Turners & Growers

Passion for freshness.
Everyday. Everywhere.

Annual Report
December 2013

Passion for freshness.
Everyday. Everywhere.

Our Company MISSION

Consistently delivering the highest quality fresh produce to the world by empowering a customer-centred, collaborative and accountable culture that delivers sustainable growth.

Our Strategic PILLARS

- Global thinking
- Focus on growth markets and products
- Grow relationships with growers, suppliers and customers
- Leverage and grow our Intellectual Property
- Simplify the way we work to maximise value

Board of Directors

KLAUS JOSEF LUTZ – *Chairman and Non-independent Director*

Director since April 2012.

Chief Executive Officer of BayWa Aktiengesellschaft (BayWa), and a member of the supervisory boards of a number of listed and private companies including Cefetra B.V. (Chairman), MAN Nutzfahrzeuge AG, VK Mühlen AG (Chairman), Euro Pool System International B.V. (Chairman), RWA Raiffeisen Ware Austria AG, and Unser Lagerhaus Warenhandelsgesellschaft m.b.H.

SIR JOHN ANDERSON KBE – *Deputy Chairman and Independent Director*

Director since April 2012.

Member of the Finance, Risk and Investment Committee.

Chairman of Steel & Tube Holdings Limited and NPT Limited, Director on the Board of Commonwealth Bank of Australia and Trustee of the Wellington Regional Stadium Trust.

CHRISTIANE BELL – *Non-independent Director*

Director since February 2014.

General Manager Fruit at BayWa, responsible for BayWa's fruit business. Director of Obst vom Bodensee Vertriebsgesellschaft m.b.H.

CAROL CAMPBELL – *Independent Director*
BCom, CA, MInstD

Director since June 2010.

Chairman of the Finance, Risk and Investment Committee.

Director of NZ Post Limited, Kingfish Limited, Marlin Global Limited, Barramundi Limited, and a number of other companies. Previously a partner of Ernst & Young for 25 years, and currently owner and Director of boutique accounting practice "The Business Advisory Group".

ROB CAMPBELL – *Independent Director*
BA (Hons First Class), MPhil (Economics)

Director since October 2010. Chairman April 2011 to March 2012.

Member of the Human Resources Committee.

Chairman of Guinness Peat Group Plc, Summerset Group Holdings Limited, Tourism Holdings Limited and a Director of a number of other companies including Precinct Properties Limited.

MICHAEL DOSSOR – *Non-independent Director*
Dip AG

Director since 1991. Managing Director January 2003 to June 2005.

Member of the Human Resources Committee.

Chairman of Turners Auctions Limited, Director of Bartel Holdings Limited, Fruit Distributors Limited, McKay Shipping Limited, Allan Blair Properties Limited and a number of other companies.

ANDREAS HELBER – *Non-independent Director*

Director since April 2012.

Member of the Finance, Risk and Investment Committee.

Chief Financial Officer of BayWa, and a member of the supervisory boards of a number of listed and private companies including Cefetra B.V., R+V Pensionsversicherung AG, Eurogreen Schweiz AG, RWA Raiffeisen Ware Austria AG, Unser Lagerhaus Warenhandelsgesellschaft m.b.H, and Bau- und Land-Entwicklungsgesellschaft Bayern GmbH.

JOHN WILSON – *Independent Director*
B Agr Sc.

Director since April 2012.

Chairman of the Human Resources Committee.

A dairy farmer and Chairman of Fonterra Co-Operative Group Limited.


THERMO KING
200
CFH759

Directors' Report

Your Directors present the Annual Report including financial statements for Turners & Growers Limited and subsidiary companies for the twelve months ended 31 December 2013.

Consolidated Results

Currency: NZ$'000	**2013**	2012
Revenue	**733,697**	669,137
Profit / (loss) before income tax	**23,420**	(18,054)
Profit / (loss) after tax (before non-controlling interests)	**17,238**	(13,278)
Total equity	**268,671**	279,530

After two consecutive years of material write-offs due to revaluations and impairments, the Turners & Growers Group achieved a profit before income tax of $23.4m for the financial year ended 31 December 2013. This represents a record profit since Turners & Growers' listing on the NZX in 2004.

Strategic Plan

In June 2013 the Board appointed Alastair Hulbert, General Manager of International Markets, to Chief Executive Officer and his primary focus has been on improving profitability and revisiting the Group's strategy. In December 2013 the Board discussed, refined and approved the new 'Corporate Strategy 2020'. The key components of Turners & Growers' new strategic plan are:

(1) A strengthened focus on key categories through which greater integration and value can be achieved. These categories include Pipfruit, Hothouse, Citrus, Kiwifruit and Grapes.

(2) Recognition of the ongoing importance of Turners & Growers' New Zealand domestic business.

(3) Continuing to strengthen and innovate the international trading business outside of key categories and supporting these operations to grow.

(4) Building on partnerships, like that with major shareholder BayWa, to expand opportunities both in New Zealand and internationally.

(5) Strengthening relationships with both customers and growers.

In May 2013, the Group acquired the remaining 30% of the issued shares of Delica Limited. As a result, Delica Limited became a wholly owned subsidiary of Turners & Growers Limited. This provides the opportunity to grow the trading business to and within Asia, one of the most dynamic and promising regions in the world for high value fresh fruit consumption, and will provide operating cash flow benefits to the Group and ultimately, its shareholders.

In August 2013, Delica Limited acquired the remaining 25% of the issued shares of Delica Domestic Pty Limited. In November 2013, Delica Limited acquired the remaining 15% of the issued shares of Delica Australia Pty Limited. This has enabled the Group to work on its Australian growth strategy.

In November 2013, Turners & Growers set up a new company in Peru to increase its presence in the grape business in this increasingly important supply region.

Activities

Continued focus on the growth and successful shift of export volumes towards the Asian markets were the biggest contributors to the success of Turners & Growers in 2013. Increased international trading of both New Zealand grown and internationally sourced apples is enabling strong progress towards the Group's goal of securing consistent year round quality supply. A key milestone was the consistent week on week availability of Jazz™ apples to retail customers in the UK market for the first time.

This achievement, combined with cost savings in the supply chain, enabled ENZA to significantly lift orchard gate returns to New Zealand growers for all major apple varieties. The steadily increasing crop volume of Jazz™ apples grown in the Northern Hemisphere secured greater commission income for the Group. As Delica is Turners & Growers' exporter of both New Zealand and North American apples, it profited strongly as greater volumes were exported into different regions in Asia.

Delica Domestic, the Australian import arm of Turners & Growers, has already achieved a profit in its second year of business based on successful programmes into the major Australian supermarkets.

Good growing conditions in the Hawke's Bay and successful management of the impacts of adverse weather events in the Nelson orchards secured a strong increase in volume from Turners & Growers' own orchards. The growth in volume and higher grower returns resulted in significantly improved profitability for the apple orchard operations.

The Group's tomato grower, Status Produce, changed its planting strategy to ensure increased tomato volumes in both traditional and new specialist varieties. Based on that new strategy the price decline due to oversupply of tomatoes in autumn 2013 was mitigated resulting in a satisfactory performance.

Kiwifruit delivered a good performance in the 2013 season. Turners & Growers Horticulture secured its kiwifruit volumes, despite the detection of PSA-V in Kerikeri in October 2012; and Delica successfully established a new kiwifruit export programme to Australia.

Continued high growth of Turners & Growers' import business in Fiji in the retail, wholesale, hotel resort and local food service sectors resulted in a strong increase in performance.

Turners & Growers' traditional New Zealand domestic operations, namely the wholesale markets, the FruitCase Company and Turners Transport, performed steadily in 2013. A newly formed business development team researched the New Zealand retail market and developed a new product called "Ready Fresh", which comprises fresh cut vegetable mixes. These new products were launched in March 2014.

Dividend/Distribution Plan

Turners & Growers did not declare or pay a dividend in 2013.

Shareholding

During the twelve months shares on issue did not change and at 31 December 2013 the number of shares on issue stood at 117,010,550.

Annual Meeting

The Annual Meeting of Shareholders is to be held on Thursday 26 June 2014. Notice of the meeting will be mailed to shareholders separately in due course.

Acknowledgements

The Board acknowledges the effort and contribution of all staff to the very successful year and thanks each member of the team that helped to deliver the improved operational performance.

Directors' Statement

The Annual Report is dated 17 March 2014 and is signed on behalf of the Board by:

Klaus Josef Lutz
CHAIRMAN

Sir John Anderson
DEPUTY CHAIRMAN


enza™
GOLD

Management Report

Introduction

The Turners & Growers Group realised a record profit after tax of $17.2m for the year ended 31 December 2013. This was the highest profit for the Group since being listed on the New Zealand Stock Exchange in 2004.

Continued strong growth in revenue and a reduction in administrative expenses led to profitability increases in all segments except processing.

Financial Performance

Revenue for the Turners & Growers Group was up by 9.6% over 2012 driven largely by the strong growth of the Delica and ENZA export businesses. Gross profit only increased by 5.6%, with margin erosion in the fruit processing segment partly offsetting the improved gross profit in the other segments.

Administration expenses were significantly below 2012 by $5.6m or 20%. Prior year costs were heavily impacted by the restructuring of the head office in Auckland. In 2013 cost savings were achieved in IT and telecommunication, professional fees and travel expenses. Other operating expenses were $16.8m lower than last year as 2012 was adversely impacted by high fair value adjustments and significant bad debt provisions.

Despite higher trading activities, net financing expenses were maintained at the same level due to tighter working capital management and lower bank facility fees. Share of profit from associates and joint ventures increased mainly as a consequence of improved profitability of the Oppenheimer companies and Worldwide Fruit.

Turners & Growers' total equity attributable to equity holders of the Parent decreased by $5.6m compared to year end 2012. The main factor was the purchase of the remaining shares in Delica Limited. Turners & Growers' total equity ratio as at 31 December 2013 is 58% of total assets. Net cash flow from operating activities slightly improved over last year, which, combined with proceeds from sale of property, plant and equipment, enabled the Group to reduce its interest bearing loans and borrowings by $9.1m, despite the purchase of the shares in Delica Limited and a capital expenditure programme of $15.7m.

Domestic

The Domestic markets gross profit was slightly up on 2012. This was mainly due to higher sales volume in bananas and apples. Bananas were the top performer with revenue up 25% and apples up 9%.

The crate hireage business tracked slightly above last year's performance as a result of a modest growth in sales revenues and gross margin. Total operating expenses were maintained on the same level despite the increased cost of employment and cartage.

In total, the segment's profit increased to $3.6m compared to a prior year profit of $1.5m.

Exports

The 2013 New Zealand apple season was strong following an unusually long and warm summer. Apple fruit size was smaller but quality and export volume for Turners & Growers was better than the prior season. Jazz™ pre-season forecasts were achieved and Envy™ volumes and fruit size were significantly increased as trees matured. High fruit quality and pack-outs secured a further uplift in fruit returns in all major varieties. Additionally, cost reductions, refined market allocation planning and stronger market penetration into Asia enabled ENZA to substantially increase returns for its New Zealand growers for all major apple varieties, especially for Jazz™ and Envy™. This is particularly remarkable due to the strong increases that had been already achieved in 2012. ENZA has now been able to lift its Jazz™ returns by 40% over the two last seasons.

Overall Exports trading has been, once again, the main contributor to Turners & Growers' profitability. The segment profit has risen from $2.9m in 2012 to $15.6m in 2013 primarily due to better market conditions and operational improvements, both in access to new markets and customers, and cost reductions. The prior year's result was also significantly affected by write-offs on kiwifruit plant variety rights and bad debt.

ENZA

ENZA's New Zealand pipfruit export profit increased due to higher volumes and price increases in its export markets. Cost reductions, especially of the European programme, a further diversion of more apple volume to Asia and a careful foreign currency hedging policy also helped to deliver profit growth. The importance of the Global Variety Development Programme for the profitability of ENZA is increasing year on year. Higher volumes of Jazz™ and Envy™ apples grown in the Northern Hemisphere, through increased plantings and maturing trees, returned greater commission income for the company resulting in a 30% higher gross profit compared to the previous year. This ongoing success has encouraged growers in the USA, France and Italy to increase their plantings of Jazz™ and Envy™ which will be needed in order to secure year round supply for consumers in key markets.

Delica

The Delica Group improved its contribution to the Turners & Growers result substantially in 2013. Following the acquisition of the remaining 30% shareholding, Turners & Growers' management intensified Delica's strong relationships in Asia to fuel further sales growth in apples, grapes, citrus and other produce. Consequently all Delica companies improved their profitability compared to the prior year.

New Zealand and US grown pipfruit was at the forefront of the sales growth in Delica, particularly Jazz™ and Envy™ into Asia. Revenue grew at an extraordinary rate in Thailand, Vietnam, Singapore and the Middle East. After entering China in 2011 with small volumes, China has become the second biggest export market for Delica with 12% of its pipfruit sales directed to this fairly new territory.

Delica in Australia performed better than last year despite difficult trading conditions for grapes and citrus due to adverse weather conditions. Apples and berries outperformed expectations so that the export business achieved a slightly higher profit than 2012. Delica Domestic, Turners & Growers' import company into Australia, successfully met expectations through achieving a profit in its second year of operation. Main contributors were kiwifruit, stonefruit, asparagus and coconut programmes with major Australian supermarkets.

Delica North America performed strongly in 2013 with a sales growth rate of 34%. Consequently gross profit increased while operating expenses remained stable. Strong berry and citrus seasons compensated for weaker cherry and asparagus sales. The export programme for apples, mainly towards Asia, showed strong growth in sales and profitability.

The South American office achieved a positive result with profitability increasing by 30%. Table grapes and asparagus performed strongly driven by programmes in Thailand, Vietnam and Japan, while access to Indonesia and tough market conditions in China proved to be challenging.

Pacific Islands Exports and Turners & Growers Fiji

Margins from exporting New Zealand produce to the Pacific islands were under pressure due to the strong New Zealand Dollar and increasing competition from low cost operators in 2013. Despite these factors and temporary import restrictions in some of the islands, the business unit improved its result over 2012 by reducing operating expenses and a strong cruise ship business in the last quarter. Turners & Growers Fiji, operating out of Suva and Nadi has, once again, exceeded expectations. Improved market share of imported Australasian produce into the retail, wholesale and food service sectors and growing services into hotels and resorts delivered 16% growth in revenue and improved profitability.

Processing

After twelve consecutive years of profitability ENZAFoods suffered from depressed world market prices for apple juice concentrate and sustained unfavourable foreign exchange rates particularly against the AUD and the USD resulting in a substantial erosion of margins. Storage constraints associated with the unusually warm weather in autumn, higher costs for seasonal workers and a strategic research and development programme increased ENZAFoods operating expenses significantly. Turners & Growers' processing business consequently delivered a $3.1m segment loss after a $3.3m profit last year.

Growing

Overall, the Growing Operation's segment profit increased to $6.7m after a $22.8m loss in 2012. The segment achieved a better operational performance in 2013 as the 2012 segment result had been heavily impacted by write downs of biological assets, land and buildings.

Apple Growing

Turners & Growers' apple orchards' performance in 2013 was outstanding with regards to yield, quality and therefore prices achieved in market. Increased price expectations and improvement in growing conditions resulted in a modest upward valuation of the biological assets which additionally contributed to a very good result. Due to a major hail shower a portion of the Hawke's Bay orchard's 2014 crop was wiped out which reduced the uplift in biological asset values. The Hawke's Bay orchards enjoyed a very good growing season with excellent fruit quality, an advantageous size profile, and superior pack-out rates. Fruit value almost doubled compared to last year while only the volume dependent operating costs increased. Consequently the orchards' profitability rose strongly. The Nelson orchard's fruit value also increased by 35% despite suffering from multiple floods during the season and the ongoing challenge to cope with the effects of European canker in the Riwaka district. Due to operational improvements implemented by the orchard team, costs were managed according to expectations so that the orchard, for the first time since its establishment, returned a small profit.

Turners & Growers Horticulture

The Group's citrus and kiwifruit growing operation again faced a challenging year. Its citrus crop was below expectations both in volume and size for almost all varieties and therefore generated lower margins than 2012. In contrast, the 2013 kiwifruit crop was higher in volume and quality and was successfully marketed by Delica in Australia. The relatively new and small scale blueberry orchards produced high quality fruit that returned a break even result for the company. Turners & Growers Horticulture's packhouse profitability improved compared to the previous year due to higher volumes of fruit packed. Coolstore revenue suffered from the shortage of kiwifruit in New Zealand that led to shorter cooling periods as Zespri exported the fruit earlier than in prior years. This year the revaluation of biological and orchard assets had a net minimal impact on profit.

Status Produce

Status Produce's profitability in 2013 was robust yet reduced compared to the record results of the two prior years. Changes in the planting plan and a shift towards specialty crops resulted in a larger volume of these higher priced varieties. This was eroded by lower tomato prices in the second quarter of the year due to exceptionally high tomato volumes available on the market as a consequence of the long and warm New Zealand autumn. The strategic shift towards smaller, higher value, specialty lines required more labour costs in the glasshouses and packing lines. Continuing improvements in yield, reduced energy costs per kilogram and lower plant maintenance expenses enabled Status Produce to achieve a substantial profit.

Other

Floramax

Floramax suffered from a lack of flower supply in the second half of 2013. As a consequence management started an import programme for the major flower varieties which achieved good uptake, especially in Colombian roses. Stem volumes were down on 2012, however with gradual improvements in flower prices in the second half of the year, the sale of imported flowers and the auctioning of third party supplied products, Floramax steadily improved margins. Despite these improvements Floramax's profitability dropped compared to previous years.

Turners Transport

Turners & Growers' transport business successfully increased its transport volume and revenue. Main measures taken by management to improve profitability were price adjustments to cater for cost increases, the completion of the truck fleet renewal that led to lower repair and maintenance costs and the introduction of new routes following the market exit of one of its competitors. Consequently Turners Transport delivered an increased contribution towards the Group in 2013.

Fruitmark (trading name of ENZACOR Pty Ltd)

Fruitmark's profit for the year was a result of strong sales efforts in a highly competitive Australian market and the successful execution of its cost savings programme. Good market conditions for its specialty product range helped to mitigate the pressure on margins from New Zealand sourced apple juice concentrate as a consequence of reduced world market prices and an unfavourable drop in the AUD versus NZD. A slightly reduced gross profit was more than offset by cost reduction in numerous areas of the company. Profitability improved by 46%, back towards a level that had been achieved in prior years.

Investments

The Turners & Growers Group invested $15.7m in its capital expenditure programme. Major investments in 2013 have been the increase in controlled atmosphere storage, packhouse upgrades, replacement orchard bins and new software initiatives.

In accordance with Turner & Growers' property strategy two Auckland sites were sold during the year both resulting in gains on sale.

Outlook

Turners & Growers are forecasting strong outcomes for the 2014 ENZA apple season, and although it may not quite be to the level of the 2013 season, the prospects are still very encouraging.

With the new strategic direction approved by the Board, Turners & Growers' management is committed to further growing the company towards its global aspirations.

The major focus for 2014 is to continue to improve returns for all stakeholders of the Group, its partner growers, customers, staff and shareholders and to provide fresh and superior quality produce to consumers in New Zealand and around the globe. To help in realising the strategic aspirations of the business, Turners & Growers' staff were engaged in creating the purpose for the organisation:

Passion for freshness. Everyday. Everywhere.

The business is now embarking on an exciting phase as we align our people with our newly defined purpose and work hard to deliver our new strategy.

Alastair Hulbert
CHIEF EXECUTIVE OFFICER

Harald Hamster
CHIEF FINANCIAL OFFICER

Consumers in Belgium enjoying a 'Jazz™ break' on a hot day give their memory a work out

Getting ready to sample Jazz™ in Japan. Japanese consumers LOVE Jazz™ apples - the smile says it all

An impressive Jazz™ display at a retailer in North America

Jazz™ apples were a hit at the BBC Good Food Show in December

Jazz™ apples being sampled at a large Chinese retailer

2013 Corporate Governance

Role of the Board

The Board is the governing body of Turners & Growers Limited and all its wholly owned subsidiaries. It currently has eight members.

The Board is responsible to shareholders for the performance of the Company, including the setting of objectives and the strategies for achieving those objectives, identifying significant areas of business risk and implementing policies to deal with those risks, setting the overall policy framework and monitoring the continuing performance of the Company and its management. The Board also ensures that procedures are in place to provide effective internal financial control.

Responsibility for the day-to-day management of Turners & Growers is delegated by the Board to the Chief Executive Officer. The Board is committed to acting with integrity and expects high standards of behaviour and accountability from all staff members.

Board membership

There are no executive Directors. Within the eight Directors is a broad mix of skills and industry experience relevant to the guidance of the Company's businesses.

The Board has identified Mrs C.A. Campbell, Mr R.J. Campbell, Sir John Anderson and Mr J.S. Wilson as Independent Directors for the purposes of the NZSX listing rules.

New season NZ Jazz™ destined for Europe.

Conduct of the Board

The Board has adopted a formal code of ethics which sets out the expected standards of professional conduct of its members.

The Board meets at regular intervals and conducts its affairs to ensure matters can be discussed openly, frankly and confidentially. Any potential conflicts of interest relating to Directors are identified and disclosed. Any affected Director is usually not permitted to vote on any related matter where a conflict exists.

The Board operates a code of conduct that forbids Directors and other affected parties to deal in the Company's shares at any time when they are in possession of insider information and during periods which are deemed by the Board to be 'closed' periods. These closed periods customarily include the end of the six and twelve month reporting cycles, and until such time as profit announcements have been publicly disclosed. Closed periods include any additional period when the Board is engaged in matters that are likely to have an impact on the market value of the shares.

