Seeka
SELECT EXCELLENCE

# ANNUAL REPORT

2021

# Contents

**Welcome to our FY21 Annual Report where we detail how Seeka organises its business to deliver excellence along our full supply chain. We report on our financial and operational performance, and update you on the latest environmental, social and corporate governance initiatives.**

**In Seeka's integrated report we provide clear oversight on how we are working to be a leader in sustainability, as we nurture our environment and work with our communities to produce and supply the world with safe, high-quality, New Zealand and Australian fruit.**



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

This integrated report links to videos and other information stored on the internet. Click on the QR codes or scan with your smartphone camera to view extra material.

# Our produce business

## Select excellence from orchard to market

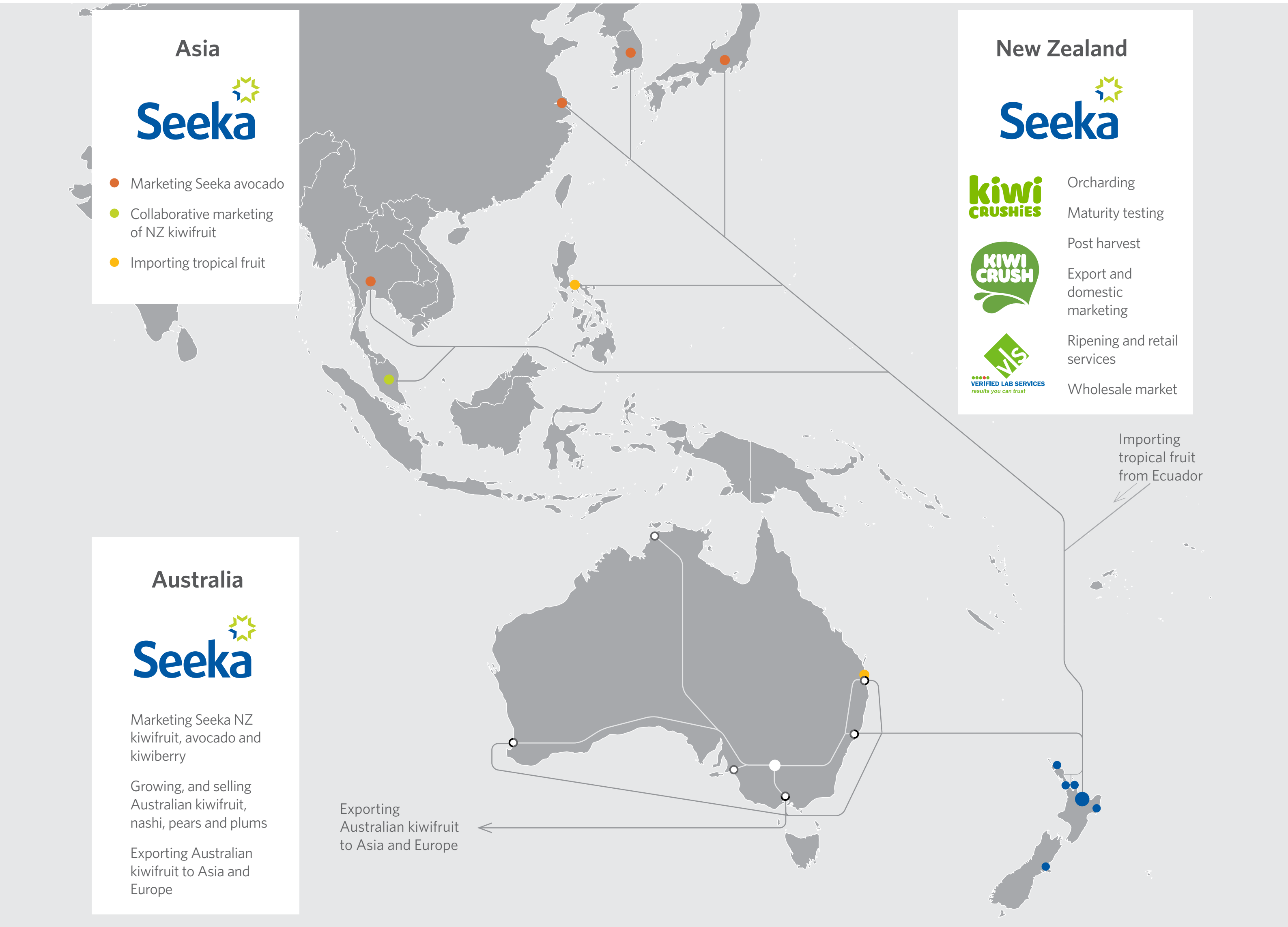
**Seeka grows, processes and supplies premium, healthy fruit to domestic and international consumers. We are founded on kiwifruit and have expanded to be New Zealand and Australia's largest kiwifruit grower. We also grow and supply New Zealand kiwiberry, avocados and citrus and Australian nashi, pears and other fruits.**

We supply Zespri with premium New Zealand kiwifruit, while also servicing key retail customers in New Zealand, Australia and other international markets. We also sell fresh produce from our Auckland wholesale market.

We are a large regional employer, operating packing and coolstore facilities in all major kiwifruit and avocado growing regions in New Zealand's North Island. Seeka also operates orchard and post harvest facilities in Victoria Australia, with Australians buying Seeka-supplied fruit all year round.

We deliver excellence in supply chain management, and have extended our services to import and condition tropical fruits for New Zealand retailers, plus we produce and sell avocado oil and the digestive aid Kiwi Crush.

At Seeka, we deliver excellence from orchard to market.



# Our year at a glance

**$310m**
Revenue
Up 23% on FY20 $251m

**$23.5m**
Net profit before tax
Up 44% on FY20 $16.3m

**$56.8m**
EBITDA
Up 32% on FY20 $42.9m

**$32.2m**
EBIT
Up 32% on FY20 $24.3m

**$482m**
Assets
Up 28% on FY20 $375m

**$101m**
Net interest bearing debt
Up $23m on FY20 $78m

**26cents**
Dividends from FY21[1]
Up 8% on FY20 24cents

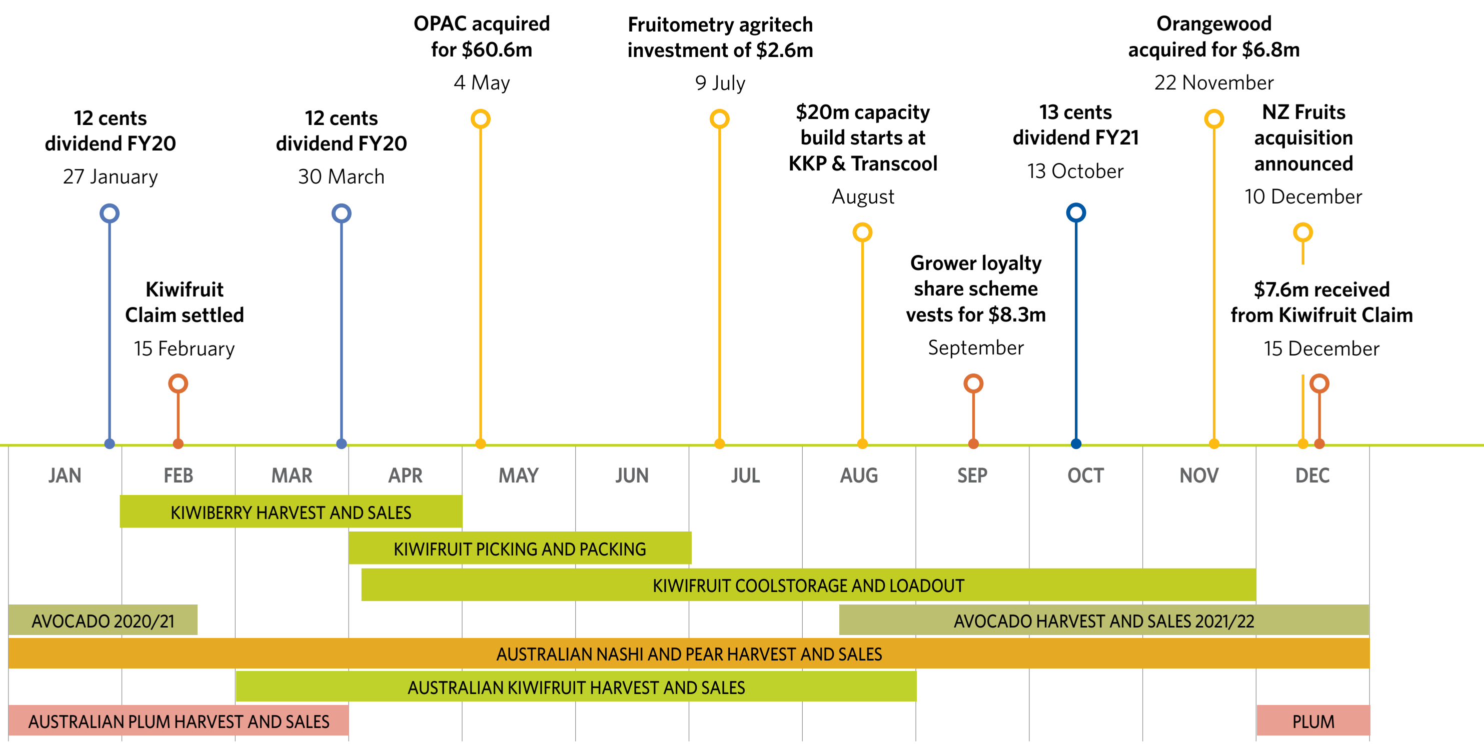
**$70.0m**
Acquisitions[2]
OPAC, Orangewood & Fruitometry

**3.3**
Total recordable injury frequency
Down 27% on FY20
With no serious harm injuries

**899**
Seeka growers in NZ and Australia
With all crops fully harvested

**1.4m**
Fruit maturity tested by VLS for the kiwifruit industry
New service and revenue stream

**39.2m**
Trays of NZ class 1 kiwifruit
Up 22% on FY20
With excellent in-market performance




1. FY20 dividends paid January and March 2021, FY21 dividends paid October 2021 and February 2022.
2. Enterprise value of OPAC and Orangewood includes assumed debt. Includes Fruitometry investment.


Seeka KKP post harvest facility and adjoining kiwifruit orchards near Maketu in the Bay of Plenty. KKP is one of 12 post harvest facilities operated by the Seeka Group; 11 in New Zealand and one in Australia. KKP is currently being upgraded with a highly-automated packline and new energy-efficient coolstores that use environmentally-friendly coolant are being built at neighbouring Transcool.
This $20 million investment is expected to deliver sufficient post harvest capacity through to 2024.

# Chair and Chief Executive's report

**We are pleased to present Seeka's results and commentary for the financial year to 31 December 2021. 2021 was a busy year. Seeka increased our regional services with the acquisition of Ōpōtiki Packing and Coolstorage Limited (OPAC) and Kerikeri-based Orangewood Limited (Orangewood), and in December announced the acquisition of Gisborne-based NZ Fruits Limited (NZ Fruits), with the acquisition completed 2 February 2022.**

These regional acquisitions increase Seeka's market share in our foundation kiwifruit business to approximately 26%. Integration of the acquired companies is complete and steps taken to deliver all forecast synergy gains. While increasing Seeka's scale and regional presence, these acquisitions are accretive to shareholders.

The Seeka Group generated a record $23.5 million net profit before tax, compared to $16.3 million in FY20. Net profit before tax includes a $7.6 million settlement received from the Psa kiwifruit claim class action taken by a number of growers following the significant losses experienced by the industry from the 2010 Psa outbreak.

Seeka's growth has led to a new funding structure, and an enlarged syndicated facility was negotiated in November. Lead by Westpac New Zealand, this five-bank syndicated facility secures funding for all near-term post harvest capacity upgrades and supports Seeka's growth strategy.

Post harvest capacity plans are constantly reviewed, and a decision on a greenfield development at Pukenga has been deferred in favour of upgrading KKP's capacity by installing a new packing machine and building high efficiency cool stores at Transcool.

Fully staffing the business remains a constant challenge for management as Covid-19 continues to disrupt the market and availability of labour, including restricting the availability of recognised seasonal employer workers (RSEs). Labour availability currently looks better for harvest 2022.

All of Seeka's diverse business operations performed well in FY21 with Seeka Australia, SeekaFresh and VLS all performing ahead of expectation, noting the challenging local market environment for SeekaFresh with Covid-19.

Seeka continues its progress on sustainability and in addition to the sustainability information included in this report, we will publish a full sustainability report for 2021 by 30 June. We are working to build a sustainable business in a changing climate.

## Seeka's strategy

Our strategy is to deliver operational excellence by working to a disciplined and professional plan with robust contingency measures. We understand the demand dynamics for each fruit we handle, and are implementing innovative solutions and automation to improve productivity. Seeka is investing across the value chain.

We are focussed on growth and making acquisitions that are consistent with strategy and meet accretive thresholds, and are working to lift financial performance and shareholder returns as we build a bigger, more diverse produce company.

Seeka operates in a dynamic environment, we monitor new developments and use commercial innovation to realise new opportunities across our business.

We are fundamentally focussed on delivering an excellent service to all growers and customers by operating a value chain that delivers safe, sustainably-produced, high-quality fruit. We strive to be a company where people want to work and know they will be safe.

## Strategic investments

The Seeka Group acquired two regional kiwifruit businesses for $67.4 million in FY21 and secured a cornerstone investment in the agritech start-up Fruitometry for $2.6 million.

In May, Seeka acquired OPAC for $60.6 million by issuing $38.7 million of new Seeka shares and assuming $21.9 million of debt. The OPAC acquisition secures 7.9 million kiwifruit trays and new grower clients as it extends Seeka's regional presence eastward to Ōpōtiki, Te Kaha, East Coast and Gisborne.

In November, Seeka acquired Orangewood for $6.8 million by issuing $3.4 million of new Seeka shares, paying $1.3 million in cash and assuming $2.1 million of debt. Now integrated, Orangewood adds 2.2 million kiwifruit trays to Seeka's Northland operations along with contract avocado packing.

In July, Seeka invested $2.6 million for a 26% shareholding in agritech start-up Fruitometry. Using smart orchard-scanning technology, Fruitometry generates detailed maps to optimise vine management on Seeka orchards, as well as refining harvest and supply chain planning from orchard to market. The current integration of orchard information into Seeka's systems will create a platform for efficiency gains.

In December, Seeka announced the acquisition of NZ Fruits for $22.0 million by issuing $8.9 million new Seeka shares, paying $8.9 million in cash and assuming $4.2 million of debt. Completed February 2022, the NZ Fruits acquisition consolidates Seeka's presence in Gisborne, adds 2.2 million kiwifruit trays and contract packing of citrus and persimmon.

# Review of operations

## Lifting earnings from Seeka's core business

**Seeka's FY21 financial results are the result of a deliberate strategy to significantly improve Seeka's underlying operating earnings. Revenue is up 23% to $309.6 million (FY20 $251.5m) helped by a rebound in Hayward volumes following a drought-impacted 2020, and the ongoing lift in SunGold production.**

EBITDA is up 32% to $56.8 million (FY20 $42.9m) as a tight focus on costs improved Seeka's operating margin, especially following the one-off Covid-19 expenses incurred FY20.

FY21 EBITDA also benefited from a $7.6 million compensation payment from the Crown's settlement of the kiwifruit class action. This class action relates to the 2010 Psa incursion which impacted industry revenues, production costs and asset values of many growers.

Net profit before tax is up 44% to $23.5 million (FY20 $16.3m), with FY21 including $1.2 million of impairments for the removal of the old KKP packline and Transcool coolstores as the sites are prepared for 2022 capacity upgrades. It also includes a $3.5 million lift in Group depreciation expense largely associated with the acquired OPAC facility.

Net profit after tax is down 2% to $14.9 million (FY20 $15.2m), noting FY20 included a one-off $5.6 million deferred tax benefit.

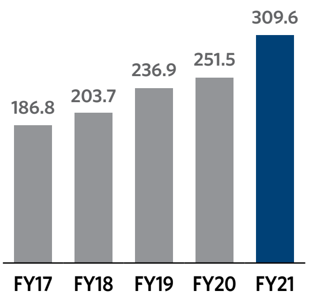
Net bank debt is up $22.8 million to $100.6 million (FY20 $77.9m) with the Group assuming $24.0 million of debt and making $3.9 million in cash payments for the OPAC, Orangewood and Fruitometry investments, as well as absorbing acquisition and integration costs.

The two kiwifruit businesses are now fully integrated, and along with the February 2022 acquisition of NZ Fruits are set to significantly increase FY22 kiwifruit volumes and deliver synergy gains across Seeka's value chain.

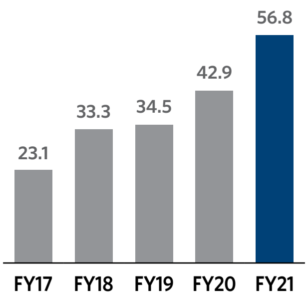
### Dividend

Having lifted underlying profitability and generated strong cash flows, the Board approved a final dividend of 13 cents for FY21 (fully imputed), to be paid 23 February 2022. Combined with the 13 cents per share interim dividend paid 13 October, this brings the total dividends paid to shareholder relating to the FY21 year to 26 cents per share (FY20 24c).

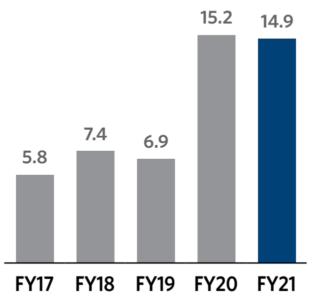
**Group revenue**
*NZD Millions*



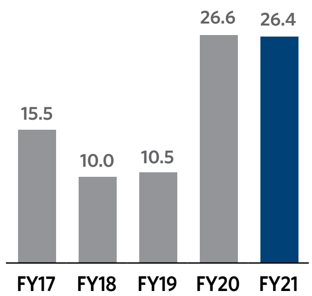

**Group EBITDA** [1]
*NZD Millions*




**Group net profit after tax** [1]
*NZD Millions*




**Group comprehensive income** [1]
*NZD Millions*




**Acquisitions**
*Millions of class 1 kiwifruit trays handled*

| | Seeka FY21 total trays handled | Total trays handled harvest 2021 | Industry market share |
|---|---|---|---|
| Seeka - excluding OPAC | 35.7 | 35.7 | 20 % |
| OPAC | 3.5 | 7.9 | 4 % |
| Orangewood | - | 2.2 | 1 % |
| NZ Fruits (February 2022) | - | 2.2 | 1 % |
| Total | 39.2 | 48.0 | 26 % |

1. FY17 EBITDA, NPAT and comprehensive income are pre *NZ IFRS 16 Leases*, FY18 was restated for *NZ IFRS 16*.

# Group financial performance

## Key indicators

| New Zealand dollars ( millions ) | FY21 | FY20 | Change |
|---|---|---|---|
| Total revenue | $ 309.57 | $ 251.46 | 23% |
| EBITDA before impairments and revaluations | $ 56.79 | $ 42.95 | 32% |
| Depreciation expense | $ 15.19 | $ 11.65 | 30% |
| Lease depreciation expense | $ 7.94 | $ 6.67 | 19% |
| Revaluations, impairments and amortisation of intangibles | $ 1.48 | $ 0.30 | 393% |
| EBIT | $ 32.18 | $ 24.32 | 32% |
| Interest expense | $ 4.08 | $ 4.16 | ( 2%) |
| Lease interest expense | $ 4.61 | $ 3.88 | 19% |
| Net profit before tax | $ 23.49 | $ 16.28 | 44% |
| Income tax charge | $ 7.87 | $ 8.24 | ( 5%) |
| Deferred tax expense | $ 0.77 | $(1.55) | |
| Tax benefit of reintroduction of depreciation on buildings | - | $(5.56) | |
| Net profit attributable to equity holders | $ 14.86 | $ 15.15 | ( 2%) |
| Basic earnings per share ( cents ) | $0.43 | $0.52 | ( 18%) |
| Dividends per share for the financial year ( cents ) | $0.26 | $0.24 | 8% |
| Cash flow from operating activities | $ 41.58 | $ 26.35 | 58% |
| Total assets | $ 482.27 | $ 375.43 | 28% |
| Property plant and equipment | $ 327.83 | $ 245.03 | 34% |
| Net assets | $ 246.49 | $ 176.29 | 40% |
| Net bank debt | $ 100.64 | $ 77.86 | 29% |

Values may not always sum due to rounding.

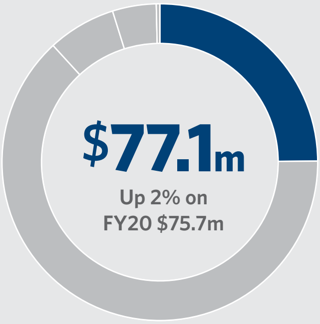
# Orcharding

## Producing quality fruit on 1500 hectares of New Zealand orchards

### Revenue

- Leased and long term leased orchards: costs plus profit share
- Managed orchards: costs plus management fees

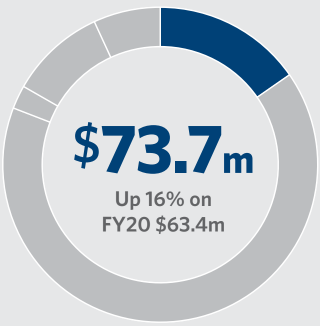
**25%**
of Group revenue




### Assets

- Leased orchards: growing crops
- Long term leased orchards: developing orchards and growing crops

**15%**
of Group assets



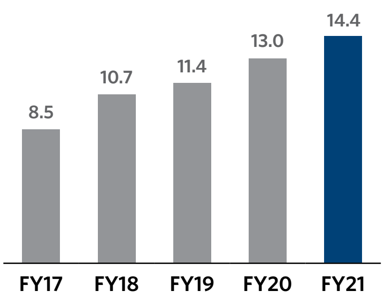

**Orcharding generated $77.1 million in revenue; up 2% on FY20. EBITDA was $5.2 million, compared to $5.4 million FY20 due to lower market returns for kiwifruit, higher production costs and the addition of OPAC overheads post acquisition.**

Seeka (excluding OPAC) grew 14.4 million trays of kiwifruit; up 11% on FY20. Hayward production rebounded to 8.7 million trays on improved yields and SunGold increased to 5.4 million trays driven by increases in productive hectares and yields.

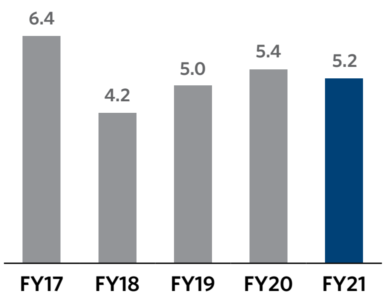
Orcharding also produced 220,000 trays of Hayward and SunGold organic kiwifruit, along with 1,394 tonnes of avocado for the 2020/21 season, (2019/20: 1,614 tonnes) and 140 tonnes of kiwiberry for harvest 2021 (2020: 172 tonnes).

Eastern and Northland operations increased with the OPAC and Orangewood acquisitions and are set to deliver significant volume growth in FY22. Seeka also continues to invest in new kiwifruit and avocado developments, partnering with landowners, iwi and the Kānoa - Regional Economic Development & Investment Unit (previously the Provincial Growth Fund) to collectively develop 156 hectares of kiwifruit on managed and leased land.

**Kiwifruit grown**
*Millions of class 1 kiwifruit trays*




**Orchard EBITDA**[1]
*NZD Millions*




**Acquisitions**
*Millions of class 1 kiwifruit trays grown*

| | FY21 total trays grown | Grown prior to acquisition | Total trays grown 2021 | Orcharding volume growth |
|---|---|---|---|---|
| Seeka | 14.4 | | 14.4 | |
| OPAC | - | 3.7 | 3.7 | + 26% |
| Orangewood | - | 2.2 | 2.2 | + 15% |
| Total | 14.4 | 5.9 | 20.3 | + 41% |

Orchard operations span from Northland through to the Coromandel, Bay of Plenty and East Coast and cover the growing of kiwifruit, avocado, kiwiberry and citrus on leased, long-term leased and Seeka-owned orchards. Seeka also provides comprehensive on-orchard services, and works with landowners including iwi and hapū, to develop high-quality orchards, create employment and generate wealth in rural New Zealand.

