T&G

A BayWa Company

HALF YEAR REPORT

JUNE 2017

Grow with us

CONTENTS

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GROW WITH US

T&G Global Limited grows, sells, and works with passionate growers around the world to deliver fruit and vegetables of the highest quality and freshness.

We love our food so we're constantly exploring sustainable ways to help people lead a healthier lifestyle.

In 2017 we celebrate being 120 years fresh with a truly global presence thanks to consistent growing practices, committed growers, valued customers and our passionate people around the world.

2017 HALF YEAR RESULTS

Revenue	Profit after income tax
$501.6m	**$12.7m**
Total assets	**Net tangible assets per share**
$870.1m	**$2.76**

DIRECTORS' REPORT

Group

T&G Global Limited and its subsidiary companies (the Group) has experienced a mixed start to the 2017 financial year. Although revenue of $501.6 million for the six months ended 30 June 2017 represents an 18.6% increase from the same period last year, challenging climatic and market factors have impacted on key business divisions. This has resulted in a reduction in profit after tax of $10.0 million compared to the first six months of 2016.

Pipfruit

In the Pipfruit division, weather events impacted on the timing of harvests and the volume and quality of fruit harvested from the New Zealand orchards. Inclement weather also affected third party growing partners in New Zealand and internationally, leading to an overall decrease in the volume of fruit available.

The Group's European and North American markets saw a delay in switching over to New Zealand supplied fruit, as locally grown fruit was available for a longer period. These issues led to operating profit for the Pipfruit division decreasing by $8.0 million from the same period last year.

Despite these challenges, the Group has seen organic growth in revenue of $10.4 million compared to the prior period, and a contribution to revenue of $81.6 million from the first-time consolidation of Worldwide Fruit Limited, previously accounted for as a joint venture.

International

Revenue in the International Produce division decreased by $7.1 million from the same period last year as unseasonal weather conditions in Australia, New Zealand, and South America impacted on volumes and quality of grapes, blueberries, and asparagus.

The Group continued to invest in expanding its Peruvian grape growing operation and supporting the new offices in Thailand and Japan, and the Group's physical presence in these countries presents exciting growth opportunities.

Overall, the division saw a $1.4 million decrease in operating profit compared to the first six months of 2016.

New Zealand Produce

The New Zealand Produce division has built on the success of its 2016 year with a pleasing first six months. Revenue has increased by $1.7 million from the same period last year. Sales growth in the wholesale market and transport business units compensated for the loss of revenue from the sale of the Fruit Case Company business unit in June 2016.

Operating profit is consistent with the same period last year with a $0.3 million increase to $4.0 million, as revenue growth was offset by one-off costs such as the increase in transport costs associated with the Kaikoura earthquake.

Processed Foods

Reduced fruit available for processing has led to a decrease in revenue of $6.2 million from the first six months of 2016 for the Processed Foods division. Improved cost management has resulted in the division's operating profit increasing by $0.8 million, primarily in the Australian Fruitmark business. The New Zealand processing business remains under close review.

Other highlights

During the first six months of the year, the Group has further aligned its business towards the pursuit of its Strategy 2022 targets.

In January 2017, the Group strengthened its position in the United Kingdom through a strategic alliance which led to the consolidation of Worldwide Fruit Limited into the Group. In March 2017, the flower auction business Floramax was sold, and in April 2017 the Group increased its shareholding in David Oppenheimer & Company L.L.C in North America, to better service and support the needs of the Group's North American domestic and international customers.

During the first six months of 2017, the Group also declared a fully-imputed dividend of $0.06 per share which was fully paid in cash to shareholders in April.

On behalf of the Board.

Prof. Klaus Josef Lutz
CHAIRMAN

INCOME STATEMENT

For the six months ended 30 June 2017

	Notes	**Unaudited 6 months to 30 Jun 2017 $'000**	Unaudited 6 months to 30 Jun 2016 $'000	Audited 12 months to 31 Dec 2016 $'000
Revenue		**501,592**	423,034	871,771
Other operating income		**1,712**	7,198	18,817
Purchases, raw materials and consumables used		**(355,352)**	(287,342)	(630,388)
Employee benefits expenses		**(83,218)**	(69,509)	(127,840)
Depreciation and amortisation expenses		**(11,311)**	(10,650)	(21,296)
Other operating expenses		**(44,406)**	(41,212)	(77,660)
Operating profit		**9,017**	21,519	33,404
Net financing expenses		**(5,557)**	(6,272)	(11,951)
Share of profit from joint ventures	4	**115**	1,045	2,865
Share of profit / (loss) from associates	4	**(69)**	2,089	4,733
Net other income		**9,390**	12,112	13,044
Profit before income tax		**12,896**	30,493	42,095
Income tax expense		**(216)**	(7,783)	(9,659)
Profit after income tax		**12,680**	22,710	32,436
Attributable to:				
Equity holders of the Parent		**11,261**	21,950	30,478
Non-controlling interests		**1,419**	760	1,958
Profit for the period		**12,680**	22,710	32,436
Earnings per share				
Basic and diluted earnings (in cents)		**9.1**	18.2	25.1

