Seeka
SELECT EXCELLENCE

ANNUAL REPORT

2019

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New Zealand
Fresh Kiwifruit
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Fresh Kiwifruit

FROM THE CHAIRMAN AND CHIEF EXECUTIVE

Seeka is pleased to provide you with our annual report covering our performance, strategic progress and audited financial results for the year ended 31 December 2019. The company has made excellent progress on its strategic growth pathway, including consolidating business units and reducing debt through orchard sales, while continuing to deliver excellent results to our grower clients.

The Group's financial performance was impacted by early 2019's long dry summer which lowered Hayward kiwifruit yields in both Australia and New Zealand. Hayward volumes were well down on forecast and prior year yields, and negatively impacted our financial results. Offsetting this, Seeka expanded our core business with the purchase of Aongatete, delivered cost efficiencies, made good gains on the sale of Northland orchard assets, and delivered significant improvements in our retail services business. Operationally, the performance and returns to supplying growers were excellent.

Seeka continues to realise orchard assets held for sale to reduce debt. In some cases, the orchard sales are still awaiting subdivision or boundary adjustments, and once completed both the sale and gain will be recorded in 2020.

Year end total net bank debt of $116.8m compares to $79.1m at year end 2018, and $148.1m at 30 June 2019. The successful sale of orchard assets currently being marketed will further reduce net bank debt by at least $27.1m, with $10.1m of properties conditionally sold at year end which were settled in February 2020.

Seeka continued to invest in core infrastructure with the build of onshore New Zealand post harvest capacity. The Oakside $21.4m pack house and cool store project was completed in 2019 (the cool store build finished after the kiwifruit harvest) and a modern pack house and cool store complex is under construction in Kerikeri, with phase two underway. The company expects lower post harvest capital expenditure through 2020 and 2021.

The Group is focused on consolidating operations following the acquisition of the Northland and Aongatete assets, including selling orchard assets to repay debt while securing supply to our core kiwifruit business. We are also investigating the sell down and lease back of the Group's Australian kiwifruit orchards which would release funds for debt reduction and potential expansion, as we continue to look for investment opportunities by acquisition to deliver continuing accretive growth and shareholder value.

Seeka has fully adopted *NZ IFRS 16 Leases* (NZ IFRS 16 - the new NZ accounting standard for leasing arrangements), and these 2019 financial results and 2018 comparatives are consistent with the new standard. The transition to NZ IFRS 16 negatively impacts Seeka's financial results as the accounting for lease interest costs and depreciation are higher than the lease payment at the beginning of the lease period. Further the full gain on orchard sales is no longer recognised in the statement of financial performance when the property is leased back to Seeka.

Highlights

Key highlights of the 2019 financial year include:

- Total revenue of $236.9m (2018: $203.7m); an increase of 16%.
- $6.9m profit after tax (2018: $6.7m); up 3%.
- $34.5m EBITDA (2018: $33.3m); up 4% and ahead of the guidance range of between $32.5m to $33.5m.
- $368.2m of assets; up 22% from 2018.
- $116.8m net debt; an increase of $37.7m.
- $0.22 earnings per share; reflecting the full-year dilution of the late-2018 capital raise.
- $34.6m orchard asset sales completed in 2019 yielding $3.2m gain.
- $10.1m conditional orchard sales made in 2019; settled 24 February 2020.
- Successful acquisition and integration of Aongatete Coolstores Limited.
- $15.9m investment in new packhouse and pack machine at Kerikeri; commissioned for harvest 2019, this large infrastructure build delivers capacity ahead of Northland's growth in kiwifruit and avocado production. Phase 2 is scheduled for 2020 with new offices and coolstores in 2021.
- $21.4m refurbishment of Oakside machine 2, additional pre-cooling and coolstores lift site capacity by 2.25m trays , improves site efficiency, and provides our growers with optimal harvest timing to ensure their fruit arrives in peak condition, while reducing their on-orchard risk.
- Successful harvest and handling operations across New Zealand and Australia including kiwifruit, avocado, kiwiberry, nashi and pears.
- 33.5m tray equivalents of kiwifruit packed by New Zealand post harvest (2018: 31.4m); 29.6m from Seeka's traditional post harvest operation (down on a seasonal drop in Hayward yields), plus 3.9m trays from the 2019 Aongatete acquisition.
- Low fruit loss delivered to growers; 1.56% Hayward (Green), 1.08% Hayward organic and 1.12% SunGold fruit loss.
- Record high average returns to growers at the orchard gate; $70,085 per hectare for Hayward, $63,746 per hectare for Hayward organic and $160,556 for SunGold.
- Grower loyalty share scheme secures New Zealand kiwifruit, avocado and kiwiberry supply for three seasons; 2.1m shares allotted.
- Rewarding employee engagement with a new employee share scheme; 0.6m shares allotted with an estimated 68% of permanent employees Seeka shareholders.
- Grower and employee share scheme trust is now the biggest shareholder; we are a grower company.
- New Seeka App gives growers online updates on their crop's performance in Seeka's supply chain.

Operational performance

The following table outlines Seeka's performance for the year.

New Zealand dollars	Reported result FY2019	Restated result FY2018	Change
Total revenue ($m)	$ 236.9	$ 203.7	16%
EBITDA before impairments and revaluations ($m)	$ 34.5	$ 33.3	4%
EBIT ($m)	$ 17.6	$ 17.3	2%
NPAT ($m)	$ 6.9	$ 6.7	3%
Basic earnings per share	$ 0.22	$ 0.33	(33%)
Net bank debt ($m)	$ 116.8	$ 79.1	48%

Dividend announcement

A dividend of $0.12 per share has been declared by the Board. The dividend comprises a normal dividend of $0.08 per share (following Board policy on a pre NZ IFRS 16 basis) and a special dividend of $0.04 cents per share following the completion of property sales negotiated in 2019 and completed in 2020.

The dividend is fully imputed and will be paid on 17 April 2020 to those shareholders on the register at 5pm on 20 March 2020. The dividend reinvestment plan will apply with a 2% discount to the strike price. This dividend will bring the total dividends distributed in the last 12 months to $0.24 (prior twelve months $0.24).

Outlook

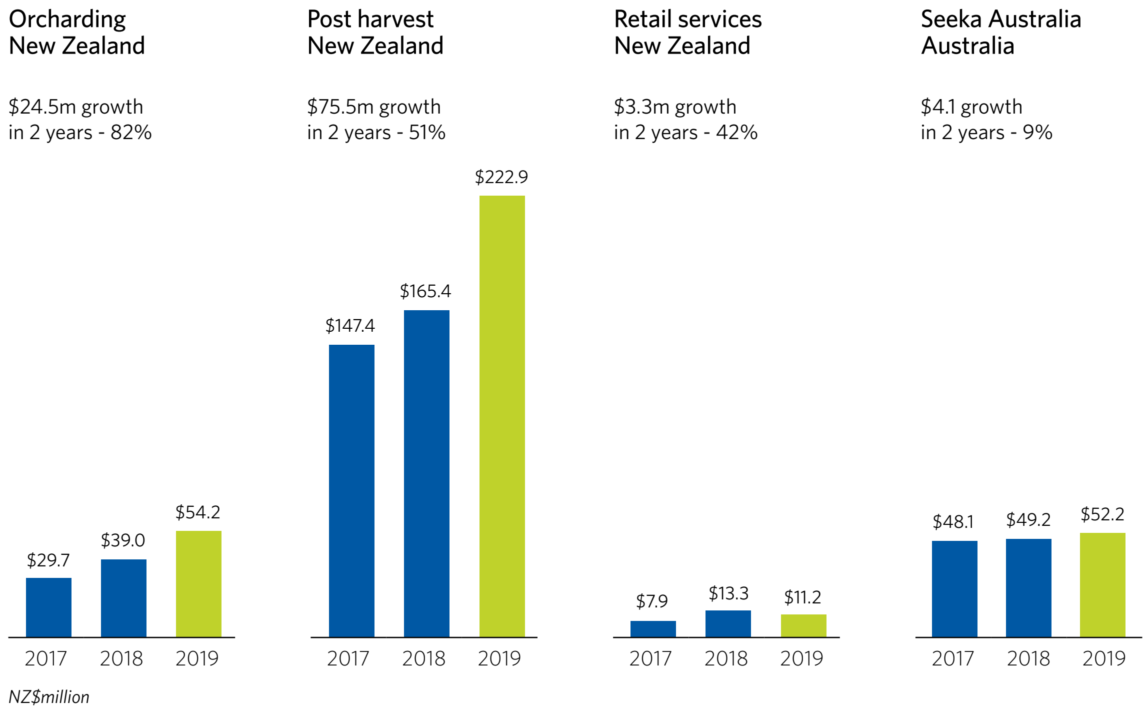
Seeka is anticipating improved earnings in 2020 conditional on New Zealand and Australian crop volumes. The company has an increasing volume of Zespri SunGold with both new growers and new developments, along with a significantly improved SeekaFresh business and increasing avocado volumes. The company continues to consolidate the acquired businesses and complete Northland orchard sales, and is investigating the potential sale and lease back of the Group's Australian kiwifruit orchards. Seeka is anticipating earnings growth, noting market uncertainty from the current coronavirus outbreak.

The company will provide current year earnings guidance at half year (once harvest is completed) and will update shareholders on key events as and when they occur.

Operating asset growth through investments and acquisitions

Our core kiwifruit industry is going through a rapid growth phase, driven by the global demand for SunGold kiwifruit. Seeka's strategic growth plan includes investing in orcharding services so landowners can produce high-value crops, and post harvest capacity to manage ongoing volume growth. We have also extended our geographical reach with the 2018 Northland acquisition and subsequent site build, and the 2019 acquisition of Aongatete in our kiwifruit heartland. These investments have secured new capacity and are delivering a world-class service to our new client growers. Our investments in post harvest capacity are forecast to handle the growth in crop volumes through to 2021.

Total operating asset value by segment



Excludes assets held in all other segments, which includes Seeka's adminstration and grower services operations.

Total assets were $249.6m in 2017, $300.9m in 2018, and $368.2m in 2019; 48% growth in Seeka's total asset value in two years.

2017, 2018 and 2019 asset values accounted under NZ IFRS 16.

Review of operations

Financial performance

Revenue for the twelve months ended 31 December increased 16% to $236.9m (2018: $203.7m). Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) was $34.5m (2018: $33.3m); up 4%. This includes an $0.63m EBITDA loss from Seeka Australia (2018: $0.06m loss), as a very dry summer lowered Hayward kiwifruit volumes, plus an underperforming nashi programme.

Consolidated profit after tax totalled to $6.88m (2018: $6.65m), with cash flow from operations up 14% to $18.59m (2018: $16.35m).

In 2019 Seeka invested $34.67m in property plant and equipment, primarily building the Kerikeri pack house and commissioning a new packing machine and upgrading Oakside packing machine 2, pre-coolers and cool stores. Once additional pre-cooler and cool store builds at Kerikeri are completed, Seeka's post harvest capacity is forecast to be able to handle fruit supply for the next two seasons. Our focus is on improving supply chain efficiency and seeking innovative solutions to curtail further investments.

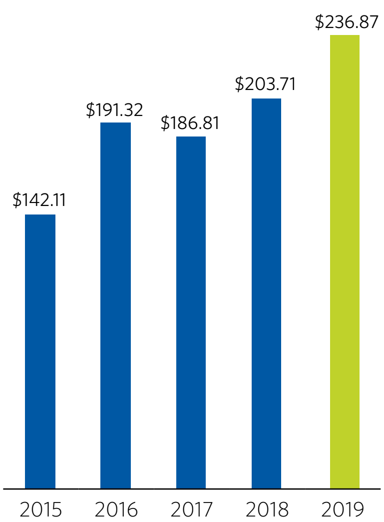
During the year, Seeka realised $44.53m in assets held for sale of which $34.55m related to its Northland orchards. These Northland sales delivered $3.19m in gains along with a secure supply commitment. In addition, at year end Seeka had conditionally sold a further $10.1m in Northland properties; these sales settled on 24 February 2020.

At balance date, Seeka held $27.08m of assets for sale, including its Australian kiwifruit orchards which are currently being considered for sale and lease back.

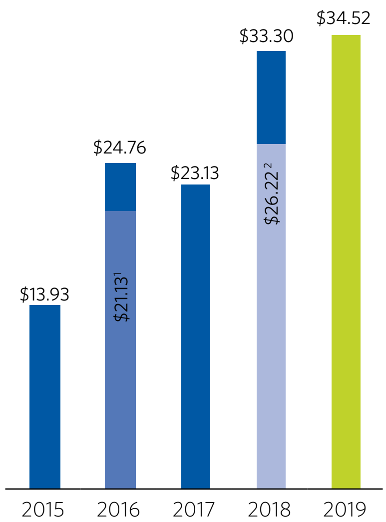
The combination of conditional sales, assets held for sale, or sold assets awaiting settlement totals $42.6m.

Net debt at 31 December (bank loans less bank deposits) was $116.79m compared to $79.01m at year end 2018 and $148.08m at 30 June 2019.

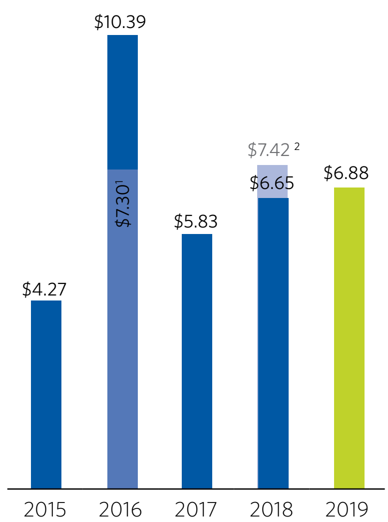
Total revenue
NZ$million



EBITDA
NZ$million



Net profit after tax
NZ$million



1. Excludes effect of 2017 insurance settlement on EBITDA and NPAT. 2. EBITDA and NPAT as reported 2018 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 300 orchards via management, lease and long-term lease contracts.

$72.4m revenue 2019

$54.2m assets 2019

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.

$140.1m revenue 2019

$222.9m assets 2019

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.

$8.6m revenue 2019

$11.2 assets 2019

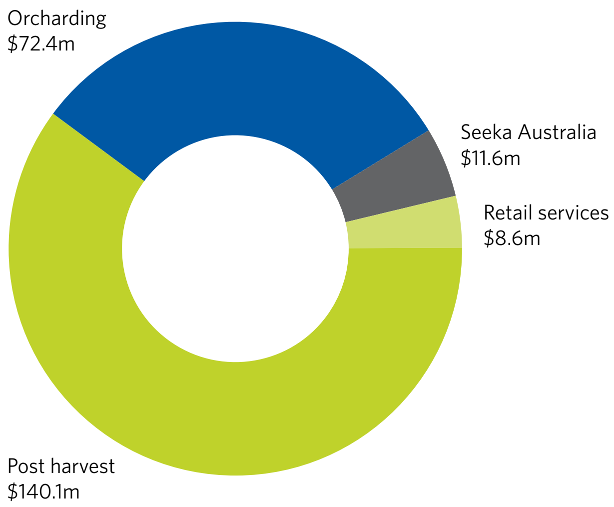
Seeka Australia

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.

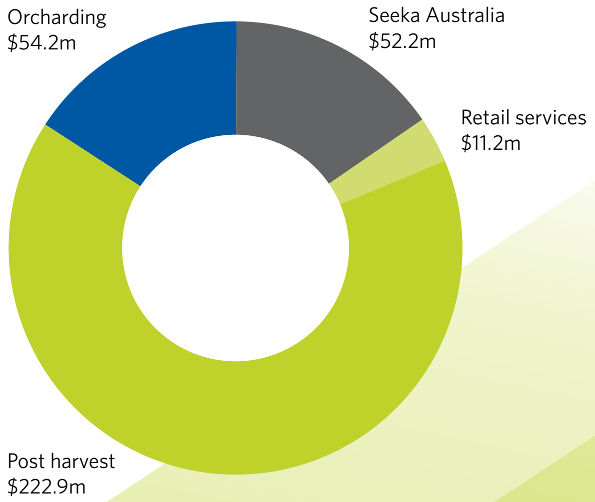
$11.6m revenue 2019

$52.2m assets 2019

Operating segment revenue 2019



Operating segment assets 2019



New Zealand orchard operations

Seeka's New Zealand orchard operations span from Northland through to the Coromandel, Bay of Plenty and East Coast, providing a comprehenseive service to owners of kiwifruit, avocado and kiwiberry orchards, including managing their orchards, vine management, orchard leasing and long-term land leases where Seeka develops and operates the orchards.

Orcharding kiwifruit volumes increased from new production associated with the Northland and Aongatete acquisitions, with the company growing 41.11m kilograms of kiwifruit (11.42m trays) compared to the prior year's 37.44m kilograms (10.68m trays). The acquired orchards helped offset the drop in Hayward yields (9,800 trays per hectare compared to 11,800 trays per hectare in 2018), caused by the hot summer which restricted fruit size and increased reject rates. Hayward yields have now fluctuated over the last three seasons.

Seeka also grew 732,000 kilograms of avocados (2018: 200,000 kgs) and 64,400 kilograms of kiwiberry (2018: 15,000 kgs).

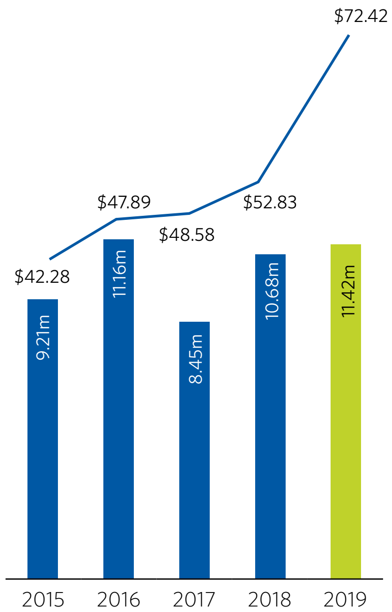
In 2019 Seeka purchased Aongatete Coolstores Limited and has now fully integrated the orchard division.

Orchard operations revenue of $72.42m is up 37% on 2018's $52.83m, while EBITDA of $4.99m compares to $4.21m in 2018. The moderate increase in EBITDA reflects the profit share mechanisms in favour of the orchard owners, alongside the primary risk.

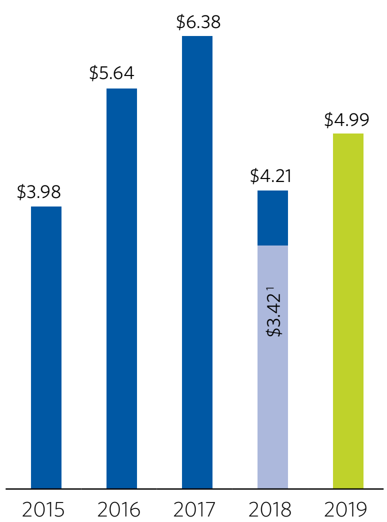
At year end orchard operations had $54.18m of assets and $34.78m of liabilities resulting in $19.39m in net assets (2018: $25.82m).

Seeka continues to invest in long term lease arrangements with $2.33m invested in 2019, on top of $2.94m invested in 2018. Income from these investments will flow from 2020 as the orchards enter production.

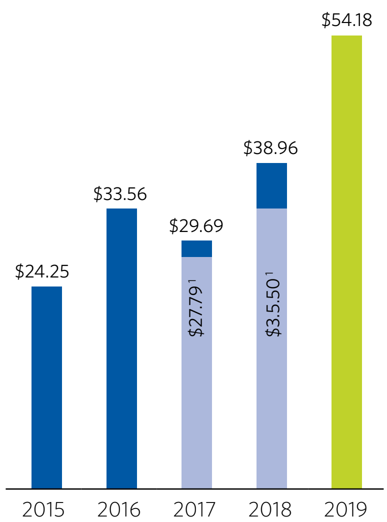
Orchard revenue and volumes
NZ$million, millions of class 1 kiwifruit trays



Orchard EBITDA
NZ$million



Orchard assets
NZ$million



1. EBITDA 2018 and orchard assets 2017 and 2018 reported pre implementation of NZ IFRS 16, with restated values in dark blue. 2015 and 2016 comparatives are pre NZ IFRS 16.

New Zealand post harvest operations

Post harvest operates eight major facilities spread throughout the major growing regions in the North Island handling all produce from our orcharding operations and from our independent growers, and packing other fruits including citrus on contract for third parties.

In the period, 33.46m trays of kiwifruit were packed (2018: 31.41m), with 3.9m trays supplied by growers associated with our new Aongatete acquisition completed 18 March.

Total post harvest volumes were impacted by the dry summer, with Hayward yields from Seeka's traditional supplying growers down 17% on the prior period. Felt across the industry, this significant drop in Hayward production reduced product flow to Seeka's post harvest operations, and tempered the positive impact Aongatete delivered to our core post harvest business.

The company had the capacity, systems and personnel to deliver a timely harvest to our grower clients. Coolstore fruit loss, a key measure of performance for our growers, was extremely low across all varieties.

Purchased immediately prior to harvest, Aongatete was integrated into the Seeka business and scale-related synergies will be delivered in 2020.

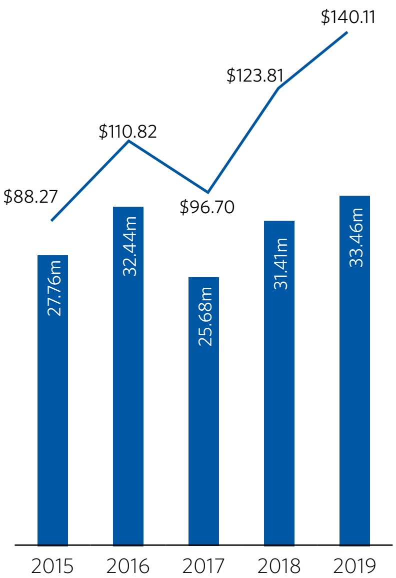
Post harvest revenue of $140.11m compared to $123.81m in 2018. Driven by higher wages, inflation and the ongoing focus on health and safety, post harvest costs are up across our industry. EBITDA of $40.98m compares with $37.16m in 2018.

New Zealand retail services operations

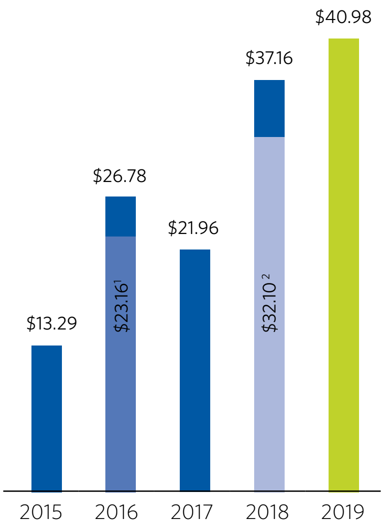
Includes the supply and sale of avocados and class 2 New Zealand kiwifruit, sale of New Zealand kiwifruit through collaborative programmes, handling of imported tropical fruits, and the production, marketing and distribution of Kiwi Crush and avocado oil.

EBITDA of $1.67m is down from 2018's $2.34m due to a reduced kiwiberry harvest (in line with lower Hayward yields), lower avocado volumes from biennial bearing, and higher supply chain costs. The retail services business has undergone a revitalisation with significant improvement in financial performance from late 2019. The growth in retail services is set to continue in 2020.

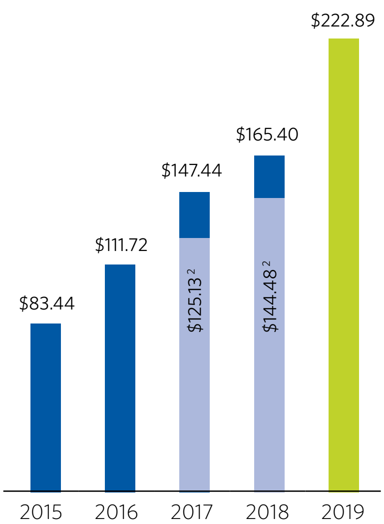
Post harvest revenue and volumes
NZ$million, millions of kiwifruit trays



Post harvest EBITDA
NZ$million



Post harvest assets
NZ$million



1. Excludes effect of 2017 insurance settlement on EBITDA.
2. EBITDA 2018 and post harvest assets 2017 and 2018 reported pre implementation of NZ IFRS 16, with restated values in dark blue. 2015 and 2016 comparatives are pre NZ IFRS 16.

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 produce to retailers.

Kiwifruit yields were again down following a very hot and dry summer which impacted fruit size; kiwifruit remain profitable, albeit at lower levels. The green nashi sales programme delivered a loss. Volumes and planted areas have been reset to match the crop to profitable market opportunities.

