Seeka
SELECT EXCELLENCE

INTERIM REPORT

JUNE 2023

Contents

Welcome to our Interim Report where we detail our financial and operational performance for the six months to 30 June 2023.

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Chair and Chief Executive's report

New Zealand's kiwifruit industry had a very tough 2023 harvest with low volumes and challenging weather. Seeka, as a large grower and operator, is not immune to these challenges. Seeka's revenue for the 6 months ended 30 June 2023 was $212.7 million, down from $247.3 million in the previous corresponding period to June 2022 (pcp). From this 14% drop in revenue, profit before tax was also lower at $13.6 million (pcp: $30.1m). This financial result reflects lower kiwifruit volumes harvested by Seeka and the wider New Zealand industry in 2023.

Despite challenging trading conditions, Seeka progressed its strategy. The company has focussed on operational excellence and has delivered a timely harvest to growers, along with low fruit loss and quality produce to the markets. New automation commissioned in 2023 delivered on expectations, which along with operational changes has produced better outcomes for all stakeholders.

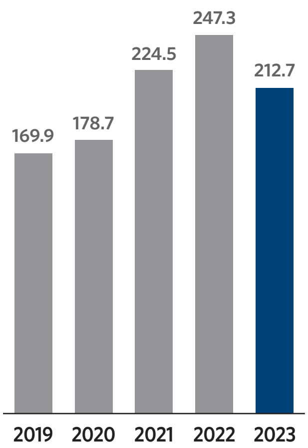
Seeka's in-house teams have improved their reporting systems to our operational decision makers. New picking processes, introduced to overcome industry quality issues in 2022, also worked well.

Operationally the business is set to handle the anticipated volume rebound in 2024.

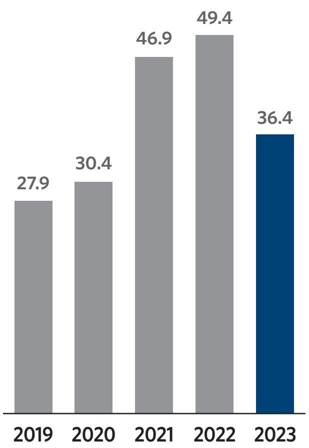
Seeka has focussed on reducing costs, and all segments of the business were reviewed to create a leaner organisation. The company remains focussed on removing inefficiencies in the supply chain, and innovatively, Seeka has implemented a captive insurance structure which places more cover directly to the international markets to help contain the ongoing increases in insurance costs.

The company has focussed on prudent debt management, slowing capital expenditure and reducing forward capital expenditure to within depreciation levels. Seeka engaged with its banking syndicate and has their continuing support, including their waiver of two banking covenants for the 2023 test period. The company continues to review its asset mix and investigate opportunities to sell and lease back some facilities.

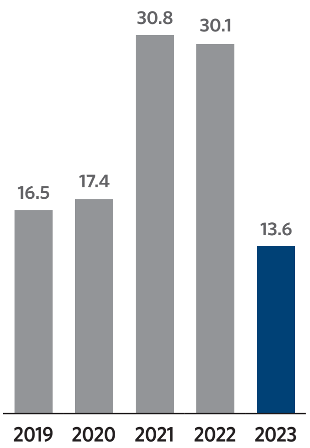
Group revenue
6 months to 30 June
NZD Millions



Group EBITDA
6 months to 30 June
NZD Millions



Group net profit before tax
6 months to 30 June
NZD Millions



Challenging growing conditions

2023 was a difficult season across the horticultural sector. Kiwifruit growers faced many challenges in a tight labour environment. Heavy rains and a warm winter contributed to an indifferent budbreak, particularly in Northland and the Te Kaha regions. A heavy frost on 7 October 2022 impacted many orchards right across our growing regions, with a number devastated. Continual rain through the Christmas period was exacerbated by Cyclone Hale and Cyclone Gabrielle, which caused severe damage in the Hawke's Bay and Tairāwhiti Gisborne regions. Thankfully, all our people and growers were safe; quite remarkable given the extent of the flooding and damage.

On 10 and 11 May, significant hail hit the Te Puke region, and while some orchards only experienced light damage, others suffered total loss. This hail event further lowered crop volumes. Hail-damaged lines also decrease packhouse efficiency and margins as additional grading staff are required to remove damaged fruit as Seeka works to provide the best possible outcomes for impacted growers.

With its warm, moist growing conditions, harvest 2023 also produced SunGold kiwifruit with below normal dry matter. This occurred in a year when Zespri had increased dry matter maturity thresholds as a mechanism to improve the consumer taste experience. This convergence resulted in a significant volume of quality SunGold kiwifruit not being packed for export. This further lowered returns to our orchard and post harvest operations.

SeekaFresh, our wholesaling and produce distribution business, continues to rebuild after two years of Covid-19 restrictions. The avocado programme, whilst challenging, delivered market-leading returns to our growers. The kiwiberry programme had an excellent season and achieved record export returns.

Many of the issues faced in New Zealand were mirrored in Australia with hail and flooding in the Shepparton region affecting 2023 crop volumes.

Operational excellence

Operationally, within a very challenging harvest, Seeka has delivered an excellent harvest for growers and Zespri. The fruit Seeka delivered to the market in 2023 is excellent; our initiatives to deliver quality fruit and performance were successful. Onshore fruit loss is extremely low and our current offshore fruit loss is also low. The company remains obsessed with quality.

The new automated packing machine at KKP performed well and has delivered the anticipated throughput and capacity gains. Automation upgrades at both Oakside and Seeka Gisborne have also enhanced capacity and throughput.

Our mix of automated and manual packlines gives Seeka the flexibility to efficiently handle a harvest that includes fruit from hail or water damaged orchards. Quality lines can be quickly and efficiently processed on Seeka's highly automated packlines, while crop from damaged orchards can be cared for with intensive manual grading. This mix of packing technology allows Seeka to provide a timely harvest to supplying growers.

While it is too early to make a reliable prediction on the 2024 crop, the current cold winter conditions are favourable for kiwifruit growth and are in stark contrast to the previous year's winter.