Board access to advice

All Directors have access to the advice and services of the Secretary to the Board and the Board has established a procedure whereby Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, with the prior approval of the Chairman.

Independent professional advice includes professional legal and financial advice, but excludes any advice on the personal interests of a Director.

The Board regularly invites key managers and executives to attend and present at Board meetings, and interaction with Directors is routinely encouraged.

Board committees

The Board has two constituted committees, the Finance, Risk & Investment Committee (FRIC) and the Human Resources Committee, both of which operate under Board approved charters.

The FRIC meets at least four times per year and is responsible for overseeing compliance with statutory financial regulations and related responsibilities, ensuring that effective systems of accounting and internal control are established and maintained, overseeing internal and external audit, and liaising with the Company's independent auditors. This committee is chaired by Mrs C.A. Campbell, and also comprises Sir John Anderson and Mr A. Helber. The FRIC members are given the opportunity to meet separately with the auditors as required.

The Human Resources Committee is responsible for ensuring that the Company's remuneration strategy, policies and practices reward fairly and responsibly with a clear link to the Company's strategic objectives and corporate and individual performance, and to assist the Board in succession planning for the CEO and senior management positions which identifies and targets individuals for development. This committee is chaired by Mr J.S. Wilson, and also comprises Mr R.J. Campbell and Mr M.R. Dossor.

The Board has not at this stage established a Nominations Committee owing to a belief that Director appointments are of such significance they should be a direct responsibility of the full Board. This matter is kept under review.

Interests register

Each Company in the Group is required to maintain an interests register in which particulars of certain transactions and matters involving the Directors must be recorded.

The interests registers for Turners & Growers Limited and its subsidiaries are available for inspection at its registered office.

Details of all matters that have been entered in the interests register by individual Directors during the year are outlined in the statutory information section of these accounts, and should be read in conjunction with the individual Directors' profiles.

Group management structure

The Group's organisational structure is focused on its four main operational activities being Domestic Markets, Exports, Processing and Growing Operations. These operations are managed separately with direct reporting to the Chief Executive Officer and to the Board which exercises overall control.

Risk identification and management

The Group has adopted a system of internal control, based on written procedures, policies and guidelines. To reinforce this, an internal audit function exists with reporting to the Board through the Finance, Risk & Investment Committee. The Board acknowledges it is responsible for the overall internal control framework. In discharging this responsibility the Board has in place a number of strategies designed to safeguard the Company's assets and interests and to ensure the integrity of reporting. Procedures are in place to identify areas of significant business risk and to remediate and effectively manage those risks. As required, the Board obtains advice from external advisors.

While the Board acknowledges that it is responsible for the overall control framework of the Group, it recognises that no cost effective internal control system will preclude all errors and irregularities.

Directors' and Officers' insurance

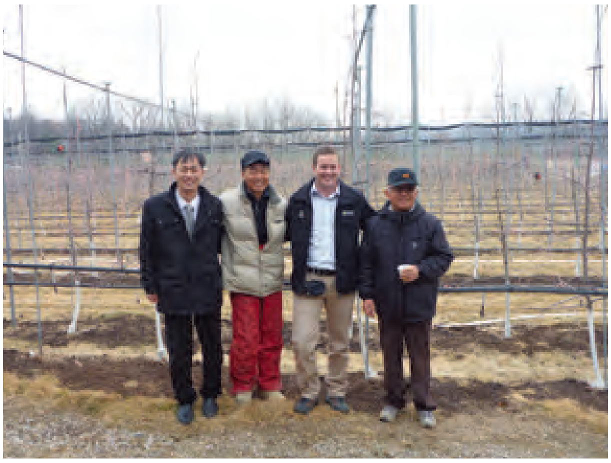
The Company has arranged Directors' and Officers' liability insurance covering Directors acting on behalf of the Company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for the Company. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulations or duty to the Company, improper use of information to the detriment of the Company or breach of professional duty.


beekist
Naturally divine

Growing our apples around the world


Turners & Growers Global Variety Development Manager Morgan Rogers with French growers.


Rick Derry (ENZAFruit North America) with impressive Jazz™ crop in Washington State USA.


Development of apple orchards with growers in South Korea.


Mechanical harvest of Jazz™ in France.


Chris Willett (ENZAFruit North America) with customer and grower partners on Pacific Rose™ orchard.


Marc Leprince (ENZAFruit Continent), Didier Groven (ENZAFruit Continent) and Gary Harrison (Worldwide Fruit UK) in Italian Jazz™ orchard.


ENZAFruit North America Team with sales and customer partners on Pacific Rose™ orchard in Washington State USA.

Scott and Jocelyn Montague promoting Jazz™ in Australia.

Statutory Information

Auditors

Details of payments to auditors are outlined in note 7 of the accounts.

Directors' loans

No Directors are in receipt of any loans from the Group.

Directors' remuneration

The following persons held office as Director during the year. Remuneration paid or accrued included incentive and severance payments, vehicles, superannuation and other benefits, where applicable. On top of fees, Directors also receive an annual $1,000 travel allowance.

12 months to 31 December 2013	**Group $'000**
Directors of Turners & Growers Limited	
K.J. Lutz	38
Sir J.A. Anderson	78
C.A. Campbell	88
R.J. Campbell	78
M.R. Dossor	78
A. Helber	30
Dr J. Krapf (Resigned as Director 11 February 2014)	30
J.S. Wilson	78

Directors and Officers composition

At 31 December 2013 the gender composition of the Groups' Directors and Officers was as follows:

	Male	**Female**
Directors	7	1
Officers	10	1

An Impressive ENVY™ display at a Lambs Thriftway store, Portland, Oregon.

Employees' remuneration

The Group paid remuneration including benefits to 108 employees (other than directors) during the twelve months in excess of $100,000, in the following bands:

12 months to 31 December $'000 NZD equivalent	**Number of employees 2013**	**2012**
100 – 110	**18**	22
110 – 120	**11**	10
120 – 130	**16**	11
130 – 140	**14**	16
140 – 150	**8**	6
150 – 160	**6**	5
160 – 170	**6**	8
170 – 180	**2**	4
180 – 190	**4**	2
190 – 200	**2**	3
200 – 210	**5**	7
210 – 220	**1**	1
220 – 230	**3**	3
230 – 240	**1**	–
250 – 260	**1**	–
260 – 270	**1**	–
270 – 280	**1**	2
280 – 290	**1**	–
290 – 300	**1**	1
300 – 310	**–**	1
310 – 320	**–**	2
320 – 330	**1**	–
340 – 350	**1**	–
360 – 370	**–**	2
370 – 380	**1**	2
390 – 400	**1**	1
400 – 410	**–**	1
460 – 470	**1**	–
500 – 510	**–**	1
510 – 520	**1**	–
520 – 530	**–**	1
590 – 600	**–**	1
690 – 700	**–**	2
Total	**108**	**115**

The current year total remuneration spread takes into account the impact of exchange rate movements on employees paid in foreign currencies.

Directors' shareholdings

Ordinary shares held by Directors and parties associated with Directors:

	Dec-12	Dec-13
M.R. Dossor	141,659	**141,659**
Sir John Anderson	30,000	**30,000**

As detailed above there were no share transactions during the year ended 31 December 2013 in which Directors held 'relevant interests'.

Indemnification and insurance of Directors and Officers

The Parent indemnifies all Directors named in this report, and current and former executive officers of the Group against all liabilities (other than to the Parent Company or member of the Group) which arise out of the performance of their normal duties as Director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance. The total cost of this insurance including Directors and officers of off-shore companies during the twelve months was $34,676 (2012: $36,762).

Information used by Directors

No member of the Board of Turners & Growers Limited, or any subsidiary, issued a notice requesting to use information received in their capacity as Director which would not otherwise have been available to them.

Interested transactions

No Directors disclosed the existence of any transactions with Turners & Growers Limited during the twelve months in which they held an interest other than those noted below:

(1) All transactions conducted by Turners & Growers Fresh Limited with Continental Fruit Limited (a member company of the Noboa Group) in which Mr L.A. Noboa Icaza is a senior executive, are interested transactions. Mr L.A. Noboa is an alternative Director for Mr M.R. Dossor.

Further details are provided in note 35 of the financial statements.

NZSX waiver from listing rule 5.2.3

During the year Turners & Growers Limited (TUR) held a waiver from NZSX Listing Rule 5.2.3 Spread that was granted in April 2012. NZSX Listing Rule ("Rule") 5.2.3 provides that an Issuer's securities will generally not be considered for quotation on the NZSX unless those securities are held by at least 500 members of the public holding at least 25% of the number of securities of that class issued, and those requirements are maintained, or NZSX is otherwise satisfied that the issuer will maintain a spread of security holders sufficient to ensure a sufficiently liquid market in the class of securities.

As BayWa Aktiengesellschaft, Bartel Holdings Limited and Tigers Ventures NZ Limited are not considered members of the public for the purpose of the listing rules, less than 25% of the quoted securities of TUR are held by members of the public and therefore the Company does not meet the requirements of Rule 5.2.3.

NZX granted TUR a waiver from listing rule 5.2.3 under the following conditions:

(a) The waiver, its conditions, and its effect on TUR's shareholders are disclosed in each annual report for the year upon which it was relied; and

(b) TUR notifies NZX if there are any material changes to its spread.

The waiver has the effect of ensuring security holders have a ready market to purchase or sell securities.

Substantial shareholders

The following information is given pursuant to Section 26 of the Security Markets Act 1988.

The following parties are recorded by the Company as at 21 February 2014 as Substantial Security Holders in the Company, and have declared the following relevant interests in voting securities under the Securities Markets Act 1988:

BayWa Aktiengesellschaft	85,497,789
Bartel Holdings Ltd (Noboa Group)	14,351,326
Tiger Ventures NZ Limited (Scales Corporation)	12,059,917

The total number of voting securities issued by the Company as at 21 February 2014 was 117,010,550.

Twenty largest shareholders

As at 21 February 2014

Name	Units	Percentage of issued capital
BayWa Aktiengesellschaft	85,497,789	73.07%
Bartel Holdings Limited	14,351,326	12.26%
Tiger Ventures NZ Limited	12,059,917	10.31%
D.W. Browne, J.F. Browne & M.R. Bangma	223,607	0.19%
R.B. Connell	210,486	0.18%
R.J. Turner, C.E. Turner, Redoubt Trustees & Evans Pennell Trustees	202,689	0.17%
S.J. Turner, C.M. Turner & D.H. Turner	184,008	0.16%
FNZ Custodians Limited	178,248	0.15%
M.R. Dossor	141,659	0.12%
L.R. Hotham	96,077	0.08%
P.J.S. Rowland	88,527	0.08%
ASB Nominees Limited	78,501	0.07%
S.A Dennehy	76,000	0.06%
M.C. Goodson, D.D. Perron, Goodson & Perron independent Trustee Limited	75,113	0.06%
R.A. Dennis	67,260	0.06%
G.J. King	58,591	0.05%
G. Merkulov	58,591	0.05%
Epic Trustees Limited	55,108	0.05%
E. M. Wood, L. A. Wood & B. L. Wood	53,237	0.05%
R. M. Scott	50,404	0.04%
Total 20 shareholders	**113,807,138**	**97.26%**

Spread of security holders

As at 21 February 2014

Range	Total holders	Percentage of total holders	Units	Percentage of issued capital
1 – 499	50	8.79%	12,447	0.01%
500 – 999	89	15.64%	64,768	0.06%
1,000 – 1,999	118	20.74%	162,177	0.14%
2,000 – 4,999	119	20.91%	372,905	0.32%
5,000 – 9,999	77	13.53%	554,073	0.47%
10,000 – 49,999	95	16.70%	1,987,042	1.70%
50,000 – 99,999	12	2.11%	807,409	0.69%
100,000 – 499,999	6	1.05%	1,140,697	0.97%
500,000 – 999,999	–	0.00%	–	0.00%
1,000,000 – above	3	0.53%	111,909,032	95.64%
Total	**569**	**100.00%**	**117,010,550**	**100.00%**

Domicile of shareholders

As at 21 February 2014

Location	Total holders	Percentage of total holders	Units
New Zealand	548	96.28%	31,359,404
Australia	13	2.28%	93,177
United States of America	1	0.18%	20,059
Italy	1	0.18%	14,700
Singapore	1	0.18%	10,000
Malaysia	1	0.18%	11,716
Bahrain	1	0.18%	2,000
Germany	1	0.18%	85,497,789
United Kingdom	1	0.18%	447
Hong Kong	1	0.18%	1,258
Total	**569**	**100.00%**	**117,010,550**

The New Zealand domiciled holdings include Bartel Holdings Limited whose ultimate shareholder is the Noboa Group of Ecuador.

Independent Auditor's Report

Deloitte.

To the shareholders of Turners & Growers Limited

Report on the Financial Statements

We have audited the financial statements of Turners & Growers Limited and group on pages 24 to 94, which comprise the consolidated and separate balance sheets of Turners & Growers Limited, as at 31 December 2013, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters 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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

Other than in our capacity as auditor, the provision of taxation advice, and technical accounting advice, we have no relationship with or interests in Turners & Growers Limited or any of its subsidiaries.

Independent Auditor's Report

Deloitte.

Opinion

In our opinion, the financial statements on pages 24 to 94:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of Turners & Growers Limited and group as at 31 December 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2013:

(i) we have obtained all the information and explanations we have required; and

(ii) in our opinion proper accounting records have been kept by Turners & Growers Limited as far as appears from our examination of those records.

Deloitte

Chartered Accountants
17 March 2014
Auckland, New Zealand

INCOME STATEMENTS

For the year ended 31 December 2013

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Revenue	5	**733,697**	669,137	**2,581**	3,185
Cost of sales		**(559,149)**	(503,780)	**–**	–
Gross profit		**174,548**	165,357	**2,581**	3,185
Other operating income	6	**9,848**	1,266	**124,743**	27,990
Administration expenses	7,8	**(21,947)**	(27,563)	**(47,813)**	(54,287)
Other operating expenses	7,8	**(136,557)**	(153,313)	**(674)**	(453)
Operating profit / (loss)		**25,892**	(14,253)	**78,837**	(23,565)
Financial expenses	9	**(6,242)**	(6,914)	**(7,618)**	(8,018)
Financial income	9	**467**	1,166	**2,830**	10,851
Net financing (expenses) / income		**(5,775)**	(5,748)	**(4,788)**	2,833
Share of profit from associates	24	**1,215**	367	**–**	–
Share of profit from joint ventures	25	**2,088**	1,580	**–**	–
Profit / (loss) before income tax		**23,420**	(18,054)	**74,049**	(20,732)
Income tax (expense) / credit	10	**(6,182)**	4,776	**3,376**	(1,366)
Profit / (loss) for the year from continuing operations		**17,238**	(13,278)	**77,425**	(22,098)
Attributable to:					
Equity holders of the Parent		**16,159**	(15,292)	**77,425**	(22,098)
Non-controlling interests		**1,079**	2,014	**–**	–
Profit / (loss) for the year		**17,238**	(13,278)	**77,425**	(22,098)
Earnings per share					
Basic and diluted earnings (in cents)	31	**13.8**	(13.1)		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Profit / (loss) for the year		**17,238**	(13,278)	**77,425**	(22,098)
Other comprehensive income / (expense)					
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of commercial land and improvements and buildings, net of tax	29	**–**	4,775	**–**	–
Gain on revaluation of orchard land and improvements, net of tax	29	**539**	2,624	**–**	–
Release of deferred tax on asset revaluation reserve due to sale of buildings	29	**625**	–	**–**	–
Share of associate's and joint venture's gain on revaluation of commercial land and improvements and buildings, net of tax	29	**–**	651	**–**	–
		1,164	8,050	**–**	–
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation reserve transferred to the income statement	29	**140**	–	**–**	–
Exchange differences on translation of foreign operations		**(2,323)**	(1,075)	**–**	–
Effective portion of changes in fair value of cash flow hedges, net of tax	29	**(846)**	2,028	**313**	(37)
Net change in fair value of cash flow hedges reclassified from equity to income statement	29	**(88)**	(1,433)	**18**	31
		(3,117)	(480)	**331**	(6)
Other comprehensive (expense) / income for the year		**(1,953)**	7,570	**331**	(6)
Total comprehensive income / (expense) for the year		**15,285**	(5,708)	**77,756**	(22,104)
Total comprehensive income / (expense) for the year is attributable to:					
Equity holders of the Parent		**14,316**	(7,790)	**77,756**	(22,104)
Non-controlling interests		**969**	2,082	**–**	–
		15,285	(5,708)	**77,756**	(22,104)

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2013

Group	Notes	Share capital $'000	Revaluation reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to equity holders of the Parent						
Balance at 1 January 2012		165,147	64,110	(175)	51,730	280,812	5,051	285,863
Comprehensive (expense) / income								
(Loss) / profit for the year		–	–	–	(15,292)	(15,292)	2,014	(13,278)
Other comprehensive income / (expense)								
Revaluation of commercial land and improvements and buildings	29	–	4,775	–	–	4,775	–	4,775
Revaluation of orchard land and improvements	29	–	2,624	–	–	2,624	–	2,624
Share of associate's and joint venture's revaluation of commercial land and improvements and buildings	29	–	651	–	–	651	–	651
Currency translation differences	29	–	–	(1,143)	–	(1,143)	68	(1,075)
Movement in cash flow hedge reserve	29	–	–	595	–	595	–	595
Total other comprehensive income / (expense)		–	8,050	(548)	–	7,502	68	7,570
Total comprehensive income / (expense)		–	8,050	(548)	(15,292)	(7,790)	2,082	(5,708)
Transactions with owners								
Dividends	30	–	–	–	–	–	(625)	(625)
Other		–	–	–	76	76	(76)	–
Total transactions with owners		–	–	–	76	76	(701)	(625)
Movement in share option reserve	32	–	–	(472)	472	–	–	–
Transfer from asset revaluation reserve due to asset disposal	29	–	(3,060)	–	3,060	–	–	–
Balance at 31 December 2012		165,147	69,100	(1,195)	40,046	273,098	6,432	279,530

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

STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2013

Group	Notes	Share capital $'000	Revaluation reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to equity holders of the Parent						
Balance at 1 January 2013		**165,147**	**69,100**	**(1,195)**	**40,046**	**273,098**	**6,432**	**279,530**
Comprehensive income / (expense)								
Profit for the year		–	–	–	16,159	16,159	1,079	17,238
Other comprehensive income / (expense)								
Revaluation of orchard land and improvements	29	–	539	–	–	539	–	539
Release of deferred tax on asset revaluation reserve due to sale of buildings	29	–	625	–	–	625	–	625
Foreign currency translation reserve transferred to the income statement	29	–	–	140	–	140	–	140
Currency translation differences	29	–	–	(2,213)	–	(2,213)	(110)	(2,323)
Movement in cash flow hedge reserve	29	–	–	(934)	–	(934)	–	(934)
Total other comprehensive income / (expense)		–	1,164	(3,007)	–	(1,843)	(110)	(1,953)
Total comprehensive income / (expense)		–	1,164	(3,007)	16,159	14,316	969	15,285
Transactions with owners								
Dividends	30	–	–	–	–	–	(572)	(572)
Changes in ownership interests in subsidiaries that do not result in loss of control:								
Acquisition of non-controlling interests' share in subsidiaries	23	–	–	–	(19,943)	(19,943)	(5,772)	(25,715)
Investment from non-controlling interest		–	–	–	–	–	143	143
Total transactions with owners		–	–	–	(19,943)	(19,943)	(6,201)	(26,144)
Movement in share option reserve	32	–	–	(19)	19	–	–	–
Transfer from asset revaluation reserve due to asset disposal	29	–	(9,668)	–	9,668	–	–	–
Balance at 31 December 2013		**165,147**	**60,596**	**(4,221)**	**45,949**	**267,471**	**1,200**	**268,671**

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

STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2013

Parent	Notes	Share capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2012		165,147	534	(29,417)	136,264
Comprehensive expense					
Loss for the year		–	–	(22,098)	(22,098)
Other comprehensive expense					
Movement in cash flow hedge reserve	29	–	(6)	–	(6)
Total other comprehensive expense		–	(6)	–	(6)
Total comprehensive expense		–	(6)	(22,098)	(22,104)
Movement in share option reserve	32	–	(472)	472	–
Balance at 31 December 2012		165,147	56	(51,043)	114,160
Balance at 1 January 2013		**165,147**	**56**	**(51,043)**	**114,160**
Comprehensive income					
Profit for the year		**–**	**–**	**77,425**	**77,425**
Other comprehensive income					
Movement in cash flow hedge reserve	29	**–**	**331**	**–**	**331**
Total other comprehensive income		**–**	**331**	**–**	**331**
Total comprehensive income		**–**	**331**	**77,425**	**77,756**
Movement in share option reserve	32	**–**	**(19)**	**19**	**–**
Balance at 31 December 2013		**165,147**	**368**	**26,401**	**191,916**