Seeka is positive about its Australian investment and its Australian orchard portfolio, and is confident that its proposed strategy to sell and leaseback its kiwifruit orchards will realise a gain that will be used to repay debt. This process is continuing.

Seeka continues to test the production and marketing of new kiwifruit and licenced pear varieties on its Australian orchards, with 70 hectares of kiwifruit and 26 hectares of pears in development which will add to production from 2020 onwards.

The detection of Psa in Australia did not impact our mature Hayward kiwifruit orchards and the company continues to monitor its development orchards. Seeka has licensed a Chinese Gold variety to grow on its new Australian kiwifruit development orchards.

Across all varieties Seeka is concentrating on quality and increasing financial returns.

EBITDA loss of $0.63m (2018 : $0.06m loss) was due to lower yields and an under-performing green nashi programme.

Seeka's Australian operations are an important investment in extending our geographical reach and product range and we will continue to further develop the business, including upgrading existing and developing new orchards, and investing in water to grow production. Yields per hectare and total volumes are expected to improve over the next three years as new plantings mature.

2019 volumes by variety are outlined in the following table with 2018 comparatives:

Class 1 and 2	2019 Tonnes	2019 Tray equivalents	2018 Tonnes	2018 Tray equivalents
Kiwifruit	1,797	496,523	2,570	709,893
Nashi	928		1,250	
Corella	325		414	
Packham	977		1,138	
Other pears	56		247	
Apricots	21		21	
Cherries	6		8	
Plums	62		-	
Total	4,172	496,523	5,648	709,893

Agile - preparing for challenges and seizing opportunities

Seeka has launched a series of project teams which have adopted the Agile approach. Drawing from expertise held across our business, Seeka's Agile teams are focusing on important issues to Seeka and its stakeholders. This includes Seeka's Agile Sustainability team which is helping reshape our business to the structural challenges of climate change. We are on a journey of innovation as we determine how to best deliver sustainable business practices within a fast-changing world, measure our achievements, and hold ourselves accountable for our performance to all stakeholders. Seeka's first sustainability reporting is included in this document.

The other areas of focus for Seeka's Agile teams include Safety, Innovation, Marketing, SeekaApp and Information Systems. This is a trial process with teams working to identify their goals, achievable actions and reporting mechanisms. Seeka is finding its way with Agile, and possibly not all projects will succeed, however excellent early progress is being made.

Strategic highlights

Seeka continues to enact our strategy. 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; our shareholders, growers, employees, contractors and community. Our focus is on delivering our marketers, principally Zespri, the highest-quality fruit and delivering 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 with avocado 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 continues to consolidate its position, setting its management structures and selling orchards with secure supply contracts to reset debt while pursuing operational excellence.

We have expanded our core business through the Aongatete acquisition, and secured Northland post harvest volumes while negotiating $34.55m of orchard sales, with a further $10.10m settled in February 2020. Seeka has also invested in long-term orchard relationships. Seeka continues to market its remaining Northland orchards.

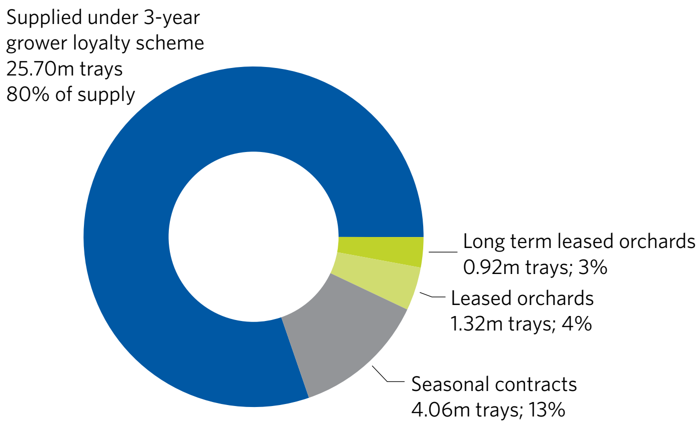
Securing supply to New Zealand post harvest

87% of the kiwifruit crop packed from harvest 2019 was secured through grower commitments.

- **3-year grower loyalty scheme**
  Secures supply from loyal growers through to harvest 2021.
- **Long term leases**
  Secures supply for the period of the lease, typically up to 25 years.
- **Lease orchards that are not participating in the grower loyalty scheme**
  Secures supply for the period of the lease, typically 3-year rolling contracts.

Post harvest volumes harvest 2019 by supply type

Class 1 trays



Seeka is working through the process of potentially selling and leasing back 105 hectares of Australian kiwifruit orchards (on 199 hectares of land) to test if the same outcomes can be obtained in Australia. The planned sale and leaseback will help accelerate growth in this key market while repaying Seeka debt.

Market conditions for Australian-grown produce are good and the fruit is of excellent quality, noting it is a completely different growing environment. Kiwifruit production in Australia is set to double in the next five years.

The company has focused on asset utilisation and capacity planning and has substantially built the infrastructure to handle volume growth over the next two seasons. It 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, including directly purchasing and syndicating Far North orchards. This has delivered a benefit to investors and new volumes and market share to Seeka.

Safety

Seeka's focus is on continuous improvement to ensure the health and safety of all personnel at all locations. All reported incidents and near misses are followed up within the company. There were three serious harm incidents in 2019, two hand injuries (packing machine drop and Bunbartha pollen mill), and a very serious incident at Oakside when a forklift driver was injured by the counterweights between two forklifts. The worker in this incident suffered significant injuries and while expected to make a full recovery, has had an extended period off work. Full traffic management reviews have taken place with corrective actions and extra barriers erected. Significant money has been invested in machine guarding, traffic barriers and traffic planning to further ensure the safety of our people, particularly near fixed plant with moving components, and from moving plant and vehicles.

At 5.0 the total recordable injury frequency rate is above the annual 4.5 threshold and ahead of the 2018 rate of 4.5. The company continues to monitor, manage and take all reasonable steps to prevent workplace injuries.

The following table shows key safety measures against annual thresholds. :

	2019 Target	2019 Actuals
Total recordable injury frequency rate	Less than 4.5	5.0
Notifiable injuries	0	3
Notifiable injuries including incidents	1	3
Severity rate	Less than 4.5	10.5

The total recordable injury frequent rate (TRIFR) measures the number of injuries per 200,000 hours worked. In total Seeka worked a total of 2.70m hours in 2019, with the number of operating hours varying with the total volumes Seeka packs and handles across all varieties and sites. 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.

The Seeka team

Seeka's people have excelled during the year. The company has purchased and integrated Aongatete. It has fully transitioned to *NZ IFRS 16 Leases* which given the number and extent of Seeka's leasing interests, is a significant feat. Operational staff have delivered excellence in harvest and fruit handling for our grower clients, helping them achieve excellent returns along with the delivery of outstanding fruit quality to the principal marketer Zespri. The SeekaFresh business has turned its financial performance around, albeit late in the year. And the Australian business has worked hard in trying conditions supported by Seeka's commercial team. Both avocado and kiwiberry growers have benefited from dedicated and focused efforts of the Seeka team.

Seeka continues to invest in its people to become the employer of choice in a tight labour market. The company has reset minimum wages to new thresholds, and comprehensively reviewed all remuneration levels to ensure Seeka people are well remunerated. Seeka continues to promote diversity across our organisation, and respect the rights of all employees and stakeholders. Our remuneration policy promotes pay equity based on performance, and we offer a range of employee-focused benefits, including health insurance, a wellness programme that supports healthy choices, and a biennial share scheme that rewards loyalty. We continue to focus on talent development including 12 cadets, with some now emerging as qualified orchard managers.

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 focused pastoral care to our overseas workers. Of our 3,000 strong seasonal workforce, Seeka recruited 970 overseas workers through the RSE scheme.

Seasonal labour continues to be a challenge, with the industry increasingly relying on overseas labour to complement the available local workforce. Backpacker labour was in short supply, adding to employment pressure. This employment environment pushed the industry to the limit. These circumstances increase the risk profile. Seeka continues to work on initiatives to attract skilled people and keep them safe.

The company has gone to significant lengths to ensure contractors and subcontractors comply with labour, health and safety legislation, and strive to achieve best practice. Seeka has a dedicated team that coaches, audits and undertakes gap analysis with our contractor and subcontractor community to ensure we achieve better than just compliant.

Summary

Seeka continues to consolidate its operations while focusing on delivering performance to our growers. The company has made excellent progress selling the Northland orchards, reducing debt and securing supply from this region, while developing a world-class post harvest facility in Kerikeri. Seeka is now pursuing a similar sale and potential leaseback strategy for orchards in Australia.

Hayward kiwifruit yields were down on last season, and this impacted our profit in 2019. Despite a number of challenges, the company is benefiting from substantial cash gains realised by the ongoing sales of our Northland orchard portfolio, which along with the acquisition of Aongatete to our core business has resulted in a pleasing result for the financial year

Seeka expects increased earnings in 2020 following this year of consolidation.

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

Fred Hutchings
Chairman

Michael Franks
Chief executive

2019 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2019 - Audited

New Zealand dollars	Notes	2019 $000s	2018 Restated $000s
Revenue	3	236,868	203,713
Cost of sales	4	189,404	157,956
Gross profit		**47,464**	**45,757**
Other income	3	4,139	1,907
Other costs	4	17,084	14,363
Earnings (EBITDA) [1]		34,519	33,301
Depreciation expense	10	10,870	8,816
Lease depreciation expense	13	5,372	4,977
Loss on revaluation of land and buildings	4	60	4
Impairment of property, plant and equipment	10	395	300
Impairment of intangible assets	11	-	946
Amortisation of intangible assets	11	265	932
Earnings (EBIT) [2]		17,557	17,326
Interest expense		4,930	4,549
Lease interest expense		2,764	2,906
Net profit before tax		**9,863**	**9,871**
Current tax expense	6	4,084	3,749
Deferred tax expense	7	(1,105)	(529)
Total tax charge		**2,979**	**3,220**
Net profit attributable to equity holders		**6,884**	**6,651**
Earnings per share for profit attributable to the ordinary equity holders of the company during the year			
Basic earnings per share	20	$0.22	$0.33
Diluted earnings per share	20	$0.22	$0.33

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.

The accompanying notes form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019 - Audited

New Zealand dollars	Notes	2019 $000s	2018 Restated $000s
Net profit for the year		6,884	6,651
Items that will not be reclassified to profit or loss, net of tax			
Gain on revaluation of land and buildings	10	3,203	2,092
Gain on revaluation of water shares	11	944	1,398
Net realised gain on revaluation of investment in shares		-	270
Total items that will not be reclassified to profit or loss		4,147	3,760
Items that may be reclassified subsequently to profit or loss, net of tax			
Movement in cash flow hedge reserve	21	(375)	(100)
Movement in foreign currency translation reserve	21	19	48
Movement in foreign currency revaluation reserve	21	(183)	(373)
Total items that may be reclassified subsequently to profit or loss		(539)	(425)
Total comprehensive income for the year attributable to equity holders		10,492	9,986

The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019 - Audited

New Zealand dollars	Notes	31 December 2019 $000s	31 December 2018 Restated $000s	1 January 2018 Restated $000s
Equity				
Share capital	18	96,773	94,406	46,195
Reserves	21	21,512	17,773	20,482
Retained earnings	21	36,659	37,071	28,591
Total equity		**154,944**	**149,250**	**95,268**
Current assets				
Cash and cash equivalents		2,849	1,340	2,389
Trade and other receivables	14	28,283	18,365	17,401
Biological assets - crop	12	18,629	17,924	16,682
Inventories	15	5,455	4,564	4,808
Irrigation water rights		846	587	151
Assets classified as held for sale	9	27,083	24,197	-
Total current assets		**83,145**	**66,977**	**41,431**
Non current assets				
Trade and other receivables	14	683	2,459	1,066
Property, plant and equipment	10	220,422	180,075	155,371
Intangible assets	11	18,686	18,166	15,152
Right-of-use lease assets	13	44,724	32,652	29,150
Investment in shares	23	586	586	7,428
Total non current assets		**285,101**	**233,938**	**208,167**
Total assets		**368,246**	**300,915**	**249,598**
Current liabilities				
Current tax liabilities	6	1,709	36	1,404
Trade and other payables	16	22,933	19,152	20,281
Lease liabilities	13	5,211	3,970	3,367
Interest bearing liabilities	17	21,854	21,039	10,827
Total current liabilities		**51,707**	**44,197**	**35,879**
Non current liabilities				
Interest bearing liabilities	17	97,778	59,361	74,683
Lease liabilities	13	45,267	32,870	29,170
Derivative financial instruments	30	790	267	128
Deferred tax liabilities	7	17,760	14,970	14,470
Total non current liabilities		**161,595**	**107,468**	**118,451**
Total liabilities		**213,302**	**151,665**	**154,330**
Net assets		**154,944**	**149,250**	**95,268**

On behalf of the Board.

F Hutchings
Chairman

A Waugh
Director

Dated: 26 February 2020

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 - Audited

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
2018 Restated											
Equity at 1 January 2018		46,195	6,082	(94)	265	(220)	99	974	13,376	28,591	95,268
Net profit		-	-	-	-	-	-	-	-	6,651	6,651
Foreign exchange movement		-	-	-	(373)	48	-	-	-	-	(325)
Other comprehensive income / (loss)		-	(5,834)	(100)	-	-	-	1,398	2,092	6,102	3,658
Total comprehensive income / (loss)		-	(5,834)	(100)	(373)	48	-	1,398	2,092	12,753	9,984
Transactions with owners											
Rights Issue	18	47,560	-	-	-	-	-	-	-	-	47,560
Shares issued	18	432	-	-	-	-	-	-	-	-	432
Employee share scheme receipts	18	219	-	-	-	-	-	-	-	-	219
Movement in employee share entitlement reserve	21	-	-	-	-	-	60	-	-	-	60
Dividends paid	22	-	-	-	-	-	-	-	-	(4,273)	(4,273)
Total transactions with owners		48,211	-	-	-	-	60	-	-	(4,273)	43,998
Equity at 31 December 2018		94,406	248	(194)	(108)	(172)	159	2,372	15,468	37,071	149,250
Net profit		-	-	-	-	-	-	-	-	6,884	6,884
Foreign exchange movement		-	-	-	(183)	19	-	9	-	(9)	(164)
Other comprehensive income / (loss)		-	-	(375)	-	-	-	944	3,203	-	3,772
Total comprehensive income / (loss)		-	-	(375)	(183)	19	-	953	3,203	6,875	10,492
Transactions with owners											
Shares issued	18	804	-	-	-	-	-	-	-	-	804
Employee share scheme receipts	18	1,563	-	-	-	-	-	-	-	-	1,563
Movement in employee share entitlement reserve	21	-	-	-	-	-	(42)	-	-	182	140
Movement in grower share entitlement reserve	21	-	-	-	-	-	412	-	-	-	412
Movement in investments in shares reserve		-	(248)	-	-	-	-	-	-	-	(248)
Dividends paid	22	-	-	-	-	-	-	-	-	(7,469)	(7,469)
Total transactions with owners		2,367	(248)	-	-	-	370	-	-	(7,287)	(4,798)
Equity at 31 December 2019		96,773	-	(569)	(291)	(153)	529	3,325	18,671	36,659	154,944

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 - Audited

New Zealand dollars	Notes	2019 $000s	2018 Restated $000s
Operating activities			
Cash was provided from:			
Receipts from customers		233,671	205,254
Interest and dividends received		217	373
Cash was disbursed to:			
Payments to suppliers and employees		(204,946)	(176,820)
Interest paid		(4,930)	(4,634)
Lease interest paid		(3,136)	(2,906)
Income taxes paid		(2,288)	(4,915)
Net cash flows from operating activities	5	**18,588**	**16,352**
Investing activities			
Cash was provided from:			
Sale of property, plant and equipment	10	905	218
Sale of investments in shares	23	-	9,375
Proceeds from sale of property held for sale	9	44,529	5,236
Repayment of advances		1,575	1,500
Cash was applied to:			
Purchase of property, plant, equipment and intangibles		(34,668)	(31,232)
Development of bearer plants		(3,906)	(6,056)
Acquisition of business		(14,000)	-
Purchase of assets held for sale and SunGold licence	9	(27,453)	(30,209)
Advances		(2,920)	(1,691)
Net cash flows (used in) investing activities		**(35,938)**	**(52,859)**
Financing activities			
Cash was provided from:			
Proceeds of non-current bank borrowings	17	59,026	19,500
Proceeds of current bank borrowings	17	51,703	42,749
Net proceeds from rights issue	18	-	47,916
Proceeds from employee share scheme		1,563	219
Cash was applied to:			
Lease payments	13	(5,070)	(4,178)
Repayment of non-current bank borrowings	17	(42,024)	(33,989)
Repayment of current bank borrowings	17	(39,750)	(32,537)
Payment of dividend to shareholders	22	(6,310)	(3,635)
Net cash flows from financing activities		**19,138**	**36,045**
Net increase / (decrease) in cash and cash equivalents		**1,788**	**(462)**
Effect of foreign exchange rates		(279)	(587)
Opening cash and cash equivalents		1,340	2,389
Closing cash and cash equivalents		**2,849**	**1,340**

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 seven 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 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-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

The consolidated financial statements for the Group have been prepared in accordance with the requirements of Part 7 of the FMC Act 2013. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (GAAP), incorporating New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-oriented entities. The Group financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements are prepared on a historical cost basis, with the exception of:

- assets held for sale at fair value (note 9)
- land and buildings at fair value (note 10)
- water shares at fair value (note 11)
- biological assets - crop at fair value (note 12)
- right-of-use lease assets and lease liabilities at present value of expected cash payments (note 13)
- financial assets and liabilities (including derivative instruments) at fair value through comprehensive income (note 30 and note 31)

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 26 February 2020.

Basis of consolidation

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets exchanged, equity instruments issued and liabilities incurred or assumed at the date the acquisition is settled. Direct acquisition costs are expensed as incurred.

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rates prevailing during the month of that transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement. The presentational currency is the New Zealand dollar (NZD).

Foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each entity's balance sheet within the Group are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each entity's income statement and statement of other comprehensive income, are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Summary of significant changes in accounting policies

The accounting policies have been applied consistently throughout the periods presented in the financial statements. A number of new and amended standards became applicable for the current reporting period and the Group changed its accounting policies to comply with the following standard:

- From 1 January 2019 the Group has retrospectively adopted *NZ IFRS 16 Leases*. All leases have been retrospectively applied from their original start date as if the standard had always applied. The comparative information for these leases has been restated and is reflected in the opening balance sheet, see note 13 for more information.

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

Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning future operational and financial performance. By definition, these assumptions may not always equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are identified in the notes below. Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Assumptions underlying management's estimates can be found in the following notes to the financial statements.

Note	Area of estimation or judgement
9. Assets held for sale	Timing and valuation
10 Property, plant and equipment	Valuation and impairment assessment
11. Intangible assets	Impairment assessment and CGU allocation
12. Biological assets - crop	Valuation
13. Leases	Discount rate and lease term
19. Business combination	Valuation on acquisition
21. Retained earnings and reserves	Valuation of share-based payments and grower loyalty share scheme

Going concern assumption

The consolidated financial statements have been prepared on a going concern basis.

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

The following amendments apply from 1 January 2020 and may lead to adjustments in Seeka's accounting policies in the future.

Amendments to NZ IAS 1 and NZ IAS 8 - Definition of material

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarifying when information is material and incorporating some of the guidance in IAS 1 about immaterial information.

Amendments to NZ IFRS 3 - Definition of a business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

Revised conceptual framework for financial reporting

The IASB has issued a revised conceptual framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

There are no other 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 insurance proceeds 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.

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 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	 Post harvest operations $000s	 Retail service operations $000s	 All other segments $000s	Australia Australian operations $000s	Group Total $000s
2019						
Income statement						
Turnover [1]	72,419	140,112	45,469	4,173	11,591	273,766
Gross segment revenue	72,976	142,761	8,573	4,173	11,591	240,074
Eliminations	(557)	(2,649)	-	-	-	(3,206)
Total segment revenue	72,419	140,112	8,573	4,173	11,591	236,868
EBITDA [2]	4,987	40,984	1,673	(12,498)	(627)	34,519
Depreciation expense [4]	(549)	(7,660)	(335)	(1,277)	(1,049)	(10,870)
Lease depreciation expense [6]	(741)	(3,860)	(205)	(530)	(36)	(5,372)
Loss on revaluation of land and buildings	-	(60)	-	-	-	(60)
Impairment of property, plant and equipment	-	-	-	-	(395)	(395)
Amortisation of intangible assets	-	-	-	(250)	(15)	(265)
EBIT [3]	3,697	29,404	1,133	(14,555)	(2,122)	17,557
Lease interest expense [6]	(336)	(1,926)	(252)	(247)	(3)	(2,764)
Interest expense [5]						(4,930)
Tax charge on profit						(2,979)
Profit / (loss) after tax	3,361	27,478	881	(14,802)	(2,125)	6,884
Balance sheet						
Segment assets	54,176	222,892	11,231	27,793	52,154	368,246
Total assets	54,176	222,892	11,231	27,793	52,154	368,246
Segment liabilities	34,782	106,350	13,136	20,952	38,082	213,302
Total liabilities	34,782	106,350	13,136	20,952	38,082	213,302
2018 Restated						
Income statement						
Turnover [1]	52,834	123,807	39,853	684	14,861	232,039
Gross segment revenue	53,067	126,652	11,527	684	14,861	206,791
Eliminations	(233)	(2,845)	-	-	-	(3,078)
Total segment revenue	52,834	123,807	11,527	684	14,861	203,713
EBITDA [2]	4,205	37,157	2,337	(10,339)	(59)	33,301
Depreciation expense [4]	(299)	(6,637)	(3)	(851)	(1,026)	(8,816)
Lease depreciation expense [6]	(628)	(3,522)	(423)	(404)	-	(4,977)
Loss on revaluation of land and buildings	-	(4)	-	-	-	(4)
Impairment of property, plant and equipment	-	-	-	-	(300)	(300)
Impairment of intangibles	-	-	(946)	-	-	(946)
Amortisation of intangibles	-	-	(731)	(184)	(17)	(932)
EBIT [3]	3,278	26,994	234	(11,778)	(1,402)	17,326
Lease interest expense [6]	(238)	(2,110)	(450)	(108)	-	(2,906)
Interest expense [5]						(4,549)
Tax charge on profit						(3,220)
Profit / (loss) after tax	3,040	24,884	(216)	(11,886)	(1,402)	6,651
Balance sheet						
Segment assets	38,961	165,398	13,311	34,043	49,202	300,915
Total assets	38,961	165,398	13,311	34,043	49,202	300,915
Segment liabilities	13,142	70,753	9,750	19,115	38,905	151,665
Total liabilities	13,142	70,753	9,750	19,115	38,905	151,665

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. Interest includes finance costs for bank debt.
6. Lease interest and lease depreciation are as a result of *NZ IFRS 16 Leases*, see note 13.

2. Turnover

The following table reconciles turnover to revenue.

New Zealand dollars	2019 $000s	2018 $000s
Turnover	273,766	232,039
Value of sales made as agent	(36,898)	(28,326)
Revenue	236,868	203,713

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	Notes	2019 $000s	2018 $000s
Total revenue		236,868	203,713
Other income			
Interest		214	23
Gain on sale of investment in shares		243	300
Gain on sale of assets held for sale	9	3,187	616
Grower share loyalty scheme	21	(412)	-
Dividends received		3	350
Net movement in fair value of irrigation water rights		904	618
Total other income		4,139	1,907
Total revenue and other income		241,007	205,620

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 adopted in January 2018.

