







Turners & Growers Group

Vision Mission & Values

Our Company VISION

To be a world-class marketer and distributor of selected horticultural products.

Our Company MISSION

To achieve optimum sustainable shareholder returns by developing and maintaining supply and market / customer relationships in horticultural products and services.

Our Company VALUES

- **Quality** - applying a total quality management philosophy to our practices, processes and behaviours.
- **Innovation** - innovative and creative in developing improved ways of conducting business.
- **Service** - maintaining a strong service ethic with suppliers and customers.
- **Integrity** - maintaining a high level of integrity and reliability, and enhancing our reputation as a good industry and corporate citizen.
- **People** - attracting great people who enjoy an open and inclusive management culture, which encourages and rewards performance.



Board of Directors	3
Directors' Report	4
Managing Director's Report	6
Corporate Governance	12
Statutory Information	14
Auditors' Report	18
Income Statement	20
Statement of Recognised Income and Expenses	21
Balance Sheet	22
Statement of Cash Flows	23
Notes to the Financial Statements	25
Five Year Financial Review	65
Turners & Growers Group Structure	68
Directory	Inside Back Cover

Board of Directors



Standing (left to right): *Mark G. Tregidga, Luis A. Noboa III, Jeff Wesley, Tony (A. I.) Gibbs, Brian M. D'Ath, Michael R. Dossor, William J.E. Lynch,*
Insert: Ross A. Burney

TONY GIBBS – *Non-executive Director (Chairman)*

Director since 1994. Ex-officio member of Audit Committee, Chairman of Remuneration Committee.

Executive Director of Guinness Peat Group plc and Guinness Peat Group New Zealand Limited; Chairman of Tower Limited and Staveley Incorporated, Director of GPG Forests Limited, GPG Shares Limited, Turners & Growers Fresh Limited, Ithaca Custodians Limited, Coats plc, Coats Holdings Limited, Ezypeel Mandarins Limited and Aeneid Seventeen Limited; Citrus Grower.

JEFF WESLEY – *Managing Director*

MBA

Appointed CEO to the Turners and Growers Group in May 2005, and subsequently appointed to the position of Managing Director one year later in May 2006.

Previously CEO and Managing Director of Turners Auctions Limited and its associated companies over the previous 8½ years. Prior to joining Turners Auctions he ran a successful management consulting company specialising in company turnarounds and market / customer research.

ROSS A. BURNEY – *Non-executive Director*

B Econ

Director since July 2004.

Investment Manager with Guinness Peat Group plc, Sydney, Australia. Director of ASX listed Maryborough Sugar Factory Limited.

BRIAN M. D'ATH – *Independent Director*

Director since January 2003. Member of Audit and Remuneration Committees.

Former Director of ENZA Limited; Director of Tollemache Orchards Limited; Trustee of East Coast Rural Support; Orchardist.

MICHAEL R. DOSSOR – *Non-executive Director*

Dip AG

Director since 1991. Managing Director, January 2003 to June 2005. Director of Fruit Distributors Limited, Chairman of Turners Auctions Limited (and related and subsidiary companies), McKay Shipping Limited and Allan Blair Properties Limited.

WILLIAM J. E. LYNCH – *Independent Director*

ANZIIIF (Snr Assoc) C.I.P

Director since January 2003. Member of Audit Committee.

Former Director of ENZA Limited and Latitude 41 Limited. Director of Positive Software Limited, Fashion Foods Limited, Redwood Valley Irrigators and Redwood Orchards (2006) Limited. Orchardist.

LUIS A. NOBOA III – *Non-executive Director*

MBA Int Bus, BS Fin

Director since 1994. Grandson of Luis Noboa Naranjo, the founder of the Pacific Fruit Group of companies. Currently working as senior executive with the Noboa Group.

MARK G. TREGIDGA – *Independent Director*

Director since 1985. Chairman of the Audit Committee. Member of the Remuneration Committee.

Director of Status Produce Limited. Involved in the Horticultural industry over 40 years with the PTO Group of Companies. Past District Governor of Rotary International. Trustee of Turners & Growers Group Retirement and Welfare Plan. Former commercial grower.

Directors' Report

Your Directors are pleased to present the annual report including financial statements for Turners & Growers Limited and its Group companies for the financial year ended 31 December 2007.

Consolidated Results

	2007 \$'000	2006 \$'000
Earnings before interest, tax, depreciation & amortisation	42,227	44,319
Earnings before interest & tax	26,454	27,650
Profit before tax	22,052	23,313
Profit after tax	14,029	16,970
Total equity	264,561	243,942

The Group result at just over \$22m pre-tax is 5.4% down on 2006.

The Group profit after tax amounted to \$14.03m compared to \$16.97m last year.

Total equity at balance date was \$264.6m, an increase of \$20.6m from 2006.

The basic earnings per share, based on the average shares issued, was 15.5 cents per share compared to 22.1 cents per share in 2006. The net asset backing of each share is \$2.73 compared to \$2.91 in 2006. The stated decrease is because in 2007 a total of 19.1m new shares were issued through the dividend reinvestment plan and the 1-for-5 bonus issue. The extra shares have distorted earnings per share and net asset backing comparatives.

Activities

2007 saw further investment in the supply base with the purchase of two pipfruit orchards in Hawkes Bay and one mandarin and kiwifruit orchard in Kerikeri. As well as these orchard investments Turners & Growers entered into a takeover of Kerifresh Limited, a citrus and kiwifruit grower / packer in Kerikeri. On 14 March 2008, the takeover offer went unconditional with acceptances received exceeding 90% of the available shares in Kerifresh Limited. The remaining shares in Kerifresh Limited are now available for compulsory acquisition by Turners & Growers. We now look forward to integrating this acquisition into the Turners & Growers network and increasing our presence in the kiwifruit, mandarin and lemon markets.

During the year Turners & Growers and the Delica Group formed a new specialist produce exporting company called Delica Limited with Turners and Growers being the major shareholder. Delica exports a wide range of produce

from New Zealand and Australia and to date the venture has worked well.

Capital expenditure, including the above purchases, was \$32.6m for the year. With this large capital spend and potentially another \$14m–\$15m outflow if the Kerifresh takeover is successful Turners & Growers will see a period of consolidation and debt reduction for the first six months of 2008.

We continue to monitor the size and adequacy of our property portfolio with the policy that "if we live in it we prefer to own it". There are no major property holdings that we believe are excess to requirements.

All domestic divisions have traded well and have improved results from the previous year. The ENZAFoods Group, including ENZACOR PTY Australia, had a good year with significant improvements from 2006.

Trading and operational activities are commented on in more detail in the report of the Managing Director.

Distribution Plan

In March 2008 the Directors announced the details of a new distribution plan available to all shareholders. The new distribution allocates bonus shares to shareholders, and provides shareholders the option to sell the bonus shares for cash through an off-market fully imputed share buy back facility. The first distribution under this new plan was declared at 10 cents per share with a record date of 11 March 2008 and an allotment date of 28 March 2008.

Shareholding

Shares on issue increased by 19,147,267 (24.9%) during the twelve months as a result of shareholders elections



favouring shares in lieu of the April 2007 cash dividend and a 1-for-5 bonus issue allotted in May 2007.

At December 2007 the number of shares on issue stood at 96,186,979.

Annual Meeting

It is proposed that the Annual meeting of Shareholders will be on Wednesday 18 June 2008. A separate notice of meeting will be mailed in due course.

Election of Directors

Pursuant to clause 20.7 of the constitution and in compliance with rule 3.3.8 of the NZSX listing rules, three Directors are retiring at the June Annual General Meeting. By virtue of the constitution Jeff Wesley, as Managing Director, is not subject to rotation.

A.I. (Tony) Gibbs, Chairman, retires by rotation and is standing for re-election.

L.A. Noboa III is retiring by rotation and does not seek re-election due to his international commitments. However, Michael Dossor has requested that the Board approve L.A. Noboa III's appointment as his 'alternate director' from the conclusion of the June Annual General Meeting. The Board is in full support of this move.

W.J.E. (Bill) Lynch also retires by rotation and does not seek re-election. The Board thanks Bill for his contribution over the last five years on the Turners and Growers Board, and for his earlier efforts as a Board member of ENZA Limited. On behalf of the Board we wish Bill all the best for the future.

Management and Staff

2007 is the second full year with Jeff Wesley as Managing Director. This has seen a period of change with new General Managers appointed to ENZAFoods, The Fruit Case Company, Status Produce Ltd and ENZA International. The Board believes the Company is poised for growth.

The Future

We are optimistic about the future with increased revenue streams from the new apple varieties and continued investment in core fruit and vegetable categories.

The 2008 year will be a challenge, especially with the high value of the New Zealand dollar and its impact on our export operations. The Group will continue to find ways to reduce operating costs and expand the revenue base.

The Board thanks the Turners' team for all the hard work and achievements during the past twelve months.




A.I. (Tony) Gibbs
CHAIRMAN

Managing Directors' Report

I am pleased to report on what has been another year of achievement and progress across the majority of our operations, now 110 years in the making.

Our Domestic, Transport, Fruit Case Company, Status Produce and the ENZA Foods Group, together with our overseas investments, all posted improved revenue and profit contributions. Our new 70% owned export company, Delica Ltd also posted a very satisfactory result.

ENZA, our pipfruit export operation, went against the trend suffering considerably lower returns as a direct result of the high value of the New Zealand dollar (NZD), which was at 10 year highs in the period against our major trading currencies.

Also in the year we acquired two pipfruit orchards in Hawkes Bay which we are rapidly converting to high paying ENZA proprietary varieties (Jazz™ and Envy™) and we acquired Kapiro Orchards, a 122ha operation in Kerikeri producing kiwifruit and mandarins.

Financial Performance

While net profit before tax (NPBT) at \$22.05m was down 5.4% on 2006, the 2007 result still represents the second highest NPBT produced by the Company.

Had ENZA International produced a profit contribution similar to the previous period the Groups NPBT for 2007 would have exceeded \$26m.

Group profit after tax at \$14.03m was down 17% following a 36% tax rate as a result of proportionally more domestic revenue, increased non-deductible expenses and the impact of prior year tax returns.

The Group has a strong balance sheet and net tangible assets were up 7.4% to \$247m in 2007.

Overall Group net cash decreased by \$10.3m for the year, mainly as a result of increased capital expenditure and reduced operating cashflows.

Corporate overheads have increased from 2006 with the main reasons being the number of new businesses now fully accounted for in the Group.

These include Latitude 41 (a packhouse in Nelson), the two ENZA pipfruit orchards in the Hawkes Bay, Kapiro Orchards, Delica and a full year with increased volume at ENZAPAK, our pipfruit packhouse in Hawkes Bay. This is new activity for 2007 and associated costs have consolidated into the result.

Domestic Division

The performance of the Domestic Division continued to improve on the sound foundations laid down in 2006. Operational efficiencies and improved gross margin resulted in a profit contribution increase of 23%.

Our 12 produce markets performed strongly, especially under the continued movement of direct supply to supermarkets and ever narrower margins. Each of the business units performed ahead of budget with the South Island especially showing a much improved turnaround from the previous year.

The Pukekohe pre-pack operation returned an excellent result with strong potato pricing and a heavy promotional calendar aiding the result.

Procurement units are working closely with our growers to continue securing market supply. The market distribution centres continue to operate efficiently despite difficulties with labour shortages.

Bananas and other imported fruit returns were slightly up on 2006. Our Bonita banana brand performed very well despite the continued presence of a third player. Most traded products contributed positively.

Our support services enabled the administration aspect of the business to operate efficiently. Billing and grower statement information along with HR support ensured customer and staff expectations were met.

ENZA International

Following on from the recovery of the New Zealand pipfruit industry in 2006 with strong international prices and lower \$NZD exchange rates, the 2007 season again provided the industry, including ENZA, with a number of challenges.

Foremost among the challenges was the high New Zealand dollar, which peaked in the middle of the season at over NZ\$0.81c to the US dollar. These exchange rates had a substantial impact on the profits, for both the growers and for ENZA alike. In fact, the sales prices and results achieved by ENZA in its offshore markets in 2007, were some of the best results achieved in the last 10–20 years, second only to the lower exchange rate 2006 season. The other main challenge for the 2007 season was a large, late NZ Braeburn crop that was exported to Europe, and the price erosion that occurred as a consequence of undercutting between New Zealand exporters.

ENZA's market share of the national export crop remained relatively flat from last season at just under 35%. However with a significant number of ENZA growers currently renewing their orchards and planting ENZA exclusive varieties such as the Jazz™ and Envy™, we expect this share to start to pick up by 2009 as new production comes on stream. Pipfruit NZ's crop estimate for the 2008 season puts Jazz™ as the 4th largest apple variety grown in New Zealand. Jazz™ will represent 9% of the total New Zealand export apples in 2008 with significant growth still to come.

Jazz™ volumes reached a global milestone in 2007, breaking through the one million carton mark for the first time. 2007 saw our first commercial UK Jazz™ crop being marketed. Global synergies are on target with US Jazz™ supporting the 12 month supply into New Zealand, Asia, UK and Continent. Current production will see us reach 6 million cartons by 2011. While the impact of the high exchange rate was also felt on Jazz™, grower returns for this exceptional variety were still almost double the returns on commodity varieties, providing a strong source of profitable revenue to ENZA Jazz™ growers.

The continued success of Jazz™, has created some excitement around ENZA's next outstanding new apple, Envy™ (previously known as "T22"). Envy™ will start commercialisation in 2008, with the first volume available for sale from 2010 onwards.

Overhead costs continue to be scrutinised at all levels of the business. Renegotiated leases for cool store space and review of all packing and storage rates will work to minimise the impact of crop reduction.

ENZA continues to be the leader in the area of technical compliance. The demands of the global market are increasingly complex. International compliance programmes at orchard, packhouse and exporter level now number forty five, to name a few, chemicals, GAP, worker welfare, fruit quality and now carbon emissions. ENZA is meeting these challenges by assisting our grower / packer partners in documenting specifications, and providing examples through technical updates.

In short as ENZA's proprietary varieties will become an increasingly larger share of the national crop from 2009 onwards, shareholders can expect significantly improved results from this division.



Transport

The Transport Division posted satisfactory results with increased revenue (up 1%) and profit contribution (up 7%).

As with the previous year, fuel prices continued to fluctuate with an all time high recorded in December 2007.

The ongoing skilled driver shortage within the industry continues. On 29 March 2007 acting Transport Minister Harry Duynhoven announced that road user charges for vehicles over six tonnes would increase from 1 April 2007, by an average of 11%. Unfortunately we were unable to absorb the additional expense and had little choice but to pass this on to our customers.

A number of operational initiatives were successfully implemented during the year. These enabled better delivery times into most areas with the main beneficiary being Wellington. Service levels across the board improved as timetables were altered to meet revised customer needs.

Prospects for 2008 include additional routes, securing major contracts, new equipment and continuous operational improvement.



ENZA Foods

ENZA Foods New Zealand Limited (EFL) full year result for 2007 is a pleasing one.

Although revenues were relatively static, a focus on reducing costs, increasing quality and selling at an improved gross margin resulted in EFL exceeding its budget for the year.

