these interim financial statements

Statement of cash flows

For the six months ended 30 June 2022

New Zealand dollars	Notes	6 months to June 2022 Unaudited $000s	6 months to June 2021 Unaudited $000s	12 months to December 2021 Audited $000s
Operating activities				
Cash was provided from:				
Receipts from customers		208,474	185,929	322,400
Interest and dividends received		9	388	405
Cash was disbursed to:				
Payments to suppliers and employees		(177,217)	(155,431)	(264,868)
Interest paid		(3,124)	(1,664)	(4,082)
Lease interest paid		(2,207)	(2,275)	(4,610)
Income taxes paid		(6,793)	(6,757)	(7,661)
Net cash flows from operating activities	4	**19,142**	**20,190**	**41,584**
Investing activities				
Cash was provided from:				
Sale of property, plant and equipment		597	63	70
Cash acquired in acquisition of business	13	33	-	1,501
Distributions from investment in associates		190	-	762
Proceeds from sale of assets classified as held for sale		-	-	2,310
Repayment of grower or grower entity advances		1,635	981	25,667
Cash was applied to:				
Purchase of property, plant, equipment and intangibles		(22,921)	(12,494)	(21,921)
Development of bearer plants		(2,094)	(3,266)	(7,569)
Acquisition of business	13	(8,853)	-	(1,302)
Acquisition of associate		(420)	-	(2,600)
Investment in shares		-	-	(1,000)
Advances to growers or grower entities		(34,801)	(23,987)	(25,673)
Net cash flows (used in) investing activities		**(66,634)**	**(38,703)**	**(29,755)**
Financing activities				
Cash was provided from:				
Proceeds of non-current bank borrowings		30,000	33,000	123,000
Proceeds of current bank borrowings		37,610	38,156	39,236
Proceeds from employee and grower loyalty share scheme		1,218	657	9,332
Cash was applied to:				
Principal lease payments	9	(4,942)	(3,691)	(8,093)
Repayment of non-current bank borrowings		(4,175)	(22,288)	(112,759)
Repayment of current bank borrowings		(12,671)	(24,329)	(42,882)
Payment of dividend to and behalf of shareholders	14	(4,374)	(6,477)	(11,717)
Net cash flows from financing activities		**42,666**	**15,028**	**(3,883)**
Net (decrease) / increase in cash and cash equivalents		**(4,826)**	**(3,485)**	**7,946**
Effect of foreign exchange rates		248	25	(749)
Opening cash and cash equivalents		12,361	5,164	5,164
Closing cash and cash equivalents		**7,783**	**1,704**	**12,361**

The accompanying notes form an integral part of these interim financial statements

Notes to the interim financial statements

For the six months ended 30 June 2022

This section contains the notes to the interim financial statements for Seeka Limited and its subsidiaries. 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 interim financial statements. Accounting policies which are limited to a specific note are described in that note.

Reporting entity and statutory base

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

Seeka Limited is a profit-oriented 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, orchard leasing, 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, leases 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.

Statement of compliance and basis of preparation

Group consolidated interim financial statements for the half year reporting period ended 30 June 2022 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 2021, which have been prepared in accordance with NZ IFRS.

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

The interim financial statements were approved by the Board of Directors (the Board) on 18 August 2022. The Directors do not have the authority to amend the interim financial statements after issue.

Summary of significant accounting policies

Other than detailed above, the accounting policies applied are consistent with those of the annual audited financial statements for the year ended 31 December 2021, as described in those annual financial statements.

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

Going concern assumption

The interim financial statements have been prepared on a going concern basis. As at 30 June 2022, the Group has net assets of $275.61m, including total assets of $594.36m and total liabilities of $318.75m.

Seasonal nature of Group operations

Seeka's core business is providing supply chain services to New Zealand and Australia's horticulture industries. A high proportion of Group revenue is generated and cost of sales incurred in the autumn when produce is harvested and prepared for market. Correspondingly, approximately 80% of Group gross profit is recorded in the interim report. Seasonal fluctuations impact the timing of gross profit, particularly the amount and quality of kiwifruit inventory remaining in store at 30 June.

Market capitalisation

The Group compares the carrying amount of net assets with the market capitalisation value at each balance date. The share price at 30 June 2022 was $4.45, equating to a market capitalisation of $186.85m. This market value excludes any control premium and may not reflect the value of Group net assets. The carrying amount of Group net assets at 30 June 2022 was $275.61m ($6.56 net assets per share).

Management and directors considered all reasons for this difference and concluded all relevant factors were considered for their value in use tests. The future expected cash flows of the business support the asset values on the balance sheet. The impairment test performed over the Group's net asset value did not identify any impairments.

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 significant impact on the Group.

