



THE & IS AT THE HEART OF OUR BRAND.

It's a commitment to deliver fresh tastes to the world through partnerships. From our Business brands to our Service and Product brands, we provide the best fresh taste experiences to consumers all over the globe.

ESSENTIALLY, IT'S ABOUT US:

& GROWERS

& MARKETERS

& RETAILERS

& CUSTOMERS

IT'S ABOUT FRESH TASTE:

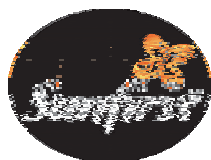
& ADVICE

& LOGISTICS

& MARKETING

& KNOW-HOW





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.

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Board of Directors



The Board of Directors (from left to right): Jeff M. Wesley, A.I. (Tony) Gibbs, Brian M. D'Ath, Carol A. Campbell, Robert J. Campbell, C.J. (Tina) Symmans, Anthony M. Eisen, Michael R. Dossor.

TONY GIBBS – *Chairman and Independent Non-executive Director*
CNZM

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

Chairman of Tower Limited; Director of Ezypeel Mandarins Limited and Aeneid Seventeen Limited; Citrus Grower.

JEFF WESLEY – *Managing Director*
MBA

Appointed CEO to the Turners & Growers Group in May 2005, and subsequently appointed to the position of Managing Director 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.

BRIAN D'ATH – *Executive Director*

Director since January 2003.

Former Director of ENZA Limited; Director of Tollemache Orchards Limited; Orchardist.

ANTHONY EISEN – *Non-executive Director*

BCom, Institute of Chartered Accountants in Australia

Director since February 2011.

Executive Director of Guinness Peat Group (Australia) Pty Limited; Non-executive Director of the following companies: Clearview Wealth Limited, eServGlobal Limited, Capral Limited and Tower Limited (alternate).

MICHAEL DOSSOR – *Non-executive Director*

Dip AG

Director since 1991. Managing Director, January 2003 to June 2005.
Member of the Remuneration Committee.

Director of Fruit Distributors Limited, Chairman of Turners Auctions Limited (and related and subsidiary companies), McKay Shipping Limited and Allan Blair Properties Limited.

ROBERT CAMPBELL – *Non-executive Director*
BA (Hons First Class), MPhil (Economics)

Director since October 2010.

Member of the Audit Committee and Member of the Remuneration Committee.

Director of Guinness Peat Group Plc, Accident Compensation Commission and Ports of Auckland, and an adviser to a number of investment companies.

CAROL CAMPBELL – *Independent Non-executive Director*
BCom, CA, MInstD

Director since June 2010.

Chairman of the Audit Committee.

Carol has extensive experience in the area of accounting and finance. Previously a partner of Ernst & Young for 25 years, she is now an owner and director of boutique accounting practice "The Business Advisory Group". In addition, Carol is a director of a number of other companies.

TINA SYMMANS – *Independent Non-executive Director*

Appointed as an Independent Director in June 2008.

Member of the Audit Committee.

Tina has extensive experience in marketing, corporate relations and strategic communications, and has held a variety of senior roles with leading New Zealand companies. She also founded and managed a successful strategic communications and government relations consultancy and has been providing independent advice to large New Zealand businesses for many years. Tina is a member of the executive team of Telecom NZ.

Directors' Report

The Directors take pleasure in submitting to shareholders the Annual Report and audited financial statements of the Group for the year ended 31 December 2010.

Consolidated Results

	2010 \$'000	2009 \$'000
Revenue	599,227	589,955
Earnings before interest & tax	21,925	19,010
Profit before tax	17,084	13,697
Profit after tax (before non-controlling interests)	6,326	9,529
Total equity	300,829	293,948

The Group has recorded a profit after tax of \$6.3m for the year ended 31 December 2010 (2009: \$9.5m). This profit was achieved on revenue of \$599.2m.

In May 2010 the Government announced a number of changes to the tax legislation in its budget. One of the changes was to remove the ability to depreciate buildings for tax purposes. Turners & Growers is a substantial property holder and the impact of the change has caused a one-off, non-cash accounting entry to tax expense and deferred tax of \$5.1m. The Directors have questioned the need for the adjustment, however, there is an obligatory requirement to comply with International Accounting Standards, in particular NZIAS 12.

Due to the one-off nature of the tax adjustments, the Directors consider profit before tax a more appropriate measure for 2010 which is \$17.1m, up \$3.4m on 2009.

The 2010 Group result was also impacted by a large one-off \$3.4m write-down of its investment in Inglis Horticulture. Adding this back to profit to normalise the result makes Turners & Growers approximately \$6.8m up on last year.

The net tangible asset backing of each share is \$2.50 compared to \$2.61 last year.

The financial statements for the year ended 31 December 2010 have been presented in accordance with the accounting policies detailed on pages 31 to 38 of this report.

Activities

Contribution from most divisions within the Group exceeded 2009.

Exporting from New Zealand continued to be a challenge due to the high New Zealand dollar against most major currencies. The largest export from the Group is apples and this industry is going through a tough time with a number of growers struggling to break even. The Australian market may open up this year and this certainly has some upside for the industry, however 2011 looks to be another difficult year.

During the year the Board has considered a number of proposals for future projects and joint ventures. Of most immediate significance is a partnership with the Wakatu Corporation in Nelson. This partnership, called "Wawata", utilises 35–40 ha of land provided by Wakatu and approximately 177,000 ENVY™ trees supplied by ENZA. In full production this orchard will produce 133,000 trays of apples, all of which will be exported through ENZA's offshore marketing channels.

Recently the Directors approved a Turners & Growers joint venture in Fiji. This operation will supply produce to supermarkets and a number of resorts with a presence in both Suva and Nadi. Product will be supplied by Turners & Growers Pacific Island Export operation and customers will be serviced by Turners & Growers' representatives based in these locations. Cool-chain facilities have been secured and it is planned to have the operation up and running by the second quarter of 2011.

In mid 2010 our Delica Australia operation invested in an Australian asparagus exporter Delica Pty Limited. Delica Australia has a long standing relationship with the company and asparagus is considered to be an important part of their product portfolio.

In 2010 our ENZA Fruitmark operation in Australia invested in a joint venture in Belgium called Fruitmark Belgium. This operation specialises in individually quick frozen products and profits for the first six months exceeded all expectations. We are confident 2011 will be a very good year for this entity.

Our Kiwifruit expansion continues with vigour. The ENZARed™ variety was released from quarantine and we have over 20,000 invitro plants growing in the nursery in Kerikeri. The ENZAGold™ variety has been grafted on to old Haywood vines and we expect at least 40,000 trays of this variety available this year. Our court action against the monopoly will commence in May this year and we are hopeful that we will be able to export our own varieties to all locations in the near future.

During the year the expansion of the Kerifresh facilities in Kerikeri was completed. This included a new coolstore, dry-store and administration building and this site is now fully self-sufficient with adequate accommodation for staff.

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

Distribution Plan

On 24 February 2011 the Directors voted in favour of a Distribution Plan. The Distribution Plan allocates bonus shares to shareholders and provides the option to sell the bonus shares for cash through an off-market buy back facility. The distribution will be un-imputed and will be 6 cents per share with a record date of 18 April 2011 and an allotment date of 27 April 2011.

Shareholding

Shares on issue increased by 7,598,948 during the twelve months as a result of bonus shares issued under the Turners & Growers Distribution Plan. At 31 December 2010 the number of shares on issue stood at 112,970,877.

Annual Meeting

The Annual Meeting of Shareholders is to be held on the 30 June 2011. Notice of the meeting will be mailed to shareholders separately in due course.

Acknowledgements

After 26 years on the Board Mark Tregidga has decided to stand down as a director. Mark has been part of considerable change in the Group, particularly in recent years, and the Board would like to thank him for his dedication, loyalty and contribution. On behalf of the Board we wish Mark all the best for the future.

It has been a better year for Turners & Growers with a number of divisions producing improved results. We have a great team of people who, under the guidance of our Managing Director, Jeff Wesley, strive for better results. We thank Jeff and all in the Company for their hard work and effort.

The Future

This is an industry that requires a long term view and we have an exciting future ahead of us. In recent years there has been significant investment in the supply base which we are confident will lift returns in forthcoming years.

For and on behalf of the Board.




A.I. (Tony) Gibbs
CHAIRMAN



Managing Director's Report

Introduction

I am pleased to report on the 2010 results for the Turners & Growers Group which delivered an operating result significantly better than 2009.

While revenue for the year was similar to 2009, profit before tax was up 25% at \$17.1 million, even after writing down the value of our investment in Inglis Horticulture Limited.

Several of our divisions, in particular Domestic Markets, Status Produce, Delica and Kerifresh, posted their best ever results. However two of our export-focused divisions, ENZA International and ENZAFoods New Zealand, posted their worst results since takeover (though still profitable) due mostly to the consistently high value of the NZ Dollar against our major trading currencies during the period.