Finance renewal

Prudently, Seeka has suspended dividends and reduced capital expenditure to maintenance levels. The company engaged with our banking syndicate early in the scheduled banking renewal process, and they have supported Seeka to provide banking certainty with the syndicate waiving two of the banking covenants for the current financial year and approving negotiated covenants for 2024. A new Sustainability-Linked Loan was added to the suite of banking facilities which rewards Seeka should it achieve set sustainability targets, with penalties if they are not met.

The company has also targeted operational and overhead cost reduction in the first six months of 2023, with these initiatives set to achieve forward savings of $3 million per annum.

Capacity

In recent years Seeka has made significant investments in capacity and automation at KKP, Oakside, Seeka Gisborne and Transcool, which has lifted our New Zealand kiwifruit capacity to more than 50 million trays in a "normal" growing season. This investment means that Seeka can, and is, reducing capital expenditure to within annual depreciation, with a focus on ensuring our assets are fully maintained and Seeka's people and stakeholders enjoy a safe environment. To further lift efficiency, automation upgrades continue at Oakside and Transpack in preparation for harvest 2024.

Seeka continues to invest in quality accommodation for seasonal workers. New accommodation facilities have been leased in the Te Puke region and Seeka has built a new accommodation facility at Sharp Road Aongatete which it intends to sell and lease back.

Forward focus

Your company has been through an extended period of challenges with Covid-19 and weather events. Seeka's foundation business is kiwifruit, and the volumes to Seeka's New Zealand post harvest fell 29% in 2023 to 29.8 million class 1 trays, compared to 42.0 million in 2022.

The weather pattern has recently changed from La Niña to El Niño, and the current winter conditions are cold and dry; a stark contrast to last year.

The challenges of quality have been managed and the 2023 selling season is going well.

Seeka has turned its attention to planning for a resurgence in kiwifruit volumes and a return to profitability in 2024.

We thank our people, stakeholders and growers for their hard work and continuing support.

Fred Hutchings
Chair

Michael Franks
Chief executive

Interim financial statements

Six months to June 2023

Statement of profit or loss

For the six months ended 30 June 2023

New Zealand dollars	Notes	6 months to June 2023 Unaudited $000s	6 months to June 2022 Unaudited $000s	12 months to December 2022 Audited $000s
Revenue		212,670	247,345	348,387
Cost of sales		147,915	169,139	280,078
(Reduction) in fair value of biological assets - crop	7	(16,329)	(16,240)	-
Gross profit		**48,426**	**61,966**	**68,309**
Other income / (expenses)		343	(8)	755
Share of profit of associates		-	-	1,154
Other costs		12,344	12,598	24,139
Earnings (EBITDA) [1]		**36,425**	**49,360**	**46,079**
Depreciation expense	5	7,695	8,794	16,055
Lease depreciation expense	8	5,250	4,824	9,516
Impairment of property, plant and equipment	5	547	111	144
Loss on revaluation of property, plant and equipment	5	959	-	-
Impairment of biological assets		-	-	191
Impairment of intangible assets		-	-	681
Amortisation of intangible assets	6	180	235	406
Earnings (EBIT) [2]		**21,794**	**35,396**	**19,086**
Interest expense		5,751	3,124	7,204
Lease interest expense		2,408	2,207	4,289
Net profit before tax		**13,635**	**30,065**	**7,593**
Income tax charge		2,430	7,110	1,624
Deferred tax charge / (benefit)		731	1,501	(535)
Total tax charge		**3,161**	**8,611**	**1,089**
Net profit attributable to equity holders		**10,474**	**21,454**	**6,504**
Earnings per share for profit attributable to the ordinary equity holders of the Group during the year				
Basic earnings per share		$0.25	$0.52	$0.16
Diluted earnings per share		$0.25	$0.52	$0.16

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

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

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

Statement of comprehensive income

For the six months ended 30 June 2023

New Zealand dollars	6 months to June 2023 Unaudited $000s	6 months to June 2022 Unaudited $000s	12 months to December 2022 Audited $000s
Net profit for the period	10,474	21,454	6,504
Items that will not be reclassified to profit or loss - net of tax			
(Loss) / gain on revaluation of land and buildings	(9,014)	-	9,736
(Loss) / gain on revaluation of water shares	(99)	307	162
Total items that will not be reclassified to profit or loss	(9,113)	307	9,898
Items that may be reclassified subsequently to profit or loss, net of tax			
Movement in cash flow hedge reserve	(151)	1,709	2,864
Movement in foreign currency translation reserve	(4)	(50)	47
Movement in foreign currency revaluation reserve	366	446	(92)
Total items that may be reclassified subsequently to profit or loss	211	2,105	2,819
Total comprehensive income for the period attributable to equity holders	1,572	23,866	19,221

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

Statement of financial position

As at 30 June 2023

New Zealand dollars	Notes	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Equity				
Share capital		162,807	162,767	162,746
Reserves		45,494	45,134	55,437
Retained earnings		64,275	67,710	52,760
Total equity		272,576	275,611	270,943
Current assets				
Cash and cash equivalents		5,182	7,783	3,554
Trade and other receivables	9	94,304	106,770	33,147
Biological assets - crop	7	2,079	2,203	18,408
Inventories	10	14,684	17,953	11,900
Irrigation water rights		20	43	127
Assets classified as held for sale	4	3,096	4,754	6,293
Total current assets		119,365	139,506	73,429
Non current assets				
Trade and other receivables	9	6,377	2,652	5,099
Property, plant and equipment	5	364,563	358,641	375,788
Intangible assets	6	26,805	30,983	26,934
Right-of-use lease assets	8	54,961	54,493	55,805
Investment in associates and joint arrangements		5,952	3,768	5,952
Derivative financial instruments		3,227	1,836	3,438
Investment in financial assets		1,424	2,485	1,424
Total non current assets		463,309	454,858	474,440
Total assets		582,674	594,364	547,869
Current liabilities				
Tax liabilities		1,889	8,204	337
Trade and other payables	11	35,243	52,210	32,778
Lease liabilities	8	9,659	8,783	9,631
Interest bearing liabilities	12	53,721	30,548	22,870
Total current liabilities		100,512	99,745	65,616
Non current liabilities				
Interest bearing liabilities	12	128,471	138,492	128,072
Lease liabilities	8	59,556	59,313	60,434
Deferred tax liabilities		21,559	21,203	22,804
Total non current liabilities		209,586	219,008	211,310
Total liabilities		310,098	318,753	276,926
Net assets		272,576	275,611	270,943

On behalf of the Board.