Post harvest

The Group enters into two standardised post harvest contracts:

- The first has two performance obligations; one to collect the supply of fruit via picking and transportation, the other being maturity testing, which is provided as needed. 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 is the management contract which has one performance obligation; to manage fruit production. Revenue is recognised as the service is performed and is calculated at cost plus an agreed 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 orchard management contract 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. For this contract, Seeka is an agent and only collects a marketer's commission which is recognised when the fruit is sold.
- The second comprises storage and ripening revenue. Both contain one performance obligation; to either store or ripen the fruit. Revenue is recognised as the fruit is being stored or ripened.
- The third is customised with each supplier. The essence of the contracts remain the same with one performance obligation; to provide the product ordered. The transaction price is based on the agreed price (either in writing or verbally) and 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. Cost of sales and operating expenses

New Zealand dollars	Notes	2019 $000s	2018 Restated $000s
Operating materials and services		141,092	117,206
Direct employee benefits		49,017	41,992
(Increase) in fair value of biological assets - crop	12	(705)	(1,242)
Total cost of sales		189,404	157,956
Total other employee benefits		8,006	6,978
General administrative expenses		8,141	6,500
Audit fees paid to principal auditors - paid on a Group basis		312	295
Tax compliance and consultancy fees paid to principal auditors		150	118
Tax pooling services paid to principal auditors		22	2
Remuneration benchmarking fees		3	17
Other advisory services paid to principal auditors relating to the incorporation of Northland subsidiaries		-	3
Directors' fees and expenses		450	450
Total other costs		17,084	14,363
Depreciation expense	10	10,870	8,816
Lease depreciation expense	13	5,372	4,977
Amortisation of intangible assets	11	265	932
Impairments and revaluations			
Loss on revaluation of land and buildings		60	4
Impairment of intangible assets	11	-	946
Impairment of property, plant and equipment	10	395	300
Total impairment and revaluation		455	1,250
Interest expense		4,930	4,549
Lease interest expense	13	2,764	2,906
Total expenses		231,144	195,749

The purchase of the Aongatete business has increased cost of sales and operating expenses across the orchard, post harvest and other segments, including general administrative expenses, see note 19.

During the year the Group recognised $0.55m of costs relating to the measurement of the share schemes issued based on the Black Scholes Model (Dec 2018 - $0.06m).

Accounting policies

Operating expenses are recognised in the statement of financial performance as incurred, except where future economic benefits arise and they are recorded as a prepayment.

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables. The employee liabilities are measured at the amounts expected to be paid when settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

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

New Zealand dollars	2019 $000s	2018 Restated $000s
Net operating surplus after taxation	6,884	6,651
Add / (less) non cash items:		
Depreciation	10,870	8,816
Lease depreciation	5,372	4,977
Loss on revaluation of land and buildings	60	4
Impairment of intangible assets	-	946
Impairment of property, plant and equipment	395	300
Revaluation of employee share scheme	(44)	62
Revaluation of grower share scheme	412	-
Movement in deferred tax	(2,790)	(301)
Movement in fair value of biological assets - crop	(705)	(1,242)
Amortisation of intangible assets	265	932
	13,835	14,494
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	(3,187)	(616)
Decrease in current water allocation account	(247)	(443)
Gain on sale of investment in shares	(243)	(300)
	(3,412)	(1,359)
(Increase) / decrease in working capital:		
Increase / (decrease) in accounts payable	2,707	(2,723)
(Increase) / decrease in accounts receivable/prepayments	(343)	621
(Increase) / decrease in inventory	(3,378)	244
(Increase) / decrease in taxes due	2,295	(1,576)
	1,281	(3,434)
Net cash flow from operating activities	18,588	16,352

Accounting policies

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

6. Income tax expense

New Zealand dollars	Notes	2019 $000s	2018 Restated $000s
a. Current tax expense			
Current year		3,561	3,743
Prior period adjustment		523	6
Total current tax expense		4,084	3,749
Deferred tax expense	7		
Origination and reversal of temporary differences		(1,105)	(561)
Prior period adjustment		-	32
Total deferred tax expense		(1,105)	(529)
Total income tax expense		2,979	3,220
b. Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense		9,863	9,871
Tax at the New Zealand tax rate of 28%		3,866	3,848
Tax at the Australian tax rate of 30%		(1,183)	(932)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		276	364
Tax exempt income		(2)	(98)
Under provision in prior years - temporary differences		22	38
Income tax expense		2,979	3,220
c. Imputation credit account			
Imputation credits available for use in subsequent reporting periods		16,932	18,586

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

a. Imputation credits that will arise from the payment of the amount of the provision for income tax
b. Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
c. Imputation credits that will arise from the receipts of dividends recognised as receivables at the reporting date.

d. Current tax (liability) / receivable		2019 $000s	2018 Restated $000s
Opening balance of current tax (liability)		(36)	(1,404)
Acquisition		44	-
Adjustments for prior periods		(523)	(6)
Current year tax		(2,422)	(2,942)
Reclassify income tax as deferred tax		(1,139)	(819)
Less tax paid		2,362	5,135
Exchange differences		5	-
Current tax (liability)		(1,709)	(36)

Accounting policies

Income tax expense comprises both current and deferred tax and is recognised in the statement of financial performance.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the tax losses of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and that affects neither accounting or taxable profit. Differences relating to investments in subsidiaries and jointly controlled entities are not recognised to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at balance date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

7. Deferred tax

Deferred tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following table details the offset amounts.

New Zealand dollars	2019 $000s	2018 Restated $000s
Expected settlement:		
Within 12 months	(4,042)	(3,920)
In excess of 12 months	21,802	18,890
Total deferred tax liability	**17,760**	**14,970**
Net deferred tax liabilities:		
Opening balance	**14,970**	**14,470**
Reclassify income tax as deferred tax	(1,139)	(819)
Acquisition	2,936	393
Exchange differences	(25)	(150)
Charged to the statement of financial performance	34	241
Prior period adjustment	-	32
Charged to revaluation reserve	1,131	842
(Credited) to hedge reserve	(147)	(39)
Closing balance at end of year	**17,760**	**14,970**
The balance comprises temporary differences attributable to:		
Temporary differences on non-current assets	21,802	18,889
Current liabilities	(4,110)	(3,671)
Prepayments and accrued income	3,645	2,227
Losses reclassified as deferred tax	(3,577)	(2,475)
Total deferred tax liability	**17,760**	**14,970**

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. No amounts were recognised at balance date and there were no unrecognised tax losses (Dec 2018 - Nil).

The deferred tax liability recognised in the financial statements does not represent the tax that would be payable on the disposal of the buildings; actual tax payable is limited to the reversal of tax depreciation claimed on that asset in prior period tax returns.

8. Events occurring after balance date

Since 31 December 2019, 26 hectares of Northland orchards classified as assets held for sale (see note 9), were sold under three contracts for a combined value of $10.11m.

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

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.

9. Assets classified as held for sale

New Zealand dollars	Notes	2019 $000s	2018 $000s
Opening balance at 1 January		**24,197**	-
Additions and transfers		35,111	25,424
SunGold licence purchased		5,728	3,994
SunGold licence transferred from intangible assets	11	1,662	-
Development costs incurred		564	478
Growing costs incurred / (recovered)		(346)	686
Sales settled by third parties		(39,833)	(6,385)
Total assets held for sale		**27,083**	**24,197**

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

New Zealand dollars	2019 $000s	2018 $000s
Asset class		
Land and buildings	8,382	8,675
Property, plant and equipment	2,935	3,967
Intangible assets	8,254	3,994
Bearer plants	6,398	6,397
Biological assets - crop	1,114	1,164
Total assets held for sale	**27,083**	**24,197**

At 31 December 2019, 56 hectares of Northland orchards (Dec 2018 - 140 hectares) owned by Seeka were classified as held for sale. These properties were purchased as part of the 2018 purchase of Kerikeri assets from T&G Global Limited and business combination detailed in note 19b.

At 31 December 2019, 26 hectares had conditional sale agreements subject to subdivision. These sales went unconditional on 17 February 2020, see note 8.

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, based on independent valuations of the properties at year end as detailed in note 10.

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. The sale will be subject to a leaseback arrangement. The Group expects that substantially all of the risks and rewards associated with the assets will transfer to a buyer.

As described in note 11, all of the goodwill from the Australia CGU has been allocated 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.

The Group used a discounted cash flow analysis to estimate relative fair values. Key assumptions used include yields per hectare, based on historic actual yields adjusted for the expected effects of orchard development such as regrafting, and market returns, based on normalised historic returns which are considered a reasonable best estimate of future returns.

A discount rate of 9% and terminal growth rate of 2% were applied. No reasonably possible adjustments in these assumptions would result in a materially different allocation of goodwill.

Critical accounting estimates and judgements

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

10. 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 2018						
Cost or valuation	106,321	88,909	800	9,258	3,383	208,671
Accumulated depreciation and impairment	(2,856)	(48,550)	(379)	(1,483)	(32)	(53,300)
Net book amount	103,465	40,359	421	7,775	3,351	155,371
Year ended 31 December 2018						
Opening net book amount	103,465	40,359	421	7,775	3,351	155,371
Reclassification of asset classes	136	(14)	(122)	-	-	-
Additions and transfers	8,222	6,844	91	2,193	15,594	32,944
Depreciation recovery	-	159	-	-	-	159
Depreciation	(3,434)	(4,995)	(96)	(291)	-	(8,816)
Disposals	-	(355)	(27)	-	(7)	(389)
Impairment of property, plant and equipment	-	-	-	(108)	(192)	(300)
Revaluation	2,335	-	-	-	-	2,335
Foreign Exchange	(651)	(272)	(6)	(203)	(97)	(1,229)
Closing net book amount	110,073	41,726	261	9,366	18,649	180,075
At 1 January 2019						
Cost or valuation	116,364	95,146	736	11,223	18,868	242,337
Accumulated depreciation and impairment	(6,291)	(53,420)	(475)	(1,857)	(219)	(62,262)
Net book amount	110,073	41,726	261	9,366	18,649	180,075
Year ended 31 December 2019						
Opening net book amount	110,073	41,726	261	9,366	18,649	180,075
Additions and transfers	49,082	13,496	327	2,720	(9,565)	56,060
Depreciation recovery	-	314	-	-	-	314
Depreciation	(4,570)	(5,938)	(126)	(236)	-	(10,870)
Disposals	(232)	(865)	-	-	(49)	(1,146)
Impairment of property, plant and equipment	-	-	-	(395)	-	(395)
Revaluation	3,908	-	-	-	-	3,908
Reclassification to assets held for sale	(3,608)	(749)	-	(2,878)	-	(7,235)
Foreign exchange	(140)	(54)	(2)	(53)	(40)	(289)
Closing net book amount	154,513	47,930	460	8,524	8,995	220,422
At 31 December 2019						
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

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 31 December 2018 assets under construction related to the Oakside packhouse and coolstore and Kerikeri packhouse builds. These have now been completed and have been transferred to land and buildings. The balance at 31 December 2019 is 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.

The valuers consider four different approaches in concert to arrive at a fair value;

1. Direct replacement cost - adds the value of the land to the replacement cost of the buildings and other improvements based on the current cost of construction less depreciation based on the age of the building with an allowance for physical depreciation. Specific consideration is given to the 'optimised depreciated replacement cost' methodology.
2. Sales comparison - considers sales of other comparable properties.

3. Capitalisation of rentals - assumes a hypothetical lease of the property with a current market rental being established and capitalising this at an appropriate rate of return (8.5% – 10.5%) that would be expected by a prudent investor.
4. Discounted cash flow - a variation of the investment method whereby it takes the current market rental calculated under the investment method and forecasts net cash flows over a ten-year period. Cash flows are adjusted for expected growth in market rentals and estimated costs incurred to maintain land and buildings in operational use. This method assumes land and buildings are sold in the terminal year (year 11).

The net book value of land is $23.37m (Dec 2018 - $20.3m) and buildings is $131.14m (Dec 2018 - $89.8m), see note 29.

The following table details the gain on revaluation of land and buildings recognised in the revaluation reserve, net of tax of $3.20m (Dec 2018 - $2.09m).

New Zealand dollars	Land $000s	Buildings $000s	Total $000s
Land and buildings revaluation reserve	1,754	1,449	3,203

As a consequence of the building revaluations conducted December 2019, $3.71m (Dec 2018 - $1.66m) of accumulated depreciation was offset directly against the assets' cost or valuation, prior to revaluation.

The following table details the depreciated value of land and buildings if they were to be stated on a historical cost basis.

New Zealand dollars	2019 $000s	2018 $000s
Cost	178,030	131,658
Accumulated depreciation	(35,557)	(29,764)
Depreciated historical cost	142,473	101,894
Net book amount	154,513	110,073

Impairment of bearer plants

For the year ended 31 December 2019, the Group replaced some Australian bearer plants as a result of the Psa disease being identified on new grafts. This resulted in an impairment and the write off of the carrying value of bearer plants of $0.40m (Dec 2018 - $0.30m) which was recognised in the statement of financial performance.

Accounting policies

Bearer plants

Bearer plants are the Group's investment in kiwifruit vines, pear, avocado and other fruiting vines and trees on Group-owned and leased land. Bearer plants are stated at historical cost less depreciation. Historical cost includes all costs incurred to purchase or establish the asset.

Land and buildings

Land and buildings are shown at fair value, based on periodic, but at least triennial valuations by independent valuers, plus any subsequent improvements at cost, less depreciation. At each annual balance date, no less than one third of assets classified as land and buildings are revalued and those valuations are used to assess the appropriateness of the carrying values of all land and building assets held by the Group, which effectively revalues all land and buildings annually. Revaluations are performed more frequently if changing industry conditions may cause their carrying value to differ significantly from fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Changes in the carrying amounts arising on revaluation of land and buildings are accounted for through comprehensive income and other reserves, except where an asset's assessed fair value is less than the original cost, in which case the change is recognised in the statement of financial performance.

Property, plant and equipment

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes all costs incurred to purchase the asset.

Subsequent additions at cost are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Asset impairments are recognised in the statement of financial performance.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight line or diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The depreciation of bearer plants on leased land orchards is aligned to the term of the lease.

The estimated useful lives of assets are as follows:

– Buildings	20 - 50 years
– Machinery	10 - 20 years
– Vehicles	4 - 7 years
– Furniture, fittings and equipment	3 - 10 years
– Bearer plants:	5 - 50 years

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at balance date and an asset's carrying amount is immediately written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount, and any gain or loss is included in the statement of financial performance. When revalued assets are sold, the amounts included in the revaluation reserve in respect of those assets is transferred to retained earnings.

Critical accounting estimates and judgements

Property, plant and equipment uses estimated depreciation rates and independent valuations to set asset values. Judgement is also exercised in determining whether impairment exists, as described above.

11. Intangible assets

New Zealand dollars	Notes	Software $000s	Goodwill $000s	Water shares $000s	Supplier contract $000s	Other intangibles $000s	Total $000s
At 1 January 2018 - Restated							
Cost		2,517	9,882	6,150	1,877	-	20,426
Accumulated amortisation and impairment		(2,097)	(2,031)	-	(1,146)	-	(5,274)
Net book amount		420	7,851	6,150	731	-	15,152
Year ended 31 December 2018 - Restated							
Opening net book amount		420	7,851	6,150	731	-	15,152
Additions		583	-	-	-	1,662	2,245
Additions from business combination	19	-	1,220	-	-	-	1,220
Revaluation		-	-	1,981	-	-	1,981
Impairment		-	(946)	-	-	-	(946)
Exchange differences		(3)	(278)	(273)	-	-	(554)
Amortisation		(201)	-	-	(731)	-	(932)
Closing net book amount		799	7,847	7,858	-	1,662	18,166
At 1 January 2019							
Cost		3,097	10,824	7,858	1,877	1,662	25,318
Accumulated amortisation and impairment		(2,298)	(2,977)	-	(1,877)	-	(7,152)
Net book amount		799	7,847	7,858	-	1,662	18,166
Year ended 31 December 2019							
Opening net book amount		799	7,847	7,858	-	1,662	18,166
Additions		98	-	-	-	-	98
Additions from business combination	19	-	7,035	-	-	-	7,035
Revaluation		-	-	1,343	-	-	1,343
Exchange differences		-	(61)	(79)	-	-	(140)
Amortisation		(265)	-	-	-	-	(265)
Reclassification to assets held for sale	9	-	(5,889)	-	-	(1,662)	(7,551)
Closing net book amount		632	8,932	9,122	-	-	18,686
At 31 December 2019							
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

Other intangibles are SunGold kiwifruit licences purchased from Zespri Limited on 1 May 2018. The licences give Seeka the right to plant the SunGold kiwifruit variety and were purchased with the intention of using them on the orchards purchased in Northland that were not yet settled to Seeka's ownership as at 31 December 2018. The licences were subsequently reclassified as held for sale with the Northland orchards in 2019 once Seeka obtained the property titles, see note 9.

The amortisation period of software is four to five years.

The Group's interest in leased land was restated as a right-of-use lease asset now recognised as a result of the retrospective adoption of *NZ IFRS 16 Leases*, see note 13.

Water shares are an integral part of land and irrigation infrastructure required to grow pears, kiwifruit and other annual crops in Australia and are carried at fair value based on a valuation at 31 December 2019 prepared by Preston Rowe Paterson Shepparton, independent valuers, Shepparton, Victoria, Australia. The movement in the fair value is recognised in the statement of other comprehensive income.

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 previously-acquired Glassfields business (now named SeekaFresh) and the Kiwi Crush and Kiwi Crushies product ranges.

The recoverable amount is based on the net present value of the five-year after-tax cash flow projection, with a terminal value beyond five years. Cash flows beyond the five year period are extrapolated using estimated growth rates and discount rates stated in this note. The assumptions used for the analysis of the net present value of forecast gross margin for the cash generating unit, is determined based on past performance and the Board's expectations of future market development, plus the Group's five year financial plans.

During the year ended 31 December 2019, $7.0m of goodwill was recognised from the acquisition of Aongatete Coolstores Limited, see note 19a.

For the year ended 31 December 2018, $1.2m of goodwill was recognised from the acquisition of the Kerikeri post harvest facility, see note 19b.

Following a major customer moving to their own direct supply of bananas in 2018, the Board reassessed the useful life remaining on the intangible asset associated with the contract. The useful life was reduced from 6 years to 4 years and with no remaining term to run the supplier contract intangible asset was fully amortised at 31 December 2018. Further, the Board reviewed the latest forecasts and further impaired the carrying value of the goodwill associated with the Glassfield's banana business by $0.95m at 31 December 2018. The remaining goodwill recognised as an intangible asset on the balance sheet is $0.43m.

All the goodwill relating to the acquisition of Seeka Australia Pty Limited has been reclassified as an asset held for sale relating to the Group's strategy to sell the established kiwifruit orchards in Australia, lease them back and focus on development of kiwifruit and new pear varieties, see note 9.

All amounts recognised as goodwill at 31 December 2019 were tested for impairment at balance date and no impairment arose in the current year.

The following table details the key assumptions used for value-in-use calculations and the recoverable amount.

Goodwill	Cash generating unit within the business	Carrying amount $000s	Discount rate	Revenue growth rate 1-5 years	Terminal growth rate
2019					
Aongatete Coolstores Limited	Post harvest segment	7,035	8.0%	1% - 4% [1]	1.0%
Northland packhouse	Post harvest segment	1,220	8.0%	2% - 15% [2]	1.5%
Glassfields (now SeekaFresh)	Retail services segment	433	8.0%	3% - 13% [3]	2.0%
Kiwi Crush	Retail services segment	244	8.0%	5% [4]	5.0%
2018					
Seeka Australia Pty Limited	Australian operations	5,950	9.9%	3% - 9%	2.0%
Glassfields (now SeekaFresh)	Retail services segment	433	10.1%	4% - 5%	2.0%
Kiwi Crush	Retail services segment	244	10.9%	2% - 4%	2.0%

The following table details how water shares would be stated on the historical cost basis.

New Zealand dollars	2019 $000s	2018 Restated $000s
Cost	4,535	4,535
Amortised cost	**4,535**	**4,535**
Net book amount	**9,122**	**7,858**

1. If the revenue growth rates reduced to 0.5%-1%, there is no impairment.
2. The revenue growth rates used for the Northland packhouse reflect the expected increase in SunGold kiwifruit volumes as plantings come into production during the period being assessed. If the revenue growth rates reduced to 3%-8%, there would be an impairment of $0.4m.
3. The revenue growth used for the Glassfields (SeekaFresh) business reflects the recovery in revenue being experienced in the second half of 2019 and expected to continue during the period being assessed.
4. The revenue and terminal growth rates used for Kiwi Crush reflects improved performance over the next 5 years due to the business continuing to explore new product lines and exploring new markets.

Accounting policies

Intangible assets

Assets with a finite useful life are subject to depreciation and amortisation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite life are not subject to amortisation and are tested at least annually for impairment, with impairment losses recognised when the carrying amount exceeds the recoverable amount. When assessing impairment, assets are grouped at the lowest identifiable unit able to generate cash flow.

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally developed computer software is capitalised when it enters the development phase and includes costs incurred to develop and test the software for use. Intangible assets are amortised over their estimated useful life (typically three to five years).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets at the date of acquisition. Goodwill on a business acquisition is included in intangible assets, and on acquisition of an associate is included in investments in associates. When acquired in business combinations, the goodwill is annually tested for impairment (or more frequently if deemed prudent) and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to that business.

Supplier contracts

When an intangible asset is recognised on a supplier contract it is amortised over the life of the contract on a straight line basis. The expense is charged to the statement of financial performance.

Water shares

The Group records permanent water shares at fair value based on an independent valuation at balance date. The shares are fully tradeable and have an indefinite life and are not amortised.

Other intangibles

Other intangibles subject to amortisation are amortised over the life of the asset on a straight line basis. The expense is charged to the statement of financial performance.

Critical accounting estimates and judgements

The impairment testing of intangible assets uses estimates of revenue growth rates, discount rates and terminal growth rates as detailed above.

12. 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 29.

New Zealand dollars	2019 $000s	2018 $000s
Carrying amount at beginning of period	**17,924**	**16,682**
Crop harvested during the period		
Fair value movement from the beginning of the period to point of harvest	19,563	20,000
Fair value when harvested	(37,487)	(36,682)
Crop growing on bearer plants at end of period		
Crop where cost is deemed fair value	18,148	17,745
Crop at fair value	481	179
Carrying value at end of period	**18,629**	**17,924**

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

New Zealand dollars	2019 $000s	2018 $000s
Movement in carrying amount	756	1,491
Exchange differences	(51)	(249)
Net fair value movement in crop	**705**	**1,242**

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

New Zealand dollars	2019 $000s	2018 $000s
Australia - all varieties	4,703	5,020
New Zealand - kiwifruit crop	13,563	12,775
New Zealand - avocado crop	363	129
Carrying value at end of period	**18,629**	**17,924**

Crop where cost is deemed fair value

Kiwifruit, nashi, Packham and Corella pear crops are not considered to have achieved sufficient biological transformation at balance date and as such cost is deemed fair value, see note 29.

During the year ended 31 December 2018, $0.50m of development costs were expensed due to the effect of Psa on recently grafted crops on producing orchards in Australia (Dec 2019: Nil). This was reflected in the change in the fair value of the biological asset.

Accounting policies

Biological assets are the crops growing on bearer plants in the Group's leased and owned orchards. The method to determine fair value depends on the degree of biological transformation (the maturity of the fruit) at balance date.

When insufficient biological transformation has occurred, the fair value is the costs incurred at balance date to grow the crops (provided the costs are considered recoverable). When costs are not considered recoverable they are expensed in the statement of financial performance.

When sufficient biological transformation has occurred, fair value is the estimated net market return less selling cost and costs to market.

The estimated market return less selling cost is established by reference to current and expected sales returns when available. When market data is not available an assessment is made based on historical data.

Critical accounting estimates and judgements

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

13. Leases

As a result of the adoption of NZ IFRS 16 from 1 January 2019, the Group is required to report all leases on the balance sheet, with the exception of low value leases or leases less than 12 months. The Group has elected to adopt the standard fully retrospectively, which means prior year numbers have been restated as if the standard had always applied. A full reconciliation pre and post NZ IFRS 16 implementation is shown in this note.

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

New Zealand dollars	2019 $000s	2018 Restated $000s
Right-of-use lease assets		
Land and buildings	27,168	25,339
Orchard leases	12,274	2,867
Equipment	3,182	2,362
Motor vehicles	2,100	2,084
Total right-of-use lease assets	44,724	32,652
The movements for the year are as follows:		
Right-of-use lease asset movements		
Opening balance	32,652	29,150
Additions	17,444	8,479
Depreciation	(5,372)	(4,977)
Closing balance	44,724	32,652

New Zealand dollars	2019 $000s	2018 Restated $000s
Lease liabilities		
Current	5,211	3,970
Non-current	45,267	32,870
Total lease liabilities	50,478	36,840
The liabilities are classified as follows:		
Lease liabilities		
Land and buildings	31,462	29,187
Orchard leases	13,847	3,157
Equipment	2,990	2,412
Motor vehicles	2,129	2,084
Total lease liabilities	50,478	36,840
The movements for the year are as follows:		
Lease liability movements		
Opening balance	36,840	32,537
Additions	18,708	8,481
Reduction in liability	(5,070)	(4,178)
Closing balance	50,478	36,840

Additions

On 30 September 2019, the Group entered into the sale and leaseback transaction for an orchard in Northland previously recognised as an asset held for sale. As part of the sale the Group signed 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.