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

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited 6 months to 30 Jun 2017 $'000	Unaudited 6 months to 30 Jun 2016 $'000	Audited 12 months to 31 Dec 2016 $'000
Profit for the period	**12,680**	22,710	32,436
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Deferred tax effect on sale of property, plant and equipment	**-**	1,286	1,286
	-	1,286	1,286
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of available-for-sale investments	**-**	-	404
Exchange differences on translation of foreign operations	**(713)**	(2,701)	(3,205)
Cash flow hedges:			
Fair value gain, net of tax	**7,952**	8,288	10,550
Reclassification of net change in fair value to profit or loss	**(1,563)**	(201)	(7,108)
	5,676	5,386	641
Other comprehensive income for the period	**5,676**	6,672	1,927
Total comprehensive income for the period	**18,356**	29,382	34,363
Total comprehensive income for the period is attributable to:			
Equity holders of the Parent	**16,770**	28,721	32,568
Non-controlling interests	**1,586**	661	1,795
	18,356	29,382	34,363

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

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Notes	Share capital $'000	Revaluation and other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Unaudited					
2017							
Balance at 1 January 2017		**176,357**	**81,289**	**86,793**	**344,439**	**2,383**	**346,822**
Profit for the period		**-**	**-**	**11,261**	**11,261**	**1,419**	**12,680**
Other comprehensive income							
Exchange differences on translation of foreign operations		**-**	**(897)**	**-**	**(897)**	**184**	**(713)**
Movement in cash flow hedge reserve		**-**	**6,406**	**-**	**6,406**	**(17)**	**6,389**
Total other comprehensive income		**-**	**5,509**	**-**	**5,509**	**167**	**5,676**
Transactions with owners							
Dividends	7	**-**	**-**	**(7,353)**	**(7,353)**	**(632)**	**(7,985)**
Purchase price adjustment to acquisition of non-controlling interest in subsidiary		**-**	**-**	**387**	**387**	**-**	**387**
Total transactions with owners		**-**	**-**	**(6,966)**	**(6,966)**	**(632)**	**(7,598)**
Movement in equity from sale of shares in subsidiary	6	**-**	**-**	**9,637**	**9,637**	**2,747**	**12,384**
Movement in equity from acquisition of subsidiary	5	**-**	**(25)**	**25**	**-**	**4,666**	**4,666**
Movement in equity from investment in associates	6	**-**	**157**	**586**	**743**	**-**	**743**
Balance at 30 June 2017		**176,357**	**86,930**	**101,336**	**364,623**	**10,750**	**375,373**
2016							
Balance at 1 January 2016		170,317	85,740	62,193	318,250	2,696	320,946
Profit for the period		-	-	21,950	21,950	760	22,710
Other comprehensive income / (expense)							
Deferred tax effect on sale of property, plant and equipment		-	1,286	-	1,286	-	1,286
Exchange differences on translation of foreign operations		-	(2,600)	-	(2,600)	(101)	(2,701)
Movement in cash flow hedge reserve		-	8,085	-	8,085	2	8,087
Total other comprehensive income / (expense)		-	6,771	-	6,771	(99)	6,672
Transactions with owners							
Dividends	7	-	-	(7,188)	(7,188)	(137)	(7,325)
Issued share capital		6,040	-	-	6,040	-	6,040
Total transactions with owners		6,040	-	(7,188)	(1,148)	(137)	(1,285)
Transfer from asset revaluation reserve due to asset disposal		-	(6,508)	6,508	-	-	-
Balance at 30 June 2016		176,357	86,003	83,463	345,823	3,220	349,043