F Hutchings
Chair

A Waugh
Director

Dated: 23 August 2023

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

Statement of changes in equity

For the six months ended 30 June 2023

New Zealand dollars	Notes	Share capital $000s	Cash flow hedge reserve $000s	Foreign currency revaluation reserve $000s	Foreign currency translation reserve $000s	Share reserve $000s	Water share revaluation reserve $000s	Land and buildings revaluation reserve $000s	Retained earnings $000s	Total $000s
2022										
Equity at 1 January 2022 (audited)		151,681	(388)	90	(208)	526	2,594	40,632	51,564	246,491
Net profit		-	-	-	-	-	-	-	21,454	21,454
Foreign exchange movement		-	-	446	(50)	(2)	2	-	-	396
Other comprehensive income		-	1,709	-	-	-	307	-	-	2,016
Total comprehensive income		-	1,709	446	(50)	(2)	309	-	21,454	23,866
Transactions with owners										
Shares issued		9,297	-	-	-	-	-	-	-	9,297
Employee share scheme receipts		815	-	-	-	-	-	-	-	815
Grower share scheme receipts		403	-	-	-	-	-	-	-	403
Movement in employee share entitlement reserve		459	-	-	-	(450)	-	-	-	9
Movement in grower share entitlement reserve		112	-	-	-	(74)	-	-	-	38
Dividends paid	13	-	-	-	-	-	-	-	(5,308)	(5,308)
Total transactions with owners		11,086	-	-	-	(524)	-	-	(5,308)	5,254
Equity at 30 June 2022 (unaudited)		162,767	1,321	536	(258)	-	2,903	40,632	67,710	275,611
2023										
Equity at 1 January 2023 (audited)		162,746	2,476	(2)	(161)	-	2,756	50,368	52,760	270,943
Net profit		-	-	-	-	-	-	-	10,474	10,474
Foreign exchange movement		-	-	366	(4)	-	-	-	-	362
Other comprehensive income / (loss)		-	(151)	-	-	-	(1,140)	(9,014)	1,041	(9,264)
Total comprehensive income / (loss)		-	(151)	366	(4)	-	(1,140)	(9,014)	11,515	1,572
Transactions with owners										
Employee share scheme receipts		61	-	-	-	-	-	-	-	61
Total transactions with owners		61	-	-	-	-	-	-	-	61
Equity at 30 June 2023 (unaudited)		162,807	2,325	364	(165)	-	1,616	41,354	64,275	272,576

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

Statement of cash flows

For the six months ended 30 June 2023

New Zealand dollars	Notes	6 months to June 2023 Unaudited $000s	6 months to June 2022 Unaudited $000s	12 months to December 2022 Audited $000s
Operating activities				
Cash was provided from:				
Receipts from customers		176,236	208,474	346,084
Interest and dividends received		35	9	95
Insurance proceeds		427	-	-
Cash was disbursed to:				
Payments to suppliers and employees		(162,669)	(177,217)	(313,426)
Interest paid		(7,177)	(3,124)	(7,204)
Lease interest paid		(2,408)	(2,207)	(4,289)
Income taxes paid		37	(6,793)	(9,132)
Net cash flows from operating activities	3	**4,481**	**19,142**	**12,128**
Investing activities				
Cash was provided from:				
Sale of property, plant and equipment		418	597	596
Cash acquired in acquisition of business		-	33	33
Distributions from investment in associates		-	190	518
Sale of investment in shares		-	-	253
Proceeds from sale of assets classified as held for sale		4,890	-	527
Repayment of grower or grower entity advances		1,998	1,635	34,272
Cash was applied to:				
Purchase of property, plant, equipment and intangibles		(10,966)	(22,921)	(29,681)
Development of bearer plants		(2,912)	(2,094)	(4,183)
Acquisition of business		-	(8,853)	(8,853)
Acquisition of associates		-	(420)	(1,358)
Advances to growers or grower entities		(21,278)	(34,801)	(34,022)
Net cash flows (used in) investing activities		**(27,850)**	**(66,634)**	**(41,898)**
Financing activities				
Cash was provided from:				
Proceeds of non-current bank borrowings		30,000	30,000	50,000
Proceeds of current bank borrowings		60,257	37,610	64,753
Proceeds from employee and grower loyalty share scheme		61	1,218	1,195
Cash was applied to:				
Principal lease payments		(5,677)	(4,942)	(9,231)
Repayment of non-current bank borrowings		(18,000)	(4,175)	(34,175)
Repayment of current bank borrowings		(41,505)	(12,671)	(47,216)
Payment of dividend to and behalf of shareholders	13	-	(4,374)	(4,374)
Net cash flows from financing activities		**25,136**	**42,666**	**20,952**
Net increase / (decrease) in cash and cash equivalents		**1,767**	**(4,826)**	**(8,818)**
Effect of foreign exchange rates		(139)	248	11
Opening cash and cash equivalents		3,554	12,361	12,361
Closing cash and cash equivalents		**5,182**	**7,783**	**3,554**

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

Notes to the interim financial statements

For the six months ended 30 June 2023

This section contains the notes to the consolidated financial statements for Seeka Limited, its subsidiaries and associates. To give stakeholders a clear insight into how Seeka organises its business, the note disclosures are grouped into five sections.

Basis of preparation

This section sets out the Group's accounting policies that apply to the consolidated interim financial statements for the half year reporting period ended 30 June 2023. Accounting policies which are limited to a specific note are described in that note.

Reporting entity and statutory base

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

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

In Australia, Seeka owns, leases and operates orchards and associated post harvest assets, making the Group the largest producer and supplier of Australian kiwifruit and nashi pears, a major supplier of European pears, plus other fruits, including plums and jujube dates.

Statement of compliance and basis of preparation

Group consolidated interim financial statements for the half year reporting period ended 30 June 2023 have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZ GAAP) and comply with the New Zealand International Financial Reporting Standards (NZ IFRS) and other reporting standards as applicable to profit-oriented entities. Specifically, Group interim financial statements have been prepared in accordance with NZ IAS 34, Interim Financial Reporting. This consolidated interim financial information does not include all of the information required for the full annual audited financial statements and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2022, which have been prepared in accordance with NZ IFRS.