1. FY17 EBITDA is pre *NZ IFRS 16 Leases*, FY18 was restated for *NZ IFRS 16*.

# Post harvest

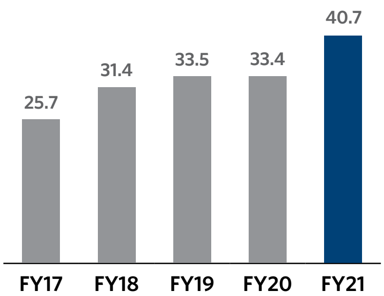
Stewarding 42 million trays of fruit from New Zealand orchards to the markets[1]

**Post harvest generated $195.9 million in revenue; up 40% on FY20. EBITDA was $61.6 million, compared to $41.9 million FY20, on volume growth, an improved operating margin following the one-off Covid-19 costs incurred FY20, and the contribution from VLS laboratory maturity testing service to the national kiwifruit industry.**

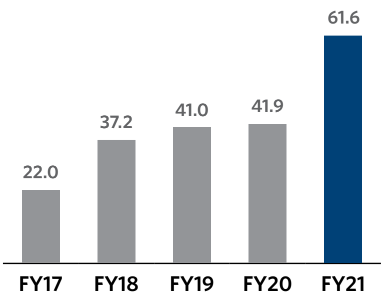
Seeka's eight facilities packed 37.2 million trays of kiwifruit; up 10% on FY20. OPAC, acquired in May 2021, packed a further 3.5 million trays post acquisition. Post harvest also packed 295,000 trays of avocado at the end of the 2020/21 season, and 683,000 trays from the start of the 2021/22 season, along with 3,928 tonnes of citrus and 91 tonnes of berries.

Post harvest financial performance includes OPAC revenue and expenses post acquisition. This includes packing 3.5 million trays, cool chain management of 5.4 million trays, and operating overheads until year end. Now fully integrated, OPAC, Orangewood, and NZ Fruits acquired February 2022, are set to significantly increase FY22 volumes and release synergies from a significantly enlarged post harvest operation. With these three acquisitions, we enter harvest 2022 with 11 post harvest facilities and an expectation to increase earnings.

**Kiwifruit packed**
*Millions of kiwifruit trays*




Post harvest EBITDA[2]
NZD Millions




**Acquisitions**
*Millions of kiwifruit trays packed[3]*

| | FY21 total trays packed | Packed prior to acquisition | Total trays packed 2021 | Post harvest volume growth[4] |
|---|---|---|---|---|
| Seeka | 37.2 | | 37.2 | |
| OPAC | 3.5 | 4.4 | 7.9 | + 21% |
| Orangewood | - | 2.2 | 2.2 | + 6% |
| NZ Fruits (2022) | - | 2.2 | 2.2 | + 6% |
| Total | 40.7 | 8.8 | 49.5 | + 33% |

## Revenue

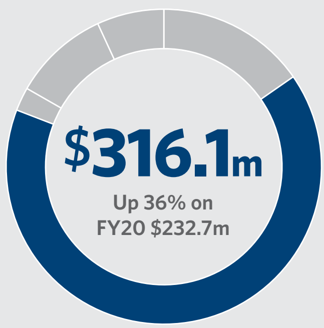
- Grading and packing service fee per unit handled
- Coolstorage and loadout fees

**63%**
**of Group revenue**


## Assets

- 10 packing facilities with 14 graders (year end)
- Coolstores
- VLS laboratories

**66%**
**of Group assets**




**Post harvest operated eight facilities servicing the North Island's major fruit growing regions, handling kiwifruit, avocado, citrus and kiwiberries from our own orchard operations and for independent supplying growers. Post harvest also includes Seeka's VLS laboratory service.**

1. Includes kiwifruit, avocado and kiwiberry. 2. FY17 EBITDA is pre *NZ IFRS 16 Leases*, FY18 was restated for *NZ NZ IFRS 16*. 3. Class 1 and class 2 trays packed. 4. On Seeka FY21.

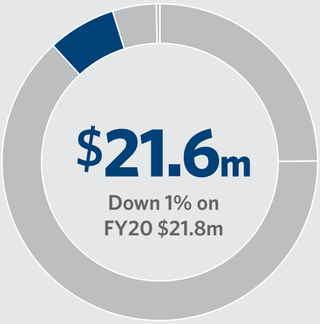
# SeekaFresh retail services

Promoting and selling premium NZ fruit to the export and domestic markets

## Revenue

- Sales commission
- Service fee for imported fruit
- Processing fees

**7%**
of Group revenue




## Assets

- Auckland and Christchurch service facilities
- Te Puke processing facility

**2%**
of Group assets

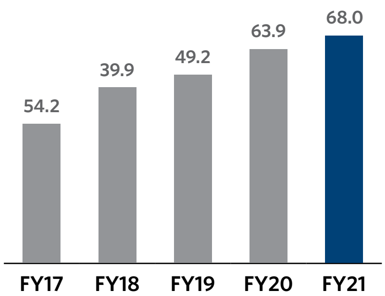

**SeekaFresh generated $21.6 million in revenue; down 1% on FY20. EBITDA was $2.3 million, compared to $3.0 million FY20.**

SeekaFresh benefitted from an improved performance from our New Zealand wholesale and retail service operations, including the import and ripening of tropical fruits. This is despite the ongoing impact of lockdowns and other Covid-19 restrictions on New Zealand operations. Weak pricing from the Australian avocado market for the 2021/22 season, however, significantly impacted SeekaFresh's sales commission.

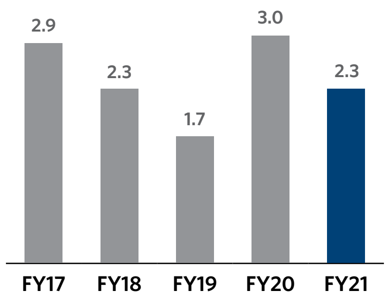
Retailed by SeekaFresh and sold under the Seeka brand, the 2020/21 avocado season benefited from a strong Australian market, with SeekaFresh able to sell a high proportion direct to Australia's premium supermarket retailers. With a high demand for summer avocado, SeekaFresh sold 33% of the 2020/21 crop in the FY21 period. This generated good revenues from SeekaFresh's sales commission and returned excellent value to Seeka's supplying growers.

The 2021/22 Australian avocado market, however, is weak and revenues down with SeekaFresh selling more avocados into Asia and on the domestic market. With the bulk of each season's crop sold in the August to December period, this impacted FY21 earnings from SeekaFresh's sales commission.

**SeekaFresh retail services turnover**
*NZD Millions*




**SeekaFresh retail services EBITDA[1]**
*NZD Millions*





SeekaFresh supplies, exports and sells avocado, kiwifruit and kiwiberry into Australia, and with collaborative programmes to other international markets. SeekaFresh also imports tropical fruits which are sold and distributed alongside local produce through our New Zealand wholesale market and retail supply service.

1. FY17 EBITDA is pre *NZ IFRS 16 Leases*, FY18 was restated for *NZ IFRS 16*.

# Australia

## Growing and selling Australian kiwifruit, nashi and pears

**Australian operations generated $13.9 million in revenue; up 6% on FY20. EBITDA was $1.6 million, compared to $7.4 million FY20.**

FY20 benefited from a one-off $6.2 million gain on sale of the producing kiwifruit orchards, which the Group now leases. If removed, FY20 operating EBITDA would be $1.2 million, showing a 33% growth in Australian operating earnings in FY21.

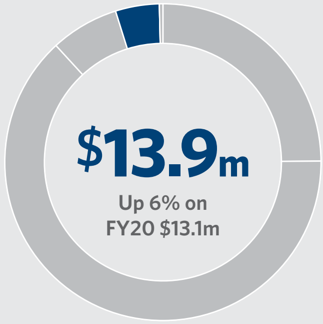
While impacted by Covid-19, local management produced an excellent result as they dealt with labour shortages, ongoing market disruptions and lockdowns, and delivered efficiency gains that outweighed the new orchard lease costs.

Seeka continues to invest in growing more produce in Australia with 63 hectares of kiwifruit in development, 11 hectares of the red-blush Ricó pear and nine hectares of new nashi varieties. We are also trialling new crops, including dates.

### Revenue

- Fruit sales

**4%**
of Group revenue

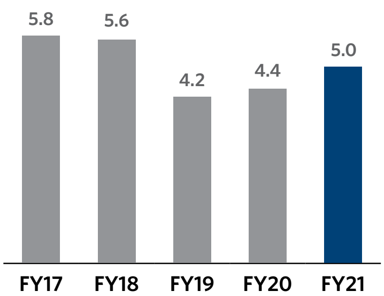



### Assets

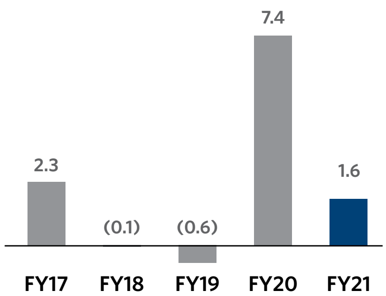
- 160 hectares of owned orchards and crop
- 114 hectares of kiwifruit on long-term leased orchards
- Packhouse and coolstores

**10%**
of Group assets


**Seeka Australia volumes handled**
*Thousands of tonnes handled*




**Seeka Australia EBITDA[1]**
*NZD Millions*




Seeka Australia (Pty) Limited, a 100% Seeka-owned company, owns, leases and operates kiwifruit orchards and owns and operates nashi, pear and other fruit orchards in Victoria's main fruit-growing region of Shepparton, Australia. Seeka Australia directly markets the fruit in Australia and exports to Asia and Europe.

1. FY17 EBITDA is pre *NZ IFRS 16 Leases*, FY18 was restated for *NZ IFRS 16*.

# Automation, technology and capacity

## Implementing new technology along Seeka's full value chain

**Seeka continues to test and then invest in automation and new technologies that are reliable, provide the opportunity to redeploy labour, and generate a return on capital. Innovations are being implemented across our full value chain in New Zealand and Australia.**

**Watch video**
See the One News report on Fruitometry to watch kiwifruit orchard scanning.

Seeka's investment in Fruitometry provides direct access to smart-scanning technology. By detailing fruit density and condition, the online Fruitometry maps provide orchard owners with accurate information to optimise on-orchard work. It also provides reliable information to Seeka's post harvest team to plan supply chain operations.

In post harvest, new automated tray-preparation, bag inserters and packing machines for bulk boxes and single-layer trays have been implemented, along with automated pallet strappers. A fully-automated packing and stacking option will be trialled at Seeka's NZ Fruits facility in 2023.

In Australia, Seeka has implemented new packing technologies, including a new nashi machine to carefully grade and pack this delicate fruit. By removing hand grading the new nashi machine has improved fruit quality and delivered efficiency gains to our operations.

The Group continues to innovate its management systems, particularly labour management on the orchard and in the packhouse. When our Australian operations were impacted by on-going lockdowns and the Omicron outbreak, our Australian business innovated, and these learnings are now being adopted across our New Zealand business, including new touchless site entry and revised health protocols.

Post harvest capacity is continuously reviewed, and the decision to build a greenfield facility at Pukenga has been deferred until there is more certainty on demand, pack configuration and shipping.

To meet near-term capacity demand, a $20 million build at KKP and Transcool has been commissioned. KKP is being upgraded with a highly-automated MAF Roda packline that will lift shed capacity and reduce the labour load. A new 650,000 tray static capacity cool store with environmentally-friendly coolant is under construction at Transcool. These upgrades are expected to deliver sufficient capacity through to 2024.

# Labour and safe-and-healthy workspaces

## Delivering a professional service and keeping our people safe in a fast-paced environment

**Labour is an ongoing challenge for all producers, service providers and exporters across New Zealand and Australia. Severe shortages at peak periods were experienced in 2020 and 2021. Seeka was short of skilled orcharding and packhouse workers in both countries. The company has invested in on-site gyms, provided transport and meals, and paid competitive remuneration, including working and paying public holidays in the season to attract staff.**

Additionally, our teams are collaborating with iwi and government agencies and run induction programmes at our facilities to train job seekers and prepare them for work.

Local workers are complemented by New Zealand's RSE programme. In 2021, at a cost of $1.9 million we recruited 300 RSE workers from the Government's 2000 RSE quota. Including RSE workers that remained in the country since the Covid-19 outbreak, Seeka's total RSE workforce at peak demand was 480. For 2022, Seeka has approval for approximately 1200 RSEs.

While labour shortages exacerbated the safety risk profile, our safety focus continues to lift and Seeka has become a safer company in 2021. Seeka continues to invest to keep people safe, including adding more guarding and barriers that remove opportunities for mobile plant and humans to collide, and rolled out a new HIT-NOT proximity detection system that detects and protects people from moving forklifts. These actions have helped eliminate serious harm forklift incidents in 2021.

On-orchard movements are tracked via the one-step Seeka app sign-in process, which provides direct access to accurate orchard maps that clearly mark all hazards. In FY21, Seeka invested $1 million replacing its orchard tractor fleet to ensure our workers use modern, fit-for-purpose equipment.

Seeka developed an infectious diseases manual and operated to strict hygiene protocols throughout 2020 and 2021. While parts of the business experienced high levels of lockdown, the processes secured the safety of the Seeka team, including our stakeholder community, and ensured business continuity so the business could deliver an essential service in New Zealand and Australia.

There were no serious harm incidents in 2021 and fewer lost time injuries.

Seeka introduced a new lead measure to our safety performance indicators that records safety meeting frequency and attendance across the business. This is part of our initiative to cement a company-wide safety culture.

**Watch video**
See Seeka's social media video on working at Seeka.


**Watch video**
See the HIT-NOT proximity detection system in operation.

| FY21 health and safety | Actuals | Target |
|---|---|---|
| Lead performance<br>Health and safety meetings | 92% | 90% |
| Lag performance<br>Total recordable injury frequency | 3.3 | Below 4.5 |
| Lag performance<br>Serious injuries | Zero | Zero |

# Outlook

## Delivering performance to shareholders, employees and supply chain partners

**The Board and management have enacted Seeka's strategy in 2021, with the Group completing key investments that are positioned to further improve shareholder returns in 2022.**

Seeka is pursuing an active growth strategy through acquisitions to build shareholder value and lift returns on capital employed. By becoming bigger and more diverse, Seeka is building a robust, sustainable business to deliver performance to shareholders, employees and our supply chain partners.

Throughout this growth process, the Board keeps a careful watch on Seeka's balance sheet to ensure we have headroom to prioritise operations, manage risk, and invest in opportunities that drive shareholder returns. With broad support from the banking community, we have secured an enlarged syndicated banking facility that supports near-term growth.

Key to our operational success is Seeka's dedicated team of employees in New Zealand and Australia. Seeka's people have excelled under the pressure of Covid-19 and labour shortages across New Zealand and Australia. They have adapted, innovated and strived to deliver an excellent service and returns to our growers, and excellent fruit quality to our customers.

We invest in the safety of our people, and set remuneration structures, training and career pathways that attract and promote the best people within our industry. Our people continue to make Seeka an inspiring company to work for and are celebrated and thanked for their efforts.

We continue to review our post harvest capacity and are investing in new technology to manage volume growth through to 2024. We recognise that innovation and automation are key to improving productivity and making the best use of a tight seasonal labour market. At Seeka, we achieve operational excellence by having a professional team execute a disciplined plan using the best technology.

Our strategy extends beyond operational and financial performance to ensure we have a sustainable business which includes how we support our communities, care for our environment and govern the company. We are progressing our carbon footprint plan to reduce Seeka's environmental impact.

We are excited by the progress we have made in FY21, which has grown our fruit supply base by more than 25%, and look forward to tangible benefits being generated for stakeholders in FY22.

Fred Hutchings
Chair

Michael Franks
Chief executive

Seeka

# Environmental, social and governance ESG Report 2021

# SEEKA SUSTAINABILITY REPORT
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability focuses on meeting present needs without compromising the ability of future generations to meet their needs. Seeka's ambition is to measure and incrementally improve our environmental and social performance and the associated governance processes and to demonstrate that we are meeting our corporate responsibilities as a sustainable company.

Environmental sustainability lies at the heart of Seeka's brand attribute Growing Futures; Seeka is focused on continually improving operations to deliver healthy produce, use less resources, care for the environment, and deliver better outcomes to stakeholders.

Social responsibility lies at the heart of Seeka's brand attribute Founded on Relationships; Seeka wants to be the employer and service provider of choice and values its connections to the communities with whom it works. It cares for the welfare of its growers, clients, employees, investors and the communities in which it operates.

The sustainability committee is tasked with providing strategic guidance and feedback to the Board and management on Seeka's sustainability framework, establishment of targets, measurement, and performance monitoring. Comprised of three directors, Seeka's sustainability committee is a forum that works with management to assess the potential impacts and opportunities of a changing climate.

## Governance

Seeka's strategic direction is based on the sustainable production and supply of healthy produce to consumers.

Governance is specifically covered as a section in this annual report, see page 77.

## Environmental report

Seeka's aim is to be an industry leader, transparently reporting on our environmental impact and the opportunities and risks associated with climate change.

Seeka's Agile Sustainability Team (SAST) is representative of all of Seeka's businesses connecting people from across the company. They work to integrate sustainability into every aspect of our business, including delivering projects intended to reduce Seeka's environmental footprint.

Climate change is an active risk, impacting the yield, quality and marketability of the produce Seeka grows and handles. By disclosing climate-related risks, stakeholders can see how Seeka is flexing business activities and  operations to mitigate environmental risks and embrace new opportunities.

Seeka is committed to advancing regenerative horticulture practices. Seeka's research and development team are conducting environmental trials to better understand the impact to our environment of inputs such as sprays, fertilisers and irrigation. These trials build knowledge that leads to more sustainable on orchard practices that are shared with our growers.

Seeka has analysed all business operations to identify and understand the production inputs, how they flow through the business, and the waste outputs that impact the environment. Seeka is working to transition to a circular model whereby waste is circulated back into operations, thereby reducing its environmental impact.

**Watch video**
See Seeka's video on reducing our carbon footprint.

## Risk and opportunity analysis

The Ministry for the Environment studied how climate change may impact New Zealand. Based on its report, Seeka expects our orcharding regions will be impacted by higher temperatures, changing moisture levels, changing weather patterns and rising sea levels.

## Transition risks

| Risks and opportunities | Impact | Response |
|---|---|---|
| New national or international policies that restrict chemical inputs used for pest management and maintaining crop yields. | Higher R&D costs to find alternative growing methods. | Active involvement in, or monitoring of, industry associations, including New Zealand Kiwifruit Growers Incorporated (NZKGI), Kiwifruit Vine Health (KVH), Industry Supply Group (ISG), and Industry Advisory Council (IAC).<br>Build closer relationships with regional councils and Government agencies and regulators.<br>Invested in a worm farm pilot project to test circular waste recycling within our orcharding business.<br>Transition to a low input orchard management system, while achieving consistent yields. |
| Introduction of carbon costing or a carbon tax that charges for carbon usage. | Higher costs to offset carbon emissions. | Measure the carbon footprint to understand and reduce the carbon impact.<br>Transition to lower Global Warming Potential (GWP) cool store gases.<br>Invest in lower carbon emission projects, see Carbon Reduction Initiatives.<br>Hedge against rising energy bills by investing in renewable energy technologies. |
| Introduction of orchard water restrictions, with water vital for crop growth over the summer period. | Unable to irrigate to grow an optimum crop. | Actively engage in orchard water management.<br>Work with councils to understand impacts on waterways.<br>Ensure new developments can access water and have on-site storage.<br>Improve soil health to increase water retention. |

## Physical risks

| Risks and opportunities | Impact | Response |
|---|---|---|
| Yield reduction or plant damage from flooding, hail, drought, storms, fire, or a sub-optimal growing climate (temperature, sunshine, drought, winter chill). | Lower yields and unprofitable orchards. | Geographical spread of orchards.<br>Invest in crop protection measures (e.g. frost protection, irrigation, shelter).<br>Access to reliable weather and frost forecasts (extended and long range).<br>Favour developments with reliable water supply and free drainage. |
| Orchard loss from rising sea levels. | Increase in non-viable orchards. | Orchard reporting by altitude.<br>Minimum altitude for all new orchard developments. |
| Introduction of new pests and diseases. | Reduced yields or unsalable crops. | Geographic separation of orchards.<br>Genetic and variety diversification.<br>Orchard hygiene programme.<br>Independent pest monitoring programme.<br>Spray and pest control programme.<br>Bio-security controls on disease and disease vectors.<br>Introducing beneficial insects and plants to combat pests and disease. |
| Water availability and quality concerns. | Water unavailable or unsuitable for irrigation. | Actively engage in orchard water management.<br>Invest in efficient irrigation technologies.<br>Develop wetlands and support native wildlife sanctuaries.<br>Monitor waterways and encourage orchard environmental plans.<br>Capture rainwater from facility roofs to reduce regional water demand. |
| Elevated soil $CO_2$ levels alter fruit sugar and nutrient levels. | Crops have a different quality profile. | Understand how soil carbon levels impact fruit nutrient levels.<br>Establish orchard management practices that best capture fruit quality. |

## Opportunities

| Risks and opportunities | Impact | Response |
|---|---|---|
| Increased demand for Seeka produce as a healthy eating option with a low carbon impact. | Increased product demand and new markets. | Ensure Seeka is an industry leader in carbon reporting.<br>Report Seeka's carbon footprint to stakeholders and commit to targets. |
| Green financing for low-carbon developments. | Better funding at lower interest rates. | Engage with bankers on green funding and green bonds.<br>Investigate low-carbon investments. |
| Higher soil $CO_2$ levels improve water use efficiency. | Plants require less water to produce a crop. | Understand soil carbon levels and water usage.<br>Establish orchard management practices that best capture carbon in the soil. |

## Seeka's 2022 environmental work programme

Scenario analysis – understanding how a changing climate impacts fruit production

Scenario analysis is underway to gauge how higher temperatures, varying water availability and rising sea levels may impact New Zealand orchard production.  By understanding how a changing climate may impact crop yields and quality, Seeka can prepare its operations to provide an efficient, sustainable service to Seeka's growers and a reliable product supply to consumers.

Carbon footprint – measuring and setting targets

Seeka is committed to understanding and lowering its carbon footprint to support Government targets under the Paris Agreement intended to limit global temperature increases to 1.5°C above preindustrial levels.

Seeka has established a baseline by calculating 2019 greenhouse gas emissions using *ISO 14064-1: 2018 Greenhouse Gases and the Greenhouse Gas Protocol*, see ghgprotocol.org, with the calculations independently verified by Toitu Envirocare. Toitu Envirocare has also been engaged to verify Seeka's 2020 and 2021 years. Seeka will then set 'point in time' carbon-reduction targets.

The 2020 and 2021 results will be reported in Seeka's sustainability report once verified.

## 2019 base year greenhouse gas results

| Category | Source | Tonnes $CO_2e$ |
|---|---|---|
| 1 | Direct energy use | 5,193 |
| 2 | Indirect energy use | 3,634 |
| 3 | Transport | 4,867 |
| 4 | Indirect product use | 2,906 |
| | Total emissions | 16,600 |

2019 data has been independently verified and revised since the June 2021 Interim Report.

## 2019 $CO_2e$ key performance indicators

| Indicator | Measure | Tonnes $CO_2e$ |
|---|---|---|
| Time Seeka invests to grow, handle and sell fruit | Per permanent fulltime equivalent | 38 |
| Volume of fruit Seeka handles along its supply chain | Per 100,000 trays handled | 48 |
| Revenues from Seeka's orchard-to-consumer service | Per $1,000,000 of revenue | 70 |

## Sustainability projects 2021 and 2022

As we work to measure our emissions, Seeka has already embarked on a series of carbon-reduction initiatives.