Performance

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

1. Segment information

The Group's operating segments are entities that engage in business activities that earn revenues, incur expenses and are reported in a manner consistent with the internal reports provided to the chief decision makers, being the Directors, who regularly evaluate the allocation of resources alongside operational outcomes, 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 segment. Administration costs, overheads, grower service costs and other income from the sale of assets 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 2021.

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, citrus 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 development and operational 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 other non-operating income, including the gain on sale from assets that had been classified as held for sale, and the settlement of the Psa claim with the Crown.

Australian operations

The Group grows, provides post harvest services, and retails all produce from orchards the Group owns or leases in Australia. The main products are kiwifruit, nashi pears and European pears, which are primarily sold in Australia.

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.

Non-GAAP financial information does not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The Board considers EBITDA and EBIT as useful measures of financial performance for both investors and management as they are indicators of the Group's operating profitability that remove the impact of tax and the interest expense associated with debt (EBIT), along with depreciation, amortisation and revaluation expenses associated with the Group's large investments in fixed and leased assets (EBITDA).

The following table details the operating segments at balance date.

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
June 2022						
Income statement						
Turnover [1]	45,674	178,508	24,053	287	14,402	262,924
Gross segment revenue	45,674	181,534	8,474	287	14,402	250,371
Eliminations	-	(3,026)	-	-	-	(3,026)
Total segment revenue	45,674	178,508	8,474	287	14,402	247,345
EBITDA [2]	5,087	52,867	489	(11,659)	2,576	49,360
Depreciation expense [4]	(434)	(6,340)	(180)	(1,317)	(523)	(8,794)
Lease depreciation expense [5]	(822)	(2,870)	(297)	(421)	(414)	(4,824)
Impairment of property, plant and equipment	(111)	-	-	-	-	(111)
Amortisation of intangible assets	-	-	-	(235)	-	(235)
EBIT [3]	3,720	43,657	12	(13,632)	1,639	35,396
Lease interest expense [5]	(374)	(1,001)	(156)	(204)	(472)	(2,207)
EBIT [3] (after lease interest expense)	3,346	42,656	(144)	(13,836)	1,167	33,189
Interest expense [6]						(3,124)
Tax charge on profit						(8,611)
Profit after tax						21,454
Balance sheet						
Segment assets	98,055	388,619	23,560	31,015	53,115	594,364
Total assets	98,055	388,619	23,560	31,015	53,115	594,364
Segment liabilities	52,849	170,082	12,723	36,300	46,799	318,753
Total liabilities	52,849	170,082	12,723	36,300	46,799	318,753
June 2021						
Income statement						
Turnover [1]	53,671	145,241	33,528	252	13,855	246,547
Gross segment revenue	53,671	148,519	11,460	252	13,855	227,757
Eliminations	-	(3,278)	-	-	-	(3,278)
Total segment revenue	53,671	145,241	11,460	252	13,855	224,479
EBITDA [2]	5,658	49,128	1,907	(12,527)	2,728	46,894
Depreciation expense [4]	(373)	(4,988)	(178)	(1,081)	(436)	(7,056)
Lease depreciation expense [5]	(611)	(2,239)	(293)	(373)	(395)	(3,911)
Impairment of land and buildings	-	(1,136)	-	-	-	(1,136)
Amortisation of intangible assets	-	(11)	-	(75)	(5)	(91)
EBIT [3]	4,674	40,754	1,436	(14,056)	1,892	34,700
Lease interest expense [5]	(304)	(1,109)	(164)	(194)	(504)	(2,275)
EBIT [3] (after lease interest expense)	4,370	39,645	1,272	(14,250)	1,388	32,425
Interest expense [6]						(1,664)
Tax charge on profit						(10,193)
Profit after tax						20,568
Balance sheet						
Segment assets	92,831	337,942	19,225	18,911	49,976	518,885
Total assets	92,831	337,942	19,225	18,911	49,976	518,885
Segment liabilities	57,399	134,418	11,954	36,486	45,298	285,555
Total liabilities	57,399	134,418	11,954	36,486	45,298	285,555

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 borrowings.

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
June 2022 - EBITDA						
EBITDA pre NZ IFRS 16	3,760	48,926	63	(12,063)	1,525	42,211
Capitalised lease costs	1,327	3,941	426	404	1,051	7,149
EBITDA after applying NZ IFRS 16	5,087	52,867	489	(11,659)	2,576	49,360
June 2021 - EBITDA						
EBITDA pre NZ IFRS 16	4,475	46,191	1,497	(12,962)	1,727	40,928
Capitalised lease costs	1,183	2,937	410	435	1,001	5,966
EBITDA after applying NZ IFRS 16	5,658	49,128	1,907	(12,527)	2,728	46,894

2. Turnover

The following table reconciles turnover to revenue.