Accounting policies

Under the new lease standard the Group has recognised lease liabilities which were previously classified as 'operating lease payments' under the old standard *NZ IAS 17 Leases*. The lease liability is measured as the present value of the remaining lease payments, including any renewal periods that are likely to be exercised, discounted using the Group's incremental borrowing rate which ranges between 5% and 10%. The discount rate is based on the Group's incremental borrowing rate, being the rate the Group would borrow the funds required to purchase the asset. When determining the discount rate, Seeka considers that the right-of-use lease asset should not be greater than the fair value of the underlying asset being leased.

The Group's right-of-use lease asset is equal to the lease liability on the day of lease inception, with the exception of sale and leaseback transactions where the asset is measured as the proportion of the carrying value of the asset sold of which the benefit is retained by the Group. The right-of-use lease asset is depreciated on a straight line basis over the period of the lease. Costs incurred with a lease that are not part of the cost of the right-of-use lease asset are expensed.

All leases have been classified into one of the following asset classes:

- Land and building - leases for rental of all properties, including packhouses and coolstores
- Orchard - leases held for the development of productive orchards
- Equipment - leases for equipment, including plant equipment and forklifts
- Motor vehicles - three year leases for motor vehicles

The Group leases various properties for the packing and cooling of kiwifruit, orchard leases to grow kiwifruit and avocados, and equipment and vehicle leases. The terms of the leases vary, with land and building leases ranging from 10 - 15 years, with one 99 year lease. Orchard leases range from 5 - 15 years, and equipment and vehicle leases range from 1 - 3 years.

Contracts may contain both lease and non-lease components. In the case of orchard leases, only the fixed rental is recognised as a lease liability. Any variable consideration relating to profit share on the orchard leases is not accounted for as the profit share is only determined after a crop has been harvested and is not identifiable at the commencement of the lease. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interest in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group is exposed to potential future increases in land and building lease payments based on contractual market rent reviews that are not included in the lease liability until the rent review takes place.

Lease payments are allocated between principal and lease interest. The lease interest is charged to the statement of financial performance over the term of the lease.

Impact of adoption of NZ IFRS 16

The Group has adopted NZ IFRS 16 fully retrospectively. All numbers in the financial statements have been restated to reflect the standard as if it has always applied. The leases the Group recognises under NZ IFRS 16 were previously recognised as operating leases under NZ IAS 17 and were previously disclosed as a commitment in the notes to the financial statements. These operating leases are now restated as right-of-use lease assets and lease liabilities. The Group also restated one intangible asset, being the lease interest in land, which is now incorporated into the right-of-use lease asset, so has been removed from the opening balance on restatement. The opening adjustment to recognise the right-of-use lease asset and lease liability has been recognised in retained earnings, net of the deferred tax impact.

The following table details the impact of the adoption of NZ IFRS 16 on the statement of financial position.

New Zealand dollars	31 Dec 2019 NZ IAS 17 $000s	NZ IFRS 16 adjustment $000s	31 Dec 2019 as presented $000s	31 Dec 2018 NZ IAS 17 $000s	NZ IFRS 16 adjustment $000s	31 Dec 2018 as restated $000s
Equity	**96,773**	-	**96,773**	**94,406**	-	**94,406**
Reserves	21,512	-	21,512	18,747	(974)	17,773
Retained earnings	41,948	(5,289)	36,659	40,223	(3,152)	37,071
Total equity	**160,233**	(5,289)	**154,944**	**153,376**	(4,126)	**149,250**
Total current assets	**83,145**	-	**83,145**	**66,977**	-	**66,977**
Non current assets	221,691	-	221,691	183,120	-	183,120
Intangible assets	18,686	-	18,686	19,709	(1,543)	18,166
Right-of-use lease assets	-	44,724	44,724	-	32,652	32,652
Total non current assets	**240,377**	44,724	**285,101**	**202,829**	31,109	**233,938**
Total assets	**323,522**	44,724	**368,246**	**269,806**	31,109	**300,915**
Current liabilities	46,496	-	46,496	40,227	-	40,227
Lease liabilities	-	5,211	5,211	-	3,970	3,970
Total current liabilities	**46,496**	5,211	**51,707**	**40,227**	3,970	**44,197**
Non current liabilities	98,568	-	98,568	59,628	-	59,628
Deferred tax	18,225	(465)	17,760	16,575	(1,605)	14,970
Lease liabilities	-	45,267	45,267	-	32,870	32,870
Total non current	**116,793**	44,802	**161,595**	**76,203**	31,265	**107,468**
Total liabilities	**163,289**	50,013	**213,302**	**116,430**	35,235	**151,665**
Net assets	**160,233**	(5,289)	**154,944**	**153,376**	(4,126)	**149,250**

Seeka

The following table details the impact of the adoption of NZ IFRS 16 on equity and the statement of financial position as at 1 January 2018.

New Zealand dollars	1 Jan 2018 NZ IAS 17 $000s	NZ IFRS 16 adjustment $000s	1 Jan 2018 as restated $000s
Equity	98,625	(3,357)	95,268
Non current assets	163,865	-	163,865
Intangible assets	16,727	(1,575)	15,152
Right-of-use lease assets	-	29,150	29,150
Total assets	**222,023**	**27,575**	**249,598**
Current liabilities	32,512	-	32,512
Lease liabilities	-	3,367	3,367
Non current liabilities	74,811	-	74,811
Deferred tax	16,075	(1,605)	14,470
Lease liabilities	-	29,170	29,170
Total liabilities	**123,398**	**30,932**	**154,330**

The following table details the impact of the adoption of NZ IFRS 16 on the statement of financial performance.

New Zealand dollars	31 Dec 2019 IAS 17 $000s	IFRS 16 adjustment $000s	31 Dec 2019 as presented $000s	31 Dec 2018 IAS 17 $000s	IFRS 16 adjustment $000s	31 Dec 2018 as restated $000s
Revenue	238,168	(1,300)	236,868	203,713	-	203,713
Cost of sales	197,610	(8,206)	189,404	165,040	(7,084)	157,956
Gross profit	**40,558**	**6,906**	**47,464**	**38,673**	**7,084**	**45,757**
EBITDA	**27,613**	**6,906**	**34,519**	**26,217**	**7,084**	**33,301**
Lease depreciation expense	-	5,372	5,372	-	4,977	4,977
Lease interest expense	-	2,764	2,764	-	2,906	2,906
Amortisation of intangible assets	265	-	265	964	(32)	932
Net profit after tax	**8,114**	**(1,230)**	**6,884**	**7,418**	**(767)**	**6,651**

The following table details the impact of the adoption of NZ IFRS 16 on the statement of cash flows.

New Zealand dollars	31 Dec 2019 IAS 17 $000s	IFRS 16 adjustment $000s	31 Dec 2019 as presented $000s	31 Dec 2018 IAS 17 $000s	IFRS 16 adjustment $000s	31 Dec 2018 as restated $000s
Payments to suppliers and employees	(213,152)	8,206	(204,946)	(183,904)	7,084	(176,820)
Lease interest paid	(372)	(2,764)	(3,136)	-	(2,906)	(2,906)
Net cash flows from operating activities	**13,146**	**5,442**	**18,588**	**12,174**	**4,178**	**16,352**

	New Zealand				Australia	Group
New Zealand dollars	Orchard operations $000s	Post harvest operations $000s	Retail service operations $000s	All other segments $000s	Australian operations $000s	Total $000s
2019 - EBITDA under NZ IAS 17	3,627	35,114	1,265	(11,731)	(662)	27,613
Capitalised lease costs	1,360	5,870	408	533	35	8,206
Gain on sale and lease back	-	-	-	(1,300)	-	(1,300)
EBITDA after applying NZ IFRS 16	4,987	40,984	1,673	(12,498)	(627)	34,519
2018 - EBITDA under NZ IAS 17	3,416	32,095	1,632	(10,867)	(59)	26,217
Capitalised lease costs	789	5,062	705	528	-	7,084
EBITDA after applying NZ IFRS 16	4,205	37,157	2,337	(10,339)	(59)	33,301

Critical accounting estimates and judgements

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.

14. Trade and other receivables

New Zealand dollars	2019 $000s	2018 $000s
Current trade receivables (net of provision for doubtful debts)	12,035	9,149
Prepayments	1,347	1,115
Prepaid deposits	1,827	-
GST refund due	502	495
Accrued income and other sundry receivables	7,622	5,826
Other receivables	4,950	1,780
Current trade and other receivables	**28,283**	**18,365**
Non current trade receivables	683	1,059
Non current prepaid deposits	-	1,400
Non current trade and other receivables	**683**	**2,459**
Total receivables	**28,966**	**20,824**

Other receivables is $4.95m for the settlement of an orchard (Dec 2018 - $1.8m). December 2019 prepaid deposits includes $1.8m for avocado trees not yet received. These were classed as non current prepaid deposits in December 2018 and are now receivable within the next 12 months (Dec 2018 - $1.4m).

Accrued income and other sundry receivables include income to be received from orcharding operations over leased and owned orchards relating to 481 hectares (Dec 2018 - 442 hectares).

Within current trade receivables, $2.13m are past due (Dec 2018 - $1.12m), of which 2.6% are more than 90 days (Dec 2018 - 2.0%). Non-current trade receivables are considered recoverable and relate to debtors secured against crop supply commitments with repayment terms of up to five years.

The purchase of Aongatete Coolstores Limited has increased debtors and accrued income by a combined $0.78m (Dec 2018 - Nil).

A $0.13m provision for doubtful debts was recognised in the accounts (Dec 2018 - $0.51m).

Accounting policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis including debts past due, but not considered impaired. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established based on the expected default rates over the balance of trade receivables. See note 28 for calculation details.

15. Inventories

New Zealand dollars	2019 $000s	2018 $000s
Total packaging at cost	3,212	2,989
Other inventories at cost	2,243	1,575
Total inventories	**5,455**	**4,564**

In the current year, $28.89m (Dec 2018 - $27.56m) of packaging inventory costs were expensed to cost of sales in the statement of financial performance.

Accounting policies

Raw materials, work in progress, finished goods and produce are stated at the lower of cost or net realisable value. Cost comprises direct materials and direct labour, and are assigned to individual items of inventory on the basis of weighted average cost. Net realisable value is the estimated selling price less estimated costs of completion and sales costs.

16. Trade and other payables

New Zealand dollars	2019 $000s	2018 $000s
Trade payables	6,935	4,931
Accrued expenses	11,062	9,239
Employee expenses	4,437	4,869
Other payables	499	113
Total trade and other payables	22,933	19,152

Trade payables include $1.1m for capital works in progress (Dec 2018 - $1.6m).

Accrued expenses include costs to be incurred from orcharding operations over leased and owned orchards totalling 481 hectares (Dec 2018 - 442 hectares). Accrued expenses also include costs relating to the retail service segment and the export and domestic sale of avocado.

Accounting policies

Trade payables are recognised initially at fair value (the invoiced amount). If the Group has been provided with extended terms of trade, they are then recognised at amortised cost using the effective interest method.

Funding

This section focuses on how the Group manages its capital structure to protect shareholder value while funding operations that deliver benefits to stakeholders and grow shareholder returns.

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.

17. Interest bearing liabilities

New Zealand dollars	2019 $000s	2018 $000s
Current secured		
Bank borrowings	21,854	21,039
Total current interest bearing liabilities	**21,854**	**21,039**
Non current secured		
Non current portion of term liabilities	97,778	59,361
Total non-current interest bearing liabilities	**97,778**	**59,361**
Analysis of movements in borrowings:		
At 1 January	80,400	85,510
Cash flow - additional borrowings	121,184	62,249
Cash flow - repayment of borrowings	(81,774)	(66,526)
Exchange differences	(178)	(833)
At 31 December	**119,632**	**80,400**

The Group's total facilities of $139.6m (Dec 2018 - $142.12m) comprise multi-option credit facilities of $67.5m (Dec 2018 - $61.5m) of which $47.6m has been drawn, and term loans of $72.1m (Dec 2018 - $80.6m).

The Board has assessed the fair value of the term loans as the outstanding balance at balance date.

The Group's bank facilities are held with Westpac and Rabobank and it is expected that all facilities will be refinanced when they become due for review in the normal course of business.

The following table details the amounts of the term loans drawn down at balance date and their maturities.

	Banker	Balance due $000s	Interest rate	Maturity
Term loans as at 31 December 2019				
AUD $17m	Westpac	17,677	3.02%	31 December 2021
AUD $10m	Westpac	10,334	4.15%	30 September 2021
NZD $31.5m	Westpac	31,500	2.75%	31 December 2021
NZD $12m	Westpac	12,000	3.39%	31 March 2022
NZD $10m	Westpac	10,000	3.28%	31 March 2022
NZD $9m	Westpac	9,000	3.39%	31 March 2022
NZD $6.4m	Rabobank	6,405	3.24%	31 January 2021
NZD $0.9m	Rabobank	862	3.24%	26 February 2021
Term loans as at 31 December 2018				
AUD $17m	Westpac	17,857	4.19%	30 September 2021
AUD $10m	Westpac	10,504	4.15%	30 September 2021
NZD $12m	Westpac	12,302	4.27%	31 October 2019
NZD $12m	Westpac	12,000	4.07%	30 April 2020
NZD $10m	Westpac	10,000	3.96%	30 September 2021
NZD $9m	Westpac	9,000	3.96%	30 September 2021

All of the Group's term loans are on interest-only repayment terms, with the exception of the $6.4m Rabobank loan, which requires a $0.5m annual payment of principal.

Assets pledged as security

Bank loans and overdrafts are secured by first mortgages over the Group's freehold land and buildings. The Group's policy is to protect the term portion of the loans from exposure to changing interest rates via the use of derivatives, see note 30.

Accounting policies

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

When it is probable that part or the entire loan will be drawn down, any loan facility establishment fee paid is recognised as a loan transaction cost. When the loan will probably remain undrawn, any loan fee paid is capitalised as a pre-payment for liquidity services and amortised over the period of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

18. Share capital

Shares	2019 Shares	2018 Shares
Authorised and issued share capital		
Ordinary shares - fully paid and no par value:		
Opening balance	**29,317,470**	**17,521,279**
Shares issued under:		
Rights Issue	-	11,726,988
Dividend reinvestment programme	168,526	69,203
Grower loyalty share scheme	2,061,803	-
Employee share scheme	568,000	-
Total shares issued	**32,115,799**	**29,317,470**
Ordinary shares - classified as follows:		
Held by ordinary shareholders	29,366,922	28,826,954
Held by Seeka Share Trustee Limited	2,748,877	490,516
Total shares issued	**32,115,799**	**29,317,470**

New Zealand dollars	2019 $000s	2018 $000s
Movements in ordinary paid up share capital:		
Opening balance of ordinary shares	**96,112**	**47,811**
Issues of ordinary shares during the year	804	432
Rights issue	-	49,840
Less transaction costs arising on rights issue	-	(1,971)
Grower loyalty share scheme issue	9,814	-
Employee share scheme issue	2,704	-
Closing balance of ordinary share capital	**109,434**	**96,112**
Movements in treasury share capital:		
Opening balance of ordinary shares	**1,706**	**1,616**
Employee share scheme receipts - 2016 issue	(1,231)	(219)
Grower loyalty share scheme issue of new shares	9,814	-
Grower loyalty share scheme receipts - 2019 issue	(231)	-
Employee share scheme issue of new shares	2,704	309
Employee share scheme receipts - 2019 issue	(101)	-
Closing balance of shares held as treasury capital	**12,661**	**1,706**
Net share capital	**96,773**	**94,406**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of fully paid shares held.

The 2016 employee share scheme issue vested on 20 May 2019, see note 21.

Grower loyalty share scheme

On 15 March 2019, the Group invited eligible growers of kiwifruit, avocado and kiwiberry to participate in a three-year grower loyalty share scheme, whereby each participant would be allocated a parcel of shares based on their orchard's current or forecast production. This issue of up to 2.6m shares was approved by shareholders on 14 February 2019.

In April 2019, 2,061,803 shares were issued to the scheme's trustees on behalf of 405 participating growers. The issue price of $4.76 per share was funded by the Group making a $9.8m non-interest-bearing loan to the trustees. Upon meeting the terms of the scheme by supplying all product from the participating orchards for three consecutive seasons, participating growers can elect to pay the outstanding balance of their loans, less any dividend payments made on the shares, and have the shares transferred to them.

Employee share scheme

On 15 March 2019, the Group invited eligible employees to participate in a five-year employee share scheme, whereby each participant would be allocated a parcel of shares based on their role in the business. In April 2019, 568,000 shares were issued to the scheme's trustees on behalf of 319 participating employees. The issue price of $4.76 per share was funded by the Group making a $2.7m non-interest-bearing loan to the trustees. Upon meeting the terms of the scheme by continuing employment for three consecutive years, participating employees can elect to pay the outstanding balance of their loans, less any dividend payments made on the shares, and have the shares transferred to them.

Accounting policies

Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

19. Business combination

a. Purchase of shares in Aongatete Coolstores Limited

During the year 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	2019 $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 10.

b. Purchase of Kerikeri assets from T&G Global Limited

During the period ended 31 December 2018, the Group purchased Kerikeri-based kiwifruit orchards, packhouse facilities and related assets and liabilities representing the kiwifruit business previously owned by T&G Global Limited. The transaction was completed in two stages. The first stage was the purchase of the packhouse facilities and related assets on 30 April 2018. The second stage was the purchase of the orchards from 30 June 2018. One orchard remained subject to subdivision at 31 December 2018 and was settled in June 2019. This orchard remained at the risk of T&G Global Limited until the relevant individual titles were issued.

New Zealand dollars	2018 $000s
Stage 1 - 30 April 2018	
Land and buildings	6,603
Property, plant and equipment	775
Inventory	553
Zespri shares	1,975
Prepayments	1
Employee benefits balance	(264)
Deferred tax	(393)
Goodwill	1,220
Total purchase consideration	**10,470**
Stage 2 - 30 June 2018	
Orchards purchased - settled in 2018	21,840
Orchards purchased - settled in 2019	9,773
Total purchase consideration	**31,613**
Total business combination	**42,083**

The goodwill was allocated to the post harvest and orchard segments and is attributable to the post harvest operation's strong position and profitability in the Northland market and synergies expected to arise from adding the packhouse 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 $0.41m were included in administrative expenses.

Seeka purchased the Northland orchards with the intention to market them for sale with supply commitments for fruit packing to Seeka. Seeka is focussed on refurbishing and operating the post harvest facility as part of its post harvest business operations. See note 9 for details.

Critical accounting estimates and judgements

Business combination requires the use of estimates to determine the fair value of the acquisition's assets and liabilities at the date of acquisition.

20. Earnings and net tangible assets per share

	2019	2018 Restated
Basic earnings per share		
Profit attributable to equity holders of the Company ($000s)	6,884	6,651
Weighted average number of ordinary shares in issue (thousands)	31,326	19,901
Basic earnings per share	$0.22	$0.33
Diluted earnings per share		
Profit attributable to equity holders of the Company ($000s)	6,884	6,651
Weighted average number of ordinary shares in issue plus dilutive employee share scheme (thousands)	31,346	20,391
Diluted earnings per share	$0.22	$0.33
Net tangible assets per share		
Net tangible assets ($000s)	146,012	141,403
Total ordinary shares issued at the end of the period (thousands)	32,116	29,317
Net tangible assets per share	$4.55	$4.82

The calculations for 2018 earnings and net tangible assets per share were adjusted for the November 2018 rights issue. As a result of the capital raise, a bonus element is applied to the calculation of the weighted average number of ordinary shares.

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Net tangible asset per share

Net tangible asset per share is calculated by dividing the Group's net assets less goodwill by the total shares on issue at the end of the period.

21. Retained earnings and reserves

New Zealand dollars	2019 $000s	2018 Restated $000s
Reserves		
Cash flow hedge reserve	(569)	(194)
Investment in shares revaluation reserve	-	248
Water share revaluation reserve	3,325	2,372
Land and buildings revaluation reserve	18,671	15,468
Foreign currency translation reserve	(153)	(172)
Foreign currency revaluation reserve	(291)	(108)
Share reserve	529	159
Total reserves	21,512	17,773

The cash flow hedge reserve is used to record increases and decreases on the revaluation of derivative financial instruments.

The investment in shares reserve is used to record increases and decreases on the revaluation of Seeka's investment in shares.

The land and buildings revaluation reserve is used to record increments and decrements on the revaluation of land and buildings.

The foreign currency translation reserve is used to record foreign currency translation differences on the translation of the Group entities results and financial position. The amounts are accumulated in other comprehensive income and recognised in profit and loss when the foreign operation is partially disposed of or sold.

The foreign currency revaluation reserve is used to record unrealised gains and losses on the Group's assets and liabilities held in foreign currencies.

The share reserve is used to record the value of option benefits recognised on the Group's grower loyalty and employee share schemes as detailed in this note.

Retained earnings

The following table details movements in retained earnings.

New Zealand dollars	2019 $000s	2018 Restated $000s
Balance at 1 January	37,071	28,591
Net profit for the year	6,884	6,651
Dividends paid	(7,469)	(4,273)
Release of employee share-based payments	182	-
Foreign exchange movement	(9)	-
Realisation of investment in shares reserve	-	6,102
Balance at 31 December	36,659	37,071

Share reserve

The Group operates two equity-settled, share-based incentive plans:

- An equity-settled, share-based compensation plan for employees. Shares are periodically issued under this plan.
- An equity-settled, grower loyalty share scheme approved by shareholders on 14 February 2019.

The employee share scheme is managed by a trust deed established September 2014. The grower loyalty share scheme is managed by a trust deed established 15 March 2019. The trustee for both trusts is 'Seeka Share Trustee Limited', whose directors are also directors of Seeka.

Employee share scheme

Under the employee share scheme, shares are issued to an employee share trust in return for a debt back to the Company. Qualifying employees are eligible to subscribe to shares held by the trust under the terms of the scheme with the shares to vest at the end of three years. The option benefit is recognised as a share-based payment expense and recorded as an expense over the vesting period. At the end of the vesting period the employee has an option to settle any outstanding debt on their shares and have the shares transferred to them.

At the date the shares vest the employee can elect to extend the repayment period by two years with interest charged and the shares held by the trust as security and only transferred when the debt is fully repaid. Alternatively at the date the shares vest the employee can elect that the shares do not vest to them and any outstanding debt will be forgiven and the shares sold by the trustees. The proceeds from the shares that vest or from the sale of shares is used to repay the debt owed to the Company.

The following table details movement in the share reserve relating to the employee share scheme.

New Zealand dollars	2019 $000s	2018 $000s
Balance at 1 January	159	99
Transfer to retained earnings	(182)	-
Movement in employee share entitlement reserve	140	60
Balance 31 December	117	159

At balance date the number of shares in respect of which options have been granted to employees and remain outstanding under the scheme was 687,074 (Dec 2018 - 490,516), representing 2.14% (Dec 2018 - 1.67%) of the shares of the Company on issue at that date.

Grower loyalty share scheme

Under the grower loyalty share schemes shares are issued to a share trust in return for a debt owned back to the Company. Qualifying supplying growers were eligible to subscribe to shares held by the trust under the terms of the offer agreements dated 15 March 2019 and 22 March 2019. Shares vest after the grower supplies the Company their kiwifruit and avocado crops for the three harvests through to 31 March 2022. The option benefit is recognised as a discount against revenue over the vesting period. At the end of the vesting period the grower has an option to settle any outstanding debt on the shares and have the shares transferred to them. Alternatively the grower can elect not to have the shares transferred to them and any outstanding debt will be forgiven and the shares sold by the trustee. The proceeds from the shares that vest or from the sale of shares is used to repay the debt owed to the Company.

The following table details movement in the share reserve relating to the grower loyalty share scheme.

New Zealand dollars	2019 $000s	2018 $000s
Balance at 1 January	-	-
Transfer to retained earnings	-	-
Movement in grower share entitlement reserve	412	-
Balance 31 December	412	-

At balance date the number of shares in respect of which options have been granted to growers and remain outstanding under the scheme was 2,061,803 (Dec 2018 - Nil), representing 6.42% (Dec 2018 - Nil) of the shares of the Company on issue at that date.

The following table details the closing value of the share reserve.

New Zealand dollars	2019 $000s	2018 $000s
Balance related to employee share entitlement reserve	117	159
Balance related to grower share entitlement reserve	412	-
Balance 31 December	529	159

For both schemes the shares are issued fully paid in exchange for a loan to the share scheme trust of behalf of scheme members.

The shares held by the trustee on behalf of employees and growers carry the same voting rights as other issued ordinary shares with votes only able to be made via the trustees. The trustees are not able to vote, other than at the direction of the individual member employees and growers. While monies are owed on the shares they remain with the trustee.