Once again processing volumes available to EFL and the volatile NZ dollar proved to be challenging, and directly impacted the overall results.

While early frosts in October 2007 may put pressure on processing volumes for the 2008 season, this should be offset by an uplift in apple juice concentrate pricing in the Global market.

New product development and improved demand from customers mean that the outlook for 2008 is positive, with the focus on new harvest technology to attract greater volume and product diversification aimed at the fruit sauce area.

Pouch pack technology has replaced all canning processes at the Nelson factory and is set to make a significant contribution in the future.

Whilst EFL is well positioned it is of concern that pipfruit growers continue to leave the industry, potentially reducing the future crop available for EFL to procure.

Fruitmark

Fruitmark produced outstanding revenue (up 35%) and profit contributions (up 62%) in 2007. The business is a specialist supplier to various categories of Australian fruit-based beverage, food manufacturing and food service markets. However as a pure trader margins are fine and volumes can be fickle.

Sales of juice concentrates, frozen fruits and fresh cut vegetables all reached very good volumes. Sales of dehydrated fruits to the breakfast cereal market and apple solids sales to the bakery sector were also at very pleasing levels. The only disappointment was the supply of apple juice concentrate from New Zealand due to raw material supply issues that continue to hold back market share aspirations.

2007 was a very productive year for Fruitmark and the financial result was outstanding. Fruitmark is looking to consolidate the gains made in recent years into 2008. Fruitmark is also exploring the possibility of opening a similar trading operation in another region.

Status Produce & Packhouse

Status had a slightly improved year with higher tomato prices assisting in a revenue increase of 3% and a profit contribution increase of 5%.

However, it was unable to take full advantage of high winter prices as planned. As a result of this management and production changes have been made that are expected to deliver a significantly improved result in 2008.

The parasite encarsia, which is used to control white fly, was in short and erratic supply, resulting in lower than budgeted tomato yields.

During the year Status packed asparagus, lemons, capsicums and cucumbers while in early winter it ran a successful mandarin packing program which offsets the traditional low tomato volumes for that period.

Similar volumes of tomatoes were exported to Japan and Australia although the high NZ dollar is beginning to negatively impact on the future of this business. However with the introduction of Delica into the Group it is anticipated tomato exports to new customers and new markets will grow strongly.

Growing Operations

Kapiro Orchards

In July 2007 Turners & Growers purchased the Kapiro orchard, in Kerikeri, Northland.

The orchard which has an overall area of 122 hectares is currently producing mandarins and kiwifruit and this acquisition is part of our ongoing strategy of being vertically integrated within produce categories to ensure both security of supply and competitive pricing in the market place.

It is also in a very desirable location with the surrounding area becoming increasingly sought after for valuable residential and lifestyle property developments.

The thirty four canopy hectares of Satsuma mandarins produce 1,100 tonnes of fruit annually of which almost all is sold on the New Zealand domestic market.

The twenty seven canopy hectares of Hayward variety kiwifruit produce nearly 1,000 tonnes of fruit of which 90% (250,000 trays) is currently exported through Zespri.

There are also twenty five hectares of mature radiata pine on the property.

We have commenced restructuring the kiwifruit orchard by regrafting from the traditional Hayward green kiwifruit to our proprietary ENZAGold™ variety and have also established a trial block of other promising varieties either owned by or exclusively licensed to ENZA.

In 2008 we will continue converting the orchard to new varieties of kiwifruit. The mandarin crop will again be placed mainly to the New Zealand market although an increased volume will be exported to Japan, and, subject to market conditions, to the USA for the first time.

ENZA Pipfruit Orchards

In January 2007 we acquired large pipfruit orchards in Evenden Road and Trotter Road, in Hastings, the combined area of these properties amounting to eighty one hectares. The purchases included a coolstore complex, a packhouse, two fully planted orchards and the equipment necessary to run the operations.

Production for the year amounted to 8,000 bins of fruit which was in line with the estimated production. Seven existing staff were employed and the orchards were amalgamated from a management perspective.

As part of a staged replanting programme 17,000 Jazz™ and 1,000 Envoy™ trees were planted during the spring of

2007. The replanting program will ensure that the orchards continue to upgrade to the newest varieties and deliver the best returns to the Group in the future.

In 2008 a further portion of the orchards will be replanted with a view to having the majority of the orchard area replanted in new varieties by 2010.

Kiwifruit

For Turners & Growers Limited, it is almost “back to the future”.

Not that long ago Turners & Growers was New Zealand’s largest exporter of kiwifruit having played a major role in developing the industry in New Zealand. Indeed it was Jack Turner in 1959 who coined the name “kiwifruit” to replace the clumsy “Chinese Gooseberry” name it was previously known as. Also in the US in those days any fruit imported with the name “berry” incurred an extra tax so the new name was a winner all round.

In 2007 we rapidly expanded our kiwifruit activities as part of a long term strategy to once again become a major participant in the kiwifruit industry both within New Zealand and internationally.

During the year Chilean growers planted the first ENZAGold™ kiwifruit in South America which will be sold through our international marketing networks. We secured the NZ, Australian and South African propagation and marketing rights for the exciting new, soft centered higher brix early green variety Summerkiwi™. We obtained the global marketing rights for the red fleshed kiwi variety “Hong Yang” and we successfully sold the first ENZA branded Hayward kiwifruit from New Zealand into Australia.

In July 2007, as previously mentioned, we purchased the Kapiro orchard in Northland which produces approximately 250,000 trays of green kiwifruit.

We have a comprehensive national and international marketing structure ready to handle kiwifruit, strong brand identities established with “ENZA” and “King Kiwi”, and a successful record in developing new varieties globally. We also have the ability to source the existing green Hayward variety from Chile, Italy and other countries to fulfill 12 month global supply programmes.

In the event that the export of kiwifruit from New Zealand is deregulated it is important that Turners and Growers is well placed to be one of the key exporters of New Zealand kiwifruit. To ensure this, we are

establishing close relationships with a number of growers in all growing regions and will evaluate suitable partners amongst the major supply group entities.

In 2008 we will expand sales of Chilean ENZA branded green kiwifruit into the Middle East and Asia, treble our volumes to Australia, commence the licensing of growers in Europe and North America and release the first ENZAGold and Summerkiwi plants to growers in New Zealand.

Over the next few years the revenue contribution to the Group from kiwifruit is expected to reach \$10m annually by 2015 with contributions of \$5m from the sale of ENZAGold alone.

Fruit Case Company (FCC)

FCC posted new revenue and profit contribution records (up 7% and 23% respectively) with more crates issued and returned than ever between growers, marketers and retailers.

Continued investment in pallets and crates has ensured that FCC remains the country's leading packaging provider of crates, pallets and bins to the fresh produce sector.

Notwithstanding this FCC continues to investigate new bin and pallet designs to further enhance internal and freight cost efficiencies.

An automated crate label removal unit has been installed in Auckland and is being trialled to further improve the already high crate hygiene standards.

FloraMax

FloraMax posted a satisfactory result with revenue and profit contribution up 4% and 9% respectively, its fifth straight year of improvement.

The state of the art electronic auction system operated by Floramax Auckland remained a powerful tool in attracting buyers while simultaneously reducing operating costs.

Floramax focus on increasing import volumes for 2007 proved to be successful, especially during the winter when local production of certain varieties has started to drop due to increased growing costs.

Roses from India were successfully introduced under the Florosa brand while increased orchid and tropical products imports were introduced and marketed under the FlorAsia brand.

Focus for 2008 is to build these initiatives and ensure increased volumes over the FloraMax auction floors in Auckland, Wellington and Christchurch.

The "Flowers Work Wonders" campaign also had a positive impact on sales during 2007.

This campaign celebrated its first birthday in October 2007 and subsequent surveys confirmed the positive effect it is having on the sale of flowers in New Zealand. FloraMax management strongly believes this campaign will play a very important part in future sales of floral products in New Zealand.

Delica Ltd

Having joined the Group in April 2007, Delica posted a successful nine months trading result in New Zealand, Australia and South America with the Delica New Zealand operation exceeding budget by \$200k and the Delica Australia operation exceeding budget by \$300k.

The New Zealand operation traded successfully in all main categories and enjoyed continued and unexpected support from apple growers outside of the ENZA supply base.

An exceptional trading season in the citrus category was the primary driver for the good result in Australia.

The South American operation performed well and grew in line with expectations. Solid foundations have been laid with suppliers in various categories which will convert to a large increase in business in 2008.

Staff

My sincere thanks again go to all of the dedicated, proud and hard working staff that make Turners & Growers such a remarkable company.

It is only through the daily actions and dedication of our staff that Turners & Growers continues to lead the industry in delivering outstanding customer service and product quality from the farm to the supermarket shelf.



A handwritten signature in dark ink, appearing to read 'Jeff Wesley', written over a light background.

Jeff Wesley
MANAGING DIRECTOR



Corporate Governance

Role of the Board of Directors

The Board is the governing body of Turners & Growers Limited and all its wholly owned subsidiaries. It currently has eight members, including Jeff Wesley as Managing Director.

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 Managing Director. The Board is committed to acting with integrity and expects high standards of behaviour and accountability from all staff members. A formal Code of Ethics exists governing the conduct of Board members.

Board membership

The Board comprises eight Directors being a non-executive Chairman, the Managing Director and six non-executive Directors, three of whom are “independent” Directors as defined in the NZX listing rules. Within the Board of Directors is a broad mix of skills and industry experience relevant to the guidance of the Company’s businesses.

The Board has identified Brian D’Ath, William Lynch and Mark Tregidga as Independent Directors for the purposes of the NZX listing rules.



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 personally in the Company’s shares during periods which are deemed by the Board to be “closed” periods. These customarily include the periods toward the end of the six and twelve month reporting cycles, as laid out in the NZX Listing Rules, 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 – an Audit Committee and a Remuneration Committee, both of which operate under Board-approved charters.

The Audit Committee meets at least four times per year and is responsible for overseeing compliance with statutory financial and related responsibilities, ensuring that effective systems of accounting and internal control are established and maintained, overseeing internal and external audit, liaising with the Company’s independent auditors and making recommendations to the Board as to the their

appointment and remuneration. This committee is chaired by Mark Tregidga and also comprises Messrs Gibbs (ex-officio), Burney, D'Ath, and Lynch. The three Independent Directors are given the opportunity to meet separately with the auditors as required.

The Remuneration Committee is responsible for recommending to the Board the remuneration of the Chief Executive, the Company Secretary and the Chief Financial Officer, and recommending the remuneration of Directors. This committee is chaired by Tony Gibbs and also comprises independent directors, Messrs D'Ath and Tregidga.

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 now focused on its main operational activities being the Domestic Markets, Exports, Fruit Processing and Growing Operations, and other related services.

These operations are managed separately with direct reporting to the Managing Director 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 its Audit 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, willful 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.



"Flowers Work Wonders" - FloraMax campaign

Statutory Information

Auditors

Details of payments to auditors are outlined in Note 5 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.

12 Months to 31 December 2007	Group \$'000
Directors of Turners & Growers Limited	
A.I. Gibbs	90
B.M. D'Ath	50
M.R. Dossor	50
W.J.E. Lynch	50
R.A. Burney	50
L.A. Noboa III	50
M.G. Tregidga	60
J.M. Wesley (Managing Director)	868



Tony Gibbs awarding the Roger Davis Trophy to Hamish Alexander.

Employees' remuneration

The Group paid remuneration including benefits to 62 employees (other than Directors) during the twelve months in excess of \$100,000, in the following bands:

12 Months to 31st December 2007 \$'000 (annual equivalent)	Number of Employees 2007 2006	
100 – 110	7	10
110 – 120	9	8
120 – 130	9	6
130 – 140	3	5
140 – 150	4	5
150 – 160	1	2
160 – 170	5	6
170 – 180	3	3
180 – 190	4	4
190 – 200	3	–
200 – 210	2	–
210 – 220	–	1
220 – 230	2	2
230 – 240	1	–
240 – 250	1	–
250 – 260	–	–
260 – 270	–	–
270 – 280	1	1
280 – 290	–	–
290 – 300	–	–
300 – 310	1	–
310 – 320	–	–
320 – 330	1	–
330 – 340	1	–
340 – 350	–	1
350 – 360	2	1
360 – 370	–	–
370 – 380	1	1
470 – 480	–	1
490 – 500	1	–
	62	57

Payments include redundancy and termination payments in line with employment contracts, where applicable.

Directors' shareholdings

Ordinary shares held by Directors and parties associated with Directors:

	Dec-06	Dividend Reinvestment Plan (1)	1-for-5 Bonus Issue (2)	Purchase	Sale (3)	Dec-07
A.I. Gibbs	57,354	2,717	12,015	–	–	72,086
B.M. D'Ath	–	–	–	–	–	–
– held by associated party	11,000	522	2,305	–	–	13,827
M.R. Dossor	74,774	3,542	15,664	–	–	93,980
W.J.E. Lynch	95,396	4,519	19,983	–	–	119,898
R.A. Burney	–	–	–	–	–	–
L.A. Noboa III	–	–	–	–	–	–
M.G. Tregidga	47,017	2,228	9,849	–	–	59,094
– held by associated party	673,487*	11,859	137,070	–	(30,000)	792,416
J.M. Wesley	–	–	–	–	–	–

* parties previously deemed to be associated with M.G. Tregidga are no longer required to be treated as associates resulting in a reduced holding by 236,186 shares.

As detailed above the only shares acquired or sold during the year 31 December 2007 in which Directors held 'relevant interests' were in relation to:

- (1) Dividend Reinvestment Plan - shares issued on 27th April 2007 as elected in lieu of the 14 cent cash dividend.
- (2) 1-for-5 Bonus Share Issue – bonus ordinary shares issued on 2nd May 2007; and
- (3) Shares sold by parties associated with M.G. Tregidga as follows:

23rd May	10,000 shares sold	at \$2.45 per share
10th–11th Sept	14,000 shares sold	at \$2.20 per share
12th–20th Sept	6,000 shares sold	at an average price of \$2.14 per share

J.M. Wesley was approved one millions share options by the Board in August 2005 when he held the position as Chief Executive Officer (now Managing Director). The first tranche of options are able to be exercised in August 2008. (Refer note 30)

Indemnification and insurance of officers and Directors

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 officers and Directors of off-shore companies during the twelve months was \$30,000 (2006: \$30,000).

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 Directors 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 12 months in

which they held an interest other than, share movements stated earlier, and those noted below.

All transactions conducted by Turners & Growers Fresh Limited with the Pacific Fruit Group, a Company in which Mr L. Noboa III is a senior executive, are interested transactions. (Refer note 29)

Turners & Growers Fresh Limited, ENZA Limited, and Delica Limited sold produce on behalf of three companies with whom three other Directors are separately associated. These supplies were made at arms length at the Group's standard commission rates and service charges. (Refer note 29)

NZSX waiver from Listing Rule 9.2.1

During the year Turner & Growers Limited held a waiver from NZSX listing rule 9.2.1 (Related Party Transactions) that was granted in January 2006. The waiver was issued for three years in respect of services to be supplied to Inglis Horticulture Limited using the Group's infrastructure. The waiver was granted on the condition that all services entered into with Inglis Horticulture Limited are to be on standard terms and conditions.