New Zealand dollars	6 months to June 2022 Unaudited $000s	6 months to June 2021 Unaudited $000s	12 months to December 2021 Audited $000s
Turnover	262,924	246,547	355,967
Value of sales made as agent	(15,579)	(22,068)	(46,398)
Revenue	247,345	224,479	309,569

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 / (expenses)

New Zealand dollars	Notes	6 months to June 2022 Unaudited $000s	6 months to June 2021 Unaudited $000s	12 months to December 2021 Unaudited $000s
Total revenue		247,345	224,479	309,569
Other income / (expenses)				
Interest		8	2	67
Gain on sale of assets classified as held for sale	5	-	-	331
Movement in grower share scheme reserve		(9)	(273)	(446)
Dividends received		1	9	190
Net movement in fair value of irrigation water rights		(184)	(44)	173
Proceeds from settlement of Psa claim		-	-	7,644
Other (expenses) / income		(8)	6	487
Total other (expenses) / income		(192)	(300)	8,446
Total revenue and other income / (expenses)		247,153	224,179	318,015

Accounting policies

All revenue contracts acquired as part of the Ōpōtiki Packing and Cool Storage Limited (OPAC), Orangewood Limited (Orangewood), and New Zealand Fruits Limited (NZ Fruits) acquisitions, (see note 13) are substantially similar in nature to Seeka's current revenue contracts, with the exception of the timing of the cool storage revenue recognition related to OPAC, which is accounted for as fruit is packed rather than loaded out. The Group's standard service contracts have applied to all the acquired entities since the end of 2021.

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

New Zealand dollars	6 months to June 2022 Unaudited $000s	6 months to June 2021 Unaudited $000s	12 months to December 2021 Audited $000s
Net operating surplus after taxation	21,454	20,568	14,860
Add non-cash items:			
Depreciation	8,794	7,056	15,185
Lease depreciation	4,824	3,911	7,943
Impairment of property, plant and equipment	111	1,136	1,188
Revaluation of employee share scheme	38	76	153
Revaluation of grower share scheme	9	273	446
Movement in deferred tax	2,830	6,834	5,236
Movement in fair value of biological assets - crop	16,240	18,221	1,447
Amortisation of intangible assets	235	91	294
	33,081	37,598	31,892
Add / (less) items not classified as an operating activity:			
(Gain) / loss on sale of property, plant and equipment	(131)	6	12
(Gain) on sale of assets classified as held for sale	-	-	(332)
Decrease / (increase) in current water allocation account	130	44	(319)
	(1)	50	(639)
(Increase) / decrease in working capital:			
Increase / (decrease) in accounts payable	19,889	18,752	(7,042)
(Increase) / decrease in accounts receivable/prepayments	(43,619)	(38,278)	6,167
(Increase) / decrease in inventory	(10,361)	(14,735)	940
(Decrease) / increase in taxes due	(1,301)	(3,765)	(4,594)
	(35,392)	(38,026)	(4,529)
Net cash flow from operating activities	19,142	20,190	41,584

Accounting policies

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

Assets

How Seeka allocates resources across its operations

This section focuses on how the Group manages its assets to generate revenues and deliver benefits to stakeholders.

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

5. Assets classified as held for sale

New Zealand dollars	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Opening balance at 1 January	1,898	3,844	3,844
SunGold licence transferred from intangible assets	481	-	-
Transfers from property, plant and equipment	2,375	-	-
Development costs incurred	-	-	33
Sales settled by third parties at carrying value	-	-	(1,979)
Total assets classified as held for sale	4,754	3,844	1,898

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

New Zealand dollars	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Asset class			
Land and buildings	2,482	1,379	734
Property, plant and equipment	475	599	319
Intangible assets	481	849	304
Bearer plants	1,316	1,017	541
Total assets classified as held for sale	4,754	3,844	1,898

At 30 June 2022, 29.4 hectares of Northland orchards (Jun 2021 - 23 hectares) and 3.5 hectares of Ōpōtiki orchards (Jun 2021 - Nil) owned by Seeka were classified as held for sale. No growing costs have been attributed to the remaining orchards at 30 June 2022 as they are valued on a crop-off basis.

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the assets are available for immediate sale in their present condition, and the Group is committed to the sale and expects it to be completed within one year from the date of classification. The accounting standard allows for the period to extend past 12 months if the circumstances causing the delay are out of Seeka's control. In limited cases it has taken more than 12 months to find a willing buyer. However, Seeka remains committed to selling the properties and with the current interest in the properties sales contracts are anticipated within the next 12 months. Assets classified as held for sale are recorded at the lower of the carrying value or fair value less costs to sell.

Critical accounting estimates and judgements

The Group used estimates to judgementally classify a select group of Seeka's orchards as classified as held for sale, despite some of the orchards being classified as held for sale for greater than 12 months.