### Hybrid vehicle fleet

Seeka is exploring hybrid electric vehicles (HEV), plug-in hybrid electric vehicles (PHEV) and battery electric vehicles (BEV). Seeka has introduced hybrid options and is actively encouraging their selection to reduce the number of conventional ICE fleet vehicles.

2022 goal is to increase the proportion of hybrid EV vehicles in Seeka's fleet

### Worm farm

In full production, Seeka's continuous-flow worm farm is expected to divert 50 tonnes of packhouse organic waste from landfill. It will produce quality vermicompost, delivering a regenerative, fully circular approach to orchard production.

2022 goal is to continue to increase throughput and trial alternative waste streams

### Solar energy

The solar panels at Seeka 360 head office have generated 120 MWh of energy since 2018, which is approximately one third of the building's energy demand. They also feed batteries providing energy security in the event of an outage. In 2021 Seeka installed a 238 kWh solar system at its Northland Kerikeri post harvest facility.

2022 goal is to evaluate and install solar systems on more of our post harvest facilities

### LED lighting and sensors

Seeka is rolling out more than one million kWh of savings by converting existing lighting to LED with sensors. It is estimated this will reduce Seeka's carbon emissions by 167 tonnes, equivalent to the emissions from 239 houses.

2022 goal is to continue the roll out of LED lighting and sensors

### Waste audits

Seeka has developed a waste audit programme to identify, measure and report the volume and type of waste produced by our operating business units. Waste reduction plans are being developed at a business unit level. The first waste audit was undertaken at head office and a waste reduction plan is currently under development.

2022 goal is to complete and monitor the head office waste reduction plan and scope orchard and post harvest operations

### Regenerative horticulture

Seeka is researching practical ways to incorporate regenerative horticulture practices. This includes cover crops, new mowing and spraying protocols that allow orchards to naturally retain higher carbon and water levels.

2022 goal is to continue investigating regenerative horticulture options and share findings with our grower community

### Refrigerants

With fugitive emissions from refrigeration units identified as a significant contributor to Seeka's emissions footprint, Seeka has aligned with the government's efforts to reduce ozone-depleting gases by only installing new systems that run on naturally-occurring refrigerant gases with no global warming potential. Existing refrigerant gasses are being assessed and will be phased out.

### Packaging and waste

Seeka is committed to moving the fresh produce industry towards a circular economy using low-impact packaging innovation, and is working with packaging experts to introduce new technology and materials to its logistics processes.

## Social report

Seeka's responsibility to support healthy communities is central to what we do. With "Select Excellence", Seeka strives to continually improve our performance for our stakeholders and to deliver an excellent service that supports healthy communities.

| Initiative | Description | Achievements |
|---|---|---|
| Seeka cadet programme | The Seeka cadet programme supports the development of skills, growth and understanding within orchards and provides a full overview of the industry over a 3-year period. | Supported 13 new cadets into the workforce in 2021.<br>Seeka's 2021 cadets successfully gained horticulture level 3 certificates, with 7 fast tracked through Toi Ohomai Level 4.<br>Seeka's cadet programme has a clear progression towards leadership, and many cadets are achieving their goals and moving into supervisory roles. |
| Kiwi Crush | Seeka's DNFC facility produces the Kiwi Crush product which has a functional benefit for the health of older community members and oncology patients who suffer from bowel issues post treatment.<br>Kiwi Crush products are also supplied to DHB inpatient facilities to assist those admitted to acute hospital care. | Supplying residential care units, oncology units, and all main DHBs.<br>Consistent orders with positive feedback from clinicians and patients.<br>Reducing pill burden through reduction of laxatives, whilst providing a source of hydration, vitamins, and fibre.<br>Beneficial for those on high dose opioids, mental health medication and maternity patients post birth. |
| Kiwi Crushies | Supply of Kiwi Crushies through school catering services as a low-sugar option as part of healthy eating in schools. | Supplied a low-sugar ice block option to comply with healthy eating guidelines for school children. Low in sugar and free of additives, preservatives, and artificial colours. |
| SeekaFresh food donations | Donate nutritious food from our wholesale market and distribution business SeekaFresh to charitable organisations and food banks to help feed those in need. | Assisted the community during Covid-19 lockdowns by supplying produce to BBM (Butterbean) and the Fiji Girmit Foundation for distribution.<br>Donations to two Camp Quality events, and continuous support in messaging of healthy eating through 5+ a day social media and giveaways. |
| Food to schools donations | Donate nutritious healthy food to children and families in need whenever possible from Seeka's post-harvest facilities. | Donated fruit to schools, foodbanks and local charities. |
| Employee assistance programme (EAP) | Seeka subscribes to EAP Services who provide a free professional and confidential support line to staff in need of assistance.<br>This service extends to various issues our people or their families may face at home or at work. | In 2021, the EAP service was available to all Seeka staff. |
| Health insurance | All permanent staff are provided with medical insurance as a component of their remuneration package. | Proudly provided health, life and trauma insurance to 656 full-time employees in 2021 through AIA New Zealand. Discounted health insurance rates are extended to family members. |
| Sponsorship of community and sporting groups | Seeka supports our people and communities by:<br>1. Building skills and capabilities of young people<br>2. Community events, clubs, and services<br>3. Health and nutrition<br>4. Looking after our environment and driving sustainable practices<br>5. Developing and supporting the fresh produce industry | Provided $307,527 in donations in 2021, see page 21 for the full list of organisations and events. |
| GRASP commitment to worker health, safety and welfare | GLOBALG.A.P. | Seeka 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. |

| Initiative | Description | Achievements |
|---|---|---|
| Producers and suppliers of healthy fresh fruit and vegetables | Seeka produces and supplies nutritious fruit and vegetables which are high in vitamins, antioxidants, minerals and fibre to help support the healthy lifestyles of New Zealanders and our global customers. | Seeka's New Zealand product lines include kiwifruit, kiwiberry and Hass avocados, with the new Gem avocado variety in development. In Australia, Seeka is that country's largest producer of Hayward kiwifruit and nashi, and produces a range of pears, apricots, dates and plums. |
| Collaborative partnership with whānau | Māori are a major grower of kiwifruit, and Seeka recognises the important relationship our Māori growers have with the land, and it strives to support their role as kaitiaki. | Seeka fosters healthy communities and provides economic opportunities to many Māori entities.<br>Seeka is investing in long term orchard development on Māori land, with over 70 hectares in development. |
| Local employment initiatives in collaboration with MSD, MPI, Te Arawa and Ngāti Hine | Seeka is engaged in a joint training initiative with the Ministry of Social Development, the Ministry of Primary Industries, Te Arawa and Ngāti Hine.<br>This training initiative comes with an offer of full time employment. Training is focused on developing fundamental skills required to fill current openings in the horticulture industry. | In 2021, Seeka trained 20 people preparing them for kiwifruit work. Eight secured jobs immediately and 12 are planning to start work in the packhouse in 2022.<br>Seeka provides a range of incentives alongside Government agencies to get people into work.<br>Seeka's training initiatives are proving successful at getting people out of unemployment and back into the workforce. |
| Pastoral care for RSEs | Seeka employs 6 specialist pastoral carers to ensure that there are no cultural barriers to maintaining RSE health and wellbeing during their stay in New Zealand. | In 2021, Seeka's pastoral carers supported 781 RSEs. |
| Supporting RSEs and their families | We highly value our RSE workers who join us each year from the Pacific and Malaysia. Many RSEs return year after year and have become an integral part of the Seeka family. | In 2021, Seeka employed RSEs from Kiribati, Malaysia, Solomon Islands, Samoa, Tonga and Vanuatu. |

## Sponsored organisations and events 2021

Auckland Rescue Helicopter Trust
Autism NZ
Blue Rovers Junior Football Club
BOP Presidents Group
BOP Rugby Union
BOP Symphonia
BOP Youth 7s
Daffodil Day
Eastern BOP Cricket Club
Eastern Districts Rugby and Sports
Emirates Team New Zealand
EPIC Te Puke
Fairview Charity Golf Tournament - Abbeyfield
Far North Science Fair
Fresh Produce Safety Centre
Funded research for hepatitis B in Vanuatu
Gisborne Tairawhiti Rugby League
Hannah Wells athlete
Hiranga Limited
Houhora Bowling Club
Katch Katikati
Katikati Croquet club
Katikati Fun Fest Charitable Trust
Katikati Primary School
Kerikeri High School
Kerikeri Netball Centre
Kerikeri Rugby Club
Lions Club of Katikati
Made in Te Puke Trust
Matakana Island Fishing Competition
Matakana Island Sport Club
Mike Young Motorsport
Motu Trails Trust
Mount Bridge Club
Mount Maunganui College
Multi Sport Ōpōtiki
Multicultural Tauranga
NZ Poppy Appeal
Omanu Golf Club
Omokoroa Golf Club
Ōpōtiki Bowling Club
Ōpōtiki Surf Life Saving Club
Otamarakau School
Pacific Fashion Fusion
Paengaroa School
Pongakawa School
Rangataua Sports & Cultural Club
Rotary Te Puke - Cycleway
Rotorua Tai Mitchell Rugby Team
Fresh Produce Safety Centre - Australia
Multi Sports Ōpōtiki
Queenstown Ice Hockey
Tauranga Airsoft Club
Tauranga Cricket Invitational
Tauranga Volunteer Coastguard
Tauranga Women's Refuge
Te Aranui Youth Trust
Te Hiringa Business
Te Kaha Community Transport
Te Kaha Group - Education Sponsorship
Te Puke A&P Society
Te Puke Bridge Club
Te Puke Golf Club
Te Puke High School
Te Puke Intermediate
Te Puke Memorial Pools
Te Puke Play Centre
Te Puke Primary School
Te Puke Small Bore Rifle Club
Te Puke Sports
Te Puke Tennis Club
Te Puke Tigers League Club
Te Puna 8Ball Club
Te Ranga School
Vanuatu Health Fund
Waihau Bay Sports Fishing Club
Waihi Lions
Western Bay Cricket Association
Western Bay Emergency Services
Western Bay Museum
Whakatane Roller Derby
Whangamata Golf Club


Seeka
New Zealand
Fresh Avocado

# Financial report

# Statement of financial performance

## For the year ended 31 December 2021 - Audited

| New Zealand dollars | Notes | 2021 $000s | 2020 $000s |
|---|---|---|---|
| Revenue | 3 | 309,569 | 251,457 |
| Cost of sales | 4 | 236,337 | 198,781 |
| **Gross profit** | | **73,232** | **52,676** |
| Other income | 3 | 8,446 | 9,440 |
| Share of profit of associates | 24 | 236 | - |
| Other costs | 4 | 25,124 | 19,170 |
| Earnings (EBITDA) [1] | | **56,790** | **42,946** |
| Depreciation expense | 10 | 15,185 | 11,653 |
| Lease depreciation expense | 13 | 7,943 | 6,671 |
| Gain on revaluation of land and buildings | 4 | - | ( 32) |
| Impairment of property, plant and equipment | 10 | 1,188 | 30 |
| Impairment of intangible assets | 11 | - | 102 |
| Amortisation of intangible assets | 11 | 294 | 204 |
| Earnings (EBIT) [2] | | **32,180** | **24,318** |
| Interest expense | | 4,082 | 4,163 |
| Lease interest expense | | 4,610 | 3,877 |
| **Net profit before tax** | | **23,488** | **16,278** |
| Income tax charge | 6 | 7,865 | 8,239 |
| Deferred tax (benefit) | 7 | 763 | ( 1,551) |
| Tax effect of reintroduction of tax on depreciation of buildings | 6 | - | ( 5,561) |
| **Total tax charge / (credit)** | | **8,628** | **1,127** |
| **Net profit attributable to equity holders** | | **14,860** | **15,151** |
| **Earnings per share for profit attributable to the ordinary equity holders of the company during the year** | | | |
| Basic earnings per share | 20 | $0.43 | $0.52 |
| Diluted earnings per share | 20 | $0.42 | $0.52 |

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 2021 - Audited

| New Zealand dollars | Notes | 2021 $000s | 2020 $000s |
|---|---|---|---|
| Net profit for the year | | 14,860 | 15,151 |
| *Items that will not be reclassified to profit or loss, net of tax* | | | |
| Gain on revaluation of land and buildings | 10 | 11,535 | 11,700 |
| Loss on revaluation of water shares | 11 | - | ( 725) |
| Net realised loss on revaluation of investment in shares | | ( 3) | - |
| Total items that will not be reclassified to profit or loss | | 11,532 | 10,975 |
| *Items that may be reclassified subsequently to profit or loss, net of tax* | | | |
| Movement in cash flow hedge reserve | 21 | 96 | 85 |
| Movement in foreign currency translation reserve | 21 | ( 38) | ( 17) |
| Movement in foreign currency revaluation reserve | 21 | ( 18) | 399 |
| Total items that may be reclassified subsequently to profit or loss | | 40 | 467 |
| Total comprehensive income for the year attributable to equity holders | | 26,432 | 26,593 |

The accompanying notes form an integral part of these financial statements

# Statement of financial position

## As at 31 December 2021 - Audited

| New Zealand dollars | Notes | 2021 $000s | 2020 $000s |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 18 | 151,681 | 97,917 |
| Reserves | 21 | 43,246 | 32,438 |
| Retained earnings | 21 | 51,564 | 45,938 |
| **Total equity** | | **246,491** | **176,293** |
| **Current assets** | | | |
| Cash and cash equivalents | | 12,361 | 5,164 |
| Trade and other receivables | 14 | 30,685 | 24,515 |
| Biological assets - crop | 12 | 18,443 | 19,890 |
| Inventories | 15 | 6,968 | 5,936 |
| Irrigation water rights | | 294 | 343 |
| Assets classified as held for sale | 9 | 1,898 | 3,844 |
| **Total current assets** | | **70,649** | **59,692** |
| **Non current assets** | | | |
| Trade and other receivables | 14 | 814 | 672 |
| Property, plant and equipment | 10 | 327,830 | 245,032 |
| Intangible assets | 11 | 27,079 | 17,622 |
| Right-of-use lease assets | 13 | 49,885 | 50,831 |
| Investment in subsidiaries, associates and joint arrangements | 24 | 3,958 | 1,000 |
| Investment in shares | 23 | 2,054 | 577 |
| **Total non current assets** | | **411,620** | **315,734** |
| **Total assets** | | **482,269** | **375,426** |
| **Current liabilities** | | | |
| Tax liabilities | 6 | 7,463 | 6,952 |
| Trade and other payables | 16 | 33,034 | 30,972 |
| Lease liabilities | 13 | 6,782 | 6,342 |
| Interest bearing liabilities | 17 | 5,246 | 9,157 |
| **Total current liabilities** | | **52,525** | **53,423** |
| **Non current liabilities** | | | |
| Interest bearing liabilities | 17 | 107,757 | 73,862 |
| Lease liabilities | 13 | 56,585 | 58,040 |
| Derivative financial instruments | 30 | 538 | 671 |
| Deferred tax liabilities | 7 | 18,373 | 13,137 |
| **Total non current liabilities** | | **183,253** | **145,710** |
| **Total liabilities** | | **235,778** | **199,133** |
| **Net assets** | | **246,491** | **176,293** |

On behalf of the Board.

F Hutchings
Chairman

A Waugh
Director

Dated: 18 February 2022

The accompanying notes form an integral part of these financial statements

# Statement of changes in equity

## For the year ended 31 December 2021 - Audited

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2020 | | | | | | | | | | |
| Equity at 1 January 2020 | | 96,773 | ( 569) | ( 291) | ( 153) | 529 | 3,325 | 18,671 | 36,659 | 154,944 |
| Net profit | | - | - | - | - | - | - | - | 15,151 | 15,151 |
| Foreign exchange movement | | - | - | 399 | ( 17) | - | ( 3) | - | 3 | 382 |
| Other comprehensive income / (loss) | | - | 85 | - | - | - | ( 725) | 10,426 | 1,274 | 11,060 |
| Total comprehensive income / (loss) | | - | 85 | 399 | ( 17) | - | ( 728) | 10,426 | 16,428 | 26,593 |
| *Transactions with owners* | | | | | | | | | | |
| Shares issued [1] | 18 | 776 | - | - | - | - | - | - | - | 776 |
| Employee share scheme receipts | 18 | 368 | - | - | - | - | - | - | - | 368 |
| Movement in employee share entitlement reserve | 21 | - | - | - | - | 153 | - | - | - | 153 |
| Movement in grower share entitlement reserve | 21 | - | - | - | - | 608 | - | - | - | 608 |
| Dividends declared and paid [1] | 22 | - | - | - | - | - | - | - | ( 7,149) | ( 7,149) |
| Total transactions with owners | | 1,144 | - | - | - | 761 | - | - | ( 7,149) | ( 5,244) |
| 2021 | | | | | | | | | | |
| Equity at 31 December 2020 | | 97,917 | ( 484) | 108 | ( 170) | 1,290 | 2,597 | 29,097 | 45,938 | 176,293 |
| Net profit | | - | - | - | - | - | - | - | 14,860 | 14,860 |
| Foreign exchange movement | | - | - | ( 18) | ( 38) | - | - | - | - | ( 56) |
| Other comprehensive income / (loss) | | - | 96 | - | - | - | ( 3) | 11,535 | - | 11,628 |
| Total comprehensive income / (loss) | | - | 96 | ( 18) | ( 38) | - | ( 3) | 11,535 | 14,860 | 26,432 |
| *Transactions with owners* | | | | | | | | | | |
| Shares issued | 18 | 43,069 | - | - | - | - | - | - | - | 43,069 |
| Employee share scheme receipts | 18 | 550 | - | - | - | - | - | - | - | 550 |
| Grower share scheme receipts | 18 | 8,782 | - | - | - | - | - | - | - | 8,782 |
| Movement in employee share entitlement reserve | 21 | - | - | - | - | 153 | - | - | - | 153 |
| Movement in grower share entitlement reserve | 21 | 1,363 | - | - | - | ( 917) | - | - | - | 446 |
| Dividends declared and paid | 22 | - | - | - | - | - | - | - | ( 9,234) | ( 9,234) |
| Total transactions with owners | | 53,764 | - | - | - | ( 764) | - | - | ( 9,234) | 43,766 |
| Equity at 31 December 2021 | | 151,681 | ( 388) | 90 | ( 208) | 526 | 2,594 | 40,632 | 51,564 | 246,491 |

1. Shares issued during the year and dividends declared and paid have been restated to include shares issued under the dividend reinvestment plan in relation to the dividend declared in December 2020 and paid in 27 January 2021.

The accompanying notes form an integral part of these financial statements

# Statement of cash flows

## For the year ended 31 December 2021 - Audited

| New Zealand dollars | Notes | 2021 $000s | 2020 $000s |
|---|---|---|---|
| **Operating activities** | | | |
| *Cash was provided from:* | | | |
| Receipts from customers | | 322,400 | 249,899 |
| Interest and dividends received | | 405 | 35 |
| *Cash was disbursed to:* | | | |
| Payments to suppliers and employees | | ( 264,868) | ( 213,168) |
| Interest paid | | ( 4,082) | ( 4,163) |
| Lease interest paid | | ( 4,610) | ( 3,877) |
| Income taxes paid | | ( 7,661) | ( 2,373) |
| **Net cash flows from operating activities** | 5 | **41,584** | **26,353** |
| **Investing activities** | | | |
| *Cash was provided from:* | | | |
| Sale of property, plant and equipment | 10 | 70 | 45 |
| Cash acquired in acquisition of business | 19 | 1,501 | - |
| Distributions from investment in associates | 24 | 762 | - |
| Proceeds from sale of assets classified as held for sale | 9 | 2,310 | 43,041 |
| Repayment of grower or grower entity advances | | 25,667 | 22,550 |
| *Cash was applied to:* | | | |
| Purchase of property, plant, equipment and intangibles | | ( 21,921) | ( 13,496) |
| Development of bearer plants | | ( 7,569) | ( 6,776) |
| Acquisition of business | 19 | ( 1,302) | - |
| Acquisition of associate | 24 | ( 2,600) | ( 1,000) |
| Investment in shares | 23 | ( 1,000) | - |
| Purchase of, and development costs incurred on, property held for sale and SunGold licence | 9 | - | ( 1,069) |
| Advances to growers or grower entities | | ( 25,673) | ( 22,303) |
| **Net cash flows from / (used in) investing activities** | | **( 29,755)** | **20,992** |
| **Financing activities** | | | |
| *Cash was provided from:* | | | |
| Proceeds of non-current bank borrowings | 17 | 123,000 | 16,500 |
| Proceeds of current bank borrowings | 17 | 39,236 | 42,829 |
| Proceeds from employee and grower loyalty share schemes | 18 | 9,332 | 368 |
| *Cash was applied to:* | | | |
| Principal lease payments | 13 | (8,093) | ( 6,604) |
| Repayment of non-current bank borrowings | 17 | ( 112,759) | ( 40,882) |
| Repayment of current bank borrowings | 17 | ( 42,882) | ( 55,279) |
| Payment of dividend to and behalf of shareholders | 22 | ( 11,717) | ( 2,733) |
| **Net cash flows from financing activities** | | **( 3,883)** | **( 45,801)** |
| **Net increase in cash and cash equivalents** | | **7,946** | **1,544** |
| Effect of foreign exchange rates | | ( 749) | 771 |
| Opening cash and cash equivalents | | 5,164 | 2,849 |
| **Closing cash and cash equivalents** | | **12,361** | **5,164** |

The accompanying notes form an integral part of these financial statements

# Notes to the financial statements

## For the year ended 31 December 2021 - Audited

**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

Accounting policies that apply to Seeka's full set of financial statements

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

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

## Summary of significant accounting policies

The accounting policies have been applied consistently throughout the periods presented in the financial statements.

## Statement of compliance and basis of preparation

The 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 classified as 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 18 February 2022.

## 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.

## 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 classified as held for sale | Timing, valuation and recognition of gain on sale |
| 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 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

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.

## Current economic environment

The economic environment has been impacted by the arrival of Covid-19 in March 2020, and it continues to have an impact through 2021 and into 2022.

During the 2021 financial year Covid-19 presented a number of challenges, including varying levels of national and localised Government lockdowns in both New Zealand and Australia. Throughout all of these challenges, Seeka continued to operate as an essential business for fruit production, processing and wholesale market operations.

While the impact on revenue was minimised, the increased health and safety measures that were rolled out, including protective screens, face masks, and other personal protective equipment, are an ongoing, significant operating expense and contribute to reduced operating efficiency during periods of lockdown.

There are no other material impacts from Covid-19 noted outside of those in the listed notes below.

### Statement of financial performance

Post harvest and orchard revenue was minimally impacted by the effect of Covid-19.

Revenue in the retail services operations segment, which includes Seeka's wholesale market operations in Auckland, was impacted due to reduced wholesale market demand from independent fresh produce retailers who were closed during the extended level four and level three Covid-19 lockdowns in Auckland. Demand for the Group's Kiwi Crush, Crushies ice blocks and avocado oil which are sold in retail stores and to schools was also down during the Covid-19 lockdown periods. The reduction in revenue flowed through to reduced profit levels for the retail services operations segment.

The Australian operational result improved as fruit returns remained strong for the 2021 year.

### Statement of financial position

The statement of financial position is healthy and Seeka operated profitably throughout the year. The Group increased its bank facilities through a new syndicated loan facility lead by Westpac New Zealand Limited.

The upcoming 2022 harvest volumes are looking positive and the future projections for Seeka remain strong subject to a major Covid-19 outbreak during the kiwifruit harvest period of March to June. While labour availability will be an issue for the coming harvest, (see note 28), Seeka has a number of mechanisms in place to recruit local workers and has secured some employees under the Recognised Seasonal Employer (RSE) scheme.