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

BALANCE SHEET

As at 30 June 2017

	Notes	Unaudited 30 Jun 2017 $'000	Unaudited 30 Jun 2016 $'000	Audited 31 Dec 2016 $'000
Current assets				
Cash and cash equivalents		**33,017**	28,015	17,064
Trade and other receivables		**180,353**	175,675	108,544
Inventories		**153,888**	154,472	41,372
Derivative financial instruments		**10,107**	9,004	6,681
Biological assets		**10,409**	7,610	22,943
Total current assets		**387,774**	374,776	196,604
Non-current assets				
Trade and other receivables		**8,995**	7,111	8,903
Derivative financial instruments		**6,484**	8,059	2,826
Available-for-sale investments		**928**	520	928
Property, plant and equipment	8	**403,115**	390,007	393,974
Intangible assets		**36,579**	24,800	26,335
Investments in joint ventures	4	**5,377**	9,252	9,505
Investments in associates	4	**20,859**	11,505	11,511
Total non-current assets		**482,337**	451,254	453,982
Total assets		**870,111**	826,030	650,586
Current liabilities				
Trade and other payables		**186,721**	172,702	101,147
Borrowings		**90,251**	72,510	5,503
Taxation payable		**1,891**	7,348	679
Derivative financial instruments		**422**	948	1,582
Total current liabilities		**279,285**	253,508	108,911
Non-current liabilities				
Trade and other payables		**2,226**	1,089	3,851
Borrowings		**170,073**	178,865	144,564
Derivative financial instruments		**3,917**	6,432	4,825
Deferred tax liabilities		**39,237**	37,093	41,613
Total non-current liabilities		**215,453**	223,479	194,853
Total liabilities		**494,738**	476,987	303,764
Equity				
Share capital		**176,357**	176,357	176,357
Revaluation and other reserves		**86,930**	86,003	81,289
Retained earnings		**101,336**	83,463	86,793
Total equity attributable to equity holders of the Parent		**364,623**	345,823	344,439
Non-controlling interests		**10,750**	3,220	2,383
Total equity		**375,373**	349,043	346,822
Total liabilities and equity		**870,111**	826,030	650,586

Prof. K.J. Lutz
Director (Chairman)
3 August 2017

C.A. Campbell
Director (Chair of Finance, Risk and Investment Committee)
3 August 2017

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

STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	Unaudited 30 Jun 2017 $'000	Unaudited 30 Jun 2016 $'000	Audited 31 Dec 2016 $'000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		**460,827**	373,979	889,145
Income tax refund		**-**	-	2,111
Interest received		**552**	75	148
Other		**28**	-	49
Cash was disbursed to:				
Payments to suppliers and employees		**(479,569)**	(380,161)	(837,829)
Interest paid		**(4,328)**	(4,432)	(9,041)
Income taxes paid		**(3,210)**	(4,213)	(4,827)
Net cash inflow / (outflow) from operating activities		**(25,700)**	(14,752)	39,756
Cash flows from investing activities				
Cash was provided from:				
Dividends received from joint ventures and associates	4	**4,073**	2,320	6,228
External loan repayments from suppliers, customers, joint ventures and associates		**726**	266	414
Proceeds from sale of Floramax	8	**2,280**	-	-
Proceeds from sale of the Fruit Case Company		**-**	-	15,391
Proceeds from sale of other property, plant and equipment		**37**	7,478	10,032
Acquisition of business	5	**2,094**	-	-
Other		**-**	10	260
Cash was disbursed to:				
Purchase of property, plant and equipment		**(11,356)**	(14,680)	(31,021)
Purchase of intangible assets		**(774)**	(585)	(3,024)
Purchase of additional equity interest		**(1,051)**	-	-
Other		**(424)**	-	-
Net cash (outflow) from investing activities		**(4,395)**	(5,191)	(1,720)
Cash flows from financing activities				
Cash was provided from:				
Proceeds from borrowings		**43,492**	21,599	-
Proceeds from seasonal funding		**62,000**	58,000	-
Cash was disbursed to:				
Dividends paid to non-controlling interests	7	**(519)**	(137)	(550)
Dividends paid to Parent's shareholders	7	**(7,353)**	(1,148)	(1,148)
Repayment of borrowings		**(392)**	-	(20,500)
Net advances to growers		**(44,421)**	(36,185)	-
Deferred consideration on purchase of non-controlling interests		**(3,094)**	(2,064)	(2,064)
Deferred consideration on purchase of business		**(500)**	(500)	(1,500)
Purchase of non-controlling interest in subsidiary		**-**	-	(4,421)
Bank facility fees and transaction fees		**(1,736)**	(1,609)	(3,055)
Other		**(119)**	(366)	(449)
Net cash inflow / (outflow) from financing activities		**47,358**	37,590	(33,687)
Net increase in cash and cash equivalents		**17,263**	17,647	4,349
Foreign currency translation adjustment		**(1,310)**	(3,286)	(939)
Cash and cash equivalents at the beginning of the period		**17,064**	13,654	13,654
Cash and cash equivalents at the end of the period		**33,017**	28,015	17,064

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Reporting entity and statutory base

T&G Global Limited (the Parent) and its subsidiary companies (the Group), are recognised as New Zealand's leading grower, distributor, marketer and exporter of premium fresh produce in over 60 countries around the world. Key categories for the Group include apples, pears, grapes, citrus (lemons, mandarins and navel oranges), kiwifruit, asparagus, berries and tomatoes.