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 2022						
Cost or valuation	251,297	131,630	2,247	33,278	10,537	428,989
Accumulated depreciation and impairment	(22,780)	(73,740)	(955)	(3,289)	(395)	(101,159)
Net book amount	228,517	57,890	1,292	29,989	10,142	327,830
Period ended 30 June 2022						
Opening net book amount	228,517	57,890	1,292	29,989	10,142	327,830
Additions and transfers	1,993	12,937	959	1,732	5,655	23,276
Acquisition from business combination	12,900	5,955	64	-	-	18,919
Depreciation	(4,572)	(3,873)	(148)	(201)	-	(8,794)
Disposals	-	(108)	(198)	(892)	-	(1,198)
Impairment of property, plant and equipment	-	-	-	(111)	-	(111)
Reclassification to assets classified as held for sale	(1,600)	-	-	(775)	-	(2,375)
Foreign exchange	413	187	9	483	2	1,094
Closing net book amount	237,651	72,988	1,978	30,225	15,799	358,641
At 30 June 2022						
Cost or valuation	265,002	150,601	3,081	33,826	16,194	468,704
Accumulated depreciation and impairment	(27,351)	(77,613)	(1,103)	(3,601)	(395)	(110,063)
Net book amount	237,651	72,988	1,978	30,225	15,799	358,641

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 2022 the assets under construction relate to the Transcool coolstore construction, and further investment relating to packhouse automation.

Land and buildings

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

In Australia valuations were 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 2022 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 2022. As part of the acquisitions, all acquired land and buildings were independently valued by Telfer Young Valuers, see note 13.

Impairment

In the six months to June 2022, $0.11m of assets were impaired. This related to the impairment of capitalised structures on a long-term-leased orchard.

Critical accounting estimates and judgements

At 31 December 2021, 44% of Seeka's New Zealand land and building portfolio was revalued in line with policy. The change in property values in the current year is consistent with the valuations completed in the year ended 31 December 2021. Valuations for land and buildings have remained stable in the six months to June 2022, and have remained consistent with the fair values recognised at 31 December 2021.

Seeka's Australian properties are in the food production region of Victoria. The sale and leaseback transaction completed on 15 December 2020 supports the carrying values of the remaining properties.

Sensitivity analysis suggests the remaining properties that were not revalued at December 2021 could cause an increase in land and buildings of a further 3-5%. 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	Other intangibles $000s	Total $000s
At 1 January 2022					
Cost	3,983	19,212	8,421	555	32,171
Accumulated amortisation and impairment	(3,028)	(2,031)	-	(33)	(5,092)
Net book amount	955	17,181	8,421	522	27,079
Period ended 30 June 2022					
Opening net book amount	955	17,181	8,421	522	27,079
Additions	244	-	-	-	244
Additions from business combination	-	3,595	-	-	3,595
Revaluation	-	-	438	-	438
Amortisation	(194)	-	-	(41)	(235)
Reclassification to assets classified as held for sale	-	-	-	(481)	(481)
Foreign exchange	-	-	343	-	343
Closing net book amount	1,005	20,776	9,202	-	30,983
At 30 June 2022					
Cost	4,227	22,807	9,202	74	36,310
Accumulated amortisation and impairment	(3,222)	(2,031)	-	(74)	(5,327)
Net book amount	1,005	20,776	9,202	-	30,983

The following table details the goodwill carrying amounts.

Group cash generating units	Operating segment	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Bay of Plenty and East Coast post harvest	Post harvest operations	18,199	16,768	14,663
Northland post harvest	Post harvest operations	1,900	1,220	1,841
SeekaFresh	Retail services operations	433	433	433
Kiwi Crush	Retail services operations	244	244	244

Additions to goodwill

$3.54m of goodwill was recognised during the six months to 30 June 2022 from the NZ Fruits acquisition, and a further $0.06m from updates to the goodwill acquired in the Orangewood acquisition. $7.63m of goodwill was recognised during the 12 months to 31 December 2021 from the OPAC acquisition, and with the addition of $0.62m from the Orangewood acquisition, goodwill of $8.25m was recognised for the full year goodwill to 31 December 2021, see note 13.

Impairment tests for goodwill

At 30 June 2022, all goodwill balances were reviewed for indicators of impairment.

The kiwifruit harvest season for 2022 is complete and whilst the Seeka Group volumes have increased on the prior year, the volumes are down on expectations. The variance to expectations has been driven by lower yields in both Hayward and SunGold. The lower yielding crop has been offset by Seeka's recent acquisitions and an increase in overall hectares due to new developments coming into production. The volume shortfall has had a significant impact on expected earnings for the Group. However, the expectation is that future yields will return closer to the rolling five-year average and total producing hectares for the Group continue to rise with new developments. This year's yield reduction is not considered an indicator of impairment as whilst it has had a significant effect on earnings in the current year, it is considered a one-off seasonal event and the Group is anticipating a return to projected earnings from 2023 onwards. There are no indicators of impairment identified in the post harvest business.