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

The financial statements were approved by the Board of Directors (the Board) on 23 August 2023. The Directors do not have the authority to amend the financial statements after issue.

Summary of significant accounting policies

Other than detailed above, the accounting policies applied are consistent with those of the annual audited financial statements for the year ended 31 December 2022, as described in those annual financial statements.

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

Going concern assumption

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

The 2023 New Zealand kiwifruit harvest was impacted by a number of adverse weather events, including a severe frost on 7 October 2022, cyclones in January and February 2023, and hail in May 2023. Similarly, Australia faced severe flooding and hail events during the same period. These weather events have resulted in a significant reduction of kiwifruit volumes in New Zealand and Australia.

The Group has a forecast net loss before tax between $20m and $25m for the 12 months ending 31 December 2023. Seeka has undertaken cost containment measures and is progressively reviewing and restructuring business units, as well as limiting capital expenditure.

The Group compares the carrying amount of net assets with the market capitalisation value at each balance date. The share price at 30 June 2023 was $2.61, equating to a market capitalisation of $109.59m. This market value excludes any control premium and may not reflect the value of Group net assets. The carrying amount of Group net assets at 30 June 2023 was $272.58m ($6.49 net assets per share).

Seeka has engaged with its banking syndicate and has refinanced its banking facilities at 30 June 2023 into a Sustainability-Linked Loan facility of NZD$201m. The facilities have extended maturity dates, with 61% extended to 31 January 2025 and the remainder extended to 31 January 2026. As part of the refinancing, Seeka has obtained a waiver for the net leverage ratio and interest cover ratio for the 30 June 2023 and 31 December 2023 test periods, see note 12.

Seeka's outlook is vulnerable to the weather during key growing periods. However, an anticipated El Ninò weather pattern provides a more positive outlook. The longer term impacts of climate change are being considered and Seeka intends to mitigate these risks through regional diversification, growing techniques, and taking an innovative approach to all parts of the supply chain.

The Group has performed impairment testing across all its operating CGUs. These tests are outlined in note 6.

The outlook for the Group and the kiwifruit industry is for increasing volumes, which is supported by the SunGold and Zespri RubyRed licences that have been released by Zespri, and bought by growers to develop new kiwifruit orchards.

The Directors have considered the economic environment, the forward outlook for the kiwifruit industry, the results of the value in use calculations, and the forecast covenant compliance to determine that the going concern assumption is able to be supported.

Seasonal nature of Group operations

Seeka's core business is providing supply chain services to New Zealand and Australia's horticulture industries. A high proportion of Group revenue is generated and cost of sales incurred in the autumn when produce is harvested and prepared for market. Correspondingly, approximately 80% to 100% of Group gross profit is recorded in the interim report. Seasonal fluctuations impact the timing of gross profit, particularly the amount and quality of kiwifruit inventory remaining in store at 30 June.

Goods and services tax (GST)

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

Impact of standards issued but not yet applied by the entity

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

Performance

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

1. Segment information

The Group's operating segments are entities that engage in business activities that earn revenues, incur expenses and are reported in a manner consistent with the internal reports provided to the chief decision makers, being the Directors, who regularly evaluate the allocation of resources alongside operational outcomes, such as EBITDA and EBIT, and are responsible for setting strategic direction.

The Group has five operating segments:

- Four New Zealand segments express the range of complementary services delivered to New Zealand's produce industries and the retail sector.
- A single Australian operating segment covers the integrated supply chain service for the Group's Australian-grown fruit.

Direct segment revenues and operating costs are allocated to each segment. Administration costs, overheads, grower service costs and other income from the sale of assets recorded in the statement of profit or loss are allocated to all other segments. Transactions between segments are conducted at arm's length and are eliminated on consolidation.

Segment information is prepared on the same basis as the annual audited financial statements for the year ended 31 December 2022.

New Zealand segments

Orchard operations

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

The Group produces kiwifruit, avocado, citrus and kiwiberry crops from:

- Short term leased orchards (typically three-year rolling contracts) whereby the Group recovers costs and shares any profits with the orchard owners.
- Long term leased land which the Group has developed into productive orchards, pays all development and production costs, owns all crops for the term of the lease, and shares profit with the landowner after all 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 persimmon 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, operates a wholesale market, and the post harvest operations relating to kiwiberry.

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 profit or loss and impairment and revaluations of other assets not attributed directly to any other segment. It also includes the gain on sale from assets that had been classified as held for sale.

Australian operations

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

EBITDA and EBIT

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

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

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

The following table details the operating segments at balance date.

New Zealand dollars	New Zealand Orchard operations $000s	New Zealand Post harvest operations $000s	New Zealand Retail service operations $000s	New Zealand All other segments $000s	Australia Australian operations $000s	Group Total $000s
June 2023						
Income statement						
Turnover [1]	39,936	151,073	26,907	200	11,646	229,762
Gross segment revenue	39,961	152,919	9,815	200	11,646	214,541
Eliminations	(25)	(1,846)	-	-	-	(1,871)
Total segment revenue	39,936	151,073	9,815	200	11,646	212,670
EBITDA [2]	(1,946)	47,381	1,669	(11,553)	874	36,425
Depreciation expense [4]	(408)	(5,820)	(151)	(762)	(554)	(7,695)
Lease depreciation expense [5]	(759)	(3,455)	(326)	(288)	(422)	(5,250)
Impairment of property, plant and equipment	-	(121)	-	-	(426)	(547)
Loss on revaluation of property, plant and equipment	-	(959)	-	-	-	(959)
Amortisation of intangible assets	-	-	-	(180)	-	(180)
EBIT [3]	(3,113)	37,026	1,192	(12,783)	(528)	21,794
Lease interest expense [5]	(320)	(1,068)	(154)	(429)	(437)	(2,408)
EBIT [3] (after lease interest expense)	(3,433)	35,958	1,038	(13,212)	(965)	19,386
Interest expense [6]						(5,751)
Tax charge on profit						(3,161)
Profit after tax						10,474
Balance sheet						
Segment assets	75,876	397,779	15,157	39,752	54,110	582,674
Segment liabilities	48,872	177,708	14,043	33,436	36,039	310,098
Net assets	27,004	220,071	1,114	6,316	18,071	272,576
June 2022						
Income statement						
Turnover [1]	45,674	178,508	24,053	287	14,402	262,924
Gross segment revenue	45,674	181,534	8,474	287	14,402	250,371
Eliminations	-	(3,026)	-	-	-	(3,026)
Total segment revenue	45,674	178,508	8,474	287	14,402	247,345
EBITDA [2]	5,087	52,867	489	(11,659)	2,576	49,360
Depreciation expense [4]	(434)	(6,340)	(180)	(1,317)	(523)	(8,794)
Lease depreciation expense [5]	(822)	(2,870)	(297)	(421)	(414)	(4,824)
Impairment of property, plant and equipment	(111)	-	-	-	-	(111)
Amortisation of intangible assets	-	-	-	(235)	-	(235)
EBIT [3]	3,720	43,657	12	(13,632)	1,639	35,396
Lease interest expense [5]	(374)	(1,001)	(156)	(204)	(472)	(2,207)
EBIT [3] (after lease interest expense)	3,346	42,656	(144)	(13,836)	1,167	33,189
Interest expense [6]						(3,124)
Tax charge on profit						(8,611)
Profit after tax						21,454
Balance sheet						
Segment assets	98,055	388,619	23,560	31,015	53,115	594,364
Segment liabilities	52,849	170,082	12,723	36,300	46,799	318,753
Net assets	45,206	218,537	10,837	(5,285)	6,316	275,611