# Performance

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

## 1. Segment information

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

The Group has five operating segments:

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

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

### New Zealand segments

**Orchard operations**

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

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

### Australian operations

The Group grows, provides post harvest services, and retails all produce from orchards the Group owns or leases in Australia. The main products are kiwifruit, nashi pears and European pears, which are primarily sold in Australia. Included in the 2020 result is a one-off gain from the settlement of the sale and leaseback transaction, see note 9.

**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 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| **Income statement** | | | | | | |
| Turnover [1] | 77,070 | 195,908 | 68,000 | 1,122 | 13,867 | 355,967 |
| Gross segment revenue | 77,157 | 199,667 | 21,602 | 1,122 | 13,867 | 313,415 |
| Eliminations | ( 87) | ( 3,759) | - | - | - | ( 3,846) |
| **Total segment revenue** | 77,070 | 195,908 | 21,602 | 1,122 | 13,867 | 309,569 |
| EBITDA [2] | 5,248 | 61,557 | 2,318 | ( 13,974) | 1,641 | 56,790 |
| Depreciation expense [4] | ( 773) | ( 11,375) | ( 356) | ( 1,771) | ( 910) | ( 15,185) |
| Lease depreciation expense [5] | ( 1,468) | ( 4,365) | ( 600) | ( 697) | ( 813) | ( 7,943) |
| Impairment of property, plant and equipment | - | ( 1,188) | - | - | - | ( 1,188) |
| Amortisation of intangible assets | - | ( 11) | - | ( 277) | ( 6) | ( 294) |
| EBIT [3] | 3,007 | 44,618 | 1,362 | ( 16,719) | ( 88) | 32,180 |
| Lease interest expense [5] | ( 741) | ( 2,187) | ( 324) | ( 385) | ( 973) | ( 4,610) |
| Interest expense [6] | - | - | - | ( 3,382) | ( 700) | ( 4,082) |
| Tax charge on profit | - | - | - | ( 9,334) | 706 | ( 8,628) |
| **Profit / (loss) after tax** | 2,266 | 42,431 | 1,038 | ( 29,820) | ( 1,055) | 14,860 |
| **Balance sheet** | | | | | | |
| Segment assets | 73,676 | 316,088 | 11,671 | 33,147 | 47,687 | 482,269 |
| **Total assets** | 73,676 | 316,088 | 11,671 | 33,147 | 47,687 | 482,269 |
| Segment liabilities | 38,853 | 108,415 | 14,665 | 30,647 | 43,198 | 235,778 |
| **Total liabilities** | 38,853 | 108,415 | 14,665 | 30,647 | 43,198 | 235,778 |
| **2020** | | | | | | |
| **Income statement** | | | | | | |
| Turnover [1] | 75,707 | 140,086 | 63,882 | 804 | 13,065 | 293,544 |
| Gross segment revenue | 75,920 | 143,132 | 21,795 | 804 | 13,065 | 254,716 |
| Eliminations | ( 213) | ( 3,046) | - | - | - | ( 3,259) |
| Total segment revenue | 75,707 | 140,086 | 21,795 | 804 | 13,065 | 251,457 |
| EBITDA [2] | 5,439 | 41,868 | 3,004 | ( 14,801) | 7,436 | 42,946 |
| Depreciation expense [4] | ( 659) | ( 8,083) | ( 346) | ( 1,547) | ( 1,018) | ( 11,653) |
| Lease depreciation expense [5] | ( 1,259) | ( 3,990) | ( 465) | ( 846) | ( 111) | ( 6,671) |
| Gain on revaluation of land and buildings | - | 32 | - | - | - | 32 |
| Impairment of property, plant and equipment | - | - | - | - | ( 30) | ( 30) |
| Impairment of intangible assets | - | - | - | ( 102) | - | ( 102) |
| Amortisation of intangible assets | - | - | - | ( 200) | ( 4) | ( 204) |
| EBIT [3] | 3,521 | 29,827 | 2,193 | ( 17,496) | 6,273 | 24,318 |
| Lease interest expense [5] | ( 718) | ( 2,210) | ( 468) | ( 398) | ( 83) | ( 3,877) |
| Interest expense [6] | | | | ( 2,606) | ( 1,557) | ( 4,163) |
| Tax charge on profit | | | | 2,050 | ( 3,177) | ( 1,127) |
| **Profit / (loss) after tax** | 2,803 | 27,617 | 1,725 | ( 18,450) | 1,456 | 15,151 |
| **Balance sheet** | | | | | | |
| Segment assets | 63,437 | 232,742 | 12,357 | 19,675 | 47,215 | 375,426 |
| **Total assets** | 63,437 | 232,742 | 12,357 | 19,675 | 47,215 | 375,426 |
| Segment liabilities | 33,002 | 83,857 | 15,758 | 26,403 | 40,113 | 199,133 |
| **Total liabilities** | 33,002 | 83,857 | 15,758 | 26,403 | 40,113 | 199,133 |

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 13.
6. Interest includes finance costs for borrowings.

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

| New Zealand dollars | New Zealand<br>Orchard operations<br>$000s | Post harvest operations<br>$000s | Retail service operations<br>$000s | All other segments<br>$000s | Australia<br>Australian operations<br>$000s | Group<br>Total<br>$000s |
|---|---|---|---|---|---|---|
| 2021 - EBITDA | | | | | | |
| EBITDA pre NZ IFRS 16 | 2,379 | 55,318 | 1,495 | ( 14,912) | ( 193) | 44,087 |
| Capitalised lease costs | 2,869 | 6,239 | 823 | 938 | 1,834 | 12,703 |
| EBITDA after applying NZ IFRS 16 | 5,248 | 61,557 | 2,318 | ( 13,974) | 1,641 | 56,790 |
| 2020 - EBITDA | | | | | | |
| EBITDA pre NZ IFRS 16 | 3,157 | 35,937 | 2,235 | ( 15,813) | 14,022 | 39,538 |
| Capitalised lease costs | 2,282 | 5,931 | 769 | 1,012 | 488 | 10,482 |
| Gain on sale and leaseback | - | - | - | - | ( 7,074) | ( 7,074) |
| EBITDA after applying NZ IFRS 16 | 5,439 | 41,868 | 3,004 | ( 14,801) | 7,436 | 42,946 |

## 2. Turnover

The following table reconciles turnover to revenue.

| New Zealand dollars | 2021<br>$000s | 2020<br>$000s |
|---|---|---|
| Turnover | 355,967 | 293,544 |
| Value of sales made as agent | ( 46,398) | ( 42,087) |
| **Revenue** | 309,569 | 251,457 |

**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 | 2021<br>$000s | 2020<br>$000s |
|---|---|---|---|
| Total revenue | | 309,569 | 251,457 |
| Other income | | | |
| Interest | | 67 | 242 |
| Gain on sale of assets classified as held for sale | 9 | 331 | 8,937 |
| Grower share loyalty scheme | 21 | ( 446) | ( 608) |
| Dividends received | | 190 | 4 |
| Net movement in fair value of irrigation water rights | | 173 | 293 |
| Proceeds from settlement of Psa claim | | 7,644 | - |
| Other income | | 487 | 572 |
| Total other income | | 8,446 | 9,440 |
| Total revenue and other income | | 318,015 | 260,897 |

## 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: Revenue from contracts with customers (NZ IFRS 15)*.

### Post harvest

The Group enters into two standardised post harvest contracts:

- The first has two performance obligations; to collect the supply of fruit via picking and transportation, and maturity testing. The charges are separated in the contract. All revenue is recognised when the service is performed.
- The second has three performance obligations; to pack fruit, to cool and dispatch fruit, and to sell class 2 fruit to authorised markets. These are stand-alone services provided by the Group. 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 and delivered.

### Orchard management

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

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

### Retail services

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

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

### Australia

The Group has two types of contracts that are entered by the Australian business; one is for the long-term leasing of kiwifruit orchards, and the other is for the sale and supply of fruit.

- The orchard leasing contract is an obligation to make lease payments as the Group manages leased orchards.
- The fruit sale and supply contacts are entered on a one-to-one basis with the fruit purchaser and are largely standardised. They have 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 and delivered.

### Contracts from acquired businesses

All revenue contracts acquired as part of the Ōpōtiki Packing and Cool Storage Limited (OPAC) and Orangewood Limited (Orangewood) acquisitions, (see note 19) are substantially similar in nature to Seeka's current revenue contracts, with the exception of the timing of the cool storage revenue recognition related to OPAC, which is accounted for as fruit is packed rather than loaded out. From the end of 2021, the Group's standard service contracts will apply.

### Principal versus agent relationship

A principal relationship is one where the Group 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 classified as held for sale

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

### Proceeds from settlement of kiwifruit Psa claim

The income relating to the proceeds from the settlement of the kiwifruit Psa claim from the Crown is recognised when the claim is settled and the amount is confirmed as received or receivable.

## 4. Cost of sales and operating expenses

| New Zealand dollars | Notes | 2021 $000s | 2020 $000s |
|---|---|---|---|
| Operating materials and services | | 163,029 | 146,782 |
| Direct employee benefits | | 71,861 | 53,260 |
| Decrease / (Increase) in fair value of biological assets - crop | 12 | 1,447 | ( 1,261) |
| **Total cost of sales** | | **236,337** | **198,781** |
| Total other employee benefits | | 12,491 | 10,005 |
| General administrative expenses | | 9,559 | 8,264 |
| Audit fees paid to principal auditors - paid on a Group basis | | 493 | 340 |
| Tax compliance, consulting, planning, structuring and due diligence fees paid to principal auditors | | 242 | 106 |
| Tax pooling services paid to principal auditors | | 13 | 5 |
| Debt covenant compliance agreed upon procedures paid to principal auditors | | 6 | - |
| Acquisition and restructuring costs | | 1,784 | - |
| Directors' fees and expenses | | 536 | 450 |
| **Total other costs** | | **25,124** | **19,170** |
| **Depreciation expense** | 10 | **15,185** | **11,653** |
| **Lease depreciation expense** | 13 | **7,943** | **6,671** |
| **Amortisation of intangible assets** | 11 | **294** | **204** |
| Impairments and revaluations | | | |
| Gain on revaluation of land and buildings | | - | ( 32) |
| Impairment of property, plant and equipment | 10 | 1,188 | 30 |
| Impairment of intangible assets | 11 | - | 102 |
| **Total Impairment and revaluation** | | **1,188** | **100** |
| **Interest expense** | | **4,082** | **4,163** |
| **Lease interest expense** | 13 | **4,610** | **3,877** |
| **Total expenses** | | **294,763** | **244,619** |

During the year the Group recognised $0.15m of costs relating to the measurement of the employee share schemes issued based on the Black Scholes Model (Dec 2020 - $0.15m).

### 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 | 2021 $000s | 2020 $000s |
|---|---|---|
| **Net operating surplus after taxation** | **14,860** | **15,151** |
| *Add / (less) non cash items:* | | |
| Depreciation | 15,185 | 11,653 |
| Lease depreciation | 7,943 | 6,671 |
| Other non-cash lease adjustments | - | 425 |
| Gain on revaluation of land and buildings | - | ( 32) |
| Impairment of property, plant and equipment | 1,188 | 30 |
| Revaluation of employee share scheme | 153 | 153 |
| Revaluation of grower share scheme | 446 | 608 |
| Movement in deferred tax | 5,236 | ( 4,623) |
| Movement in fair value of biological assets - crop | 1,447 | ( 1,261) |
| Amortisation of intangible assets | 294 | 204 |
| | **31,892** | **13,828** |
| *Add / (less) items not classified as an operating activity:* | | |
| Loss on sale of property, plant and equipment | 12 | 164 |
| Gain on sale of assets classified as held for sale | ( 332) | ( 9,662) |
| Decrease in current water allocation account | ( 319) | ( 45) |
| | **( 639)** | **( 9,543)** |
| *(Increase) / decrease in working capital:* | | |
| (Decrease) / Increase in accounts payable | ( 7,042) | 5,420 |
| Decrease / (Increase) in accounts receivable/prepayments | 6,167 | ( 3,878) |
| Decrease in inventory | 940 | 2,300 |
| (Decrease) / Increase in taxes due | ( 4,594) | 3,075 |
| | **( 4,529)** | **6,917** |
| **Net cash flow from operating activities** | **41,584** | **26,353** |

### 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 | 2021 $000s | 2020 $000s |
|---|---|---|---|
| **a. Current tax expense** | | | |
| Current year | | 8,454 | 8,767 |
| Prior period adjustment | | ( 589) | ( 528) |
| **Total current tax expense** | | **7,865** | **8,239** |
| Deferred tax expense | 7 | | |
| Origination and reversal of temporary differences | | ( 1,566) | ( 1,551) |
| Future tax benefit from the reintroduction of tax depreciation on buildings | | - | ( 5,561) |
| Prior period adjustment | | 2,329 | - |
| **Total deferred tax expense** | | **763** | **( 7,112)** |
| **Total income tax expense** | | **8,628** | **1,127** |
| **b. Numerical reconciliation of income tax expense to prima facie tax payable** | | | |
| **Profit before income tax expense** | | **23,488** | **16,278** |
| Tax at the New Zealand tax rate of 28% | | 6,577 | 3,268 |
| Tax at the Australian tax rate of 30% | | ( 37) | 1,290 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income | | 432 | 533 |
| Future tax benefit from the reintroduction of tax depreciation on buildings | | - | ( 5,561) |
| Tax exempt income | | - | 1,624 |
| Benefit of tax credits | | ( 84) | - |
| Under provision in prior years - temporary differences | | 1,740 | ( 27) |
| **Income tax expense** | | **8,628** | **1,127** |
| **c. Imputation credit account** | | | |
| **Imputation credits available for use in subsequent reporting periods** | | **28,265** | **22,244** |

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.

| New Zealand dollars | Notes | 2021 $000s | 2020 $000s |
|---|---|---|---|
| **d. Current tax (liability) / receivable** | | | |
| **Opening balance of current tax (liability)** | | **( 6,952)** | **( 1,709)** |
| Current tax liability acquired via acquisition | 19 | ( 1,212) | - |
| Adjustments for prior periods | | 589 | 528 |
| Current year tax | | ( 8,454) | ( 8,767) |
| Less tax paid | | 8,610 | 3,059 |
| Exchange differences | | ( 44) | ( 63) |
| **Current tax (liability)** | | **( 7,463)** | **( 6,952)** |

### 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 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 | Notes | 2021 $000s | 2020 $000s |
|---|---|---|---|
| *Net deferred tax liabilities:* | | | |
| **Opening balance** | | **13,137** | **17,760** |
| Deffered tax liability acquired via acquisition | 19 | 1,865 | - |
| Adjustments for prior periods | | 2,329 | - |
| Exchange differences | | 18 | ( 31) |
| Charged to the statement of financial performance | | ( 1,566) | ( 7,059) |
| Charged to revaluation reserve | | 2,553 | 2,434 |
| Debited to hedge reserve | | 37 | 33 |
| **Closing balance at end of year** | | **18,373** | **13,137** |
| *The balance comprises temporary differences attributable to:* | | | |
| Temporary differences on non-current assets | | 21,574 | 17,825 |
| Current liabilities | | ( 4,749) | ( 4,712) |
| Prepayments and accrued income | | 1,548 | 24 |
| **Total deferred tax liability** | | **18,373** | **13,137** |

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 2020 - 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.

Legislation enacted 25 March 2020 reinstated tax depreciation deductions on non-residential buildings. This resulted in a one-off $5.6m gain in the income tax calculation for the 2020 financial year, see note 6.

## 8. Events occurring after balance date

On 10 December 2021, the Group announced the conditional acquisition of New Zealand Fruits Limited (NZ Fruits) by way of amalgamation with Seeka East Limited, a wholly owned subsidiary of Seeka Limited, for an enterprise value assessed at $21.90m. As at 31 December 2021 balance date the amalgamation was subject to a number of conditions including NZ Fruits shareholder approval, which was then subsequently obtained post year end on 19 January 2022. The settlement and amalgamation was completed after balance date, on 2 February 2022 with the issue of 1,687,860 Seeka shares and a cash payment of $8.85m to NZ Fruits shareholders. As at this reporting date a detailed assessment of the fair value of acquired net assets has not been performed due to limited time available between settlement date and the preparation of the financial statements.

On 20 January 2022, the Group declared a full year dividend of $0.13 per share in relation to the financial year ended 31 December 2021. The dividend will be fully imputed, and the dividend reinvestment plan will apply. The dividend record date is 28 January 2022 and the dividend will be paid on 23 February 2022.

On 2 February 2022 Seeka completed the acquisition of New Zealand Fruits Limited by way of amalgamation which included consideration of new Seeka shares to be issued ex-dividend and cash. The full year dividend is normally paid in April each year, however this year the payment date for the full year dividend has been varied to ensure the new shares relating to NZ Fruits are issued ex-dividend on their issue date.

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

# Assets

How Seeka allocates resources across its operations

**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 | 2021 $000s | 2020 $000s |
|---|---|---|
| Opening balance at 1 January | 3,844 | 27,083 |
| Reclassification to property, plant and equipment | - | ( 231) |
| Development costs incurred | 33 | 1,069 |
| Growing costs (recovered) | - | ( 489) |
| Sales settled by third parties at carrying value | ( 1,979) | ( 23,588) |
| Total assets classified as held for sale | 1,898 | 3,844 |

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

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| Asset class | | |
| Land and buildings | 734 | 1,379 |
| Property, plant and equipment | 319 | 599 |
| Intangible assets | 304 | 849 |
| Bearer plants | 541 | 1,017 |
| Total assets classified as held for sale | 1,898 | 3,844 |

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 standards allow for the period to extend past 12 months if the circumstances causing the delay are out of Seeka's control. In limited cases it has taken more than 12 months to find a willing buyer, however Seeka remains committed to selling the properties and with the current interest in the properties sales contracts are anticipated within the next 12 months. Assets held for sale are recorded at the lower of the carrying value or fair value less costs to sell.

At 31 December 2021, 13 hectares of orchards (Dec 2020 - 23 hectares) owned by Seeka were classified as held for sale. These properties were part of the 2018 purchase of Kerikeri assets from T&G Global Limited.

**Sale and leaseback transaction in Seeka Australia**

Assets related to three kiwifruit orchards in Australia (Hayward, Austral and Lakes) were recognised as held for sale at 31 December 2019. On 15 December 2020, the Group sold the three orchards for AU$26.50m and leased them back for an initial term of 10.5 years, with rights of renewal out to 25 years. The terms of the sale and leaseback are typical of those entered into for an orchard.

The definition of a sale under NZ IFRS 15 was met and the transaction was carried out at fair value. Sales proceeds received were judged to reflect the fair value of the underlying assets. The quarterly rental was deemed to be a fair market rent.

The transaction was accounted for in accordance with paragraphs 98 to 103 of NZ IFRS 16 and the Group estimated the present value of the rental obligations in respect of the leaseback to be AUD$14.08m (NZD$15.01m), based on the initial term of the leaseback of 10.5 years, discounted at an incremental borrowing rate of 6.79% per annum, with the transaction giving rise to the following:

- Right of use asset of AUD$7.47m (NZD$7.97m)
- Net proceeds from sale and leaseback of AUD$26.50m (NZD$28.24m)
- Lease liability assumed of AUD$14.08m (NZD$15.01m)
- Net gain on sale and leaseback of AUD$5.83m (NZD$6.18m)

All goodwill from the Australia cash generating unit was allocated in 2019 to the disposal group, based on the Group's assessment of relative fair values of the assets held for sale and Australia assets being retained.

### Critical accounting estimates and judgements

The Group used estimates to judgementally recognise the remaining Northland orchards as held for sale, despite being classified as held for sale for greater than 12 months. For the year ended 31 December 2020 the Group used judgement to classify the Australian sale and leaseback as an asset held for sale and estimates to calculate and judgementally recognise the gain on sale. This included judging the right-of-use lease asset, lease liability, lease term and estimated discount rate.

## 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 2020** | | | | | | |
| Cost or valuation | 165,374 | 106,949 | 1,062 | 11,012 | 9,214 | 293,611 |
| Accumulated depreciation and impairment | ( 10,861) | ( 59,019) | ( 602) | ( 2,488) | ( 219) | ( 73,189) |
| Net book amount | 154,513 | 47,930 | 460 | 8,524 | 8,995 | 220,422 |
| Year ended 31 December 2020 | | | | | | |
| Opening net book amount | 154,513 | 47,930 | 460 | 8,524 | 8,995 | 220,422 |
| Additions and transfers | 6,258 | 6,086 | 271 | 14,318 | ( 5,477) | 21,456 |
| Depreciation | ( 5,131) | ( 6,147) | ( 134) | ( 241) | - | ( 11,653) |
| Disposals | ( 32) | ( 429) | ( 27) | 64 | - | ( 424) |
| Impairment of property, plant and equipment | - | - | - | ( 30) | - | ( 30) |
| Revaluation | 14,474 | - | - | - | - | 14,474 |
| Reclassification from held for sale | 231 | - | - | - | - | 231 |
| Foreign exchange | 263 | 104 | 3 | 58 | 128 | 556 |
| Closing net book amount | 170,576 | 47,544 | 573 | 22,693 | 3,646 | 245,032 |
| **At 1 January 2021** | | | | | | |
| Cost or valuation | 186,565 | 112,652 | 1,281 | 25,453 | 3,864 | 329,815 |
| Accumulated depreciation and impairment | ( 15,989) | ( 65,108) | ( 708) | ( 2,760) | ( 218) | ( 84,783) |
| Net book amount | 170,576 | 47,544 | 573 | 22,693 | 3,646 | 245,032 |
| Year ended 31 December 2021 | | | | | | |
| Opening net book amount | 170,576 | 47,544 | 573 | 22,693 | 3,646 | 245,032 |
| Additions from business combination | 43,960 | 11,926 | 476 | 632 | 262 | 57,256 |
| Additions and transfers - net | 6,916 | 7,260 | 537 | 7,234 | 6,410 | 28,357 |
| Depreciation | ( 6,791) | ( 7,618) | ( 246) | ( 530) | - | ( 15,185) |
| Disposals | ( 191) | ( 192) | ( 47) | - | - | ( 430) |
| Impairment of property, plant and equipment | - | ( 1,013) | - | - | ( 175) | ( 1,188) |
| Revaluation | 14,088 | - | - | - | - | 14,088 |
| Foreign exchange | ( 41) | ( 17) | ( 1) | ( 40) | ( 1) | ( 100) |
| Closing net book amount | 228,517 | 57,890 | 1,292 | 29,989 | 10,142 | 327,830 |
| **At 31 December 2021** | | | | | | |
| Cost or valuation | 251,297 | 131,630 | 2,247 | 33,278 | 10,537 | 428,989 |
| Accumulated depreciation and impairment | ( 22,780) | ( 73,740) | ( 955) | ( 3,289) | ( 395) | ( 101,159) |
| Net book amount | 228,517 | 57,890 | 1,292 | 29,989 | 10,142 | 327,830 |

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 2021 the assets under construction relate to the extension of the packhouse, and the purchase and installation of a MAF Roda Grader at KKP, stage two of the Transcool coolstore construction, and further investment relating to automation in multiple packhouses.

**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 up to 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 (2021 valuations: 6.50% – 8.75%) that would be expected by a prudent investor. The 2021 year saw capitalisation rates decrease between 1.75% - 2.25% since the previous valuations of the same properties.

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 $36.87m (Dec 2020 - $23.43m) and buildings is $191.65m (Dec 2020 - $147.14m), see note 29.

**The following table details the gain on revaluation of land and buildings recognised in the revaluation reserve, net of tax, of $11.54m (Dec 2020 - $10.43m).**

| New Zealand dollars | Land $000s | Buildings $000s | Total $000s |
|---|---|---|---|
| **Land and buildings revaluation reserve** | 4,935 | 6,600 | 11,535 |

As a consequence of the building revaluations conducted December 2021, $3.45m (Dec 2020 - $5.90m) 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 | 2021 $000s | 2020 $000s |
|---|---|---|
| Cost | 234,937 | 184,251 |
| Accumulated depreciation | ( 49,227) | ( 41,556) |
| **Depreciated historical cost** | 185,710 | 142,695 |
| **Net book amount** | 228,517 | 170,576 |

**Impairment of bearer plants**

For the year ended 31 December 2020, $0.03m of cherries were at the end of their useful life and removed with the remaining costs impaired.