SeekaFresh has also been impacted by the lower volume kiwifruit crop in the 2022 season. The lower yields have led to lower volumes available for retail sale in the New Zealand and Australian markets than was expected. Further, a challenging end to the 2021/22 avocado season reduced the earnings in the first half of the 2022 year and the banana import markets have been challenged by supply chain issues. The fresh market business has also experienced falling demand as a result of inflationary pressures. The SeekaFresh business has established new customers, which are expected to lift earnings in the second half of the year. However, the 2022 financial year is expected to be a decrease on the prior year. These factors combined reflect an indicator of impairment and an impairment test was completed on the SeekaFresh goodwill. Having completed the impairment test using a value-in-use calculation and projected future earnings, no impairment was recognised at 30 June 2022.

Kiwi Crush has had a solid six months to 30 June 2022 with kiwiberry volumes in line with forecast and returning a strong EBITDA. The full year performance is expected to end ahead of the prior year and the forecast for 2022. Demand continues to increase for the Kiwi Crush products in retail outlets, hospitals, and aged care facilities. There are no indicators of impairment identified in the Kiwi Crush business.

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

Critical accounting estimates and judgements

The review of intangible assets for impairment uses judgement to identify indicators of impairment and where an impairment test is performed, estimates of revenue growth rates, discount rates and terminal growth rates are used.

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	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Carrying amount at beginning of period	18,443	19,890	19,890
Crop harvested during the period			
Fair value movement from the beginning of the period to point of harvest	11,892	16,332	18,504
Fair value when harvested	(30,335)	(36,222)	(38,394)
Crop growing on bearer plants at end of period			
Crop where cost is deemed fair value	2,203	1,670	18,324
Crop at fair value	-	-	119
Carrying value at end of period	2,203	1,670	18,443

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

New Zealand dollars	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Movement in carrying amount	(16,417)	(18,250)	(1,431)
Exchange differences	177	30	(16)
Net fair value movement in crop	(16,240)	(18,220)	(1,447)

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

New Zealand dollars	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Australia - all varieties	755	616	4,127
New Zealand - kiwifruit crop	1,160	892	13,673
New Zealand - other crop (avocado, citrus, kiwiberry)	288	162	643
Carrying value at end of period	2,203	1,670	18,443

Critical accounting estimates and judgements

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

9. Right-of-use lease assets and lease liabilities

The Group reports all leases on the balance sheet where it has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the lease, 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	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Right-of-use lease assets			
Land and buildings	29,185	28,672	27,171
Orchard leases	18,387	19,204	18,250
Equipment	3,834	1,972	1,516
Motor vehicles	3,087	2,941	2,948
Total right-of-use lease assets	54,493	52,789	49,885
The movements for the period are:			
Right-of-use lease asset movements			
Opening balance	49,885	50,831	50,831
Additions and renewals	9,475	5,876	7,412
Disposals and early terminations	(336)	(42)	(460)
Exchange rate differences	293	35	45
Depreciation	(4,824)	(3,911)	(7,943)
Closing balance	54,493	52,789	49,885

New Zealand dollars	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Lease liabilities			
Current	8,783	7,206	6,782
Non-current	59,313	59,531	56,585
Total lease liabilities	68,096	66,737	63,367
The liabilities are classified as:			
Lease liabilities			
Land and buildings	34,117	33,365	29,319
Orchard leases	27,003	28,350	26,718
Equipment	3,763	2,045	1,766
Motor vehicles	3,213	2,977	5,564
Total lease liabilities	68,096	66,737	63,367
The movements for the year are:			
Lease liability movements			
Opening balance	63,367	64,382	64,382
Additions and renewals	9,475	5,876	7,412
Finance lease additions	-	-	80
Disposals and early terminations	(365)	(18)	(432)
Exchange rate differences	561	188	18
Principal lease payments	(4,942)	(3,691)	(8,093)
Closing balance	68,096	66,737	63,367

Additions

On 2 February 2022, the Group acquired NZ Fruits, which included $1.92m of right-of-use lease assets and lease liabilities, see note 13.

On 22 November 2021, the Group acquired Orangewood, which included $0.08m of lease liabilities, see note 13.

On 4 May 2021, the Group acquired OPAC, which included $0.55m of right-of-use lease assets and lease liabilities, see note 13.

Critical accounting estimates and judgements

The valuation of right-of-use lease assets and lease liabilities uses judgement to determine the incremental borrowing rate and the likelihood of exercising any rights of renewal to extend the lease term.