These unaudited condensed interim financial statements presented are for the Group which comprises the Parent and its subsidiaries, joint ventures and associates as at 30 June 2017.

The Parent is registered in New Zealand under the Companies Act 1993 and is a FMC Reporting Entity under the Financial Market Conducts Act 2013, and the Financial Reporting Act 2013.

The Parent is a limited liability company incorporated and domiciled in New Zealand and is listed on the New Zealand Stock Exchange. The address of its registered office is 1 Clemow Drive, Mount Wellington, Auckland.

BayWa Aktiengesellschaft (the Ultimate Parent) is the ultimate parent of the Group.

2. BASIS OF PREPARATION

These unaudited condensed interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the annual report for the year ended 31 December 2016 (2016 Annual Report), which has been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other applicable New Zealand Financial Reporting Standards as appropriate for profit-oriented entities, and International Financial Reporting Standards (IFRS).

Significant accounting policies and computation methods applied by the Group in the preparation of these unaudited condensed interim financial statements are consistent with those used in the 2016 Annual Report.

These unaudited condensed interim financial statements are expressed in New Zealand dollars which is the presentation currency. All financial information has been rounded to the nearest thousand ($'000) unless otherwise stated.

There have been no changes to accounting policies subsequent to the presentation of the prior year's unaudited condensed interim financial statements.

Reclassification of comparatives
To ensure consistency with the current period, comparative figures have been reclassified when the presentation of items in the financial statements has been changed. The adjustments were to ensure the consistent classification of financial statement line items. The adjustments made include:

- Net other income generated for the period ended 30 June 2016 of $12.1 million has been reclassified from other operating income on the income statement.
- Certain prior period comparative balances within the statement of cash flows and the corresponding reconciliation of profit after income tax to net cash flow from operating activities have been restated to ensure consistency with the current period's presentation.

Critical accounting estimates and judgments
The Group makes estimates and judgments concerning the future. The estimates and judgments used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the 2016 Annual Report.

Additionally, on 2 January 2017 the shareholders' agreement of Worldwide Fruit Limited was renegotiated and the Group subsequently accounted for Worldwide Fruit Limited as a subsidiary. Refer to note 5 for further detail.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the Chief Executive Officer and the Chief Financial Officer for the Group.

Operating segments

The Group comprises the following main operating segments:

Operating segment	Significant operations
Pipfruit	Growing, packing, cool storing, sales and marketing of pipfruit worldwide.
International Produce	International trading activities other than pipfruit. Major markets are Asia, Australia and the Pacific. Product is sourced from New Zealand, Australia, North America, South America, South Africa and Europe.
New Zealand Produce	Growing, trading and transport activities within New Zealand, as well as crate hireage activities until the sale of the Fruit Case Company (FCC) business unit in June 2016. This incorporates the New Zealand wholesale markets and the tomato, kiwifruit and citrus growing operations.
Processed Foods	Processed foods includes manufacturing in New Zealand, global sales and marketing of processed foods, and trading activities in Australia, New Zealand and North America.
Other	Includes properties and corporate costs, as well as flower auction activities until the sale of the Floramax business unit in March 2017.

Segment information provided to the chief operating decision-makers for the reportable segments is shown in the following tables.

	Pipfruit $'000	International Produce $'000	New Zealand Produce $'000	Processed Foods $'000	Other $'000	**Total $'000**
Unaudited six months ended 30 June 2017						
Total segment revenue	**238,302**	**118,575**	**114,691**	**40,742**	**1,218**	**513,528**
Inter-segment revenue	**(530)**	**(5,144)**	**(6,262)**	**-**	**-**	**(11,936)**
Revenue from external customers	**237,772**	**113,431**	**108,429**	**40,742**	**1,218**	**501,592**
Purchases, raw materials and consumables used	**(163,783)**	**(101,200)**	**(55,845)**	**(33,963)**	**(561)**	**(355,352)**
Depreciation and amortisation expenses	**(5,698)**	**(336)**	**(3,092)**	**(1,325)**	**(860)**	**(11,311)**
Net other operating expenses	**(56,502)**	**(10,888)**	**(45,507)**	**(4,606)**	**(8,409)**	**(125,912)**
Segment operating profit / (loss)	**11,789**	**1,007**	**3,985**	**848**	**(8,612)**	**9,017**
Net financing expenses						**(5,557)**
Share of profit from joint ventures						**115**
Share of (loss) from associates						**(69)**
Net other income						**9,390**
Profit before income tax						**12,896**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION (CONTINUED)