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

BALANCE SHEETS

As at 31 December 2013

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Current assets					
Cash and cash equivalents	12	**21,619**	15,994	**6,226**	4,193
Trade and other receivables	13	**87,039**	75,997	**78,014**	7,605
Inventories	14	**42,170**	43,103	**–**	–
Taxation receivable		**3,485**	3,498	**7,050**	4,390
Biological assets	17	**1,267**	1,111	**–**	–
Non-current assets classified as held for sale	16	**1,244**	16,712	**–**	–
Total current assets		**156,824**	156,415	**91,290**	16,188
Non-current assets					
Trade and other receivables	13	**2,012**	2,142	**583**	147,381
Available-for-sale investments	18	**325**	201	**7**	7
Biological assets	17	**21,633**	16,847	**–**	–
Property, plant and equipment	19	**250,773**	253,816	**–**	1,648
Investment properties	20	**–**	–	**–**	28,465
Intangible assets	21	**12,346**	12,960	**–**	5,391
Investments in subsidiaries	22	**–**	–	**263,027**	146,013
Investments in associates	24	**7,822**	7,708	**89**	89
Investments in joint ventures	25	**8,081**	8,606	**–**	–
Total non-current assets		**302,992**	302,280	**263,706**	328,994
Total assets		**459,816**	458,695	**354,996**	345,182
Current liabilities					
Trade and other payables	27	**91,351**	79,034	**87,309**	148,393
Interest bearing loans and borrowings	28	**789**	1,186	**–**	–
Total current liabilities		**92,140**	80,220	**87,309**	148,393
Non-current liabilities					
Trade and other payables	27	**6,611**	100	**5,771**	–
Interest bearing loans and borrowings	28	**71,864**	80,586	**70,000**	80,000
Deferred tax liabilities	26	**20,530**	18,259	**–**	2,629
Total non-current liabilities		**99,005**	98,945	**75,771**	82,629
Total liabilities		**191,145**	179,165	**163,080**	231,022
Net assets		**268,671**	279,530	**191,916**	114,160
Equity					
Share capital	29	**165,147**	165,147	**165,147**	165,147
Revaluation and other reserves	29,32	**56,375**	67,905	**368**	56
Retained earnings		**45,949**	40,046	**26,401**	(51,043)
Total equity attributable to equity holders of the Parent		**267,471**	273,098	**191,916**	114,160
Non-controlling interests		**1,200**	6,432	**–**	–
Total equity		**268,671**	279,530	**191,916**	114,160
Net tangible assets per share		**$2.19**	$2.28	**$1.64**	$0.93

K.J. Lutz
Director (Chairman)
17 March 2014

C.A. Campbell
Director (Chair of Finance, Risk & Investment Committee)
17 March 2014

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2013

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
Cash was provided from:					
Cash receipts from customers		**994,458**	960,787	**1,244**	472
Dividends received	6	**24**	49	**3**	3
Interest received		**377**	741	**145**	847
Income tax refund		**–**	–	**17**	88
Cash was disbursed to:					
Payments to suppliers and employees		**(960,873)**	(927,275)	**(27,269)**	(26,418)
Interest paid		**(5,859)**	(6,986)	**(4,436)**	(5,223)
Income taxes paid		**(3,083)**	(2,916)	**–**	–
Net cash generated by / (used in) operating activities	38	**25,044**	24,400	**(30,296)**	(30,231)
Cash flows from investing activities					
Cash was provided from:					
Dividends received from associates and joint ventures		**1,755**	2,029	**–**	–
Dividends received from subsidiaries		**–**	–	**7,737**	1,260
External loan repayments from suppliers, customers, associates and joint ventures		**1,012**	1,114	**117**	–
Proceeds from sale of property, plant and equipment		**20,183**	4,553	**44**	50
Advances from subsidiaries		**–**	–	**107,313**	50,637
Proceeds from sale of joint venture		**3,666**	–	**–**	–
Cash was disbursed to:					
Purchase of property, plant and equipment, biological assets and investment properties		**(14,000)**	(17,305)	**(533)**	(679)
Purchase of intangible assets	21	**(1,680)**	(1,256)	**(451)**	(557)
Purchase of available-for-sale investments	18	**(23)**	–	**–**	–
Purchase of non-controlling interests' share in subsidiaries	23	**(17,842)**	–	**(16,985)**	–
Advances to subsidiaries		**–**	–	**(54,913)**	(8,449)
Purchase of additional investment in joint venture		**(225)**	(199)	**–**	–
Net cash (used in) / generated by investing activities		**(7,154)**	(11,064)	**42,329**	42,262
Cash flows from financing activities					
Cash was provided from:					
Proceeds from bank term loans		**30,300**	29,400	**30,300**	29,400
Cash was disbursed to:					
Dividends paid to non-controlling interests	30	**(572)**	(625)	**–**	–
Bank commercial bill facility and term loan repayments		**(41,256)**	(38,480)	**(40,300)**	(39,400)
Net cash used in financing activities		**(11,528)**	(9,705)	**(10,000)**	(10,000)
Net increase in cash and cash equivalents		**6,362**	3,631	**2,033**	2,031
Foreign currency translation adjustment		**(737)**	(412)	**–**	–
Cash and cash equivalents at beginning of year		**15,994**	12,775	**4,193**	2,162
Cash and cash equivalents at end of year	12	**21,619**	15,994	**6,226**	4,193

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Turners & Growers Limited (the Company) is a company domiciled in New Zealand and listed on the New Zealand Stock Exchange. The consolidated financial statements of the Group for the year ended 31 December 2013 comprise the Company and its subsidiaries (the Group) and the Group's interest in associates and joint ventures.

As part of an initiative to simplify the Group's structure, on 1 October 2013 the properties held by the Parent were sold to subsidiaries within the Group, and on 1 November 2013 certain assets and liabilities within the Parent were sold to a subsidiary within the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit oriented entities. They also comply with International Financial Reporting Standards.

The significant NZ IFRS accounting policies are set out below and have been applied consistently to all periods presented in these consolidated financial statements. There have been no changes to accounting policies apart from the application of new standards adopted by the Group during the year as disclosed on page 40.

Basis of preparation

The Company is a registered company under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded to the nearest thousand.

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and financial position on a historical cost basis have been applied, with the exception of the following assets and liabilities stated at their fair value: commercial land and improvements and buildings, orchard land and improvements, derivative financial instruments, financial instruments classified as available-for-sale and biological assets.

These consolidated financial statements have been prepared on the basis of NZ IFRS standards currently on issue and effective at the annual reporting date, 31 December 2013.

These financial statements were authorised for issue by the Board of Directors on 17 March 2014. Neither the owners or others have the power to amend the financial statements after issue.

To ensure consistency with the current period, comparative figures have been restated where appropriate. The adjustments were to ensure the correct classification of financial statement line items. The adjustments made include:

Group

- Other operating income: The prior year reversal of the movement of $72,000 in the provision for receivables impairment and prior year dividend income of $49,000 have been reclassed to other operating income from administrative expenses and financial income respectively to correctly reflect the nature of the income (refer note 6).
- Property, plant and equipment: During the year, assets with a prior year carrying amount of $94.2 million that were in the 'Land and improvements' category were split between 'Commercial land and improvements' $46.7 million and 'Orchard land and improvements' $47.5 million to correctly reflect the nature and risks of the assets in each category (refer note 19).
- Trade and other payables: Reclassification of prior year non-current lease liabilities of $401,000 from trade and other payables to interest bearing loans and borrowings to correctly reflect the interest element of the liability (refer note 28).
- Biological assets: In the prior year, fair value movements from revaluation of agricultural produce at harvest were included in other operating expenses. During the year these fair value movements have been reclassified into cost of goods sold to reflect the fact that substantially all harvested produce has been sold. This has led to a reclassification of prior year costs of goods sold of $9.6 million and other operating expenses of $9.6 million. These reclassifications did not have any impact on the net profit reported in the prior year.

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with NZ IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests and the fair value of the acquirer's previously held interest (if any) over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The carrying amount of the Group's interest and the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiaries. The difference between fair value of any consideration paid or received and the amount by which the non-controlling interest is adjusted is recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

In the Parent financial statements investments in subsidiaries, associates and joint ventures are recorded at cost less impairment.

Associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or joint venture is initially recognised in the balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with NZ IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Amalgamation transactions

Under a business combination where entities under common control are amalgamated, the carrying values of the assets and liabilities of the entities are combined, with any gain or loss on amalgamation recognised in equity.

Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in New Zealand dollars (the presentation currency), which is the functional currency of the Parent.

(ii) Foreign operations

The assets and liabilities of all of the Group companies (none of which has a currency of a hyperinflationary economy) that have a functional currency that differs from the presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of these foreign operations are translated to New Zealand dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

(iii) Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to New Zealand dollars at foreign exchange rates ruling at the dates the fair value was determined.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions for the Group, have been identified as the Chief Executive Officer, the Chief Financial Officer, and the Chief Operating Officer for the Group.

Property, plant and equipment

(i) Initial recording

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except where certain assets have been revalued (commercial land and improvements, orchard land and improvements and buildings). The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets plus the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Revaluations

Commercial land and improvements, orchard land and improvements, and buildings are valued by independent registered valuers based on the price that would be received to sell the asset in an orderly transaction between market participants under current market conditions at the measurement date. The revaluations are conducted on a systematic basis across the Group so that the asset revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at balance date. Any increase in value that offsets a previous decrease in value of the same asset is charged to the income statement. Any other increase in value is recognised directly in other comprehensive income and accumulated in the asset revaluation reserve. Any decrease in value that offsets a previous increase in value of the same asset is charged against the revaluation reserve. Any other decrease in value is charged to the income statement.

(iv) Depreciation

Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight line basis so as to expense the cost of the assets, or the revalued amounts, to their expected residual values over their useful lives as follows:

Commercial land and improvements	15 – 50 years
Orchard land and improvements	15 – 50 years
Buildings	15 – 50 years
Plant and equipment	3 – 12 years
Motor vehicles	5 – 7 years
Hire containers	3 – 10 years
Glasshouses	33 years

The residual value and useful lives of the assets, if not insignificant, are reassessed annually.

Leased assets

(i) The Group is the lessee

The Group leases certain plant, equipment, commercial and orchard land and buildings. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the income statement in the periods of expected benefit.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

(ii) The Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred and the amount of any non-controlling interests and the fair value of acquired previously held interests (if any) over the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is recorded at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Patents, trademarks, brands and licences

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance date. Acquired patents, trademarks, brands and licenses are amortised over their anticipated useful lives of 10–25 years where they have a finite life.

Software assets, licences and capitalised costs of developing systems are recorded as intangible assets unless they are directly related to a specific item of hardware and recorded as property, plant and equipment, and are amortised over a period of 3–8 years.

Plant variety rights (PVR), and the related PVR sublicenses are recognised at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of acquiring the PVR over their useful lives, estimated at 10–25 years.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Other development expenditure is recognised in the income statement as an expense as incurred.

Investment properties

In the prior year, investment properties were disclosed in the Parent and not the Group as the Parent property portfolio was primarily leased to other Group companies. These properties are classified as property, plant and equipment in the Group. In the current year, the Parent investment properties have been sold to the companies within the Group that occupied the investment properties.

Investment properties are measured at fair value as determined by an independent valuer on a periodic basis. The fair value is determined based on the price that would be received to sell the properties in an orderly transaction between market participants at the measurement date. Any gains or losses arising from a change in fair value is recognised in the income statement as part of 'other operating income' or 'other operating expenses'.

Inventories

Inventories are stated at the lower of cost (first in, first out basis) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Biological assets

Biological assets are stated at fair value based on the assets' present location and condition less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all other costs that would be necessary to sell the assets.

The fair value of biological crops (tomatoes, apples, citrus, kiwifruit, blueberries) at or before the point of harvest is based on the value of the estimated market price of the volumes produced, net of harvesting costs. The fair value of trees and vines is based on the present value of expected net cash flows over the life of the asset discounted at a current market determined rate.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence of impairment may include indication that the debtors or group of debtors is experiencing significant financial difficulty, default in repayments, the probability that they will enter bankruptcy or receivership or liquidation and observable data indicating a measurable decrease in the estimated future cash flows. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in current liabilities in the balance sheet unless there is a right of offset and included as a component of cash and cash equivalents in the statement of cash flows.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that have a finite life and are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or group of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level with the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The discount rate used for the purposes of goodwill impairment testing is based on a calculated weighted average cost of capital, adjusted for risks specific to the cash flows expected from the goodwill assets. The weighted average cost of capital is based on the cost of debt and cost of equity weighted accordingly between the relative percentages of debt and equity. The cost of debt is the actual cost of debt and the cost of equity is calculated using the capital asset pricing model.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

Recoverable amount

The recoverable amount of assets is the greater of their net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a receivable is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of goodwill is not reversed.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs, except where otherwise stated, are recognised in the income statement in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Long-term employee benefits

The Group's net obligation in respect of long service leave and annual leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted.

(iii) Short-term employee benefits

Employee entitlements to salaries and wages and annual leave, to be settled within twelve months of the reporting date, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

(iv) Share based compensation

For the 2005 financial year the Group introduced an equity settled, share based compensation plan for the Chief Executive Officer. In 2006 this was extended to senior management. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance date the Group will revise the amount of options expected to become exercisable. The impact of the revision of original estimates, if any, will be recognised in the income statement, with a corresponding adjustment to equity.

If options lapse or are forfeited after they have vested, the amount recorded in the share option reserve is transferred to retained earnings.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Directors and notified to the Company's shareholders.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Trade and other payables

Trade and other payables are initially recognised at fair value and then subsequently measured at amortised cost.

Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within twelve months of the balance date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance date which are classified as non-current assets. Loans and receivables are included in 'trade and other receivables' in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are included as investments in the balance sheet. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance date.

Purchases and sales of investments are recognised on trade date the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method less any impairment. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity, except for foreign exchange movements on monetary assets, which are recognised in the income statement. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less the impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Financial guarantees

Financial guarantee contract liabilities are measured initially at fair value and, if not designated at fair value through profit or loss, are subsequently measured at the higher of the amount of the obligation under the contract as determined in accordance with NZ IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derivatives and hedging activities

The Group is party to the following financial derivatives:

– Forward foreign exchange rate contracts
– Interest rate swaps
– Foreign currency options

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. For the purposes of hedge accounting, hedges are classified as:

(1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects the profit and loss component of the statement of comprehensive income (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss component of the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss component of the statement of comprehensive income.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

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 as set out in note 36 (e).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts, returns, and Goods and Services Tax (GST).

(i) Goods sold and services rendered

Revenue comprises commission earnings and amounts received and receivable by the Group for goods and services supplied in the ordinary course of business. Revenue is stated net of GST collected from customers. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance date.

(ii) Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(iii) Rental income

Rental income is recognised in the income statement on a straight line basis net of incentives over the term of the lease.

(iv) Interest income

Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

(v) Dividend income

Dividend income is recognised on the date when the Group's right to receive payment is established.

Expenses

Net financing expenses

Net financing expenses comprise interest payable on borrowings (except those capitalised as directly attributable to the acquisition, construction or production of qualifying assets) calculated using the effective interest rate method, effective interest on long-term receivables, the interest element on finance lease liabilities, and interest receivable on funds invested.

Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and Services Tax (GST)

The income statement, statement of comprehensive income and statement of cash flows have been presented with all items exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Non-current assets held for sale

Non-current assets and disposal groups are classified as 'held for sale' if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as 'held for sale'. In addition the asset must be actively marketed for sale at a reasonable price in relation to its current fair value.

Immediately before classification as 'held for sale', the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable NZ IFRS. Then, on initial classification as 'held for sale', non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as 'held for sale' are included in the income statement to the extent that there is no corresponding revaluation reserve for that particular asset. The same applies to gains and losses on subsequent remeasurement.

Standards, amendments, and interpretations effective in 2013

There are no standards or interpretations that are effective for the first time this year that have had a material impact on the Group. The following standards and amendments have been adopted by the Group in the current year:

- **NZ IAS 27, 'Separate financial statements' (Revised).** The revised standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates where an entity elects to present separate financial statements. Application of this standard by the Group did not impact any of the amounts in the financial statements as the standard only deals with separate financial statements of the Parent. There was no impact on the Parent's financial statements.
- **NZ IAS 28, 'Investments in associates and joint ventures'.** Amendments to NZ IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. Application of this standard by the Group did not impact any of the amounts in the financial statements.
- **NZ IFRS 10, 'Consolidated financial statements'.** NZ IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Application of this standard by the Group did not impact any of the amounts in the financial statements.
- **NZ IFRS 11, 'Joint arrangements'.** NZ IFRS 11 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint ventures is no longer permitted. Application of this standard by the Group did not impact the classification of the Group's joint arrangements as joint ventures.
- **NZ IFRS 12, 'Disclosures of interests in other entities'.** NZ IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities, and other off balance sheet vehicles. Application of this standard by the Group did not impact on any amounts in the financial statements but has resulted in more extensive disclosures in the consolidated financial statements.
- **NZ IFRS 13, 'Fair value measurement'.** NZ IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across NZ IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within NZ IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NZ IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under NZ IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, NZ IFRS 13 includes extensive disclosure requirements. Other than the additional disclosures required by NZ IFRS 13, the application of this standard has not had any material impact on the amounts recognised in the financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

New standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the External Reporting Board in New Zealand (XRB) have been published that will be mandatory for the Group's accounting periods beginning on or after 1 January 2014. None of these standards have been early adopted by the Group. The relevant new standards, amendments and interpretations include:

- **NZ IFRS 9 'Financial Instruments'.** This addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009 and updated in October 2010. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement unless this creates an accounting mismatch.

  NZ IFRS 9 was also updated in 2013 amending the hedge accounting model. The key changes are:

  - a broadening of the risks eligible for hedge accounting
  - changes in the way forward contracts and derivative options are accounted for when in a hedge accounting relationship, which reduces profit or loss volatility
  - the effectiveness test has been replaced with the principle of an 'economic relationship' and retrospective assessment of effectiveness is no longer required
  - enhanced disclosures regarding an entity's risk management activities.

  The Group is yet to assess the full impact of NZ IFRS 9. NZ IFRS 9 is applicable for financial reporting periods beginning on or after 1 January 2017.

  There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as to future profitability of the relevant business units to which goodwill has been allocated and also to choose a suitable discount rate in order to calculate the present value of those cash flows (refer to note 21). The Directors believe the carrying amount of goodwill is supportable.

(ii) Valuation of commercial land and improvements and buildings

In accordance with its accounting policy the Group revalues its properties at least once every three years using independent valuers.

The most common and accepted methods for assessing the current fair value of a property are the direct capitalisation, discounted cash flow and sales / market comparison approaches. The direct capitalisation and discounted cash flow approaches derive a value based on market capitalisation rates applying to recent comparable transactions, contract rentals, expected future market rentals, maintenance requirements and appropriate discount rates. Under the sales / market comparison approach a value is determined utilising market based evidence and transactions for properties with similar locations, condition and quality of accommodation.

Other valuation methodologies have been adopted, where appropriate, to support the values identified by the above approaches and to validate those valuations where limited market based information is available. Further detail of the valuers used and approaches adopted is disclosed in note 19.

In accordance with its accounting policy, the Group has not revalued any of its commercial land and buildings in 2013. Changes in the estimates and assumptions underlying the valuation approaches adopted could have a material effect on the carrying amounts of the properties, with changes in value reflected either in other comprehensive income or through the income statement as appropriate in accordance with the Group's accounting policy.

(iii) Valuation of orchard land and improvements

The Group's policy is to revalue orchard land and improvements each year with valuations being performed by independent valuers.

The methods used for assessing the current market value of orchard land and improvements are similar to those used for assessing the fair value of commercial land and buildings. The valuers used and the valuation techniques are disclosed in note 19.

Changes in the estimates and assumptions underlying the valuation approaches could have a material effect on the carrying amounts of the properties, with changes in value reflected either in other comprehensive income or through the income statement as appropriate in accordance with the Group's accounting policy.

(iv) Valuation of biological assets

The Group's policy is to revalue biological assets each year with changes in fair value being recognised in the income statement. Fair value is determined by independent valuers using a discounted cash flow approach, the most common method of valuation used by the industry.

The discounted cash flow approach involves estimates as to future market pricing and expected levels of production, with an assessment made about the long-term future returns for each variety. Specifically, the valuations of Turners & Growers kiwifruit assets assume that future crops will be impacted by the PSA-V disease based on the pattern of viral spread observed overseas and within New Zealand. Due to a positive PSA-V result the valuer has adopted relatively high discount rates in the net present value model to reflect the PSA-V environment. Furthermore, the lemon tree values have been written down to nil due to concerns over the ongoing profitability of these operations.

Costs are based on current average costs and, where applicable, referenced back to industry standard costs. The costs are variable depending on the biological asset's location, planting, age and the varieties being assessed. A suitable discount rate has been determined in order to calculate the present value of those cash flows. The fair value of biological crops (tomatoes, apples, citrus, kiwifruit, and blueberries) at or before the point of harvest is based on the value of the estimated market price of the volumes produced, net of harvesting costs (refer to note 17).

As at 31 December 2013, the Group has recorded in the income statement an increase in the fair value of biological assets of $6.2 million (2012: decrease of $6.0 million). Changes in the estimates and assumptions supporting the valuations could have a material impact on the carrying value of biological assets and reported profit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(v) Crate return liability

The Group balance sheet includes a liability of $12.5 million (2012: $14.3 million) for FruitCase Company crate deposits from growers. The liability is adjusted annually for the write back of never-to-be-returned crates. During the year ended 31 December 2013, the calculation of the write back of never-to-be-returned crates was reviewed by the Group's management and revised. The revised methodology first determined that the best estimate of a useful life of a crate is fifteen years. A crate write-off rate based on a fifteen year useful life was then derived, and applied to the Group's pool of crates. The impact of the change in the methodology resulted in a one-off release of the crate liability to the income statement in 2013. Should the actual useful life of crates and non-return rates differ from the Group management's estimates then this could have a material impact on the carrying amount of the liability. If the useful life of crates changed by +/– one year, there would be a $652,000 decrease and $1.3 million increase respectively in the write back of never-to-be-returned crates.

(vi) Impairment of investment in subsidiaries in the Parent

During the year ended 31 December 2013, the reorganisation of the Group structure led to certain subsidiaries of the Parent being impaired. As a result of this, it was decided that the investments in the impaired subsidiaries be written down to their carrying value. This resulted in a $23.5 million (2012: $Nil) expense in the income statement of the Parent with no impact on the Group's results.