There was no significant impairment relating to bearer plants in the year ended 31 December 2021.

**Impairment of property, plant and equipment**

For the year ended 31 December 2021, the Group impaired the following fixed assets:

- Coolstore facilities at Transcool in preparation for the construction of a new five-high, semi-automated, coolstore facility
- An existing canopy at KKP packhouse in preparation for the construction of the packhouse extension
- Decommissioning of the existing 10 lane grader at KKP to be replaced by a new MAF Roda grader

There was no significant impairment relating to property, plant and equipment in the year ended 31 December 2020.

## 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 revalue 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 are transferred to retained earnings.

### Critical accounting estimates and judgements

At 31 December 2021, 44% of Seeka's New Zealand land and building portfolio was revalued in line with policy. The change in property values in the current year is consistent with the valuations completed in the year ended 31 December 2020 and results in 91% of Seeka's New Zealand property portfolio being revalued over a two year period. Seeka operates in the food production industry, which remained stable with a high demand for healthy foods during the Covid-19 pandemic. Properties situated in the Bay of Plenty are also expected to be less affected than other regions given the ongoing strength of horticulture and agriculture businesses.

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

Sensitivity analysis suggests the remaining properties that were not revalued this year could cause an increase in land and buildings of a further 3-5%. This is not considered a material movement in land and building values.

## 11. Intangible assets

| New Zealand dollars | Notes | Software $000s | Goodwill $000s | Water shares $000s | Other intangibles $000s | Total $000s |
|---|---|---|---|---|---|---|
| **At 1 January 2020** | | | | | | |
| Cost | | 3,195 | 10,963 | 9,122 | - | 23,280 |
| Accumulated amortisation and impairment | | ( 2,563) | ( 2,031) | - | - | ( 4,594) |
| **Net book amount** | | 632 | 8,932 | 9,122 | - | 18,686 |
| **Year ended 31 December 2020** | | | | | | |
| **Opening net book amount** | | 632 | 8,932 | 9,122 | - | 18,686 |
| Additions | | 67 | - | - | - | 67 |
| Disposals | | ( 13) | - | - | - | ( 13) |
| Revaluation | | - | - | ( 1,039) | - | ( 1,039) |
| Impairment | | ( 102) | - | - | - | ( 102) |
| Exchange differences | | - | - | 227 | - | 227 |
| Amortisation | | ( 204) | - | - | - | ( 204) |
| **Closing net book amount** | | 380 | 8,932 | 8,310 | - | 17,622 |
| **At 1 January 2021** | | | | | | |
| Cost | | 3,147 | 10,963 | 8,310 | - | 22,420 |
| Accumulated amortisation and impairment | | ( 2,767) | ( 2,031) | - | - | ( 4,798) |
| **Net book amount** | | 380 | 8,932 | 8,310 | - | 17,622 |
| **Year ended 31 December 2021** | | | | | | |
| **Opening net book amount** | | 380 | 8,932 | 8,310 | - | 17,622 |
| Additions | | 761 | - | 184 | - | 945 |
| Additions from business combination | 19 | 82 | 8,249 | - | 555 | 8,886 |
| Disposals | | ( 7) | - | - | - | ( 7) |
| Exchange differences | | - | - | ( 73) | - | ( 73) |
| Amortisation | | ( 261) | - | - | ( 33) | ( 294) |
| **Closing net book amount** | | 955 | 17,181 | 8,421 | 522 | 27,079 |
| **At 31 December 2021** | | | | | | |
| Cost | | 3,983 | 19,212 | 8,421 | 555 | 32,171 |
| Accumulated amortisation and impairment | | ( 3,028) | ( 2,031) | - | ( 33) | ( 5,092) |
| **Net book amount** | | 955 | 17,181 | 8,421 | 522 | 27,079 |

Other intangibles are related to SunGold kiwifruit licences that were acquired in the acquisition of OPAC, see note 19.

The amortisation period of software is four to five years.

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 the closing water share market price. The movement in the fair value is recognised in the statement of other comprehensive income. There was no movement in the fair value of water shares in the year ended 31 December 2021 (Dec 2020: $0.73m).

**Impairment tests for goodwill**

The Board reviews business performance based on operating segments and monitors goodwill at the operating segment level. Goodwill represents the 2021 acquisitions of Ōpōtiki Packing and Cool Storage Limited and Orangewood Limited, 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 (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 past performance and the Board's expectations of future market dynamics, plus the Group's five year financial plans. The Group's market capitalisation compared to net assets is also considered as part of the impairment review.

All amounts recognised as goodwill at 31 December 2021 were tested for impairment at balance date and no impairment arose in the current year.

**Additions to goodwill**

$8.25m of goodwill was recognised during the year; $7.63m from the OPAC acquisition, and $0.62m from the Orangewood acquisition. No goodwill was recognised for the year ended 31 December 2020, see note 19.

**Cash generating units (CGUs)**

During the year ended 31 December 2021, the scope of the post harvest CGUs were reviewed. Previously the CGUs were defined as each packhouse but following the review it was determined that with a number of recent acquisitions and growth in the business it was more appropriate that the post harvest CGUs represented the group of packhouses in a region that operated as a collective group, with fruit allocated to sites within the region.

This reflects the operational coordination of packhouses in each region to maximise efficiency and flexibility by packing fruit at the optimum maturity by allocating it to the next available facility. Fruit in Northland is not generally directed to the Bay of Plenty region, so this segment remains on its own for consideration of goodwill. It was determined that there are two regional CGUs for the post harvest operations, being Northland and Bay of Plenty (including Coromandel).

The goodwill that had been previously allocated to the Northland business is now part of the Northland postharvest CGU, along with the recent Orangewood acquisition. The Aongatete Coolstores Limited goodwill is now part of the Bay of Plenty post harvest CGU which now includes the goodwill recognised for the OPAC acquisition in 2021.

**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 | Post tax discount rate[1] | EBITDA[7] growth rate 1-5 years | Terminal growth rate[2] |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Bay of Plenty post harvest | Post harvest operations | 14,663 | 8.0% | 2% - 8%[3] | 1.0% |
| Northland post harvest | Post harvest operations | 1,841 | 9.0% | 3% - 18%[4] | 1.0% |
| SeekaFresh | Retail services operations | 433 | 9.0% | 4 - 10%[5] | 2.0% |
| Kiwi Crush | Retail services operations | 244 | 9.0% | 2%[6] | 2.0% |
| **2020** | | | | | |
| Bay of Plenty post harvest | Post harvest operations | 7,035 | 8.0% | 3% - 5%[3] | 1.0% |
| Northland post harvest | Post harvest operations | 1,220 | 8.0% | (4%) - 7%[4] | 1.0% |
| SeekaFresh | Retail services operations | 433 | 8.0% | 2%[5] | 2.0% |
| Kiwi Crush | Retail services operations | 244 | 8.0% | 2%[6] | 1.0% |

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

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| Cost | 4,719 | 4,535 |
| Amortised cost | 4,719 | 4,535 |
| Net book amount | 8,421 | 8,310 |

1. The discount rate is calculated based on the specific circumstances of the cash generating unit and its operations, and is derived from its weighted average cost of capital. The discount rate for Seeka's Bay of Plenty CGU is set at 8% as this represents the Board's assessment of the Group's weighted average cost of capital with an additional 1% added to recognise the higher risk of a smaller division.
2. The long term growth rate is based on growth in GDP, market conditions and opportunities for growth within the industry. The Group has set its terminal growth rates between 1% - 2% to ensure a long term conservative growth estimate has been applied in the impairment tests.
3. If the EBITDA growth rates reduced to 2%, there is no impairment.
4. The EBITDA 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, with 18% revenue growth expected in the second year, falling to 3% by year five. If the revenue growth rates reduced to 2% in years 2 to 5, there would be no impairment.
5. The EBITDA growth used for the SeekaFresh business reflects the expected performance of the business over the period being assessed. A 10% revenue growth rate is expected in the first year as the business recovers from Covid-19 lockdowns in Auckland.
6. The EBITDA and terminal growth rates used for Kiwi Crush reflects expected performance over the next 5 years as the business continues to commercialise new product lines and explore new markets.
7. EBITDA, a non-GAAP measure, is earnings before interest, tax, depreciation, amortisation, impairments and revaluations.

At 31 December 2021, all goodwill balances were reviewed for indicators of impairment.

The goodwill relating to the Bay of Plenty Post Harvest and Northland Post Harvest cash generating units are supported by 2021 operational outcomes. 2021 kiwifruit harvest volumes increased on the prior year and packing volumes are expected to increase further in future years. Whilst Covid-19 impacted 2021 costs and labour supply, the post harvest segment operated profitably throughout the year, and throughout national and localised lockdowns. For these reasons, there are no indications of impairment of the goodwill relating to the Bay of Plenty Post Harvest or Northland Post Harvest cash generating units.

The goodwill relating to the Kiwi Crush business is supported by current trading performance. There are no indications of impairment of the goodwill relating to the Kiwi Crush business.

SeekaFresh started the year well, until sales were impacted by Covid-19. The business continued to operate as an essential service, but was affected by the temporary closure of hospitality and independent retail based customers during the lockdown. Following completion of the restructuring period for SeekaFresh in 2020, the commission business (which includes the domestic and export sales of Seeka-grown avocado, kiwiberry, and class two, class three, and collaboratively marketed kiwifruit), is integrated with the original Glassfields business to a degree where it is indistinguishable from the original cash generating unit, and has therefore been included in the forecasted EBITDA assumptions. The terminal growth rate has remained consistent, but sensitivity was performed to ensure a 1% terminal growth rate would not result in an impairment.

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

## 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).

Costs relating to software deemed to be classified as software as a service (S.A.A.S.) have been expensed during the year and included in the statement of financial performance.

### 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.

### Water shares

The Group records permanent water shares at fair value based on the market price 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 intangible assets 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 and terminal growth rates.

## 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, cherries, 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 | 2021 $000s | 2020 $000s |
|---|---|---|
| **Carrying amount at beginning of period** | **19,890** | **18,629** |
| *Crop harvested during the period* | | |
| Fair value movement from the beginning of the period to point of harvest | 18,504 | 23,599 |
| Fair value when harvested | ( 38,394) | ( 42,228) |
| *Crop growing on bearer plants at end of period* | | |
| Crop where cost is deemed fair value | 18,324 | 19,597 |
| Crop at fair value | 119 | 293 |
| **Carrying value at end of period** | **18,443** | **19,890** |

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

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| Movement in carrying amount | ( 1,431) | 1,159 |
| Exchange differences | ( 16) | 102 |
| **Net fair value movement in crop** | **( 1,447)** | **1,261** |

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

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| Australia - all varieties | 4,127 | 4,201 |
| New Zealand - kiwifruit crop | 13,673 | 14,863 |
| New Zealand - avocado crop | 643 | 826 |
| **Carrying value at end of period** | **18,443** | **19,890** |

**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 $1.4m of biological assets within the 1 January 2021 opening balance relating to the Groups long-term orchard developments were reclassified as bearer plants assets under construction (Dec 2020 - nil)

### 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. 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 | 2021<br>$000s | 2020<br>$000s |
|---|---|---|
| **Right-of-use lease assets** | | |
| Land and buildings | 27,171 | 26,663 |
| Orchard leases | 18,250 | 19,644 |
| Equipment | 1,516 | 2,403 |
| Motor vehicles | 2,948 | 2,121 |
| Total right-of-use lease assets | 49,885 | 50,831 |
| *The movements for the year are as follows:* | | |
| Right-of-use lease asset movements | | |
| Opening balance | 50,831 | 44,724 |
| Additions and renewals | 7,412 | 12,778 |
| Disposals and early terminations | ( 460) | - |
| Exchange rate differences | 45 | - |
| Depreciation | ( 7,943) | ( 6,671) |
| Closing balance | 49,885 | 50,831 |

| New Zealand dollars | 2021<br>$000s | 2020<br>$000s |
|---|---|---|
| **Lease liabilities** | | |
| Current | 6,782 | 6,342 |
| Non-current | 56,585 | 58,040 |
| Total lease liabilities | 63,367 | 64,382 |
| *The liabilities are classified as follows:* | | |
| **Lease liabilities** | | |
| Land and buildings | 29,319 | 31,119 |
| Orchard leases | 26,718 | 28,707 |
| Equipment | 1,766 | 2,390 |
| Motor vehicles | 5,564 | 2,166 |
| Total lease liabilities | 63,367 | 64,382 |
| *The movements for the year are as follows:* | | |
| Lease liability movements | | |
| Opening balance | 64,382 | 50,478 |
| Additions and renewals | 7,412 | 20,508 |
| Finance lease additions | 80 | - |
| Disposals and early terminations | ( 432) | - |
| Exchange rate differences | 18 | - |
| Principal lease payments | ( 8,093) | ( 6,604) |
| Closing balance | 63,367 | 64,382 |

**Additions**

On 15 December 2020, the Group completed a sale and leaseback transaction for three kiwifruit orchards totalling 199 hectares in Australia. The completion of this sale created a right-of-use lease asset and a lease liability, with the difference between the two recognised as a gain on sale through the statement of financial performance.

On 4 May 2021, the Group acquired OPAC, which included $0.55m of right-of-use lease assets and lease liabilities, see note 19.

## Accounting policies

Lease liabilities are 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 3% and 11%. 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 value of 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, leases orchards to grow kiwifruit and avocados, and leases equipment and vehicles. 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 3 - 25 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.

## Critical accounting estimates and judgements

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

# Working capital

**This section focuses on how the Group manages inventories, accounts receivable and accounts payable to ensure an appropriate level of working capital is available to operate the business, deliver benefits to stakeholders and generate revenues.**

## 14. Trade and other receivables

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| Current trade receivables (net of provision for doubtful debts) | 17,148 | 13,796 |
| Prepayments | 2,188 | 1,758 |
| Prepaid deposits | 1,146 | 1,470 |
| GST refund due | - | 620 |
| Accrued income and other sundry receivables | 10,203 | 6,871 |
| Current trade and other receivables | 30,685 | 24,515 |
| Non current trade receivables | 814 | 672 |
| Non current trade and other receivables | 814 | 672 |
| | | |
| Total trade and other receivables | 31,499 | 25,187 |

At December 2021, prepaid deposits includes $1.15m for avocado trees not yet received (Dec 2020 - $1.47m).

Accrued income and other sundry receivables includes income to be received from orcharding operations over leased and owned orchards relating to 399 hectares (Dec 2020 - 484 hectares).

$2.26m of accrued income relates to funds still be received in relation to the settlement of the Psa claim.

Within current trade receivables, $2.49m are past due (Dec 2020 - $1.97m), of which 1.81% are more than 90 days (Dec 2020 - 1.6%). Non-current trade receivables are considered recoverable and relate to debtors secured against crop supply commitments with repayment terms of up to five years.

A $0.25m provision for doubtful debts is recognised in the accounts (Dec 2020 - $0.16m).

### 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.

### Critical accounting estimates and judgements

The Group reviewed trade and other receivables for any debtor impairment, credit risk, or any other such risks that may result in non-payment. The Group did not identify any circumstances that required further provisioning or impairment of financial instruments.

## 15. Inventories

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| Total packaging at cost | 5,032 | 3,884 |
| Other inventories at cost | 1,936 | 2,052 |
| Total inventories | 6,968 | 5,936 |

In the current year, $30.25m (Dec 2020 - $27.48m) 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 | 2021 $000s | 2020 $000s |
|---|---|---|
| Trade payables | 6,166 | 5,909 |
| Accrued expenses | 17,372 | 16,034 |
| Employee expenses | 8,300 | 5,354 |
| Accrued dividend payable | - | 3,231 |
| GST payable | 1,069 | - |
| Other payables | 127 | 444 |
| **Total trade and other payables** | **33,034** | **30,972** |

Trade payables include $1.77m for capital works in progress (Dec 2020 - $0.65m).

Accrued expenses include costs to be incurred from orcharding operations on 399 hectares (Dec 2020 - 484 hectares) of leased and owned orchards. Accrued expenses also include costs relating to the retail services segment and the export and domestic sales 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 | | 2021 $000s | 2020 $000s |
|---|---|---|---|
| **Current secured** | | | |
| Interest bearing liabilities | | 5,466 | 9,157 |
| Capitalised loan fees to be amortised in the next 12 months | | ( 220) | - |
| **Total current interest bearing liabilities** | | **5,246** | **9,157** |
| **Non current secured** | | | |
| Interest bearing liabilities | | 108,045 | 73,862 |
| Remaining capitalised loan fees to be amortised | | ( 288) | - |
| **Total non-current interest bearing liabilities** | | **107,757** | **73,862** |
| **Total interest bearing liabilities** | | **113,003** | **83,019** |
| *Analysis of movements in borrowings:* | | | |
| **At 1 January** | | **83,019** | **119,632** |
| Cash flow - additional borrowings | | 162,236 | 59,329 |
| Cash flow - repayment of borrowings | | ( 155,641) | ( 96,161) |
| Loans acquired via acquisition | 19 | 24,013 | - |
| Capitalised loan fees - amortised over the life of the loan | | ( 508) | - |
| Exchange differences | | ( 116) | 219 |
| **At 31 December** | | **113,003** | **83,019** |
| *Analysis of total facilities:* | | | |
| Drawn | | 113,003 | 83,019 |
| Available | | 77,411 | 39,281 |
| **Total facilities at 31 December** | | **190,414** | **122,300** |

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

On 10 November 2021, Seeka's banking facilities were refinanced via a Syndicated Facilities Agreement (Bank Syndicate) with Westpac New Zealand Limited acting as the Agent and Security Trustee. Lenders to the Banking Syndicate include ASB Bank Limited, Bank of New Zealand, Rabobank New Zealand Limited (Rabobank), Westpac Banking Corporation of Australia, and Westpac New Zealand Limited. It is expected that all facilities will be refinanced when they become due for review as set out below.

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

| | Balance due $000s | Interest rate | Maturity |
|---|---|---|---|
| *Term loans as at 31 December 2021* | | | |
| AUD $17m | 18,045 | 2.68% | 31 January 2025 |
| NZD $40m | 40,000 | 3.40% | 31 January 2024 |
| NZD $50m | 50,000 | 3.60% | 28 January 2025 |
| *Term loans as at 31 December 2020* | | | |
| AUD $17m | 18,116 | 2.36% | 31 December 2022 |
| NZD $34.5m | 28,500 | 2.15% | 31 December 2022 |
| NZD $12m | 12,000 | 2.72% | 31 December 2023 |
| NZD $9m | 9,000 | 2.72% | 31 December 2023 |
| NZD $6.3m | 6,246 | 2.33% | 22 December 2022 |

At 31 December 2021 all terms loans are from the Bank Syndicate. At 30 December 2020 all NZD term loans were from Westpac New Zealand Limited and AUD term loans from Westpac Banking Corporation of Australia with the exception of the NZD $6.25m loan which was with Rabobank New Zealand Limited.

From 10 November 2021, all the Group's term loans are on interest-only repayment terms. Prior to this date, the Rabobank loan had a scheduled $1.02m annual repayment of principal.

**Assets pledged as security**

Bank loans and overdrafts are secured by first mortgages over the freehold land and buildings, and a General Security Agreement over all the assets of the following trading entities within the Group, as either borrowers or guarantors. These entities make up the bank Charging Group.

The value of the Group's assets that are not part of the Charging Group is $11.83m, being less than 2.45% of the total Group assets.

The Charging Group comprises the following entities:

Borrowers and guarantors:

- Seeka Limited
- Seeka Australia (Pty) Limited

Guarantors:

- Aongatete Coolstores Limited
- Kiwi Coast Growers (Te Puke) Limited
- Northland Horticulture Limited
- OPAC Properties Limited
- Seeka East Limited
- Seeka OPAC Limited
- Seeka Te Puke Limited

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 | | 2021 Shares | 2020 Shares |
|---|---|---|---|
| **Authorised and issued share capital** | | | |
| *Ordinary shares - fully paid and no par value:* | | | |
| **Opening balance** | | **32,204,039** | **32,115,799** |
| *Shares issued under:* | | | |
| Ōpōtiki Packing and Cool Storage Limited amalgamation | 19 | 7,042,574 | - |
| Orangewood Limited amalgamation | 19 | 639,302 | - |
| Dividend reinvestment programme | | 290,245 | 88,240 |
| **Total shares issued** | | **40,176,160** | **32,204,039** |
| *Ordinary shares - classified as follows:* | | | |
| Held by ordinary shareholders | | 39,437,524 | 29,455,162 |
| Held by Seeka Share Trustee Limited | | 738,636 | 2,748,877 |
| **Total shares issued** | | **40,176,160** | **32,204,039** |

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| *Movements in ordinary paid up share capital:* | | |
| **Opening balance of ordinary shares** | **110,210** | **109,434** |
| Transfer from grower share entitlement reserve | 1,363 | - |
| Issues of ordinary shares during the year [1] | 43,069 | 776 |
| **Closing balance of ordinary share capital** | **154,642** | **110,210** |
| *Movements in treasury share capital:* | | |
| **Opening balance of ordinary shares** | **12,293** | **12,661** |
| Employee share scheme receipts - 2016 issue | ( 54) | ( 124) |
| Grower loyalty share scheme receipts - 2019 issue | ( 8,782) | ( 192) |
| Employee share scheme receipts - 2019 issue | ( 496) | ( 52) |
| **Closing balance of shares held as treasury capital** | **2,961** | **12,293** |
| **Net share capital** | **151,681** | **97,917** |

1. Issues of ordinary shares during the year have been restated to include shares issued under the dividend reinvestment plan in relation to the dividend declared in December 2020 and paid on 22 January 2021.

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.

**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 the shares vest and 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.

During 2021, 1,917,165 shares issued to kiwifruit growers vested, leaving 144,638 shares issued to avocado growers due to vest in 2022, see note 21.

**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. Shares issued under this scheme vest in 2022, see note 21.

## 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

## Acquisition through amalgamation of Ōpōtiki Packing and Cool Storage Limited (OPAC)

During the year the Group acquired OPAC, a kiwifruit post harvest and orcharding business based in Ōpōtiki, the Bay of Plenty, New Zealand, into a newly-formed 100% owned subsidiary of Seeka Limited, being Seeka OPAC Limited. OPAC shares were cancelled with each share being exchanged for 1.4833 shares in Seeka Limited, based on a price of $4.82 per Seeka share (equal to the VWAP of shares traded over 10 business days, finishing on 24 March 2021, with all fractions of Seeka shares rounded up to the next whole number). The purchase was settled 4 May 2021 for a recorded consideration of $38.73m when Seeka issued 7,042,574 ordinary shares at $5.50, being the share market price on the acquisition date as per NZ IFRS 3. The change in share price between the VWAP and the share price on acquisition date had the impact of increasing goodwill by $4.80m.

On acquisition, the Group drew down a $27m loan to repay the acquired interest bearing liabilities of $21.86m, with the remainder used to service OPAC's working capital requirements for the remainder of the season.

OPAC contributed $29.46m of revenue and $1.07m of net profit before tax to the Group for the period from 4 May to 31 December 2021. If the acquisition had occurred on 1 January 2021, OPAC would have contributed $36.06m of revenue and $2.87m of net profit before tax for the 12 months ended 31 December 2021. These calculations are not significantly impacted by differences in accounting policies between the Group and the acquired subsidiary, and no significant additional depreciation would have been charged if fair value adjustments to property, plant and equipment had applied from 1 January 2021, including consequential tax effects.