	Pipfruit $'000	International Produce $'000	New Zealand Produce $'000	Processed Foods $'000	Other $'000	**Total $'000**
Unaudited six months ended 30 June 2016						
Total segment revenue	146,546	124,008	111,055	46,922	2,977	431,508
Inter-segment revenue	(746)	(3,438)	(4,290)	-	-	(8,474)
Revenue from external customers	145,800	120,570	106,765	46,922	2,977	423,034
Purchases, raw materials and consumables used	(83,022)	(107,046)	(55,793)	(40,387)	(1,094)	(287,342)
Depreciation and amortisation expenses	(4,713)	(288)	(3,348)	(1,319)	(982)	(10,650)
Net other operating expenses	(38,260)	(10,855)	(43,903)	(5,149)	(5,356)	(103,523)
Segment operating profit / (loss)	19,805	2,381	3,721	67	(4,455)	21,519
Net financing expenses						(6,272)
Share of profit from joint ventures						1,045
Share of profit from associates						2,089
Net other income						12,112
Profit before income tax						30,493
Audited year ended 31 December 2016						
Total segment revenue	302,746	250,734	235,219	93,555	6,123	888,377
Inter-segment revenue	(1,428)	(7,749)	(7,429)	-	-	(16,606)
Revenue from external customers	301,318	242,985	227,790	93,555	6,123	871,771
Purchases, raw materials and consumables used	(208,077)	(216,491)	(120,228)	(83,162)	(2,430)	(630,388)
Depreciation and amortisation expenses	(9,764)	(538)	(6,405)	(2,757)	(1,832)	(21,296)
Net other operating expenses	(50,981)	(23,794)	(92,213)	(10,652)	(9,043)	(186,683)
Segment operating profit / (loss)	32,496	2,162	8,944	(3,016)	(7,182)	33,404
Net financing expenses						(11,951)
Share of profit from joint ventures						2,865
Share of profit from associates						4,733
Net other income						13,044
Profit before income tax						42,095

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Set out in the table below are the joint ventures and associates of the Group as at 30 June 2017. The joint ventures and associates have share capital consisting solely of ordinary shares which are held directly by the Group. The Group's investments in joint ventures and associates are:

Name of entity	Place of business and country of incorporation	Ownership interest (%) 30 Jun 2017	30 Jun 2016	31 Dec 2016
Joint ventures				
Apollo Foods Limited[1]	New Zealand	**-**	50	-
Growers Direct Limited[2]	United Kingdom	**50**	-	-
Wawata General Partner Limited	New Zealand	**50**	50	50
Worldwide Fruit Limited[2]	United Kingdom	**50**	50	50
Associates				
Allen Blair Properties Limited	New Zealand	**33**	33	33
David Oppenheimer & Company I, L.L.C[3]	United States of America	**-**	15	15
David Oppenheimer Transport Inc.[3]	United States of America	**-**	15	15
Fresh Vegetable Packers Limited[4]	New Zealand	**-**	41	-
Grandview Brokerage LLC[3]	United States of America	**39**	-	-
Intelligent Fruit Vision Limited[2]	United Kingdom	**24**	-	-
McKay Shipping Limited	New Zealand	**25**	25	25
Mystery Creek Asparagus Limited[5]	New Zealand	**15**	15	15
N.Z. Kumara Distributors Limited	New Zealand	**20**	20	20
POP Worldwide Limited[2]	United Kingdom	**24**	-	-
The Fruit Firm Limited[2]	United Kingdom	**20**	-	-

(1) On 6 September 2016, the Group sold its 50% ownership in Apollo Foods Limited.

(2) From 2 January 2017 the Group has accounted for Worldwide Fruit Limited (Worldwide Fruit) as a subsidiary in accordance with NZ IFRS 10 *Consolidated Financial Statements*. Refer to note 5 for further information. Worldwide Fruit has a 50% direct shareholding in Growers Direct Limited, and direct shareholdings between 20% and 24% in Intelligent Fruit Vision Limited, POP Worldwide Limited and The Fruit Firm Limited. From 2 January 2017, the Group has equity accounted for these entities.

(3) On 6 April 2017, the Group obtained a 39.39% shareholding in Grandview Brokerage LLC, which replaced its previous shareholdings of 15% in David Oppenheimer & Company I, L.L.C. (David Oppenheimer Company) and 15% in David Oppenheimer Transport Inc. (David Oppenheimer Transport). Refer to note 6 for further information.

(4) During 2016, Fresh Vegetable Packers Limited ceased trading and on 22 December 2016, the Company was liquidated with a final dividend paid to the Group.