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	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Current trade receivables (net of provision for doubtful debts)	57,336	39,050	17,148
Prepayments	6,491	4,699	2,188
Prepaid deposits	819	2,162	1,146
Accrued income and other sundry receivables	42,124	55,188	10,203
Current trade and other receivables	106,770	101,099	30,685
Non current trade receivables	2,652	1,450	814
Non current trade and other receivables	2,652	1,450	814
Total trade and other receivables	109,422	102,549	31,499

Current trade receivables include temporary advances to Seeka kiwifruit grower pools of $33.70m (Jun 2021 - $23.00m). These advances will be fully repaid by December 2022.

Accrued income and other sundry receivables includes $18.93m (Jun 2021 - $22.34m) of income for kiwifruit harvested and delivered to Zespri from Seeka's New Zealand orchards, $19.78m (Jun 2021 - $27.96m) for New Zealand post harvest operations, and $3.15m (Jun 2021 - $4.68m) of income for kiwifruit and pears harvested in Australia.

Income from the New Zealand kiwifruit is accrued based on forecast information prepared by the Group, being an average Hayward HW orchard gate return (OGR) of $6.62 per tray (Jun 2021 - $6.52: Dec 2021 - $6.10) and an average SunGold OGR of $11.03 per tray (Jun 2021 - $12.05: Dec 2021 - $11.04).

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. The Group has not identified any circumstances where further provisioning or impairment of financial instruments is required.

11. Inventories

New Zealand dollars	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Crop inventories	11,034	15,797	-
Total packaging at cost	4,387	4,125	5,032
Other inventories at cost	2,532	1,348	1,936
Total inventories	17,953	21,270	6,968

Fruit inventories relate to kiwifruit harvested from New Zealand and Australian orchards and held in coolstores at balance date. As at 30 June 2022, 63.0% (Jun 2021 - 57.1%) of New Zealand class 1 trays have been loaded out. New Zealand kiwifruit inventory is valued at a Green HW OGR of $6.62 per tray and a SunGold OGR of $11.03 per tray. Fruit inventory from fruit harvested from the Group's Australian orchards is based on actual and forecast market returns for each variety.

At balance date, $37.07m (June 2021 - $29.79m) of packaging inventory costs were expensed to cost of sales in the statement of financial performance. There were no material inventory write downs (Jun 2021 - Nil).

Critical accounting estimates and judgements

The Group has reviewed inventory for any impairment risks 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	June 2022 Unaudited $000s	June 2021 Unaudited $000s	December 2021 Audited $000s
Trade payables	18,674	19,654	6,166
Accrued expenses	17,705	28,274	17,372
Employee expenses	12,510	9,899	8,300
GST payable	1,728	2,191	1,069
Other payables	1,593	1,716	127
Total trade and other payables	52,210	61,734	33,034

Trade payables includes $5.01m (Jun 2021 - $7.43m, Dec 2021 – Nil) of packaging costs relating to post harvest operations, and $1.45m (Jun 2021 - $0.08m) of packhouse automation costs, see note 6.

Accrued expenses includes $9.43m (Jun 2021 - $17.06m) of kiwifruit costs relating to kiwifruit harvested and to be delivered to Zespri from the Group's New Zealand orchards.

13. Business combinations

Acquisition through amalgamation of NZ Fruits Limited (NZ Fruits)

In February 2022, the Group amalgamated New Zealand Fruits Limited, a kiwifruit, citrus and persimmon post harvest business based in Gisborne, East Coast, New Zealand, into a newly-formed 100%-owned subsidiary of Seeka Limited, being Seeka East Limited. NZ Fruits shares were cancelled with each share being exchanged for 7.5016 shares in Seeka and $39.3495 cash. Seeka shares were issued based on a price of $5.2455 per Seeka share (equal to the VWAP of shares traded over 10 business days, finishing on 9 December 2021, with all fractions of Seeka shares rounded up to the next whole number).

The purchase was settled on 2 February 2022 for a consideration of $17.53m by the issue of 1,687,860 ordinary shares in Seeka at a market price of $5.14 on the settlement date of 2 February 2022, being the market price on the acquisition date as per NZ IFRS 3 (Business Combinations), and a cash consideration of $8.85m. The change in the share price on acquisition date had the impact of decreasing goodwill by $0.18m.

NZ Fruits has contributed $12.14m of revenue and $1.34m of net profit before tax to the Group for the period 2 February to 30 June 2022. If the acquisition had occurred on 1 January 2022, NZ Fruits would have contributed $12.45m of revenue and $0.84m of net profit before tax for the six months ended 30 June 2022. These calculations are not significantly impacted by differences in accounting policies between the Group and the acquired subsidiary, and no significant additional depreciation would have been charged for fair value adjustments to property, plant and equipment had it applied from 1 January 2022, including consequential tax effects.