1. Turnover is a non-GAAP measure, see calculations in note 2.
2. EBITDA, a non-GAAP measure, is earnings before interest, tax, depreciation, amortisation, impairments and revaluations.
3. EBIT, a non-GAAP measure, is earnings before interest and tax.
4. Depreciation includes the depreciation of fixed assets.
5. Lease interest and lease depreciation are as a result of *NZ IFRS 16 Leases*, see note 8.
6. Interest includes finance costs for borrowings.

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

New Zealand dollars	New Zealand Orchard operations $000s	Post harvest operations $000s	Retail service operations $000s	All other segments $000s	Australia Australian operations $000s	Group Total $000s
June 2023 - EBITDA						
EBITDA pre NZ IFRS 16	(3,334)	42,899	1,260	(12,305)	(180)	28,340
Capitalised lease costs	1,388	4,482	409	752	1,054	8,085
EBITDA after applying NZ IFRS 16	(1,946)	47,381	1,669	(11,553)	874	36,425
June 2022 - EBITDA						
EBITDA pre NZ IFRS 16	3,760	48,926	63	(12,063)	1,525	42,211
Capitalised lease costs	1,327	3,941	426	404	1,051	7,149
EBITDA after applying NZ IFRS 16	5,087	52,867	489	(11,659)	2,576	49,360

2. Turnover

The following table reconciles turnover to revenue.

New Zealand dollars	6 months to June 2023 Unaudited $000s	6 months to June 2022 Unaudited $000s	12 months to December 2022 Audited $000s
Turnover	229,762	262,924	383,732
Value of sales made as agent	(17,092)	(15,579)	(35,345)
Revenue	212,670	247,345	348,387

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

New Zealand dollars	6 months to June 2023 Unaudited $000s	6 months to June 2022 Unaudited $000s	12 months to December 2022 Audited $000s
Net operating surplus after taxation	**10,474**	**21,454**	**6,504**
Add / (less) non cash items:			
Depreciation	7,695	8,794	16,055
Lease depreciation	5,250	4,824	9,516
Impairment of biological assets	-	-	191
Impairment of intangible assets	-	-	681
Impairment of property, plant and equipment	547	111	144
Loss on revaluation of property, plant and equipment	959	-	-
Revaluation of employee share scheme	-	38	38
Revaluation of grower share scheme	-	9	9
Movement in deferred tax	(1,245)	2,830	4,431
Movement in fair value of biological assets - crop	16,329	16,240	35
Amortisation of intangible assets	180	235	406
	29,715	**33,081**	**31,506**
Add / (less) items not classified as an operating activity:			
(Gain) on sale of property, plant and equipment	(28)	(131)	(138)
(Gain) on sale of assets classified as held for sale	-	-	(364)
Decrease in current water allocation account	48	130	133
	20	**(1)**	**(369)**
(Increase) / decrease in working capital:			
(Increase) in accounts receivable / prepayments	(42,163)	(43,619)	(6,725)
(Increase) in inventory	(2,955)	(10,361)	(2,593)
Increase / (decrease) in accounts payable	4,995	19,889	(3,730)
Increase / (decrease) in taxes due	4,395	(1,301)	(12,465)
	(35,728)	**(35,392)**	**(25,513)**
Net cash flow from operating activities	**4,481**	**19,142**	**12,128**

Accounting policies

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

Assets

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

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

4. Assets classified as held for sale

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Opening balance at 1 January	6,293	1,898	1,898
SunGold licence transferred from intangible assets	-	481	491
Water shares transferred from intangible assets	-	-	3,283
Transfers from property, plant and equipment	-	2,375	1,915
Development costs incurred	86	-	313
Sales settled by third parties at carrying value	(3,283)	-	(1,607)
Total assets classified as held for sale	**3,096**	**4,754**	**6,293**

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

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Asset class			
Land and buildings	943	2,482	943
Property, plant and equipment	380	475	380
Intangible assets	500	481	3,783
Bearer plants	645	1,316	645
Bearer plants under development	628	-	542
Total assets classified as held for sale	**3,096**	**4,754**	**6,293**

At 30 June 2023, 16.6 hectares of Northland orchards (Jun 2022 - 29.4 hectares) and nil hectares of Ōpōtiki orchards (Jun 2022 - 3.5 hectares) owned by Seeka were classified as held for sale. No growing costs have been attributed to these remaining orchards at 30 June 2023 as they are valued on a crop-off basis.

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the assets are available for immediate sale in their present condition, and the Group is committed to the sale and expects it to be completed within one year from the date of classification. The accounting standard allows for the period to extend past 12 months if the circumstances causing the delay are out of Seeka's control. As at 30 June 2023 one orchard of 13.5 hectares (Jun 2022 - one orchard of 13.5 hectares) has taken longer than 12 months to find a willing buyer, however Seeka remains committed to selling the property and a sale is anticipated within the next 12 months. Assets classified as held for sale are recorded at the lower of the carrying value or fair value less costs to sell.