Substantial Shareholders

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

The following are recorded by the Company as at 29 February 2008 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Markets Act 1988:

Ithaca (Custodians) Ltd. (Guinness Peat Group plc)	62,615,510
Bartel Holdings Ltd. (Pacific Fruit Group)	10,010,302
Accident Compensation Corporation	4,944,028

The total number of voting securities issued by the Company as at 29 February 2008 was 96,186,979 (2007: 77,039,712).

Twenty Largest Shareholders

At 29 February 2008

Holder Name	Holding	Percentage
Ithaca (Custodians) Ltd. (Guinness Peat Group plc)	62,615,510	65.10%
Bartel Holdings Ltd. (Noboa Group)	10,010,302	10.41%
Accident Compensation Corporation	4,944,028	5.14%
M.A. Goldsmith, R.J. Turner, S.J. Turner, B.D. Turner	1,013,444	1.05%
ANZ Nominees Limited	1,003,141	1.04%
ASTERON Life Limited	978,402	1.02%
Rotorua Trust Perpetual Capital Fund Limited	930,000	0.97%
Citibank Nominees (New Zealand) Limited	593,293	0.62%
Investment Custodial Services Limited	411,045	0.43%
D.A. Currey & F.B. Jorgensen	407,272	0.42%
TEA Custodians Limited	360,000	0.37%
NZ Guardian Trust Investment Nominees Limited	308,401	0.32%
N.K. Peters, D.E. Peters & B. Robinson	300,000	0.31%
New Plymouth District Council	280,011	0.29%
M.G. Tregidga & CST Trustees Limited	279,216	0.29%
ASB Nominees Limited	277,470	0.29%
M.L. Tregidga & CST Trustees Limited	276,412	0.29%
Rachael Loomes	268,166	0.28%
H.C. Zingel & L.L. Zingel	247,901	0.26%
New Zealand Equity Nominee Pool	237,000	0.25%
	85,741,014	89.15%

Spread of Security Holders

At 29 February 2008

Range	Total Holders	Percentage of Total Holders	Units	Percentage of Issued Capital
1 – 99	10	0.83%	530	0.00%
100 – 199	14	1.16%	1,844	0.00%
200 – 499	71	5.90%	26,043	0.03%
500 – 999	172	14.30%	123,632	0.13%
1,000 – 1,999	227	18.87%	297,612	0.31%
2,000 – 4,999	269	22.36%	847,419	0.88%
5,000 – 9,999	190	15.79%	1,300,314	1.35%
10,000 – 49,999	204	16.96%	4,038,903	4.20%
50,000 – 99,999	19	1.58%	1,215,387	1.26%
100,000 – 499,999	22	1.83%	4,641,092	4.83%
500,000 – 999,999	1	0.08%	930,000	0.97%
1,000,000 – above	4	0.34%	82,764,203	86.04%
Total	1,203	100.00%	96,186,979	100.00%

Domicile of Shareholders

At 29 February 2008

Domicile	Holders	Percentage of Holders	Units
New Zealand	1,175	97.67%	95,755,321
Australia	18	1.50%	340,236
United Kingdom	3	0.25%	6,694
United States of America	2	0.17%	7,572
Singapore	1	0.08%	60,000
Philippines	1	0.08%	10,306
Other	3	0.25%	6,850
	1,203	100.00%	96,186,979

The New Zealand Domicile holdings include Bartel Holdings Limited whose ultimate shareholder is the Noboa Group of Ecuador, and Ithaca Custodians Limited whose ultimate shareholder is GPG plc, England.

Auditors' Report



To the shareholders of Turners & Growers Limited

We have audited the financial statements on pages 20 to 64. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 December 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 25 to 30.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 December 2007 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 20 to 64:
 - (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 the Company and Group as at 31 December 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 19th March 2008 and our unqualified opinion is expressed as at that date.



Chartered Accountants
Auckland



INCOME STATEMENT

For the year ended 31 December 2007

	Notes	Group		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	3	515,003	550,297	565	608
Cost of sales		(368,250)	(411,325)	(2)	(2)
Gross profit		146,753	138,972	563	606
Other operating income	4	966	2,007	24,140	20,473
Administration expenses		(23,109)	(21,277)	–	–
Other operating expenses	5	(100,677)	(95,464)	(19,331)	(18,287)
Operating profit before financing costs		23,933	24,238	5,372	2,792
Financial income	7	1,686	1,787	9,691	8,932
Financial expenses	7	(6,071)	(6,095)	(7,866)	(7,237)
Net financing costs		(4,385)	(4,308)	1,825	1,695
Share of profit of associates	13	2,504	3,383	–	–
Profit before tax		22,052	23,313	7,197	4,487
Income tax expense	8	(8,023)	(6,343)	(2,985)	(3,502)
Profit after tax		14,029	16,970	4,212	985
Profit for the year		14,029	16,970	4,212	985
Attributable to:					
Equity holders of the parent		13,954	16,804	4,212	985
Minority interest		75	166	–	–
Profit for the year		14,029	16,970	4,212	985
Earnings per share					
Basic earnings (in cents)	21	15.5	22.1		
Diluted earnings (in cents)	21	15.2	21.8		
Dividends per share (in cents)	20	14.0	12.0		

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

STATEMENT OF RECOGNISED INCOME AND EXPENSES

For the year ended 31 December 2007

		Group		Parent	
		2007	2006	2007	2006
	Notes	\$'000	\$'000	\$'000	\$'000
Foreign currency translation reserve movement		(426)	113	–	–
Revaluation of property, plant & equipment		6,525	12,368	–	–
Change in fair value of equity securities available-for-sale		–	5	–	5
Movement in share option reserve		550	281	550	281
Net income recognised directly in equity		6,649	12,767	550	286
Profit for the year		14,029	16,970	4,212	985
Total recognised income for the year	20	20,678	29,737	4,762	1,271
Attributable to:					
Equity holders of the parent		20,603	29,571	4,762	1,271
Minority interest		75	166	–	–
Total recognised income for the year		20,678	29,737	4,762	1,271

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

BALANCE SHEET

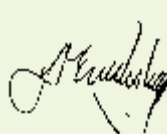
As at 31 December 2007

	Notes	Group		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current assets					
Property, plant & equipment	9	219,074	197,656	3,346	3,377
Biological assets	17	974	–	–	–
Intangible assets	10	17,655	14,011	8,594	8,410
Investment property	11	–	–	24,323	23,253
Investments in subsidiaries	12	–	–	145,978	141,327
Investments in associates	13	19,240	18,071	7,705	7,705
Available-for-sale investments	14	759	–	–	–
Trade and other receivables	18	5,844	1,791	1,921	724
Total non-current assets		263,546	231,529	191,867	184,796
Current Assets					
Inventories	16	29,305	20,395	–	–
Biological assets	17	3,162	149	–	–
Trade and other receivables	18	56,782	62,411	112,169	90,726
Taxation receivable		4,084	6,495	3,971	2,070
Cash and cash equivalents	19	15,196	25,591	1	1
Total current assets		108,529	115,041	116,141	92,797
Total assets		372,075	346,570	308,008	277,593
Equity					
Share capital	20	155,007	145,799	155,007	145,799
Other reserves	20	46,149	39,500	938	388
Retained earnings	20	61,132	57,964	16,444	23,018
Total equity attributable to equity holders of the parent		262,288	243,263	172,389	169,205
Minority interests	20	2,273	679	–	–
Total equity		264,561	243,942	172,389	169,205
Non-current liabilities					
Interest bearing loans and borrowings	22	29	–	–	–
Trade and other payables	24	695	–	–	–
Deferred tax liabilities	15	10,008	9,116	2,765	2,227
Total non-current liabilities		10,732	9,116	2,765	2,227
Current liabilities					
Trade and other payables	24	66,728	68,402	99,788	71,797
Borrowings	22	30,009	25,000	30,000	25,000
Bank overdraft	19	–	–	3,021	9,254
Provisions	23	45	110	45	110
Total current liabilities		96,782	93,512	132,854	106,161
Total liabilities		107,514	102,628	135,619	108,388
Total equity and liabilities		372,075	346,570	308,008	277,593

A.I. Gibbs
Director (Chairman)



J.M. Wesley
Managing Director



Date 19 March 2008

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2007

		Group		Parent	
		2007	2006	2007	2006
	Notes	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash receipts from customers		899,469	903,941	21,994	19,842
Payments to suppliers and employees		(868,011)	(853,614)	(19,968)	(14,255)
Dividends received		17	25	–	185
Interest received		1,546	1,757	9,691	8,747
Interest paid		(6,017)	(6,094)	(7,621)	(7,045)
Income tax (paid) / received		(5,661)	361	(4,348)	(88)
Net cash inflows / (outflows) from operating activities	32	21,343	46,376	(252)	7,386
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant & equipment		430	12,422	2	78
Proceeds from sale of investments		–	6	–	6
Dividends received from associates		888	1,827	–	–
Cash acquired on purchase of subsidiary		–	10	–	–
Advances from subsidiaries		–	–	9,199	14,928
External loan repayments from suppliers and customers*		805	39	695	9
		2,123	14,304	9,896	15,021
Cash was disbursed to:					
Purchase of property, plant & equipment and biological assets	9,17	(28,314)	(8,713)	(2,710)	(654)
Purchase of intangibles	10	(2,045)	(4,866)	–	(1,844)
Purchase of available-for-sale investments	14	(759)	–	–	–
Purchase of investments in associates	13	–	(7,613)	–	(7,613)
Purchase of subsidiaries	12	(1,545)	(500)	(2,151)	–
External loans to suppliers and customers*		(4,654)	(714)	(1,972)	(558)
		(37,317)	(22,406)	(6,833)	(10,669)
Net cash (outflows) / inflows from investing activities		(35,194)	(8,102)	3,063	4,352
Cash flows from financing activities					
Cash was provided from:					
Proceeds from bank term loan		105,038	78,247	30,000	–
		105,038	78,247	30,000	–
Cash was disbursed to:					
Dividends paid to parent shareholders	20	(1,578)	(2,079)	(1,578)	(2,079)
Dividends paid to minority shareholders		–	(24)	–	–
Bank commercial bill facility and term loan repayments		(100,000)	(94,000)	(25,000)	(15,000)
		(101,578)	(96,103)	(26,578)	(17,079)
Net cash inflows / (outflows) from financing activities		3,460	(17,856)	3,422	(17,079)
Net (decrease) / increase in cash and cash equivalents		(10,391)	20,418	6,233	(5,341)
Foreign currency translation adjustment		(4)	(143)	–	–
Cash at beginning of period		25,591	5,316	(9,253)	(3,912)
Cash at end of period	19	15,196	25,591	(3,020)	(9,253)

*External loans to suppliers and customers were treated as part of operating cashflows in prior years as they were considered part of the Group's normal operating activities and generally seasonal in nature. Due to the increase in the size and duration of the current loans these have been separated out as investing activities.



NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

Turners & Growers Limited is a company domiciled in New Zealand. The consolidated financial statements of the company for the year ended 31 December 2007 comprise the Company and its subsidiaries (the Group) and the Group's interest in associates.

Statement of compliance

The consolidated financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) for financial statements.

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 are no changes to accounting policies.

Basis of preparation

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 an historical cost basis have been applied, with the exception of the following assets stated at their fair value: land & buildings, 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 at the annual reporting date, 31 December 2007.

These financial statements were authorised for issue by the Board of Directors on 26 February 2008. Neither the owners or others have the power to amend the financial statements after issue.

The Group financial statements consolidate the financial statements of subsidiaries, using the purchase method, and include the results of associates using the equity method.

To ensure consistency with the current period, comparative figures have been restated where appropriate.

Basis of consolidation

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent Company. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All material transactions between subsidiaries or between the Parent Company and subsidiaries are eliminated on consolidation.

Associates

Associates are entities in which the Parent Company, either directly or indirectly, has a significant but not controlling interest. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Foreign currencies

Foreign operations

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.

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 sheet 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 the foreign currency translation reserve.

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 sheet 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 STATEMENT OF ACCOUNTING POLICIES** (continued)

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.

Property, plant & equipment**Initial recording**

Items of property, plant & equipment are stated at cost less accumulated depreciation and impairment losses, except where certain assets have been revalued. The cost of purchased property, plant & equipment is the value of the consideration given to acquire the assets and 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 & equipment have different useful lives, they are accounted for as separate items of property, plant & equipment.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant & 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.

Revaluations

Land and buildings are valued by independent registered valuers on the basis of open market value for the highest and best use, with a willing but not anxious buyer and a willing but not anxious seller. The revaluations of land and buildings 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 sheet date. Any increase in the value is recognised directly in equity. Any decrease in value that offsets a previous increase in value of the same asset is charged against reserves in equity, any other decrease in value is charged to the income statement.

Depreciation

Depreciation of property, plant & 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:

Buildings & land improvements	15 – 50 years
Plant, furniture and fittings	3 – 12 years
Transport vehicles	5 – 7 years
Motor vehicles	5 years
Office equipment	3 – 10 years
Hire containers	3 – 6 years
Glasshouses	33 years

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

Leased assets**Operating leases**

The Group leases certain plant, equipment, 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.

Intangible assets**Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Financial Reporting Standards.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Patents, trademarks, brands and licenses

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 sheet date. Acquired patents, trademarks, brands and licenses are amortised over their anticipated useful lives of 10–20 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 & equipment and amortised over a period of 3 to 8 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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.

Investments

Investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of unlisted investments are calculated using a discounted cash flow calculation.

Investments classified as available-for-sale investments are recognised / derecognised by the Group on the date it commits to purchase / sell the investments.

Investment property

Investment property is disclosed in the Parent and not the Group as the Parent property portfolio is primarily leased to other Group companies. Any increases or decreases in the carrying amount arising on revaluation of land and buildings are credited / debited to the income statement.

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 less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of tomatoes at or before the point of harvest is based on the present value of the market price of the volumes produced, net of harvesting costs. The fair value of apples, mandarins and kiwifruit is based on the present value of expected net cash flows from the asset discounted at a current market-determined pre-tax rate.

Trade and other receivables

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

Trade receivables are carried at cost less impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. 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 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 expense in the income statement.

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 as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment

The carrying amounts of the Group's assets, other than biological assets, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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 goodwill the recoverable amount is estimated at each balance sheet date. Goodwill is tested for impairment each year.

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 (Group of units) and then, to reduce the carrying amount of the other assets in the unit (Group of units) on a pro rata basis.

Recoverable amount

The recoverable amount of receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset.

The recoverable amount of other 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 pre-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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

An impairment loss in respect of a receivable is reversed if the subsequent increase in 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 in respect of goodwill is not reversed.

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.

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.

Employee entitlements

Defined contribution plans

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

Long term employee benefits

The Group's net obligation in respect of long service 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.

Short term employee benefits

Employee entitlements to salaries and wages and annual leave, to be settled within 12 months of the reporting date represent present obligations resulting from employee's services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

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.

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.