(5) Although the Group holds less than 20% of the ownership of Mystery Creek Asparagus Limited (Mystery Creek), the Group is deemed to have significant influence over this entity. A member of the Group's management sits on the Board of Directors of Mystery Creek, and transactions between Mystery Creek and the Group are significant to its operations.

Contributions from joint ventures and associates
During the period ended 30 June 2017, contributions from joint ventures and associates included $0.3 million from Grandview Brokerage LLC (30 June 2016: $1.2 million from Worldwide Fruit and $0.9 million from David Oppenheimer Company; 31 December 2016: $2.0 million from Worldwide Fruit and $1.7 million from David Oppenheimer Company).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. BUSINESS COMBINATIONS

Worldwide Fruit
On 2 January 2017, the shareholders' agreement of Worldwide Fruit was renegotiated. Upon renegotiation ENZAFRUIT New Zealand (U.K.) Limited (ENZAFRUIT U.K.), a wholly owned subsidiary of the Group, remained a 50% shareholder of Worldwide Fruit with the remaining 50% owned by Fruition PO Limited.

The shareholders' agreement specifies that ENZAFRUIT U.K. has the right to approve Worldwide Fruit's annual business plan and annual budget, and the right to approve the appointment of the Chief Executive Officer. This satisfies the criteria set out in NZ IFRS 10 *Consolidated Financial Statements* around achieving control over an entity. Consequently, from 2 January 2017 Worldwide Fruit was accounted for as a subsidiary.

The carrying value of the Group's equity interest in Worldwide Fruit immediately prior to the acquisition was $4.9 million. The fair value of the Group's investment of $13.1 million resulted in a preliminary gain arising from remeasurement of $8.2 million, recognised in 'Net other income' in the income statement. Acquisition related costs have been excluded from the consideration transferred and recognised in 'Other operating expenses' in the income statement for the period ended 30 June 2017.

Goodwill arose upon acquisition of Worldwide Fruit because the cost of combination included amounts relating to its future profitability expectations, forecast revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Worldwide Fruit contributed $81.6 million of revenue and $0.7 million of profits to the Group for the period from 2 January 2017 to 30 June 2017.

Below is a preliminary analysis of the assets and liabilities acquired as at acquisition date. At the date of finalisation of these interim financial statements, some of the necessary calculations had not been finalised and they have only been provisionally determined based on best estimates of the likely values.

	2017 $'000
Current assets	
Cash and cash equivalents	**2,094**
Trade and other receivables	**22,003**
Inventories	**4,321**
Total current assets	**28,418**
Non-current assets	
Property, plant and equipment	**13,054**
Intangible assets	**3,582**
Investments in associates	**706**
Total non-current assets	**17,342**
Current liabilities	
Trade and other liabilities	**(27,570)**
Total current liabilities	**(27,570)**
Non-current liabilities	
Borrowings	**(4,947)**
Deferred tax liabilities	**(1,046)**
Total non-current liabilities	**(5,993)**
Total identifiable net assets	**12,197**
Goodwill on acquisition	**5,595**
Total consideration	**17,792**
Total consideration is comprised of:	
Fair value of Group's investment	**13,126**
Fair value of non-controlling interest's share of net assets	**4,666**
Total	**17,792**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. CHANGES IN OWNERSHIP OF THE GROUP'S AMERICAN REGISTERED ENTITIES

Delica North America, Inc.
The Group previously wholly owned Delica North America, Inc. (Delica North America). As part of its merger agreement with Grandview Brokerage LLC, on 6 April 2017 the Group sold 50% of its shares in Delica North America to Grandview Brokerage Limited, which holds a majority shareholding in Grandview Brokerage LLC.

The terms of the renegotiated shareholders' agreement of Delica North America specify that the Group has the right to appoint three of the entity's five directors. The Group therefore has the ability to approve the annual business plan and annual budget, as well as dictate the direction of other fundamental business matters of the entity.

This satisfies the criteria set out in NZ IFRS 10 *Consolidated Financial Statements* around control over an entity and consequently, Delica North America is still accounted for as a subsidiary by the Group with the 50% of the shares acquired by Grandview Brokerage Limited accounted for through non-controlling interests. The preliminary net impact of this transaction in equity attributable to equity holders of the Parent is summarised as follows:

	2017 $'000
Consideration received from Grandview Brokerage Limited	**12,384**
Recognition of 50% non-controlling interest in Delica North America	**(2,747)**
Net impact in equity attributable to equity holders of the Parent	**9,637**

Grandview Brokerage LLC
Enza Investments USA, Inc. (Enza Investments), a wholly owned subsidiary of the Group, previously held a 15% direct shareholding in both David Oppenheimer Company and David Oppenheimer Transport. On 20 March 2017, Enza Investments merged into Enza Fresh, Inc. (Enza Fresh), also a wholly owned subsidiary of the Group.