By value, approximately 40% of the Group's turnover is export related while 10% is import related. As the value of the NZ Dollar increases, export returns and thus our commissions on these sales correspondingly decrease.

During 2010 the NZ Dollar hit record highs against the British Pound and near record highs against the US Dollar and the Euro, the major apple export trading currencies. While there is an offset against this making it cheaper for imports, the 4:1 ratio of exports to imports significantly hurt ENZA International, ENZAFoods New Zealand and grower returns.

Financial Performance

The Group's profit before tax showed a considerable improvement of 25% over 2009's result, on the back of stronger trading across most divisions within the Group. Net profit after tax reduced by 34% from 2009, as a result of the change to tax legislation in the Government's May 2010 budget. This removed the ability to depreciate buildings for tax purposes, necessitating a one-off and non-cash \$5.1 million increase in tax expense.

Total equity increased by 2% over 2009. With its solid tangible asset base, the Group's share price continues to undervalue its net asset backing. Net cashflow from operations increased significantly from 2009, largely as a result of continued improvements in working capital management. Term funding reduced a further \$5.0 million in 2010.

There was \$5.0 million invested in new associate businesses during 2010 and over \$16 million of capital expenditure, mainly spent on building refurbishments, orchard redevelopment and plant and equipment. The Board continues to monitor capital expenditure carefully and constrains spending to essential items only.

Domestic Markets

The Domestic Markets business, including Imports and Pacific Island Exports, had an excellent year with revenue and profit contribution up 6% and 13% respectively for the period.

The 2010 profit contribution was a new record, up 3% on its previous best.

Growers were faced with extremes in conditions from the wettest winter to one of the driest November and early December periods on record. A very wet spell just prior to Christmas severely impacted supplies of berries, cherries and summerfruit.

The unpredictable supply during the year was matched by low prices, tough retail conditions and aggressive competition in many lines. Despite this, most domestic branches around the country were able to report an improved profit position on the previous year.

Imports had a satisfactory year assisted by the strong NZ Dollar and stable prices on key lines.

Pacific Island Exports continued its excellent growth in the island trade and consolidated its position as a major supplier to the cruise boat business. There is significant future growth potential in this business and a new Turners & Growers branch will be opening in Fiji in the first quarter of 2011.

TG Direct, the dedicated operation servicing the supermarket chains in the Auckland region, made significant gains and this model will be replicated in the South Island in 2011.

The Domestic Markets experienced the benefit of having an integrated supply in many of the major categories including citrus, tomatoes and apples. Improved grower returns were achieved due to the ability to co-ordinate marketing activities with a more strategic approach. The launch into direct procurement of Sunfirst citrus from Gisborne was very successful and further gains are expected during the 2011 season.

Fruit Case Company (FCC)

FCC posted a satisfactory profit contribution, up 3% on 2009. It was a challenging year for returnable crates, pallets and bins due to increased competition.

In June 2010 it was decided to deal with the long-standing problem of unauthorised use of FCC crates by customers and users outside of the industry. A team of private investigators was commissioned to recover all hire items without the refund of deposits and additional fees were charged for lost revenue.

This process has so far recovered around 17,000 crates and resulted in a number of cash settlements for unauthorised use over a long period. This seems to be changing the culture within the industry and will eventually help to speed up crate stock turn while dealing with the hygiene issue of unauthorised and unwashed crates being used to transport food products.

ENZA International

ENZA International had a difficult export year caused by weak consumer demand in most international markets, a high NZ Dollar which significantly reduced grower returns, and adverse climatic conditions which reduced the available export crop.

Revenue was down 17% on 2009, with profit contribution down 30%.

A severe frost in Hawkes Bay in the spring of 2009 reduced the 2010 export crop from that region by 20%. The frost also resulted in disappointing quality of the remaining fruit which had a negative impact on sales values.

Market conditions in the UK and Continent for ENZA's flagship variety Jazz™ were generally strong, delivering slightly higher in-market prices during the season compared to the prior year. However the North American market experienced significant in-market price declines for most apples including Jazz™.

As a gesture of goodwill ENZA paid Jazz™ growers an additional \$1 per carton to help support them financially in this period of high exchange rates. ENZA challenged Plant and Food Research, the Jazz™ variety owner, to make a similar contribution to growers from the royalty they receive for Jazz™. They declined to assist growers.

Fundamentally the in-market pricing for Jazz™ is very good. This is confirmed by French and UK Jazz™ growers who are very happy to be part of the Jazz™ programme as it is one of their best paying varieties.

Overall the offshore based growing and marketing operations performed well. Jazz™ volumes are increasing quickly in all regions. To cope with a 60% increase in Jazz™ production in Washington State another marketing agent was engaged to assist in marketing the crop. This has worked very well.

At this stage, 2011 is looking like another difficult year for growers. The New Zealand crop has bounced back from last year and this, combined with larger crops from other Southern Hemisphere producers, will put pressure on prices in all markets.

ENVY™ production will increase this year and will provide some optimism for growers. Returns from this new variety are expected to be high.

The World Trade Organisation's decision to allow New Zealand apples into Australia is a bright spot on the horizon for the industry, with some confidence that export access may begin from November 2011. This will not however give a meaningful benefit to ENZA or growers until 2012.

Delica

Delica focuses on sales of internationally sourced fresh produce into Asian, Indian and Middle-Eastern markets and has offices in New Zealand, Australia, Peru and USA.

This business posted a record result for the period with revenue and profit contribution up 10% and 32% respectively on 2009.

Delica New Zealand

Throughout 2010 there was an improvement across most products over 2009, in both volume and margin. The largest contributors to the 2010 result were apples, stonefruit, berryfruit, asparagus and tomatoes.

Apple volume was only slightly up on 2009 with the exception of Jazz™ which was up nearly 100%. Gross margin was up 31% over 2009. A strong emphasis was placed on Asian retail accounts with corresponding promotional activity continuing in 2011.

An outstanding stonefruit season in early 2010 enabled Delica New Zealand to achieve a record result, shipping just over 1200 MT which resulted in an increased market share in this category.

Berryfruit was another notable success with strawberries increasing in both volume and margin by 90% and blueberries were in good demand.

The tomato category benefited from adverse weather conditions in Florida, enabling Delica New Zealand to secure a supply contract with McDonald's in Japan in early 2010. In partnership with Status Produce, a successful sea freight initiative was implemented in 2010 for tomatoes exported to Australia.

Delica Australia

After a record breaking 2009, weather events adversely impacted various crops to make 2010 a very ordinary year, with the exception of citrus and asparagus.

A heat wave in late 2009 destroyed the entire Thompson Seedless grape crop which makes up 30% of the grape export volume. The heavy rain and storms eliminated the late 2010 stonefruit crops in Victoria and put paid to the mango programme from Queensland. Unfortunately this poor weather has continued into early 2011.

Citrus was one of the highlights of 2010. The Japanese market performed very well mid-year and along with a good quality season, provided the basis for an outstanding result in this category.

Delica Australia commenced exporting asparagus in 2010, selling 1200 MT into a solid Asian market.

Delica South America

Grape volume grew in 2010 with supply to several major customers for a seven month period, from the Peru grape season through to the Chilean season.

Delica South America was one of only two exporters to ship mangoes from Peru to Japan when a protocol opened up, laying the groundwork for the 2011 season.

Asparagus experienced large growth with a 150% increase over 2009. Delica South America now supplies both Woolworths and Coles in Australia with asparagus and has landed the entire Coles Peruvian import category for 2011.

New business in 2010 included a sea freight cherry programme from Chile along with commencing "domestic" South American trade in several products.

Delica North America

Delica North America expanded rapidly in 2010 with the addition of three staff members, facilitating entry into the citrus category which is expanding in 2011. Highlights of the year included an increase in cherry tonnage.

At year end Delica North America increased its exports of ENZA apples to Asia by 100% and now exports the majority of the Washington Pacific Rose crop. Shipments of small sized Jazz™ apples to retail accounts has again been a focus and due to the crop profile being larger some fruit was sourced from France.

Berryfruit and asparagus volumes were both down due to unseasonably wet and cold weather in Mexico and California during early 2010.

Kerifresh

Despite an unusually difficult growing season Kerifresh produced its best result since its takeover in 2008, posting a satisfactory profit improvement, up \$1.7 million on 2009 and \$3.5 million better than 2008. This trend is expected to continue in 2011.

Colder than usual flowering and fruit set periods, followed by a one in one hundred year summer drought, resulted in some challenges for the Kerifresh operation. The company's mandarin and gold kiwifruit crops both produced volumes below budget and overall revenue fell 10%. Despite this, the company continued to improve its financial outcomes across most other benchmarks.