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

| New Zealand dollars | 2021 $000s |
|---|---|
| **Purchase consideration for shares** | **38,734** |
| Land and buildings | 39,460 |
| Property, plant and equipment (excluding land and buildings) | 11,819 |
| Intangible assets (excluding goodwill) | 637 |
| Inventories | 1,421 |
| Right of use lease assets | 554 |
| Investment in shares | 477 |
| Investment in associates | 883 |
| Cash and cash equivalents | 460 |
| Trade and other receivables | 12,018 |
| Trade and other payables | ( 11,483) |
| Interest-bearing liabilities | ( 21,863) |
| Current tax liability | ( 1,111) |
| Deferred tax liability | ( 1,612) |
| Lease liabilities | ( 554) |
| **Fair value of new assets and liabilities** | **31,106** |
| Goodwill | 7,628 |
| **Net purchase consideration** | **38,734** |

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

The fair value of acquired trade receivables, within trade and other receivables, is $0.40m. There was no loss allowance recognised on acquisition. The goodwill of $7.63m is allocated to the Bay of Plenty post harvest cash generating unit as the primary purpose of the amalgamation was to obtain the post harvest facility and associated grower relationships. The goodwill is attributable to the operation's strong market position in the Ōpōtiki, East Cape and Gisborne regions, and synergies expected to arise from adding an extra post harvest facility to the Seeka Group. The goodwill is not expected to be deductible for tax purposes.

Acquisition-related costs of $0.47m are included in administrative expenses. Deferred tax of $1.61m was provided in relation to differences between tax written down values and the fair value of certain assets. Seeka has 12 months from the acquisition date to reassess the disclosed fair values of assets and liabilities. In particular, any liabilities are expected to be crystallised and quantified within the 12 months from the acquisition date.

Seeka has identified and updated the fair values of assets and liabilities for the crystallisation of expense provisions made in the initial fair values as disclosed in June 2021 and the tax implications arising as a result. The net impact was a reduction of initially disclosed goodwill by $2.11m.

## Acquisition through amalgamation of Orangewood Limited (Orangewood)

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

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

Orangewood has contributed $0.33m of revenue and $0.21m of net loss before tax to the Group for the period 22 November to 31 December 2021. If the acquisition had occurred on 1 January 2021, Orangewood would have contributed $17.99m of revenue and $0.16m of net profit before tax for the 12 months ended 31 December 2021. These calculations are not significantly impacted by differences in accounting policies between the Group and the acquired subsidiary, and no significant additional depreciation would have been charged if fair value adjustments to property, plant and equipment had applied from 1 January 2021, including consequential tax effects.

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

| New Zealand dollars | 2021 $000s |
|---|---|
| Cash consideration paid to shareholders | 1,302 |
| Shares issued in consideration | 3,356 |
| **Total purchase consideration** | **4,658** |
| Land and buildings | 4,500 |
| Property, plant and equipment (excluding land and buildings) | 1,477 |
| Inventories | 272 |
| Investment in shares | 17 |
| Cash and cash equivalents | 1,041 |
| Trade and other receivables | 1,780 |
| Trade and other payables | ( 2,466) |
| Current tax liability | ( 101) |
| Interest-bearing liabilities | ( 2,150) |
| Deferred tax liability | ( 253) |
| Lease liabilities | ( 80) |
| **Fair value of new assets and liabilities** | **4,037** |
| Goodwill | 621 |
| **Total purchase consideration for shares** | **4,658** |

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

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

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

### Critical accounting estimates and judgements

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

## 20. Earnings and net tangible assets per share

| | 2021 | 2020 |
|---|---|---|
| **Basic earnings per share** | | |
| Profit attributable to equity holders of the Company ($000s) | 14,860 | 15,151 |
| Weighted average number of ordinary shares in issue (thousands) | 34,829 | 29,416 |
| Basic earnings per share | $0.43 | $0.52 |
| **Diluted earnings per share** | | |
| Profit attributable to equity holders of the Company ($000s) | 14,860 | 15,151 |
| Weighted average number of ordinary shares in issue plus dilutive employee share scheme (thousands) | 35,199 | 29,437 |
| Diluted earnings per share | $0.42 | $0.52 |
| **Net tangible assets per share** | | |
| Net tangible assets ($000s) | 229,310 | 167,360 |
| Total ordinary shares issued at the end of the period (thousands) | 40,176 | 32,204 |
| Net tangible assets per share | $5.71 | $5.20 |

**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 and outstanding 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

**Retained earnings**

The following table details movements in retained earnings.

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| **At 1 January** | **45,938** | **36,659** |
| Net profit for the year | 14,860 | 15,151 |
| Dividends paid or declared[1] | ( 9,234) | ( 7,149) |
| Realisation of permanent gain on sale | - | 1,274 |
| Foreign exchange movement | - | 3 |
| **At 31 December** | **51,564** | **45,938** |

1. Dividends paid or declared during the year have been restated to include shares issued under the dividend reinvestment plan in relation to the dividend declared in December 2020 and paid on 22 January 2021.

**Reserves**

The following table details the closing balances of reserve accounts.

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| **Reserves** | | |
| Cash flow hedge reserve | ( 388) | ( 484) |
| Water share revaluation reserve | 2,594 | 2,597 |
| Land and buildings revaluation reserve | 40,632 | 29,097 |
| Foreign currency translation reserve | ( 208) | ( 170) |
| Foreign currency revaluation reserve | 90 | 108 |
| Share entitlement reserve | 526 | 1,290 |
| **Total reserves** | **43,246** | **32,438** |

The cash flow hedge reserve records increases and decreases on the revaluation of derivative financial instruments.

The water share revaluation reserve records increases and decreases on the revaluation of Seeka's owned permanent water shares in Victoria Australia.

The land and buildings revaluation reserve records increments and decrements on the revaluation of land and buildings.

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

The foreign currency revaluation reserve records unrealised gains and losses on Group assets and liabilities held in foreign currencies.

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

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 sale of shares are 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 | 2021 $000s | 2020 $000s |
|---|---|---|
| At 1 January | 270 | 117 |
| Movement in employee share entitlement reserve | 153 | 153 |
| At 31 December | 423 | 270 |

At balance date the number of shares in respect of which options have been granted to employees and remain outstanding under the scheme was 593,998 (Dec 2020 - 689,008), representing 1.48% (Dec 2020 - 2.14%) 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 harvest seasons, with the final harvest season being the avocado harvest season ending 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 either settle any outstanding debt on the shares and have the shares transferred to them, or to not have the shares transferred to them, whereby 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.

In September 2021, the three-season supply commitment period for kiwifruit and kiwiberry growers ended, and 1,917,165 shares vested. 144,638 shares issued to avocado growers remain in the scheme and vest at the completion of the 2021/22 avocado harvest.

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

| New Zealand dollars | Shares | Loan balance $000s |
|---|---|---|
| At 1 January 2021 | | |
| Shares issued | 2,061,803 | 9,391 |
| Dividends received January and March 2021 | | ( 519) |
| Vested September 2021 - Kiwifruit and kiwiberry | | |
| Entitlement accepted by growers | 1,583,268 | 6,858 |
| Entitlement not accepted | 333,897 | 1,405 |
| Total vested September 2021 | 1,917,165 | 8,263 |
| Vesting in 2022 - Avocado | 144,638 | 609 |
| At 31 December 2021 | 144,638 | 609 |

From the September 2021 vesting, 333,897 shares that were either ineligible for entitlement, or not accepted by growers, were sold on market for a total net consideration of $1.41m.

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

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| **At 1 January** | **1,020** | 412 |
| Transfer to share capital | ( 1,363) | - |
| Movement in grower share entitlement reserve | 446 | 608 |
| **At 31 December** | **103** | **1,020** |

At balance date the number of shares in respect of which options have been granted to growers and remain outstanding under the scheme was 144,638 (Dec 2020 - 2,061,803), representing 0.36% (Dec 2020 - 6.40%) of the shares of the Company on issue at that date.

**The following table details the closing value of the share reserve in the grower loyalty share scheme Black Scholes calculation, see policy on page 58.**

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| Balance related to employee share entitlement reserve | 423 | 270 |
| Balance related to grower share entitlement reserve | 103 | 1,020 |
| **Balance 31 December** | **526** | **1,290** |

For both schemes the shares are issued fully paid in exchange for a loan to the share scheme trust on 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) | 2.5 - 3 years | 2.5 - 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 | 2.5 - 3 years | 2.5 - 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 | $0.71 - $0.79 | $0.71 - $0.97 | $0.47 |

1. Interest charged after three years.

**The following table details movements of options granted under the current active scheme for the year ended 31 December 2021.**

| Grant date | Expiry date | Fair value at grant date | Exercise price | Issued shares | Relinquished shares | Exercised shares | 31 December shares |
|---|---|---|---|---|---|---|---|
| April 2019 | September 2021 | $0.79 | $4.76 | 1,917,165 | (333,897) | (1,583,268) | - |
| April 2019 | May 2022 | $0.97 | $4.76 | 712,638 | - | (35,500) | 677,138 |
| Weighted average exercise price at balance date | | | | | | | $3.93 |
| Weighted average contractual life (years) | | | | | | | 0.42 |
| 20 May 2016 | 20 May 2019 | $0.47 | $3.88 | 398,100 | (61,498) | (336,602) | - |
| Weighted average exercise price at balance date | | | | $2.44 | | | - |
| Weighted average contractual life (years) | | | | 0.25 | | | - |

The 61,498 relinquished shares under the May 2016 share scheme, held by the Share Trustee, still remain outstanding as the share trustee has yet to release these on the market.

During the year no shares were issued under a rights issue for shares held in the employee share scheme (Dec 2020 - Nil) .

### 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 of the grower.

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.

### Critical accounting estimates and judgements

The initial fair 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.

## 22. Dividends

| Dividends paid | Per share | $000s |
|---|---|---|
| 2020 | | |
| September 2020 | $0.10 | 3,260 |
| December 2020 - declared, paid 27 January 2021 | $0.12 | 3,889 |
| Total dividend 2020 | $0.22 | 7,149 |
| 2021 | | |
| March 2021 | $0.12 | 3,944 |
| October 2021 | $0.13 | 5,209 |
| Amendment to September 2020 and December 2020 dividends | | 81 |
| Total dividend 2021 | $0.25 | 9,234 |

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 payments made to and on behalf of shareholders during the year were $11.72m (Dec 2020 - $2.73m), including the dividend declared in December 2020 and paid in January 2021.

On 16 December 2020, the directors declared a fully-imputed special dividend of $0.12 per share. The dividend was paid 27 January 2021 to those shareholders on the register at 5pm on 24 December 2020. The dividend reinvestment plan applied with a 2% discount to the strike price. The Board declared the special dividend following the stronger than expected earnings in 2020 due to tight financial management and the settled sale and lease back of part of the Australian kiwifruit orchard portfolio.

During the year, the dividends declared and paid in 2020 were reviewed and amended for the NRWT on dividends paid to international shareholders, resulting in an adjustment of $0.08m.

On 25 February 2021, the directors declared a fully-imputed dividend of $0.12 per share. The dividend was paid 30 March 2021 to those shareholders on the register at 5pm on 5 March 2021. The dividend reinvestment plan applied with a 2% discount to the strike price.

On 18 August 2021, the directors declared a fully-imputed dividend of $0.13 per share. The dividend was paid 13 October 2021 to those shareholders on the register at 5pm on 20 September 2021. The dividend reinvestment plan applied with a 2% discount to the strike price.

On 20 January 2022, the directors declared a fully-imputed dividend of $0.13 per share. The dividend will be paid 23 February 2022 to those shareholders on the register at 5pm on 28 January 2022. The dividend reinvestment plan will apply with a 2% discount to the strike price.

### 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 | | 2021 $000s | 2020 $000s |
|---|---|---|---|
| **At 1 January** | | 577 | 586 |
| Sale of investment | | ( 17) | ( 9) |
| Acquisition from business combination | 19 | 494 | - |
| Purchase of investment | | 1,000 | - |
| **At 31 December** | | 2,054 | 577 |
| *Unlisted securities designated at fair value through profit or loss* | | | |
| Blackburn General Partner Limited | | 91 | 91 |
| Ravensdown Fertiliser Co-operative Limited | | 261 | 238 |
| Ballance Agri Nutrients Limited | | 335 | 225 |
| OTK Orchards Limited | | 326 | - |
| Ngati Pukenga | | 1,000 | - |
| Other share holdings | | 41 | 23 |
| **Total financial assets at fair value through profit or loss** | | 2,054 | 577 |
| **Total investment in shares** | | 2,054 | 577 |

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

### 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, associates and joint arrangements

## a. 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 2021 | Equity holding 31 December 2020 |
|---|---|---|---|---|
| *Trading subsidiaries* | | | | |
| Aongatete Coolstores Limited | New Zealand | Ordinary | 100% | 100% |
| 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% |
| Northland Horticulture Limited *(formally non-trading subsidiary: Northland Horticulture GP Limited)* | New Zealand | Ordinary | 100% | 100% |
| OPAC Properties Limited | New Zealand | Ordinary | 100% | - |
| OPAC Growers Supply Limited | New Zealand | Ordinary | 100% | - |
| Seeka Australia (Pty) Limited | Australia | Ordinary | 100% | 100% |
| Seeka OPAC Limited | New Zealand | Ordinary | 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% |
| Nutritious Delicious Food Company Limited | New Zealand | Ordinary | 100% | 100% |
| Seeka East Limited *(formally: Seeka Dairy Ventures Limited)* [1] | 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% |

1. *Seeka East Limited began trading on 2 February 2022.*

## b. Investment in associates

| Name of entity | Country of incorporation | Business activity | Equity holding 31 December 2021 | Equity holding 31 December 2020 |
|---|---|---|---|---|
| Kiwifruit Supply Research Limited | New Zealand | Not trading | 20% | 20% |
| TKL Logistics Limited | New Zealand | Port service | 20% | 20% |
| Wai O Kaha Gold Landowners Limited Partnership | New Zealand | Orcharding | 11% | 11% |
| Te Kaha Gold Investment Partnership | New Zealand | Orcharding | 33% | - |
| Fruitometry Limited | New Zealand | Agritech | 26% | - |

The following table details purchase of investments in associates.

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| At 1 January | 1,000 | - |
| Purchase of investment(s) | 2,600 | 1,000 |
| Acquisitions from business combination | 883 | - |
| Share of profit | 236 | - |
| Capital distributions received | ( 761) | - |
| **Balance at end of year** | **3,958** | **1,000** |
| *Investments are made in the following associates:* | | |
| Wai O Kaha Gold Landowners Limited Partnership | 1,000 | 1,000 |
| Fruitometry Limited | 2,600 | - |
| Te Kaha Gold Investment Partnership | 358 | - |
| **Total investment in associates** | **3,958** | **1,000** |

In July 2021, the Group acquired a 26% stake in the agritech startup Fruitometry Limited (Fruitometry) for $2.60m. Using artificial intelligence, Fruitometry provides on-orchard digital crop estimation to improve orchard production and post harvest efficiency. The Group's investment values Fruitometry at $10.00m.

In May 2021, as part of the acquisition of OPAC and OPAC's investments in OPAC Properties Limited, the Group acquired a 33% interest in Te Kaha Gold Investment Partnership, which is a kiwifruit investment joint venture which owns producing orchards in the eastern Bay of Plenty region of Te Kaha which supply kiwifruit to the Group. The value of the Group's investment at acquisition date was $0.88m. During the period from acquiring the investment and balance date, the Group has received $0.76m of distributions.

## 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 or exercising significant influence via directors on the Board.

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

## c. Investment in joint arrangements

| Name of entity | Country of incorporation | Business activity | Equity holding 31 December 2021 | Equity holding 31 December 2020 |
|---|---|---|---|---|
| Apanui Road Orchards Joint Venture | New Zealand | Orcharding | 42.9% | - |

The Apanui Road Joint Venture investment is considered a joint operation based on the following:

- There is equal voting rights and influence;
- There is no investment vehicle that separates it from the parties to the arrangement; and,
- The legal form and contractual arrangements through which the investee operates give the parties rights to the individual assets and liabilities of the investee (rather than the net assets as a whole).

The orchards of Apanui Road Orchards Joint Venture have a finite life, are carried at their fair value and are included in the consolidated financial statements.

## Accounting policies

Investment in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

**Joint operations**

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

**Joint ventures**

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost 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 2021 (Dec 2020 - Nil).

## 26. Commitments

**Capital commitments**

At year end the Group was committed to incur capital expenditure of $12.73m (Dec 2020 - $1.74m), including planned expenditure for the KKP MAF Roda grader and packhouse extension, and the Transcool coolstore upgrade.

**Operating lease commitments**

The Group recognises 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, M Brick, J Burke, P R Cross, A Diaz, R Farron, C Tarrant and A Waugh.

**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 | 2021 $000s | 2020 $000s |
|---|---|---|
| Director fees | 536 | 450 |
| Executive salaries | 3,014 | 2,335 |
| Short term benefits | 1,259 | 549 |
| Total | 4,809 | 3,334 |

During the year the Group provided compensation totalling $0.12m to close family members of key management personnel. All transactions were related to employee remuneration and made on normal employment contract terms and conditions.

**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 | 2021 $000s | 2020 $000s |
|---|---|---|
| *Sales of services* | | |
| Directors, key management and other personnel | 3,349 | 3,988 |
| *Purchase of services* | | |
| Directors, key management and other personnel | 84 | 343 |

**Outstanding balances**

The following table details outstanding balances at balance date.

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| *Current receivables (operating)* | | |
| Directors, key management and other personnel | 721 | 863 |

**Seeka Growers Limited and OPAC 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 $150.94m (Dec 2020 - $123.90m) for the provision of services to SGL.

As part of the acquisition of OPAC in May 2021, the Group also acquired the related entity of OPAC Growers Limited (OGL). The Group undertakes transactions with OGL, a related party which administers all kiwifruit revenues received for the New Zealand business on behalf of supplying growers.

For the period beginning 4 May 2021 to 31 December 2021, the Group received $15.27m for the provision of services to OGL.

**Investments in associates**

The Group undertakes transactions with it's associates as described in note 24, in the regular course of business and with normal commercial terms and conditions. In the current period the Group received $0.65m (Dec 2020 - nil) from these transactions with associates, for the sale of goods and services. $0.18m (Dec 2020 - Nil) was outstanding and owed to the Group at 31 December 2021.

In the current period the Group paid $0.10m (Dec 2020 - Nil) to associates for the purchase or provision of goods and services. $0.01m (Dec 2020 - Nil) was outstanding and due to them at 31 December 2021.

**Entities controlled or jointly controlled by key management personnel**

The Group undertakes transactions with entities where it's key management personnel are deemed to either control or have joint control over their operations. In the current period the Group paid $1.81m (Dec 2020 - $1.23m) to these entities, for the purchase or provision of goods and services, with $0.01m (Dec 2020 - $0.17m) outstanding and due to them at 31 December 2021.

**Terms and conditions**

All related party transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are 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 orcharding, post harvest and retail operations

Horticultural operations expose the Group to risks to production and market returns. The main short-term production risks are weather events, diseases, and pests. These impact on volume and quality of produce from the Group's orchards, volumes to post harvest (both from Group orchard operations and independent growers) and volumes available to the retail business. The primary risk to the completion of the coming harvest is the limited availability of labour and the risk of a Covid-19 lockdown. The Group is also impacted by the long-term effects of climate change.

Market risks include price and exchange rate impact on orchard operations (the amount the Group is paid for crops grown by the Group) 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 five regions spread over two countries; New Zealand's Northland, Coromandel, Gisborne 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 - weather 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. The Group is also investing in localised weather measurement on 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 the Group's kiwifruit orchards in Australia. Seeka has moved to contain the outbreak and works to proactively monitor the orchards. The Queensland fruit fly and brown marmorated stink bug are potential threats 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.

**Labour availability and Covid-19**

Border closures due to Covid-19 have reduced the workforce that Seeka relies on through the Recognised Seasonal Employer (RSE) scheme and from backpackers. To assist the horticulture industry the New Zealand Government made a provision for an additional 2,000 seasonal workers to enter the country in 2021, of which Seeka accessed its share of 217 employees. Seeka has an extensive local recruitment process underway, including working with the Ministry for Social Development (MSD) and iwi on methods of recruiting unemployed people into the Seeka workforce.

For 2022, the New Zealand Government has opened access to seasonal workers from Tonga, Samoa and Vanuatu, from which Seeka has the ability to employ up to 1200 seasonal employees.

**Long-term climate change**

As a horticultural based business, Seeka is exposed to the long-term impact of climate change through potential reduced production crop yields. In addition to responding to weather events, future regulatory change may impact Seeka through revised policies that limit the use of chemical inputs on orchards, require soil monitoring and reporting, introduce carbon taxes, and implement water restrictions.

To respond to this Seeka is;

- Working closely with regional councils and regulators to assist in regulation change;
- Actively engaged in developing orchard management practices to measure the environmental impact on orchards;
- Measuring the carbon footprint of Seeka's operations, with a number of carbon-reduction initiatives underway;
- Ensuring new developments undertaken by Seeka include water accessibility as part of the development design, whether via stream access, onsite storage, or developing wetlands; and
- Reporting orchards by altitude to assess the risk of rising sea levels.

**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, see note 30.

## 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 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 Financial Instruments (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 2021 and the corresponding historical credit losses during this period, adjusted for any significant known amounts that are not recoverable.

**On that basis, the following table details the provision for doubtful debts.**

| | 31 December 2021 | | | | 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | More than 30 days past due | More than 60 days past due | More than 120 days past due | 2021 Total | More than 30 days past due | More than 60 days past due | More than 120 days past due | 2020 Total |
| Expected loss rate | 0.1% | 0.2% | 2.4% | | 0.0% | 0.1% | 2.9% | |
| Gross carrying amount - trade receivables ( $000s) | 735 | 462 | 1,522 | 2,719 | 933 | 360 | 1,031 | 2,323 |
| **Loss allowance ( $000s)** | - | 1 | 36 | 37 | - | - | 31 | 31 |

| New Zealand dollars | 2021 $000s | 2020 $000s |
|---|---|---|
| **At 1 January** | 157 | 129 |
| Movement in the current year | 90 | 28 |
| **At 31 December** | 247 | 157 |
| **Calculation for loss allowance** | | |
| Loss allowance per NZ IFRS 9 | 37 | 31 |
| Specific debtor provision(s) | 210 | 127 |
| **At 31 December** | 247 | 158 |

## 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 $190.41m (Dec 2020 - $122.26m) of available credit of which $113.00m (Dec 2020 - $83.02m) was drawn. All credit lines are currently provided by a bank syndicate comprised of five lenders across New Zealand and Australia, where Westpac New Zealand Limited acts as the syndicate agent lender, security trustee and lead lender.