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

New Zealand dollars	June 2022 Unaudited $000s
Cash consideration paid to shareholders	8,853
Shares issued in consideration	8,676
Total purchase consideration	17,529
Land and buildings	12,900
Property, plant and equipment	6,019
Inventories	441
Right-of-use lease asset	1,920
Cash and cash equivalents	33
Trade and other receivables	617
Trade and other payables	(963)
Current tax liability	(653)
Interest-bearing liabilities	(4,175)
Deferred tax liability	(226)
Lease liabilities	(1,920)
Fair value of new assets and liabilities	13,993
Goodwill	3,536
Total purchase consideration for shares	17,529

NZ Fruits fair value of assets and liabilities, goodwill and acquisition-related costs

The fair value of acquired trade receivables is $0.34m. There is no loss allowance recognised on acquisition. The goodwill of $3.54m is allocated to the renamed Bay of Plenty and East Coast post harvest cash generating unit as the primary purpose of the amalgamation was to obtain the packhouse facility and increase the Group's presence in the East Coast, which is adjacent and complementary to the main Bay of Plenty operations. The goodwill is attributable to the operation's market position in the region and synergies expected to arise after adding the business into the corporate structure provided by the larger Seeka Group. The goodwill is not expected to be impaired in the foreseeable future and is not expected to be deductible for tax purposes.

Acquisition-related costs of $0.36m are included in overhead expenses in 2022. Deferred tax of $0.23m has been provided in relation to differences between tax written down values and the fair value of certain assets.

Seeka has 12 months from the acquisition date to reassess the fair values of the assets and liabilities disclosed above if more information comes to light that suggests the values differ. In particular, any liabilities are expected to be crystallised and quantified within the 12 months from the acquisition date.

Acquisition through amalgamation of Orangewood Limited (Orangewood)

In November 2021, the Group amalgamated Orangewood, an integrated kiwifruit and avocado post harvest and orchard management business based in Kerikeri, Far North District, New Zealand, into a newly formed 100% owned subsidiary of Seeka Limited, being Northland Horticulture Limited. Orangewood shares were cancelled with each share being exchanged for 0.663 shares in Seeka and $1.35 cash. Seeka shares were issued based on a price of $5.33 per Seeka share (equal to the VWAP of shares traded over 10 business days, finishing on 13 September 2021, with all fractions of Seeka shares rounded up to the next whole number).

The purchase was settled on 22 November 2021 for a purchase consideration of $4.66m by the issue of 639,302 ordinary shares in Seeka Limited at a market price of $5.25 on the settlement date of 22 November 2021, being the market price on the acquisition date as per NZ IFRS 3, and a cash consideration of $1.30m. The change in the share price on acquisition date had the impact of decreasing goodwill by $0.05m.

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

New Zealand dollars	June 2022 Unaudited $000s
Cash consideration paid to shareholders	1,302
Shares issued in consideration	3,356
Total purchase consideration	4,658
Land and buildings	4,500
Property, plant and equipment	1,477
Inventories	272
Investment in shares	27
Cash and cash equivalents	1,041
Trade and other receivables	1,924
Trade and other payables	(2,652)
Current tax liability	(129)
Interest-bearing liabilities	(2,150)
Deferred tax liability	(253)
Lease liabilities	(80)
Fair value of new assets and liabilities	3,977
Goodwill	681
Total purchase consideration for shares	4,658

Orangewood fair value of assets and liabilities, goodwill and acquisition-related costs

The fair value of acquired current trade receivables, within trade and other receivables, is $1.55m. There was no loss allowance recognised on acquisition. The initially acquired goodwill of $0.62m was allocated to the Northland post harvest cash generating unit as the primary purpose of the amalgamation was to obtain the packhouse facility and increase the Group's presence in the desirable Far North District. The goodwill was attributable to the operation's market position in the region and synergies expected to arise after adding the business into the corporate structure of the larger Seeka Group. The goodwill is not expected to be impaired in the foreseeable future and is not expected to be deductible for tax purposes.

Acquisition-related costs of $0.37m were included in overhead expenses in 2021. Deferred tax of $0.25m was provided in relation to differences between tax written down values and the fair value of certain assets.

Seeka has 12 months from the acquisition date to reassess the fair values of the assets and liabilities disclosed above if more information comes to light that suggests the values differ. In particular, any liabilities are expected to be crystallised and quantified within the 12 months from the acquisition date.

Seeka has identified and updated the fair values of assets and liabilities to ensure the accuracy and completeness of payroll-related accruals made in the initial fair values as disclosed in December 2021 and the tax implications arising as a result. The net impact is an increase in goodwill by $0.06m.

Critical accounting estimates and judgements

The fair values of the assets are subject to estimates and judgement. Seeka engaged Telfer Young to complete an independent valuation of the land and buildings at the acquisition dates. The remaining plant and equipment were assessed on a depreciated historical cost basis, as well as a physical stocktake and a comparison to similar Seeka-owned assets. The Group assessed that an intangible asset exists for grower relationships and contracts at NZ Fruits, which is immaterial for financial reporting using the multi-period excess earnings method of calculating intangible assets on contracts.