Key factors in the result were:

- a reduction in both the 2010 cost of fruit production and company operating expenses versus 2009;
- improved returns for mandarins and lemons. This was achieved due to improved product quality, better domestic supply management and good export returns from existing and new export markets; and
- the excellent crop taste and timing profile which resulted in Kerifresh's kiwifruit gold crop achieving significantly higher returns per tray than the Zespri industry standard.

During 2010 Kerifresh remained very active in new development initiatives. These included a major upgrade of coolstore capacity with the building of two new 110,000 tray coolstores. ENZA's new kiwifruit variety research and development of bud-wood and nursery stocks continued. Kerifresh now has all main ENZA kiwifruit varieties (ENZAGold™, ENZARed™, and Summer Kiwi™) in production and is building significant volumes of bud-wood and nursery stock for future supply to independent growers.

The biggest threat emerging during the year was the discovery of the kiwifruit canker disease PSA in most parts of New Zealand, excluding at this point the far North. In Italy, a major kiwifruit growing country, an Italian strain of PSA has decimated Zespri Gold vines in one region and appears to be spreading to new regions and into the green crop. Intense vine monitoring and testing confirms Kerifresh orchards are currently PSA free. Rigid orchard hygiene protocols are in place as part of ongoing measures to ensure this status is maintained.

The 2011 year is shaping up to be a strong one. The new season crop enjoyed very good early season conditions and both kiwifruit and mandarin crop volume is projected to be ahead of budget. Overall, Kerifresh management and staff continue to focus on achieving high crop yield and quality, good supply management discipline and operational efficiency.

Status Produce and Packhouse

After two years of losses it is very pleasing to report to shareholders that not only has Status Produce returned to profitability but it has produced its best result ever, up \$4.3 million on 2009.

A robust export market, improved glass-house management and strong domestic pricing were the primary reasons for the improvement.

An operations plan focused on delivering the best fruit quality possible to enable better returns and along with an emphasis on cost reduction, helped Status Produce achieve this result.

For most months throughout the year tomato prices were up on 2009 and budget. This was supported by a strong export initiative in early 2010, reduced Australian imports and larger commitments for contract supply to food service at increased pricing.

In combination with stronger prices, Status Produce continued to drive cost out of the growing and packing operations, reducing operational costs by \$1.0 million over the previous year. This improvement is a result of price tendering for services, reduced costs of fertilisers and most significantly a 6% reduction in labour hours.

While the 2010 result sets a new baseline for Status Produce and Packhouse, the plans for 2011 include:

- further increases in food service volume and revenue;
- increased export volumes and improved returns;
- enhancements to crop yield quality; and
- team productivity improvements.

The 2011 year has started positively for Status Produce due to increased demand following the recent Australian floods and improved pricing for export volume. This in turn has had a positive impact on domestic pricing.

ENZA Foods

ENZA Foods New Zealand

Affected more than most by the global recession due to its principal product being the commodity clear apple juice concentrate (clear AJC), ENZA Foods New Zealand had its worst year since merging with Turners & Growers in 2003.

Clear AJC prices plummeted by almost two thirds in international markets during the period. Prices stabilised in the second half and started to recover in the last quarter of the year. The reduction in both volume and pricing negatively impacted profit performance.

While still making a small profit, contribution fell 74% on 2009 and 94% on 2008.

The much higher margin fruit ingredients business (diced apple and sauce) continued to grow, with market share gains in the Australian market providing solid margin and profit returns. The Board has approved the construction of a North Island fruit ingredients plant during 2011/12 which will shift the ENZA Foods North Island operations away from its over-reliance on clear AJC markets to the more profitable fruit ingredients business.

ENZA Foods retail products (including Joosicles, Fruit Hitz and Moojoos) enjoyed modest growth in the period and continue to be a growing profit contributor.

Fruitmark Australia (trading name of ENZACor Pty)

Fruitmark Australia, trades internationally in processed fruit and vegetable products for the food manufacturing and fruit based beverage business. Its primary products include concentrates, dehydrated fruits, frozen fruits and purees, fruit solids and fresh cut salads.

Fruitmark produced its second best profit contribution ever, up 6% on 2009.

The Other Concentrates business continued to grow with cranberry and blackcurrant concentrate volumes increasing, the successful launch of tropical concentrates and good margins being maintained on these premium products.

Fruitmark NV/SA Belgium

In April 2010 Fruitmark started a 50/50 joint venture in Belgium with two partners well known to the Group, trading individually quick frozen fruit products in the European market. Whilst it is very early days this venture produced a profit contribution ten times higher than budgeted, a trend continued so far into 2011. A further update on this new venture will be given to shareholders at the Annual General Meeting in June.

Turners Transport

Turners Transport had a much better year with a profit contribution up 142% on 2009.

In the early part of 2010, Turners Transport took over the Christchurch transport company WD Transport Limited and successfully merged it into the Group, providing a strong South Island presence producing new revenue and profit streams.

New business was secured in most areas with large gains in Hastings, Palmerston North, Ohakune and Nelson. This enabled key routes to once again be supported by two-way loading. A number of long-time clients had better yields in 2010 which was reflected in the overall volumes transported.

Fuel prices and road user charges remained stable for the majority of the year however there were significant increases in the last quarter.

In 2011 Turners Transport is looking at an extensive replacement programme for the older units in the fleet. The new units, which will be leased, will be bigger, more environmentally friendly and more fuel efficient.

FloraMax

FloraMax produced a satisfactory profit contribution, its second best ever, up 23% on 2009.

Revenue was up by 5% with volume across the auction floors up 4%. It seems that while many sectors of the economy were hit hard by the effects of the global recession, buying flowers became a substitute by many for more expensive spending.

Flower growers remain very careful regarding their planting schedules and it appears many are opting for less investment hungry crops.

FloraMax implemented an on-line remote buying option in the Auckland auction and is now working on steadily increasing the use of this system amongst the current and potential client base around the country.

The FloraMax "Flowers Work Wonders" promotional project continued its strong support of retailers and is working on increased national coverage.

Associates

Worldwide Fruit Limited (WFL) – United Kingdom

WFL has returned to very solid profitability following the failed joint venture in a UK packhouse two years ago. In the year ended 30 June 2010, WFL produced its highest annual profit, up 5% on its previous best. This trend is expected to continue.

The Oppenheimer Group – North America

The Oppenheimer Group had a satisfactory year as the North American market recovers slowly from a deep recession. Revenue was up 9% and profit up 20% for the period.

Inglis Horticulture Limited (IHL) – New Zealand

IHL is a large grower of new apple varieties, particularly Jazz™, on maturing apple orchards in Riwaka, near Motueka in the South Island.

IHL met its key production, cost and quality targets in 2010, providing ENZA with 340,000 cartons of apples for export. However IHL recorded a higher loss than budgeted for, due in part to weaker in-market prices, but primarily due to the high value of the NZ Dollar reducing grower returns, in some cases by \$7 per carton.

Since balance date Turners & Growers has taken over 100% of IHL by issuing shares in Turners & Growers to the IHL partner.

Kiwifruit

Turners & Growers has continued expanding its kiwifruit activities both within New Zealand and internationally.

The rate of planting of Turners & Growers controlled varieties continued on a reduced scale due to regulatory issues in New Zealand and disease issues in Italy and Chile.

The first full container of ENZAGold™ produced in New Zealand was successfully exported last year to Australia where the fruit achieved premium pricing. Production will grow rapidly over the next couple of years from existing plantings in Northland and the Bay of Plenty.

ENZARed™ continued to receive excellent reviews after promotion at Fruit Logistica Berlin and Asia Fruit Logistica Hong Kong which are two of the world's premier fresh produce events. Global demand for both ENZARed™ and ENZAGold™ is very high. ENZARed™ plant material has finally been released from quarantine in New Zealand, large scale propagation of plant material has started and enough material to graft 20 hectares is expected to be available in 2011. Similarly in Italy, ENZARed™ plant material is now being successfully propagated and interest from Italian growers to plant the variety is high.

Increased volumes of ENZAGreen™ Hayward were exported from Chile to Asia in 2010 with the first shipments to Japan successfully received and volumes to Korea increasing on the back of a successful programme in 2009. The expansion of the ENZAGreen™ brand continued into new markets with trial volumes shipped to places such as India, Dubai and Syria with all clients requesting larger volumes for 2011.

The strategy of initially using high quality ENZAGreen™ Chilean kiwifruit to establish a foothold in key Asian markets and to establish a positive profile for ENZA kiwifruit has been very successful.

The legal proceedings against Zespri continued at the New Zealand High Court. Although the Court ruled against Turners & Growers in respect of the first claim, that the 1999 Kiwifruit Regulations were "ultra-vires and of no effect", the principal claims that Zespri has breached several sections of the Commerce Act remain to be heard with a five week hearing scheduled to commence 3 May 2011. Further claims against Zespri relating to breaches of the regulations also remain to be heard.