The Group holds deposits for plastic crates and bins as a liability. A portion of these crates and bins will never be returned. The Group writes back a percentage of crates on issue each financial year when appropriate.

Trade and other payables

Trade and other payables are stated at cost.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group undertakes transactions denominated in foreign

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

currencies from time to time and resulting from these activities exposures in foreign currency arise. It is the Group's policy to hedge foreign currency risks as they arise. The Group uses forward exchange contracts and currency options to manage these exposures.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. The fair value gains / losses on foreign exchange contracts used as economic hedges of monetary assets in foreign currencies are recognised in the Income Statement at the end of each period.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has a policy requiring Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts transacted by the Group treasury function.

Board approved treasury policy varies for different business segments. Between 50% to 100% of foreign exchange cover can be taken for contracted exposures. Foreign exchange cover for uncontracted forecast exposures is between 0% to 50%.

(ii) Price Risk

The Turners & Growers Group had no exposure to commodities / investments held for strategic rather than trading purposes.

(iii) Interest rate risk

The Group has term fixed rate borrowings used to fund ongoing activities which are repriced at the option of the borrower on roll-over dates. Management monitor the interest rate exposure and, if appropriate, hedge interest rate exposures in financial markets.

The Group has exposure to interest rate risk to the extent that it borrows for fixed periods at fixed rates.

(b) Credit risk

The Group incurs credit risk from transactions with trade receivables, third party loans and financial institutions in the normal course of its business.

The Group manages its exposure to credit risk and performs credit evaluations on all customers requiring credit. Where possible interests are registered on the Personal Properties and Securities Register.

The settlement risk from foreign currency forward exchange contracts is the contract value in NZD to be received from the counterparties. The credit/settlement risk from foreign currency options is the fair value of the contracts because in-the-money options are settled with cash payments rather than actual foreign currency exchanges.

Transactions involving derivative financial instruments are with registered banks and within credit disciplines established by the Board of Directors. The Group does not expect to incur any losses on any derivative financial instruments as a result of non-performance by counterparties.

The Group does not have any significant concentration of credit risk.

Based on a credit risk assessment, the Group can require letters of credit, if deemed appropriate, for trade transactions. Any loans or advances are secured by collateral through the Personal Property Register.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

Hedge accounting

Due to materiality the Group has decided not to adopt hedge accounting and recognises all fair value movements in derivative instruments through the income statement. Should exposures become material the Board of Directors will revisit the need to apply hedge accounting.

Revenue

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 Goods and Services Tax 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 sheet date.

Royalty income

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

Investment income

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

is recognised in the income statement on the date the Group's right to receive payments is established.

Rental income

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

Expenses

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, and dividend income.

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 equity, in which case it is recognised in 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 sheet 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 sheet 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and services tax (GST)

The statement of recognised income and expenses and statement of cashflows have been stated 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.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular

economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Current assets held for sale

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. The same applies to gains and losses on subsequent remeasurement.

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimations will, by definition, seldom equal the related actual results.

The only significant estimate made in the Group is the Fruit Case Company payable for deposits from growers which is adjusted annually for the write back of never to be returned crates. The calculation method used is referred to under the provisions note earlier.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans and borrowings and related expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments: Domestic – includes Fruit Case Company, Transport, Markets, FloraMax and Imports.

Exports – includes Pipfruit Exports, Coolstorage, Fruit Packing, Diversified Exports and offshore Pipfruit Investments.

Processing – ENZAFoods.

Growing operations – includes Orchards and Status Produce Limited.

Other – ENZACOR Pty Limited and other investments.

Geographical segments

Geographical Segments operate on a world wide basis but are managed from New Zealand.

Primary reporting format – Business segments

	Domestic \$'000	Exports \$'000	Processing \$'000	Growing* Operations \$'000	Other \$'000	Elimin- ations \$'000	Consoli- dated \$'000
2007							
Revenue from external customers:							
Sales	194,230	222,629	50,702	8,128	39,314	–	515,003
Inter-segment revenue	19,795	17,026	26	23,286	–	(60,133)	–
Total revenue	214,025	239,655	50,728	31,414	39,314	(60,133)	515,003
Depreciation	5,321	3,819	2,238	2,295	61	–	13,734
Amortisation	774	1,024	29	209	3	–	2,039
Segment result (Operating profit before financing costs)	15,041	2,783	4,012	240	1,857	–	23,933
Net financing costs							(4,385)
Share of profit of associates							2,504
Income tax expense							(8,023)
Profit for the period							14,029
Segment assets	137,634	162,638	47,779	59,324	19,719	(74,946)	352,148
Investment in associates							19,240
Unallocated assets							687
Total assets							372,075
Segment liabilities	74,588	56,427	3,026	(8,774)	16,401	(74,946)	66,722
Unallocated liabilities							40,792
Total liabilities							107,514
Capital expenditure (including intangible assets)	6,346	3,153	1,375	19,394	91	–	30,359
Impairment losses reversed	375	–	–	–	–	–	375

NOTES TO THE FINANCIAL STATEMENTS

2 SEGMENT REPORTING (continued)

Primary reporting format – Business segments (continued)

	Domestic \$'000	Exports** \$'000	Processing \$'000	Other \$'000	Elimin- ations \$'000	Consoli- dated \$'000
2006						
Revenue from external customers:						
Sales	197,693	266,292	54,474	31,838	–	550,297
Inter-segment revenue	24,031	13,758	38	24,839	(62,666)	–
Total revenue	221,724	280,050	54,512	56,677	(62,666)	550,297
Depreciation	6,443	4,039	2,354	2,208	–	15,044
Amortisation	509	919	20	177	–	1,625
Segment result (Operating profit before financing costs)	10,932	7,268	1,783	4,255	–	24,238
Net financing cost						(4,308)
Share of profit of associates						3,383
Income tax expense						(6,343)
Profit for the period						<u>16,970</u>
Segment assets	121,279	142,371	47,098	55,753	(44,496)	322,005
Investment in associates						18,071
Unallocated assets						6,494
Total assets						<u>346,570</u>
Segment liabilities	45,016	53,294	5,274	9,424	(44,496)	68,512
Unallocated liabilities						34,116
Total liabilities						<u>102,628</u>
Capital expenditure (including intangible assets)	6,639	5,066	3,548	453	–	15,706
Impairment losses reversed	96	–	–	–	–	96

Secondary reporting format – Geographical segments

	2007 New Zealand \$'000	2006 New Zealand \$'000
Revenue from external customers	515,003	550,297
Segment assets	352,148	322,005
Capital expenditure	30,359	15,706

* This new segment has been identified to reflect the increased investment in Growing Operations during 2007.

** During the 2006 financial year there was a \$1.658m gain in relation to the sale of property. The magnitude of this one-off gain makes any comparison between the 2006 and 2007 segment result inconsistent. Accordingly the 2006 Exports segment result has been restated to exclude the \$1.658m gain, which is recorded in the other business segment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 REVENUE

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Sales and commissions	447,302	485,426	565	608
Services	67,222	64,237	–	–
Royalties	479	634	–	–
	<u>515,003</u>	<u>550,297</u>	<u>565</u>	<u>608</u>

4 OTHER OPERATING INCOME

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Writeback of crate liability	–	304	–	–
Fair value adjustments of investment property	–	–	648	1,109
Net gain on disposal of investment property	–	–	–	10
Net gain on disposal of property held-for-sale	–	1,605	–	–
Net gain on disposal of property, plant & equipment	353	–	1	–
Reversal of impairment	375	96	375	–
Net exchange gains	14	–	–	191
Rental income from investment property	–	–	2,414	2,290
Net fair value gain on derivative instruments	133	–	–	–
Gain from changes in fair value of biological assets	91	2	–	–
Management fee received from subsidiaries	–	–	18,202	16,873
Revenue on sale of licence	–	–	2,500	–
	<u>966</u>	<u>2,007</u>	<u>24,140</u>	<u>20,473</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 OTHER OPERATING EXPENSES

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Operating expenses include:				
Net loss on sale of property, plant & equipment	–	–	–	59
Depreciation*	13,734	15,044	1,057	1,125
Amortisation	2,039	1,625	1,226	850
Direct operating expenses of investment property	–	–	110	133
Net exchange losses	–	2,077	21	–
Net fair value loss on derivative instruments	–	46	–	–
Research & development	761	851	–	1
Rental expense on operating leases	9,339	7,717	315	275
Increase in provisions	45	339	–	–
Fair value loss on non-current biological assets	77	–	–	–
Governance expenses				
Directors' fees	400	400	400	400
Auditors' fees				
Audit services in current year – principal auditors**	305	346	253	314
Audit services – other auditors	235	177	114	142
Other services provided by principal auditors	238	380	238	257
Sundry expenses				
Donations	16	21	–	16

*In 2007 the useful life of certain hire containers was changed from 4 to 6 years. The impact on the Group result was a decrease in depreciation charge in the current year of \$828k. This will also reduce the depreciation charge on hire crates in 2008 by \$428k.

**Audit services include foreign subsidiaries.

6 PERSONNEL EXPENSES

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	54,437	51,100	6,350	6,490
Other employment costs	8,766	7,217	1,986	2,398
Contributions to defined contribution plans	1,021	911	82	112
Decrease in liability for long service leave	(44)	(43)	(2)	(8)
Share options granted to Directors and employees	549	281	549	281
	<u>64,729</u>	<u>59,466</u>	<u>8,965</u>	<u>9,273</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 NET FINANCING COSTS

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial income				
Interest income	1,669	1,758	666	974
Interest received on intercompany balances	–	–	9,024	7,773
Dividends received from subsidiaries	–	–	–	182
Other dividend income	17	25	1	3
Net gain on disposal of investments	–	4	–	–
	<u>1,686</u>	<u>1,787</u>	<u>9,691</u>	<u>8,932</u>
Financial expenses				
Bank borrowings	(6,071)	(6,095)	(2,843)	(3,680)
Intercompany borrowings	–	–	(4,794)	(3,366)
Financial expenses on investment property	–	–	(229)	(191)
	<u>(6,071)</u>	<u>(6,095)</u>	<u>(7,866)</u>	<u>(7,237)</u>

8 INCOME TAX EXPENSE

	Notes	Group		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Recognised in the income statement					
(i) Taxation on profit before tax					
Current tax expense					
Current year expense / (refund)		5,654	(506)	874	(147)
Under provision for prior years		2,418	1,360	1,573	3,788
		<u>8,072</u>	<u>854</u>	<u>2,447</u>	<u>3,641</u>
Deferred tax expense					
Origination and reversal of temporary differences		683	3,739	456	998
(Expense) / credit provision for prior years		(732)	1,750	82	(1,137)
	15	<u>(49)</u>	<u>5,489</u>	<u>538</u>	<u>(139)</u>
Total income tax expense in income statement		<u>8,023</u>	<u>6,343</u>	<u>2,985</u>	<u>3,502</u>
Group		2007	2007	2006	2006
			\$'000		\$'000
Reconciliation of effective tax rate					
Profit before tax			22,052		23,313
Income tax at 33%		33.0%	7,277	33.0%	7,693
Benefit of imputation credits received		(0.2%)	(45)	–	–
Non-deductible expenses		2.2%	484	1.6%	362
Other taxes		0.1%	22	0.2%	41
Tax exempt revenues		(6.4%)	(1,401)	(20.9%)	(4,864)
Under provided in prior years		7.7%	1,686	13.3%	3,111
		<u>36.4%</u>	<u>8,023</u>	<u>27.2%</u>	<u>6,343</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 INCOME TAX EXPENSE (continued)

Parent	Parent		Parent	
	2007	2007	2006	2006
		\$'000		\$'000
Reconciliation of effective tax rate				
Profit before tax		<u>7,197</u>		<u>4,487</u>
Income tax at 33%	33.0%	2,375	33.0%	1,481
Non-deductible expenses	2.6%	189	1.3%	60
Tax exempt revenues	(17.1%)	(1,234)	(15.5%)	(694)
Other taxes	–	–	0.1%	4
Under provided in prior years	23.0%	1,655	59.1%	2,651
	<u>41.5%</u>	<u>2,985</u>	<u>78.0%</u>	<u>3,502</u>

	Notes	Group		Parent	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Deferred tax recognised directly in equity					
Relating to revaluation of property	15	<u>(941)</u>	<u>(281)</u>	<u>–</u>	<u>–</u>

	Notes	Group		Parent	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000

(ii) Imputation credits

Balances

Imputation credit account	(3,104)	(2,141)	(3,197)	(2,185)
---------------------------	---------	---------	---------	---------

Movements

Imputation credit account

Balance at beginning of period	(2,141)	3,355	(2,185)	20
Prior period adjustment	(32)	(71)	(32)	3,188
Net tax payments / (refunds)	4,241	(1,170)	4,223	(1,187)
Credits attached to dividends received	39	143	8	91
Distributed	(5,211)	(4,398)	(5,211)	(4,297)
Balance at end of period	<u>(3,104)</u>	<u>(2,141)</u>	<u>(3,197)</u>	<u>(2,185)</u>

Group	Group	
	2007	2006
	\$'000	\$'000

The imputation (deficits) / credits are available to shareholders of the parent company:

– Through the parent	(3,197)	(2,185)
– Through subsidiaries	93	44
	<u>(3,104)</u>	<u>(2,141)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 PROPERTY, PLANT AND EQUIPMENT