The following judgements have been made that materially impact the financial statements:

(vii) Classification of joint arrangements as joint ventures

The Group holds 50% of the voting rights in all of its joint arrangements and has joint control over its arrangements, as under the contractual agreements unanimous consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangements are structured as limited liability companies, where the legal form of the companies confers separation between the parties to the joint arrangement and the companies themselves. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, the arrangements are classified as joint ventures.

(viii) Significant influence over David Oppenheimer & Company I, L.L.C., and Mystery Creek Asparagus Limited

David Oppenheimer & Company I, L.L.C. (David Oppenheimer) and Mystery Creek Asparagus Limited are associates of the Group although the Group only owns a 15% ownership interest in David Oppenheimer and Mystery Creek Asparagus Limited. The Group has significant influence over David Oppenheimer as a member of the Group's management sits on the Board of Directors. As a result, David Oppenheimer is accounted for as an associate of the Group (refer note 24).

A member of the Group's management sits on the Board of Mystery Creek Asparagus Limited. As a result the Group is deemed to have significant influence over Mystery Creek Asparagus Limited and the company is accounted for as an associate of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business.

The Group has not reported segment assets and liabilities because this information is not regularly supplied to the chief operating decision-makers.

The chief operating decision-makers assess the performance of the operating segments based on earnings before interest, tax and the share of profit / (loss) of associates and joint ventures, referred to as operating profit / (loss).

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

No single external customer's revenue accounts for 10% or more of the Group's revenue.

Operating segments

The Group comprises the following main operating segments:

Domestic – includes Markets, FruitCase Company and Imports

Exports – includes Pipfruit Exports, Coolstorage, Fruit Packing, the Delica Group, Diversified Exports, Turners & Growers Fiji and offshore Pipfruit Investments

Processing – ENZAFoods New Zealand Limited

Growing operations – includes Pipfruit Orchards, Status Produce Limited, the Kerifresh Group, and Inglis Horticulture

Other – ENZACor Pty Limited, Transport, FloraMax and other investments

The segment information provided to the chief operating decision-makers for the reportable segments is as follows:

	Domestic $'000	Exports $'000	Processing $'000	Growing operations $'000	Other $'000	Total $'000
Year ended 31 December 2013						
Total segment revenue	**158,767**	**553,433**	**55,146**	**67,583**	**79,591**	**914,520**
Inter-segment revenue	**(8,705)**	**(138,104)**	**–**	**(22,816)**	**(11,198)**	**(180,823)**
Revenue from external customers	**150,062**	**415,329**	**55,146**	**44,767**	**68,393**	**733,697**
Depreciation	**4,471**	**3,819**	**2,584**	**3,258**	**622**	**14,754**
Amortisation	**770**	**681**	**40**	**230**	**224**	**1,945**
Impairment	**–**	**–**	**–**	**534**	**–**	**534**
Operating profit / (loss)	**3,626**	**15,608**	**(3,085)**	**6,692**	**3,051**	**25,892**
Year ended 31 December 2012						
Total segment revenue	152,997	421,870	57,261	59,909	75,254	767,291
Inter-segment revenue	(9,463)	(62,893)	(19)	(14,934)	(10,845)	(98,154)
Revenue from external customers	143,534	358,977	57,242	44,975	64,409	669,137
Depreciation	4,770	3,610	2,300	3,614	731	15,025
Amortisation	979	846	47	318	272	2,462
Impairment	60	3,080	–	863	129	4,132
Operating profit / (loss)	1,508	2,899	3,319	(22,835)	856	(14,253)

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENT INFORMATION (continued)

A reconciliation of operating profit / (loss) to profit / (loss) before tax is provided as follows:

	Group	
	2013	2012
	$'000	$'000
Operating profit / (loss) for reportable segments	**22,841**	(15,109)
Other segment's operating profit	**3,051**	856
Total segments operating profit / (loss)	**25,892**	(14,253)
Net financing expenses	**(5,775)**	(5,748)
Share of profit from associates	**1,215**	367
Share of profit from joint ventures	**2,088**	1,580
Profit / (loss) before tax	**23,420**	(18,054)

The Group is domiciled in New Zealand. The total revenues from external customers in New Zealand and other countries are:

Revenue from external customers		
New Zealand	**275,508**	261,900
Australia	**91,261**	88,737
Oceania other	**17,633**	15,945
Asia	**188,506**	161,305
Americas	**54,710**	43,331
Europe	**106,059**	97,642
Africa	**20**	277
	733,697	669,137

The total non-current assets other than financial instruments and deferred tax assets located in New Zealand and other countries are:

Total non-current assets		
New Zealand	**289,385**	287,935
Australia	**3,517**	4,119
Other countries	**7,753**	7,883
	300,655	299,937

5 TOTAL REVENUE AND GROSS TURNOVER

		Group		Parent	
		2013	2012	**2013**	2012
Revenue	Notes	**$'000**	$'000	**$'000**	$'000
Sales of goods – as principal		**643,467**	573,776	**–**	–
Commissions		**26,821**	32,185	**–**	–
Services		**57,935**	57,514	**162**	121
Royalties		**3,998**	3,923	**–**	–
Rental income		**1,476**	1,739	**–**	–
Rental income from investment property	35	**–**	–	**2,419**	3,064
Total revenue		**733,697**	669,137	**2,581**	3,185

Revenue from sales, commissions, services, royalties and rental income, as stated above, is determined in accordance with NZ IAS 18 'Revenue'.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 TOTAL REVENUE AND GROSS TURNOVER (continued)

	Group		Parent	
	2013	2012	**2013**	2012
Gross turnover	**$'000**	$'000	**$'000**	$'000
Sale of goods – as principal	**643,467**	573,776	**–**	–
Sale of goods – as agent	**299,260**	314,770	**–**	–
Services	**57,935**	57,514	**162**	121
Royalties	**3,998**	3,923	**–**	–
Rental income	**1,476**	1,739	**–**	–
Rental income from investment property	**–**	–	**2,419**	3,064
	1,006,136	951,722	**2,581**	3,185

The Group's gross turnover represents the gross value (excluding GST) at which produce and services have been sold by the Group as agents, plus revenue from other sources. It does not represent revenue as defined in NZ IAS 18 'Revenue'. The Group has decided to disclose gross turnover as it gives shareholders and interested parties a better appreciation of the size of Turners & Growers' operations.

6 OTHER OPERATING INCOME

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Net gain on disposal of property, plant and equipment		**1,204**	–	**–**	9
Net exchange gains		**471**	979	**8**	–
Gain on disposal of joint venture	25	**1,638**	–	**–**	–
Net fair value gain on derivative instruments		**106**	166	**–**	–
Net gain from changes in fair value of biological assets	17	**6,164**	–	**–**	–
Management fee received from subsidiaries	35	**–**	–	**21,955**	26,718
Reversal of unused provision for receivables impairment	13	**140**	72	**63,359**	–
Other dividend income		**24**	49	**3**	3
Dividends from / distributions of subsidiaries	35	**–**	–	**39,418**	1,260
Other		**101**	–	**–**	–
Total other operating income		**9,848**	1,266	**124,743**	27,990

7 ADMINISTRATION EXPENSES AND OTHER OPERATING EXPENSES

Administration expenses and other operating expenses include the following expenses:

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Depreciation					
Buildings	19	**3,562**	3,838	**–**	22
Hire containers	19	**1,242**	1,354	**–**	–
Land and improvements	19	**379**	246	**–**	–
Glasshouses	19	**733**	647	**–**	–
Plant and equipment	19	**7,707**	7,630	**413**	960
Motor vehicles	19	**730**	764	**1**	15
Orchard land and improvements	19	**401**	546	**–**	–
Amortisation of intangibles	21	**1,945**	2,462	**1,487**	2,128
Fair value adjustments of investment property	20	**–**	–	**–**	679
Net loss on revaluation of property, plant and equipment		**907**	8,170	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 ADMINISTRATION EXPENSES AND OTHER OPERATING EXPENSES (continued)

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Net exchange losses		**–**	–	**–**	61
Research and development		**1,609**	1,029	**–**	65
Rental expense on operating leases		**14,084**	10,834	**998**	466
Loss from changes in fair value of available-for-sale investments	18	**–**	158	**–**	–
Loss from changes in fair value of biological assets	17	**–**	6,044	**–**	–
Net loss on disposal of property, plant and equipment		**–**	1,320	**651**	–
Impairment of investment in subsidiaries	22	**–**	–	**23,452**	–
Impairment of glasshouses	19	**–**	383	**–**	–
Impairment of plant variety rights	21	**–**	3,080	**–**	–
Impairment of other intangibles	21	**–**	669	**–**	–
Impairment of non-current assets held for sale	16	**55**	–	**–**	–
Impairment of fruit inventory on leased vines	14	**479**	–	**–**	–
Inventory written off	14	**41**	80	**–**	–
Provision for receivables impairment	13	**177**	2,241	**658**	25,622
Receivables written off (not provided for)		**–**	56	**–**	–
Directors' fees		**497**	454	**497**	454
Auditors' fees					
Deloitte					
Audit of the financial statements		**488**	509	**95**	168
Taxation services		**123**	234	**105**	234
Other		**18**	–	**–**	–
Audit services – other auditors		**73**	70	**–**	–

Audit and tax services performed by Deloitte in 2013 comprise the following types of services:
- Audit of statutory financial statements for the Group, Parent and individual subsidiary companies, including offshore subsidiaries with local statutory audit requirements where Deloitte is the auditor.
- Providing advice on the Group's transfer pricing policies.
- Technical accounting advice.

During the year, subsidiaries of the Group also engaged other auditors to perform audit services:
- Burgess Hodgson provided services to ENZAFruit New Zealand (Continent) NV, 2013 fee: $23,700 (2012: $25,700)
- Ernst & Young provided services to ENZAFruit New Zealand (UK) Limited, 2013 fee: $16,000 (2012: $14,500)
- Moss Adams LLP provided services to ENZAFruit Products Inc, 2013 fee: $32,900 (2012: $29,400)

8 EMPLOYEE BENEFIT AND EXPENSE

Administration expenses and other operating expenses include the following expenses:

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Wages and salaries	**74,785**	67,785	**10,101**	9,281
Other employment costs	**11,964**	11,820	**2,248**	2,624
Contributions to defined contribution plans	**1,444**	979	**197**	118
Termination benefits	**450**	4,088	**450**	4,088
	88,643	84,672	**12,996**	16,111

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 NET FINANCING EXPENSES

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Financial expenses					
Interest expense on bank borrowings		**(5,873)**	(6,901)	**(4,536)**	(5,197)
Effective interest on long-term receivables		**(92)**	(13)	**–**	–
Effective interest on deferred consideration		**(218)**	–	**(218)**	–
Interest expense on intercompany borrowings	35	**–**	–	**(2,864)**	(2,821)
Interest on finance lease liabilities		**(59)**	–	**–**	–
Total financial expenses		**(6,242)**	(6,914)	**(7,618)**	(8,018)
Financial income					
Interest income		**403**	992	**150**	569
Interest income on intercompany balances	35	**–**	–	**2,616**	10,108
Net fair value gain on interest rate swap		**64**	174	**64**	174
Total financial income		**467**	1,166	**2,830**	10,851
Net financing (expenses) / income		**(5,775)**	(5,748)	**(4,788)**	2,833

10 INCOME TAX EXPENSE

		Group		Parent	
		2013	2012	**2013**	2012
Taxation on profit before tax	Notes	**$'000**	$'000	**$'000**	$'000
Income tax expense					
Current tax		**(3,453)**	(3,252)	**747**	(1,685)
Deferred tax	26	**(2,729)**	8,028	**2,629**	319
Total income tax (expense) / credit		**(6,182)**	4,776	**3,376**	(1,366)
Reconciliation of effective tax rate					
Profit / (loss) before tax		**23,420**	(18,054)	**74,049**	(20,732)
Income tax at 28%		**(6,558)**	5,055	**(20,734)**	5,805
Sale of non-depreciable buildings		**1,344**	–	**–**	–
Non-deductible items		**(223)**	(32)	**(287)**	(7,290)
Non-taxable items – provision for subsidiaries receivables impairment		**–**	–	**17,556**	–
Non-taxable items – impairment of investment in subsidiaries		**–**	–	**(6,567)**	–
Non-taxable items – intragroup dividends		**–**	–	**10,707**	–
Non-taxable items – other		**108**	738	**–**	(48)
Revaluation of property, plant and equipment		**(221)**	(577)	**–**	3
(Under) / over statement of prior year's provision		**(609)**	(141)	**(348)**	(248)
Deferred tax released on sale of assets to subsidiaries		**–**	–	**2,629**	–
Imputation credits / foreign tax credits		**440**	–	**329**	–
Other		**(463)**	(267)	**91**	412
Income tax (expense) / credit		**(6,182)**	4,776	**3,376**	(1,366)

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 IMPUTATION CREDITS

	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Imputation credit account				
Imputation credits available for use in subsequent reporting periods	**3,080**	1,521	**965**	506
	3,080	1,521	**965**	506

In the prior year, $3.2 million of imputation credits were forfeited due to BayWa's acquisition of a majority shareholding in the Group resulting in a breach of shareholder continuity.

12 CASH AND CASH EQUIVALENTS

	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Bank deposits and cash	**21,619**	15,994	**6,226**	4,193
	21,619	15,994	**6,226**	4,193

13 TRADE AND OTHER RECEIVABLES

	Notes	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Current					
Trade receivables (net of provision for receivables impairment)		**80,664**	69,614	**–**	259
Short-term loans		**249**	643	**–**	196
Prepayments		**2,604**	2,638	**241**	754
Derivative financial instruments	15	**874**	823	**331**	–
Owing by associates	35	**1,551**	857	**66**	66
Owing by joint ventures	35	**408**	1,078	**–**	–
Owing by subsidiaries (net of provision for receivables impairment)	35	**–**	–	**77,364**	6,045
GST and other taxes		**689**	344	**12**	285
		87,039	75,997	**78,014**	7,605
Non-current					
Trade receivables		**577**	577	**–**	–
Other receivables		**1,151**	1,230	**–**	–
Derivative financial instruments	15	**32**	–	**–**	–
Owing by associates	35	**252**	252	**–**	–
Owing by joint ventures	35	**–**	83	**–**	–
Owing by subsidiaries (net of provision for receivables impairment)	35	**–**	–	**583**	147,381
		2,012	2,142	**583**	147,381

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 TRADE AND OTHER RECEIVABLES (continued)

Analysis of movements in provision for irrecoverable trade and other receivables:

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Balance at 1 January		**2,304**	267	**63,359**	37,737
Reversal of unused provision for receivables impairment	6	**(140)**	(72)	**(63,359)**	–
Provision for receivables impairment	7	**177**	2,241	**658**	25,622
Receivables written off during the year as uncollectible		**(2,089)**	(132)	**–**	–
Balance at 31 December		**252**	2,304	**658**	63,359

During the year ended 31 December 2013, an amount of $1.9 million owing to the Group from a trading representative in China was deemed unrecoverable and written off. A provision for the full amount was recognised in the prior year and therefore there is no impact in the income statement for the write-off in 2013. There were no other material bad debts written off during the year ended 31 December 2013.

The Parent has released the $63.4 million provision for receivables impairment it had been holding from the prior year (shown as other operating income). This release was due to loans of $83.8 million to certain subsidiaries capitalised during the year as part of the amalgamation as described in note 22. As at 31 December 2013, the Parent has provided $658,000 for receivables from subsidiaries deemed to be unrecoverable.

14 INVENTORIES

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Raw materials and consumables	**8,747**	7,463	**–**	–
Finished goods and goods for sale	**33,423**	35,640	**–**	–
	42,170	43,103	**–**	–

The cost of inventories recognised as an expense and included in cost of sales amounted to $486 million (2012: $418 million). During the year, the Group wrote down inventories by $479,000 for an impairment on the valuation of fruit inventory on the Group's leased vines (2012: $Nil) and inventory write-offs of $41,000 (2012: $80,000) (refer note 7).

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Current assets					
Forward foreign exchange contracts – cash flow hedges		**281**	520	**1**	–
Forward foreign exchange contracts – held-for-trading		**230**	86	**–**	–
Foreign currency options – cash flow hedges		**33**	217	**–**	–
Interest rate swaps – cash flow hedges		**330**	–	**330**	–
	13	**874**	823	**331**	–
Non-current assets					
Forward foreign exchange contracts – cash flow hedges		**32**	–	**–**	–
	13	**32**	–	**–**	–
Current liabilities					
Forward foreign exchange contracts – cash flow hedges		**456**	16	**–**	–
Forward foreign exchange contracts – held-for-trading		**6**	119	**–**	–
Foreign currency options – cash flow hedges		**171**	–	**–**	–
Interest rate swaps – held-for-trading		**–**	65	**–**	64
	27	**633**	200	**–**	64
Non-current liabilities					
Forward foreign exchange contracts – cash flow hedges		**159**	–	**–**	–
Foreign currency options – cash flow hedges		**45**	–	**–**	–
	27	**204**	–	**–**	–

Instruments used by the Group

Derivative financial assets and liabilities are classified as current or non-current according to the underlying hedge relationship. Where an effective hedged item has a remaining maturity of more than twelve months it is classified as non-current.

Forward foreign exchange contracts

In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase AUD, USD, EUR, CAD and JPY currencies for the payment of produce imports. The Group has also entered into forward exchange contracts to sell AUD, USD, EUR, GBP and JPY currencies which it will receive for its export sales.

Foreign currency options

The Group will occasionally enter into foreign currency options to protect against exchange rate movements. These options will usually be to purchase AUD and USD currencies for the payment of produce imports, and to sell EUR, GBP, and USD currencies which it will receive for its export sales.

Interest rate swaps

The Group has entered into interest rate swaps to protect against the effect of interest rate movements on the interest expense associated with a portion of its long-term borrowings. The Group has contracted to pay a fixed rate of interest in return for receiving payments based on a variable rate of interest.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Commercial land and improvements	**–**	11,567	**–**	–
Orchard land and improvements	**821**	–	**–**	–
Buildings	**423**	5,145	**–**	–
	1,244	16,712	**–**	–

The Group's non-current assets held for sale were revalued to their fair value less costs to sell. This is a non-recurring fair value which has been measured in accordance with the Group's measurement techniques for commercial land and improvements, orchard land and improvements, and buildings (refer note 19).

(i) *644 Main Road, Riwaka*

In June 2013, the Group's management committed to sell the orchard land and building at 644 Main Road, Riwaka currently owned by ENZAFruit New Zealand International Limited. An upward valuation of $211,000 and an impairment loss of $15,000 for marketing costs was recognised on reclassification of the orchard land and buildings as held for sale at 31 December 2013. The sale of 644 Main Road was completed on 24 January 2014 for $370,000.

(ii) *644a Main Road, Riwaka*

In June 2013, the Group's management committed to sell the orchard land and building at 644a Main Road, Riwaka currently owned by ENZAFruit New Zealand International Limited. An upward valuation of $132,000 and an impairment loss of $10,000 for marketing costs was recognised on reclassification of the orchard land and buildings as held for sale at 31 December 2013. The sale of 644a Main Road was completed on 20 February 2014 for $250,000.

(iii) *Sandy's Block, Kerikeri*

In December 2013, the Group's management committed to sell the orchard land and buildings at Sandy's Block, Kerikeri currently owned by Turners & Growers Horticulture Limited. Efforts to sell the orchard land and buildings have commenced. An impairment loss of $30,000 for marketing costs was recognised on reclassification of the orchard land and buildings as held for sale at 31 December 2013.

17 BIOLOGICAL ASSETS

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Current					
Balance at 1 January		**1,111**	1,344	**–**	–
Capitalised costs		**27,088**	26,545	**–**	–
Change in fair value less costs to sell	6,7	**(251)**	423	**–**	–
Decrease due to harvest		**(26,681)**	(27,201)	**–**	–
Balance at 31 December		**1,267**	1,111	**–**	–
Non-current					
Balance at 1 January		**16,847**	30,276	**–**	–
Increase due to purchases		**892**	1,114	**–**	–
Capitalised costs		**14,947**	12,324	**–**	–
Transfer to inventory		**(1,038)**	–	**–**	–
Transfer to property, plant and equipment		**(803)**	–	**–**	–
Change in fair value less costs to sell – crop	6,7	**2,957**	(935)	**–**	–
Decrease due to harvest		**(15,605)**	(20,303)	**–**	–
Change in fair value less costs to sell – trees and vines	6,7	**3,458**	(5,532)	**–**	–
Decrease due to disposals		**(22)**	(97)	**–**	–
Balance at 31 December		**21,633**	16,847	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 BIOLOGICAL ASSETS (continued)

At 31 December the biological assets were as follows:

	Hectares planted owned		Hectares planted leased		Production owned		Production leased	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Tomatoes	**16**	20	**4**	–	**8,120,320**	8,858,037	**1,216,393**	–
Apples	**234**	234	**20**	20	**556,495**	478,915	**24,159**	9,400
Lemons	**78**	97	**5**	5	**1,528,815**	1,252,469	**85,417**	41,289
Navels	**–**	–	**20**	20	**–**	–	**758,358**	550,110
Mandarins	**54**	54	**16**	16	**1,488,742**	879,110	**301,980**	276,904
Kiwifruit	**63**	52	**31**	44	**479,003**	291,309	**372,206**	334,831
Blueberries	**11**	11	**–**	–	**5**	–	**–**	–

Production units:

- Tomatoes: kgs
- Apples: export tce (tray carton equivalent)
- Citrus (lemons, navels and mandarins): kgs for export, tag 1 and tag 2 grades
- Kiwifruit: class 1 trays
- Blueberries: kgs

The Group's biological assets are stated at valuations completed by either independent valuers or management, with reference to current valuations prepared for management and are adjusted to reflect the location, plantings, age and varieties of biological assets and productive capacities of the orchards.