On 6 April 2017, Enza Fresh merged into Grandview Brokerage LLC and as part of the merger agreement, the Group obtained a 39.39% shareholding in this entity. As Grandview Brokerage LLC wholly owns David Oppenheimer Company and has a 15% shareholding in David Oppenheimer Transport, the Group now holds an indirect shareholding in these entities.

The Group has equity accounted for Grandview Brokerage LLC in accordance with NZ IAS 28 *Investments in Associates and Joint Ventures* since the date of the merger. The preliminary impact of acquiring the equity interest in Grandview Brokerage LLC is summarised as follows:

	2017 $'000
Consideration provided to acquire additional equity interest	**13,435**
Carrying amount of Enza Fresh prior to merger	**(12,692)**
Net impact in equity attributable to equity holders of the Parent	**743**

7. DIVIDENDS

Dividends to shareholders of the Group
During the six months ended 30 June 2017, the Group declared and paid a dividend of $0.06 per share, resulting in a total cash dividend of $7.4 million (six months ended 30 June 2016 and year ended 31 December 2016: dividend declared of $0.06 per share, of which $1.15 million was paid in cash and $6.04 million was settled through new shares issued as part of a dividend reinvestment plan).

Dividends to non-controlling interests
During the six months ended 30 June 2017, a dividend of $0.5 million was declared and paid, and a dividend of $0.1 million was declared, to non-controlling interests (six months ended 30 June 2016: $0.1 million dividend declared and paid; year ended 31 December 2016: $0.6 million dividend declared and paid).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 6 months to 30 Jun 2017 $'000	Unaudited 6 months to 30 Jun 2016 $'000	Audited 12 months to 31 Dec 2016 $'000
Asset acquisitions and disposals			
Cost of assets acquired	**24,410**	14,680	31,021
Net book value of assets disposed	**795**	16,064	18,314
(Gain) on assets disposed	**(1,725)**	(12,112)	(12,885)

On 31 March 2017, the Group sold assets relating to its flower auction business, Floramax, to United Flower Growers Limited for a net gain of $1.7 million.

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

	Notes	Unaudited 6 months to 30 Jun 2017 $'000	Unaudited 6 months to 30 Jun 2016 $'000	Audited 12 months to 31 Dec 2016 $'000
Profit for the period		**12,680**	22,710	32,436
Adjusted for non-cash items:				
Amortisation expense		**766**	692	1,326
Depreciation expense		**10,545**	9,958	19,970
Effective interest on deferred consideration		**72**	94	155
Impairment of assets		**599**	-	254
Movement in deferred tax		**(3,485)**	(4,898)	(1,680)
Movement in provision for receivables impairment		**4**	461	3,454
Share of (profit) of joint ventures	4	**(115)**	(1,045)	(2,865)
Share of (profit) / loss of associates	4	**69**	(2,089)	(4,733)
Other movements		**(209)**	(177)	229
		8,246	2,996	16,110
Adjusted for investing and financing activities:				
Bank facility and line fees		**1,736**	1,798	3,055
(Gain) on revaluation of investment	5	**(8,206)**	-	-
(Gain) on sale of investment		**-**	-	(700)
(Gain) on sale of Floramax	8	**(1,702)**	-	-
(Gain) on sale of the Fruit Case Company	8	**-**	(11,864)	(11,864)
(Gain) on sale of other property, plant and equipment	8	**(23)**	(248)	(1,021)
		(8,195)	(10,314)	(10,530)
Impact of changes in working capital items net of effects of non-cash items and investing and financing activities:				
(Increase) / decrease in debtors and prepayments		**(54,243)**	(59,610)	497
(Increase) / decrease in biological assets		**12,534**	11,459	(3,875)
Increase / (decrease) in creditors and provisions		**112,791**	113,956	(1,025)
(Increase) / decrease in inventories		**(108,219)**	(106,112)	2,645
Increase / (decrease) in taxation payable		**(1,294)**	10,163	3,498
		(38,431)	(30,144)	1,740
Net cash inflow / (outflow) from operating activities		**(25,700)**	(14,752)	39,756