Critical accounting estimates and judgements

The Group used judgement to recognise the remaining orchards as held for sale, despite one being held for sale for greater than 12 months.

This judgement is based on the ability to obtain a buyer for the assets classified as held for sale. This is impacted by external real estate market forces and changes to this estimate may result in the balance being reclassified to a non-current asset.

5. 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 2023						
Cost or valuation	280,850	150,667	3,131	37,187	21,311	493,146
Accumulated depreciation and impairment	(29,912)	(82,056)	(1,249)	(3,746)	(395)	(117,358)
Net book amount	250,938	68,611	1,882	33,441	20,916	375,788
Six months ended 30 June 2023						
Opening net book amount	250,938	68,611	1,882	33,441	20,916	375,788
Additions and transfers - net	14,422	4,792	-	1,369	(11,138)	9,445
Depreciation	(3,015)	(4,415)	(145)	(120)	-	(7,695)
Disposals	-	(58)	(252)	-	-	(310)
Impairment	(122)	(425)	-	-	-	(547)
Revaluation	(12,763)	-	-	-	-	(12,763)
Reclassification to intangible assets	-	(17)	-	-	-	(17)
Foreign exchange	272	94	6	289	1	662
Closing net book amount	249,732	68,582	1,491	34,979	9,779	364,563
At 30 June 2023						
Cost or valuation	282,781	155,478	2,885	38,845	10,174	490,163
Accumulated depreciation and impairment	(33,049)	(86,896)	(1,394)	(3,866)	(395)	(125,600)
Net book amount	249,732	68,582	1,491	34,979	9,779	364,563

Assets under construction are assets that are yet to be capitalised and are not depreciated. When the asset is ready for use it is transferred to the appropriate asset class. At 30 June 2023 the assets under construction relate to Sharp Road RSE accommodation $3.40m, and investment in automation at Seeka Gisborne $3.93m.

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 were undertaken by CBRE Limited, independent registered valuer.

In Australia valuations were undertaken by Opteon (Goulburn North East Vic) Pty Ltd, independent valuers based in Victoria, Australia. All Australian land and buildings were revalued at 31 December 2022.

As at 30 June 2023 the directors believe there are indicators that would suggest that the carrying value of land and buildings differs materially from their fair value. As a consequence, the Group has performed a desktop fair value calculation, adjusting the market capitalisation and market rental rates for the circumstances present at 30 June 2023, and has calculated a reduction in the valuation of $12.8m. This is related to land and buildings, and has been applied against the revaluation reserve accounts for all properties apart from one property, which did not have revaluation reserves and was recorded in the statement of profit and loss.

Impairment

In the six months to June 2023, $0.43m of hail netting assets in Australia, and $0.12m of fixed electrical assets were impaired. In the six months ended June 2022, $0.11m of assets were impaired relating to capitalised structures on a long-term-leased orchard.

Critical accounting estimates and judgements

At 30 June 2023, the Group has performed a desktop fair value calculation to determine the value of the land and buildings by adjusting the market capitalisation and market rental rates for the conditions present at 30 June 2023, and has calculated a reduction in the value of land and buildings of $12.8m, being a reduction in revaluation reserves of $11.8m and a loss on revaluation through the statement of profit and loss of $1.0m.

Independent valuations will be obtained at 31 December 2023 in line with the accounting policies of the Group.

6. Intangible assets

New Zealand dollars	Software $000s	Goodwill $000s	Water shares $000s	Other intangibles $000s	Total $000s
At 30 June 2023					
Cost	4,457	22,212	5,373	377	**32,419**
Accumulated amortisation and impairment	(3,583)	(2,031)	-	-	**(5,614)**
Net book amount	**874**	**20,181**	**5,373**	**377**	**26,805**

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

Group cash generating units	Operating segment	Goodwill carrying amount $000s	Pre tax discount rate	EBITDA growth rate 1-5 years	Terminal growth rate
June 2023					
Post harvest	Post harvest operations	20,181	11.5%	1.8% - 12.1%	2.0%

Impairment tests for goodwill

At 30 June 2023, indicators of impairment existed, including the market capitalisation and industry circumstances as described in the Basis of Preparation note, and the impairment of land and buildings as outlined in note 5. In response the Group has performed impairment tests on all cash generating units (CGUs), in addition to CGUs with goodwill balances to ensure that future cash flows of the CGUs and the Group support the fair value of the assets.

The impairment tests have been performed using a value in use calculation model. No material impairment was identified.

The recoverable amount is based on the net present value of the five-year after-tax cash flow projection (value-in-use), 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 forecast crop volumes, past financial performance and the Board's expectations of future market dynamics, plus the Group's five year financial plans.

The impairment tests have incorporated the lower volumes in the 2023 harvest and a more conservative forward looking growth profile of kiwifruit volumes over the five years. It is anticipated that the 2024 harvest will be significantly better than the previous two years, which is a view supported by the industry.

The Goodwill and asset value allocated to the post harvest CGU is supported by historical profitability, increasing volume forecasts, and forecast growth of the kiwifruit industry and returns. The 2022 and 2023 harvest have been impacted by lower yields. The headroom in the post harvest CGU has reduced, after impairing the land and buildings assets (see note 5), however there is no impairment identified as at 30 June 2023.

The impact of climate change has been incorporated to the extent that it impacts the forecasts and considered as part of scenario planning from an operational capacity planning perspective. Scenario planning is being carried out across the Company to model for the impact of climate change on future yields.

Seeka has a long history of adapting to the environment, such as when Psa arrived in New Zealand and the industry pivoted to the SunGold variety, alongside past climatic events such as droughts, hail, and floods. The business will continue to adapt to the changing environment.

Critical accounting estimates and judgements

The goodwill impairment tests require judgement to determine the appropriate forecast cash flows and inputs into the calculations. The primary estimates relate to the forecast EBITDA growth rates, discount rates, WACC and terminal growth rates.

7. 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, 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.