**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 |
|---|---|---|---|---|
| At 31 December 2021 | | | | |
| Trade and other payables | 33,034 | - | - | - |
| Derivative liability | 538 | - | - | - |
| Lease liabilities | 6,782 | 6,415 | 15,381 | 34,789 |
| Interest bearing liabilities | 5,246 | 39,780 | 67,977 | - |
| Total contractual maturities | 45,600 | 46,195 | 83,358 | 34,789 |
| At 31 December 2020 | | | | |
| Trade and other payables | 30,972 | - | - | - |
| Derivative liability | 671 | - | - | - |
| Lease liabilities | 6,342 | 5,313 | 13,522 | 39,205 |
| Interest bearing liabilities | 9,157 | 52,862 | 21,000 | - |
| Total contractual maturities | 47,142 | 58,175 | 34,522 | 39,205 |

## 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 | 2021 $000s | 2020 $000s |
|---|---|---|
| Total shareholder funds | 246,491 | 176,293 |
| Total assets | 482,269 | 375,426 |
| Shareholder equity ratio | 51.11% | 46.96% |

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 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 is available. When no such reserve exists, 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.

| New Zealand dollars | Carrying amount $000s | Interest rate risk -1 % Profit $000s | Interest rate risk -1 % Equity $000s | Interest rate risk + 2% Profit $000s | Interest rate risk + 2% Equity $000s | Price risk - 10% Profit $000s | Price risk - 10% Equity $000s | Price risk + 10% Profit $000s | Price risk + 10% Equity $000s |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2021** | | | | | | | | | |
| *Financial assets* | | | | | | | | | |
| Current and non current trade and other receivables | 31,499 | - | - | - | - | ( 3,150) | ( 3,150) | 3,150 | 3,150 |
| Investment in shares | 2,054 | - | - | - | - | ( 205) | ( 205) | 205 | 205 |
| Water shares | 8,421 | - | - | - | - | - | ( 842) | - | 842 |
| *Financial liabilities* | | | | | | | | | |
| Derivative liabilities | 538 | - | ( 190) | - | 379 | - | - | - | - |
| Trade and other payables | 33,034 | - | - | - | - | - | - | - | - |
| Term liabilities | 107,757 | 1,078 | 1,078 | ( 2,155) | ( 2,155) | - | - | - | - |
| Interest bearing liabilities | 5,246 | 52 | 52 | ( 105) | ( 105) | - | - | - | - |
| **Total increase / (decrease)** | | 1,130 | 940 | ( 2,260) | ( 1,881) | ( 3,355) | ( 4,197) | 3,355 | 4,197 |
| **At 31 December 2020** | | | | | | | | | |
| *Financial assets* | | | | | | | | | |
| Current and non current trade and other receivables | 25,187 | - | - | - | - | ( 2,519) | ( 2,519) | 2,519 | 2,519 |
| Investment in shares | 577 | - | - | - | - | ( 10) | ( 48) | - | 58 |
| Water shares | 8,310 | - | - | - | - | - | ( 831) | - | 831 |
| *Financial liabilities* | | | | | | | | | |
| Derivative liabilities | 671 | - | ( 283) | - | 565 | - | - | - | - |
| Trade and other payables | 30,972 | - | - | - | - | - | - | - | - |
| Term liabilities | 73,862 | 739 | 739 | ( 1,477) | ( 1,477) | - | - | - | - |
| Interest bearing liabilities | 9,157 | 92 | 92 | ( 183) | ( 183) | - | - | - | - |
| **Total increase / (decrease)** | | 831 | 548 | ( 1,660) | ( 1,095) | ( 2,529) | ( 3,398) | 2,519 | 3,408 |

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 2021** | | | | | | |
| Expected undiscounted cash flows based on current market interest rates ($000s) | 943 | 943 | 1,886 | 3,772 | 2,595 | - |
| Floating rate | 2.44% | | | | | |
| Average term rate | 3.37% | | | | | |
| **At 31 December 2020** | | | | | | |
| Expected undiscounted cash flows based on current market interest rates ($000s) | 508 | 574 | 1,124 | 2,206 | 2,835 | - |
| Floating rate | 2.05% | | | | | |
| Average term rate | 2.49% | | | | | |

## 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 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 | - | - | 18,324 | **18,324** |
| Biological assets - crop at fair value | - | - | 119 | **119** |
| Water shares | 8,421 | - | - | **8,421** |
| Irrigation water rights | 294 | - | - | **294** |
| Land | - | - | 36,866 | **36,866** |
| Buildings | - | - | 191,650 | **191,650** |
| Unlisted equity securities | - | - | 2,054 | **2,054** |
| Derivatives used for hedging (liability) | - | 538 | - | **538** |

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**<br>Includes New Zealand kiwifruit and Australian kiwifruit, nashi, Packham and Corella pears. | **$ 18.33 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**<br>Includes New Zealand avocados and Australian plums and speciality pears. | **$ 0.12 m** | Estimated market value less selling costs and costs to market (have achieved sufficient biological transformation). See note 12. | Forecast yields.<br>Market sales price.<br>Costs to harvest. | Increases with yields.<br>Increases with price.<br>Decreases with higher costs. |
| **Land and buildings** | **$ 228.52 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, capitalisation of rents approach and discounted cash flow approach. See accounting policies below and note 10 for further details. | Comparative market rents and applicable discount rate.<br>Comparative market sales.<br>Current level of building costs. | Increases with market rental, and lower discount rates.<br>Increases with market sales.<br>Increases with building costs. |
| **Unlisted equity securities** | **$ 2.05 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), reflects 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 | 2021 $000s | 2020 $000s |
|---|---|---|
| **Liabilities** | | |
| Interest rate swap contracts and forward exchange contracts - cash flow hedge | 538 | 671 |

Group bank loans currently bear an average variable interest rate of 3.0% (Dec 2020 – 2.3%), with the Group using interest rate swaps to protect the term portion of the loans.

Swaps cover 83% (Dec 2020 - 46%) 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 effective date | Hedge expiry |
|---|---|---|---|---|---|---|
| NZD $12m | 12,000 | 3.52% | 31 January 2024 | 2.43% | 31 December 2018 | 31 December 2022 |
| NZD $28m | 28,000 | 3.52% | 31 January 2024 | 2.70% | 10 May 2022 | 31 January 2024 |
| NZD $50m | 50,000 | 3.40% | 28 January 2025 | 2.89% | 10 May 2022 | 31 January 2025 |
| Total (NZD) | 90,000 | | | | | |

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 LCY $000s | Spot rate | Hedge fixed rate | Hedge expiry |
|---|---|---|---|---|
| 2021 | | | | |
| NZD - AUD hedges | 583 | 0.9421 | 0.9599 | 28 February 2022 |
| EUR - NZD hedges | 157 | 0.6032 | 0.6164 | 4 February 2022 |
| 2020 | | | | |
| AUD - NZD hedges | 473 | 0.9384 | 0.5900 | 30 March 2021 |
| NZD - USD hedges | 71 | 0.7227 | 0.7071 | 6 January 2021 |

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

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

**Hedge effectiveness**

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 2021 or 2020 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 New Zealand Limited.

## 31. Financial instruments summary

The following table categorises the Group's financial assets.

| New Zealand dollars | Financial assets at amortised cost $000s | Financial assets at fair value through profit or loss $000s | Total $000s |
|---|---|---|---|
| **At 31 December 2021** | | | |
| Cash and cash equivalents | 12,361 | - | 12,361 |
| Trade and other receivables excluding prepayments | 28,497 | - | 28,497 |
| Non current trade and other receivables excluding prepayments | 814 | - | 814 |
| Investment in shares | - | 2,054 | 2,054 |
| **Total financial assets at 31 December 2021** | 41,672 | 2,054 | 43,726 |
| **At 31 December 2020** | | | |
| Cash and cash equivalents | 5,164 | - | 5,164 |
| Trade and other receivables excluding prepayments | 22,757 | - | 22,757 |
| Non current trade and other receivables excluding prepayments | 672 | - | 672 |
| Investment in shares | - | 577 | 577 |
| **Total financial assets at 31 December 2020** | 28,593 | 577 | 29,170 |

The following table categorises the Group's financial liabilities.

| New Zealand dollars | Derivative financial instruments used for hedging $000s | Financial liabilities at amortised cost $000s | Total $000s |
|---|---|---|---|
| **At 31 December 2021** | | | |
| Trade and other payables | - | 33,034 | 33,034 |
| Current interest bearing liabilities | - | 5,246 | 5,246 |
| Derivative financial instruments | 538 | - | 538 |
| Non current interest bearing liabilities | - | 107,757 | 107,757 |
| **Total financial liabilities at 31 December 2021** | 538 | 146,037 | 146,575 |
| **Financial liabilities as at 31 December 2020** | | | |
| Trade and other payables | - | 30,972 | 30,972 |
| Current interest bearing liabilities | - | 9,157 | 9,157 |
| Derivative financial instruments | 671 | - | 671 |
| Non current interest bearing liabilities | - | 73,862 | 73,862 |
| **Total financial liabilities at 31 December 2020** | 671 | 113,991 | 114,662 |

### Accounting policies

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

- amortised cost for financial assets and liabilities,
- assets at fair value through other comprehensive income (FVOCI),
- assets at fair value through profit or 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

## Our opinion

In our opinion, the accompanying 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 2021, 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).

### What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- 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 and other explanatory information.

## 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 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.

### Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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 tax compliance, consulting, planning, structuring and due diligence, tax pooling and agreed upon procedures in respect to the half year financial statements and debt covenant compliance certificate. The provision of these other services has not impaired our independence as auditor of the Group.

## Key audit matters

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

PricewaterhouseCoopers, PwC Tower, 15 Customs Street West, Private Bag 92162, Auckland 1142 New Zealand
T: +64 9 355 8000, www.pwc.co.nz

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| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Accounting for the acquisition of Ōpōtiki Packaging and Cool Storage Limited (OPAC)**<br>On 4 May 2021 the Group acquired the OPAC business. Seeka issued shares worth $38.7 million as the consideration to OPAC's shareholders, as disclosed in note 19.<br>Management have applied judgement in estimating acquisition fair values for the following material assets:<br>● land and buildings of $39.5 million (based on their independent property valuation expert's report); and<br>● property, plant and equipment (excluding land and buildings) of $11.8 million.<br>In accounting for the transaction management also applied judgement in determining whether to recognise<br>any identifiable intangibles on acquisition, including grower relationships and contracts, and, where applicable, the fair value of intangibles identified.<br>Following the measurement of the consideration and identifiable assets and liabilities, goodwill of $7.6 million was recognised from the acquisition.<br>This was determined to be a key audit matter due to the financial significance and complexity of the transaction, including management judgement in determining the fair value of assets and liabilities and whether there were any identifiable intangible assets that should be recognised on acquisition. | Our audit focused on the significant management estimates and judgements used in establishing the fair values of acquired assets and liabilities. Our procedures included:<br>● Obtaining an understanding of the acquisition, including the key terms and conditions and assets and liabilities acquired, by reading relevant agreements and documents;<br>● Reviewing relevant information such as vendor financial statements, the acquisition due diligence reports, the property valuation report from management's expert, Group Board minutes and significant contracts (including grower contracts) to assess the completeness of the acquired assets and liabilities;<br>● Gaining an understanding of the valuation approach and methodology undertaken by management to identify separately identifiable intangible assets and to determine the fair value of the assets and liabilities acquired;<br>● Considering whether the recognition and measurement of acquired tangible and intangible assets and liabilities was consistent with the requirements of the accounting standards;<br>● Testing the completeness, accuracy, relevance and mathematical accuracy of the source data used within the valuations;<br>● Engaging our auditor's valuation expert to:<br>– assess the valuation approach and methodology undertaken by management's expert in relation to the acquired land and buildings;<br>– evaluate management's approach to valuing plant and equipment at fair value;<br>– evaluate the completeness of and valuation approaches for the identified intangible assets;<br>● Considering the independence and competence of management's property valuation expert; and<br>● Considering the sufficiency of disclosures in the financial statements.<br>As a result of our procedures we have no matters to report. |

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| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of land and buildings**<br>As reflected in note 10 of the 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 Group's properties are revalued by an independent external valuer using a combination of four different approaches to arrive at a fair value.<br>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 and Australia asset values remain appropriate and materially reflect fair value.<br>The total value of the Group's land and buildings at year end is $228.5 million.<br>We included the valuation of land and buildings as a key audit matter because of the level of judgement 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.<br>Our procedures included:<br>• Assessing the independence, objectivity and competence of the third party valuers;<br>• Engaging our in-house valuation expert to challenge the work performed by the third party valuers and assess the reasonableness of the assumptions used, such as capitalisation and discount rates, based on their knowledge gained from reviewing valuations of similar properties, known transactions and available market data;<br>• Reviewing and challenging management's assessment of the carrying values of the Group's land and buildings not independently revalued during 2021 by comparing our own independent assessment of valuation ranges using our PwC valuation expert; and<br>• Reviewing the adequacy of the disclosures in the financial statements.<br>As a result of our procedures we have no matters to report. |
| **Goodwill impairment tests**<br>As at 31 December 2021, the carrying amount of the Group's goodwill amounted to $17.2 million as disclosed in note 11, of which $14.7 million and $1.8 million related to the Bay of Plenty post harvest and Northland post harvest cash generating units (CGUs) respectively.<br>Management has performed impairment testing for each CGU on a value-in-use basis, using a discounted cash flow model based on forecast future performance to determine the recoverable amount. No impairment was identified. | Our audit focused on assessing and challenging the significant estimates and assumptions used by management in the impairment tests for the Bay of Plenty and Northland post harvest CGUs, being the largest CGUs, along with evaluating the overall Group impairment test.<br>Our procedures included:<br>• Evaluating the appropriateness of the CGUs, including the changes made to the definition of the Group's CGUs during the year;<br>• Agreeing the cash flows included in management's impairment model for each CGU to the latest board approved five year plan and budget for the year ending 31 December 2022;<br>• Assessing the Group's forecasting accuracy by comparing historical forecasts to actual results;<br>• Evaluating the key cash flow assumptions by obtaining from management a detailed analysis of the forecast supply of trays to the packhouses, revenue and earnings per tray, and overheads. We compared this information to historical outcomes and our assessment of the feasibility of management's plans; |

| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| The impairment testing of goodwill is considered a key audit matter due to the significant level of management judgement applied in estimating the future performance and cash flows for the Group and material CGUs, along with the discount rate and terminal growth rate used in estimating the recoverable amounts. | ● Using our in-house valuation expert we reviewed whether the discount rate used by management for each CGU was reasonable. We also compared it to relevant industry comparators. Our expert also assessed the terminal growth rates used;<br>● Testing the accuracy of the calculations in management's impairment model for each CGU, and checking the carrying amount of the CGU's net assets was correct;<br>● Performing a sensitivity analysis across a range of reasonably possible changes in the discount rate, cash flow assumptions and terminal growth rate; and<br>● Reviewing the adequacy of the disclosures in the financial statements.<br>As a result of our procedures we have no matters to report. |

## Our audit approach

### Overview


Overall group materiality: $2,630,000, which represents approximately 0.85% of revenue.

We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. The Group operates in a high-volume low margin industry where net profit is not representative of the scale of the Group.

Following our assessment of the risk of material misstatement, we:

- Selected two entities for full scope audits
- Performed specified audit procedures and analytical review procedures on the remaining entities

As reported above, we have three key audit matters, being:

- Accounting for the acquisition of Ōpōtiki Packaging and Cool Storage Limited (OPAC)
- Valuation of land and buildings
- Goodwill impairment tests

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

**Materiality**
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the 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 financial statements as a whole.

**How we tailored our group audit scope**
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the 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.

The materiality levels applied in the full scope audits of the New Zealand and Australian businesses were calculated by reference to a portion of Group materiality appropriate to the relative scale of the business concerned (New Zealand), or based on materiality calculated for statutory reporting purposes where the statutory materiality was lower than that allocated in the Group calculation (Australia).

## Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements
The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

https://www.xrb.govt.nz/assurance-standards/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 Troy Florence.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
18 February 2022

Auckland

PwC

# Governance

# Corporate governance statement

### As at 31 December 2021

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 recommendations in the NZX Corporate Governance Code, 10 December 2020 (the Code). Our practices are 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 86 of this annual report.

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

The Board approved this governance statement on 18 February 2022.

## 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
- Conduct, valuing individuals' differences and respecting all stakeholders
- Dealing with gifts or gratuities
- Whistle blowing for safe reporting of potential wrong doing
- Compliance with laws and Seeka policies
- Managing breaches of Seeka's Code of Ethics

Seeka also has a strict Insider Trading Policy that applies to the Seeka team of directors, officers, senior managers and all employees, that prohibits team members from direct or indirect dealing in Seeka financial products when holding inside information, plus a duty of confidentiality that protects the dissemination and use of confidential company information.

The Insider Trading Policy defines black-out periods during which restricted persons (defined below) are prohibited from 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. The policy also specifies that Seeka team members should not engage in short-term trading.

Prior to trading in Seeka shares, directors must notify the chair of the Board, and the chair 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, to deliver benefits to stakeholders and grow shareholder returns.

## Board charter and responsibilities

The Board 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
- Overseeing high standards of ethical behaviour
- 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 for Board succession planning. On 1 September 2021, an eighth director Robert Farron was appointed to the Board. Robert Farron will offer himself for election at the 2022 annual shareholders meeting and John Burke and Amiel Diaz will retire, at which point the Board will have six directors.

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 is led by the independent chair 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 | Sustainability | 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 | ● | ● | | | | ● | ● | ● | | ● | |
| Robert Farron | BBS, CA | ● | ● | | | | ● | | ● | | | ● |
| 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 (retiring April 2022), representative of Seeka's shareholder Sumifru Singapore Pte Limited, and
- Ratahi Cross, representative of Seeka shareholder Te Awanui Huka Pak Limited and is the chair 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 (retiring April 2022), and
- Ratahi Cross

The Board has four independent directors;

- Fred Hutchings, Board chair and remuneration committee chair
- Ashley Waugh, audit and risk committee chair,
- Cecilia Tarrant, sustainability committee chair, and
- Robert Farron (appointed 1 September 2021)

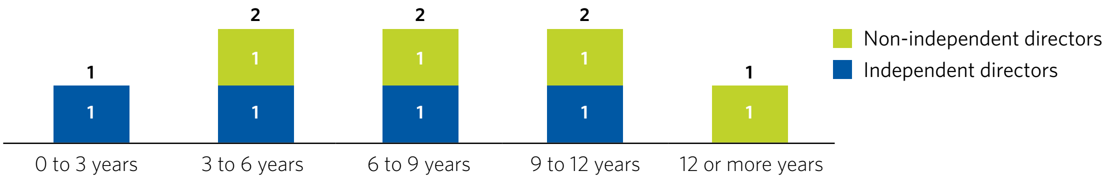
## Director appointments and induction

As required, the chair 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 Group'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.

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

## Director tenure




While there is no maximum term, the Board annually reviews director length of service and any potential impact on director independence. When the Board recommends the re-election of a director whom has served longer than 12 years, they will explain to shareholders their rationale for supporting re-election.

At the April 2022 annual shareholders meeting, Amiel Diaz having served 12 years as a director, will retire by rotation and has not offered himself for re-election, and John Burke, having served ten years as a director, will retire.

## Director profiles

Director profiles are listed on Seeka's website (see Seeka.co.nz/investors), and are included on page 87 of this annual report. Full disclosure of director interests according to section 140 (2) of the Companies Act 1993 are listed on page 89 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 directors, 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. Notably Ratahi Cross of Ngai Tukairangi is a lecturer in Māori history, Amiel Diaz is a Filipino businessman based in Asia, and 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 2021.

| | FY21 | | FY20 | |
|---|---|---|---|---|
| | Female | Male | Female | Male |
| Directors | 1 | 7 | 1 | 6 |
| Senior managers | 2 | 7 | 2 | 5 |
| Total | 3 | 14 | 3 | 11 |

## 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 2021, 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.

### Evaluation of board, committee and director performance

The Board Charter specifies that the chair undertakes an annual review of Board, committee and director performance. The chair's 2021 review found that the Board, committees 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 three 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 sustainability, 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, except during succession planning when an eighth director may be appointed until the next annual shareholders meeting, at which point the Board reverts to seven 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 | Charter |
|---|---|---|---|
| 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 chair. | Examines financial reporting, compliance, external and internal auditing, risk management and risk insurance. | Ashley Waugh, chair<br>John Burke<br>Fred Hutchings (up to 30 September)<br>Robert Farron (since 1 October) | Audit and risk committee charter |

**Sustainability**

| Composition | Role | Members | Charter |
|---|---|---|---|
| A minimum of two directors appointed by the Board. No management members, but the chief executive or delegate to be invited to meetings. | Ensures Seeka uses an appropriate reporting framework, provide strategic guidance on targets, measures and performance, and examines the strategic implications of climate change. | Cecilia Tarrant, chair<br>John Burke<br>Fred Hutchings | Sustainability committee charter |

**Remuneration**

| Composition | Role | Members | Charter |
|---|---|---|---|
| Independent chair with a minimum of two other directors. When not an appointed member, the Board chair will be an ex-officio member. | 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<br>Ratahi Cross<br>Cecilia Tarrant | Remuneration committee charter |

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

**Nominations**

| Composition | Role | Members | Charter |
|---|---|---|---|
| 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. | FY21 members<br>Fred Hutchings, chair<br>Ratahi Cross<br>Cecilia Tarrant | Nominations committee charter |

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<br>Cecilia Tarrant<br>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 2021.

| | Board | | Audit and risk | | Sustainability | | Remuneration | | Nominations | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Meetings | Attended | Meetings | Attended | Meetings | Attended | Meetings | Attended | Meetings | Attended |
| Fred Hutchings [1] | 14 | 14 | 15 | 13 | 3 | 3 | 5 | 5 | 3 | 3 |
| Martyn Brick | 14 | 13 | - | - | - | - | - | - | - | - |
| John Burke | 14 | 14 | 19 | 17 | 3 | 2 | - | - | - | - |
| Ratahi Cross | 14 | 14 | - | - | - | - | 5 | 4 | 3 | 3 |
| Amiel Diaz | 14 | 12 | - | - | - | - | - | - | - | - |
| Robert Farron [2] | 4 | 4 | 4 | 4 | - | - | - | - | - | - |
| Cecilia Tarrant | 14 | 12 | - | - | 3 | 3 | 5 | 5 | 3 | 3 |
| Ashley Waugh | 14 | 13 | 19 | 19 | - | - | - | - | - | - |

1. Fred Hutchings retired from the audit and risk committee on 30 September 2021, and attended a further 4 meetings after this date in an ex officio capacity.

2. Robert Farron was appointed to the Board on 1 September 2021, and to the audit and risk committee on 1 October 2021.

## 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 growers.

Seeka's Continuous Disclosure Policy covers the classification, timing and release of material information to investors and other stakeholders. The chair of the Board, 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. At every Board meeting the Board considers whether its deliberations and decisions trigger a need for a disclosure to the NZX.

As stewards of more than 400 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 returns; 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 financial 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 considers environmental, social and governance concerns, and discloses to the markets any environmental factors that may materially affect operations.

Seeka has a sustainability committee to provide strategic guidance on Seeka's sustainability framework, targets, measures and performance. Seeka is working to measure and improve our environmental performance and in our 2021 interim report we published the Group's carbon footprint for 2019. We know our orcharding and supply chain operations influence our environment, and we are actively addressing the risks and opportunities of climate change. The sustainability committee provides guidance to the Seeka Agile Sustainability Team (SAST). Drawing together staff who are passionate about sustainability from all areas of our operations, and working with external advisors, Seeka's sustainability team is working to integrate sustainability into the hearts and minds of our employees and deliver projects that reduce Seeka's environmental footprint. Seeka is committed to annually reporting our sustainability initiatives and have engaged Toitu Envirocare to independently verify our environmental footprint calculations. Seeka's third annual Sustainability report is included in this document.

# Principle 5. Remuneration

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

## Director remuneration

In accordance with the Board Charter, the chair 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 2021, when the pool limit was set at $530,000 per annum. During the year, R Farron was appointed to the Board and due to the increase in the number of directors the total fees paid exceeded the pool limit by $5,833, as permitted under NZX Rule 2.11

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 encouraged but not required to own Seeka shares. Director shareholdings are disclosed on page 90.

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

| | Position | Annual base director fee | Chair fee | Audit and risk committee chair fee | Director fees paid during the year |
|---|---|---|---|---|---|
| Fred Hutchings | Chair | $62,500 | $62,500 | | $125,000 |
| Ashley Waugh | Director, Audit and risk committee chair | $62,500 | | $15,000 | $77,500 |
| Martyn Brick | Director | $62,500 | | | $62,500 |
| John Burke | Director | $62,500 | | | $62,500 |
| Ratahi Cross | Director | $62,500 | | | $62,500 |
| Amiel Diaz | Director | $62,500 | | | $62,500 |
| Robert Farron | Director | $62,500 | | | $20,833 |
| Cecilia Tarrant | Director | $62,500 | | | $62,500 |
| Total | | $500,000 | $62,500 | $15,000 | $535,833 |

The base director fee includes committee membership, with the Board chair and chair of the audit and risk committee receiving a chair's fee. Additional fees for chairing the sustainability, remuneration or nominations committees are not currently paid.