Group	Land \$'000	Buildings \$'000	Glass- houses \$'000	Motor vehicles \$'000	Hire containers \$'000	Plant & equipment \$'000	Work in progress \$'000	Total \$'000
Cost or valuation								
Balance at 1 January 2006	40,917	126,879	–	10,684	16,080	150,576	2,335	347,471
Acquisitions	3	3,249	20	114	1,273	5,925	363	10,947
Acquisition of subsidiaries	–	27	–	–	–	1,513	–	1,540
Transfers	–	476	–	–	–	1,828	(2,304)	–
Transfer to intangible assets	–	–	–	–	–	–	(70)	(70)
Disposals	(1,503)	(10,746)	–	(1,393)	(1,078)	(11,695)	–	(26,415)
Revaluations	9,481	(730)	–	–	–	–	–	8,751
Reclassifications	–	(20,547)	20,547	105	–	(105)	–	–
Movement in foreign exchange	12	95	–	1	–	90	–	198
Balance at 31 December 2006	<u>48,910</u>	<u>98,703</u>	<u>20,567</u>	<u>9,511</u>	<u>16,275</u>	<u>148,132</u>	<u>324</u>	<u>342,422</u>
Balance at 1 January 2007	48,910	98,703	20,567	9,511	16,275	148,132	324	342,422
Acquisitions	13,188	2,831	84	1,952	1,918	6,160	1,130	27,263
Acquisition of subsidiaries	–	–	–	18	–	4	–	22
Transfers	25	–	–	–	–	294	(319)	–
Transfer from intangible assets	–	–	–	–	–	–	42	42
Disposals	–	(6)	–	(771)	(951)	(3,546)	–	(5,274)
Revaluations	1,642	4,479	–	–	–	–	–	6,121
Reclassifications	–	–	–	242	–	(242)	–	–
Movement in foreign exchange	3	29	–	1	–	76	–	109
Balance at 31 December 2007	<u>63,768</u>	<u>106,036</u>	<u>20,651</u>	<u>10,953</u>	<u>17,242</u>	<u>150,878</u>	<u>1,177</u>	<u>370,705</u>
Depreciation and impairment losses								
Balance at 1 January 2006	(330)	(12,246)	–	(7,610)	(11,965)	(114,573)	–	(146,724)
Acquisition of subsidiaries	–	(1)	–	–	–	(291)	–	(292)
Depreciation charge for the year	(318)	(3,407)	(52)	(912)	(1,975)	(8,380)	–	(15,044)
Disposals	161	2,603	–	1,360	1,077	10,431	–	15,632
Reclassifications	–	3,827	(3,827)	(104)	–	104	–	–
Revaluations	177	1,664	–	–	–	–	–	1,841
Movement in foreign exchange	–	(106)	–	–	–	(73)	–	(179)
Balance at 31 December 2006	<u>(310)</u>	<u>(7,666)</u>	<u>(3,879)</u>	<u>(7,266)</u>	<u>(12,863)</u>	<u>(112,782)</u>	<u>–</u>	<u>(144,766)</u>
Balance at 1 January 2007	(310)	(7,666)	(3,879)	(7,266)	(12,863)	(112,782)	–	(144,766)
Depreciation charge for the year	(288)	(3,039)	(618)	(740)	(1,070)	(7,979)	–	(13,734)
Disposals	–	6	–	761	948	3,481	–	5,196
Reclassifications	–	–	–	(218)	–	218	–	–
Revaluations	287	1,432	–	–	–	–	–	1,719
Movement in foreign exchange	–	(26)	–	(1)	–	(19)	–	(46)
Balance at 31 December 2007	<u>(311)</u>	<u>(9,293)</u>	<u>(4,497)</u>	<u>(7,464)</u>	<u>(12,985)</u>	<u>(117,081)</u>	<u>–</u>	<u>(151,631)</u>
Carrying amounts								
At 1 January 2006	40,587	114,633	–	3,074	4,115	36,003	2,335	200,747
At 31 December 2006	<u>48,600</u>	<u>91,037</u>	<u>16,688</u>	<u>2,245</u>	<u>3,412</u>	<u>35,350</u>	<u>324</u>	<u>197,656</u>
At 1 January 2007	48,600	91,037	16,688	2,245	3,412	35,350	324	197,656
At 31 December 2007	<u>63,457</u>	<u>96,743</u>	<u>16,154</u>	<u>3,489</u>	<u>4,257</u>	<u>33,797</u>	<u>1,177</u>	<u>219,074</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land \$'000	Buildings \$'000	Glass- houses \$'000	Motor vehicles \$'000	Hire containers \$'000	Plant & equipment \$'000	Work in progress \$'000	Total \$'000
2006								
Cost at 31 December 2006	22,937	70,943	20,567	9,511	16,275	148,132	324	288,689
Depreciation and impairment losses	(1,182)	(16,442)	(3,879)	(7,266)	(12,863)	(112,782)	–	(154,414)
Carrying amount	<u>21,755</u>	<u>54,501</u>	<u>16,688</u>	<u>2,245</u>	<u>3,412</u>	<u>35,350</u>	<u>324</u>	<u>134,275</u>
2007								
Cost at 31 December 2007	36,154	94,363	20,651	10,953	17,242	150,878	1,177	331,418
Depreciation and impairment losses	(1,471)	(23,380)	(4,497)	(7,464)	(12,985)	(117,081)	–	(166,878)
Carrying amount	<u>34,683</u>	<u>70,983</u>	<u>16,154</u>	<u>3,489</u>	<u>4,257</u>	<u>33,797</u>	<u>1,177</u>	<u>164,540</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Land \$'000	Buildings \$'000	Glass- houses \$'000	Motor vehicles \$'000	Hire containers \$'000	Plant & equipment \$'000	Work in progress \$'000	Total \$'000
Cost or valuation								
Balance at 1 January 2006	–	–	–	39	–	17,058	5	17,102
Acquisitions	–	–	–	–	–	245	20	265
Disposals	–	–	–	–	–	(710)	–	(710)
Balance at 31 December 2006	–	–	–	39	–	16,593	25	16,657
Balance at 1 January 2007	–	–	–	39	–	16,593	25	16,657
Acquisitions	–	–	–	100	–	706	179	985
Transfer from intangible assets	–	–	–	–	–	–	42	42
Transfers	–	–	–	–	–	208	(208)	–
Disposals	–	–	–	(7)	–	–	–	(7)
Balance at 31 December 2007	–	–	–	132	–	17,507	38	17,677
Depreciation and impairment losses								
At 1 January 2006	–	–	–	(36)	–	(12,737)	–	(12,773)
Depreciation charge for the year	–	–	–	(1)	–	(1,123)	–	(1,124)
Disposals	–	–	–	–	–	617	–	617
Balance at 31 December 2006	–	–	–	(37)	–	(13,243)	–	(13,280)
Balance at 1 January 2007	–	–	–	(37)	–	(13,243)	–	(13,280)
Depreciation charge for the year	–	–	–	(3)	–	(1,054)	–	(1,057)
Disposals	–	–	–	6	–	–	–	6
Balance at 31 December 2007	–	–	–	(34)	–	(14,297)	–	(14,331)
Carrying amounts								
At 1 January 2006	–	–	–	3	–	4,321	5	4,329
At 31 December 2006	–	–	–	2	–	3,350	25	3,377
At 1 January 2007	–	–	–	2	–	3,350	25	3,377
At 31 December 2007	–	–	–	98	–	3,210	38	3,346

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation information

The Monahan Road Mt Wellington properties, because of materiality, are revalued annually. Every other property is revalued at least once every three years on a rolling cycle, other than properties acquired within three years which are shown at cost. Properties stated at valuation were revalued in accordance with valuation reports of independent registered valuers. The principal valuers are DTZ Darroch Limited, C B Richard Ellis Limited, PRP Valuers and Consultants (Wgtn) Limited, Gribble Churton Taylor Limited, Eyles McGough, Logon Stone and Telfer Young Limited. All valuers used are registered and are Associates of the New Zealand Institute of Valuers.

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
The dates of the valuation reports are as follows:				
Dated between 1 January 2007 and 31 December 2007	59,740	–	–	–
Dated between 1 January 2006 and 31 December 2006	51,900	91,750	–	–
Dated between 1 January 2005 and 31 December 2005	20,765	20,765	–	–
Dated between 1 January 2004 and 31 December 2004	–	13,750	–	–
	<u>132,405</u>	<u>126,265</u>	<u>–</u>	<u>–</u>

Security

At 31 December 2007 the Group provides first ranking mortgages over all land property assets including investment property. All other assets are subject to a first ranking debenture to secure bank loans (see note 22).

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 INTANGIBLE ASSETS

	Group				Parent	
	Goodwill	Brands	Other Intangibles	Software	Total	Software
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
Balance at 1 January 2006	1,190	6,396	—	27,196	34,782	25,015
Transfer from property, plant & equipment	—	—	—	70	70	—
Acquisitions through business combinations	—	—	—	—	—	—
Other acquisitions and transfers	71	600	—	4,195	4,866	4,042
Released during year	(71)	—	—	—	(71)	—
Disposals	—	—	—	(16,598)	(16,598)	(15,843)
Balance at 31 December 2006	<u>1,190</u>	<u>6,996</u>	<u>—</u>	<u>14,863</u>	<u>23,049</u>	<u>13,214</u>
Balance at 1 January 2007	1,190	6,996	—	14,863	23,049	13,214
Transfer to property, plant & equipment	—	—	—	(42)	(42)	(7)
Acquisitions through business combinations	3,653	—	—	—	3,653	—
Effect of movement in foreign exchange	26	—	—	10	36	—
Other acquisitions and transfers	199	—	107	1,739	2,045	1,405
Disposals	—	—	—	(90)	(90)	—
Balance at 31 December 2007	<u>5,068</u>	<u>6,996</u>	<u>107</u>	<u>16,480</u>	<u>28,651</u>	<u>14,612</u>
Amortisation and impairment losses						
Balance at 1 January 2006	—	(2,290)	—	(21,654)	(23,944)	(19,750)
Amortisation for the year	—	(634)	—	(991)	(1,625)	(863)
Foreign exchange movement	—	—	—	(33)	(33)	—
Disposals	—	—	—	16,564	16,564	15,809
Balance at 31 December 2006	<u>—</u>	<u>(2,924)</u>	<u>—</u>	<u>(6,114)</u>	<u>(9,038)</u>	<u>(4,804)</u>
Balance at 1 January 2007	—	(2,924)	—	(6,114)	(9,038)	(4,804)
Amortisation for the year	—	(634)	—	(1,405)	(2,039)	(1,226)
Foreign exchange movement	—	—	—	(9)	(9)	—
Other acquisitions and transfers	—	—	—	—	—	12
Disposals	—	—	—	90	90	—
Balance at 31 December 2007	<u>—</u>	<u>(3,558)</u>	<u>—</u>	<u>(7,438)</u>	<u>(10,996)</u>	<u>(6,018)</u>
Carrying amounts						
At 1 January 2006	1,190	4,106	—	5,542	10,838	5,265
At 31 December 2006	<u>1,190</u>	<u>4,072</u>	<u>—</u>	<u>8,749</u>	<u>14,011</u>	<u>8,410</u>
At 1 January 2007	1,190	4,072	—	8,749	14,011	8,410
At 31 December 2007	<u>5,068</u>	<u>3,438</u>	<u>107</u>	<u>9,042</u>	<u>17,655</u>	<u>8,594</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 INTANGIBLE ASSETS (continued)

Amortisation charge

The amortisation charge is recognised in the following line items in the income statement

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Other operating expenses	2,039	1,625	1,226	850

Brands

Brands include the value of the ENZA brand which had a book value at 31 December 2007 of \$2.4m (2006 \$3.0m). The value of the ENZA brand was determined by an independent valuation, dated 17 April 2002, by Deloitte. This asset is amortised within the Group using the straight line method over the period during which benefits are expected to be received. This is a maximum of ten years. All other brands are immaterial.

Impairment test for goodwill

Goodwill relates to:

The acquisition of Status Produce Limited and Delica Limited (including Delica Australia), are the cash generating units to which the total amount of goodwill is allocated. The recoverable amounts are based on a value-in-use calculation. That calculation uses cash flow projections based on budgets approved by management to December 2008, and a pre-tax discount rate of 15%. Cash flows beyond December 2008 have been extrapolated using a steady growth rate of 2% (a conservative growth factor based on CPI). The calculation supports the carrying amount of the recorded goodwill.

Management believes that any reasonably possible change in the key assumptions used in the calculation would not cause the carrying amount to exceed its recoverable amount.

11 INVESTMENT PROPERTY

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	–	–	23,253	21,835
Acquisitions	–	–	22	321
Disposals	–	–	–	(12)
Transfers in	–	–	25	–
Fair value adjustments	–	–	1,023	1,109
Balance at 31 December	–	–	24,323	23,253

Valuation information

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuers are DTZ Darroch Limited, Telfer Young Limited and Gribble Churton Taylor Limited. All valuers used are registered and are associates of the New Zealand Institute of Valuers. Fair values were determined on a basis of a willing buyer and willing seller, with regard to comparable regional sales, regional rentals and estimated replacement costs.

Security

At 31 December 2007 the Group provides first ranking mortgages over all land property assets including investment property. All other assets are subject to a first ranking debenture to secure bank loans (see note 22).

Investment property comprises a number of commercial properties that are leased to a subsidiary. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 INVESTMENTS IN SUBSIDIARIES

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Shares in subsidiaries	–	–	145,978	141,327

The following subsidiaries have been included in the Group consolidated financial statements:

Name of Entity	Principal Activity	Interest held by Group		Location
		Dec-07	Dec-06	
Aeneid Thirteen Limited	Property holdings	100%	100%	New Zealand
Delica Australia Pty Limited ¹	Fruit export	49%	–	Australia
Delica Limited ¹	Fruit export	70%	–	New Zealand
EFL Holdings Limited	Investment company	100%	100%	New Zealand
ENZA Finance Limited	Investment company	100%	100%	New Zealand
ENZA Fresh, Inc.	Pipfruit promotion	100%	100%	United States of America
ENZA Group Services Limited	Investment company	100%	100%	New Zealand
ENZA Investments USA, Inc.	Investment company	100%	100%	United States of America
ENZA Limited	Pipfruit export	100%	100%	New Zealand
ENZA Orchards Limited ²	Managing orchards	100%	100%	New Zealand
ENZA Pipfruit Limited	Pipfruit export	100%	100%	New Zealand
ENZACOMMERCIAL Holdings Limited	Non-trading	100%	100%	New Zealand
ENZACOR Pty Limited	Fruit by-product broking	100%	100%	Australia
ENZAFOODS New Zealand Limited	Apple juice concentrate production	100%	100%	New Zealand
ENZAFOODS International Limited	Investment company	100%	100%	New Zealand
ENZAFRUIT Marketing Limited	Pipfruit marketing	100%	100%	New Zealand
ENZAFRUIT New Zealand (Continent) NV	Pipfruit marketing	100%	100%	Belgium
ENZAFRUIT New Zealand (UK) Limited	Investment company	100%	100%	United Kingdom
ENZAFRUIT New Zealand International Limited	Fruit variety development and propagation	100%	100%	New Zealand
ENZAFRUIT Products Inc.	Fruit variety development and propagation	100%	100%	United States of America
ENZAPAK Limited	Non-trading	100%	100%	New Zealand
ENZATree Limited	Fruit variety development and propagation	100%	100%	New Zealand
Fibe Holding NV	Investment company	100%	100%	Belgium
Fruit Distributors Limited ³	Investment company	100%	88%	New Zealand
Frutesa	Non-trading	100%	100%	Cayman Islands
Frutesa Chile Limitada	Non-trading	100%	100%	Chile
Horticultural Access Solutions Limited	Investment company	64%	80%	Australia
Horticultural Corporation of New Zealand Limited	Non-trading	100%	100%	New Zealand
International Food Services Limited ⁴	Shipping services	–	76%	New Zealand
Invercargill Markets Limited ⁵	Non-trading	100%	100%	New Zealand
Latitude 41 Limited ⁶	Pipfruit packing	–	100%	New Zealand
Safer Food Technologies Limited	Investment company	100%	100%	New Zealand
Status Produce Limited	Horticulture investments	100%	100%	New Zealand
Turners & Growers Fresh Limited	Fruit and produce wholesale distributors	100%	100%	New Zealand
Turners & Growers Horticulture Limited ⁷	Managing orchards	100%	100%	New Zealand

The balance date of all subsidiaries is 31 December.

The Parent's investment in subsidiaries comprises shares at cost.