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Carrying amount at beginning of period	**18,408**	**18,443**	**18,443**
Crop harvested during the period			
Fair value movement from the beginning of the period to point of harvest	3,126	11,892	12,075
Fair value when harvested	(21,534)	(30,335)	(30,518)
Crop growing on bearer plants at end of period			
Crop at cost	2,079	2,203	18,345
Crop at fair value	-	-	63
Carrying value at end of period	**2,079**	**2,203**	**18,408**

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

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Movement in carrying amount	(16,328)	(16,417)	(59)
Exchange differences	(1)	177	24
Net fair value movement in crop	**(16,329)**	**(16,240)**	**(35)**

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

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Australia - all varieties	737	755	4,007
New Zealand - kiwifruit crop	1,127	1,160	13,597
New Zealand - other crop (avocado, citrus, kiwiberry)	215	288	804
Carrying value at end of period	**2,079**	**2,203**	**18,408**

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

The Group reports all leases on the balance sheet where it has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the lease, with the exception of low value leases or leases less than 12 months.

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

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Right-of-use lease assets			
Land and buildings	32,706	29,185	32,884
Orchard leases	16,764	18,387	17,310
Equipment	2,437	3,834	2,812
Motor vehicles	3,054	3,087	2,799
Total right-of-use lease assets	54,961	54,493	55,805
The movements for the period are:			
Opening balance	55,805	49,885	49,885
Additions and renewals	4,584	9,475	16,269
Disposals, reclassifications and early terminations	(313)	(336)	(944)
Exchange rate differences	135	293	111
Depreciation	(5,250)	(4,824)	(9,516)
Closing balance	54,961	54,493	55,805
The classification for depreciation of right-of-use lease assets is as follows:			
Land and buildings	2,189	1,796	3,793
Orchard leases	887	1,038	1,386
Equipment	1,082	981	2,254
Motor vehicles	1,092	1,009	2,083
Total depreciation of right-of-use lease assets	5,250	4,824	9,516

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Lease liabilities			
Current	9,659	8,783	9,631
Non-current	59,556	59,313	60,434
Total lease liabilities	69,215	68,096	70,065
The liabilities are classified as:			
Lease liabilities			
Land and buildings	37,770	34,117	37,614
Orchard leases	25,633	27,003	26,148
Equipment	2,529	3,763	3,274
Motor vehicles	3,283	3,213	3,029
Total lease liabilities	69,215	68,096	70,065
The movements for the period are:			
Lease liability movements			
Opening balance	70,065	63,367	63,367
Additions and renewals	4,653	9,475	16,796
Disposals, reclassifications and early terminations	(166)	(365)	(873)
Exchange rate differences	185	561	6
Principal lease payments	(5,522)	(4,942)	(9,231)
Closing balance	69,215	68,096	70,065

Additions

During the period ended 30 June 2023, the Group renewed $1.64m of leases relating to post harvest coolstorage facilities, $0.55m of leases relating to retail service facilities, and $1.82m of leases relating to vehicles and equipment leases.

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.

9. Trade and other receivables

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Current trade receivables (net of provision for doubtful debts)	42,698	57,336	20,109
Prepayments	7,424	6,491	3,203
Prepaid deposits	608	819	619
Accrued income and other sundry receivables	43,574	42,124	9,216
Current trade and other receivables	94,304	106,770	33,147
Non current trade receivables	6,377	2,652	5,099
Non current trade and other receivables	6,377	2,652	5,099
Total trade and other receivables	100,681	109,422	38,246

Current trade receivables include temporary advances to Seeka kiwifruit grower pools of $19.28m (Jun 2022 - $33.70m). These advances are largely repaid in July 2023, but will be fully repaid by December 2023.

Accrued income and other sundry receivables includes $12.27m (Jun 2022 - $18.93m) of income for kiwifruit harvested and delivered to Zespri from Seeka's New Zealand orchards, $27.81m (Jun 2022 - $19.78m) for New Zealand post harvest operations, and $1.78m (Jun 2022 - $3.15m) of income for kiwifruit and pears harvested in Australia.

Income from the New Zealand kiwifruit is accrued based on forecast information prepared by the Group, being an average Hayward HW orchard gate return (OGR) of $8.14 per tray (Jun 2022 - $6.62: Dec 2022 - $6.10) and an average SunGold G3 OGR of $10.56 per tray (Jun 2022 - $11.03: Dec 2022 - $11.03).

At 30 June 2023, non-current trade receivables includes $3.82m (Dec 2022 - $2.20m) losses carried forward on Hayward short term leased orchards to be recovered in a future period when the orchards return to a profit making position expected in the 2024 harvest. The remaining balance of non-current trade receivables relates to debtors secured against crop supply commitments with repayment terms of up to five years and is considered recoverable.

10. Inventories

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Crop inventories	5,057	11,034	-
Total packaging at cost	6,169	4,387	8,618
Other inventories at cost	3,458	2,532	3,282
Total inventories	14,684	17,953	11,900

Fruit inventories relate to kiwifruit harvested from New Zealand and Australian orchards and held in coolstores at balance date. Fruit inventory from fruit harvested from the Group's Australian orchards is based on actual and forecast market returns for each variety.

At balance date, $28.53m (Jun 2022 - $37.07m) of packaging inventory costs were expensed to cost of sales in the statement of profit or loss. There were no material inventory write downs (Jun 2022 - Nil).

11. Trade and other payables

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Trade payables	16,074	18,674	6,329
Accrued expenses	11,839	17,705	17,940
Employee expenses	6,169	12,510	6,619
GST payable	1,002	1,728	1,853
Other payables	159	1,593	37
Total trade and other payables	35,243	52,210	32,778

Trade payables includes $3.60m (Jun 2022 - $5.01m, Dec 2022 – Nil) of packaging costs relating to post harvest operation and $0.12m (Jun 2022 - $1.45m) of packhouse automation costs, see note 5.

Accrued expenses include $1.85m (Jun 2022 - $9.43m) of kiwifruit costs relating to kiwifruit harvested and to be delivered to Zespri from the Group's New Zealand orchards.

Interest bearing liabilities, dividends, share capital and fair value

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

Disclosures are made on the Group's bank facilities, dividends paid to shareholders, share capital, and other disclosures.