Zespri and a number of politicians have suggested that the 1999 Kiwifruit Regulations are in fact broad enough to provide for the rights of owners of Plant Variety Rights (PVRs). On 17 November 2010 Turners & Growers lodged an application for a Collaborative Marketing Arrangement with the regulatory authority Kiwifruit New Zealand (KNZ), to export ENZARed™, ENZAGold™ and Summer Kiwi™ from New Zealand to all global markets. KNZ have scheduled a hearing for 22 February 2011 to consider the application, requiring a decision by the end of March as to whether such an arrangement will be granted.

Outlook 2011

The year has started well with a very strong January result and satisfactory February.

While still fragile, international markets are showing signs of economic recovery in both price and demand and the currently weakening NZ Dollar provides some optimism that our export businesses may have a much better year in 2011.

The domestic market also remains fragile, with the full effects of the Christchurch earthquake and rapidly increasing fuel prices on the New Zealand economy yet to be determined.

I expect the improvements made in 2010 in our operations to flow into the 2011 results and while early days, feel 2011 has the potential to be a very good year for shareholders.

Staff

Once again a sincere thank you to all of the amazing and dedicated staff we have at Turners & Growers that make this company such a special one. A special thank you to all our Christchurch staff who have operated under the most trying conditions since the September earthquake and the devastating February 2011 earthquake.

A handwritten signature in black ink, appearing to read 'J.M. Wesley'. The signature is stylized and fluid.

J.M. Wesley
MANAGING DIRECTOR





2010 Corporate Governance

Role of the Board

The Board is the governing body of Turners & Growers Limited and all its wholly owned subsidiaries. It currently has eight members, 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 currently comprises of a non-executive Chairman, the Managing Director, five non-executive Directors, and one executive Director. Within the eight Directors is a broad mix of skills and industry experience relevant to the guidance of the Company's businesses.

The Board has identified Mr A.I. Gibbs, Mrs C.J. Symmans and Mrs C.A. Campbell 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 in the Company's shares at any time when they are in possession of insider information and during periods which are deemed by the Board to be 'closed' periods. These closed periods customarily include the end of the six and twelve month reporting cycles, and until such time as profit announcements have been publicly disclosed. Closed periods include any additional period when the Board is engaged in matters that are likely to have an impact on the market value of the shares.

Board access to advice

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

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

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

Board committees

The Board has two constituted committees – 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, liaison with the Company's independent auditors and making recommendations to the Board as to their appointment and remuneration. This committee is chaired by Mrs C.A. Campbell and also comprises Mr A.I. (Tony) Gibbs (ex-officio), Mr R.J. Campbell and Mrs C.J. Symmans. The 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 and the Chief Financial Officer, and recommending the remuneration of Directors. This committee is chaired by Mr A.I. (Tony) Gibbs and also comprises Mr R.J. Campbell and Mr M.R. Dossor.

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

Interests register

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

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

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

Group management structure

The Group's organisational structure is now focused on its four main operational activities being 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 the 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.



Statutory Information

Auditors

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

Directors' loans

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

Directors' remuneration

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

12 months to 31 December 2010	Group \$'000
Directors of Turners & Growers Limited	
A.I. Gibbs	90
B.M. D'Ath	50
M.R. Dossor	50
C.A. Campbell	25
R.A. Burney (Retired 24 June 2010)	25
R.J. Campbell	13
M.G. Tregidga	60
C.J. Symmans	50
J.M. Wesley (Managing Director)	784



Employees' remuneration

The Group paid remuneration including benefits to 92 employees (other than Directors) during the twelve months in excess of \$100,000, in the following bands:

12 months to 31 December \$'000 NZD Equivalent	Number of employees	
	2010	2009
100 – 110	11	16
110 – 120	16	13
120 – 130	10	11
130 – 140	12	8
140 – 150	2	8
150 – 160	5	4
160 – 170	3	6
170 – 180	7	3
180 – 190	7	5
190 – 200	2	–
200 – 210	3	1
210 – 220	–	2
220 – 230	3	2
230 – 240	1	1
240 – 250	–	–
250 – 260	3	1
260 – 270	–	1
270 – 280	–	2
280 – 290	–	2
290 – 300	1	1
300 – 310	–	1
310 – 320	–	–
320 – 330	2	–
330 – 340	1	–
340 – 350	1	1
350 – 360	1	2
410 – 420	–	1
480 – 490	1	–
550 – 560	–	1
Total	92	93

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

Directors' shareholdings

Ordinary shares held by Directors and parties associated with Directors:

	Dec-09	T&G Distribution Plan (1)	Purchase (2)	Sale	Dec-10
A.I. Gibbs	72,086	5,414	–	–	77,500
B.M. D'Ath	–	–	–	–	–
– held by associated party	15,730	1,182	–	–	16,912
M.R. Dossor	126,707	9,516	–	–	136,223
M.G. Tregidga	59,094	4,439	–	–	63,533
– held by associated party	793,502	59,595	–	–	853,097
C.J. Symmans	–	–	5,000	–	5,000

As detailed above the only shares acquired or sold during the year ended 31 December 2010 in which Directors held 'relevant interests' were in relation to:

- (1) Non-taxable bonus shares issued on 26 April 2010 in accordance with the T&G Distribution Plan.
- (2) 5,000 shares acquired on-market by Mrs C.J. Symmans at \$1.43 per share on 26 May 2010.

All three tranches of Mr J.M. Wesley's share options vested in August 2008, 2009 and 2010. He has not elected to exercise these options during the current reporting period. The option to exercise 500,000 shares in relation to the first tranche expires in 2012, the second tranche of 250,000 shares expires in 2013 and the third tranche of 250,000 shares expires in 2014. (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 \$31,500 (2009: \$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 twelve months in which they held an interest other than, share movements stated earlier, and those noted below:

- (1) All transactions conducted by Turners & Growers Fresh Limited with Continental Fruit Limited, a company in which Mr L.A. Noboa III is a senior executive, are interested transactions.
- (2) Turners & Growers Fresh Limited, ENZA Limited, and Delica Limited sold produce on behalf of two companies with whom Mr A.I. (Tony) Gibbs and Mr B.M. D'Ath are separately associated. These supplies were made at arms length at the Group's standard commission rates and service charges.
- (3) During the year a company that is associated with Mr B.M. D'Ath provided consultancy services to ENZA Limited, a subsidiary of Turners & Growers Limited. The Board is confident that these services were provided at arm's length rates.

Further details are provided in note 33 of the financial statements.

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 31 January 2011 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) Limited – (Guinness Peat Group plc)	74,254,522
Bartel Holdings Limited – (Pacific Fruit Group)	14,033,950
Accident Compensation Corporation	6,871,875

The total number of voting securities issued by the Company as at 31 January 2011 was 112,970,877.

Twenty Largest Shareholders

As at 31 January 2011

Name	Holding	% of Issued Capital
Ithaca (Custodians) Limited – (Guinness Peat Group plc)	74,254,522	65.73%
Bartel Holdings Limited	14,033,950	12.42%
Accident Compensation Corporation	6,871,875	6.08%
Asteron Life Limited	986,541	0.87%
J.P. Morgan Chase Bank NA	533,948	0.47%
D.A. Currey & F.B. Jorgensen	407,272	0.36%
H.C. Zingel & L.L. Zingel	403,477	0.36%
NZ Guardian Trust Investment Nominees Limited	376,811	0.33%
TEA Custodians Limited	360,000	0.32%
M.G. Tregidga & CST Trustees Limited	300,186	0.27%
N.K. Peters, D.E. Peters & B. Robinson	300,000	0.27%
M.L. Tregidga & CST Trustees Limited	297,171	0.26%
M.A. Goldsmith	294,260	0.26%
Citibank Nominees (New Zealand) Limited	291,595	0.26%
FNZ Custodians Limited	254,564	0.23%
R.G. Hambling, J.A. Hambling & Independent Trustees	252,722	0.22%
G.W. Tregidga & CST Trustees Limited	241,985	0.21%
M.G. Tregidga & CST Trustees Limited	236,924	0.21%
Investment Custodial Services Limited	218,478	0.19%
D.W. Browne, J.F. Browne & M.R. Bangma	217,912	0.19%
Total top 20 shareholders	101,134,193	89.52%

Spread of Security Holders

As at 31 January 2011

Range	Total holders	Percentage of total holders	Units	Percentage of issued capital
1 – 499	85	6.70%	25,876	0.02%
500 – 999	168	13.25%	124,509	0.11%
1,000 – 1,999	236	18.61%	320,970	0.28%
2,000 – 4,999	261	20.58%	812,168	0.72%
5,000 – 9,999	223	17.59%	1,564,297	1.38%
10,000 – 49,999	233	18.38%	4,898,053	4.34%
50,000 – 99,999	30	2.37%	2,116,731	1.87%
100,000 – 499,999	27	2.13%	6,427,437	5.69%
500,000 – 999,999	2	0.16%	1,520,489	1.35%
1,000,000 – above	3	0.24%	95,160,347	84.23%
Total	1,268	100%	112,970,877	100%

Domicile of Shareholders

As at 31 January 2011

Location	Total holders	Percentage of total holders	Units
New Zealand	1,233	97.24%	112,754,510
Australia	22	1.74%	92,493
United States of America	4	0.32%	29,901
Singapore	2	0.16%	70,000
United Kingdom	2	0.16%	4,694
Philippines	1	0.08%	11,766
Canada	1	0.08%	5,323
Hong Kong	1	0.08%	1,258
Other	2	0.16%	932
Total	1,268	100%	112,970,877

The New Zealand domiciled holdings include Ithaca (Custodians) Limited whose ultimate shareholder is Guinness Peat Group plc, England, and Bartel Holdings Limited whose ultimate shareholder is the Noboa Group of Ecuador.