The options element of the schemes are valued using the Black Scholes pricing model on the grant date, which is the date the shares are first issued to the trust. Volatility is forecasted into the model.

The following table details inputs to the Black Scholes pricing model, used to value the cost of the share schemes to the Group.

Inputs into the model

Issue date	4 April 2019	10 April 2019	20 May 2016
Shares issued			
Grower loyalty share scheme	1,923,550	138,253	-
Employee share scheme	505,000	63,000	398,100
Total shares issued	**2,428,550**	**201,253**	**398,100**
Grant date share price	$4.78	$5.05	$3.88
Exercise price	$4.76	$4.76	$3.88
Expected life (interest free loan period)	3 years	3 years	3 years
Maximum loan period - Grower loyalty share scheme	3 years	3 years	5 years
Maximum loan period - Employee share scheme	5 years[1]	5 years[1]	
Time to vest	3 years	3 years	3 years
Expected volatility (% per year)	19.33%	19.33%	10.00%
Risk-free interest rate	2.18%	2.18%	3.14%
Value of option	$0.79	$0.97	$0.47

1. Interest charged after three years.

The following table details movements of options granted under the current active scheme.

Grant date	Expiry date	Fair value at grant date	Exercise price	1 January shares	Issued shares	Relinquished shares	Exercised shares	31 December shares
4 April 2019	4 April 2022	$0.79	$4.76	-	2,428,550	-	-	2,428,550
10 April 2019	10 April 2022	$0.97	$4.76	-	201,253	-	(8,000)	193,253
Weighted average exercise price at balance date								$4.65
Weighted average contractual life (years)								2.75

Grant date	Expiry date	Fair value at grant date	Exercise price	1 January shares	Issued shares	Relinquished shares	Exercised shares	31 December shares
20 May 2016	20 May 2019	$0.47	$3.88	414,716	-	(26,432)	(261,210)	127,074
Weighted average exercise price at balance date				$3.95				$2.44
Weighted average contractual life (years)				2.67				1.67

During the year no shares were issued under a rights issue for shares held in the employee share scheme (Dec 2018 - 72,716 shares).

Critical accounting estimates and judgements

The values of the employee share scheme and grower loyalty share scheme require estimates to be made of expected price volatility and the risk free rate as detailed in this note.

Accounting policies

The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the statement of financial performance with a corresponding increase in the share reserve. For the Grower Loyalty Share Scheme (GLSS), the fair value of the grower loyalty received in exchange for the grant of the option is recognised as a discount against revenue in the statement of financial performance with a corresponding increase in share reserve. The fair value is determined by reference to the fair value of the options granted, calculated using the Black Scholes pricing model, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

When the shares vest, the amount of the reserve relating to those shares is transferred to retained earnings.

Employee share scheme shares may be issued at the Board's discretion at a price set by the Board based on the Volume Weighted Average Price (VWAP) calculation of the Company's shares during the period prior to issue. The Employee Share Scheme (ESS) cannot be issued with further shares if that issue would result in the ESS having an interest of more than 5% of the Company's issued capital.

Shares are issued fully paid in exchange for a loan to the share scheme trust. Dividends paid on the shares are applied towards repaying the debt between ESS and GLSS and the Group on behalf of the employee.

Proceeds received along with any employee contributions are credited to share capital when payment for the shares is received.

The ESS and GLSS have a non-beneficial interest in all the shares allocated to employees and growers. Annually the Group reviews the ESS scheme and decides upon the allocation of further shares and the price at which those shares will be issued to the ESS. Trustees of ESS and GLSS are appointed for an unspecified term and may be removed by the Company at any time.

Shares held by ESS and GLSS carry the same voting rights as other issued ordinary shares.

22. Dividends

Dividends paid		2019 $000s	2018 $000s	2019 Per share	2018 Per share
Interim dividend	Current year	3,897	2,155	$0.12	$0.12
Final dividend	Prior year	3,572	2,118	$0.12	$0.12
Total dividend paid		7,469	4,273		

The dividends are imputed to the fullest extent allowable in the tax year. The total dividend paid includes the non-cash amounts for the dividend reinvestment plan. Cash dividend payment was $6.31m (Dec 2018: $3.64m).

On 25 February 2020, the directors declared a fully-imputed dividend of $0.12 per share. The dividend comprises a normal dividend of $0.08 per share (following Board policy on a pre NZ IFRS 16 basis) and a special dividend of $0.04 cents per share following the completion of property sales negotiated in 2019 and completed in 2020.

The dividend is fully imputed and will be paid on 17 April 2020 to those shareholders on the register at 5pm on 20 March 2020. The dividend reinvestment plan will apply with a 2% discount to the strike price. This dividend will bring the total dividends distributed in the last 12 months to $0.24 (prior twelve months $0.24).

Accounting policies

Provision is made for the amount of any dividend declared on or before the end of the period but not distributed at balance date.

Investments

This section focuses on how the Group invests in businesses to support Seeka's core kiwifruit operations, realise synergies along the produce supply chain and grow Seeka's product base and geographical reach. The Board manages business investments to strengthen the benefits delivered to stakeholders and grow shareholder returns.

Disclosures are made on the Group's holdings in associates and subsidiaries, along with details on the Group's holding of listed and unlisted shares.

23. Investment in shares

New Zealand dollars	2019 $000s	2018 $000s
Balance at the beginning of the year	586	7,428
Sale of investment	-	(6,842)
Balance at end of year	586	586
Unlisted securities designated at fair value through profit and loss		
Blackburn General Partner Limited	100	100
Ravensdown Fertiliser Co-operative Limited	238	238
Ballance Agri Nutrients Limited	225	225
Other share holdings	23	23
Total financial assets at fair value through profit or loss	586	586
Total investment in shares	586	586

All unlisted securities measured at fair value are defined as level 3, see note 29.

Zespri share sale

In September 2018 the Group sold all shares held in Zespri. The shares were valued at $5.8m at the time of sale, with a gain of $0.27m being recognised in other comprehensive income during the year. When the Group adopted NZ IFRS 9 at 1 January 2018, the investment in Zespri shares was designated as fair value through other comprehensive income.

Accounting policies

The fair values of the listed securities are based on the securities' closing share price at balance date. Where pricing information is available, unlisted securities are revalued at balance date. All other unlisted securities are currently held at cost less impairment as it reasonably represents current fair value. The carrying amount of all unlisted securities have been reviewed at balance date and any impairment is recognised through the statement of comprehensive income to the extent of any related reserve available and then through the statement of financial performance.

24. Investment in subsidiaries and associates

Investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of shares	Equity holding 31 December 2019	Equity holding 31 December 2018
Trading subsidiaries				
Aongatete Coolstores Limited	New Zealand	Ordinary	100%	0%
AvoFresh Limited	New Zealand	Ordinary	100%	100%
Delicious Nutritious Food Company Limited	New Zealand	Ordinary	100%	100%
Integrated Fruit Supply & Logistics Limited	New Zealand	Ordinary	100%	100%
Kiwi Coast Growers (Te Puke) Limited	New Zealand	Ordinary	100%	100%
Little Haven Holdings Pty Limited	Australia	Ordinary	100%	100%
Seeka Australia (Pty) Limited	Australia	Ordinary	100%	100%
Seeka Share Trustee Limited	New Zealand	Ordinary	100%	100%
Seeka Te Puke Limited	New Zealand	Ordinary	100%	100%
Not-trading subsidiaries				
CMS Logistics Limited	New Zealand	Ordinary	100%	100%
Eleos Limited	New Zealand	Ordinary	100%	100%
Enviro Gro Limited	New Zealand	Ordinary	100%	100%
Glassfields (NZ) Limited	New Zealand	Ordinary	100%	100%
Guaranteed Sweet New Zealand Limited	New Zealand	Ordinary	100%	100%
Kiwifruit Vine Protection Company Limited	New Zealand	Ordinary	100%	100%
Northland Horticulture GP Limited	New Zealand	Ordinary	100%	100%
Nutritious Delicious Food Company Limited	New Zealand	Ordinary	100%	100%
Seeka Dairy Ventures Limited	New Zealand	Ordinary	100%	100%
Seeka Fresh Limited	New Zealand	Ordinary	100%	100%
Seeka Kiwifruit Industries Limited	New Zealand	Ordinary	100%	100%
Seeka Pollen Australia (Pty) Limited	Australia	Ordinary	100%	100%
Verified Lab Services Limited	New Zealand	Ordinary	100%	100%

Investment in associates

Name of entity	Country of incorporation	Business activity	Equity holding 31 December 2019	Equity holding 31 December 2018
Kiwifruit Supply Research Limited	New Zealand	Not trading	20%	20%
TKL Logistics Limited	New Zealand	Port service	20%	20%

Accounting policies

Associates are entities over which the Group has significant influence, but not control, typically by holding between 20% to 50% of the voting rights in the entity.

Investments in associates are accounted for using the equity method after initially being recognised at cost.

The Group's share of associates' profits or losses are recognised in the statement of financial performance and the carrying amount of the investment in the statement of financial position.

Dividends received from associates are applied to reduce the carrying amount of the investment in the statement of financial position.

Other notes

This section contains all other note disclosures about the Group.

25. Contingencies

There are no contingent liabilities as at 31 December 2019 (Dec 2018 - Nil).

26. Commitments

Capital commitments

At year end the Group was committed to incur capital expenditure of $1.1m (Dec 2018 - $16.2m).

As at 31 December 2018 the Group was committed to the purchase of $9.8m of Northland orchards which had not settled. This settled in June 2019.

Lease commitments

The Group has retrospectively recognised right-of-use lease assets for all operating leases, except for short-term and low value leases, in accordance with NZ IFRS 16, see note 13.

27. Related party transactions

Directors

Directors during the period were: F Hutchings, A Waugh, A Diaz, J Burke, M Brick, P R Cross, C Tarrant.

Key management and compensation

Key management personnel are all Company directors or executives with the greatest authority for the Group's strategic direction and management.

The following table details key management personnel compensation.

New Zealand dollars	2019 $000s	2018 $000s
Director fees	450	450
Executive salaries	2,687	2,620
Short term benefits	489	479
Total	3,626	3,549

Transactions

The following table details the transactions entered with related parties for post harvest and orchard management services (excluding transactions outlined and disclosed above).

New Zealand dollars	2019 $000s	2018 $000s
Sales of services		
Directors, management and other personnel	2,338	1,029
Purchase of services		
Directors, management and other personnel	343	333

Outstanding balances

The following table details outstanding balances at balance date.

New Zealand dollars	2019 $000s	2018 $000s
Current receivables (operating)		
Directors, management and other personnel	920	174

Seeka Growers Limited

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 $115.1m (Dec 2018 - $109.5m) for the provision of services to SGL.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and repayable in cash.

28. Risk management

The Group's activities expose it to a variety of risks specific to producing and selling horticultural crops, along with corporate financial risks related to credit, liquidity and capital risk. The Group operates a comprehensive risk assessment and mitigation programme via its audit and risk committee.

The Group's policy is to ensure that the Group creates value and maximises returns to its shareholders and benefits for other stakeholders, as well as ensuring that adequate financial resources are available for the development of the Group's business whilst managing its financial risks.

a. Risk management strategies related to orchard and retail operations

Horticultural operations expose the Group to risks to production and market returns. The main production risks are climatic events, diseases and pests. These impact on volume and quality of produce from the Group's orchards, volumes to post harvest (both from Group operations and independent growers) and volumes available to the retail business.

Market risks include price and exchange rate impact on orchard operations (the amount the Group is paid for growing crops) and impact on retail revenues where the Group imports and sells produce, mainly bananas. The exchange rate risk on imports is managed through the use of foreign exchange contracts to match known and planned purchases. Market risks do not directly impact on post harvest operations, as charges are normally set prior to harvest and deducted before sales revenues are paid to supplying growers.

The Group operates in four regions spread over two countries; New Zealand's Northland, Coromandel and the Bay of Plenty, and in Australia's Mundoona region of Victoria. Main produce lines are kiwifruit, nashi pears, European pears and avocados, with small production of other temperate-climate fruits. Group retail activities are in New Zealand (including imported tropical produce), Australia and Asia. The Group's geographical, product and market spread limits the impact on Group operations from an adverse event occurring in a specific region, produce or market. To further mitigate risks, the Board uses the following strategies.

Production risks - climatic events, disease and pests

The Group follows industry best practice to mitigate production risks. This includes orchard management practices to optimise production from Group orchards, and extensive planning to ensure post harvest and retail services are suitably resourced to manage each season's crop volumes.

In New Zealand the major climatic risks are hail, frost, storm damage and drought.

- Hail events are typically highly localised, and for kiwifruit the Group has access to industry hail insurance for its orchard operations, plus top-up payments from a Seeka Growers Limited hail insurance programme.
- Frost events are typically regional, and the Group advocates best-practice crop protection, including active frost management on kiwifruit orchards operated by the Group and other growers supplying the Group's post harvest operations.
- Storm events are typically regional, and the Group advocates best-practice crop protection, including shelter belts on all orchards operated by the Group and other growers supplying the Group's post harvest operations.
- Drought events are typically regional, and the Group has invested in irrigation in many of its orchards.

In Australia, the major climatic risks are drought, hail and fire. As the owner and operator of all orchards supplying its Australian operations, the Group actively manages climatic risks of its total production base. The orchards are located on three sites in the Mundoona region.

- Drought events are typically regional, and to secure adequate irrigation, the Group has purchased extensive, long-term water shares from a reliable irrigation programme.
- Hail events are typically localised, and the Group currently has hail cloth protecting one orchard.
- Fire risk is typically from serious grass wild-fire occurring during periods of extreme weather, with the Country Fire Authority responsible for risk assessment and management of fire events. The Group takes all practical steps to internally manage fire risk including removing excess vegetation from Group properties.

All horticultural undertakings are susceptible to disease and pest incursions. The kiwifruit vine disease Pseudomonas syringae pv. actinidiae (Psa) is widespread throughout New Zealand, and is being actively managed. In 2018 Psa was detected on 4.5 hectares of the company's orchards in Australia. Seeka has moved to contain the outbreak and works to proactively monitor the orchards. The brown marmorated stink bug is also a potential threat to the horticulture industry. To minimise the risk of crop loss the Group monitors its orchards and undertakes recognised spray programmes to protect crops to the fullest extent possible. Seeka also relies on the Ministry for Primary Industries to protect New Zealand's borders from introduced diseases.

Seeka has a sustainability team that are developing a framework to report on key sustainability targets and measures and consider the impact of climate change, see the report on page 66.

Market returns

New Zealand kiwifruit

The Group has no direct market risk from the sale of kiwifruit harvested from lease operations, as all export marketing activities beyond Australia are undertaken by Zespri Group Limited (Zespri) under statutory regulations. The Group, however, is impacted by the level of Zespri's market returns which impact on the Group's orchard profitability. The Group monitors Zespri returns and uses modelling techniques to analyse current and projected orchard income. This information is used when setting Group budgets and orchard lease terms.

New Zealand avocado and kiwiberry

The Group has a direct market risk from the sale of avocado and kiwiberry, with half of kiwiberry sales and all avocado sales managed by the Group's retail operations. The Group forecasts seasonal supply, monitors market conditions, develops a sales programme around the needs of key retailers and controls product quality and supply to optimise market access and returns. This information is used when setting Group budgets and orchard lease terms.

The Group has no direct currency risk from export sales as it does not own the products but acts as the growers' agent.

Imported tropical produce

The Group has a direct market, price and currency risk from imported fruit produce (banana, pineapple and papaya) where the Group imports fruit produce for sale as the principal through its supply and sale contracts. The Group may hedge up to the total known and projected cash flows to manage exchange risk. The Group has no material direct price and currency risk from imported fruit produce where the supply agreement enables the Group to amend its purchase price according to trading conditions.

Australian produce

The Group has a direct market and price risk from the sale of all Australian product which is managed by the Group's Australian operations. As the largest single grower and supplier of Australian kiwifruit and nashi pears, the Group has developed strong relationships with key retailers. The Group forecasts seasonal supply, monitors market conditions, develops a sales programme around the needs of key retailers and controls product quality and supply to optimise market access and returns.

Seeka Australia is the Group's single major international operation, exposing the Group to the Australian dollar. Foreign exchange risk includes future commercial transactions, assets, liabilities and net investments. Currency exposure from net assets is managed through borrowings in Australian dollars.

b. Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, derivative financial instruments and committed transactions.

The maximum credit risk is the financial loss to the Group if counterparties fail to discharge a contractual obligation. The Group's maximum exposure is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

For banks and financial institutions, only registered banks or their subsidiaries are accepted. The Group does not generally require any collateral or security to support financial instruments due to the quality of the financial institutions.

For customers, including outstanding receivables, the Group deals predominantly with growers for which it receives payment for post harvest services directly from Seeka Growers Limited. Credit risk is therefore not considered significant.

Trade receivables

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of sales over a 12 month period before 31 December 2019 and the corresponding historical credit losses during this period, adjusted for any significant known amounts that are not receivable.

On that basis, the following table details the loss allowance.

	31 December 2019				31 December 2018			
	More than 30 days past due	More than 60 days past due	More than 120 days past due	2019 Total	More than 30 days past due	More than 60 days past due	More than 120 days past due	2018 Total
Expected loss rate	0.0%	0.0%	0.1%		0.3%	1.0%	1.1%	
Gross carrying amount - trade receivables ($000s)	121	226	1,837	2,184	19	209	2,689	2,917
Loss allowance ($000s)	-	-	2	2	-	2	29	31

New Zealand dollars	2019 $000s	2018 $000s
As at 1 January	506	601
Movement in the current year	(377)	(95)
At 31 December	129	506
Calculation for loss allowance		
Loss allowance per NZ IFRS 9	2	31
Debtor adjustment	127	475
At 31 December	129	506

c. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Group's policy is to regularly monitor its expected cash flows, liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Cash flow forecasting allows for the seasonal nature of Group operations.

When cash flow exceeds working capital management, funds are invested in interest bearing current accounts.

At balance date, the Group had $139.6m (Dec 2018 - $142.1m) of available credit of which $119.7m (Dec 2018 - $75.6m) was drawn. All credit lines are currently provided by two finance providers.

The following table details the remaining contractual maturities at balance date of the Group's financial liabilities.

New Zealand dollars	Less than 1 year $000s	Between 1 and 2 years $000s	Between 2 and 5 years $000s	Over 5 years $000s
Group as at 31 December 2019				
Trade and other payables	22,933	-	-	-
Derivative liability	790	-	-	-
Current interest bearing liabilities	21,854	-	-	-
Non current interest bearing liabilities	-	66,778	31,000	-
Total financial liabilities	45,577	66,778	31,000	-
Group as at 31 December 2018				
Trade and other payables	19,152	-	-	-
Derivative liability	-	267	-	-
Current interest bearing liabilities	21,039	-	-	-
Non current interest bearing liabilities	-	12,000	47,361	-
Total financial liabilities	40,191	12,267	47,361	-

d. Capital risk

Capital risk management focuses on ensuring the Group continues to operate as a going concern and maintains an optimal capital structure to support its business, maximise shareholder value, and the benefits delivered to other stakeholders.

The Group may maintain or adjust its capital structure by adjusting dividends, returning capital to shareholders, issuing new shares or selling assets.

The Group monitors capital on the basis of shareholder equity ratio, as calculated by total shareholder funds divided by total assets.

The following table details the Group's shareholder equity ratio at balance date.

New Zealand dollars	2019 $000s	2018 Restated $000s
Total shareholder funds	154,944	149,250
Total assets	368,246	300,915
Shareholder equity ratio	**42.08%**	**49.60%**

The Group is subject to, and monitors, financial covenants imposed by its lenders, including maintenance of equity ratios and earnings times interest cover. At no stage during the year did the Group breach any of its lending covenants.

e. Price risk - equity securities

The Group has minor exposure to equity securities price risk through incidental investments classified in the statement of financial position either as investment in shares and water shares within intangible assets at fair value. The majority of these investments are in industry-related entities, only some of which are publicly traded.

A 10% increase or decrease in equity investments with all other variables held constant, has minimal impact on the Group's profit and equity reserves.

The Board periodically reviews the performance and strategic benefits of these investments. No other formal risk management procedures are deemed necessary.

The change in the fair value of an investment is recorded through other comprehensive income or the statement of financial performance whenever a previous revaluation reserve balance was available. When no such reserve existed, any related loss is processed directly in the statement of financial performance, otherwise available reserves are utilised to offset the loss.

f. Cash flow interest rate risk

The Group's cash flow interest rate risk arises primarily from short and long-term variable rate borrowings from financial institutions. The Board continuously reviews term borrowings and uses interest rate swaps to hold a portion of borrowings at fixed rates; these are designated as effective hedging instruments and hedge accounting is applied.

The following table details interest rate and price sensitivity of the Group's financial assets and liabilities and their impact on the statement of financial performance or equity. Cash and advance balances do not attract interest and are not subject to pricing risk, and are therefore excluded from this analysis.

		Interest rate risk				Price risk			
		-1 %		+ 2%		- 10%		+ 10%	
New Zealand dollars	Carrying amount $000s	Profit $000s	Equity $000s	Profit $000s	Equity $000s	Profit $000s	Equity $000s	Profit $000s	Equity $000s
At 31 December 2019									
Financial assets									
Current and non current trade and other receivables	28,966	-	-	-	-	(2,897)	(2,897)	2,897	2,897
Investment in shares	586	-	-	-	-	(11)	(48)	-	59
Water shares	9,122	-	-	-	-	-	(912)	-	912
Financial liabilities									
Derivative liabilities	790	-	(479)	-	959	-	-	-	-
Trade and other payables	22,933	-	-	-	-	-	-	-	-
Term liabilities	97,778	387	387	(774)	(774)	-	-	-	-
Interest bearing liabilities	21,854	219	219	(437)	(437)	-	-	-	-
Total increase / (decrease)		**606**	**127**	**(1,211)**	**(252)**	**(2,908)**	**(3,857)**	**2,897**	**3,868**
At 31 December 2018									
Financial assets									
Trade and other receivables	20,824	-	-	-	-	(2,082)	(2,082)	2,082	2,082
Investment in shares	586	-	-	-	-	(11)	(48)		59
Water shares	7,858	-	-	-	-	-	(786)	-	786
Financial liabilities									
Derivative liabilities	267	-	(945)	-	1,586	-	-	-	-
Trade and other payables	19,152	-	-	-	-	-	-	-	-
Term liabilities	59,361	427	427	(855)	(855)	-	-	-	-
Interest bearing liabilities	21,039	151	151	(303)	(303)	-	-	-	-
Total increase / (decrease)		**578**	**(367)**	**(1,158)**	**428**	**(2,093)**	**(2,916)**	**2,082**	**2,927**

The following table outlines the expected undiscounted cash flows relating to the Group's outstanding term and current debt at balance date.

New Zealand dollars	Between 0 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2019						
Expected undiscounted cash flows based on current market interest rates ($000s)	1,005	1,028	1,915	3,084	807	-
Floating rate	2.75%					
Average term rate	3.31%					
At 31 December 2018						
Expected undiscounted cash flows based on current market interest rates ($000s)	818	803	1,450	2,369	1,719	-
Floating rate	3.50%					
Average term rate	4.07%					

29. Determination of fair values of financial assets and liabilities

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

The different levels are defined as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Instruments in level 1 are comprised of equity holdings in Zespri Group Limited and water shares.
- 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 cost	-	-	18,148	**18,148**
Biological assets - crop at fair value	-	-	481	**481**
Water shares	9,122	-	-	**9,122**
Irrigation water rights	846	-	-	**846**
Land	-	-	23,370	**23,370**
Buildings	-	-	131,143	**131,143**
Unlisted equity securities	-	-	586	**586**
Derivatives used for hedging (liability)	-	790	-	**790**

The reconciliations for level 3 fair value requirements are shown.

- Land and buildings (note 10)
- Biological assets - crop (note 12)
- Unlisted equity securities (note 23)

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 kiwifruit and Australian kiwifruit, nashi, Packham and Corella pears.	$ 18.15 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. See note 12.	Cost.	Reduces if cost is impaired at balance date.
Biological assets - crop at fair value Includes New Zealand avocados and Australian plums and speciality pears.	$ 0.48 m	Estimated market value less selling costs and costs to market (have achieved sufficient biological transformation). See note 12.	Forecast yields. Market sales price. Costs to harvest.	Increases with yields. Increases with price. Decreases with higher costs.
Land and buildings	$ 154.51 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 below and note 10 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.