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 Group's share capital include shares issued under the dividend reinvestment plan, grower incentive and employee share schemes.

14. Dividends

Dividends paid	Per share	$000s
2021		
March 2021	$0.12	3,944
October 2021	$0.13	5,209
Amendment to September 2020 and December 2020 dividends		81
Total dividend 2021		9,234
2022		
February 2022	$0.13	5,308
Total dividend 2022		5,308

On 20 January 2022, the directors declared a fully-imputed dividend of $0.13 per share. The dividend was paid on 23 February 2022 to those shareholders on the register at 5pm on 28 January 2022. The dividend reinvestment plan applied with no discount to the strike price.

This full year dividend is normally paid in April each year, but was varied due to new shares being issued ex-div in February.

In the last 12 months, $0.26 has been paid in dividends per share (prior 12 months $0.34).

The cash dividend paid was $4.37m at June 2022.

15. Share capital

On 2 February 2022, the Group acquired NZ Fruits for a recorded consideration of $17.53m, by issuing 1,687,860 ordinary Seeka shares at $5.2455 per share totalling $8.68m, and a cash consideration of $8.85m, see note 13.

During the period to 30 June 2022, $1.22m (Jun 2021 - $0.66m) was received in relation to shares issued under the employee share scheme established in 2016 and the Grower and Employee share scheme(s) established in 2019 (including funds from the vesting of the schemes).

During the period to 30 June 2022, 124,262 shares were issued under the dividend reinvestment plan related to the dividend paid in February 2022 (Dec 2021 - 290,245), see note 14.

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 2022.

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	-	-	2,203	2,203
Water shares	9,202	-	-	9,202
Irrigation water rights	43	-	-	43
Land	-	-	43,430	43,430
Buildings	-	-	194,221	194,221
Unlisted equity securities	-	-	2,485	2,485
Derivatives used for hedging	-	1,836	-	1,836

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 cost Includes New Zealand avocados and Australian plums and speciality pears.	$ 2.20 m	Cost is used as a proxy for fair value, as the crop has yet to achieve sufficient biological transformation. Cost is tested for impairment at balance date using the Group's budgets on an orchard-by-orchard basis.	Cost.	Reduces if cost is impaired at balance date.
Land and buildings	$ 237.65 m	An annual revaluation is used to estimate fair value, which is performed on at least 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	$ 2.49m	Cost is used as a proxy for fair value. Cost is tested for impairment with carrying amount assessed at balance date.	Cost.	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. In the current period the Group received $139.03m (Jun 2021 - $110.11m) for the provision of services to SGL.

18. Capital commitments

As at 30 June 2022, the Group was committed to incur $4.35m of capital costs relating to post harvest upgrades at the Group's KKP and Transcool facilities, and automation projects at the Group's NZ Fruits facility (Dec 2021 - $12.73m).

19. Events occurring after balance date

On 29 July 2022, the Group entered into an additional NZ$20m term loan facility, with an expiry date of 31 January 2025, through the Group's existing banking syndicate. The purpose of the new facility was to refinance the Orangewood and NZ Fruits acquisition debt from the flexi facility to a term debt facility. This brings the Group's total available funds to NZD$211m.

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

Directory

Board of directors

Fred Hutchings - Chair

Martyn Brick

Peter Ratahi Cross

Robert Farron

Stewart Moss

Cecilia Tarrant

Ashley Waugh

Audit and risk committee

Robert Farron – Chair

Martyn Brick

Ashley Waugh

Sustainability committee

Cecilia Tarrant – Chair

Peter Ratahi Cross

Fred Hutchings

Remuneration committee

Fred Hutchings – Chair

Cecilia Tarrant

Stewart Moss

Company officers

Michael Franks
Chief Executive Officer

Nicola Neilson
Chief Financial Officer and Company Secretary

Senior management team

Michael Franks
Chief Executive

Nicola Neilson
Chief Financial Officer

Kate Bryant
GM Supply and SeekaFresh

Paul Crone
GM Post Harvest

Kevin Halliday
Chief Operating Officer

Barry Penellum
GM Orchards

Jonathan van Popering
GM Australian Operations

Jim Smith
GM Growers and Marketing

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Auditor

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Auckland

www.westpac.co.nz

Westpac Banking Corporation

Melbourne

www.westpac.com.au

ASB Bank Limited

Auckland

www.asb.co.nz

Bank of New Zealand

Auckland

www.bnz.co.nz

Coöperatieve Rabobank U.A. (Rabobank)

Wellington

www.rabobank.co.nz

1. All banks are lenders under a syndicated facilities agreement with Westpac New Zealand as the agent.

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