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Independent Auditors' Report



To the shareholders of Turners & Growers Limited

Report on the Financial Statements

We have audited the financial statements of Turners & Growers on pages 24 to 82, which comprise the balance sheets as at 31 December 2010, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2010 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We have no relationship with, or interests in, Turners & Growers Limited or any of its subsidiaries other than in our capacities as auditors, providers of taxation and other advisory services and in the licensing of financial reporting software. These matters have not impaired our independence as auditors of the Company and Group.



Opinion

In our opinion, the financial statements on pages 24 to 82:

- (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 the Group as at 31 December 2010, and their financial performance and cash flows for the year then ended.

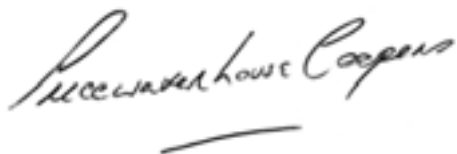
Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2010:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.



Chartered Accountants
Auckland
28 February 2011

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 (9) 355 8000, F: +64 (9) 355 8001, www.pwc.com/nz

INCOME STATEMENTS

For the year ended 31 December

	Notes	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gross turnover	5	847,202	834,845	3,242	3,228
Revenue	5	599,227	589,955	3,242	3,228
Cost of sales		(439,826)	(430,150)	–	(3)
Gross profit		159,401	159,805	3,242	3,225
Other operating income	6	1,598	1,240	19,493	18,565
Administration expenses	7	(19,950)	(22,633)	(21,328)	(19,137)
Other operating expenses	7	(117,999)	(120,599)	(3,146)	–
Operating profit / (loss)		23,050	17,813	(1,739)	2,653
Financial expenses	9	(6,172)	(6,305)	(6,799)	(6,137)
Financial income	9	1,384	1,082	8,832	7,977
Net financing costs		(4,788)	(5,223)	2,033	1,840
Share of (loss) / profit from associates	23	(1,178)	1,107	–	–
Profit before income tax		17,084	13,697	294	4,493
Income tax expense	10	(5,638)	(4,168)	(392)	(594)
Building depreciation tax expense	10	(5,120)	–	(128)	–
Total income tax expense		(10,758)	(4,168)	(520)	(594)
Profit for the year from continuing operations		6,326	9,529	(226)	3,899
Profit for the year		6,326	9,529	(226)	3,899
Attributable to:					
Equity holders of the parent		4,953	8,635	(226)	3,899
Non-controlling interests		1,373	894	–	–
Profit for the year		6,326	9,529	(226)	3,899
Earnings per share					
Basic earnings (in cents)	29	4.5	7.8		
Diluted earnings (in cents)	29	4.4	7.6		
Dividends per share (in cents)	28	10*	10		

*On electing shares only



A.I. Gibbs
Chairman
28 February 2011



J.M. Wesley
Managing Director
28 February 2011

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December

		Group		Parent	
		2010	2009	2010	2009
	Notes	\$'000	\$'000	\$'000	\$'000
Profit for the year		6,326	9,529	(226)	3,899
Other comprehensive income					
Gain on revaluation of land and buildings, net of tax	27	1,675	5,482	–	–
Movement in share option reserve	27	56	107	56	107
Exchange differences on translation of foreign operations	27	(171)	(2,244)	–	–
Movement in cash flow hedge reserve, net of tax	27	(395)	–	(41)	–
Other comprehensive income for the year		<u>1,165</u>	<u>3,345</u>	<u>15</u>	<u>107</u>
Total comprehensive income for the year		<u>7,491</u>	<u>12,874</u>	<u>(211)</u>	<u>4,006</u>
Total comprehensive income for the year is attributable to:					
Equity holders of the parent		6,118	11,980	(211)	4,006
Non-controlling interests		<u>1,373</u>	<u>894</u>	<u>–</u>	<u>–</u>
		<u>7,491</u>	<u>12,874</u>	<u>(211)</u>	<u>4,006</u>

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December

Group	Notes	Attributable to equity holders of the Parent				Non-controlling interests		Total equity \$'000
		Share capital \$'000	Revaluation reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	\$'000	
Balance at 1 January 2009		155,007	52,314	2,001	73,809	283,131	4,148	287,279
Comprehensive income								
Profit for the year		–	–	–	8,635	8,635	894	9,529
Other comprehensive income								
Revaluation of land and buildings	27	–	5,482	–	–	5,482	–	5,482
Movement in share option reserve	27	–	–	107	–	107	–	107
Currency translation differences	27	–	–	(2,244)	–	(2,244)	–	(2,244)
Total other comprehensive income		–	5,482	(2,137)	–	3,345	–	3,345
Total comprehensive income		–	5,482	(2,137)	8,635	11,980	894	12,874
Transactions with owners								
Acquisition of subsidiaries	22	–	–	–	–	–	64	64
Acquisition of non-controlling interest's share of subsidiary		–	–	–	–	–	(1,610)	(1,610)
Dividends reinvestment plan	28	5,671	–	–	–	5,671	–	5,671
Dividends	28	–	–	–	(10,030)	(10,030)	(300)	(10,330)
Total transactions with owners		5,671	–	–	(10,030)	(4,359)	(1,846)	(6,205)
Balance at 31 December 2009		160,678	57,796	(136)	72,414	290,752	3,196	293,948
Balance at 1 January 2010		160,678	57,796	(136)	72,414	290,752	3,196	293,948
Comprehensive income								
Profit for the year		–	–	–	4,953	4,953	1,373	6,326
Other comprehensive income								
Revaluation of land and buildings	27	–	1,675	–	–	1,675	–	1,675
Movement in share option reserve	27	–	–	56	–	56	–	56
Currency translation differences	27	–	–	(171)	–	(171)	–	(171)
Movement in cash flow hedge reserve	27	–	–	(395)	–	(395)	–	(395)
Total other comprehensive income		–	1,675	(510)	–	1,165	–	1,165
Total comprehensive income		–	1,675	(510)	4,953	6,118	1,373	7,491
Transactions with owners								
Other		–	–	–	–	–	(10)	(10)
Dividends	28	–	–	–	(420)	(420)	(180)	(600)
Total transactions with owners		–	–	–	(420)	(420)	(190)	(610)
Balance at 31 December 2010		160,678	59,471	(646)	76,947	296,450	4,379	300,829

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

STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended 31 December

Parent	Notes	Share capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2009		155,007	411	21,813	177,231
Comprehensive income					
Profit for the year		–	–	3,899	3,899
Other comprehensive income					
Movements in share option reserve	27	–	107	–	107
Total other comprehensive income		–	107	–	107
Total comprehensive income		–	107	3,899	4,006
Transactions with owners					
Dividend reinvestment plan	28	5,671	–	–	5,671
Dividends	28	–	–	(10,030)	(10,030)
Total transactions with owners		5,671	–	(10,030)	(4,359)
Balance at 31 December 2009		160,678	518	15,682	176,878
Balance at 1 January 2010		160,678	518	15,682	176,878
Comprehensive income					
Profit for the year		–	–	(226)	(226)
Other comprehensive income					
Movements in share option reserve	27	–	56	–	56
Movements in cash flow hedge reserve	27	–	(41)	–	(41)
Total other comprehensive income		–	15	–	15
Total comprehensive income		–	15	(226)	(211)
Transactions with owners					
Dividends	28	–	–	(420)	(420)
Total transactions with owners		–	–	(420)	(420)
Balance at 31 December 2010		160,678	533	15,036	176,247