Accounting policies

Financial assets, liabilities and instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair value measurements are categorised into a three-level hierarchy, based on the types of inputs to the valuation techniques used.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and investment in shares) is based on quoted market prices at balance date (level 1 inputs). The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques (level 2 inputs). The Group uses the appropriate method and makes assumptions that are based on market conditions at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Trade receivable and payables

The carrying value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial assets and liabilities with unobservable (level 3 inputs) reflect the assumptions that market participants would use when determining an appropriate price; additional disclosure is provided for the inputs and assumptions used in such cases.

Land and buildings

Fair value is based on an annual revaluation, which is performed on land and buildings based on a rolling three-year cycle by an independent valuer, with approximately one third of land and buildings assets valued each year using four different approaches as described in note 10.

30. Derivative financial instruments

New Zealand dollars	2019 $000s	2018 $000s
Liabilities		
Interest rate swap contracts and forward exchange contracts - cash flow hedge	790	267

Group bank loans currently bear an average variable interest rate of 3.0% (Dec 2018 – 4.1%), with the Group using interest rate swaps to protect the term portion of the loans.

Swaps cover 75% (Dec 2018 - 81%) of the term liabilities at balance date and are classified as held for trading or as cash flow hedges.

Cash flow hedges

The following table details the interest rate swaps.

Term loan	Amount $000s	Variable rate	Loan maturity	Hedge fixed rate excluding bank margin	Hedge expiry
AUD $17m	17,677	3.02%	31 December 2021	2.16%	31 December 2020
NZD $12m	12,000	3.39%	31 March 2022	2.43%	31 December 2022
NZD $9m	9,000	3.28%	31 March 2022	2.34%	31 December 2021
Total (NZD)	38,677				

All interest rate swaps are on a hedge ratio of 1:1 basis with the associated term loan value.

The following table details the forward exchange contracts.

Term loan	Amount $000s	Spot rate	Hedge fixed rate	Last hedge expiry
2019				
Euro hedges (multiple)	254	0.6011	0.5900	18 March 2020
2018				
Euro hedges (multiple)	1,541	0.5865	0.6200	18 April 2019

The fair values of the interest rate swaps and forward exchange contracts are determined by Westpac and reviewed by the Board.

The gains and losses recognised in other comprehensive income appear in the statement of financial performance.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship and through annual prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

There was no material ineffectiveness during 2019 or 2018 in relation to the interest rate swaps.

Accounting policies

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date. The resulting gain or loss is recognised as a financing cost in profit or loss immediately unless the derivative is designated and effective as a hedge instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are classified as current or non-current based on the effective date.

Hedge accounting

The Group designates certain derivatives as cash flow hedges. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

Hedge accounting is discontinued when the Group revokes the hedge relationship, the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. When a hedging instrument expires, is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the statement of financial performance. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of financial performance within other gains / (losses).

Derivatives and financial instruments

The Board uses judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are based on quoted market rates and reliance placed on quotes provided by Westpac.

31. Financial instruments summary

The following tables summarise the categories of the Group's financial assets and liabilities.

New Zealand dollars	Loans and receivables $000s	Assets at fair value through other comprehensive income $000s	Assets at fair value through profit or loss $000s	Total $000s
Financial assets as at 31 December 2019				
Cash and cash equivalents	2,849	-	-	2,849
Trade and other receivables excluding prepayments	25,109	-	-	25,109
Non current trade and other receivables excluding prepayments	683	-	-	683
Investment in shares	-	-	586	586
Total financial assets	**28,641**	**-**	**586**	**29,227**

New Zealand dollars	Liabilities at fair value through reserves $000s	Other financial liabilities $000s	Total $000s
Financial liabilities as at 31 December 2019			
Trade and other payables	-	22,933	22,933
Current interest bearing liabilities	-	21,854	21,854
Derivative financial instruments	790	-	790
Non current interest bearing liabilities	-	97,778	97,778
Total financial liabilities	**790**	**142,565**	**143,355**

New Zealand dollars	Loans and receivables $000s	Assets at fair value through other comprehensive income $000s	Assets at fair value through profit or loss $000s	Total $000s
Financial assets as at 31 December 2018				
Cash and cash equivalents	1,340	-	-	1,340
Trade and other receivables excluding prepayments	17,250	-	-	17,250
Non current trade and other receivables excluding prepayments	1,059	-	-	1,059
Investment in shares	-	-	586	586
Total financial assets	**19,649**	**-**	**586**	**20,235**

New Zealand dollars	Liabilities at fair value through reserves $000s	Other financial liabilities $000s	Total $000s
Financial liabilities as at 31 December 2018			
Trade and other payables	-	19,152	19,152
Current interest bearing liabilities	-	21,039	21,039
Derivative financial instruments	267	-	267
Non current interest bearing liabilities	-	59,361	59,361
Total financial liabilities	**267**	**99,552**	**99,819**

Accounting policies

The Group classifies its financial instruments in the following categories in accordance with NZ IFRS 9:

- loans and receivables,
- assets at fair value through other comprehensive income (FVOCI),
- assets at fair value through profit and loss (FVTPL),
- liabilities at fair value through profit or loss, and
- other financial liabilities.

The classification of financial assets and liabilities under NZ IFRS 9 is generally based on the business model in which the financial instrument is managed and its contractual cash flows characteristics.

On initial recognition, a financial instrument is classified as measured at amortised cost, FVOCI and FVTPL.

Financial instruments are not reclassified subsequent to their initial recognition unless the Group changes its business model in which case all affected financial instruments are reclassified on the first day of the first reporting period following the change in the business model.

A financial instrument is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held with the objective to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely for the payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment by investment basis.

All financial instruments not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Independent auditor's report

To the shareholders of Seeka Limited

We have audited the consolidated financial statements which comprise:

- the statement of financial position as at 31 December 2019;
- the statement of financial performance for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of Seeka Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of taxation compliance and consulting services, tax pooling services, and remuneration benchmarking. The provision of these services has not impaired our independence as auditor of the Group.

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Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Overall Group materiality: $2,270,000, which represents approximately 1% of revenue.

We chose revenue as the benchmark for our materiality as we consider this is an appropriate measure of performance of the Group. The Group operates in a high-volume low margin industry where net profit is not representative of the scale of the Group.

We have determined that there are three key audit matters:

- Valuation of Biological Assets - crop
- Valuation of Land and Buildings
- Australian assets classified as held for sale and allocation of goodwill

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We audited the New Zealand, Australian and newly acquired Aongatete business of the Group at a materiality level calculated by reference to a portion of Group materiality appropriate to the relative scale of the business concerned or based on materiality calculated for statutory reporting purposes where the statutory materiality was lower than that allocated in the Group calculation.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of Biological Assets - crop	
The total value of biological assets at balance date was $18.6 million. Biological assets are disclosed in note 12 of the consolidated financial statements and comprise the crops on the vines and trees in the Group's leased and owned orchards. Certain assumptions and inputs are also disclosed in note 29 to the consolidated financial statements. Biological assets are recorded at fair value. The method to determine fair value depends on the degree of biological transformation (the maturity of the fruit) at balance date. As at 31 December 2019, a total of $18.1 million (97%) of biological assets used cost as a proxy for fair value because of insufficient biological transformation. In determining the fair value of the biological assets, management exercises judgement utilising industry knowledge and internal expertise in determining the level of biological transformation at balance date. We therefore consider this to be a key audit matter. When insufficient biological transformation has occurred, the fair value is the costs incurred at balance date to grow the crops (provided the costs are considered recoverable). For those biological assets where cost has been used as a proxy for fair value, management assessed the recoverability of capitalised costs by comparing the carrying amount to budgeted costs at year end and ensuring that actual costs incurred plus costs to be incurred in order to get the crop to market did not exceed budgeted revenues from the sale of the crops less selling costs. Management uses historical results and anticipated crop levels as a basis for budgeted revenues. An impairment is recognised when the actual costs incurred plus costs to be incurred in order to get the crop to market exceed budgeted revenues less selling costs.	Our audit focused on the biological assets valued at cost, being the most significant component of the balance. We have evaluated judgements applied by management to determine the crop value including the degree of biological transformation, the attribution of costs capitalised to the following year's crop and the recoverability of capitalised costs. Our audit procedures included: • Gaining an understanding of the crop life cycle and growth periods with reference to relevant independent horticultural industry information to determine the appropriateness of management's assessment of biological transformation. • Testing a sample of expenses that were capitalised to determine whether capitalisation was valid and directly related to the unharvested crop at 31 December 2019. • Testing the mathematical accuracy of the models used by management in their calculation of the fair value of the crops. • Reviewing management's assessment of the recoverability of capitalised costs. Our procedures included comparing the expected market return per hectare determined by management to the historical and expected number of trays that can be produced per hectare based on the land that is currently owned and leased. We assessed whether any variances between historical and expected volumes are consistent with our understanding of planned changes in the Group's operations. Additionally, we compared the future selling price used by management in their model to available industry information. • Evaluating the historical accuracy of management's forecasted information through comparing prior year forecast to actual results. We had no matters to report as a result of our procedures.

PwC

Key audit matter	How our audit addressed the key audit matter
Valuation of Land and Buildings As reflected in notes 10 and 29 of the consolidated financial statements, the Group has a policy of revaluing their land and buildings on a three-year rolling cycle (excluding assets under construction). At each balance date approximately one third of the New Zealand Group's properties are revalued by an independent external valuer using a combination of four different approaches in concert to arrive at a fair value. The Group's Australian land and buildings were all independently revalued on 31 December 2019. The Group then utilises their internal valuation expertise to evaluate whether, based on the results of the third party valuations and other recent market data, the remaining New Zealand asset values remain appropriate and materially reflect fair value. The total value of the Group's land and buildings at year end is $154.5 million. We included the valuation of land and buildings as a key audit matter because of the level of judgment inherent in the valuations.	Our audit of the land and buildings of the Group focused on the judgements inherent in the valuation of those assets. Our procedures included: • Assessing the objectivity and competence of management's internal valuation experts and third party valuers, in addition to assessing the independence of the third party valuers utilised by management. • Utilising our PwC valuation expert, we have assessed key assumptions used in the external valuations by comparing the valuation assumptions and inputs used, such as capitalisation and discount rates, to externally available data. Where external data was not available, our internal valuation expert has utilised his experience and knowledge to determine whether the assumptions used by the third party valuer were reasonable and appropriate in the circumstances. • Reviewing and challenging management's assessment of the carrying values of the New Zealand land and buildings not independently revalued during 2019 by comparing our own independent assessment of valuation ranges using our PwC valuation expert. We had no matters to report as a result of our procedures.

Key audit matter	How our audit addressed the key audit matter

Australian assets held for sale and allocation of goodwill
 	
As described in Note 9, during the year the Group has classified three of its Australian orchards as held for sale assets. The Group's intention is to enter into a sale and leaseback transaction which will transfer substantially all of the risks and benefits associated with the assets to the purchaser.
 	
The assets were designated as held for sale on 1 September 2019 and at balance date continue to be classified as current assets held for sale.
 	
At the date the assets are classified as held for sale, a portion of the total Australia cash generating unit goodwill of $5.4 million is allocated to the disposal group. Management has used a discounted cash flow methodology to estimate the relative fair values of the goodwill disposal group and the Australian assets being retained, and judgmentally determined that all of the Australia goodwill should be allocated to the disposal group.
 	
This matter is significant to our audit because the allocation of all goodwill to the disposal group is material, involves management judgement, and removes the requirement for separate impairment testing of this goodwill.
	Our audit procedures included:
	• Gaining an understanding of management's intentions and the proposed terms and economic substance of an anticipated sale and leaseback arrangement.
	• Reviewing board minutes, advertising and marketing materials and broker updates to assess whether the conditions to classify the assets as held for sale were met.
	• Considering the appropriateness of the classification of the disposal group as held for sale by assessing whether, in substance, the intended sale and leaseback transaction is reasonably expected to transfer substantially all the risks and rewards associated with the assets to a buyer.
	• Challenging management's assumptions and estimates made with regard to the goodwill allocation to the disposal group, which included:
	    o Agreeing the cash flows included in management's valuation model to the board approved five year plan
	    o Evaluating the key cash flow assumptions used by obtaining from management a detailed analysis of the forecast production yields, sales prices, costs and margins for the various fruit varieties. We have compared this information to historical outcomes and current market prices
	    o Visiting the Australian orchards to physically inspect their condition and stage of development
	    o Performing a sensitivity analysis across a range of reasonably possible changes in the discount rate, cash flow assumptions and terminal growth rate
	    o Reviewing the methodology used and testing the mathematical accuracy of the calculations.
	• Considering the presentation and disclosure in the consolidated financial statements.
	
	We had no matters to report as a result of our procedures.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Pip Cameron.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
26 February 2020

Auckland

PwC

SEEKA SUSTAINABILITY REPORT
ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Seeka's core operation is growing, packing and supplying healthy produce to world markets. We are the guardians of more than 1000 hectares of producing orchards, and care for the produce and financial returns of more than 500 landowners. From orchard development and management, to supply chain infrastructure and operations, we work with a wide range of stakeholders as we collectively supply healthy produce.

As we work to generate wealth from prime horticultural land, our grower clients, staff, contractors, communities, consumer clients and investors rely on Seeka to provide safe and sustainable business practices. This includes helping our stakeholders certify supply operations to the international GLOBALG.A.P. standard for good agricultural practice. In line with the United Nations Sustainable Development Goals (SDGs), GLOBALG.A.P. demonstrates our commitment to care for the land, our people and its produce, and Seeka has embraced the GLOBALG.A.P. GRASP module that focuses on worker health, safety and welfare.

As a land-based operation, Seeka knows how our environment influences orchard health and the volumes and the quality of the fruit we handle each season, and we are using this information as we understand the impact of climate change. Seeka's inaugural sustainability report documents our efforts to measure then incrementally improve our environmental and social performance, and the associated governance processes.

Sustainability team and process

While Seeka's core business is kiwifruit, our operations extend along the full supply chain from vine to shelf. From bareland development to the processing of consumer lines, we work to extract the best value from the land and its produce. Our products include avocados, kiwiberry, nashi, pears, citrus and berries as we strive to offer a better service to our grower and consumer clients, and make better use of our facilities, supply chain systems and workforce.

The extension of our supply chain system and expansion of products has created a multi-disciplined team. To capture this expertise and apply it to our sustainability programme, we have implemented Seeka's Agile Sustainability Team (SAST). Drawing together staff that are passionate about sustainability from all areas of our operations, SAST is working with external advisors and taking guidance from regional and national experts to develop Seeka's environmental, social and governance (ESG) policy and processes.

Our Agile approach and SAST team are using a stepped process to deliver incremental improvements.

1. Define what sustainability means for Seeka
2. Identify key inputs and outputs of Seeka's operations
3. Quantify inputs and outputs using available data
4. Identify and rank areas for environmental, social and governance improvements
5. Prioritise actions that deliver incremental improvements
6. Evaluate how Seeka's sustainability actions have impacted our ESG position

A key contributor to the success of our ESG programme is to engage and involve all staff and key stakeholders in our journey, and to incorporate their insights and expertise. This includes publicising our progress and celebrating our wins.

Progress report

As at year end, steps 1 and 2 have been completed, and work has commenced on step 3, the quantification of key inputs and outputs using available data.

Step 1. Define what sustainability means for Seeka

SAST have developed a working statement and definition of what sustainability means for Seeka.

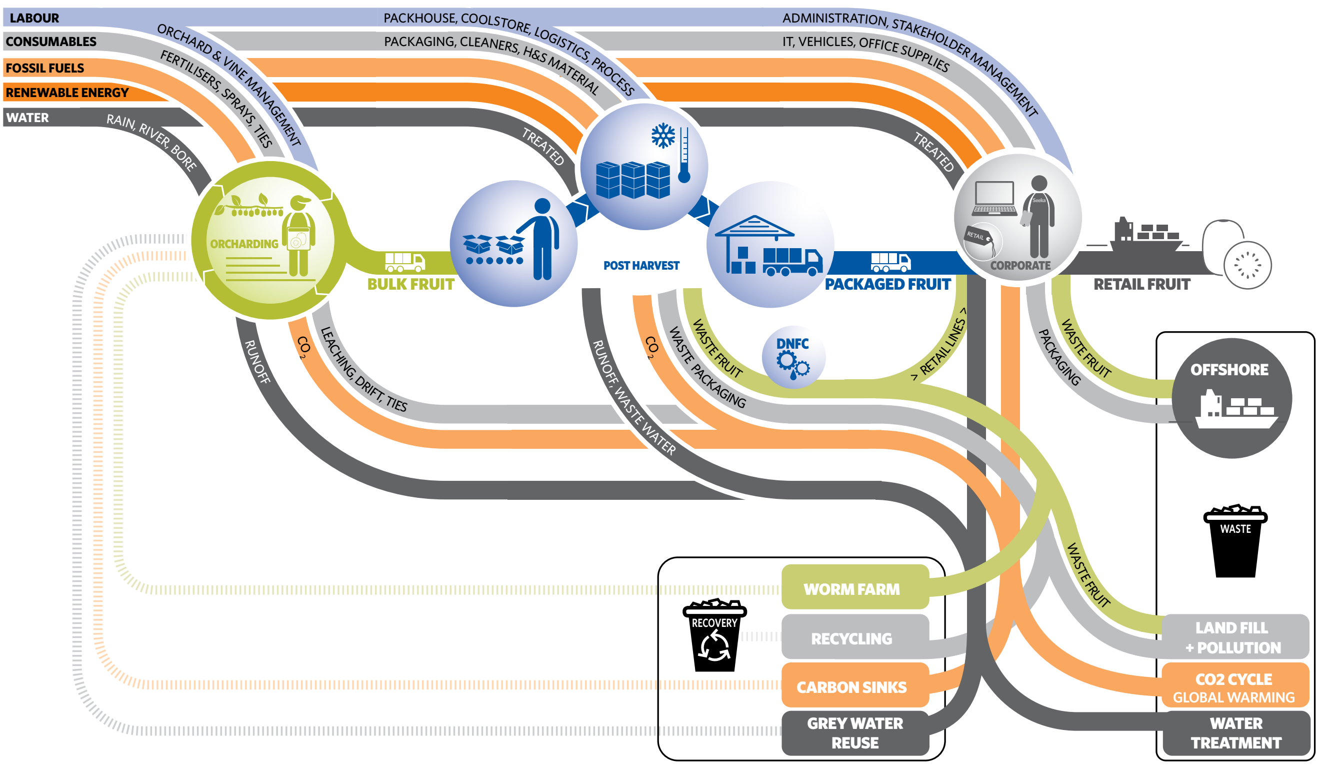
Delivering a healthy future to the world

Growing futures by continually improving operations to deliver healthy produce, use less resources, care for the environment and deliver better outcomes for our stakeholders.

Step 2. Identify key inputs and outputs of Seeka's operations

Sustainability map

SAST have developed a map to help identify the interactions between key processes, their inputs and their associated outputs.



Key processes

- Orcharding - the growing of seasonal produce from Seeka managed, leased and owned orchards, along with support for independent growers. Includes sustainable environmental management and the generational transformation of land into horticultural orchards.
- Post harvest - the supply chain from the orchard to the point of sale, which handles all produce from Seeka orchards and from independent growers. Includes the long-term development of post harvest infrastructure.
- Corporate - the provision of support services, including process government and management, IT and communications, stakeholder relations and value-added services including produce branding.

Key inputs and outputs

Inputs and their associated outputs have been grouped into five categories:

- **Labour** - Seeka is a large user of labour with more than 3000 people directly employed each season, along with a large number of people working through contractors.
- **Consumables** - includes on-orchard consumables such as fertilisers, sprays and ties, post harvest consumables such as packaging, labelling and H&S material, and corporate consumables such as mobile devices, vehicles and office supplies.
- **Fossil fuels** - used to power on-orchard activities, supply chain movements and corporate activities.
- **Renewable energy** - used to power post harvest and corporate operations; the main source of renewable energy is electricity generated from largely renewable sources and supplied via the national grid, along with Seeka's trial investment in solar generators at Seeka360 head office.
- **Water** - Seeka uses water to grow crops, in the post harvest value chain, and to deliver corporate services.

Focus on waste reduction

SAST has identified waste minimisation as a key objective to deliver immediate gains to Seeka's operations and incrementally improve the company's ESG position. This includes identifying and replicating best practice within our organisation, and diverting waste product to recycling initiatives.

Step 3. Quantify inputs and outputs using available data

For each of the key inputs, SAST are currently developing a framework to guide ESG policy and actions. Each framework will include a small number of achievable projects to be undertaken in 2020.

Next steps

In 2020, SAST will draw on the information collated in the input frameworks to progressively develop a formal ESG reporting framework. The objective is to develop consistent reporting so stakeholders can understand how Seeka is adapting our business to manage risk and take advantage of new opportunities in our every-changing operating environment. The three elements to Seeka's reporting framework will be:

- **Environmental** - how we steward the land and our natural resources
- **Social** - how we manage relations with stakeholders, including employees, grower clients, our communities and our retail partners
- **Governance** - how we govern our business, manage risk, realise opportunities and comply with relevant legislation and stakeholder expectations

To aid stakeholder engagement, Seeka will develop ESG reporting in line with one of the three global reporting frameworks commonly used in New Zealand and Australia; Global Reporting Initiative (GRI), Integrated Reporting, or UN Global Compact (UNGC).

CORPORATE GOVERNANCE AND DISCLOSURES

CORPORATE GOVERNANCE STATEMENT

As at 31 December 2019

At Seeka, we conduct our business safely and ethically, within the legal and regulatory framework, so we can deliver the best outcomes for our growers, clients, employees, shareholders, customers and the communities we operate in.

Seeka's Board and management are committed to best practice governance and Seeka has adopted the NZX Corporate Governance Code 2020 (the Code) as set out in this corporate governance statement. The Board regularly reviews Seeka's corporate governance structures against the eight principle recommendations in the Code, and considers Seeka's practices and procedures substantially meet Code recommendations. Any exceptions are noted in this governance statement, and listed on page 78 of this annual report.

Seeka's governance policies are available on Seeka's website, see Seeka.co.nz/co.nz/corporate-governance.

The Board approved this governance statement on 26 February 2020.

Principle 1. Code of ethical behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Seeka commits to high ethical standards in all dealings undertaken by the Group's directors, employees and suppliers. We are a produce business that connects growers with customers. Our business spans cultural, regulatory and country boundaries, and our directors and management understand that high ethical standards deliver the best outcomes for our growers, clients, employees, shareholders, customers and communities.

Our commitment to ethical dealings is captured by Seeka's core brand attribute "founded on relationships."

Seeka's Code of Ethics is included in employee induction packs, is available on Seeka's intranet, and the code's principles and objectives are promoted to staff each year including at staff meetings. The code outlines how directors and management are to consistently act with honesty and integrity, and model high ethical standards to all employees and stakeholders, adhering to the principle "we do what we say and are accountable for what we do."

The Code of Ethics provides clear guidance on:

- Conflicts of interest
- Proper use of Seeka information, assets and property
- Dealing with gifts or gratuities
- Respecting all stakeholders
- Whistle blowing for safe reporting of potential wrong doing
- Compliance with laws and Seeka policies
- Managing any breaches of Seeka's Code of Ethics

Seeka also has a strict Insider Trading Policy prohibiting the direct or indirect dealing of Seeka securities when holding inside information, plus a duty of confidentiality that protects the dissemination and use of confidential company information.

The Insider Trading Policy includes a black-out period during which restricted persons are prohibited in trading in Seeka shares unless provided with a specific exemption by the Board. Each black-out period starts 30 days prior to and finishes the first trading day after key events; being the half-year and full-year balance dates, and the release to the NZX of any announcement relating to an offer in Seeka shares. Restricted persons includes all directors, executive officers, members of the management executive team and their administrative staff, any trusts and companies controlled by such persons, and advisors.

Prior to trading in Seeka shares, directors must notify the chairman, and the chairman must notify the chair of the audit and risk committee.

No breaches of the Code of Ethics or Insider Trading Policy were reported in the year.

Principle 2. Board composition and performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Seeka's Board commits to acting in the best interests of the company, deliver benefits to stakeholders and grow shareholder returns.

Board charter and responsibilities

The Board's charter sets out the Board's structure, appointments, remuneration, committees and process for performance review, along with the duties and responsibilities of the Board and chief executive officer. Seeka's Board is primarily responsible for:

- Robust and effective health and safety systems and standards
- Establishing corporate objectives and strategies
- Monitoring management's implementation of Seeka's strategies
- Approving budgets and monitoring financial performance
- Managing risk to Seeka's business
- Ensuring timely and transparent stakeholder and market communication

The Board delegates the chief executive officer to lead and manage Seeka's operations, including being the company's principal representative. The chief executive officer is not a Board member.