¹ Companies incorporated in 2007

² Turners Flower Exports Limited was renamed ENZA Orchards Limited during 2007

³ Turners and Growers Limited purchased the remaining shares during 2007 to be a 100% owned subsidiary

⁴ International Food Services Limited was voluntarily liquidated during 2007

⁵ Latitude 41 Packhouse Limited was renamed Invercargill Markets Limited during 2007

⁶ Latitude 41 Limited was amalgamated into ENZA Limited during 2007

⁷ Latitude 39 Packhouse Limited was renamed Turners and Growers Horticulture Limited during 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Acquisition of subsidiaries

In April 2007 the Group acquired 70% of the shares in Delica Limited, which has a 70% share in Delica Australia Pty Limited.

Details of net assets acquired and goodwill are as follows:	2007
	\$'000
Purchase consideration:	
– cash paid	3,671
– intangibles	2,500
Total purchase consideration	6,171
Less assets acquired	18
Goodwill / intangibles	6,153
Less internally generated intangibles	(2,500)
Total goodwill per consolidated accounts	3,653

The acquired business contributed profits of \$210k to the Group for the period from April to December 2007.

During the year the Delica companies contributed \$1,532k to the Group's net operating cash flows, paid \$187k in respect of investments and servicing of finance, paid \$322k in respect of taxation and utilised \$139k for capital expenditure.

During the six months ended 30 June 2007, the Group purchased the remaining 12% of the shares in Fruit Distributors Limited for \$657k to obtain 100% ownership of this company.

Disposal of subsidiaries

The Group did not dispose of any subsidiaries during the period to 31 December 2007.

13 INVESTMENTS IN ASSOCIATES

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
At 31 December 2006 associate entities, all of which are unlisted, comprise:				
Balance at beginning of the year	18,071	9,135	7,705	91
Acquisition	–	7,613	–	7,613
Disposals	–	(441)	–	1
Share of profit / (loss)	2,504	3,383	–	–
Dividends	(888)	(1,827)	–	–
Effect of movement in foreign exchange	(447)	208	–	–
Balance at end of the year	19,240	18,071	7,705	7,705

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INVESTMENTS IN ASSOCIATES (continued)

2007	% held	Country of incorporation	Assets \$'000	Liabilities \$'000	Equity \$'000	Revenues \$'000	Profit/ (loss) \$'000
Allen Blair Properties Limited ¹	33%	New Zealand	16,517	(2,566)	13,951	8,648	3,047
David Oppenheimer & Company I, L.L.C. ²	15%	United States of America	65,067	(56,100)	8,967	38,687	5,144
Fresh Vegetable Packers Limited ³	41%	New Zealand	1,730	(402)	1,328	1,009	(25)
Fruit Ventures Limited ⁴	50%	New Zealand	–	–	–	–	–
Inglis Horticulture Limited	50%	New Zealand	39,096	(24,124)	14,972	675	(55)
McKay Shipping Limited	25%	New Zealand	7,015	(2,590)	4,425	7,030	(158)
Worldwide Fruit Limited	50%	United Kingdom	53,288	(44,980)	8,308	237,356	1,609
			<u>182,713</u>	<u>(130,762)</u>	<u>51,951</u>	<u>293,405</u>	<u>9,562</u>

2006	% held	Country of incorporation	Assets \$'000	Liabilities \$'000	Equity \$'000	Revenues \$'000	Profit/ (loss) \$'000
Allen Blair Properties Limited ¹	33%	New Zealand	14,433	(3,138)	11,295	6,185	3,894
David Oppenheimer & Company I, L.L.C. ²	15%	United States of America	68,587	(58,770)	9,817	42,640	9,253
Fresh Vegetable Packers Limited ³	41%	New Zealand	1,902	(548)	1,354	932	(20)
Fruit Ventures Limited	50%	New Zealand	286	(1,051)	(765)	1,380	(200)
Inglis Horticulture Limited	50%	New Zealand	29,580	(13,479)	16,101	1,122	1,074
McKay Shipping Limited	25%	New Zealand	7,340	(2,756)	4,584	7,224	316
Worldwide Fruit Limited	50%	United Kingdom	35,830	(28,518)	7,312	272,474	1,476
			<u>157,958</u>	<u>(108,260)</u>	<u>49,698</u>	<u>331,957</u>	<u>15,793</u>

Equity earnings of associated companies have been included to 31 December 2007.

- 1 Allen Blair Properties Limited's year end is 31 March. The investment has been equity accounted to December.
- 2 ENZA Limited is a material supplier to this company and has one Board member of a total Board of four.
- 3 Fresh Vegetable Packers Limited's year end is 30 June. The investment has been equity accounted to December.
- 4 The value of the Fruit Ventures Limited investment was written off during 2007.

14 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current investments				
Equity securities available-for-sale	<u>759</u>	<u>–</u>	<u>–</u>	<u>–</u>

The available-for-sale investments are carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 DEFERRED TAXATION

Group	Assets		Liabilities		Net	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred tax assets and liabilities are attributable to the following:						
Property, plant & equipment	-	-	(10,955)	(9,250)	(10,955)	(9,250)
Intangible assets	-	-	(935)	(1,146)	(935)	(1,146)
Biological assets	-	-	(72)	(49)	(72)	(49)
Trade and other receivables	288	49	-	-	288	49
Employee benefits	1,185	1,189	-	-	1,185	1,189
Derivatives	-	-	(27)	(141)	(27)	(141)
Provisions	144	206	-	-	144	206
Other items	364	26	-	-	364	26
Tax assets / (liabilities)	<u>1,981</u>	<u>1,470</u>	<u>(11,989)</u>	<u>(10,586)</u>	<u>(10,008)</u>	<u>(9,116)</u>

Movement in temporary differences during the year

Group	Balance 1-Jan-06 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 31-Dec-06 \$'000
Property, plant & equipment	(4,389)	(4,580)	(281)	(9,250)
Intangible assets	(1,355)	209	-	(1,146)
Biological assets	(49)	-	-	(49)
Other investments	2	(2)	-	-
Trade and other receivables	98	(49)	-	49
Employee benefits	1,689	(500)	-	1,189
Derivatives	(24)	(117)	-	(141)
Provisions	484	(278)	-	206
Other items	198	(172)	-	26
	<u>(3,346)</u>	<u>(5,489)</u>	<u>(281)</u>	<u>(9,116)</u>

Group	Balance 1-Jan-07 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 31-Dec-07 \$'000
Property, plant & equipment	(9,250)	(764)	(941)	(10,955)
Intangible assets	(1,146)	211	-	(935)
Biological assets	(49)	(23)	-	(72)
Trade and other receivables	49	239	-	288
Employee benefits	1,189	(4)	-	1,185
Derivatives	(141)	114	-	(27)
Provisions	206	(62)	-	144
Other items	26	338	-	364
	<u>(9,116)</u>	<u>49</u>	<u>(941)</u>	<u>(10,008)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 DEFERRED TAXATION (continued)

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Parent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets and liabilities are attributable to the following:						
Property, plant & equipment	–	–	(3,345)	(2,627)	(3,345)	(2,627)
Employee benefits	491	303	–	–	491	303
Provisions and trade balances	89	97	–	–	89	97
Tax assets / (liabilities)	<u>580</u>	<u>400</u>	<u>(3,345)</u>	<u>(2,627)</u>	<u>(2,765)</u>	<u>(2,227)</u>

	Balance 1-Jan-06	Recognised in income	Recognised in equity	Balance 31-Dec-06
Parent	\$'000	\$'000	\$'000	\$'000

Movement in temporary differences during the year

Property, plant & equipment	(2,827)	200	–	(2,627)
Other investments	2	(2)	–	–
Employee benefits	323	(20)	–	303
Provisions and trade balances	136	(39)	–	97
	<u>(2,366)</u>	<u>139</u>	<u>–</u>	<u>(2,227)</u>

	Balance 1-Jan-07	Recognised in income	Recognised in equity	Balance 31-Dec-07
Parent	\$'000	\$'000	\$'000	\$'000

Property, plant & equipment	(2,627)	(718)	–	(3,345)
Other investments	–	–	–	–
Employee benefits	303	188	–	491
Provisions and trade balances	97	(8)	–	89
	<u>(2,227)</u>	<u>(538)</u>	<u>–</u>	<u>(2,765)</u>

16 INVENTORIES

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Raw materials and consumables	5,463	3,946	–	–
Finished goods and goods for sale	<u>23,842</u>	<u>16,449</u>	<u>–</u>	<u>–</u>
	<u>29,305</u>	<u>20,395</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 BIOLOGICAL ASSETS

	Notes	Group		Parent	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Current					
Balance at the start of the period		149	147	—	—
Increases due to purchases		24,442	22,032	—	—
Change in fair value less estimated point-of-sale costs attributable to physical changes	4	580	595	—	—
Change in fair value less estimated point-of-sale costs attributable to price changes	4	(489)	(593)	—	—
Decreases due to sales		(21,520)	(22,032)	—	—
Balance at the end of the period		3,162	149	—	—

At 31 December 2007 biological assets represent apples and mandarins on trees and kiwifruit, tomatoes and cucumbers on vines. At the end of the period biological assets included approximately 14.5 hectares (2006: 15.9 hectares) of tomato and cucumber vines.

	Notes	Group		Parent	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Non-current					
Balance at the start of the period		-	-	-	-
Increases due to purchases		1,051	-	-	-
Change in fair value less estimated point-of-sale costs	5	(77)	-	-	-
Balance at the end of the period		974	-	-	-

At 31 December 2007 the biological assets included approximately 66.2 hectares (2006: nil hectares) of apple trees and approximately 61.46 hectares (2006: nil hectares) of mandarin trees and kiwifruit vines.

The primary financial risk which the Group is exposed to in respect of agricultural activity occurs due to the length of time between expending cash on the:

- purchase, planting and maintenance of trees and vines
- harvesting the fruit
- receiving cash from the sale of the fruit to third parties.

The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current				
Trade receivables	50,882	54,299	183	65
Other debtors and prepayments	4,345	7,099	206	826
Owing by associates	1,487	967	592	826
Owing by subsidiaries	–	–	111,188	89,009
Derivative financial instruments	68	46	–	–
	<u>56,782</u>	<u>62,411</u>	<u>112,169</u>	<u>90,726</u>
Non-current				
Trade receivables	773	991	1,921	724
Other non-current receivables	5,071	800	–	–
	<u>5,844</u>	<u>1,791</u>	<u>1,921</u>	<u>724</u>
	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Analysis of movements in provision for irrecoverable trade and other receivables:				
Balance at 1 January	969	931	251	7
Charge / (credit) to profit and loss	223	265	–	247
Trade debtors written off	(494)	(227)	(1)	(3)
Balance at 31 December	<u>698</u>	<u>969</u>	<u>250</u>	<u>251</u>

19 CASH AND CASH EQUIVALENTS

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Comprises:				
Bank deposits and cash	15,196	25,591	1	1
Bank overdrafts	–	–	(3,021)	(9,254)
Cash and cash equivalents in the statement of cash flows	<u>15,196</u>	<u>25,591</u>	<u>(3,020)</u>	<u>(9,253)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 CAPITAL AND RESERVES

Group	Attributable to equity holders of the parent					Retained earnings	Total	Minority interest	Total equity
	Share capital	Trans-lation reserve	Fair value reserve	Revalu-ation reserve	Share option reserve				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation of movement in capital and reserves									
Balance at 1 January 2006	138,982	(1,181)	(5)	30,135	107	47,733	215,771	537	216,308
Total recognised income and expense	–	113	5	12,368	281	16,804	29,571	166	29,737
Transfer between reserves	–	–	–	(2,323)	–	2,323	–	–	–
Shares issued	6,817	–	–	–	–	–	6,817	–	6,817
Dividends to shareholders	–	–	–	–	–	(8,896)	(8,896)	(24)	(8,920)
Balance at 31 December 2006	<u>145,799</u>	<u>(1,068)</u>	<u>–</u>	<u>40,180</u>	<u>388</u>	<u>57,964</u>	<u>243,263</u>	<u>679</u>	<u>243,942</u>
Balance at 1 January 2007	145,799	(1,068)	–	40,180	388	57,964	243,263	679	243,942
Total recognised income and expense	–	(426)	–	6,525	550	13,954	20,603	75	20,678
Shares issued	9,208	–	–	–	–	–	9,208	–	9,208
Impact of acquisitions	–	–	–	–	–	–	–	2,181	2,181
Purchase of minority interest in subsidiary	–	–	–	–	–	–	–	(662)	(662)
Dividends to shareholders	–	–	–	–	–	(10,786)	(10,786)	–	(10,786)
Balance at 31 December 2007	<u>155,007</u>	<u>(1,494)</u>	<u>–</u>	<u>46,705</u>	<u>938</u>	<u>61,132</u>	<u>262,288</u>	<u>2,273</u>	<u>264,561</u>

Parent	Attributable to equity holders of the parent					Retained earnings	Total
	Share capital	Fair value reserve	Share option reserve	Share	Share		
	\$'000	\$'000	\$'000	value reserve	option reserve	\$'000	\$'000
Reconciliation of movement in capital and reserves							
Balance at 1 January 2006	138,982	(5)	107	30,929	170,013		
Total recognised income and expense	–	5	281	985	1,271		
Shares issued	6,817	–	–	–	6,817		
Dividends to shareholders	–	–	–	(8,896)	(8,896)		
Balance at 31 December 2006	<u>145,799</u>	<u>–</u>	<u>388</u>	<u>23,018</u>	<u>169,205</u>		
Balance at 1 January 2007	145,799	–	388	23,018	169,205		
Total recognised income and expense	–	–	550	4,212	4,762		
Shares issued	9,208	–	–	–	9,208		
Dividends to shareholders	–	–	–	(10,786)	(10,786)		
Balance at 31 December 2007	<u>155,007</u>	<u>–</u>	<u>938</u>	<u>16,444</u>	<u>172,389</u>		

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 CAPITAL AND RESERVES (continued)

Ordinary Shares

31-Dec 2007 '000	31-Dec 2006 '000
------------------------	------------------------

Share capital

In thousands of shares

Balance at the start of the year	77,040	74,140
Shares issued in lieu of dividends	3,116	2,900
Bonus share issue	16,031	–
Balance at the end of the year	96,187	77,040

At 31 December 2007, the authorised share capital comprised 96,186,979 ordinary shares (2006: 77,039,712).

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 is no other class of shares issued.

During the year, there were no shares repurchased and cancelled in Turners & Growers Limited.

Shares and options issued

On 2 May 2007 Turners and Growers issued a 1-for-5 bonus issue. This was in addition to shares issued under the dividend reinvestment plan. There are no share ownership plans in operation. No share options were issued during the year.

Translation reserve

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

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

Revaluation reserve

The revaluation reserve relates to land and buildings.

Dividends

Group

Parent

2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
----------------	----------------	----------------	----------------

Declared final

Cash, on ordinary shares	1,578	2,079	1,578	2,079
Shares in lieu, on ordinary shares	9,208	6,817	9,208	6,817
Total dividends	10,786	8,896	10,786	8,896

Supplementary dividends of \$100,804 (2006: \$84,884) were paid / provided to shareholders not tax-resident in New Zealand for which the Group received a foreign investor tax credit entitlement. Dividends were fully imputed in 2007.