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

BALANCE SHEETS

As at 31 December

	Notes	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets					
Cash and cash equivalents	12	18,414	11,245	328	–
Trade and other receivables	13	75,161	62,672	170,999	152,907
Inventories	14	29,234	32,739	–	–
Taxation receivable		6,621	5,546	8,380	6,651
Biological assets	16	7,026	4,643	–	–
Total current assets		136,456	116,845	179,707	159,558
Non-current assets					
Trade and other receivables	13	3,550	3,780	793	808
Available-for-sale investments	17	329	313	7	7
Biological assets	16	13,283	10,568	–	–
Property, plant & equipment	18	256,069	257,292	2,228	3,546
Investment properties	19	–	–	29,513	30,052
Intangible assets	20	18,386	19,357	7,132	7,722
Investment in subsidiaries	21	–	–	145,978	145,978
Investments in associates	23	19,440	17,202	4,559	7,705
Total non-current assets		311,057	308,512	190,210	195,818
Total assets		447,513	425,357	369,917	355,376
Current liabilities					
Bank overdraft	12	–	–	–	1,308
Trade and other payables	25	61,436	55,748	128,808	113,568
Interest bearing loans and borrowings	26	17,752	10,300	16,500	10,300
Total current liabilities		79,188	66,048	145,308	125,176
Non-current liabilities					
Trade and other payables	25	144	259	–	–
Interest bearing loans and borrowings	26	45,597	50,165	45,000	50,000
Deferred tax liabilities	24	21,755	14,937	3,362	3,322
Total non-current liabilities		67,496	65,361	48,362	53,322
Total liabilities		146,684	131,409	193,670	178,498
Net assets		300,829	293,948	176,247	176,878
Equity					
Share capital	27	160,678	160,678	160,678	160,678
Other reserves	27	58,825	57,660	533	518
Retained earnings		76,947	72,414	15,036	15,682
Total equity attributable to equity holders of the parent		296,450	290,752	176,247	176,878
Non-controlling interests		4,379	3,196	–	–
Total equity		300,829	293,948	176,247	176,878
Net tangible assets per security		\$2.50	\$2.61	\$1.50	\$1.61

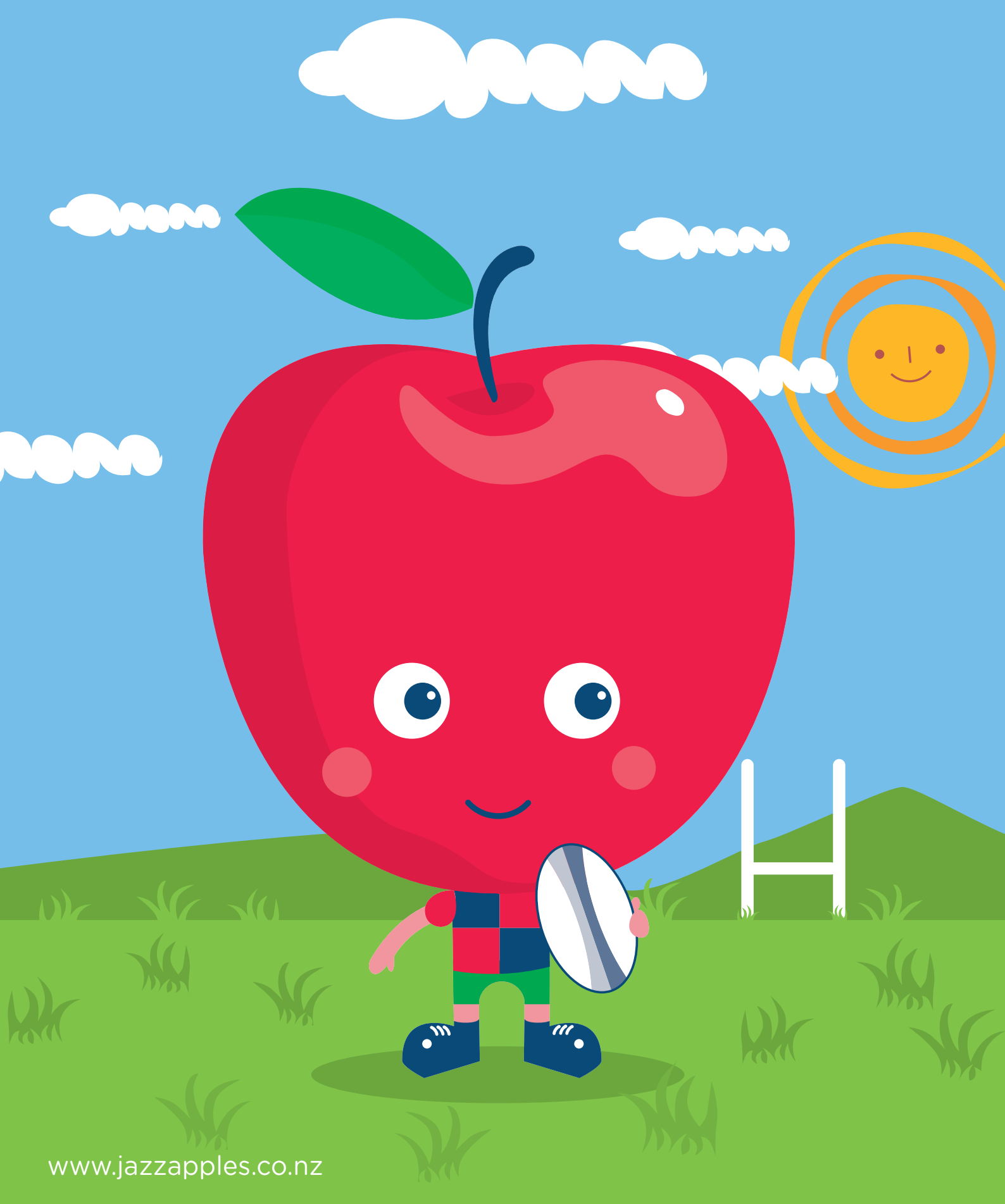
The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December

		Group		Parent	
		2010	2009	2010	2009
	Notes	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash was provided from:					
Cash receipts from customers		866,650	856,181	22,771	20,823
Dividends received		53	90	3	5
Interest received		1,088	839	7,735	7,209
Cash was disbursed to:					
Payments to suppliers and employees		(825,499)	(827,546)	(16,297)	(16,439)
Interest paid		(6,147)	(6,131)	(6,792)	(6,095)
Income taxes paid		(5,530)	(4,410)	(3,142)	(500)
Net cash generated from operating activities	36	30,615	19,023	4,278	5,003
Cash flows from investing activities					
Cash was provided from:					
Dividends received from associates		1,676	1,103	–	–
Dividends received from subsidiaries		–	–	960	700
External loan repayments from suppliers, customers and associates		1,060	1,669	938	1,269
Proceeds from sale of property, plant & equipment		463	319	280	–
Advances from subsidiaries		–	–	24,055	54,867
Cash acquired on purchase of subsidiary		–	144	–	–
Cash was disbursed to:					
Purchase of property, plant & equipment, biological assets and investment properties	16,18,19	(14,890)	(15,207)	(375)	(3,744)
Purchase of intangible assets	20	(1,541)	(1,297)	(1,135)	–
Purchase of available-for-sale investments	17	(16)	(35)	–	(7)
Purchase of non-controlling interest's share in subsidiary		–	(1,011)	–	–
Purchase of subsidiaries	22	–	(166)	–	–
Advances to subsidiaries		–	–	(21,504)	(59,460)
Purchase of associates	23	(4,712)	–	–	–
External loans to suppliers, customers and associates		(6,641)	(2,101)	(6,641)	–
Net cash used in investing activities		(24,601)	(16,582)	(3,422)	(6,375)
Cash flows from financing activities					
Cash was provided from:					
Proceeds from bank term loans		83,703	131,000	22,200	60,800
Cash was disbursed to:					
Dividends paid to parent shareholders	28	(420)	(4,359)	(420)	(4,359)
Dividends paid to non-controlling interests		(180)	(300)	–	–
Bank commercial bill facility and term loan repayments		(81,150)	(130,209)	(21,000)	(60,000)
Net cash used in financing activities		1,953	(3,868)	780	(3,559)
Net increase / (decrease) in cash and cash equivalents		7,967	(1,427)	1,636	(4,931)
Foreign currency translation adjustment		(798)	21	–	–
Cash and cash equivalents at beginning of year		11,245	12,651	(1,308)	3,623
Cash and cash equivalents at end of year	12	18,414	11,245	328	(1,308)

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



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NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Turners & Growers Limited is a company domiciled in New Zealand and listed on the New Zealand Stock Exchange. The consolidated financial statements of the company for the year ended 31 December 2010 comprise the Company and its subsidiaries (the Group) and the Group's interest in associates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The significant NZ IFRS accounting policies are set out below and have been applied consistently to all periods presented in these consolidated financial statements. There are no changes to accounting policies.

Basis of preparation

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

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

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

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and financial position on a historical cost basis have been applied, with the exception of the following assets stated at their fair value: land and 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 2010.