Board composition

Seeka's Company Constitution specifies that the Board has a minimum of three and a maximum of seven directors, with provision for an eighth to be appointed between annual shareholder meetings. Directors are to contribute a mix of complementary skills that support Seeka's objectives and strategies, with at least two being independent, and at least two ordinarily residing in New Zealand. To maintain proper separation between governance and management, all directors are non-executive and the constitution has no provision for a managing director.

Seeka's Board currently has seven directors, led by the independent chairman Fred Hutchings. Non-independent director Amiel Diaz is the only director residing overseas.

The following table summarises director qualifications, skills and experience.

	Qualification	Executive leadership	Financial	Legal	Kiwifruit industry	Governance	Cultural	International markets	Brand management	Technology	Property valuation
Fred Hutchings	BBS, FCA	●	●			●				●	●
Martyn Brick	BAgCom	●	●		●	●		●			●
John Burke	BAgSc	●	●		●	●					●
Ratahi Cross		●			●	●	●				
Amiel Diaz	BA, BSc, CPA, CISA	●	●				●	●		●	
Cecilia Tarrant	BA/LLB Hons, LLM	●	●	●		●					
Ashley Waugh	BBS	●	●			●		●	●	●	

Director independence

The Board's Charter follows NZX Listing Rules to determine the independence of a director. Directors must inform the Board of all relevant information and the Board confirms director independence at least annually.

Two directors are appointees of large shareholders and deemed non independent;

- Amiel Diaz, representative of Seeka's shareholder Farmind Corporation of Japan, and
- Ratahi Cross, representative of Seeka shareholder Te Awanui Huka Pak Limited and is the chairman of the Ngai Tukairangi Trust, a large kiwifruit grower supplying Seeka.

As Seeka's foundation business is kiwifruit, the Board considers experience in the kiwifruit industry a core competency. Three directors have extensive experience in kiwifruit production and handling, and through their extensive interests in kiwifruit orchards that supply Seeka are considered non-independent directors;

- Martyn Brick
- John Burke, and
- Ratahi Cross

The Board has three independent directors;

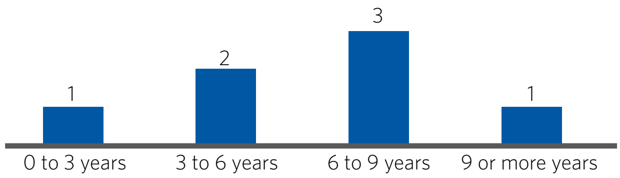
- Fred Hutchings, chairman
- Ashley Waugh, audit and risk committee chairman, and
- Cecilia Tarrant.

Director appointments and induction

As required, the chairman establishes a nominations committee to review the Board's composition and performance, and recommend people with complementary skills to join the Board. Nominees can be appointed by the Board, with the appointment to be approved by shareholders at the next annual shareholder meeting, or nominated and elected to the Board by shareholders at the annual shareholder meeting. The Board provides guidance to shareholders on a candidate's suitability for appointment or reappointment.

Directors enter a written agreement covering the term of their appointment and are provided with detailed information about Seeka, the company's strategies, policies and procedures, and any other training or other support that will help the director become a fully-functioning member of the Board.

Director tenure



The chairman undertakes an annual assessment of Board, director and committee performance, seeking assistance, as required, from the nominations committee and external advisors.

Director profiles

Director profiles are listed on Seeka's website (see Seeka.co.nz/investors), and are included on page 79 of this annual report. Full disclosure of director interests according to section 140 (2) of the Companies Act 1993 are listed on page 81 of this annual report.

Diversity

Diversity is the range of attributes held by members of a group. Seeka's Board believes diversity within the Board and the company provides a deeper understanding of stakeholders, broadens the range of skills available to Seeka, and will lead to improved business performance.

The Board works to optimise diversity across director members, while managing an efficient governance process. The Board's focus is on diversity in culture and ethnicity, business skills and innovative thinking as these attributes are key to understanding the operating environment of our key clients, creating unique solutions, and improving stakeholder outcomes and shareholder returns.

With Seeka's key client groups diversely spread from rural New Zealand to large urban centres, Seeka's Board has encompassed cultural, ethnic and gender diversity to strengthen business governance:

- Ratahi Cross of Ngai Tukairangi is also a lecturer in Māori history
- Amiel Diaz is a Filipino businessman based in Asia
- Martyn Brick, John Burke, Cecilia Tarrant and Ashley Waugh have rural backgrounds

The following table reports gender composition of the Board and senior management team as at 31 December 2019.

	FY19		FY18	
	Female	Male	Female	Male
Directors	1	6	1	6
Senior managers	2	5	2	7
Total	3	11	3	13

Diversity policy

Seeka is committed to providing an inclusive environment that supports a diversity of thinking and skills. Aspects of diversity include gender, ethnic background, religion, marital status, culture, disability, economic background, education, language, physical appearance and sexual orientation.

During the year ended 31 December 2019, Seeka performed in adherence to the principles of our diversity policy.

Professional development

Directors are supported to undertake professional development through individual training and by attending relevant courses. In 2019 the Board also met with experts in produce marketing and governance.

Evaluation of board and director performance

The Board Charter specifies that the chairman undertakes an annual review of Board and director performance. The chairman's 2019 review found that the Board and directors have fulfilled all their duties and responsibilities for sound corporate governance as specified by the Board Charter.

Principle 3. Board committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

The Board has established two permanent committees and will form ad-hoc committees to efficiently and effectively carry out key governance functions, while retaining ultimate responsibility for all decisions and actions.

All committees operate under written charters which define the role, authority and operations of the committee. All Seeka directors and committee members are non-executive, and Seeka management and other employees may only attend committee meetings when invited by the committee. The Board reviews the remuneration and nominations committee charters biennially and the audit and risk committee charter annually.

Committee membership and workload management

Seeka is governed by a seven-member non-executive Board with three independent directors. To provide effective and transparent committee governance, while managing workload across Board members, Seeka's committee charters ensure each committee is chaired by an independent director, with committee members drawn from both independent and non-independent directors that furnish the best skill set. The audit and risk committee charter specifies a majority of independent directors.

The current standing committees are:

Audit and risk

Composition	Role	Members
Independent chair with a minimum of two other directors. The committee must have a majority of independent directors, with at least one having an accounting or financial background. The chair may not be the Board chairman.	Examines financial reporting, compliance, external and internal auditing, risk management and risk insurance.	Ashley Waugh, chair John Burke Fred Hutchings

Remuneration

Composition	Role	Members
Independent chair with a minimum of two other directors.	Examines the performance, remuneration and succession planning of the chief executive officer, the remuneration of senior managers, company-wide employee remuneration policy and human resource plans and policies.	Fred Hutchings, chair Ratahi Cross Cecilia Tarrant

In addition, the chairman periodically establishes an ad-hoc nominations committee.

Nominations

Composition	Role	Members
Independent chair with a minimum of two other directors.	Examines the directors' terms of engagement, Board succession planning, seeks and evaluates nominees, and advises the Board on director appointments.	Appointed by the Board.

In the event of a takeover offer, the Board Charter provides for the formation of an ad-hoc initial response committee and an independent takeover response committee to enact the procedures and protocols of the Board's Takeover Response Manual.

Initial response committee

Composition	Role	Members
Independent directors.	Manage the initial response to an unexpected takeover notice.	Fred Hutchings Cecilia Tarrant Ashley Waugh

Independent takeover response committee

Composition	Role	Members
Directors that are independent of the bidder and of the bid.	Manage the takeover response and act in the interests of all shareholders.	Appointed by the Board.

To date there has been no need to convene an initial response committee meeting or form an independent takeover response committee.

While the Board considers the current range of committees comprehensively manages the governance of Seeka's business, and provides the best outcomes for shareholders and other stakeholders, the Board Charter allows ad-hoc committees to be formed as required to aid Board decision making.

The following table reports Board and committee meeting attendance in 2019.

	Board		Audit and risk		Remuneration	
	Meetings	Attended	Meetings	Attended	Meetings	Attended
Fred Hutchings	14	14	10 [1]	9	3	3
Martyn Brick	14	13	6 [2]	6	-	-
John Burke	14	13	10	10	-	-
Ratahi Cross	14	14	-	-	3	3
Amiel Diaz	14	14	-	-	-	-
Cecilia Tarrant	14	14	-	-	3	3
Ashley Waugh	14	14	10	10	-	-

1. Following a change in the audit and risk committee charter, Fred Hutchings was appointed a full member of the audit and risk committee 24 July 2019. Prior to this he attended five of six meetings as an ex-officio member.

2. Martyn Brick retired from the audit and risk committee 24 July 2019.

Principle 4. Reporting and disclosure

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Seeka's Board is committed to keeping investors and the wider market fully informed of all material information concerning the company's operating environment and business performance. In addition to all information required by law and NZX Listing Rules, Seeka provides stakeholders with a mid-year performance update, along with regular operational updates to supplying clients.

Seeka's Continuous Disclosure Policy covers the classification, timing and release of material information to investors and other stakeholders. The chairman, chair of the audit and risk committee, chief executive and chief financial officer (the disclosure committee) are responsible for identifying material information between Board meetings, with continuous disclosure covered at every Board meeting.

As stewards of more than 300 orchards in New Zealand and Australia, Seeka is committed to applying industry best practices and international guidelines for all asset management, backed up by rigorous auditing. This includes certification to the international GLOBALG.A.P standard for good agricultural practice that focuses production and supply management on the consumer's demand for safe food. See www.globalgap.org.

Seeka as an employer is focused on sustainable land management that supports long-term employment and wealth creation in our rural communities, and has formally implemented the GLOBALG.A.P GRASP module with its extended social standards for worker health, safety and welfare. See www.globalgap.org/uk_en/for-producers/globalg.a.p.-add-on/grasp/.

In New Zealand, Seeka has partnered with all supplying growers to form independent, grower-controlled entities that manage grower fruit value; kiwifruit growers appoint Seeka Growers Limited as their agent for the supply of kiwifruit to Seeka, with avocado growers appointing AvoFresh Limited. See www.seeka.co.nz/seeka-grower-council and www.seeka.co.nz/avofresh.

Seeka Growers Limited and AvoFresh Limited manage market returns in independent bank accounts, approve all service distributions and grower payments, and publish independently-audited annual statements. Seeka is represented on the entities' controlling councils, provides management support, and ensures grower representatives are kept informed on market conditions, industry issues and Seeka's operational performance for their fruit.

Seeka complies with the financial reporting requirements prescribed by the Companies Act 1993, Financial Markets Conduct Act 2013 and the NZX Listing Rules. Seeka also supports environmental, social and governance concerns, and discloses to the markets any environmental factors that may materially affect operations.

In 2019 Seeka implemented a sustainability team to develop Seeka's environmental, social and governance (ESG) policy and processes. Drawing together staff that are passionate about sustainability from all areas of our operations, and working with external advisors including regional and national experts, Seeka's sustainability team has started developing a formal ESG reporting framework. Our objective is to develop consistent reporting so stakeholders can understand how Seeka is adapting our business to manage risk and take advantage of new opportunities in our every-changing operating environment. The three elements to Seeka's reporting framework will be:

- Environmental - how we steward the land and our natural resources and consider the impact of climate change
- Social - how we manage relations with stakeholders, including employees, grower clients, our communities and our retail partners
- Governance - how we govern our business, manage risk, realise opportunities and comply with relevant legislation and stakeholder expectations

Principle 5. Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

Director remuneration

In accordance with the Board Charter, the chairman uses independent professional advice and market information to review director remuneration within a two year period, with shareholders having to approve any increase to the pool available to pay directors' fees. Approval was last sought in April 2018, when the pool limit was set at $450,000 per annum. Directors are remunerated by fixed fees that are set according to expected time commitments and responsibilities as determined by the Board. Directors receive no equity-based remuneration, and receive no performance or retirement benefits. Directors are not required to own Seeka shares.

The following table reports the allocation of the pool at the date of this report, and directors' fees paid during the financial year. No other benefits were remunerated to directors during the year.

	Position	Base director fee	Chairman fee	Audit and risk committee chair fee	Director fees paid during the year
Fred Hutchings	Chairman	$56,500	$43,500		$100,000
Ashley Waugh	Director, Audit and risk committee chair	$56,500		$11,000	$67,500
Martyn Brick	Director	$56,500			$56,500
John Burke	Director	$56,500			$56,500
Ratahi Cross	Director	$56,500			$56,500
Amiel Diaz	Director	$56,500			$56,500
Cecilia Tarrant	Director	$56,500			$56,500
Total		$395,500	$43,500	$11,000	$450,000

The base director fee includes committee membership, with the chairman and chair of the audit and risk committee receiving a chair's fee.

Chief executive officer remuneration

The review of the chief executive's remuneration is undertaken by the remunerations committee with the remuneration package the responsibility of the Board.

Michael Franks was appointed chief executive in 2006. His remuneration package comprises a fixed annual remuneration that covers base salary, vehicle, Kiwisaver contributions, medical and life insurance, and an at-risk annual performance incentive.

The following table reports chief executive remuneration in 2019.

	Base salary	Benefits[1]	Annual performance incentive[2]	Total remuneration
Michael Franks	$601,781	$55,515	$247,500	$904,796

1. Benefits are delivered through vehicle, Kiwisaver contributions, medical and life insurance.

2. Performance incentive earned from FY18 and paid in 2019.

Performance incentive

The chief executive officer's performance incentive has a maximum value of 72% of fixed remuneration for achieving annual targets set by the Board, including financial performance, strategic goals, health and safety, and risk management. For the 2018 financial year, chief executive officer Michael Franks earned an $247,500 performance incentive. This payment was made in 2019.

For the 2019 financial year, the chief executive officer earned a $114,064 performance incentive. This payment will be made in 2020.

Employee share scheme

In May 2019, 8,000 shares allocated under the 2016 employee share scheme at $3.88 per share vested and were paid for by the chief executive for a total consideration of $27,040 ($3.38 per share).

At balance date, the chief executive had 8,000 shares allocated April 2019 at $4.76 per share under the employee share scheme. These shares vest 2022.

Principle 6. Risk management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

The Board consider risk management an important governance function to protect stakeholders, build long-term wealth in our communities and optimise shareholder value. The Board retains ultimate control of risk management, with the audit and risk committee providing a specific focus on material risks as defined in the Audit and Risk Committee Charter.

While no risk management system can completely remove business and financial risks, our goal is to ensure material risks are appropriately identified and managed within acceptable levels. We accomplish this through a strategic focus, active management, contingency planning and a sensible balance between costs and anticipated benefits. Wherever appropriate, the processes are consistent with AS/NZS 31000:2009 Risk Management Principles and Guidelines.

Financial statements and key operational measures are prepared monthly and reviewed by the Board throughout the year to assess business performance against budget and forecasts.

The Board composition includes directors with long-term experience in New Zealand's kiwifruit industry, and Australian and Asian produce handling and marketing. Board meetings include periodic site visits in New Zealand and Australia to ensure all directors understand the Group's operating environments when assessing material risk.

The Board's complementary skill set and understanding of the core business have allowed it to implement strategies to mitigate risk associated with being a New Zealand kiwifruit handler by diversifying operations across multiple products, expanding into the Australian market and sourcing revenue from more points along the value chain. Since the incursion of the kiwifruit vine-killing disease Psa in 2010, Seeka has transformed from being a New Zealand kiwifruit handler to become an Australasian produce business involved in the growing, handling, supply and marketing of multiple products.

Seeka has appropriate insurance cover, as available, for property damage to its offices, post harvest, processing and fruit handling facilities, along with insurance cover for hail damage to crops.

The Brown Marmorated Stink Bug (BMSB; Halyomorpha halys) remains one of the top pests of concern for New Zealand's horticultural industry. A native to China, Japan, Korea and Taiwan, and accidentally introduced in the United States in the mid-1990s, adult BMSB feed on fruit and make them unmarketable. The Ministry of Primary Industries is working with industry groups along with the public to prevent the unintended import of BMSB, including eradication protocols if BMSB are detected in New Zealand. Seeka personnel and supplying growers are informed on how to identify BMSB and the immediate actions to be undertaken if the pest is found.

Health and safety

Operating in a seasonal industry, in 2019 Seeka employed more than 3,000 people working in multiple complex environments. This includes 24-hour operations over the harvest period. Group salary and wages equate to 1,245 full time equivalents.

The Board is responsible for health and safety across Group operations, with the chief executive appointing a health and safety manager to ensure Seeka complies with legislation and operates industry best practice across the Group, while also supporting the management of health and safety risks by clients and suppliers. The Board reviews performance against set targets at each meeting.

The following table reports key health and safety measures and targets in 2019.

	2019 Annual threshold	2019 Actuals
Total recordable injury frequency rate [1]	Less than 4.5	5.0
Notifiable injuries	0	3
Notifiable injuries including incidents	1	3
Severity rate [2]	Less than 3.2	10.5

1. The total recordable injury frequent rate (TRIFR) measures the number of injuries per 200,000 hours worked. In total Seeka worked a total of 2.70m hours in 2019, with the number of operating hours varying with the total volumes Seeka packs and handles across all varieties and sites. Seasonal pressures can be challenging along with harvest deadlines. Seeka TRIFR was 5.0 for 2019.

2. 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.

Principle 7. Auditors

"The board should ensure the quality and independence of the external audit process."

Seeka's Audit and Risk Committee Charter outlines Seeka's commitment to an independent audit process that provides shareholders and the markets with objective, robust, clear and timely financial reporting.

The audit and risk committee in consultation with management and the external auditor reviews the efficiency and effectiveness of the external audit process, and provides a formal channel of communication between the Board, senior management and the external auditor. The audit and risk committee:

- Oversees the independence of the auditor and ensures they conduct their operations free from any actual or perceived impairments, and
- Monitors the provision of any services beyond the auditor's statutory audit services.

For financial year 2019, Pip Cameron of PricewaterhouseCoopers (PwC) was the external auditor for Seeka Limited. PwC has confirmed its independence to the audit and risk committee, and that its independence was not compromised during the reporting period. The last audit partner rotation was in FY16.

PwC auditors attend the annual shareholder meeting to answer any shareholder questions about the audit.

Internal audit

Seeka has a number of internal controls overseen by the audit and risk committee to ensure the integrity of key financial and operational data. This includes data access, internal financial controls, adequate resourcing, targeted internal audit programmes and monitoring management's response to external audit findings.

Due to the size of Group operations, rather than operating a dedicated financial audit function, Seeka uses its compliance team to conduct internal audit processes and monitor operational compliance, along with independent providers to regularly test the integrity of the Group's financial systems. Directors also pay particular attention to matters raised by PwC, the external auditor.

Principle 8. Shareholder rights and relations

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Seeka's shareholders include a significant number of grower clients, employees, suppliers and people living in our rural communities. Seeka maintains open channels of communication with a diverse range of groups to uphold our key brand attribute of delivering excellence to all stakeholders.

The Board is motivated and committed to transparent and regular reporting and engagement with shareholders including:

- Annual and interim reports
- Market announcements
- Annual shareholder meeting
- Mid-year stakeholder meeting
- Ad-hoc investor presentations
- Attendance of directors at seasonal grower roadshows held throughout the catchment for each produce type
- Quarterly staff updates
- Clear access to investor information on the company's website, see Seeka.co.nz/investors
- Open access to senior managers via phone and email, see Seeka.co.nz/senior-management-team

Shareholders are actively encouraged to attend the annual shareholder meeting and mid-year stakeholder update, where they can raise matters for discussion by directors and senior management. Shareholders vote on major decisions which affect Seeka at the annual shareholder meeting. Voting is by poll, conducted by the Company's registrar Link Market Services and overseen by the company's auditor PwC, on a one share, one vote principle.

Shareholders are provided with copies of the annual report, and are encouraged to receive electronic communication by contacting our registrar Link Market Services, see Linkmarketservices.co.nz. The annual shareholders notice of meeting is posted on the NZX website and sent to shareholders at least 20 working days prior to the meeting. A link to Seeka's announcements can be directly accessed from Seeka's website, see Seeka.co.nz/nzx-announcements.

When raising new capital, when practical the Board will offer a scheme that allows existing shareholders to further invest in the Company so they can maintain their relative proportion of Seeka's issued shares.

Seeka's current and historical share price is located on the NZX website, see nzx.com/instruments/SEK

Corporate calendar

In the normal course of business, the Board reports to the following schedule.

End of year market announcement	Late February
Dividend payment	April
Annual shareholder meeting	April
Dividend payment	October
Stakeholder update	October

Differences in practice to NZX Code

The following table summarises the material differences between Seeka's corporate governance and the Code during the year. Where there are differences, these have been approved by the Board.

Principle		Concerning	Key difference	Period of non compliance
2. Board Composition and Performance	2.8	A majority of the board should be independent directors.	The board charter specifies a minimum of two independent directors. As Seeka's foundation business is kiwifruit, the Board considers it appropriate to have a mix of directors with extensive experience in kiwifruit production and handling, who in the normal course of business would supply Seeka with produce from their ongoing orcharding interests. The Board must also appropriately represent large shareholders. The specified minimum of two independent directors provides the flexibility to meet these two criteria, while also ensuring Board decisions reflect the best interests of Seeka and its security holders. Currently, four directors are deemed non-independent; two for their extensive interests in orchards that supply Seeka (industry expertise), one an appointee of a large shareholder (market expertise), and one that has extensive interests in orchards that supply Seeka as well as being an appointee of a large shareholder (industry expertise). Three of the seven directors (a minority) are independent.	At all relevant times
3. Board Committees	3.1	Audit and risk committee should have a majority of independent directors.	Following changes to the audit and risk committee charter on 24 July 2019, Fred Hutchings, who is an independent director, was appointed a full member of the audit and risk committee, and non-independent director Martyn Brick retired from the committee. The audit and risk committee currently complies with the code by having a majority of independent directors. Prior to the charter change, to manage work load across the Board and best utilise skills, the audit and risk committee had an independent chair and two non-independent directors.	1 January 2019 to 24 July 2019
	3.3	Remuneration committee should have a majority of independent directors.	To manage workload across the Board, the charter only specifies an independent chair. The current remuneration committee, however, complies with the code by having an independent chair, an independent director and a non-independent director.	At all relevant times
	3.4	Standing nominations committee.	Nominations Committee Charter allows for the formation of an ad-hoc committee as required. To manage workload across the Board, the charter only specifies an independent chair.	At all relevant times
4. Reporting and Disclosure	4.3	Non-financial disclosures, including environmental, economic and social sustainability risks.	Currently provide extensive reports on non-financial information to shareholders and other stakeholders. Seeka's sustainability team is currently developing a formal environmental, social and governance (ESG) reporting framework, with the initial ESG report published in this document.	At all relevant times
8. Shareholder Rights and Relations	8.4	Additional equity sought to be by way of pro-rata offer to existing shareholders	In March 2019, Seeka implemented a new Grower Loyalty Share Scheme, which was approved by shareholders at a special meeting on 14 February 2019.	15 March 2019 and 22 March 2019
	8.5	Notices of shareholder meetings given at least 20 working days prior to meeting	Given time constraints, on 29 January 2019 Seeka issued a notice of special meeting with 10 working days' notice.	29 January 2019

DIRECTOR PROFILES

The following directors held office on 31 December 2019.

Fred Hutchings **BBS, FCA**

Independent, non-executive Chairman

Member Audit and Risk Committee, Chair Remuneration Committee

Appointed 10 September 2012

Fred has commercial and business experience having been a partner at PricewaterhouseCoopers for 27 years where he specialised in assurance and advisory services, particularly for agribusiness. He also held leadership roles in the partnership including Wellington and South Island managing partner and for three years was a member of the firm's executive board.

Fred is a director of Speirs Group Limited and Speirs Food Limited, and retired as chairman of Tui Products Limited in 2018 when the business was sold. He is a past president of Chartered Accountants Australia and New Zealand.

Fred holds an interest in a kiwifruit orchard supplying Seeka.

Martyn (Marty) Brick **BAgCom**

Non-executive Director

Appointed 23 April 2013

Marty has experience in agribusiness having worked in a rural banking, finance, and horticulture. He established kiwifruit orchards in the Bay of Plenty, and a post harvest operation which was later sold to Huka Pak. Marty became a director of Te Awanui Huka Pak and chairman of Te Awanui Grower Council up until Huka Pak's merger with Seeka in 2009. Marty was a member of the audit and risk committee until 24 July 2019.

Marty holds interests in kiwifruit and avocado orchards supplying Seeka.

John Burke **BAgSc**

Non-executive Director

Member Audit and Risk Committee

Appointed 24 April 2012

John has an agribusiness background and qualifications, having worked for the Rural Bank and operated a rural valuation and consultancy practice. He has knowledge of kiwifruit operations from the orchard to the market having been the chief executive of Te Awanui Huka Pak where he helped establish collaborative programmes into Asia and North America, before becoming the general manager Kiwifruit Vine Health.