Biological asset valuations undertaken by independent registered valuers were:

- Duke & Cooke Ltd – Inglis Horticulture Nelson orchards, ENZA Hastings apple orchards, and Wawata Motueka apple orchards
- Property Solutions (BOP) Ltd – Kerikeri kiwifruit, navel, mandarin, lemon, and blueberry orchards

All external valuers used are members of the New Zealand Institute of Valuers.

Biological asset valuations undertaken by management include the valuation of current assets, being the tomato crop, at Status Produce Limited.

Biological crop on leased land has only been valued up to the end of the lease term. Biological crop on leased vines have not been included in valuations of the Group's crop.

Biological assets are categorised as bearer biological assets and are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all other costs that would be necessary to sell the assets. In the majority of cases biological assets have been valued on an income approach (discounted cash flows) with reference back to underlying market based valuations for land and buildings, to ensure the total combined carrying value of biological assets and fixed assets are at fair value. The independent valuer uses valuation techniques which are inherently subjective and involve estimation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 BIOLOGICAL ASSETS (continued)

The following valuation assumptions have been adopted in determining the fair value of the Group's biological assets:

(a) Discount rates ranging between 13–35% have been used in discounting the present value of expected cash flows;

(b) Notional land rental costs have been included for freehold land;

(c) Orchards have been valued on a going concern basis;

(d) Inflation has been allowed on costs and revenues at rates of between 0–3%;

(e) Costs are based on current average costs and, where applicable, referenced back to industry standard costs. The costs are variable depending on the biological asset's location, planting, age and the varieties being assessed;

(f) Revenue is based on current pricing and expected levels of production, with an assessment made about the long-term future returns for each variety. Revenue is variable depending on the variety of the biological asset and represents the valuers and management's best judgement. The impact of changes in foreign exchange rates have been included in the forecast crop returns. The underlying price assumptions are as follows:

	Price range (before inflation)		
	2013	2012	
Tomatoes	**$1–$9**	$2–$5	kg
Apples	**$22–$33**	$19–$30	export tce (tray carton equivalent)
Citrus	**$1–$3**	$1–$4	kg
Kiwifruit	**$5–$12**	$6–$13	tray
Blueberries	**$5–$19**	–	kg

(g) Management have made assessments as to when the newly developed plantings will reach full production. Newly developed plantings are managed as part of the total plantings and therefore are not separately disclosed. The total average yield is dependant upon the variety of biological asset growth, as well as the underlying age and health of the biological assets;

(h) Two kiwifruit orchards owned by Turners & Growers in Kerikeri have been identified as having PSA-V. Strict processes have been put in place to contain the bacteria and the plants identified with PSA-V have been removed and destroyed. Ongoing close monitoring has been undertaken and there are no secondary symptoms at this stage. In addition, the growers in the Kerikeri region have had the benefit of learning from the Bay of Plenty region regarding the treatment of PSA-V infection, and are acting more decisively to outbreaks of the disease. Relatively high discount rates have been adopted in the net present value models which are reflective in part of the current PSA-V environment;

(i) The value placed on lemon trees this year has been reduced to zero due to concerns over the ongoing profitability of the lemon operation. The valuer has noted no improvements in volume or quality of the new variety of lemon tree rootstock for future production.

The fair value of biological crops (tomatoes, apples, citrus, kiwifruit, and blueberries) at or before the point of harvest is based on the value of the estimated market price of the volumes produced, net of harvesting costs.

The primary financial risk which the Group is exposed to in respect of agricultural activity occurs due to the length of time between the cash outflow on the purchase, planting and maintenance of trees and vines and the cost of harvesting the fruit and receiving the cash from the sale of the fruit to third parties. This risk includes exposure to adverse movements in foreign exchange rates arising from sales to parties located overseas.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 BIOLOGICAL ASSETS (continued)

The following table analyses the biological assets carried at fair value by valuation method as at 31 December 2013. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Fair value measurements at 31 December 2013		
	Level 1 $'000	Level 2 $'000	Level 3 $'000
Tomatoes	–	–	**1,267**
Apples	–	–	**14,065**
Citrus	–	–	**2,221**
Kiwifruit	–	–	**4,792**
Blueberries	–	–	**555**
	–	–	**22,900**

There were no transfers between levels during the year.

The following unobservable inputs were used to measure the Group's biological assets:

Description	Fair value at 31 December 2013 $'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Tomatoes	1,267	Estimated market price of volumes produced	Annual tomato yield – kgs per season and fruit type	47,000 kgs – 1,325,000 kgs	The higher the yield, the higher the fair value
			Annual gate price per kg per season and fruit type	$1.00 – $9.40	The higher the gate price, the higher the fair value
Apples	14,065	Discounted cash flow – Income approach	Apple yield – tonnes per hectare per annum	60 – 100 tonnes per hectare per annum	The higher the yield, the higher the fair value
			Export prices per TCE	$22.00 – $33.00	The higher the export price, the higher the fair value
			Discount rate	15% – 30%	The higher the discount rate, the lower the fair value
Citrus	2,221	Discounted cash flow – Income approach	Citrus yield per annum	21 – 1,500 tonnes per annum	The higher the yield, the higher the fair value
			Orchard gate price per tonne	$900 – $2,100 per tonne	The higher the gate price, the higher the fair value
			Discount rate	13% – 14%	The higher the discount rate, the lower the fair value

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 BIOLOGICAL ASSETS (continued)

Description	Fair value at 31 December 2013 $'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Kiwifruit	4,792	Discounted cash flow – Income approach	Kiwifruit yield – trays per hectare	4,800 – 11,600 trays per annum	The higher the yield, the higher the fair value
			Kiwifruit orchard gate price	$4.80 – $11.50 per tray	The higher the gate price, the higher the fair value
			Discount rate	13% – 35%	The higher the discount rate, the lower the fair value
Blueberries	555	Discounted cash flow – Income approach	Blueberry yield – kgs per hectare	3,000 – 19,998 kgs per hectare per annum	The higher the yield, the higher the fair value
			FOB rate per kg	$4.50 – $19.00 per kg	The higher the FOB rate price, the higher the fair value
			Discount rate	15% – 17%	The higher the discount rate, the lower the fair value

18 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Non-current				
Balance at 1 January	**201**	345	**7**	7
Shares issued	**23**	14	**–**	–
Fair value adjustment	**101**	(158)	**–**	–
Balance at 31 December	**325**	201	**7**	7

All available-for-sale investments are investments in companies whose shares are not listed but are publicly traded. The fair value is based on publicly available market data which indicates the price at which shares recently traded.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT

Group	Notes	Commercial land and improvements $'000	Orchard land and improvements $'000	Buildings $'000	Glasshouses $'000	Motor vehicles $'000	Hire containers $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
At 1 January 2012										
Cost or valuation		59,906	53,553	122,324	21,476	10,022	18,210	168,893	4,650	459,034
Accumulated depreciation and impairment		(680)	(2,528)	(13,530)	(7,154)	(7,050)	(14,772)	(137,803)	–	(183,517)
Carrying amounts		59,226	51,025	108,794	14,322	2,972	3,438	31,090	4,650	275,517
Movements in the year ended 31 December 2012										
Opening carrying amounts		59,226	51,025	108,794	14,322	2,972	3,438	31,090	4,650	275,517
Acquisitions		54	128	3,371	86	420	1,557	8,859	1,716	16,191
Reclassification to assets held for sale		(11,567)	–	(5,145)	–	–	–	–	–	(16,712)
Reclassifications		(1,021)	1,521	1,699	25	–	–	155	(2,379)	–
Disposals		(4,229)	(314)	(977)	–	(67)	–	20	(183)	(5,750)
Revaluations		4,351	(3,348)	1,352	–	–	–	–	–	2,355
Depreciation write-back on revaluation		156	(1,000)	(1,504)	–	–	–	–	–	(2,348)
Movement in foreign exchange		(7)	–	(4)	–	(10)	–	(8)	–	(29)
Depreciation charge	7	(246)	(546)	(3,838)	(647)	(764)	(1,354)	(7,630)	–	(15,025)
Impairment	7	–	–	–	(383)	–	–	–	–	(383)
		46,717	47,466	103,748	13,403	2,551	3,641	32,486	3,804	253,816
At 31 December 2012										
Cost or valuation		48,341	50,699	120,474	21,595	9,816	19,419	163,540	3,804	437,688
Accumulated depreciation and impairment		(1,624)	(3,233)	(16,726)	(8,192)	(7,265)	(15,778)	(131,054)	–	(183,872)
Carrying amounts		46,717	47,466	103,748	13,403	2,551	3,641	32,486	3,804	253,816

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Notes	Commercial land and improvements $'000	Orchard land and improvements $'000	Buildings $'000	Glasshouses $'000	Motor vehicles $'000	Hire containers $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
At 1 January 2013										
Cost or valuation		48,341	50,699	120,474	21,595	9,816	19,419	163,540	3,804	437,688
Accumulated depreciation and impairment		(1,624)	(3,233)	(16,726)	(8,192)	(7,265)	(15,778)	(131,054)	–	(183,872)
Carrying amounts		46,717	47,466	103,748	13,403	2,551	3,641	32,486	3,804	253,816
Movements in the year ended 31 December 2013										
Opening carrying amounts		46,717	47,466	103,748	13,403	2,551	3,641	32,486	3,804	253,816
Acquisitions		60	171	733	1,811	370	582	8,278	2,736	14,741
Reclassification from biological assets		–	732	–	–	–	–	174	(103)	803
Reclassification to assets held for sale		–	(821)	(416)	–	–	–	(7)	–	(1,244)
Reclassifications		5	116	387	(136)	(2)	(6)	(17)	(347)	–
Disposals		(2)	(10)	(374)	(1,405)	(60)	(31)	(308)	–	(2,190)
Revaluations		(1)	(5,365)	151	–	–	–	2	–	(5,213)
Depreciation write back on revaluation		–	4,755	85	–	–	–	1	–	4,841
Movement in foreign exchange		7	–	7	–	(31)	–	(10)	–	(27)
Depreciation charge	7	(379)	(401)	(3,562)	(733)	(730)	(1,242)	(7,707)	–	(14,754)
		46,407	46,643	100,759	12,940	2,098	2,944	32,892	6,090	250,773
At 31 December 2013										
Cost or valuation		47,484	46,941	122,692	19,250	9,997	19,470	167,523	6,090	439,447
Accumulated depreciation and impairment		(1,077)	(298)	(21,933)	(6,310)	(7,899)	(16,526)	(134,631)	–	(188,674)
Carrying amounts		46,407	46,643	100,759	12,940	2,098	2,944	32,892	6,090	250,773

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Notes	Commercial land and improvements $'000	Buildings $'000	Motor vehicles $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
At 1 January 2012							
Cost		127	952	146	18,432	15	19,672
Accumulated depreciation and impairment		(92)	(585)	(105)	(16,846)	–	(17,628)
Carrying amounts		35	367	41	1,586	15	2,044
Movements in the year ended 31 December 2012							
Opening carrying amounts		35	367	41	1,586	15	2,044
Acquisitions		–	48	–	600	19	667
Reclassifications		–	–	–	15	(15)	–
Other reclassifications		(34)	–	–	–	–	(34)
Depreciation charge	7	–	(22)	(15)	(960)	–	(997)
Disposals		–	–	(22)	(10)	–	(32)
		1	393	4	1,231	19	1,648
At 31 December 2012							
Cost		92	968	8	8,920	19	10,007
Accumulated depreciation and impairment		(91)	(575)	(4)	(7,689)	–	(8,359)
Carrying amounts		1	393	4	1,231	19	1,648
Movements in the year ended 31 December 2013							
Opening carrying amounts		**1**	**393**	**4**	**1,231**	**19**	**1,648**
Acquisitions		**–**	**–**	**–**	**404**	**77**	**481**
Depreciation charge	7	**–**	**–**	**(1)**	**(413)**	**–**	**(414)**
Disposals		**(1)**	**(393)**	**(3)**	**(1,222)**	**(96)**	**(1,715)**
		–	**–**	**–**	**–**	**–**	**–**
At 31 December 2013							
Cost		**–**	**–**	**–**	**–**	**–**	**–**
Accumulated depreciation and impairment		**–**	**–**	**–**	**–**	**–**	**–**
Carrying amounts		**–**	**–**	**–**	**–**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts where the Group is a lessee under finance lease

'Glasshouses' and 'Plant and equipment' includes the following amounts where the Group is a lessee under a finance lease:

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Cost capitalised finance lease	**3,114**	482	**–**	–
Accumulated depreciation	**(407)**	(42)	**–**	–
Carrying amounts	**2,707**	440	**–**	–

The Group leases glasshouses and other sundry equipment under non-cancellable finance lease agreements. The lease terms are between 3 and 6 years, and ownership of the assets lies within the Group.

(a) Valuations of commercial land improvements, orchard land and improvements and buildings

An independent valuation of the Group's commercial land and buildings was not carried out during the year ended 31 December 2013 as the Group carries out its revaluations once every three years. As at 31 December 2013, the Group received advice from an independent valuer that there were no indications of impairment for its commercial land and buildings. An independent valuation of the Group's orchard land and improvements was performed by valuers to determine the fair value of the orchard land and improvements as at 31 December 2013. In 2012, the following classes of assets were valued by independent valuers: commercial land and improvements, orchard land and improvements and buildings. The following table analyses property, plant and equipment carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Fair value measurements at 31 December 2013		
	Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**
Commercial land	**–**	**–**	**41,506**
Commercial improvements	**–**	**–**	**4,901**
Orchard land	**–**	**40,270**	**–**
Orchard improvements	**–**	**–**	**6,373**
Buildings	**–**	**–**	**100,759**
	–	**40,270**	**153,539**

There were no transfers between levels during the year.

Valuation information

The majority of commercial land and improvements and buildings were revalued in the prior year. Where valuations were not obtained for land and improvement and buildings, the carrying values of these assets were reassessed for any material change. Properties recorded at fair value were revalued in accordance with valuation reports of independent registered valuers.

All valuers used are members of the New Zealand Institute of Valuers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Property valuation summary

The table below presents the fair value of assets used in the most recent valuation and excludes any asset additions subsequent to the valuation date.

Property	Valuer	Valuation date	Principal valuation approach	Fair value 2013 $'000	Fair value 2012 $'000
220 Fryatt St, Dunedin	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**8,700**	8,700
2–8 Monahan Road, Mt Wellington*	CB Richard Ellis	Nov 2012	Direct capitalisation approach / discounted cash flow	**28,775**	35,940
2 Anderson Road, Whakatu (Commercial)	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**26,000**	26,000
39 Dakota Crescent, Christchurch	Telfer Young (Canterbury)	Oct 2011	Direct capitalisation approach	**8,380**	8,380
29 Stuart Road, Pukekohe	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**6,510**	6,510
Ettrick, State Highway 8, Millers Flat, Otago	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**2,675**	2,675
20 Mihaere Drive, Palmerston North	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**6,750**	6,750
24 Kaimiro Street, Hamilton	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**7,035**	7,035
484 Nayland Road, Stoke	Bayleys	Dec 2012	Direct capitalisation approach	**36,200**	36,200
42 & 60 Favona Road, Mangere**	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**–**	9,815
153 Harrisville Road, Tuakau	Telfer Young (Waikato)	Oct 2011	Market comparison approach	**2,850**	2,850
292 Harrisville Road, Tuakau	Telfer Young (Waikato)	Oct 2011	Market comparison approach	**1,570**	1,570
Trotter Road, Hastings	Duke & Cook	Dec 2013	Sales comparison approach / depreciated replacement cost approach	**1,868**	2,332
Evenden Road, Hastings	Duke & Cook	Dec 2013	Sales comparison approach / depreciated replacement cost approach	**3,356**	4,697
657 Main Road, Motueka***	Duke & Cook	Dec 2013	Sales comparison approach / depreciated replacement cost approach	**15,101**	16,823
Ormond Road, Twyford	Duke & Cook	Dec 2013	Sales comparison approach / depreciated replacement cost approach	**120**	120
2 Anderson Road, Whakatu (Orchard)	Duke & Cook	Dec 2013	Sales comparison approach / depreciated replacement cost approach	**941**	1,025
Kerikeri orchards***	Property Solutions	Dec 2013	Sales comparison approach / depreciated replacement cost approach	**25,967**	23,328
Kerikeri packhouse	Property Solutions	Dec 2012	Depreciated replacement cost approach	**5,810**	5,810
3800 Sint-Truiden, Belgium	Vangronsveld & Vranken	Mar 2012	Market comparison approach	**1,919**	1,919

* Excluded from the 2013 fair value is commercial land and buildings sold and leased back during the year under operating leases at 3 Monahan Road.

** 42 & 60 Favona Road properties were sold and leased back during the year under operating leases.

*** This valuation includes orchard land and improvements that have been designated as non-current assets held for sale (refer note 16).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Discounted cash flow

This approach is based on the future projection of rental income cash flows discounted back to their present value.

Discount rates applied range from 9.0% – 14.0% (2012: 9.0% – 14.0%).

Terminal yield rates applied range from 7.8% – 13.5% (2012: 7.8% – 13.5%).

Investment horizon is 11 years (2012: 11 years).

Rental growth estimated at 1.5% – 3.8% per annum (2012: 1.5% – 3.8%).

Direct capitalisation approach

This approach capitalises the actual contract and / or potential income at an appropriate market derived rate of return.

Capitalisation rates applied range from 7.3% – 12.5% (2012: 7.3% – 12.5%).

Sales / Market comparison approach

This approach analyses comparable sales evidence to a sale price per square metre of floor area and makes adjustment to these rates to reflect differences in the location, size and quality of the buildings, together with an adjustment for any market movement since the sales occurred.

Depreciated replacement cost approach

This approach involves assessing the replacement cost of building and site improvements, adjusting this cost for depreciation and any obsolescence and the market value of land.

Carrying amounts that would have been recognised if land and buildings were stated at cost

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Commercial land and improvements				
Cost	**20,750**	20,578	**–**	–
Accumulated depreciation and impairment	**(4,077)**	(3,564)	**–**	–
Carrying amounts	**16,673**	17,014	**–**	–
Orchard land and improvements				
Cost	**63,951**	63,747	**–**	–
Accumulated depreciation and impairment	**(17,925)**	(17,120)	**–**	–
Carrying amounts	**46,026**	46,627	**–**	–
Buildings				
Cost	**107,815**	105,896	**–**	–
Accumulated depreciation and impairment	**(33,222)**	(30,529)	**–**	–
Carrying amounts	**74,593**	75,367	**–**	–

Security

At 31 December 2013 the Group provides first ranking mortgages over landed property assets. All other assets of wholly owned subsidiaries are subject to a first ranking debenture to secure bank loans (refer note 28).

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 INVESTMENT PROPERTIES

	Notes	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Balance at 1 January		**–**	–	**28,465**	29,132
Acquisitions		**–**	–	**–**	12
Disposals		**–**	–	**(28,465)**	–
Fair value adjustments	7	**–**	–	**–**	(679)
Balance at 31 December		**–**	–	**–**	28,465

Valuation information

During the year, investment properties held by the Parent were sold to subsidiaries within the Group at fair value.

Security

At 31 December 2013 the Group provides first ranking mortgages over all landed property assets. All other assets of wholly owned subsidiaries are subject to a first ranking debenture to secure bank loans (refer note 28).

In the prior year, investment property comprised a number of commercial properties that were leased to subsidiaries. Subsequent renewals were negotiated with the lessee and no contingent rents were charged.

21 INTANGIBLE ASSETS

Group	Notes	Goodwill $'000	Software $'000	Brands $'000	Plant variety rights $'000	Other intangibles $'000	Total $'000
At 1 January 2012							
Cost		6,757	21,399	6,396	3,668	650	38,870
Accumulated amortisation		–	(14,059)	(6,090)	(625)	(48)	(20,822)
Carrying amounts		6,757	7,340	306	3,043	602	18,048
Movements in the year ended 31 December 2012							
Opening carrying amounts		6,757	7,340	306	3,043	602	18,048
Acquisitions		–	1,206	–	50	–	1,256
Disposals		–	(11)	–	–	(15)	(26)
Effect of movement in foreign exchange		(100)	(7)	–	–	–	(107)
Amortisation charge	7	–	(2,274)	(201)	36	(23)	(2,462)
Impairment	7	–	–	(105)	(3,080)	(564)	(3,749)
		6,657	6,254	–	49	–	12,960
At 31 December 2012							
Cost		6,657	16,584	6,396	3,717	635	33,989
Accumulated amortisation and impairment		–	(10,330)	(6,396)	(3,668)	(635)	(21,029)
Carrying amounts		6,657	6,254	–	49	–	12,960

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 INTANGIBLE ASSETS (continued)

Group	Notes	Goodwill $'000	Software $'000	Brands $'000	Plant variety rights $'000	Other intangibles $'000	Total $'000
Movements in the year ended 31 December 2013							
Opening carrying amounts		**6,657**	**6,254**	**–**	**49**	**–**	**12,960**
Acquisitions		**–**	**1,648**	**–**	**24**	**8**	**1,680**
Disposals		**–**	**(1)**	**–**	**–**	**–**	**(1)**
Effect of movement in foreign exchange		**(331)**	**(17)**	**–**	**–**	**–**	**(348)**
Amortisation charge	7	**–**	**(1,945)**	**–**	**–**	**–**	**(1,945)**
		6,326	**5,939**	**–**	**73**	**8**	**12,346**
At 31 December 2013							
Cost		**6,326**	**18,220**	**6,396**	**3,741**	**643**	**35,326**
Accumulated amortisation and impairment		**–**	**(12,281)**	**(6,396)**	**(3,668)**	**(635)**	**(22,980)**
Carrying amounts		**6,326**	**5,939**	**–**	**73**	**8**	**12,346**

Parent	Notes	Software $'000	Total $'000
At 1 January 2012			
Cost		19,235	19,235
Accumulated amortisation		(12,262)	(12,262)
Carrying amounts		6,973	6,973
Movements in the year ended 31 December 2012			
Opening carrying amounts		6,973	6,973
Acquisitions		557	557
Disposals		(11)	(11)
Amortisation charge	7	(2,128)	(2,128)
		5,391	5,391
At 31 December 2012			
Cost		13,805	13,805
Accumulated amortisation		(8,414)	(8,414)
Carrying amounts		5,391	5,391
Movements in the year ended 31 December 2013			
Opening carrying amounts		**5,391**	**5,391**
Acquisitions		**451**	**451**
Disposals		**(4,355)**	**(4,355)**
Amortisation charge	7	**(1,487)**	**(1,487)**
		–	**–**
At 31 December 2013			
Cost		**–**	**–**
Accumulated amortisation		**–**	**–**
Carrying amounts		**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 INTANGIBLE ASSETS (continued)

The amortisation charge is recognised in 'administration expenses' in the income statement.