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments by category

Financial assets

	Loans and receivables $'000	Fair value through profit or loss $'000	Derivatives for hedging $'000	Available-for-sale $'000	Total $'000
As at 30 June 2017					
Cash and cash equivalents	**33,017**	**-**	**-**	**-**	**33,017**
Trade and other receivables (excluding prepayments and taxes)	**174,248**	**-**	**-**	**-**	**174,248**
Available-for-sale financial assets	**-**	**-**	**-**	**928**	**928**
Derivative financial instruments	**-**	**105**	**16,486**	**-**	**16,591**
Total	**207,265**	**105**	**16,486**	**928**	**224,784**
As at 30 June 2016					
Cash and cash equivalents	28,015	-	-	-	28,015
Trade and other receivables (excluding prepayments and taxes)	171,163	-	-	-	171,163
Available-for-sale financial assets	-	-	-	520	520
Derivative financial instruments	-	-	17,063	-	17,063
Total	199,178	-	17,063	520	216,761
As at 31 December 2016					
Cash and cash equivalents	17,064	-	-	-	17,064
Trade and other receivables (excluding prepayments and taxes)	102,482	-	-	-	102,482
Available-for-sale financial assets	-	-	-	928	928
Derivative financial instruments	-	29	9,478	-	9,507
Total	119,546	29	9,478	928	129,981

Financial liabilities

	Measured at amortised cost $'000	Fair value through profit or loss $'000	Derivatives for hedging $'000	Total $'000
As at 30 June 2017				
Borrowings	**259,339**	**-**	**-**	**259,339**
Trade and other payables (excluding employee entitlements and taxes)	**174,660**	**-**	**-**	**174,660**
Finance lease liabilities	**985**	**-**	**-**	**985**
Derivative financial instruments	**-**	**274**	**4,065**	**4,339**
Total	**434,984**	**274**	**4,065**	**439,323**
As at 30 June 2016				
Borrowings	250,373	-	-	250,373
Trade and other payables (excluding employee entitlements and taxes)	160,863	-	-	160,863
Finance lease liabilities	1,002	-	-	1,002
Derivative financial instruments	-	-	7,380	7,380
Total	412,238	-	7,380	419,618
As at 31 December 2016				
Borrowings	149,150	-	-	149,150
Trade and other payables (excluding employee entitlements and taxes)	93,832	-	-	93,832
Finance lease liabilities	917	-	-	917
Derivative financial instruments	-	51	6,356	6,407
Total	243,899	51	6,356	250,306

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

All financial assets and liabilities that use methods and assumptions to estimate fair value at 30 June 2017 are considered to be level 2 in the fair value hierarchy (30 June 2016: level 2; 31 December 2016: level 2).

Valuation techniques used to value financial instruments are consistent with those used in the 2016 Annual Report.

For both 2017 and 2016 financial years, the estimated fair values of all of the Group's other financial assets and liabilities approximate their carrying values.

11. CAPITAL COMMITMENTS

As at 30 June 2017, the Group is committed to the following capital expenditure:

	Unaudited 30 Jun 2017 $'000	Unaudited 30 Jun 2016 $'000	Audited 31 Dec 2016 $'000
Property, plant and equipment	**4,073**	5,310	5,543
Intangible assets	**115**	5,441	7
Total	**4,188**	10,751	5,550

12. CONTINGENCIES

There has been no material change in contingent liabilities during the period.

13. SEASONALITY OF BUSINESS

The Group's operating segments are subject to seasonal fluctuations. The Pipfruit operating segment generates most of its revenue during the middle of the year and its largest seasonal programme in New Zealand is completed before the final quarter of the year. The Group's other operating segments are also impacted by the availability of fresh produce which varies during the year.

14. EVENTS AFTER THE REPORTING PERIOD

There are no material events that occurred after the reporting date that would require adjustment or disclosure to these unaudited interim financial statements.

DIRECTORY

DIRECTORS

Prof. K.J.Lutz, Chairman and Non-independent Director

Sir John Anderson KBE, Deputy Chairman and Independent Director

C.U.G. Bell, Non-independent Director

C.A. Campbell, Independent Director

A. Helber, Non-independent Director

M.W. Liu, Non-independent Director

J.S. Wilson, Independent Director

AUDITORS

Deloitte Limited

PRINCIPAL BANKERS

Bank of New Zealand

HSBC

Rabobank

Westpac New Zealand

PRINCIPAL SOLICITORS

Russell McVeagh

REGISTERED OFFICE

1 Clemow Drive

Mt Wellington, Auckland 1060

New Zealand

SHARE REGISTRY

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Takapuna, Auckland 0622

New Zealand

REGISTERED OFFICE CONTACT DETAILS

PO Box 290

Shortland Street

Auckland 1140, New Zealand

Telephone: (09) 573 8700

Website: www.tandg.global

Email: info@tandg.global

SHARE REGISTRY CONTACT DETAILS

Private Bag 92119

Victoria Street West

Auckland 1142, New Zealand

Investor enquiries: (09) 488 8700

Website: www.computershare.co.nz

Email: enquiry@computershare.co.nz


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