## Chief executive officer remuneration

The review of the chief executive's remuneration is undertaken by the remuneration 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 for 2021.

| | Base salary | Benefits[1] | FY21 annual performance incentive | Total remuneration |
|---|---|---|---|---|
| Michael Franks | $662,446 | $60,009 | $470,063 | $1,192,518 |

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

**Performance incentive**

The chief executive officer's performance incentive has a maximum value of 73% of fixed remuneration for achieving annual targets set by the Board, including financial performance, strategic goals, health and safety, and risk management. For FY21, the chief executive officer earned a $470,063 performance incentive (94% of the possible payable incentive.) This incentive was paid in December 2021 (FY20 - $388,988, paid early 2021).

**Employee share scheme**

At balance date, the chief executive had 8,000 shares allocated April 2019 at $4.76 per share under the 2019 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 considers risk management an important governance function to protect stakeholders, build long-term wealth in our communities and optimise shareholder value. The Board retains ultimate responsibility for 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 (when practicable with regard to Covid-19 travel restrictions) 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.

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

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.

Communicable diseases are a risk to labour availability, food safety and market access. Seeka works with industry bodies, the Government, community agencies and international groups to secure reliable labour. Risk to food safety and market access is managed through Seeka's full orchard-to-market track and trace service, which includes a register of all orchard visits and finger-scanner access to post harvest facilities. Tracing from point of origin to point of sale allows Seeka to manage risk from contagion and ensures our markets can have confidence in the safety of our supply chain and our products. Seeka's response to the communicable disease Covid-19 is detailed in the following health and safety section.

## Health and safety

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.

Seeka has a Covid-19 response committee to protect our people and prepare our business. We have worked with health professionals, secured personal protective equipment, and used social distancing protocols to mitigate risk and keep our people safe as we deliver an essential service. This includes using operational "bubbles", onsite personnel temperature logging, touchless signing in, the provision of personal protective equipment, two-metre screening, enlarged break areas, 24-hour cleaning and remote management.

Seeka is part of a community effort that kept our whānau safe as collectively we worked to harvest our growers' crops and supply the world with safe, healthy food. This included operating an essential service from Auckland New Zealand and Victoria Australia, during prolonged periods of community lockdown in FY21.

Our people work in multiple, complex environments, and we focus on building safety into everything we do. This included instilling Seeka's safety culture as we amalgamated OPAC and Orangewood in FY21. Over the full year, the Group employed more than 4700 people, with Group salary and wages equating to 1915 full time equivalents.

The following table reports Seeka's health and safety lead and lag measures for FY21.

| | Indicator | FY21 annual threshold | FY21 actuals |
|---|---|---|---|
| Inspirational people; monthly H&S meetings held | Lead | 90% | 92% |
| Total recordable injury frequency rate [1] | Lag | Less than 4.5 | 3.3 |
| Serious injuries [2] | Lag | Zero | Zero |

1. Total recordable injury frequency rate (TRIFR) is a key measure that compares total lost time injuries and medical treatments against the total number of hours worked. TRIFR = (number of recordable lost time and medical treatment injuries) x 200,000 / (number of employee hours worked).

2. Permanently disabled or requiring immediate in-patient hospitalisation.

# 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 FY21, Troy Florence of PricewaterhouseCoopers (PwC) was the external auditor for the Group. Troy replaced Pip Cameron of PwC who completed her five-year term as Seeka's Auditor at the end of FY20.

PwC has confirmed its independence to the audit and risk committee, and that its independence was not compromised during the reporting period. PwC auditors attend the annual shareholder meeting to answer any shareholder questions about the audit.

In FY21, PwC was paid $493,000 for audit fees and expenses, and $261,000 for tax compliance, consulting, planning, structuring and due diligence, tax pooling and debt covenant compliance certificate agreed upon procedures.

To further increase auditor independence, in FY21, Seeka appointed BDO as its tax compliance agent.

## 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 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
- 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 via the online portal, or where practicable in person, 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. Notices of shareholder meetings are posted on the NZX website and Seeka's website. Where circumstances allow, Seeka sends notices of shareholder meetings 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 on a pro rata basis 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 - full year | April[1] |
| Annual shareholder meeting | April |
| Dividend payment - half year | October |
| Stakeholder update | October |

1. In 2022, payment of the full year dividend was moved to 23 February due to the issue of new shares ex-dividend as part of the acquisition of NZ Fruits in February 2022.

# 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 Constitution and Board Charter specify a minimum of two independent directors.<br>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.<br>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.<br>From 1 January to 1 September 2021, only three out of seven directors (a minority) were deemed independent and four 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).<br>Since the appointment of an independent director on 1 September 2021, four out of eight directors were deemed non-independent (even split). | At all relevant times |
| 3. Board Committees | 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 does comply 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 with a majority of independent directors. | 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 |
| 8. Shareholder Rights and Relations | 8.4 | If seeking additional equity capital, issuers should offer further equity securities to existing equity security holders on a pro rata basis. | On 4 May 2021, Seeka issued 7,042,574 new ordinary shares (with shareholder approval) which were exchanged for OPAC shares, and on 22 November a further 639,302 shares which were exchanged with cash for Orangewood shares. The Board considered these issues were an effective method to secure the amalgamation of these two businesses, would benefit all shareholders from the enlarged Seeka business and, as most OPAC and Orangewood shareholders are also growers, supports their supply of kiwifruit and further strengthens Seeka's alignment with growers. | 4 May 2021 and 22 November 2021 |
| | 8.5 | Notices of shareholder meetings given at least 20 working days prior to meeting | On 30 March 2021, Seeka issued a notice for the annual shareholders meeting for 16 April 2021. The notice was less than 20 working days prior to the ASM. It was issued later than customary so Seeka could include a resolution relating to the proposed OPAC acquisition and share issue that was announced five days prior. Seeka intends to provide shareholders with at least 20 working days' notice of shareholder meetings where practicable. | 30 March 2021 |

# Board of directors

The following directors held office on 31 December 2021.

**Fred Hutchings** **BBS, FCA**

Independent, non-executive Chairman

Member Sustainability Committee, chair Remuneration Committee, and member Audit and Risk Committee to 30 September 2021.

Chartered Member of the Institute of Directors NZ

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 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 holds interests in kiwifruit and avocado orchards supplying Seeka, and is a trustee of Seeka Growers Limited.

**John Burke** **BAgSc**

Non-executive Director

Member Audit and Risk Committee and Sustainability Committee

Appointed 24 April 2012, will retire at the 2022 ASM

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

Chartered Member of the Institute of Directors NZ

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, will retire at the 2022 ASM

Mel is the head of the Philippines subsidiaries of Farmind Corporation. He has knowledge of the Asian fresh produce business, with an emphasis on Japan and the Philippines, and is currently establishing a 250 hectare highland banana plantation in the Philippines for Farmind Corporation.

Mel has executive management experience in technology, telecommunications, manufacturing, finance, service, business consultancy and the fresh produce industry, having worked for more than 35 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.

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**Robert Farron** **BBS, CA**

Independent, non-executive Director

Member Audit and Risk Committee since 1 October 2021

Chartered Member of the Institute of Directors NZ

Appointed 1 September 2021

Robert is a Chartered Accountant (CAANZ) and has had a 30-year executive career in professional services, corporate and institutional banking, renewable energy development and electricity generation and retailing. Robert has held senior leadership roles in listed companies including chief financial officer and company secretary of Bay-of-Plenty-based Trustpower and chief executive of Australian-based Tilt Renewables. He has also held governance and advisory roles for private companies. Robert is based in the Bay of Plenty.

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

Independent, non-executive Director

Chair Sustainability Committee and member Remuneration Committee

Chartered Member of the Institute of Directors NZ

Appointed 27 April 2017

Cecilia has more than 25-years experience in law and finance, having worked as a lawyer in Auckland and San Francisco before becoming an investment banker in New York and London. She is now a professional director. Cecilia is the chair of New Zealand Green Investment Finance Limited, a director of Payments NZ, and Chancellor of Waipapa Taumata Rau - The University of Auckland. She is also involved in start-up investing and is the chair of the ArcAngels network.

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.

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**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 chairs 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.

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## Changes in Board membership

On 1 September 2021, Robert Farron was appointed as an independent, non-executive director as part of Board succession planning, and member of the Audit and Risk Committee on 1 October 2021.

On 30 September 2021, Fred Hutchings retired from the Audit and Risk Committee.

# 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 2020 are italicised.

| | | |
|---|---|---|
| Fred Hutchings | Amwell Holdings Limited | Director / Shareholder |
| | Walker Nominees 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 / *Trustee* |
| | 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 / Chair |
| | Te Awanui Huka Pak Limited | Director |
| | Seeka Share Trustee Limited | Director |
| | Wai O Kaha Gold Landowners General Partner Limited | Chair |
| | Wai O Kaha Gold JV General Partner Limited | Chair |
| Amiel Diaz | Farmind Corporation | Officer |
| | Farmind Philippines Inc. | *President* / Director |
| | *Farmind Asia Banana Corporation* | *President / Director* |
| Cecilia Tarrant | Payments NZ Limited | Director |
| | ArcAngels Angel Investment Network | Chair |
| | The University of Auckland | *Chancellor* |
| | 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 | *Chair* / Shareholder |

# Directors' interests in Seeka Limited securities

The following table details director interests in shares at 31 December 2021.

| | Interest | Shares |
|---|---|---|
| Martyn Brick | Beneficial [1] | 1,423,361 |
| John Burke | Beneficial [2] | 101,506 |
| | Non beneficial [3] | 83,000 |
| Peter Ratahi Cross | Beneficial [4] | 2,300,040 |
| Fred Hutchings | Beneficial [5] | 51,552 |
| Cecilia Tarrant | Beneficial | 6,974 |
| Ashley Waugh | Beneficial | 13,166 |

1. Held by Omega Kiwifruit Limited (1,145,895), Strathboss Kiwifruit Limited (185,807), Martyn Brick, Christopher Mcfadden and John Burke as trustees of the Rokeby Trust (83,000) and Seeka Share Trustee Limited for and on behalf of Martyn Brick (8,659).

2. Held by J&D Burke Holdings Limited.

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

4. Held by the trustees of the Ngai Tukairangi No. 2 Trust (459,551) and Te Awanui Huka Pak Limited (1,714,410). 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 (46,588), Amwell Holdings Limited (2,463) and by Sharesies Nominee Limited on behalf of F A Hutchings (2,501).

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

| | Transaction | Date | Number | Total consideration |
|---|---|---|---|---|
| Marty Brick | Transfer [3] | 6 September 2021 | 123,185 [4] | $533,391 |
| John Burke [1] | Purchase [2] | 27 January 2021 | 2,143 | $10,099 |
| | Purchase [2] | 30 March 2021 | 2,187 | $10,338 |
| | Transfer [3] | 16 September 2021 | 4,365 [5] | $18,900 |
| | Purchase [2] | 13 October 2021 | 2,370 | $11,991 |
| Peter Ratahi Cross [6] | Transfer [3] | 16 September 2021 | 126,079 | $545,922 |
| Fred Hutchings | Purchase [2] | 27 January 2021 | 1,029 | $4,849 |
| | Purchase [2] | 30 March 2021 | 1,050 | $4,963 |
| | Transfer [3] | 16 September 2021 | 2,463 [7] | $10,670 |
| | Purchase [2] | 13 October 2021 | 1,088 | $5,505 |
| Cecilia Tarrant | Purchase [2] | 27 January 2021 | 154 | $726 |
| | Purchase [2] | 30 March 2021 | 157 | $742 |
| | Purchase [2] | 13 October 2021 | 163 | $825 |

1. Acquired by Rokeby Trust trustees.

2. Acquired under the Seeka dividend reinvestment plan.

3. Transfer of shares previously held by Seeka Share Trustee Limited for and on behalf of the director following satisfaction of vesting criteria and payment under the Seeka Limited Grower Loyalty Share Scheme. Grower Loyalty Share Scheme shares were first disclosed 31 December 2019, and relate to the issue of scheme shares to Seeka Share Trustee Limited on 9 April 2019 for $4.76.

4. 47,572 shares transferred to Omega Kiwifruit Limited, 66,954 shares transferred to Strathboss Kiwifruit Limited, and 8,659 shares transferred to Martyn Brick.

5. Transferred to J&D Burke Holding Limited.

6. Transferred to Ngai Tukairangi No. 2 Trust.

7. Transferred to Amwell Holdings Limited.

# Subsidiary companies

The following table details directors of Seeka Limited subsidiary companies as at 31 December 2021.
Subsidiaries added since 31 December 2020 are italicised.

Michael Franks and Stuart McKinstry are officers of Seeka Limited. Robert Towgood was a senior manager at Seeka Limited until 20 December 2021. Anthony Motion is an independent director for the Group's Australian subsidiaries.

## 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 |
| *OPAC Properties Limited* | *Michael Franks, Stuart McKinstry* |
| *OPAC Growers Supply Limited* | *Michael Franks, Stuart McKinstry* |
| Northland Horticulture Limited (Formerly Northland Horticulture GP Limited) | Michael Franks, Stuart McKinstry[1] |
| Seeka East Limited (Formerly Seeka Dairy Ventures Limited) | Michael Franks, Stuart McKinstry |
| *Seeka OPAC Limited* | *Michael Franks, Stuart McKinstry* |
| Seeka Share Trustee Limited | Fred Hutchings, Cecilia Tarrant, Peter Ratahi Cross |
| Seeka Te Puke Limited | Michael Franks, Stuart McKinstry |

Not-trading subsidiaries

| | |
|---|---|
| CMS Logistics Limited | Robert Towgood |
| Eleos Limited | Michael Franks, Stuart McKinstry |
| Enviro Gro Limited | Michael Franks |
| Glassfields (NZ) Limited | Michael Franks, Stuart McKinstry |
| Guaranteed Sweet New Zealand Limited | Michael Franks, Stuart McKinstry |
| Kiwifruit Vine Protection Company Limited | Michael Franks |
| Nutritious Delicious Food Company Limited | Michael Franks, Stuart McKinstry |
| *OPAC Growers Limited* | *Michael Franks, Stuart McKinstry* |
| Seeka Fresh Limited | Michael Franks, Stuart McKinstry |
| Seeka Kiwifruit Industries Limited | Michael Franks, Stuart McKinstry |
| Verified Lab Services Limited | Michael Franks, Stuart McKinstry |

1. Robert Towgood was a director until December 2021

## 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 2020.

| | | |
|---|---|---|
| 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 (until 20 December 2021) 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 FY21, the Group employed 663 permanent and more than 4000 seasonal employees.

The Group had 177 employees (December 2020 - 148), including 3 employees (December 2020 – 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 | FY21 | FY20 |
|---|---|---|
| $100,000 - $109,999 | 47 | 35 |
| $110,000 - $119,999 | 37 | 38 |
| $120,000 - $129,999 | 27 | 21 |
| $130,000 - $139,999 | 16 | 10 |
| $140,000 - $149,999 | 6 | 12 |
| $150,000 - $159,999 | 5 | 7 |
| $160,000 - $169,999 | 5 | 3 |
| $170,000 - $179,999 | 8 | 8 |
| $180,000 - $189,999 | 5 | 2 |
| $190,000 - $199,999 | 1 | 4 |
| $200,000 - $209,999 | 5 | 1 |
| $210,000 - $219,999 | 1 | 1 |
| $220,000 - $229,999 | 2 | 1 |
| $230,000 - $239,999 | 1 | - |
| $240,000 - $249,999 | 2 | 1 |
| $250,000 - $259,999 | - | 1 |
| $260,000 - $269,000 | - | - |
| $270,000 - $279,000 | 1 | - |
| $280,000 - $289,000 | 1 | - |
| $290,000 - $299,999 | - | 1 |
| $300,000 - $309,999 | 1 | 1 |
| $310,000 - $319,999 | - | - |
| $320,000 - $329,999 | - | 1 |
| $330,000 - $339,999 | - | - |
| $340,000 - $349,999 | - | 1 |
| $350,000 - $359,999 | 1 | - |
| $390,000 - $399,999 | - | 1 |
| $400,000 - $409,999 | 1 | 2 |
| $450,000 - $459,999 | 1 | - |
| $460,000 - $469,999 | 1 | - |
| $480,000 - $489,999 | 1 | - |
| $830,000 - $839,999 | - | 1 |
| $1,190,000 - $1,199,999 | 1 | - |
| Total | 177 | 153 |

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 FY20 to FY21 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 scheme.

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. The shares vest FY22.

# 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

No waivers were granted, published or relied on by Seeka in the year ended 31 December 2021.

## Donations

In the year ended 31 December 2021, the Group donated $270,403 to support New Zealand youth development, community, cultural and sports groups, and Pacific health initiatives. The Group also donated fresh produce valued at $37,124 to community groups and as an official contributor to Emirates Team New Zealand. See the 2021 sustainability report for the full list of sponsored organisations and events.

## 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

In compliance with s293 of the Financial Markets Act 2013, the following table details the disclosed numbers of ordinary listed shares as at 31 December 2021.

| | Date of Notice | Shares disclosed |
|---|---|---|
| Tomlinson Group Investments Limited | 21 December 2020 | 2,899,930 |
| Sumifru Singapore Pte Limited | 15 September 2015 | 2,093,558 |
| Te Awanui Huka Pak Limited | 11 September 2015 | 1,267,410 [1] |
| | | |
| Seeka Limited ordinary listed shares at 31 December 2021 | | 40,176,160 |

1. According to Seeka's records, Te Awanui Huka Pak Limited held 1,714,410 shares at 31 December 2021.

# Securities statistics

## As at 19 January 2022

| Top 50 shareholders | Number of ordinary shares | Percent |
|---|---|---|
| Tomlinson Group Investments Limited | 3,233,827 | 8.05 |
| Custodial Services Limited | 2,379,679 | 5.92 |
| Sumifru Singapore Pte Limited | 2,093,558 | 5.21 |
| Te Awanui Huka Pak Limited | 1,714,410 | 4.27 |
| Omega Kiwifruit Limited | 1,145,895 | 2.85 |
| Masfen Securities Limited | 1,138,100 | 2.83 |
| New Zealand Central Securities Depository Limited | 994,416 | 2.48 |
| Seeka Share Trustee Limited [1] | 738,636 | 1.84 |
| The Maori Trustee | 711,299 | 1.77 |
| David John Emslie & Deborah Jocelyn Emslie & Sharp & Cookson Trustee Limited | 709,018 | 1.76 |
| Riri Ellis & Helen Te Kani & Joshua Gear & Carlo Ellis | 585,630 | 1.46 |
| FNZ Custodians Limited | 511,871 | 1.27 |
| New Zealand Depository Nominee | 509,811 | 1.27 |
| Christopher William Flood & Mark Schlagel | 477,130 | 1.19 |
| Cole Family Trust Limited | 474,289 | 1.18 |
| Ann Davidson | 350,187 | 0.87 |
| Jack Law & Patricia Colleen Law | 310,240 | 0.77 |
| Jared Agri Limited | 300,000 | 0.75 |
| Anne Louise Bayliss & Christopher James Mcfadden | 293,280 | 0.73 |
| Burts Orchards (1997) Limited | 272,606 | 0.68 |
| Craig Thompson | 272,272 | 0.68 |
| Lloyd James Christie | 250,000 | 0.62 |
| Grant Keith Oakley & Deborah Jane Oakley & Brg Trustees 2013 Limited | 228,071 | 0.57 |
| Development Enterprises Limited | 218,771 | 0.54 |
| Sally Gibbons Spencer | 203,441 | 0.51 |
| Strathboss Kiwifruit Limited | 185,807 | 0.46 |
| Judith Ann Fisher | 183,059 | 0.46 |
| Robin Moss | 179,961 | 0.45 |
| Stewart Moss | 178,251 | 0.44 |
| Michael Gilbert Franks | 170,471 | 0.42 |
| Roger Daryl Clark & Colleen Beth Clark | 160,473 | 0.4 |
| Matthew Ian Tremain | 146,786 | 0.37 |
| Mary Anne Barton | 145,732 | 0.36 |
| Malcolm John Cartwright & Helen Catherine Cartwright & Graeme Ingham Trustee Co Limited | 144,683 | 0.36 |
| Seeka Share Trustee Limited | 144,638 | 0.36 |
| Iconic Investments Limited | 140,000 | 0.35 |
| Brian John Cotton Stapleton & Lois Eileen Cotton Stapleton | 125,903 | 0.31 |
| Jean Paul Henri Mathias Thull & Lyon Trustees 2014 Limited | 124,741 | 0.31 |
| Bowyer Orchards Limited | 116,906 | 0.29 |
| P&M Anstis Trustee Limited | 116,736 | 0.29 |
| Christopher Robert Malcolm & Helen Ann Malcolm | 116,185 | 0.29 |
| Jc Orchards Limited | 110,390 | 0.27 |
| Bryan Francis Grafas | 109,780 | 0.27 |
| Delwyn Bell | 108,783 | 0.27 |
| I Hort Limited | 108,222 | 0.27 |
| John Connor | 106,205 | 0.26 |
| Murray Charles Salt & Heather Florrence Salt | 103,770 | 0.26 |
| J and D Burke Holdings Limited | 101,506 | 0.25 |
| Robyn Adair Slater | 100,589 | 0.25 |
| Michelle Thompson | 99,204 | 0.25 |
| **Total** | **23,445,218** | **58.36** |

1. Shares held as a bare trustee in multiple parcels for members of the grower loyalty share scheme (144,638) and employee share ownership scheme (593,998).

## Shareholder analysis

| | Investors | Percent of investors | Shares | Percent of shares |
|---|---|---|---|---|
| **By shareholding size** | | | | |
| Up to 1,000 shares | 432 | 16.63 | 341,464 | 0.85 |
| 1,001 to 5,000 shares | 1,284 | 49.42 | 3,454,170 | 8.60 |
| 5,001 to 10,000 shares | 429 | 16.51 | 3,189,757 | 7.94 |
| 10,001 to 50,000 shares | 366 | 14.09 | 7,390,193 | 18.39 |
| 50,001 to 100,000 | 38 | 1.46 | 2,689,698 | 6.69 |
| 100,001 to 500,000 | 36 | 1.39 | 6,879,864 | 17.12 |
| More than 500,000 | 13 | 0.50 | 16,231,014 | 40.40 |
| Total | 2,598 | 100.00 | 40,176,160 | 100.00 |
| **By residency** | | | | |
| New Zealand shareholders | 2,528 | 97.31 | 37,370,188 | 93.02 |
| Overseas shareholders | 70 | 2.69 | 2,805,972 | 6.98 |
| Total | 2,598 | 100.00 | 40,176,160 | 100.00 |

# Directory

## Board of directors

Fred Hutchings - Chair

Martyn Brick

John Burke

Peter Ratahi Cross

Amiel Diaz

Robert Farron

Cecilia Tarrant

Ashley Waugh

## Audit and risk committee

Ashley Waugh – Chair

John Burke

Robert Farron

## Sustainability committee

Cecilia Tarrant – 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*

Stuart McKinstry
*Chief Financial Officer*

Kate Bryant
*GM Corporate Services*

Paul Crone
*GM Post Harvest*

Verena Cunningham
*GM SeekaFresh and Strategy*

Kevin Halliday
*GM Operations*

Barry Penellum
*GM Orchards*

Jonathan van Popering
*GM Australian Operations*

Jim Smith
*GM Growers and Marketing*

## Registered office

**Seeka Limited**

34 Young Road, RD9, Paengaroa 3189

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

**Link Market Services Limited**

Auckland

www.linkmarketservices.co.nz

## NZX

www.nzx.com

## Legal advisors

**Harmos Horton Lusk Limited**

Auckland

www.hhl.co.nz

**MacKenzie Elvin**

Tauranga

mackenzie-elvin.com

Seeka

34 Young Road, RD 9, Te Puke 3189
PO Box 47, Te Puke 3153, New Zealand
+64 7 573 0303, info@seeka.co.nz

seeka.co.nz