(a) Brands

Brands include the value of the ENZA brand and were fully amortised at 31 December 2013 (2012: $Nil). The value of the ENZA brand was determined by an independent valuation, dated 17 April 2002. This asset was amortised within the Group using the straight line method over a ten year period from 2002 – 2012.

(b) Impairment tests for goodwill

Goodwill relates to the acquisition of Status Produce and the Delica Group (including Delica Australia, Delica North America and Fresh Food Exports 2011). Accordingly these entities are the cash-generating units to which the total amount of goodwill is allocated (Status 18%, Delica Group 82%). The recoverable amounts are based on value-in-use calculations. The calculation uses cash flow projections based on budgets approved by management to December 2014, and a discount rate of 10.8% (2012: 10.8%) which approximates the Group's weighted average cost of capital. Cash flows beyond December 2014 have been extrapolated using a steady growth rate of 2% (2012: 2%) (a conservative growth factor based on long-term CPI). The calculation supports the carrying amount of the recorded goodwill. Management believes that any reasonable change in the key assumptions used in the calculation would not cause the carrying amount to exceed its recoverable amount.

(c) Plant variety rights (PVR)

In September 2009 the Group purchased the sublicences to Hong Yang kiwifruit which cover a number of territories globally, specifically excluding the UK and China. The purchase of the PVR sublicences gives the Group the exclusive right to propagate and distribute Hong Yang kiwifruit in those territories.

In August 2006 the Group purchased rights to ENZAGold™ kiwifruit. The purchase of the PVR sublicences gives the Group the exclusive right to propagate and distribute this kiwifruit globally.

Due to the spread of PSA-V throughout the New Zealand kiwifruit industry, the Directors have decided that the Hong Yang and ENZAGold™ kiwifruit plant variety right sublicences are impaired. These had been impaired in the prior year and resulted in a $3.1 million expense in the Group income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2.

Name of entity	Principal activity	Location	Interest held by Group 2013	2012
Aeneid Thirteen Limited***	Property holdings	New Zealand	–	100%
Delica Limited*	Fruit export	New Zealand	**100%**	70%
Delica Australia Pty Limited*	Fruit export	Australia	**100%**	60%
Delica Domestic Pty Limited*	Fruit and produce wholesale distributors	Australia	**100%**	49%
Delica North America Limited**	Fruit export	United States of America	**75%**	53%
EFL Holdings Limited	Non-trading	New Zealand	**100%**	100%
ENZA Finance Limited***	Investment company	New Zealand	–	100%
ENZA Fresh, Inc.	Pipfruit promotion	United States of America	**100%**	100%
ENZA Group Services Limited***	Investment company	New Zealand	–	100%
ENZA Investments USA, Inc.	Property holdings	United States of America	**100%**	100%
ENZA Limited	Pipfruit export	New Zealand	**100%**	100%
ENZA Orchards Limited***	Horticulture operations	New Zealand	–	100%
ENZA Pipfruit Limited***	Pipfruit export	New Zealand	–	100%
ENZA Commercial Holdings Limited***	Non-trading	New Zealand	–	100%
ENZASunrising (Holdings) Limited	Non-trading	Hong Kong	**51%**	51%
ENZACOR Pty Limited	Fruit by-product broking	Australia	**100%**	100%
ENZAFOODS International Limited	Investment company	New Zealand	**100%**	100%
ENZAFOODS New Zealand Limited	Apple juice concentrate production	New Zealand	**100%**	100%
ENZAFRUIT (Hong Kong) Limited	Non-trading	Hong Kong	**100%**	100%
ENZAFRUIT Marketing Limited	Pipfruit marketing	New Zealand	**100%**	100%
ENZAFRUIT New Zealand (Continent) NV	Pipfruit marketing	Belgium	**100%**	100%
ENZAFRUIT New Zealand (UK) Limited	Investment company	United Kingdom	**100%**	100%
ENZAFRUIT New Zealand International Limited***	Horticulture operations	New Zealand	**100%**	100%
ENZAFRUIT Peru S.A.C	Horticulture operations	Peru	**100%**	–
ENZAFRUIT Products Inc.	Fruit variety development and propagation	United States of America	**100%**	100%
ENZAPak Limited	Non-trading	New Zealand	**100%**	100%
ENZATree Limited***	Fruit variety development and propagation	New Zealand	–	100%
Fresh Food Exports 2011 Limited**	Fruit export	New Zealand	**75%**	53%
Fruit Distributors Limited	Investment company	New Zealand	**100%**	100%
Frutesa	Non-trading	Cayman Islands	**100%**	100%
Frutesa Chile Limitada	Non-trading	Chile	**100%**	100%
Horticultural Access Solutions Limited	Investment company	Australia	**47%**	47%
Horticultural Corporation of New Zealand Limited	Non-trading	New Zealand	**100%**	100%
Inglis Horticulture Limited***	Horticulture operations	New Zealand	–	100%
Invercargill Markets Limited	Non-trading	New Zealand	**100%**	100%
Kerifresh Growers Trust 2013****	Non-trading	New Zealand	**69%**	–
Kerifresh Growers Trust 2012****	Non-trading	New Zealand	**63%**	63%
Kerifresh Growers Trust 2011****	Non-trading	New Zealand	**60%**	60%

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 INVESTMENTS IN SUBSIDIARIES (continued)

Name of entity	Principal activity	Location	Interest held by Group 2013	2012
Kerifresh Growers Trust 2010****	Non-trading	New Zealand	**72%**	72%
Safer Food Technologies Limited	Investment company	New Zealand	**100%**	100%
Status Produce Limited	Horticulture operations	New Zealand	**100%**	100%
Status Produce Favona Road Limited	Leased property holding	New Zealand	**100%**	–
Taipa Water Supply Limited	Water supply	New Zealand	**65%**	65%
Turners & Growers Fiji Limited	Fruit export	Fiji	**70%**	70%
Turners & Growers Fresh Limited	Fruit and produce wholesale distributors	New Zealand	**100%**	100%
Turners & Growers Horticulture Limited	Horticulture operations	New Zealand	**100%**	100%
Turners & Growers New Zealand Limited	Shared services company	New Zealand	**100%**	–

* During the year, the Group purchased the remaining shares held by non-controlling interests in these entities. Refer note 23 for details.

** The shareholdings in these entities have increased due to the purchase of the remaining shares held by non-controlling interests in Delica Limited.

*** On 1 November 2013 Aeneid Thirteen Limited and ENZA Group Services Limited were amalgamated with Turners & Growers Fresh Limited and ENZA Limited respectively. On 1 December 2013 ENZAFRUIT New Zealand International Limited, ENZA Tree Limited, ENZA Commercial Holdings Limited, ENZA Finance Limited, ENZA Pipfruit Limited, and Inglis Horticulture Limited were amalgamated with ENZA Orchards Limited. The new amalgamated company is named ENZAFRUIT New Zealand International Limited.

All the above amalgamations were carried out by way of short form amalgamation under section 222 of the Companies Act 1993. Upon amalgamation the amalgamated company succeeds to all the property, rights, powers, privileges, liabilities, and obligations of each of the amalgamating companies.

**** The Kerifresh Growers Trusts have been accounted for as subsidiaries, as the Group has the majority of voting rights in the Trusts, and hence control in substance.

Interests in subsidiaries

	Parent 2013 $'000	2012 $'000
Share in subsidiaries	**263,027**	146,013

The balance date of all subsidiaries is 31 December.

The Parent's investment in subsidiaries comprises shares at cost less impairment. Details of impairment losses recorded during the year are provided in note 3(vi) and note 7.

The cash-generating units (CGU), for which the impairment losses relate to, are identified as follows:

Cash-generating unit	Operating segment	Impairment loss 2013 $'000
Turners & Growers New Zealand Limited	Other	**100**
ENZA Limited	Exports	**2,475**
Turners & Growers Horticulture Limited	Growing operations	**20,877**
		23,452

There were no impairment losses identified on these cash-generating units in the prior year.

None of the Group's non-wholly owned subsidiaries have material non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 ACQUISITION OF NON-CONTROLLING INTEREST IN SUBSIDIARIES

	Group	
	2013	2012
	$'000	$'000
Carrying amount of non-controlling interests acquired	**5,772**	–
Consideration paid to non-controlling interests	**(17,842)**	–
Repayment of loans by Delica Limited directors	**(582)**	–
Deferred consideration (present value)	**(7,291)**	–
Net effect in equity	**(19,943)**	–

(i) Delica Limited

On 31 May 2013, the Group acquired the remaining 30% of the issued shares of Delica Limited for a purchase price of $25.8 million. The carrying amount of the non-controlling interests in Delica Limited on the date of acquisition was $5.1 million. The Group derecognised non-controlling interests of $5.1 million and recorded a decrease in equity attributable to owners of the Group of $19.7 million.

(ii) Delica Domestic Pty Limited

On 5 August 2013, the Group acquired the remaining 25% of the issued shares of Delica Domestic Pty Limited for a purchase price of $31,717. The carrying amount of the non-controlling interests in Delica Domestic Pty Limited on the date of acquisition was $23,481. The Group derecognised non-controlling interests of $23,481 and recorded a decrease in equity attributable to owners of the Group of $8,236.

(iii) Delica Australia Pty Limited

On 20 November 2013, the Group acquired the remaining 15% of the issued shares of Delica Australia Pty Limited for a purchase price of $825,059. The carrying amount of the non-controlling interest on the date of acquisition was $607,556. The Group derecognised non-controlling interests of $607,556 and recorded a decrease in equity attributable to owners of the Group of $217,503.

24 INVESTMENTS IN ASSOCIATES

Due to the purchase of the remaining non-controlling interest in Delica Limited, the Group's share in its associate Mystery Creek Asparagus Limited has increased from 10% to 15% (refer note 3 for further details).

Set out below are the associates of the Group as at 31 December 2013 which, in the opinion of the Directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates 2013 and 2012:

Name of entity	Place of business / country of incorporation	% of ownership interest	Principal activity	Measurement method
David Oppenheimer & Company I, L.L.C.	United States of America	15%	Produce wholesale distributors	Equity
McKay Shipping Limited	New Zealand	25%	Transport	Equity

The balance date of both the above associates is 31 December.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information for associates

Set out below is the summarised financial information for David Oppenheimer & Company I, L.L.C. and McKay Shipping Limited which are accounted for using the equity method.

	David Oppenheimer & Company I, L.L.C.		McKay Shipping Limited	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Summarised balance sheets				
Total current assets	**91,920**	82,820	**2,406**	2,465
Total current liabilities	**(86,499)**	(79,055)	**(2,256)**	(2,474)
Total non-current assets	**463**	480	**7,482**	6,142
Total non-current liabilities	**–**	–	**(240)**	(490)
Net assets	**5,884**	4,245	**7,392**	5,643
Summarised income statements				
Revenue	**584,079**	528,975	**7,264**	6,324
Depreciation and amortisation	**(126)**	(135)	**(71)**	(73)
Interest expense	**(383)**	(285)	**–**	–
Profit and comprehensive income	**5,760**	3,814	**2,748**	1,989
Dividends received from associates	**(459)**	(642)	**(250)**	(750)
The Group's share of profit from continuing operations	**864**	572	**687**	497

The information above reflects the amounts presented in the financial statements of the associates (and not Turners & Growers' share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Reconciliation of the above summarised information to the carrying amount of the Group's interest in material associates recognised in the consolidated financial statements:

	David Oppenheimer & Company I, L.L.C.		McKay Shipping Limited	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Net assets of the associate	**5,884**	4,245	**7,392**	5,643
Interest in associate	**883**	637	**1,848**	1,411
Other adjustments	**580**	398	**–**	–
Carrying amount of ownership interest	**1,463**	1,035	**1,848**	1,411

	2013	2012
Aggregate information of the Group's associates:	**$'000**	$'000
Aggregate information of associates that are not individually material:		
The Group's share of loss from continuing operations	**(336)**	(702)
The Group's share of other comprehensive expense	**–**	(440)
The Group's share of total comprehensive expense in not individually material associates	**(336)**	(1,142)
Aggregate carrying amount of the Group's interest in not individually material associates	**4,511**	5,262
Aggregate carrying amount of the Group's interest in material associates	**3,311**	2,446
Total carrying amount of the Group's interest in associates	**7,822**	7,708

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 INVESTMENTS IN JOINT VENTURES

On 23 May 2013 the Group's investment in its joint venture Fruitmark NV/SA was sold for $3.7 million with a gain on sale of $1.6 million recorded in the income statement.

Due to the purchase of the remaining non-controlling interest in Delica Limited, the Group's share in its joint venture Delica Pty Limited has increased from 30% to 50%.

Details of the Group's material joint venture at the end of the reporting period is as follows:

Nature of investment in joint ventures 2013 and 2012:

Name of entity	Place of business / country of incorporation	% of ownership interest	Principal activity	Measurement method
Worldwide Fruit Limited	United Kingdom	50%	Produce wholesale distributors	Equity

The balance date of the joint venture listed above is 30 June. For the purposes of applying the equity method of accounting, the financial statements of Worldwide Fruit Limited for the period ended 30 November 2013 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2013.

Summarised financial information for joint ventures
Set out below is the summarised financial information for Worldwide Fruit Limited which is accounted for using the equity method.

	Worldwide Fruit Limited	
	2013	2012
	$'000	$'000
Summarised balance sheets		
Cash and cash equivalents	**–**	2,558
Total current assets (excluding cash and cash equivalents)	**26,487**	22,596
Current financial liabilities (excluding trade and other payables and provisions)	**(441)**	–
Total current liabilities	**(26,303)**	(25,878)
Total non-current assets	**12,862**	12,825
Non-current financial liabilities (excluding trade and other payables and provisions)	**(6,319)**	(8,134)
Total non-current liabilities	**(6,319)**	(8,134)
Net assets	**6,727**	3,967
Summarised income statements		
Revenue	**225,815**	207,279
Depreciation and amortisation	**(930)**	(1,076)
Interest expense	**(653)**	(2,425)
Income tax expense	**(788)**	(1,006)
Profit and comprehensive income	**3,341**	2,430
The Group's share of profit from continuing operations	**1,670**	1,215

The information above reflects the amounts presented in the financial statements of the joint venture (and not Turners & Growers' share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 INVESTMENTS IN JOINT VENTURES (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in material joint ventures recognised in the consolidated financial statements:

	Worldwide Fruit Limited	
	2013	2012
	$'000	$'000
Net assets of the joint venture	**6,727**	3,967
Carrying amount of ownership interest	**3,364**	1,984

Aggregate information of the Group's joint ventures:	**2013 $'000**	2012 $'000
Aggregate information of joint ventures that are not individually material:		
The Group's share of profit from continuing operations	**418**	365
The Group's share of total comprehensive income in not individually material joint ventures	**418**	576
Aggregate carrying amount of the Group's interest in not individually material joint ventures	**4,717**	6,622
Aggregate carrying amount of the Group's interest in material joint ventures	**3,364**	1,984
Total carrying amount of the Group's interest in joint ventures	**8,081**	8,606

26 DEFERRED TAXATION

	Assets		Liabilities	
	2013	2012	**2013**	2012
Balance of temporary differences	**$'000**	$'000	**$'000**	$'000
Group				
Property, plant and equipment, biological assets, investment properties and intangibles	**781**	3,483	**(21,534)**	(24,426)
Provisions and accruals	**2,293**	2,183	**–**	–
Prepayments	**–**	–	**(2,154)**	–
Cash flow hedges	**–**	4	**(55)**	–
Tax losses	**14**	8	**–**	–
Other items	**161**	501	**(36)**	(12)
	3,249	6,179	**(23,779)**	(24,438)
Parent				
Property, plant and equipment, biological assets, investment properties and intangibles	**–**	–	**–**	(2,790)
Provisions and accruals	**–**	161	**–**	–
	–	161	**–**	(2,790)

Movement in temporary differences during the year

Group	**Balance 1 January 2012 $'000**	**Recognised in income $'000**	**Recognised in equity $'000**	**Balance 31 December 2012 $'000**
Property, plant and equipment, biological assets, investment properties and intangibles	(25,835)	5,669	(777)	(20,943)
Provisions and accruals	1,633	550	–	2,183
Prepayments	(2,195)	2,195	–	–
Cash flow hedges	(12)	–	16	4
Tax losses	–	8	–	8
Other items	883	(394)	–	489
	(25,526)	8,028	(761)	(18,259)

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 DEFERRED TAXATION (continued)

Group	Balance 1 January 2013 $'000	Foreign exchange impact $'000	Recognised in income $'000	Recognised in equity $'000	Balance 31 December 2013 $'000
Property, plant and equipment, biological assets, investment properties and intangibles	**(20,943)**	**–**	**(379)**	**569**	**(20,753)**
Provisions and accruals	**2,183**	**(52)**	**162**	**–**	**2,293**
Prepayments	**–**	**–**	**(2,154)**	**–**	**(2,154)**
Cash flow hedges	**4**	**–**	**–**	**(59)**	**(55)**
Tax losses	**8**	**–**	**6**	**–**	**14**
Other items	**489**	**–**	**(364)**	**–**	**125**
	(18,259)	**(52)**	**(2,729)**	**510**	**(20,530)**

Parent	Balance 1 January 2012 $'000	Recognised in income $'000	Balance 31 December 2012 $'000
Property, plant and equipment, investment properties and intangibles	(3,309)	519	(2,790)
Provisions and accruals	361	(200)	161
	(2,948)	319	(2,629)

Parent	Balance 1 January 2013 $'000	Recognised in income $'000	Balance 31 December 2013 $'000
Property, plant and equipment, investment properties and intangibles	**(2,790)**	**2,790**	**–**
Provisions and accruals	**161**	**(161)**	**–**
	(2,629)	**2,629**	**–**

	Group		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Expected settlement				
Deferred tax assets and liabilities to be recovered within twelve months	**83**	2,302	**–**	161
Deferred tax assets and liabilities to be recovered after more than twelve months	**(20,613)**	(20,561)	**–**	(2,790)
	(20,530)	(18,259)	**–**	(2,629)

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 TRADE AND OTHER PAYABLES

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Current					
Trade payables		**43,123**	39,523	**44**	923
Employee entitlements		**9,624**	9,757	**27**	4,148
GST and other taxes		**238**	228	**–**	–
Accrued expenses		**14,848**	10,180	**745**	1,152
Owing to subsidiaries	35	**–**	–	**84,755**	142,106
Owing to associates	35	**8,615**	4,806	**–**	–
Owing to joint ventures	35	**22**	–	**–**	–
Derivative financial instruments	15	**633**	200	**–**	64
Crate return liability	3(v)	**12,510**	14,340	**–**	–
Deferred payments to related parties		**1,738**	–	**1,738**	–
		91,351	79,034	**87,309**	148,393
Non-current					
Derivative financial instruments	15	**204**	–	**–**	–
Deferred payments		**636**	–	**–**	–
Deferred payments to related parties		**5,771**	100	**5,771**	–
		6,611	100	**5,771**	–

28 INTEREST BEARING LOANS AND BORROWINGS

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Current				
Finance lease liabilities	**548**	–	**–**	–
Money market borrowings	**241**	1,186	**–**	–
	789	1,186	**–**	–
Non-current				
Finance lease liabilites	**1,838**	401	**–**	–
Secured bank loans and debentures	**70,026**	80,042	**70,000**	80,000
Unsecured loans	**–**	143	**–**	–
	71,864	80,586	**70,000**	80,000

The unsecured loan of $143,332 was capitalised during the year ended 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28 INTEREST BEARING LOANS AND BORROWINGS (continued)

Gross finance lease liabilities – minimum lease payments

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Commitments in relation to finance leases are payable as follows:				
No later than 1 year	**651**	81	**–**	–
Later than 1 year but not later than 5 years	**1,840**	320	**–**	–
Later than 5 years	**146**	–	**–**	–
	2,637	401	**–**	–
Future finance charges on finance leases	**(251)**	–	**–**	–
Present value of finance lease liabilities	**2,386**	401	**–**	–
The present value of finance lease liabilities is as follows:				
No later than 1 year	**548**	–	**–**	–
Later than 1 year and no later than 5 years	**1,694**	–	**–**	–
Later than 5 years	**144**	–	**–**	–
	2,386	–	**–**	–

Security

At 31 December 2013 the Group provided first ranking mortgages over all landed property assets. All other assets of wholly owned subsidiaries are subject to a first ranking debenture to secure bank loans.