12. Interest bearing liabilities

New Zealand dollars	June 2023 Unaudited $000s	June 2022 Unaudited $000s	December 2022 Audited $000s
Current			
Interest bearing liabilities	53,889	30,658	23,110
Capitalised loan fees to be amortised in the next 12 months	(168)	(110)	(240)
Total current interest bearing liabilities	**53,721**	**30,548**	**22,870**
Non-current			
Interest bearing liabilities	128,514	138,780	128,151
Remaining capitalised loan fees to be amortised	(43)	(288)	(79)
Total non-current interest bearing liabilities	**128,471**	**138,492**	**128,072**
Total interest bearing liabilities	**182,192**	**169,040**	**150,942**
Analysis of movements in borrowings:			
At 1 January	150,942	113,003	113,003
Cash flow - additional borrowings	90,257	67,610	114,753
Cash flow - repayment of borrowings	(59,505)	(16,846)	(81,391)
Loans acquired via acquisition	-	4,175	4,175
Capitalised loan fees - amortised over the life of the loan	107	110	188
Exchange differences	391	988	214
At balance date	**182,192**	**169,040**	**150,942**
Analysis of total facilities:			
Drawn	182,192	169,040	150,941
Available	18,859	42,369	59,616
Total facilities	**201,051**	**211,409**	**210,557**

New Zealand dollars	Balance due $000s	Interest rate	Maturity
Term loans as at 30 June 2023			
AUD $17m	18,514	6.58%	31 January 2025
NZD $40m	40,000	4.97%	31 January 2025
NZD $50m	50,000	5.39%	31 January 2026
NZD $20m	20,000	8.11%	31 January 2025

Refinancing

In the six months to 30 June 2023, Seeka has engaged with its banking syndicate and has refinanced its banking facilities into a Sustainability-Linked Loan facility of NZD$201 million.

The facilities have extended maturity dates, with 61% extended to 31 January 2025 and the remainder extended to 31 January 2026.

As part of the refinancing, Seeka has obtained a waiver for the net leverage ratio and interest cover ratio for the 30 June 2023 and 31 December 2023 testing periods. The 30 June 2024 and 31 December 2024 banking covenants have been set on a "step down" basis to enable the Group to reach its long term covenants of 3.25x for the net leverage ratio and 2.00x for the interest cover ratio.

13. Dividends

In the last 12 months, no dividends were paid (prior 12 months $0.26 per share).

As part of the refinancing, as described in note 12, the restrictions placed on dividend payments was amended from a required net leverage ratio not exceeding 3.75:1.00 during the period of 30 June 2023 to 29 June 2024, to a net leverage ratio not exceeding 3.25:1.00.

14. Share capital

During the period to 30 June 2023, $0.06m (Jun 2022 - $1.22m) was received in relation to shares issued under the Employee share scheme established in 2019 (including funds from the vesting of the schemes).

15. Determination of fair values of financial assets and liabilities

The following table analyses financial assets and liabilities carried at fair value as at 30 June 2023.

The different levels are defined as:

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

New Zealand dollars	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Water shares	5,373	-	-	**5,373**
Irrigation water rights	20	-	-	**20**
Land	-	-	45,178	**45,178**
Buildings	-	-	204,554	**204,554**
Other financial assets	-	-	623	**623**
Derivatives used for hedging - assets	-	3,227	-	**3,227**

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
Land and buildings	$ 249.73 m	An annual revaluation is used to estimate fair value, which is performed on at least one third of land and buildings on a rolling 3-year cycle by an independent valuer using four different approaches; replacement cost approach, sales approach, investment approach and discounted cash flow approach. See accounting policies and note 5 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.
Other financial assets.	$ 0.62 m	Calculating the present value of expected cash flows using contractual interest rates, expected repayment dates and discount rate.	Repayment dates. Discount rates.	Increases with an earlier repayment date. Increases with a lower discount rate.

16. Related party transactions

The Group undertakes transactions with Seeka Growers Limited (SGL), a related party which administers all kiwifruit revenues received for the New Zealand business on behalf of supplying growers. In the current period the Group received $189.58m (Jun 2022 - $139.03m) for the provision of services to SGL.

17. Capital commitments

As at 30 June 2023 the Group was committed to incur capital expenditure of $2.38m (Jun 22 - $4.35m; Dec 22 - $8.00m).

This included planned expenditure on the RSE accommodation at Sharp Road, $0.46m for an investment in an associate, and the final stages of the Seeka Gisborne packhouse automation project.

18. Events occurring after balance date

On 31 July 2023, Independent Director Robert Farron resigned from the Seeka Board of Directors, and the Audit and Risk Committee, effective 4 August 2023. Fred Hutchings became a member of the Audit and Risk Committee effective 4 August 2023, and Ashley Waugh became the Chair of the Audit and Risk Committee effective 4 August 2023.

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

Directory

Board of directors

Fred Hutchings – Chair

Hayden Cartwright

Peter Ratahi Cross

Stewart Moss

Cecilia Tarrant

Ashley Waugh

Robert Farron (resigned effective 4 August 2023)

Audit and risk committee

Ashley Waugh – Chair (effective 4 August 2023)

Hayden Cartwright

Fred Hutchings – (member from 4 August 2023)

Robert Farron – (resigned as chair and member effective 4 August 2023)

Sustainability committee

Cecilia Tarrant – Chair

Peter Ratahi Cross

Fred Hutchings

Remuneration committee

Fred Hutchings – Chair

Stewart Moss

Cecilia Tarrant

Company officers

Michael Franks
Chief Executive Officer

Nicola Neilson
Chief Financial Officer and Company Secretary

Senior management team

Michael Franks
Chief Executive

Nicola Neilson
Chief Financial Officer

Kate Bryant
GM Corporate Services

Paul Crone
GM Post Harvest

Barry Penellum
GM Orchards

Jonathan van Popering
GM Australian Operations

Jim Smith
GM Growers and Marketing

Registered office

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PO Box 47, Te Puke 3153

Seeka.co.nz

Auditor

PricewaterhouseCoopers

Auckland

www.pwc.co.nz

Bankers[1]

Westpac New Zealand Limited

Auckland

www.westpac.co.nz

Westpac Banking Corporation

Melbourne

www.westpac.com.au

ASB Bank Limited

Auckland

www.asb.co.nz

Bank of New Zealand

Auckland

www.bnz.co.nz

Coöperatieve Rabobank U.A. (Rabobank)

Wellington

www.rabobank.co.nz

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

Share register

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