These financial statements were authorised for issue by the Board of Directors on 28 February 2011. 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

(i) Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Group. Control exists when the Group 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. 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 non-controlling 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, balances and unrealised gains between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation.

(ii) Associates

Associates are entities in which the Group, 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.

Goodwill arising from the acquisition of an associate is included in the Associate value and is tested annually for impairment. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets required.

(iii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign operations

The assets and liabilities of all of the Group companies (none of which has a currency of a hyperinflationary economy) that have a functional currency that differs from the presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance 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.

(iii) Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance 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.

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

Segment reporting

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

Property, plant & equipment

(i) 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 plus the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. Where parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items of property, plant & equipment.

(ii) 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.

(iii) 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.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

(i) *The Group is the lessee*

Leases of property, plant & equipment where the Group has substantially all the risks and rewards of ownership are classified as finance 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.

(ii) *The Group is the lessor*

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

Intangible assets

(i) *Goodwill*

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. 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.

(ii) *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 10–25 years where they have a finite life.

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

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

(iii) *Research and development*

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

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

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 is based on publicly available market data, which indicates the price at which shares recently traded.

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

Investment properties

Investment properties are disclosed in the Parent and not the Group as the Parent property portfolio is primarily leased to other Group companies. These properties are classified as property, plant & equipment in the Group. Investment properties are measured at fair value as determined by an independent valuer on a periodic basis. The fair value is determined based on quoted market prices and is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. Any gains or loss arising from a change in fair value is recognised in the income statement as part of other operating income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Fair value is based on the assets' present location and condition and therefore includes the costs necessary to get the assets to market. Point-of-sale costs include all other costs that would be necessary to sell the assets.

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

Trade and other receivables

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

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating 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 in current liabilities in the balance sheet unless there is a right of offset and included as a component of cash and cash equivalents in the cash flow statement.

Impairment of non-financial assets

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

For goodwill the recoverable amount is estimated at each balance sheet date. Goodwill is tested for impairment each year.

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

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An impairment loss in respect of goodwill is not reversed.

Interest bearing borrowings

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

Borrowing costs

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

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

Employee benefits

(i) Defined contribution plans

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

(ii) Long-term employee benefits

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

(iii) Short-term employee benefits

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

(iv) Share based compensation

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

Dividends

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

Provisions

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

Trade and other payables

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

Investments and other financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Loans and receivables

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

(iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

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

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

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

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

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

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either;

- (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (2) hedges of highly probable forecast transactions (cash flow hedges).

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

Amounts accumulated in equity are reclassified to the profit and loss component of the statement of comprehensive income in the periods when the hedged item affects the profit and loss component of the statement of comprehensive income (for instance when

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

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

(iii) Derivatives that do not qualify for hedge accounting

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

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

Revenue

(i) Goods sold and services rendered

Revenue comprises commission earnings and amounts received and receivable by the Group for goods and services supplied in the ordinary course of business. Revenue is stated net of 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.

(ii) Royalty income

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

(iii) Rental income

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

(iv) Interest income

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

(v) Dividend income

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

Expenses

Net financing costs

Net financing costs comprise interest payable on borrowings, except those capitalised as directly attributable to the acquisition, construction or production of qualifying assets, calculated using the effective interest rate method, 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 income statement, statement of comprehensive income and cash flow statement have been presented with all items exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-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.

Standards, amendments, and interpretations effective in 2010

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 January 2010.

- **IFRS 3 (revised), 'Business Combinations' (effective for business combinations on or after 1 July 2009).** The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs are expensed. The adoption of this standard has been reflected in acquisition of subsidiaries as disclosed in note 22, with no material impact to the Group.
- **IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations'.** The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The amendment does not have any impact on the Group's current financial statements.
- **IAS 1 (amendment), 'Presentation of financial statements'.** The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least twelve months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendment does not have any impact on the Group's current financial statements.

- **IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).** The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period.
- **IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2010).** The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The intangible asset note (refer note 20) reflects the amendment of this standard.

Standards, amendments and interpretations to existing standards that are not yet effective

New standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the Accounting Standards Review Board in New Zealand (ASRB) have been published that will be mandatory for the Group's accounting periods beginning on or after 1 January 2011. None of these standards have been early adopted by the Group. These new standards, amendments and interpretations include:

- **IFRS 9, 'Financial instruments' (issued in December 2009).** This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess NZ IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as NZ IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held-for-trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
- **IAS 24 (Revised), 'Related party disclosures' (issued in November 2009).** It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted. If applied in these financial statements the revised IAS 24 would have no material impact and the impact of this standard in the future will be dependent upon changes to the related party arrangements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as to future profitability of the relevant business units to which goodwill has been allocated and also to choose a suitable discount rate in order to calculate the present value of those cash flows (refer to note 20). The Directors believe the carrying amount of goodwill is supportable.

(ii) Valuation of land and buildings

In accordance with its accounting policy the Group revalues its properties at least once every three years on a rolling cycle. The valuations, which are performed by independent valuers, involve estimates as detailed in note 18. Changes in these estimates could have a material effect on the carrying amount of the properties.

(iii) Valuation of biological assets

The Group's policy is to revalue biological assets each year with changes in fair value being recognised in the income statement. Fair value is determined using a discounted cash flow approach which involves estimates as to the future volumes produced, estimated market prices and selling costs, as well as determining a suitable discount rate to calculate the present value of those cash flows (refer to note 16). Changes in these estimates could have a material impact on the carrying value of biological assets and reported profit.

(iv) Valuation of investment properties

The Parent's property investments are measured at fair value with gains or losses arising from a change in fair value recognised in the income statement. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property (refer to note 19). Changes in these estimates could have a material impact on the carrying value of investment properties.

(v) Crate return liability

The Group balance sheet includes a liability of \$14.6 million (2009: \$15.3 million) for Fruit Case Company crate deposits from growers. The liability is adjusted annually for the write back of never-to-be-returned crates. The non-return rate represents management's best estimate based on information available at balance date. A change in this estimate could have a material impact on the carrying amount of the liability. If the non-return rate changed by +/-5% there would be a \$700k decrease / increase in the value of the crate deposit liability.

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

(vi) Valuation of investment in Inglis Horticulture Limited

The Group's balance sheet includes an investment of \$4.5 million (2009: \$7.8 million) in associate company Inglis Horticulture Limited ('Inglis'). The investment is equity accounted in the Group's financial statements so that the carrying value reflects the Group's 50% share of the net assets of Inglis at year end. In the parent, the investment in Inglis Horticulture has been impaired by \$3.1 million (note 23) to reflect the net asset backing of Inglis.

As disclosed in note 23, included within net assets is a deferred tax asset, representing the tax effect of accumulated tax losses, of \$7.7 million (2009: \$6.2 million). The tax losses have been recognised as an asset in Inglis's financial statements on the basis that it is considered probable that sufficient taxable profits will be earned in the future to absorb the losses, and that the ultimate 49% shareholder continuity requirements will continue to be met over the period in which tax losses are expected to be utilised. In the event that there are sufficient shareholding changes within the Group, which may occur should the ultimate parent company, Guinness Peat Group Plc, divest its shareholding in Turners & Growers Limited, the unused tax losses would be forfeited. The maximum potential impairment of the Group's investment at balance date is \$3.9 million, representing 50% of the tax effect of recognised tax losses.

Directors have exercised judgment in concluding that it is probable that ultimate shareholder continuity will be maintained over a period sufficient to utilise the tax losses, on the basis that the timing and form of any potential divestment by Guinness Peat Group Plc is uncertain. For this reason, Directors have concluded that the Group's investment is not impaired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENT INFORMATION

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

The operating segments have been determined based on the reports reviewed by the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions for the Group, have been identified as the Chief Financial Officer and the Managing Director for the Group.