Bank facilities

The banking facilities in place are as follows:

Facility type	Amount	Expiry date
Term debt facility	$82m	1 July 2014
Money market facility	$25m	1 July 2014
Overdraft facility	$3m	Uncommitted
Overdraft facility (AUD)	$1.6m	Uncommitted
Overdraft facility (AUD)	$1.0m	Uncommitted
Overdraft facility (AUD)	$0.5m	Uncommitted

As at 31 December 2013, the Group has accepted a letter of offer for a $200m Syndicated Multi-Option Credit Facility, comprising a $100m revolving cash advance facility, a $70m seasonal facility, and a $30m working capital facility. This facility refinances the existing term debt and money market facilities due to expire on 1 July 2014. The new agreement for term debt and money market facilities expires on 27 February 2017 and is secured by a guarantee from BayWa Aktiengesellschaft.

Interest rates

As at 31 December 2013 the weighted average interest rate on the $70 million non-current borrowings is 3.80% (2012: 3.70%), fixed for periods up to three months.

	Group		Parent	
	2013	2012	**2013**	2012
Terms and principal repayment schedule	**$'000**	$'000	**$'000**	$'000
Later than one, not later than two years	**9**	80,018	**–**	80,000
Later than two, not later than five years	**70,017**	24	**70,000**	–
Later than five years	**–**	143	**–**	–
	70,026	80,185	**70,000**	80,000

The money market facility is an overnight facility that must be cleared at least once a year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 CAPITAL AND RESERVES

	2013 Shares 000's	2012 Shares 000's	2013 $'000	2012 $'000
Share capital				
Balance at 31 December	**117,011**	117,011	**165,147**	165,147

At 31 December 2013, the authorised share capital comprised 117,010,550 ordinary shares (2012: 117,010,550).

All shares on issue are fully paid and have no par value.

All ordinary shares rank equally with one vote attached to each fully paid ordinary share. There are no other classes of shares issued.

	Group		Parent	
Reserves	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Foreign currency translation reserve				
Balance at 1 January	**(1,975)**	(832)	**–**	–
Exchange difference on translation of foreign operations, before non-controlling interests	**(2,213)**	(1,143)	**–**	–
Foreign currency translation reserve transferred to the income statement	**140**	–	**–**	–
Balance at 31 December	**(4,048)**	(1,975)	**–**	–
Asset revaluation reserve				
Balance at 1 January	**69,100**	64,110	**–**	–
Commercial land and improvements and buildings revaluations, net of tax	**–**	4,775	**–**	–
Orchard land and improvements revaluations, net of tax	**539**	2,624	**–**	–
Share of associate's and joint venture's gain on revaluation, net of tax	**–**	651	**–**	–
Deferred tax released due to sale of buildings	**625**	–	**–**	–
Transfer to retained earnings due to asset disposal	**(9,668)**	(3,060)	**–**	–
Balance at 31 December	**60,596**	69,100	**–**	–
Cash flow hedge reserve				
Balance at 1 January	**724**	129	**–**	6
Effective portion of changes in fair value of cash flow hedges, net of tax	**(846)**	2,028	**313**	(37)
Net change in fair value of cash flow hedges reclassified from equity to income statement	**(88)**	(1,433)	**18**	31
Balance at 31 December	**(210)**	724	**331**	–

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations into Group currency.

Asset revaluation reserve

The revaluation reserve relates to commercial land and improvements and buildings, and orchard land and improvements.

Cash flow hedge reserve

The cash flow hedge reserve accounts for the fair value movements of hedging instruments designated as cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 DIVIDENDS

	Group		Parent	
	2013	2012	**2013**	2012
Ordinary shares	**$'000**	$'000	**$'000**	$'000
Cash paid to non-controlling interests in Group subsidiaries	**572**	625	**–**	–

In 2013 no dividends were paid or declared to shareholders (2012: $Nil).

31 EARNINGS PER SHARE

	Group	
	2013	2012
	$'000	$'000
Net profit / (loss) for the year attributable to equity holders of the Parent	**16,159**	(15,292)

	2013	2012
Basic earnings per share		
Opening number of ordinary shares	**117,010,550**	117,010,550
Weighted average number of ordinary shares	**117,010,550**	117,010,550
Basic and diluted earnings per share (in cents)	**13.8**	(13.1)
Diluted earnings per share		
Opening number of options	**166,667**	1,703,333
Options forfeited	**(55,556)**	(1,536,666)
Weighted average number of options	**164,841**	693,899
Weighted average number of shares and options	**117,175,391**	117,704,449

The options do not have a dilutive effect as the average market price of ordinary shares did not exceed the exercise price of the options as at 31 December 2013.

32 OPTIONS

On 4 August 2005 the Board approved an option scheme for the previous Managing Director of the Group.

	Numbers of options	Issue date	Expiry date	Exercise price	Condition
Tranche A	500,000	4 August 2005	4 August 2012	$2.75	Exercisable between 3 and 7 years from anniversary date of issue
Tranche B	250,000	4 August 2005	4 August 2013	$2.75	Exercisable between 4 and 8 years from anniversary date of issue
Tranche C	250,000	4 August 2005	4 August 2014	$2.75	Exercisable between 5 and 9 years from anniversary date of issue

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 OPTIONS (continued)

The options were valued using the Cox, Ross & Rubinstein model for stock options (REUTERS) applying the closing share price on 4 August 2005 of $2.20. These options were valued at $257,150 in the prior year and had been fully amortised. The options were fully forfeited in the prior year due to the Managing Director's departure from the Group.

On the 19 December 2006 the Board approved an option scheme for senior management:

	Numbers of options	**Issue date**	**Expiry date**	**Exercise price**	**Condition**
Tranche A	333,334	19 December 2006	19 December 2013	$2.75	Exercisable between 3 and 7 years from anniversary date of issue
Tranche B	333,333	19 December 2006	19 December 2014	$2.75	Exercisable between 4 and 8 years from anniversary date of issue
Tranche C	333,333	19 December 2006	19 December 2015	$2.75	Exercisable between 5 and 9 years from anniversary date of issue

The options have been valued using the Cox, Ross & Rubinstein model for stock options (REUTERS) applying the closing share price on the 19 December 2006 of $2.41. During the year 55,556 options valued at $18,783 were forfeited (2012: 536,666 options valued at $215,141 were forfeited). At 31 December 2013 the remaining options have been valued at $37,517 (2012: $56,300) and have been fully amortised.

Key assumptions used in valuing the stock options using the Cox, Ross & Rubinstein model were as follows:

– Value date 31 December 2008
– Share price $1.40
– Exercise price $2.75
– Historic share price volatility 31.05%
– Government bond rate 6.93%
– Annualised dividend yield 7.43%

	Group and Parent			
Movement in share option reserve	**2013 Options**	2012 Options	**2013 $'000**	2012 $'000
Balance at 1 January	**166,667**	1,703,333	**56**	528
Options forfeited	**(55,556)**	(1,536,666)	**(19)**	(472)
Balance at 31 December	**111,111**	166,667	**37**	56

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 COMMITMENTS

Capital commitments

As at 31 December, the Group is committed to the following capital expenditure on property, plant and equipment, biological assets and software.

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Property, plant and equipment	**5,803**	1,395	**–**	–
Biological assets	**2,645**	–	**–**	–
Intangible assets	**692**	–	**–**	–
	9,140	1,395	**–**	–

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, Wawata General Partner Limited, is $200,000 (2012: $Nil) relating to biological assets.

Operating leases payable

The following amounts have been committed to by the Group or Parent, but are not recognised in the financial statements:

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Within one year	**12,399**	8,461	**1,797**	2,728
One to two years	**10,392**	6,113	**980**	1,292
Two to five years	**21,268**	10,418	**419**	779
Over five years	**24,209**	12,224	**–**	–
	68,268	37,216	**3,196**	4,799

The Group and Parent leases premises, plant and equipment under operating leases. Operating leases held over properties give the Group and Parent the right, in most cases, to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of operating plant and equipment. Transactions undertaken with subsidiary companies were completed on an arm's length basis.

During the year, properties at 3 Monahan Road, Mt Wellington and 42 & 60 Favona Road, Mangere were sold by the Group and leased back by subsidiaries in the Group.

Operating leases receivable

The following amounts are minimum committed lease payments receivable from tenants / sub-tenants, but are not recognised in the financial statements.

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Within one year	**1,400**	1,364	**–**	2,621
One to two years	**943**	905	**–**	1,638
Two to five years	**1,653**	677	**–**	1,090
Over five years	**1,591**	–	**–**	–
	5,587	2,946	**–**	5,349

During the year ended 31 December 2013 properties held by the Parent were sold to subsidiaries within the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 COMMITMENTS (continued)

Operating leases receivable amounts are generated from the following properties:

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Commercial land and buildings				
Cost or valuation at 31 December	**6,463**	10,446	**–**	28,465
Accumulated depreciation	**(584)**	(118)	**–**	–
Carrying amounts	**5,879**	10,328	**–**	28,465
Depreciation charged during the year	**155**	250	**–**	–

All properties, including those leased to third parties, are revalued on a cyclical basis (refer note 19). This results in accumulated depreciation up to the date of revaluation being reversed and subsequently the asset is depreciated on the revalued amount from the date of revaluation.

The properties leased to third parties are still part occupied by the Group. The proportion leased externally has been estimated based on land area occupied by third party tenants and this estimation method has been applied consistently across all leased properties.

34 CONTINGENCIES

The Group and Parent have the following guarantees:

	Group		Parent	
	2013	2012	**2013**	2012
Contingent liabilities	**$'000**	$'000	**$'000**	$'000
Bonds and sundry facilities	**80**	80	**80**	80
Guarantees of bank facilities for associated companies	**2,739**	2,729	**–**	–
Guarantees of bank facilities for subsidiary companies	**–**	–	**5,159**	5,991
	2,819	2,809	**5,239**	6,071

The Parent provides guarantees on certain lease contracts for subsidiaries in the Group.

35 RELATED PARTY TRANSACTIONS

Identity of related parties

The Parent and Group have related party relationships with its subsidiaries (refer note 22), associates and joint ventures (refer note 24 and 25) and with its Directors and Executive Officers. The Parent and Group also have related party relationships with its ultimate parent BayWa Aktiengesellschaft (BayWa) and with BayWa's subsidiaries and associated companies.

Shareholding

BayWa Aktiengesellschaft (BayWa), the major shareholder and ultimate parent company of Turners & Growers Limited, owns 73.07% (2012: 73.07%) of the ordinary shares of the Parent. The Noboa Group indirectly owns 12.26% (2012: 12.26%) and Scales Corporation owns 10.31% (2012: 10.31%) of the ordinary shares of the Parent. The balance is owned by the public.

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 RELATED PARTY TRANSACTIONS (continued)

Directors and Executive Officers

	2013 $'000	2012 $'000
Directors / Executive Officers (Mr B.M. D'Ath)		
Mr B.M. D'Ath resigned as a Director on 7 March 2012.		
– Sale value of produce sold through the Group (consignment)	–	3,142
– Sale of apples to the Group for processing	–	1
– Purchase of packaging, coolstorage, container hire from the Group	–	172
Delica Directors / Management		
– Loans owing to Group (including capitalised interest) at 31 December	–	886
– Balance owed by the Group at 31 December	7,509	–

Loans were advanced to a director and key management of Delica Limited and a director of Delica Australia Pty Limited, subsidiaries of Turners & Growers Limited, for the purposes of acquiring shares in Delica Limited. The loans were repaid on 31 May 2013 following the purchase of the remaining shares in Delica Limited by the Group.

As part of the agreement to purchase the remaining shares in Delica Limited, the Group has a $7.5 million payable to the former directors and management of Delica Limited in the form of deferred consideration.

	2013 $'000	2012 $'000
Fresh Food Exports 2011 Limited Director (Mr A.J. Greensmith)		
– Sale value of produce sold to the Group through a company associated with Mr A.J. Greensmith	1,512	1,747
– Purchase of services from and commissions paid to the Group through a company associated with Mr A.J. Greensmith	53	220
– Balance owing to the Group at 31 December	–	60
– Balance owed by the Group at 31 December	44	376
Alternate Director (Mr L.A. Noboa Icaza)		
– Sale value of produce sold to the Group	15,375	13,687

The Noboa Group indirectly owns approximately 12.26% (2012: 12.26%) of the ordinary shares of the Parent.

The Group purchases imported bananas, mangoes, and pineapples supplied by the Noboa Group of Ecuador of which Mr L.A. Noboa Icaza is an associated person.

Key management personnel compensation

	Group		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Short-term employee benefits	2,484	2,369	2,170	2,369
Long-term employee benefits	109	–	–	–
Termination benefits	450	2,278	450	2,278
	3,043	4,647	2,620	4,647

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 RELATED PARTY TRANSACTIONS (continued)

Associates and joint ventures

The Group has entered into transactions with its associates and joint ventures during the year (refer note 24 and 25).

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Associates					
Sale of pipfruit exported by the Group		**44,175**	35,928	**–**	–
Purchase of pipfruit from associates		**19,434**	13,674	**–**	–
Provision of services by the Group		**6**	5	**–**	–
Provision of services to the Group		**24**	80	**–**	–
Balance owing to the Group at 31 December	13	**1,803**	1,109	**66**	66
Balance owed by the Group at 31 December	27	**8,615**	4,806	**–**	–
Joint ventures					
Sale of pipfruit exported by the Group		**21,334**	20,925	**–**	–
Purchase of pipfruit from joint ventures		**1,401**	3,950	**–**	–
Provision of services by the Group		**274**	64	**–**	–
Balance owing to the Group at 31 December	13	**408**	1,161	**–**	–
Balance owed by the Group at 31 December	27	**22**	–	**–**	–

The Parent lends to its associate and joint venture companies. Interest is calculated daily and is referenced to the lender's cost of funds. The advances are unsecured and repayable on demand.

Associates of BayWa

The Group has entered into transactions with BayWa's associates during the year.

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Sale of pipfruit exported by the Group	**6,855**	3,882	**–**	–
Provision of services to the Group	**1,278**	1,721	**–**	–

Ultimate parent – BayWa

The Group has transactions during the year of $74,000 (2012: $Nil) with BayWa for services provided by BayWa to the Group. There were no transactions with BayWa in the Parent during the year (2012: $Nil).

Subsidiaries

During the year, the Parent has entered into transactions with its subsidiaries (refer note 22 for a listing of subsidiaries).

		Parent	
		2013	2012
	Notes	**$'000**	$'000
Revenue from subsidiaries			
Interest income on intercompany balances	9	**2,616**	10,108
Rental income from investment property	5	**2,419**	3,064
Management fees	6	**21,955**	26,718
Dividends from subsidiaries	6	**39,418**	1,260
Other		**–**	24
Costs from subsidiaries			
Interest expense on intercompany borrowings	9	**2,864**	2,821
Rental expense		**259**	289
Balance owing to Parent at 31 December (net of provision for receivables impairment)	13	**77,947**	153,426
Balance owed by Parent at 31 December	27	**84,755**	142,106

The net payable of $6.8 million (2012: receivable of $11.3 million) relate to advances due to and from subsidiaries.

The Parent lends to and borrows from its subsidiary companies. Interest is calculated daily and is referenced to the lender's cost of funds. The advances are unsecured and repayable on demand. The Parent has impaired $658,385 of receivables from subsidiary companies during the year (2012: $25.6 million). The Parent has also impaired its investment in subsidiaries by $23.5 million (refer note 3(vi)).

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT

The Group is subject to a number of financial risks which arise as a result of its activities, including importing, exporting and domestic trading. Treasury activities are performed by a central Treasury function and the use of financial derivatives is governed by Group policies approved by the Board of Directors. The Group does not engage in speculative transactions.

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement, are disclosed in the Summary of Significant Accounting Policies (refer note 2).

a) Market risk

(i) Foreign exchange risk

The Group operates internationally and has exposure to foreign currency risk as a result of transactions denominated in foreign currencies from normal trading activities. Major trading currencies include the US Dollar, Australian Dollar, Japanese Yen, Euro and British Pound.

Foreign exchange risk is identified by detailed cash flow forecasting, in conjunction with the allocation of produce to the various markets.

The Group uses forward exchange contracts and currency options to manage these exposures.

The notional principal or contract amounts and fair value of foreign exchange instruments outstanding at balance date are as follows:

	Contract value		Fair value	
	2013	2012	**2013**	2012
Group	**$'000**	$'000	**$'000**	$'000
Sale commitments forward foreign exchange contracts	**62,588**	60,937	**(302)**	563
Purchase commitments forward foreign exchange contracts	**9,394**	8,688	**224**	(92)
Sale commitments foreign currency options	**24,104**	24,894	**(183)**	217
			(261)	688

	Contract value		Fair value	
	2013	2012	**2013**	2012
Parent	**$'000**	$'000	**$'000**	$'000
Purchase commitments forward foreign exchange contracts	**399**	–	**1**	–
			1	–

The table above measures the fair value of forward exchange contracts and currency options as at 31 December 2013 and 31 December 2012. The options were valued using the Black-Scholes model for option pricing. Key assumptions used in valuing the foreign currency options using the Black-Scholes model were as follows:

- valuation date 31 December 2013
- volatility for the underlying forward price 10.08% – 13.64%
- risk free interest rate 3.40% – 3.88%
- time to expiry 0.58 to 1.80 years

The time to expiry for the forward foreign exchange contracts is 0.005 to 1.96 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

Exchange rate sensitivity

At year end the Group has foreign currency exposures relating to cash and external / intercompany debtors and creditors. The Parent has foreign currency exposures relating to cash and intercompany debtors and creditors.

The impact of a +/– 7% movement in foreign exchange rates across all currencies on the year end balances is presented below:

	Group				**Parent**			
	–7%	–7%	**+7%**	+7%	**–7%**	–7%	**+7%**	+7%
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Pre-tax profit / (loss)	**(353)**	(139)	**297**	125	**295**	72	**(258)**	(62)
Equity	**(512)**	(358)	**438**	315	**212**	52	**(186)**	(45)

The rationale for a 7% sensitivity is the Group is of the opinion that the long-term exchange rates in one year can reasonably be expected to move within a range of +/– 7%.

(ii) Interest risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

Interest rate risk is identified by forecasting cash flow requirements, short-term through to long-term. Short-term seasonal funding is provided by a syndicate of two banks. These funding arrangements are negotiated at the start of each season, on behalf of pipfruit growers who bear the interest cost.

The Group has term floating rate borrowings used to fund ongoing activities, which are repriced at the option of the borrower on roll-over dates.

The Parent lends to and borrows from its subsidiary companies. Interest is calculated daily and is referenced to the Reserve Bank of New Zealand's overnight cash rate.

The following table identifies the periods in which the Group's borrowings are subject to interest rate repricing.

	2013		2012	
	Interest bearing $'000	**Non-interest bearing $'000**	Interest bearing $'000	Non-interest bearing $'000
Less than six months	**70,026**	**–**	81,228	–
Between six months and one year	**2,627**	**–**	401	–
Between one and two years	**–**	**–**	–	–
Between two and five years	**–**	**–**	–	143
	72,653	**–**	81,629	143

The table below highlights the weighted average interest rate and the currency profile of interest bearing loans and borrowings.

	2013		2012	
	Weighted average interest rate $'000	**Loans and borrowings $'000**	Weighted average interest rate $'000	Loans and borrowings $'000
Australian dollars	**9.62%**	**267**	8.47%	1,228
New Zealand dollars	**3.84%**	**72,386**	3.70%	80,401

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

Interest rate derivatives

The Group's Treasury Policy allows up to 80% (2012: 50%) of core debt to be fixed via interest rate derivatives to protect the Group from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 42.85% (2012: 43.75%) of the principal outstanding. The fixed interest rates average 2.78% (2012: 3.07%). The variable rates are set at the BBR 90 day settlement rate, which at balance date was 2.89% (2012: 2.69%). The contracts require settlement of net interest receivable or payable each 90 days as appropriate, and are settled on a net basis.

Interest rate sensitivity

At year end all loans are at fixed rates for defined periods of up to six months, after which interest rates will be reset. Additionally the Group has overnight deposits that are subject to fluctuations of interest rates. If the Group's year end loan and deposit balances had remained the same throughout the year and interest rates moved by 1.5% then the impact would be a $1.0 million gain or loss on pre-tax profits (2012: $1.2 million).

A 1.5% sensitivity has been used as this is what management estimates is a likely interest rate movement for the year.

(iii) Price / commodity risk

The Group does not trade in commodity instruments and therefore is not exposed to commodity price risk.

b) Credit risk

The Group considers its maximum exposure to credit risk to be as follows:

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**21,619**	15,994	**6,226**	4,193
Derivative financial instruments	**906**	823	**331**	–
Trade receivables (net of provision for receivables impairment)	**81,241**	70,191	**–**	259
Loans and other receivables	**1,400**	1,873	**–**	196
Owing by associates and joint ventures	**2,211**	2,270	**66**	66
Owing by subsidiaries (net of provision for receivables impairment)	**–**	–	**77,947**	153,426
GST and other taxes	**689**	344	**12**	285
	108,066	91,495	**84,582**	158,425

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

	Group		Parent	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Trade receivables analysis				
Amounts due up to 1 month beyond maximum trade credit period	**9,487**	15,898	**–**	–
Amounts due between 1 and 2 months beyond maximum trade credit period	**1,309**	1,586	**–**	–
Amounts due between 2 and 3 months beyond maximum trade credit period	**148**	239	**–**	–
Amounts due between 3 and 6 months beyond maximum trade credit period	**403**	376	**–**	4
Amounts due more than 6 months beyond maximum trade credit period	**353**	514	**–**	–
Total amounts due beyond maximum trade credit period (gross)	**11,700**	18,613	**–**	4
Impairment provision – trade receivables	**(252)**	(2,304)	**–**	(4)
Total amounts due beyond maximum trade credit period (net)	**11,448**	16,309	**–**	–
Trade receivables within maximum credit period	**69,793**	53,882	**–**	259
Total trade receivables	**81,241**	70,191	**–**	259

The Group has numerous credit terms for various customers. These credit terms vary from weekly, fortnightly, monthly and greater depending on the service provided and the customer relationship.