Declaration of dividend

In 2007 the Board voted in favour of altering the manner in which distributions are to be made from the company. In March 2008 a new distribution plan was circulated to shareholders detailing the allocation of fully paid bonus shares with an option to sell the bonus shares issued back to the company for cash. Shareholders electing to sell their bonus shares under the off-market buy back facility will be treated as having received a dividend and will receive the cash equivalent with imputation credits attached. The Board announced the first distribution under the new plan at 10 cents per share for shares on issue at 11 March 2008, with bonus shares allotted, and / or cash distributed (if elected) on 28 March 2008.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 EARNINGS PER SHARE

ININGS PER SHARE		Notes	Group
		2007	2006
		\$'000	\$'000
Basic earnings per share:			
Net profit for the year after minorities		<u>13,954</u>	<u>16,804</u>
		Number of shares	
Opening shares		77,039,712	74,140,132
Shares issued in lieu of dividends – 15 May 2006	2,899,580	–	77,039,712
Shares issued in lieu of dividends – 27 April 2007	3,115,776	80,155,488	–
Shares issued in 1-for-5 bonus issue – 2 May 2007	16,031,491	<u>96,186,979</u>	<u>–</u>
Weighted average number of ordinary shares		89,882,211	75,975,209
Earnings per share		0.1552	0.2212
Diluted earnings per share:			
Opening number of options – Issued 4 August 2005		2,000,000	1,000,000
Options issued – 19 December 2006	30	–	1,000,000
Weighted average number of options	30	2,000,000	1,035,616
Weighted average number of shares and options		91,882,211	77,010,825
Diluted earnings per share:		0.1519	0.2182

22 INTEREST-BEARING LOANS AND BORROWINGS

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current borrowings				
Secured bank loans and debentures	29	–	–	–
	29	–	–	–
Current liabilities				
Bank overdraft	–	–	3,021	9,254
Current portion of term bank loan	30,009	25,000	30,000	25,000
	30,009	25,000	33,021	34,254
Terms and principal repayment schedule				
Non-current borrowings				
Later than one, not later than two years	12	–	–	–
Later than two, not later than five years	17	–	–	–
	29	–	–	–

Security

At balance date the Group had a term debt facility from ANZ National Bank and Westpac Banking Corporation amounting to \$45m (2006: \$25m), which requires repayment on 15 January 2010.

The bank borrowings are secured by a first ranking debenture over all assets and a first ranking freehold mortgage over all land and property.

Interest rates

The interest rate on the \$30m term loan is currently 9.56% (2006: 7.95%), fixed for 11.16 months.

Borrowings 2008

The banking facilities for 2008 have been renegotiated as follows:

Facility type	Amount	Expiry date
Term debt facility	\$45m	15 January 2010
Seasonal facility	\$100m	30 November 2008
Money market facility	\$20m	uncommitted
Overdraft facility	\$2m	uncommitted

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 PROVISIONS

	Group	Parent
	2007	2007
	\$'000	\$'000
Restructuring		
Balance at the start of the period	110	110
Provisions made during the period	45	45
Provisions used during the period	(110)	(110)
Balance at the end of the period	45	45

Restructuring

During 2007 Turners & Growers Limited commenced plans to restructure the management accounting division. The restructuring provision in 2007 is \$45k (2006: \$110k). The restructuring was completed in February 2008.

24 TRADE AND OTHER PAYABLES

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current				
Trade creditors	59,697	60,596	1,308	3,628
Employee entitlements	6,989	7,624	3,218	4,285
Owing to associates	38	69	–	–
Owing to subsidiaries	–	–	95,262	63,884
Derivative financial instruments	4	113	–	–
	<u>66,728</u>	<u>68,402</u>	<u>99,788</u>	<u>71,797</u>
Non-current				
Deferred payments	401	–	–	–
Other	294	–	–	–
	<u>695</u>	<u>–</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 FINANCIAL INSTRUMENTS

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 or hold derivative financial instruments for trading purposes.

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement are disclosed in the Statement of Accounting Policies.

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 Great Britain 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 principle or contract amounts of foreign exchange instruments outstanding at balance date are as follows:

	Contract Value		Fair Value	
	2007	2006	2007	2006
Outstanding Contracts	\$'000	\$'000	\$'000	\$'000
Foreign currency instruments				
Sale commitments forward exchange contracts	772	20	17	(19)
Purchase commitments forward exchange contracts	2,070	6,949	1	(112)
Sale commitments foreign currency options	1,816	1,650	43	64
Purchase commitments foreign currency options	3,108	1,219	3	–
Total fair value			64	(67)

The table above measures the fair value of forward exchange contracts as at 31 December 2007.

The options were valued using the Black-Scholes model for option pricing.

All contracts are for less than one year. The Parent company has no foreign exchange instruments.

At balance date the Group has no material foreign currency receivables that are not covered by forward exchange contracts or options.

Exchange rate sensitivity:

At year end the sensitivity of a 7% increase in foreign exchange rates across all currencies has an impact of decreasing pre-tax profits by \$195k and equity shareholders funds by \$131k (2006: \$237k and \$158k). A 7% decrease in foreign exchange rates across all currencies has an impact of increasing pre-tax profits by \$224k and equity shareholders funds by \$150k (2006: \$273k and \$183k).

The rationale for a 7% sensitivity is the Group is of the opinion that exchange rates in one year can swing by 14% ie: a 7% increase or decrease.

The Parent has no foreign currency exposures and year end.

The main division subject to exchange rate sensitivity is ENZA exports. Due to the seasonal nature of this business there are no outstanding balances at year end subject to movements in foreign exchange. The Financial Reporting Standards do not require the Group make detailed disclosures about seasonal risks, however, management consider it important to disclose the sensitivity of foreign exchange movements on the major export arm of the Group.

The foreign exchange sensitivity tables below are based on the ENZA pipfruit export business which is the material export division of Turners & Growers. The sensitivity analysis is against ENZA's three main trading currencies and is based on the New Zealand Dollar strengthening against the respective currencies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 FINANCIAL INSTRUMENTS (continued)

	2007 \$'000	2006 \$'000
Impacts of a 7% change in the New Zealand Dollar to the British Pound:		
Decrease in pre-tax profit for the year	(136)	(126)
Decrease in equity shareholders' funds	(91)	(85)
Impacts of a 7% change in the New Zealand Dollar to the US Dollar:		
Decrease in pre-tax profit for the year	(98)	(103)
Decrease in equity shareholders' funds	(66)	(69)
Impacts of a 7% change in the New Zealand Dollar to the Euro:		
Decrease in pre-tax profit for the year	(566)	(733)
Decrease in equity shareholders' funds	(379)	(491)

Under the terms of our supply agreements for export produce, the supplier (grower) assumes the risks of foreign exchange movements. Accordingly all export sale proceeds are repatriated at spot rates, although USD risk for pipfruit exports (representing approximately 20% of total pipfruit exports) is largely neutralised by matching USD freight costs against USD receipts. The effect of exchange rate movements on pipfruit exports is mitigated by the use of option contracts where appropriate, and by the regular repatriation of proceeds progressively throughout the year. The exchange rate effect on imports is managed by forward cover on all contracted purchases, plus cover on up to 50% of forecasted purchases.

(ii) Interest rate 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 four 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. Management monitor the interest rate exposure and, if appropriate, hedge interest rate exposures in financial markets. There were no outstanding contracts at balance date.

The Parent Company 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 Group borrowings are subject to interest rate reprice.

	2007 \$'000	2006 \$'000
Less than six months	–	25,000
Between six months and one year	30,009	–
Between one and two years	12	–
Between two and five years	17	–
	30,038	25,000

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

Interest rate currency profile	2007		2006	
	Loans	Weighted average interest rate	Loans	Weighted average interest rate
Currency				
Australian Dollars	38	7.93%	–	–
New Zealand Dollars	30,000	9.56%	25,000	7.95%

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity

At year end all loans are at fixed rates for defined periods and not subject to interest rate sensitivity. The Group has overnight deposits that are subject to fluctuations of interest rates. Interest is calculated daily on overnight deposits and if the Group's year end deposit balance had remained the same throughout the year and interest rates moved by 1% then the impact would be a \$152k gain or loss on pre-tax profits. The average funds on overnight deposit for the year amounted to \$6.1m. If interest rates moved by 1% on average deposits the impact would have been a \$60k gain or loss to pre-tax profits.

A 1% 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 has no exposure to commodity / price risk.

b) Credit risk

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

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Bank balances	15,196	25,591	1	1
Derivative financial instruments	68	46	–	–
Trade receivables (net of bad debt provision)	51,655	55,290	2,104	789
Loans	7,150	2,958	592	826
Owing by subsidiaries	–	–	111,188	89,009
Other debtors and prepayments	1,940	2,804	154	541
	76,009	86,689	114,039	91,166
Trade receivable analysis				
Amounts due up to 1 month beyond maximum trade credit period	9,341	8,078	7	3
Amounts due between 1 and 2 months beyond maximum trade credit period	1,192	1,505	–	3
Amounts due between 2 and 3 months beyond maximum trade credit period	444	555	–	–
Amounts due between 3 and 6 months beyond maximum trade credit period	510	251	2	–
Amounts due more than 6 months beyond maximum trade credit period	758	603	1	–
Total amounts due beyond maximum trade credit period (gross)	12,245	10,992	10	6
Impairment provision	(698)	(969)	–	–
Total amounts due beyond maximum trade credit period (net)	11,547	10,023	10	6
Trade debtors within maximum credit period	40,108	45,267	2,094	783
Total trade debtors	51,655	55,290	2,104	789

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 FINANCIAL INSTRUMENTS (continued)

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 (see note 18 for an analysis of the impairment provision).

Trade receivables that are less than three months due are not considered impaired. Overdue amounts that have not been provided for relate to customers that have a credit history of more than 12 months and have no recent history of default.

Loan analysis:

Group loans relate to external loans to suppliers, customers and associates. All loans are within the agreed credit periods except for one associated loan which has been partially provided for.

Board policy requires security to be taken for loans to third parties. This security ranges from charges over property, assets, varietal rights and personal guarantees. The largest loan balance is secured over varietal fruit rights which is impractical to value. The second largest loan at \$1.45m is secured over unlisted company shares last valued in April 2007 at \$1.71m. All other loans are small and covered by personal guarantees.

Other debtors and prepayments:

All balances are current and part of normal business practice. No balances are impaired.

c) Liquidity risk

The Group manages liquidity risk by continuously monitoring cashflows 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 maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed below are contractual undiscounted cashflows.

	Less than 6 months \$'000	Between 6 months and one year \$'000	Between one and two years \$'000	Between two and 5 years \$'000
Group 2007				
Bank overdrafts and loans	599	32,076	13	18
Trade and other payables	66,773	98	299	298
Derivative financial instruments				
– inflows	7,688	78	–	–
– outflows	(7,622)	(80)	–	–
	<u>67,438</u>	<u>32,172</u>	<u>312</u>	<u>316</u>
Group 2006				
Bank overdrafts and loans	25,093	–	–	–
Trade and other payables	68,512	–	–	–
Derivative financial instruments				
– inflows	9,685	86	–	–
– outflows	(9,752)	(86)	–	–
	<u>93,538</u>	<u>–</u>	<u>–</u>	<u>–</u>
Parent 2007				
Bank overdrafts and loans	599	32,076	–	–
Trade and other payables	99,833	–	–	–
	<u>100,432</u>	<u>32,076</u>	<u>–</u>	<u>–</u>
Parent 2006				
Bank overdrafts and loans	25,093	–	–	–
Trade and other payables	71,907	–	–	–
	<u>97,000</u>	<u>–</u>	<u>–</u>	<u>–</u>

See note 22 for details on term liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 FINANCIAL INSTRUMENTS (continued)

Capital risk management

The main objective of capital risk management is to ensure the Group operates as a going concern, meets 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 covenants required as part of seasonal and term debt facilities. These covenants are calculated monthly and reported to the banks quarterly. The covenants vary for seasonal and term debt due to the different security offered by the Group for these facilities. The most significant covenants relating to capital management are the Gearing Ratio and the Working Capital Facility to Value Ratio.

There have been no breaches or events of review for the current or prior period.

Fair Value Estimation

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

	Group			
	2007		2006	
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	15,196	15,196	25,591	25,591
Investments available-for-sale	759	759	–	–
Trade and other receivables	64,829	64,829	67,547	67,547
Derivative financial receivables	68	68	46	46
Liabilities				
Term liabilities	30,038	30,038	25,000	25,000
Trade and other payables	67,464	67,464	68,399	68,399
Derivative financial payables	4	4	113	113
	Parent			
	2007		2006	
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	1	1	1	1
Trade and other receivables	6,821	6,821	4,226	4,226
Owing by subsidiaries	111,188	111,188	89,009	89,009
Liabilities				
Bank overdraft	3,021	3,021	9,254	9,254
Term liabilities	30,000	30,000	25,000	25,000
Trade and other payables	4,571	4,571	8,023	8,023
Loans from subsidiaries	95,262	95,262	63,884	63,884

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 FINANCIAL INSTRUMENTS (continued)

The Group's general practice is to fair value all financial assets and liabilities.

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

a) Debtors and prepayments, creditors and accruals, and bank overdraft.

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

b) Investments

All current investments are unlisted and their fair value is estimated to be the net asset backing as there are no quoted market prices available.

c) 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.

d) Foreign exchange contracts

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

Financial instruments by category	Loans and Receivables \$'000	Assets at fair value through the profit and loss \$'000	Available- for-sale \$'000	Total \$'000
Group				
31 December 2007				
Assets				
Cash and cash equivalents	15,196	–	–	15,196
Investments available-for-sale	–	–	759	759
Trade and other receivables	64,829	–	–	64,829
Derivative financial instruments	–	68	–	68
Total	80,025	68	759	80,852
31 December 2006				
Assets				
Cash and cash equivalents	25,591	–	–	25,591
Trade and other receivables	67,547	–	–	67,547
Derivative financial instruments	–	–	46	46
Total	93,138	–	46	93,184

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 FINANCIAL INSTRUMENTS (continued)

Financial instruments by category (continued)	Liabilities at fair value		Total
	Other financial liabilities	through the profit and loss	
	\$'000	\$'000	\$'000
31 December 2007			
Liabilities			
Borrowings	30,038	–	30,038
Derivative financial instruments	–	4	4
Trade and other payables	67,464	–	67,464
Total	97,502	4	97,506
31 December 2006			
Liabilities			
Borrowings	25,000	–	25,000
Derivative financial instruments	–	113	113
Trade and other payables	68,399	–	68,399
Total	93,399	113	93,512
		2007	2006
		Loans and receivables	Loans and receivables
Parent		\$'000	\$'000
Assets			
Cash and cash equivalents		1	1
Trade and other receivables		118,009	93,235
Total		118,010	93,236
		2007	2006
		Other financial liabilities	Other financial liabilities
		\$'000	\$'000
Liabilities			
Borrowings		30,000	25,000
Trade and other payables		99,833	71,907
Bank overdraft		3,021	9,254
Total		132,854	106,161

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, which are significantly higher at half year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 OPERATING LEASES

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

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Operating leases				
Non-cancellable operating lease commitments:				
Within one year	7,529	7,966	386	349
One to two years	5,959	5,832	294	280
Two to five years	5,198	8,315	326	531
Over five years	2,405	2,898	–	–
	21,091	25,011	1,006	1,160

The Group leases premises and plant & equipment under operating leases. Operating leases held over properties give the Group 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 & equipment. Transactions undertaken with subsidiary companies were completed on an arms length basis.