John is a kiwifruit orchardist supplying Seeka, and a farmer.

Peter Ratahi Cross

Non-executive Director

Member Remuneration Committee

Appointed 1 March 2016

Ratahi is the chairman of several trust boards throughout the eastern areas of the North Island. He chairs Te Awanui Huka Pak Limited and Ngai Tukairangi Trust, the largest Māori kiwifruit grower in New Zealand. The trust operates orchards on the Matapihi Peninsula at Mount Maunganui, and in the Hawke's Bay, which supply Seeka.

Ratahi has a background in natural science specialising in native flora and fauna. He also lectures in Māori history for several tribes he belongs to.

Amiel (Mel) Diaz **BA, BSc, CPA, CISA**

Non-executive Director

Appointed 19 October 2009

Mel is the head of the Philippine subsidiaries of Farmind Corporation. He has knowledge of the Asian fresh produce business, with an emphasis on Japan and the Philippines, having previously been the head of new business ventures and the chief information technology officer at Dole Asia.

Mel has executive management experience in technology, telecommunications, manufacturing, finance, service, business consultancy and the fresh produce industry, having worked for more than 30 years in various executive positions, board memberships and advisory roles.

Mel is a certified public accountant (CPA) in the Philippines and a certified information systems auditor (CISA) in the USA and the Philippines.

Cecilia Tarrant **BA/LLB Hons, LLM**

Independent, non-executive Director

Member Remuneration Committee

Appointed 27 April 2017

Cecilia is a professional company director. She is a director of Payments NZ, chair of New Zealand Green Investment Finance Limited, a trustee of the University of Auckland Foundation and a member of the University of Auckland Council. She has more than 25-years experience in law and banking, having worked as a lawyer in Auckland and San Francisco before becoming an investment banker in New York and London.

Cecilia is involved in both the beef and dairy industries through her family's ownership of a dry stock farm in the Waitomo area and partnership in a dairy farm in the Otorohanga district. Her family have lived in the Waitomo area for more than 100 years.

Ashley Waugh **BBS**

Independent, non-executive Director

Chair Audit and Risk Committee

Appointed 21 May 2014

Ashley has experience in the fresh food industry having worked within the Australasian Fast Moving Consumer Goods (FMCG) markets for more than 30 years. He also has global experience in the FMCG, foodservice and ingredients markets.

Ashley was the chief executive officer of Australian dairy foods and juice giant National Foods until its merger with Lion Nathan in 2009. His prior business experience was with the New Zealand Dairy Board and Ford Motor Company.

He currently serves on the board of Colonial Motor Company and chaired Moa, New Zealand's largest craft brewer, until retiring in 2017, and was a director of Fonterra Co-operative Group Limited until retiring in November 2018.

Changes in Board membership

Board membership remained the same throughout 2019.

INTERESTS REGISTER

During the year the Group undertook related party transactions with directors in the ordinary course of the Company's business and on usual terms and conditions.

Directors have made general disclosures of interests in accordance with s140 (2) of the Companies Act 1993. New disclosures advised since 31 December 2018 are italicised.

Fred Hutchings	Amwell Holdings Limited	Director / Shareholder
	Walker Nominees Limited	Director
	Seeka Employee Share Plan Trustees Limited	Director
	Speirs Group Limited and subsidiaries	Director
	AvoFresh Limited	Director
	Seeka Share Trustee Limited	*Director*
Martyn Brick	Strathboss Kiwifruit Limited	Director / Shareholder
	Seeka Growers Limited	Director
	Omega Kiwifruit Limited	Director / Shareholder
	Katoa Partnership	Partner
	Zespri International Limited	Shareholder
	Rokeby Trust	Beneficiary
	Rising Sun Orchards Limited	Shareholder
John Burke	J & D Burke Holdings Limited	Director / Shareholder
	Rokeby Trust	Trustee
	Zespri International Limited	Shareholder
	Pukekauri Farming Limited	Director / Shareholder
Peter Ratahi Cross	Ngai Tukairangi No2 Trust	Trustee / Chairman
	Te Awanui Huka Pak Limited	Director
	Seeka Share Trustee Limited	*Director*
Amiel Diaz	Farmind Philippines Inc.	Director / Officer
	Farmind Corporation of Japan	Officer
Cecilia Tarrant	Payments NZ Limited	Director
	University of Auckland Foundation	Trustee
	ArcAngels Angel Investment Network	Chair
	University of Auckland Council	Member
	New Zealand Green Investment Finance Limited	Chair
	Seeka Share Trustee Limited	*Director*
Ashley Waugh	Primrose Hill Farm (Puke-Roha Limited) - Te Awamutu	Director / Shareholder
	The Colonial Motor Group Limited	Director / Shareholder

DIRECTORS' INTERESTS IN SEEKA LIMITED SECURITIES

The following table details director interests in shares at 31 December 2019.

	Interest	Shares
Martyn Brick	Beneficial [1]	1,423,361
John Burke	Beneficial [2]	92,722
	Non beneficial [3]	83,000
Peter Ratahi Cross	Beneficial [4]	2,300,040
Fred Hutchings	Beneficial [5]	44,884
Cecilia Tarrant	Beneficial	6,350
Ashley Waugh	Beneficial	7,166

1. Held by Omega Kiwifruit Limited (1,098,323), Strathboss Kiwifruit Limited (118,853), Martyn Brick, Christopher Mcfadden and John Burke as trustees of the Rockeby Trust (83,000), Seeka Share Trustee Limited for and on behalf of Martyn Brick (8,659), Omega Kiwifruit Limited (47,572) and Strathboss Kiwifruit Limited (66,954).

2. Held by J&D Burke Holdings Limited (88,357) and Seeka Share Trustee Limited for and on behalf of J&D Burke Holdings Limited (4,365),

3. Held by Martyn Brick, Christopher Mcfadden and John Burke as trustees of the Rockeby Trust.

4. Held by the trustees of the Ngai Tukairangi No. 2 Trust (459,551), Te Awanui Huka Pak Limited (1,714,410), and Seeka Share Trustee Limited for and on behalf of the trustees of the Ngai Tukairangi No.2 Trust (126,079). P R Cross is a trustee of the Ngai Tukairangi No. 2 Trust and a beneficiary, and interests associated with P R Cross are beneficiaries, of the Ngai Tukairangi No. 2 Trust. Te Awanui Huka Pak Limited holds Ordinary Shares in Seeka Limited. P R Cross is a director of Te Awanui Huka Pak Limited. The trustees of the Ngai Tukairangi No. 2 Trust are shareholders in Te Awanui Huka Pak Limited.

5. Held by Walker Nominees Limited (42,421) and Seeka Share Trustee Limited for and on behalf of Amwell Holdings Limited (2,463).

The following table details director dealings in Seeka shares during the year.

	Transaction	Date	Number	Total consideration
Martyn Brick	Purchase	8 January 2019 [1]	10,000	$43,000
	Purchase [8]	3 April 2019 [2]	123,185	$586,361
John Burke	Purchase [8]	3 April 2019 [3]	4,365	$20,777
	Purchase [9]	9 April 2019 [4]	1,975	$9,401
	Purchase [9]	9 October 2019 [4]	2,022	$9,639
John Burke - non beneficial	Purchase	8 January 2019 [1]	10,000	$43,000
Peter Ratahi Cross	Purchase [8]	3 April 2019 [5]	126,079	$600,136
Fred Hutchings	Purchase [8]	3 April 2019 [6]	2,463	$11,724
	Purchase [9]	9 April 2019 [7]	948	$4,512
	Purchase [9]	9 October 2019 [7]	971	$4,629
Cecilia Tarrant	Purchase [9]	9 October 2019	145	$691

1. Acquired by Martyn Brick, Christopher Mcfadden and John Burke as trustees of the Rockeby Trust.

2. Held for and on behalf of Martyn Brick (8,659), Omega Kiwifruit Limited (47,572) and Strathboss Kiwifruit Limited (66,954).

3. Held for and on behalf of J&D Burke Holdings Limited.

4. Acquired by J&D Burke Holdings Limited.

5. Held for and on behalf of the trustees of the Ngai Tukairangi No.2 Trust. P R Cross is a trustee of the Ngai Tukairangi No. 2 Trust and a beneficiary, and interests associated with P R Cross are beneficiaries, of the Ngai Tukairangi No. 2 Trust.

6. Held for and on behalf of Amwell Holdings Limited.

7. Acquired by Walker Nominees Limited.

8. Acquired under grower loyalty share scheme, dated 15 March 2019, and held by Seeka Share Trustee Limited as a bare trustee.

9. Acquired under the Seeka dividend reinvestment plan.

SUBSIDIARY COMPANIES

The following table details directors of Seeka Limited subsidiary companies as at 31 December 2019. Other than for Aongatete Coolstores Limited, no person ceased to hold office, or was appointed, as a director of any subsidiary in the financial year to 31 December 2019.

Michael Franks and Stuart McKinstry are officers of Seeka Limited. Robert Towgood is a senior manager at Seeka Limited. Anthony Motion is an independent director for the Group's Australian subsidiaries. New subsidiaries formed since 31 December 2018 are italicised.

New Zealand incorporated companies

Trading subsidiaries	
Aongatete Coolstores Limited	*Michael Franks, Stuart McKinstry*
AvoFresh Limited	Michael Franks
Delicious Nutritious Food Company Limited	Michael Franks, Stuart McKinstry
Integrated Fruit Supply & Logistics Limited	Michael Franks
Kiwi Coast Growers (Te Puke) Limited	Michael Franks, Stuart McKinstry
Seeka Share Trustees Limited	*Fred Hutchings, Cecilia Tarrant, Peter Ratahi Cross*
Seeka Te Puke Limited	Michael Franks, Stuart McKinstry
Not-trading subsidiaries	
Eleos Limited	Michael Franks, Stuart McKinstry
Enviro Gro Limited	Michael Franks
Glassfields (NZ) Limited	Michael Franks, Stuart McKinstry
Guaranteed Sweet Limited	Michael Franks, Stuart McKinstry
Kiwifruit Vine Protection Company Limited	Michael Franks
Northland Horticulture GP Limited	Michael Franks, Stuart McKinstry
Nutritious Delicious Food Company Limited	Michael Franks, Stuart McKinstry
Seeka Dairy Ventures Limited	Michael Franks, Robert Towgood
Seeka Fresh Limited	Michael Franks, Stuart McKinstry
Verified Lab Services Limited	Michael Franks, Stuart McKinstry

Australian incorporated companies

Little Haven Holdings Pty Limited	Michael Franks, Stuart McKinstry, Anthony Motion
Seeka Australia Pty Limited	Michael Franks, Stuart McKinstry, Anthony Motion
Seeka Pollen Australia Pty Limited (not trading)	Michael Franks, Stuart McKinstry, Anthony Motion

Directors of Group subsidiary companies did not undertake any share dealings in those companies.

Subsidiary directors' interests register

Directors of Seeka subsidiaries have made general disclosures of interests in accordance with s140 (2) of the Companies Act 1993. No new disclosures have been advised since 31 December 2018.

Michael Franks	Rising Star Orchards Limited	Director / Shareholder
Stuart McKinstry	Rivas Orchards Limited	Director / Shareholder
	R&M Orchards Limited	Director / Shareholder

Anthony Motion has not made any general interest disclosures.

Subsidiary company director remuneration

Seeka Limited officers Michael Franks and Stuart McKinstry, and senior manager Robert Towgood received no beneficial director's fees or other benefits except as employees.

The following table details the remuneration of Anthony Motion, the independent director for the Group's Australian subsidiary companies.

Director fees	AUD	NZD @ $1.06
Anthony Motion	$ 20,000	$ 21,200

EMPLOYEE REMUNERATION

In 2019, the Group employed 423 permanent and more than 3,000 seasonal employees.

The Group had 112 employees (December 2018 - 100), including 7 employees (December 2018 – 8) employed by subsidiaries, that are not directors whose annual cash remuneration and benefits (including motor vehicles and termination costs) exceed $100,000 in the financial year.

Remuneration	2019	2018
$100,000 - $109,999	36	33
$110,000 - $119,999	19	15
$120,000 - $129,999	15	15
$130,000 - $139,999	9	10
$140,000 - $149,999	7	5
$150,000 - $159,999	5	2
$160,000 - $169,999	3	1
$170,000 - $179,999	4	3
$180,000 - $189,999	2	2
$190,000 - $199,999	2	1
$200,000 - $209,999	1	2
$210,000 - $219,999	1	1
$220,000 - $229,999	-	1
$230,000 - $239,999	1	-
$250,000 - $259,999	-	2
$260,000 - $269,000	1	-
$270,000 - $279,000	1	-
$280,000 - $289,000	1	3
$310,000 - $319,999	1	1
$340,000 - $349,999	1	-
$350,000 - $359,999	1	1
$360,000 - $369,999	-	1
$780,000 - $790,999	-	1
$900,000 - $909,999	1	-
Total	112	100

Remuneration includes key performance indicator payments. Remuneration by the Group's Australian subsidiary Seeka Australia in Australian dollars was converted to New Zealand dollars using the average exchange rate for the year. The impact of movements in exchange rates from 2018 to 2019 was reviewed and would not have significantly changed the employee remuneration disclosure.

Employee share scheme

As part of their employment benefits, eligible permanent employees are invited to participate in Seeka's employee share ownership schemes.

The 2016 employee share ownership scheme had 414,716 shares allocated to permanent employees at $3.88 per share, with a further 72,716 shares issued at $4.25 per share as part of Seeka's December 2018 rights issue. All 487,432 shares in the 2016 employee share scheme vested May 2019.

In March 2019, offers under Seeka's employee share ownership scheme were made and 568,000 shares were allocated to permanent employees at $4.76 per share on 10 April 2019.

OTHER DISCLOSURES

Indemnities and insurance

Clause 9.7 of the Constitution allows the Company to indemnify and insure directors to the extent permitted by the Companies Act 1993. The Company has provided insurance for all directors and officers, including directors of subsidiaries.

Summary of waivers granted by NZX

The Company transitioned to the new NZX Listing Rules on 17 April 2019 and has relied on the class waiver granted by NZX on 19 November 2018 in relation to the transition.

Donations

The Group paid $151,364 in donations and sponsorship in the year ended 31 December 2019.

Divided reinvestment plan

Under the company's dividend reinvestment plan, holders of ordinary shares may elect to reinvest the net proceeds of cash dividends payable or credited to acquire fully paid ordinary shares in the company.

Substantial product holders

The following table details information in compliance with s293 of the Financial Markets Act 2013 and is stated as at 31 December 2019. The total number of ordinary listed shares of Seeka Limited at that date was 32,115,799.

	Date of Notice	Shares
Sumifru Singapore Pte Limited	15 September 2015	2,093,558
Jarden Securities Limited [1]	23 December 2019	2,070,641
Farmind Corporation of Japan [2]	30 April 2018	1,650,567
Te Awanui Huka Pak Limited	11 September 2015 [3]	1,267,410

1. Includes a relevant interest in 835,247 shares held by FNZ Custodians Limited arising under the investment management agreements that Jarden Securities Limited is a party to for the purpose of providing discretionary investment management services (DIMS) to its clients.

2. Shares held by Citibank Nominees (NZ) Limited.

3. According to Seeka's records, Te Awanui Huka Pak Limited holds 1,714,410 shares as at 31 December 2019.

OPERATING ASSETS STATISTICS

Post harvest facilities

1 **Oakside**
Compac Oakside 1
Compac Oakside 2
Compac Oakside 3

2 **Transpack**
Compac

3 **KKP**
Lynx

4 **Huka Pak**
MAF Roda
Compac

5 **Main Road**
Compac

6 **Aongatete**
Compac

7 **Peninsula**
Lynx

8 **Kerikeri**
Compac

9 **Australia**
Compac

Orchards [1]

10 **Seeka Australia**

Seeka-owned orchards and land	Hectares
In production (6 orchards)	175
In development	99
Undeveloped land	292

Owned - New Zealand

Orchards owned and managed by Seeka	
In production (11 orchards)	36
In development	9

Long term lease - New Zealand

Orchards developed on leased land	
In production (19 orchards)	127
In development	56

Leased orchards - New Zealand

Orchards leased from owners	
In production (106 orchards)	394

Managed orchards - New Zealand

Orchards or vines managed for owners	
In production (180 orchards)	734
In development	46

Retail services

11 **Auckland**
Imported produce, ripening services, wholesale market

12 **Christchurch**
Imported produce, ripening services

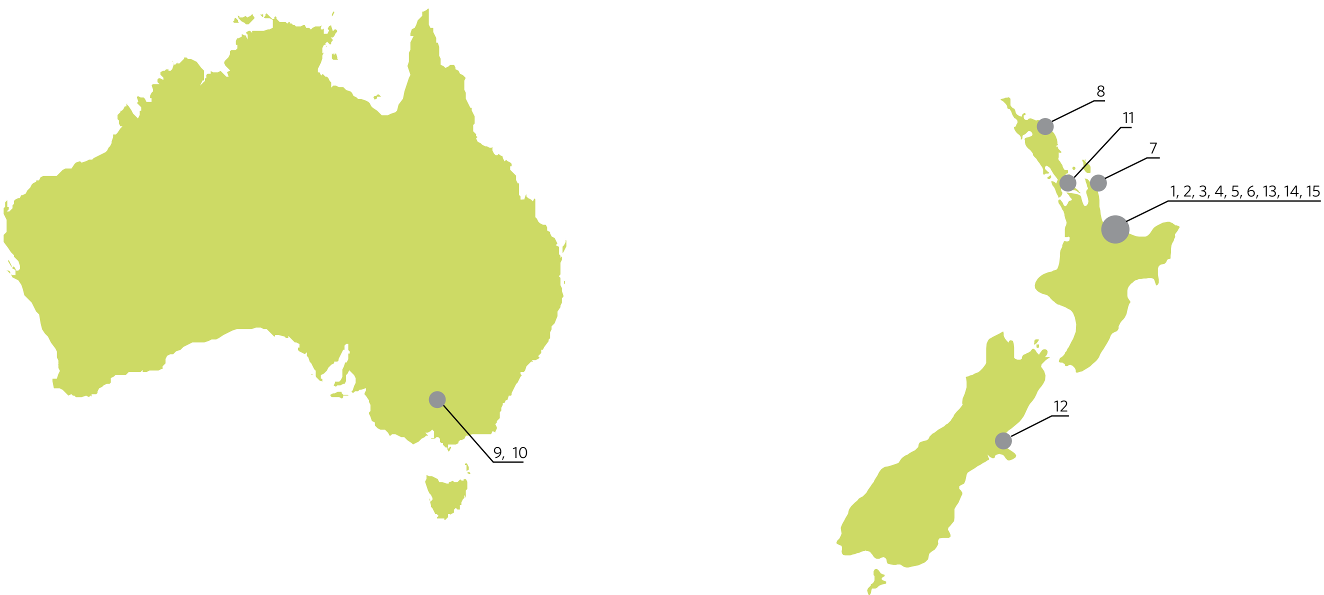
13 **Delicious Nutritious Food Company**
Food manufacturing; Kiwi Crush, Kiwi Crushies, Kiwiberry handling, Avocado oil

Laboratory services

14 **VLS**
Maturity and coolstore testing

Head Office

15 **Seeka360**
Grower centre



1. New Zealand orchard hectares are as at 31 December 2019.

SECURITIES STATISTICS

As at 27 January 2020

Top 50 shareholders

Top 50 shareholders	Number of ordinary shares	Percent
Seeka Share Trustee Limited [1]	2,748,877	8.56
Citibank Nominees (NZ) Limited [2]	2,110,306	6.57
Sumifru Singapore Pte Limited	2,093,558	6.52
Te Awanui Huka Pak Limited	1,714,410	5.34
FNZ Custodians Limited [3]	1,307,578	4.07
Tomlinson Group Investments	1,249,363	3.89
Masfen Securities Limited	1,138,100	3.54
Omega Kiwifruit Limited	1,098,323	3.42
Custodial Services Limited	685,259	2.13
Forsyth Barr Custodians Limited	511,705	1.59
Christopher William Flood & Mark Schlagel	477,130	1.49
Riri Ellis & Helen Te Kani & Joshua Gear & Carlo Ellis	459,551	1.43
Gregory Alan Cole	355,215	1.11
Jarden Securities Limited [3]	343,900	1.07
Accident Compensation Corporation [2]	323,795	1.01
Jack Law & Patricia Colleen Law	310,240	0.97
Anne Louise Bayliss & Christopher James Mcfadden	293,280	0.91
Lloyd James Christie	250,000	0.78
Michael Walter Daniel & Nigel Geoffrey Burton & Michael Murray Benjamin	240,000	0.75
Robin Moss	235,295	0.73
Burts Orchards (1997) Limited	220,922	0.69
Grant Keith Oakley & Deborah Jane Oakley & Brg Trustees 2013 Limited	206,016	0.64
Stewart Moss	178,251	0.56
BNP Paribas Nominees NZ Limited [2]	142,119	0.44
Matthew Ian Tremain	137,305	0.43
Custodial Services Limited	135,057	0.42
Michael Gilbert Franks	131,565	0.41
Malcolm John Cartwright & Helen Catherine Cartwright & Graeme Ingham Trustee Co Limited	130,028	0.40
Jean Paul Henri Mathias Thull & Lyon Trustees 2014 Limited	119,047	0.37
Strathboss Kiwifruit Limited	118,853	0.37
FNZ Custodians Limited	112,283	0.35
Custodial Services Limited	111,335	0.35
Brian John Cotton Stapleton & Lois Eileen Cotton Stapleton	109,526	0.34
Bowyer Orchards Limited	106,138	0.33
Murray Charles Salt & Heather Florrence Salt	103,770	0.32
Bryan Francis Grafas	103,271	0.32
Christopher Robert Malcolm & Helen Ann Malcolm	102,792	0.32
Robyn Adair Slater	100,589	0.31
Iconic Investments Limited	100,000	0.31
Custodial Services Limited	98,324	0.31
Korau Guy Tekani & Victoria Keltie Beadle Werohia & Marama Jacquiline Royal	91,986	0.29
J and D Burke Holdings Limited	88,357	0.28
JML Capital Limited	85,400	0.27
Ian Dunbar Greaves & Nicola Anne Greaves & Craig Murray Thompson	85,000	0.26
Martyn Timothy Brick & Christopher James Mcfadden & John Garland Burke	83,000	0.26
Terence Morrow Hawthorne & Gloria Nancy Hawthorne & Wood Walton Trustees (2007) Limited	77,076	0.24
Birdwood Farms Limited	76,562	0.24
David Murray Reid & Beverley Ann Reid & John Alexander Stewart	75,943	0.24
Andrew James Northcote Hill & Janice Margaret Hill & Hill Trustees 2017 Limited	73,890	0.23
Heather Olive Wright	71,362	0.22
Total	**21,321,652**	**66.39**

1. Shares held as a bare trustee in multiple parcels for members of the grower loyalty share scheme (2,061,803) and employee share ownership scheme (687,074).
2. Shares held through New Zealand Central Securities Depository Limited (NZCSD), a depository system which allows electronic trading of securities to members
3. Including 835,247 shares held for Jarden Securities Limited, as disclosed in Jarden Securities Limited's substantial product holder notice dated 23 December 2019.

Shareholder analysis

Shareholder analysis	Investors	Percentage of investors	Shares	Percentage of shares
By shareholding size				
Up to 1,000 shares	472	23.15	237,242	0.74
1,001 to 5,000 shares	952	46.69	2,646,617	8.24
5,001 to 10,000 shares	302	14.81	2,193,689	6.83
10,001 to 50,000 shares	246	12.06	4,730,247	14.73
50,001 to 100,000	29	1.42	1,993,252	6.21
100,001 to 500,000	28	1.37	5,657,273	17.62
More than 500,000	10	0.49	14,657,479	45.64
Total	**2,039**	**100.00**	**32,115,799**	**100.00**
By residency				
New Zealand shareholders	1,997	97.94	29,767,437	92.69
Overseas shareholders	42	2.06	2,348,362	7.31
Total	**2,039**	**100.00**	**32,115,799**	**100.00**

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

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

Stuart McKinstry
Chief Financial Officer

Verena Cunningham
GM SeekaFresh and Strategy

Jim Smith
GM Growers and Marketing

Kevin Halliday
GM Operations

Rob Towgood
Commercial Manager

Registered office

Seeka Limited

34 Young Road, RD9, Paengaroa 3189

PO Box 47, Te Puke 3153

Seeka.co.nz

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

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