All trade receivables are individually reviewed regularly for impairment as part of normal operating procedures and provided for where appropriate (refer note 13 for an analysis of the impairment provision).

Trade receivables that are less than three months past due are not considered impaired. Overdue amounts that have not been provided for relate to customers that have a credit history of more than twelve months and have no recent history of default.

Loan analysis

Group loans relate to external loans to suppliers, customers, associates, and joint ventures. All loans are within the agreed credit periods. In 2009 the Group was issued redeemable preference shares in Worldwide Fruit Limited that mature in 2014. At 31 December 2013 there was no value attached to the preference shares (2012: $490,000) as they had been fully repaid during the year. In the prior year, the loans were included in non-current trade and other receivables.

Board policy requires security to be taken for loans to third parties. This security ranges from charges over property and assets to personal guarantees.

Other receivables

All balances are part of normal business practice. No balances are impaired in the Group. During the year ended 31 December 2013, the provision for receivables impairment in the Parent relating to amounts owing from subsidiaries was $658,000 (2012: $63.4 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

The Group manages liquidity risk by continuously monitoring cash flows and forecasts and matching maturity profiles of financial assets and liabilities. The Group also maintains adequate headroom on its loan facilities.

Policies are established to ensure all obligations are met within a timely and cost effective manner.

The table below analyses the Group's financial liabilities into relevant contractual maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For the purpose of this table, it is assumed that year end interest rates applicable to the term loan will apply through to expiry of the term loan facility, even though Turners & Growers has the option to repay the loan prior to its expiry date.

The amounts disclosed below are contractual undiscounted cash flows.

	Less than 6 months $'000	Between 6 months and one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000
Group 2013					
Bank overdrafts and interest bearing loans and borrowings	**2,902**	**1,330**	**2,660**	**73,109**	**–**
Trade and other payables	**74,521**	**–**	**2,164**	**4,128**	**569**
Balance owing to associates and joint ventures	**8,637**	**–**	**–**	**–**	**–**
Derivative financial instruments – held-for-trading					
– inflows	**7,525**	**–**	**–**	**–**	**–**
– outflows	**(7,301)**	**–**	**–**	**–**	**–**
Derivative financial instruments – cash flow hedges					
– inflows	**7,453**	**46,943**	**38,674**	**–**	**–**
– outflows	**(7,351)**	**(47,396)**	**(38,630)**	**–**	**–**
Financial guarantees	**2,819**	**–**	**–**	**–**	**–**
Finance lease liabilities	**325**	**325**	**651**	**1,189**	**146**
	89,530	**1,202**	**5,519**	**78,426**	**715**

	Less than 6 months $'000	Between 6 months and one year $'000	Between one and two years $'000	Between two and five years $'000
Group 2012				
Bank overdrafts and interest bearing loans and borrowings	2,666	1,480	81,480	185
Trade and other payables	64,271	95	291	115
Balance owing to associates and joint ventures	4,806	–	–	–
Derivative financial instruments – held-for-trading				
– inflows	9,109	785	663	331
– outflows	(9,201)	(794)	(687)	(346)
Derivative financial instruments – cash flow hedges				
– inflows	15,859	36,084	37,452	–
– outflows	(15,838)	(35,400)	(37,436)	–
Financial guarantees	2,809	–	–	–
Finance lease liabilities	41	41	95	225
	74,522	2,291	81,858	510

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

	Less than 6 months $'000	Between 6 months and one year $'000	Between one and two years $'000	Between two and five years $'000
Parent 2013				
Bank overdrafts and interest bearing loans and borrowings	**1,330**	**1,330**	**2,660**	**73,083**
Trade and other payables	**4,591**	**–**	**2,064**	**4,128**
Balance owing to subsidiaries	**84,755**	**–**	**–**	**–**
Derivative financial instruments – cash flow hedges				
– inflows	**404**	**468**	**737**	**–**
– outflows	**(406)**	**(480)**	**(544)**	**–**
Financial guarantees	**5,239**	**–**	**–**	**–**
	95,913	**1,318**	**4,917**	**77,211**
Parent 2012				
Bank overdrafts and interest bearing loans and borrowings	1,480	1,480	81,480	–
Trade and other payables	2,075	–	–	–
Balance owing to subsidiaries	142,106	–	–	–
Derivative financial instruments – held-for-trading				
– inflows	458	404	663	331
– outflow	(514)	(417)	(687)	(346)
Financial guarantees	6,071	–	–	–
	151,676	1,467	81,456	(15)

As at 31 December 2013 no event has occurred to trigger financial guarantees in place. The Group also believes it is unlikely for such an event to occur in the future.

For cash flow hedges, the impact on the profit and loss is expected to occur at the same time as the cash flows occur. Refer note 28 for details on bank overdrafts and interest bearing loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

d) Capital risk management

The main objective of capital risk management is to ensure the Group operates as a going concern, meeting debts as they fall due, maintaining the best possible capital structure and reducing the cost of capital. Group capital consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure the Group has the ability to review the size of dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets.

There are a number of externally imposed bank financial covenants required as part of seasonal and term debt facilities. These covenants are calculated monthly and reported to the banks quarterly.

The key covenants are as follows:

(i) **Contingent liabilities**

Contingent liabilities of the Group shall not at any time exceed 5% of total tangible assets of the Group.

(ii) **Stock and debtor cover ratio**

The stock and debtor cover ratio of the Group shall be equal to or exceed 1.3 times total debt.

(iii) **Tangible net worth**

Tangible net worth of the Group shall not be less than $230 million.

(iv) **Seasonal facility stock and debtors**

Seasonal facility stock and debtors shall at all times be equal to or exceed 1.1:1.

(v) **Total net worth**

The total net worth of BayWa shall not at any time be less than EUR 850 million.

In addition, the Group also makes the following undertakings:

At all times, the tangible assets of the Guaranteeing Group shall not be less than 90% of the total tangible assets of the whole Group.

At all times, the aggregate of Adjusted Guaranteeing Group EBITA (as defined within the banking agreement) and EBITA (as defined within the banking agreement) of the Finance Group at all times shall not be less than 80% of the total Adjusted Turners & Growers Group EBITA (as defined within the banking agreement) for the preceding twelve month period.

There were no breaches of financial covenants during the year and there are no forecast breaches of financial covenants for the forthcoming year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

e) Fair value

The estimated fair values of the Group's financial assets and liabilities are presented below:

	Group			
	2013		2012	
	Carrying value $'000	**Fair value $'000**	Carrying value $'000	Fair value $'000
Assets				
Cash and cash equivalents	**21,619**	**21,619**	15,994	15,994
Available-for-sale investments	**325**	**325**	201	201
Trade and other receivables	**83,330**	**83,330**	72,408	72,408
Balance owing by associates and joint ventures	**2,211**	**2,211**	2,270	2,270
Derivative financial instruments – held-for-trading	**230**	**230**	86	86
Derivative financial instruments – cash flow hedges	**676**	**676**	737	737
Liabilities				
Interest bearing loans and borrowings	**70,267**	**70,267**	81,371	81,371
Trade and other payables	**78,864**	**78,864**	64,772	64,772
Balance owing to associates and joint ventures	**8,637**	**8,637**	4,806	4,806
Derivative financial instruments – held-for-trading	**6**	**6**	184	184
Derivative financial instruments – cash flow hedges	**831**	**831**	16	16
Finance lease liabilities	**2,386**	**2,386**	401	401

	Parent			
	2013		2012	
	Carrying value $'000	**Fair value $'000**	Carrying value $'000	Fair value $'000
Assets				
Cash and cash equivalents	**6,226**	**6,226**	4,193	4,193
Available-for-sale investments	**7**	**7**	7	7
Trade and other receivables	**12**	**12**	740	740
Balance owing by subsidiaries	**77,947**	**77,947**	153,426	153,426
Balance owing by associates	**66**	**66**	66	66
Derivative financial instruments – cash flow hedges	**331**	**331**	–	–
Liabilities				
Interest bearing loans and borrowings	**70,000**	**70,000**	80,000	80,000
Trade and other payables	**8,298**	**8,298**	2,075	2,075
Balance owing to subsidiaries	**84,755**	**84,755**	142,106	142,106
Derivative financial instruments – held-for-trading	**–**	**–**	64	64

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

e) Fair value (continued)

The following methods and assumptions were used to estimate the fair values for each class of financial instrument:

(i) Debtors, creditors, accruals and bank overdraft

The carrying value of these items is equivalent to their fair value.

(ii) Investments

All available-for-sale investments are investments in companies whose shares are not listed but are publicly traded. The fair value is based on publicly available market data, which indicates the price at which shares recently traded.

(iii) Non-current liabilities

The fair value of the Group's term liabilities is estimated based on current market rates available to the Group for debt of similar maturity.

(iv) Foreign exchange contracts, collar options, interest rate swaps

The fair value of these instruments is estimated based on the observable market price of these instruments.

Fair value measurement hierarchy

The following table presents the Group and Parent's financial assets and financial liabilities that are measured at fair value at 31 December 2013 and 2012.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs, other than quoted prices included within level 1, that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	**–**	**230**	**–**	**230**
Foreign currency options – cash flow hedges	**–**	**33**	**–**	**33**
Derivative financial instruments – cash flow hedges	**–**	**643**	**–**	**643**
Available-for-sale investments				
– Equity securities	**–**	**325**	**–**	**325**
Total assets	**–**	**1,231**	**–**	**1,231**
Liabilities				
Financial liabilities at fair value through profit or loss	**–**	**6**	**–**	**6**
Foreign currency option – cash flow hedges	**–**	**216**	**–**	**216**
Derivative financial instruments – cash flow hedges	**–**	**615**	**–**	**615**
Total liabilities	**–**	**837**	**–**	**837**
At 31 December 2012				
Assets				
Financial assets at fair value through profit or loss	–	86	–	86
Foreign currency options – cash flow hedges	–	217	–	217
Derivative financial instruments – cash flow hedges	–	520	–	520
Available-for-sale investments				
– Equity securities	–	201	–	201
Total assets	–	1,024	–	1,024
Liabilities				
Financial liabilities at fair value through profit or loss	–	184	–	184
Derivative financial instruments – cash flow hedges	–	16	–	16
Total liabilities	–	200	–	200

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement hierarchy (continued)

Parent	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2013				
Assets				
Derivative financial instruments – cash flow hedges	**–**	**1**	**–**	**1**
Interest rate swap – cash flow hedges	**–**	**330**	**–**	**330**
Available-for-sale investments				
– Equity securities	**–**	**7**	**–**	**7**
Total assets	**–**	**338**	**–**	**338**
At 31 December 2012				
Assets				
Available-for-sale investments				
– Equity securities	–	7	–	7
Total assets	–	7	–	7
Liabilities				
Financial liabilities at fair value through profit or loss	–	64	–	64
Total liabilities	–	64	–	64

Derivatives

Management have deemed derivatives held by the Group to be level 2. All derivatives held are over-the-counter derivatives and the fair value is determined by using observable market data. All significant inputs required to fair value the instruments are observable, therefore the instruments are included in level 2.

Equity securities

Equity securities are shares held in non-listed companies but whose shares are publicly traded. The fair value of these shares is based on publicly available market data, which indicates prices at which shares have recently traded. These instruments are therefore included in level 2.

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

f) Financial instruments by category

Assets	Loans and receivables $'000	Assets at fair value through profit or loss $'000	Derivatives used for hedging $'000	Available-for-sale $'000	Total $'000
Group					
At 31 December 2013					
Cash and cash equivalents	**21,619**	**–**	**–**	**–**	**21,619**
Available-for-sale financial assets	**–**	**–**	**–**	**325**	**325**
Trade and other receivables	**83,330**	**–**	**–**	**–**	**83,330**
Balance owing by associates and joint ventures	**2,211**	**–**	**–**	**–**	**2,211**
Derivative financial instruments	**–**	**230**	**676**	**–**	**906**
	107,160	**230**	**676**	**325**	**108,391**
At 31 December 2012					
Cash and cash equivalents	15,994	–	–	–	15,994
Available-for-sale financial assets	–	–	–	201	201
Trade and other receivables	72,408	–	–	–	72,408
Balance owing by associates and joint ventures	2,270	–	–	–	2,270
Derivative financial instruments	–	86	737	–	823
	90,672	86	737	201	91,696
Parent					
At 31 December 2013					
Cash and cash equivalents	**6,226**	**–**	**–**	**–**	**6,226**
Available-for-sale financial assets	**–**	**–**	**–**	**7**	**7**
Trade and other receivables	**12**	**–**	**–**	**–**	**12**
Balance owing by subsidiaries	**77,947**	**–**	**–**	**–**	**77,947**
Balance owing by associates and joint ventures	**66**	**–**	**–**	**–**	**66**
Derivative financial instruments	**–**	**–**	**331**	**–**	**331**
	84,251	**–**	**331**	**7**	**84,589**
At 31 December 2012					
Cash and cash equivalents	4,193	–	–	–	4,193
Available-for-sale financial assets	–	–	–	7	7
Trade and other receivables	740	–	–	–	740
Balance owing by subsidiaries	153,426	–	–	–	153,426
Balance owing by associates and joint ventures	66	–	–	–	66
	158,425	–	–	7	158,432

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

f) Financial instruments by category (continued)

Liabilities	Other financial liabilities $'000	Liabilities at fair value through profit or loss $'000	Derivatives used for hedging $'000	Total $'000
Group				
At 31 December 2013				
Borrowings	**70,267**	**–**	**–**	**70,267**
Trade and other payables	**78,864**	**–**	**–**	**78,864**
Balance owing to associates and joint ventures	**8,637**	**–**	**–**	**8,637**
Derivative financial instruments	**–**	**6**	**831**	**837**
Finance lease liabilities	**2,386**	**–**	**–**	**2,386**
	160,154	**6**	**831**	**160,991**
At 31 December 2012				
Borrowings	81,371	–	–	81,371
Trade and other payables	64,772	–	–	64,772
Balance owing to associates and joint ventures	4,806	–	–	4,806
Derivative financial instruments	–	184	16	200
Finance lease liabilities	401	–	–	401
	151,350	184	16	151,550
Parent				
At 31 December 2013				
Borrowings	**70,000**	**–**	**–**	**70,000**
Trade and other payables	**8,298**	**–**	**–**	**8,298**
Balance owing to subsidiaries	**84,755**	**–**	**–**	**84,755**
	163,053	**–**	**–**	**163,053**
At 31 December 2012				
Borrowings	80,000	–	–	80,000
Trade and other payables	2,075	–	–	2,075
Balance owing to associates and joint ventures	142,106	–	–	142,106
Derivative financial instruments	–	64	–	64
	224,181	64	–	224,245

Seasonality

Due to the seasonal nature of the business the risk profile at year end is not representative of all risks faced during the year. Seasonality causes large fluctuations in the size of borrowings and debtors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

37 EVENTS OCCURRING AFTER THE BALANCE DATE

There were no events post balance date that would cause a material misstatement to the financial information presented in this financial report.

38 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Parent	
	2013	2012	**2013**	2012
For the year ended 31 December	**$'000**	$'000	**$'000**	$'000
Profit / (loss) for the year	**17,238**	(13,278)	**77,425**	(22,098)
Adjusted for:				
Depreciation expense	**14,754**	15,025	**414**	997
Amortisation of intangibles	**1,945**	2,462	**1,487**	2,128
Fair value gain on derivatives	**(170)**	(340)	**(64)**	(174)
Fair value loss on investment properties	**–**	–	**–**	679
Fair value (gain) / loss on biological assets	**(6,164)**	6,044	**–**	–
Effective interest on long-term receivables	**92**	13	**–**	–
Effective interest on deferred consideration	**218**	–	**218**	–
Movement in provision for receivables impairment	**37**	2,037	**(62,701)**	25,622
(Profit) / loss on the sale of property, plant and equipment	**(1,204)**	1,320	**651**	(9)
(Profit) / loss on sale of joint venture	**(1,638)**	–	**–**	–
Loss on the revaluation of property, plant and equipment	**907**	8,170	**–**	–
Fair value (gain) / loss on available-for-sale investments	**(101)**	158	**–**	–
Loss on disposal of associate	**–**	–	**–**	100
Impairment of investments in subsidiaries	**–**	–	**23,452**	–
Write-off of inventory	**41**	–	**–**	–
Impairment of non-current assets held for sale	**55**	–	**–**	–
Impairment of fruit inventory on leased vines	**479**	–	**–**	–
Impairment of glasshouses	**–**	383	**–**	–
Impairment of plant variety rights	**–**	3,080	**–**	–
Impairment of other intangible assets	**–**	669	**–**	–
Share of profit of associates and joint ventures	**(3,303)**	(2,613)	**–**	–
Impairment of investment in associates and joint ventures	**1**	666	**–**	–
Movement in deferred tax through income statement	**2,729**	(8,028)	**(2,629)**	(319)
Dividends from / distributions of subsidiaries	**–**	–	**(39,418)**	(1,260)
	8,678	29,046	**(78,590)**	27,764
Impact of changes in working capital items				
(Increase) / decrease in debtors and prepayments*	**(11,265)**	9,034	**(26,835)**	(29,549)
Increase / (decrease) in creditors and provisions*	**10,738**	(1,763)	**(4,949)**	(8,981)
Decrease / (increase) in inventories	**(717)**	966	**–**	–
Decrease / (increase) in taxation receivable	**372**	395	**2,653**	2,633
	(872)	8,632	**(29,131)**	(35,897)
Net cash generated by / (used in) operating activities	**25,044**	24,400	**(30,296)**	(30,231)

* Excludes investing activities

BONITA™
www.bonita.co.nz
Live
Play
Bonita

FIVE YEAR FINANCIAL REVIEW

	Dec 13 12 Months $'000 NZIFRS	Dec 12 12 Months $'000 NZIFRS	Dec 11 12 Months $'000 NZIFRS	Dec 10 12 Months $'000 NZIFRS	Dec 09 12 Months $'000 NZIFRS
REVENUE					
Continuing activities	**733,697**	669,137	645,114	599,227	589,955
PROFIT					
Pre-tax profit / (loss)	**23,420**	(18,054)	(10,765)	17,084	13,697
Net profit / (loss)	**17,238**	(13,278)	(18,881)	6,326	9,529
FUNDS EMPLOYED					
Paid up capital	**165,147**	165,147	165,147	160,678	160,678
Retained earnings and reserves	**102,324**	107,951	115,665	135,772	130,074
Non-controlling interests	**1,200**	6,432	5,051	4,379	3,196
Non-current liabilities	**99,005**	98,945	106,617	67,496	65,361
Current liabilities	**92,140**	80,220	90,337	79,188	66,048
	459,816	458,695	482,817	447,513	425,357
ASSETS					
Property, plant and equipment	**250,773**	253,816	275,517	256,069	257,292
Other non-current assets	**52,219**	48,464	67,955	54,988	51,220
Current assets	**156,824**	156,415	139,345	136,456	116,845
Total assets	**459,816**	458,695	482,817	447,513	425,357
STATISTICS					
Number of ordinary shares on issue – '000	**117,011**	117,011	117,011	122,971	105,372
Earnings per share – cents	**14**	(13)	(17)	4	8
Net tangible assets per security	**$2.19**	$2.28	$2.29	$2.50	$2.61
Percentage of shareholders' funds to total assets	**58%**	61%	59%	66%	68%
Ratio of current assets to current liabilities	**1.70**	1.95	1.62	1.72	1.77
Ratio of debt to equity*	**0.71**	0.64	0.69	0.49	0.45
DIVIDENDS (PAID AND PROPOSED)					
Cents per share on paid up capital	**–**	–	6**	10**	10
Total amount	**–**	–	5,127	420	10,030

*Debt includes trade payables

**On electing shares only

Directory

DIRECTORS

K.J. Lutz, Chairman and Non-independent Director
Sir John Anderson KBE, Deputy Chairman and Independent Director
C. Bell, Non-independent Director
C.A. Campbell, Independent Director
R.J. Campbell, Independent Director
M.R. Dossor, Non-independent Director
A. Helber, Non-independent Director
J.S. Wilson, Independent Director

REGISTERED OFFICE

Head Office Building
Mt Wellington Markets Complex
2 Monahan Road
Mt Wellington
Auckland

POSTAL ADDRESS

PO Box 56
Shortland Street
Auckland 1140

Telephone: (09) 573 8700
Website: www.turnersandgrowers.com
Email: info@turnersandgrowers.com

AUDITORS

Deloitte

BANKERS

Bank of New Zealand
Rabobank

PRINCIPAL SOLICITORS

Russell McVeagh

SHARE REGISTRY

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
North Shore City

POSTAL ADDRESS

Private Bag 92119
Victoria Street West
Auckland 1142

Investor enquiries: (09) 488 8700
Email: enquiry@computershare.co.nz

Turners & Growers Limited
Head Office: 2 Monahan Rd Mt Wellington PO Box 56 Auckland 1140 New Zealand
TEL +64 9 573 8700 FAX +64 9 573 8901 EMAIL info@turnersandgrowers.com
www.turnersandgrowers.com