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

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Operating leases				
Non-cancellable operating lease commitments:				
Within one year	1,542	1,676	284	315
One to two years	911	1,592	214	294
Two to five years	1,361	4,227	170	870
Over five years	–	3,626	–	224
	3,814	11,121	668	1,703

27 CAPITAL COMMITMENTS

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Amount committed to capital expenditure	1,287	9,060	588	1,607

During the year ended 31 December 2007, the Group entered into contracts to the above values to purchase property, plant & equipment. These commitments are expected to be settled in the following financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28 CONTINGENCIES

The following matters have not been recognised in the financial statements because of the uncertainty associated with their outcomes.

		Group		Parent	
		2007	2006	2007	2006
	Notes	\$'000	\$'000	\$'000	\$'000
Contingent losses					
Maximum amount payable under the guarantee					
Bonds and sundry facilities		80	392	80	321
Guarantees of bank facilities for associated company		2,896	3,187	–	–
Guarantees of letters of credit for subsidiary company		2,902	2,803	–	–
Guarantees in respect of VAT liabilities for subsidiary companies	46	45	–	–	–
		5,924	6,427	80	321

29 RELATED PARTY TRANSACTIONS

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 12), associates (see note 13) and with its Directors and executive officers.

Related party transactions

The Group handles imported bananas, mangoes and pineapples supplied by the Pacific Fruit Group of Ecuador of which Mr. L.A. Noboa III is an associated person. The fruit is handled on a consignment arrangement under which the supplier retains ownership and the Group receives a selling commission. All transactions are conducted at arms length and at normal commercial rates. The sales value of the produce sold on behalf of Pacific Fruit Group during the period was \$38.7 million (2006: \$33.4 million). A balance of \$182,198 is owed to Turners and Growers as at 31 December 2007 (2006: owing to Pacific Fruit Group \$375,583).

Interests associated with three other directors, Mr. A.I. Gibbs, Mr. B.M. D'Ath and Mr. W.J.E. Lynch and one executive staff member Mr. L.J. Sowerby sold produce through the Group during the period. The sales value on produce sold on behalf of these related parties was \$8,461,157 (2006: \$8,900,552). In addition, the Group purchased \$46,280 of apples for processing (2006: \$32,000). These related parties also carried out transactions involving packaging, coolstorage and containers amounting to \$1,793,967 (2006: \$1,371,467). All transactions were conducted at arms length and on the Company's normal commercial terms. These related parties owe \$27,120 to the Group as at 31 December 2007 (2006: owed to the Group \$5,200).

There were no loans to Directors by the Company or associated parties at balance date.

Guinness Peat Group plc (GPG plc), the major shareholder and parent company of Turners & Growers Limited, indirectly owns approximately 63.17% (2006: 62.75%) of the ordinary shares of the Parent. Pacific Fruit Group indirectly own approximately 10.41% (2006: 10.34%) of the ordinary shares of the Parent. The balance is owned by the public.

The Parent Company has entered into certain transactions with its subsidiaries, see note 4. The identity of significant subsidiaries is disclosed in note 12.

Revenue from subsidiaries for the 2007 year amounted to \$20.6m (2006: \$19.1m) and associated costs were \$145,563 (2006: \$292,261). The net payable to the parent from subsidiaries was \$13.3m (2006: \$25.1m).

During the period loans totalling \$900,000 were advanced to two Directors of Delica Limited, a subsidiary of Turners & Growers Limited. A loan of \$550,000 was also advanced to key management of Delica Limited. The loans were advanced for the purposes of acquiring shares in Delica Limited. The loans are repayable on the fifth anniversary of the date of the advance. The loans are secured over the shares issued in Delica Limited and the borrower's property. Interest is payable on the loans at 1% above the Group's cost of borrowings.

No provision has been recorded for doubtful debts in respect of the outstanding amounts due from related parties (December 2006: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 RELATED PARTY TRANSACTIONS (continued)

The key management personnel compensations are as follows:

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Short-term employee benefits	1,268	1,709	1,268	1,709

30 OPTIONS

On the 4 August 2005 the board approved an option scheme for the Chief Executive Officer (now Managing Director):

	Issued	Number of instruments	Exercise price	Expiry date	Conditions
Tranche A	4 August 2005	500,000	\$2.75	4 August 2012	Exercisable between 3 and 7 years from anniversary date of issue
Tranche B	4 August 2005	250,000	\$2.75	4 August 2013	Exercisable between 4 and 8 years from anniversary date of issue
Tranche C	4 August 2005	250,000	\$2.75	4 August 2014	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 4 August 2005 of \$2.20.

The options are valued at \$935,000 and the Group is amortising this value over the life of the options.

The 2007 expense of \$257,000 (2006: \$251,000) will accumulate in the share option reserve.

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

	Issued	Number of instruments	Exercise price	Expiry date	Conditions
Tranche A	19 December 2006	333,334	\$2.75	19 December 2013	Exercisable between 3 and 7 years from anniversary date of issue
Tranche B	19 December 2006	333,333	\$2.75	19 December 2014	Exercisable between 4 and 8 years from anniversary date of issue
Tranche C	19 December 2006	333,333	\$2.75	19 December 2015	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.

The options are valued at \$1,136,266 and the Group is amortising this value over the life of the options.

The 2007 expense of \$292,645 (2006: \$24,387) will accumulate in the share option reserve.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 SUBSEQUENT EVENTS

On 23 January 2008 Turners & Growers Horticulture was the successful bidder for 1,604,622 (21.19%) Kerifresh Limited shares. This is in addition to the existing holding at 31 December 2007 of 346,000 shares (4.57%). As a condition of the successful bid Turners & Growers Horticulture undertook a full takeover offer for all the remaining Kerifresh Limited shares on 24 February 2008, on the same terms and price (\$2.10) as the successful bid. The takeover is conditional upon acquiring a minimum 50.01% of the shares in Kerifresh Limited, and subject to the usual business conditions.

On 14 March 2008 the takeover closed with Turners & Growers Horticulture Limited obtaining over 90% of the shares in Kerifresh Limited. The remaining shares are therefore available for compulsory acquisition by the Company.

32 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO REPORTED PROFIT AFTER TAX

For the year ended 31 December 2007

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Profit for the year	14,029	16,970	4,212	985
Adjusted for				
Depreciation expense	13,734	15,044	1,057	1,125
Fair value movement of derivatives	(133)	59	—	—
Fair value gain on assets	—	—	(647)	(1,109)
Change in biological assets	(14)	(2)	—	—
Reversal of impairment	(375)	(96)	(375)	—
Provision for trade receivables impairment	(271)	44	(251)	247
Amortisation of intangibles	2,039	1,625	1,226	850
(Profit) / loss on the sale of property plant & equipment	(353)	(1,605)	(1)	49
Provision for share options	550	281	550	281
Share of profit of associates	(2,504)	(3,383)	—	—
Movement in deferred tax	892	5,770	538	(139)
Deferred tax on revaluation reserve	(941)	(281)	—	—
Profit on sale of licence to subsidiary	—	—	(2,500)	—
	<u>26,653</u>	<u>34,426</u>	<u>3,809</u>	<u>2,289</u>
Impact of changes in working capital items				
Decrease / (increase) in debtors and prepayments	262	(6,899)	1,067	(117)
Increase / (decrease) in creditors and provisions	898	11,288	(3,227)	1,659
(Increase) / (decrease) in inventories	(8,910)	6,462	—	—
Decrease / (increase) in taxation receivable	2,440	1,099	(1,901)	3,555
	<u>(5,310)</u>	<u>11,950</u>	<u>(4,061)</u>	<u>5,097</u>
Net cashflows from operating activities	<u>21,343</u>	<u>46,376</u>	<u>(252)</u>	<u>7,386</u>

FIVE YEAR FINANCIAL REVIEW

	Dec-07	Dec-06	Dec-05	Dec-04	Dec-03
	12 Months	12 Months	12 Months	12 Months	12 Months
	\$'000	\$'000	\$'000	\$'000	\$'000
	NZ IFRS	NZ IFRS	NZ FRS	NZ FRS	NZ FRS
REVENUE					
Continuing activities	515,003	550,297	485,307	558,048	599,213
EARNINGS					
Before net interest, tax, depreciation & amortisation	42,227	44,319	39,492	38,425	40,266
Before net interest & tax	26,454	27,650	21,368	20,482	19,552
PROFIT					
Pretax operating profit / (loss)	22,052	23,313	16,085	14,596	14,307
Net profit / (loss)	14,029	16,970	13,257	10,436	11,727
FUNDS EMPLOYED					
Paid in capital	155,007	145,799	138,982	132,496	131,368
Retained earnings & reserves	107,281	97,464	76,789	67,238	49,547
Total shareholders' equity	262,288	243,263	215,771	199,734	180,915
Minority interests	2,273	679	537	340	159
Non-current liabilities	10,732	9,116	38,427	41,918	44,426
Current liabilities	96,782	93,512	62,302	65,508	49,573
Total funds employed	372,075	346,570	317,037	307,500	275,073
ASSETS					
Property, plant & equipment	219,074	197,656	200,747	203,871	174,433
Other non-current assets	44,472	33,873	22,092	18,275	15,151
Current assets	108,529	115,041	94,198	85,354	85,489
Total assets	372,075	346,570	317,037	307,500	275,073
STATISTICS					
Number of ordinary shares on issue – '000	96,187	77,040	74,140	71,425	70,978
Earnings per share – cents	16	22	18	14	17
Asset backing per share	\$2.73	\$3.16	\$2.91	\$2.80	\$2.55
Percentage of shareholders' funds to total assets	70%	70%	68%	65%	66%
Ratio of current assets to current liabilities	1.12	1.23	1.51	1.30	1.7
Ratio of debt to equity*	0.41	0.42	0.47	0.54	0.52
DIVIDENDS (PAID & PROPOSED)					
Cents per share on paid up capital	14	12	12	12	–
Total amount	10,786	8,896	8,571	8,518	–

* Debt includes trade creditors

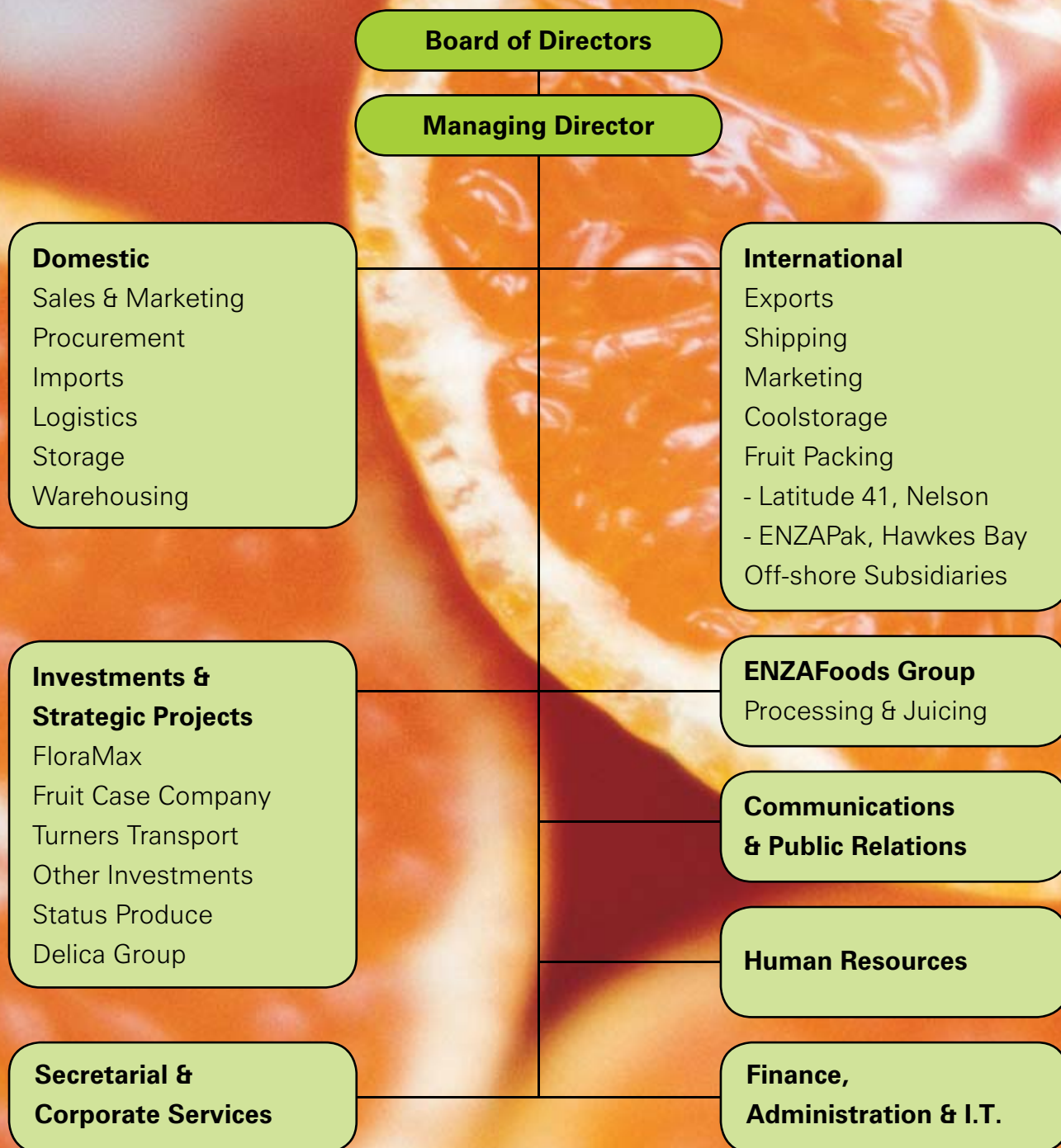




Food for sport.

Turners & Growers Growers Group Structure

At 31 December 2007



Directory

DIRECTORS

A.I. Gibbs, Chairman (non-executive)
J.M. Wesley, Managing Director
R.A Burney, Non-executive Director
B.M. D'Arth, Independent Director
M.R. Dossor, Non-executive Director
W.J.E. Lynch, Independent Director
L.A Noboa III, Non-executive Director
M.G Tregidga, Independent Director

REGISTERED OFFICE

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

POSTAL ADDRESS

P.O. Box 56,
Auckland

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

AUDITORS

PricewaterhouseCoopers

BANKERS

ANZ National Bank Limited
Westpac Banking Corporation
HSBC
Rabobank

SHARE REGISTRY

Computershare Investor Services Limited,
Level 2, 159 Hurstmere Road,
Takapuna,
Auckland

POSTAL ADDRESS

Private Bag 92119,
Takapuna,
Auckland

Investor Enquiries (09) 488 8777
Email: enquiry@computershare.co.nz

PRINCIPAL SOLICITORS

Russell McVeagh



t g Turners &
Growers