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

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

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

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

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

Operating segments

The Group comprises the following main operating segments:

Domestic – includes Markets, Fruit Case Company and Imports

Exports – includes Pipfruit Exports, Coolstorage, Fruit Packing, the Delica Group, Diversified Exports and offshore Pipfruit Investments

Processing – ENZAFoods New Zealand Limited

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

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

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

	Domestic \$'000	Exports \$'000	Processing \$'000	Growing operations \$'000	Other \$'000	Consolidated \$'000
Year ended 31 December 2010						
Total segment revenue	180,584	304,194	44,543	45,080	72,461	646,862
Inter-segment revenue	(9,681)	(26,950)	(119)	(2,515)	(8,370)	(47,635)
Revenue from external customers	<u>170,903</u>	<u>277,244</u>	<u>44,424</u>	<u>42,565</u>	<u>64,091</u>	<u>599,227</u>
Depreciation	5,168	4,019	2,226	3,250	842	15,505
Amortisation	1,042	1,061	64	296	259	2,722
Operating profit before financing costs	10,603	5,343	86	2,828	4,190	23,050
Year ended 31 December 2009						
Total segment revenue	171,379	320,941	39,252	46,893	73,764	652,229
Inter-segment revenue	(8,449)	(26,262)	(132)	(20,755)	(6,676)	(62,274)
Revenue from external customers	<u>162,930</u>	<u>294,679</u>	<u>39,120</u>	<u>26,138</u>	<u>67,088</u>	<u>589,955</u>
Depreciation	4,849	4,232	2,294	3,443	770	15,588
Amortisation	926	915	65	272	184	2,362
Operating profit before financing costs	9,198	7,394	777	(2,478)	2,922	17,813

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENT INFORMATION (continued)

A reconciliation of operating profit before financing costs to profit before tax is provided as follows:

	Group	
	2010	2009
	\$'000	\$'000
Operating profit before financing costs for reportable segments	18,860	14,891
Other segments operating profit before financing costs	4,190	2,922
Net financing costs	(4,788)	(5,223)
Share of (loss) / profit of associates	(1,178)	1,107
Profit before tax	17,084	13,697

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

Revenue from external customers		
New Zealand	297,540	274,328
Other countries	301,687	315,627
	599,227	589,955

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

Total non-current assets		
New Zealand	298,167	298,893
Other countries	9,011	5,526
	307,178	304,419

5 TOTAL REVENUE AND GROSS TURNOVER

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Gross turnover				
Sale of goods – as principal	508,494	493,085	–	–
Sale of goods – as agent	276,080	271,653	–	–
Services	56,810	65,315	135	275
Royalties	4,291	3,450	–	–
Rental income	1,527	1,342	–	–
Rental income from investment property	–	–	3,107	2,953
Total gross turnover	847,202	834,845	3,242	3,228

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 TOTAL REVENUE AND GROSS TURNOVER (continued)

	Group		Parent	
	2010	2009	2010	2009
Revenue	\$'000	\$'000	\$'000	\$'000
Sales of goods – as principal	508,494	493,085	–	–
Commissions	28,105	26,763	–	–
Services	56,810	65,315	135	275
Royalties	4,291	3,450	–	–
Rental income	1,527	1,342	–	–
Rental income from investment property	–	–	3,107	2,953
Total revenue	599,227	589,955	3,242	3,228

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

6 OTHER OPERATING INCOME

	Notes	Group		Parent	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Fair value adjustments of investment property	19	–	–	–	33
Net gain on disposal of property, plant & equipment		177	115	–	–
Net exchange gains		1,127	–	227	613
Net fair value gain on derivative instruments		–	224	146	–
Net gain from changes in fair value of biological assets	16	253	301	–	–
Management fee received from subsidiaries		–	–	19,120	17,919
Discount on acquisition of non-controlling interest's share of subsidiary		–	600	–	–
Gain on revaluation of fixed assets		41	–	–	–
Total other operating income		1,598	1,240	19,493	18,565

7 OTHER OPERATING EXPENSES AND ADMINISTRATION EXPENSES

	Notes	Group		Parent	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Depreciation	18	15,505	15,588	1,317	1,296
Amortisation	20	2,722	2,362	1,712	1,513
Direct operating expenses of investment property		–	–	–	154
Fair value adjustments of investment property	19	–	–	637	–
Net exchange losses		–	5,104	–	–
Research and development		1,065	1,188	8	15
Rental expense on operating leases*		10,880	10,464	311	320
Net loss on disposal of property, plant & equipment		–	–	8	1
Net fair value loss on derivative instruments		215	–	–	178
Donations		23	27	–	3
Impairment of investment in associate	23	–	–	3,146	–

*Forkhoist operating leases included in this figure are accounted for in cost of sales (2010: \$779k, 2009: \$765k)

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 OTHER OPERATING EXPENSES AND ADMINISTRATION EXPENSES (continued)

		Group		Parent	
		2010	2009	2010	2009
	Note	\$'000	\$'000	\$'000	\$'000
Costs of offering credit					
Reversal of unused provision for receivables	13	(103)	(304)	–	–
Provision for receivables impairment	13	198	408	–	–
Receivables written off (not provided for)		28	145	27	–
Governance expenses					
Directors' fees		363	350	338	333
Auditors' fees					
<i>PricewaterhouseCoopers</i>					
Audit of the financial statements		491*	506	366	346
Taxation services		202	189	198	189
Other		65**	32	–	32
Audit services – other auditors		28	59	–	–

Audit and taxation services performed by PricewaterhouseCoopers comprise the following types of services:

Audit services

- Audit of statutory financial statements for the Group, Parent and individual subsidiary companies
- Review of the interim financial report for the purposes of reporting to the auditors of Guinness Peat Group Plc

*The audit fee of \$491k includes a half year audit fee of \$35k invoiced directly to Guinness Peat Group Plc.

**This is made up of fees in relation to the license for the financial reporting software and consulting fees in relation to the merger of the two Belgian entities and corporate finance work for ENZACor.

Taxation services

- Tax returns, assistance with IRD risk review
- Tax provision review, review of tax calculations, assurance on tax implications

8 EMPLOYEE BENEFIT EXPENSE

	Note	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Wages and salaries		72,815	70,327	7,645	7,153
Other employment costs		4,714	4,941	1,563	1,103
Contributions to defined contribution plans		1,244	1,163	128	139
(Decrease) in liability for long service leave		(7)	(23)	–	–
Share options expense	30	56	107	56	107
Total employee benefit expense		<u>78,822</u>	<u>76,515</u>	<u>9,392</u>	<u>8,502</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 NET FINANCING COSTS

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Finance costs				
Interest paid on bank borrowings	6,172	6,305	3,998	3,954
Interest paid on intercompany borrowings	–	–	2,801	2,183
Total finance costs	<u>6,172</u>	<u>6,305</u>	<u>6,799</u>	<u>6,137</u>
Finance income				
Interest income	(1,331)	(992)	(917)	(485)
Interest received on intercompany balances	–	–	(6,952)	(6,787)
Dividends received from subsidiaries	–	–	(960)	(700)
Other dividend income	(53)	(90)	(3)	(5)
Total finance income	<u>(1,384)</u>	<u>(1,082)</u>	<u>(8,832)</u>	<u>(7,977)</u>
Net financing costs	<u>4,788</u>	<u>5,223</u>	<u>(2,033)</u>	<u>(1,840)</u>

10 INCOME TAX EXPENSE

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Taxation on profit before tax				
Income tax expense				
Current tax	4,483	3,350	480	575
Deferred tax	6,275	818	40	19
Total income tax expense	<u>10,758</u>	<u>4,168</u>	<u>520</u>	<u>594</u>
Deferred tax expense				
Origination and reversal of temporary differences	2,673	818	(3)	19
Corporate tax rate reduction	(1,518)	–	(85)	–
Impact of removal of depreciation on buildings	5,120	–	128	–
Total deferred tax expense	<u>6,275</u>	<u>818</u>	<u>40</u>	<u>19</u>
Reconciliation of effective tax rate				
Profit before tax	<u>17,084</u>	<u>13,697</u>	<u>294</u>	<u>4,493</u>
Income tax at 30% (2009: 30%)	5,125	4,109	88	1,348
Impact of removal of depreciation on buildings	5,120	–	128	–
Corporate tax rate reduction	(1,518)	–	(85)	–
Non-deductible items	1,191	552	1,966	88
Non-taxable items	(58)	(447)	(1,267)	(732)
(Over) / under statement of prior year's provision	898	(46)	(310)	(110)
Income tax expense	<u>10,758</u>	<u>4,168</u>	<u>520</u>	<u>594</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 IMPUTATION CREDITS

	Group		Parent	
	2010	2009	2010	2009
Imputation credit account	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	(2,413)	(77)	(3,121)	(435)
Prior period adjustment	12	(81)	12	1
Tax payments, net of refunds	3,943	1,293	3,143	500
Credits attached to dividends received	766	573	431	505
Distributed	(484)	(4,121)	–	(3,692)
Balance at 31 December	<u>1,824</u>	<u>(2,413)</u>	<u>465</u>	<u>(3,121)</u>

	2010	2009
Group	\$'000	\$'000

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

– Through the parent	465	(3,121)
– Through subsidiaries	1,359	708
	<u>1,824</u>	<u>(2,413)</u>

12 CASH AND CASH EQUIVALENTS

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Bank deposits and cash	18,414	11,245	328	–
Bank overdrafts	–	–	–	(1,308)
Cash and cash equivalents in the statements of cash flows	<u>18,414</u>	<u>11,245</u>	<u>328</u>	<u>(1,308)</u>

13 TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current				
Trade receivables	64,334	56,517	1	340
Other receivables	163	168	–	–
Short-term loans	290	276	89	58
Prepayments	2,852	3,759	433	319
Derivative financial instruments	387	439	–	–
Owing by associates	7,135	1,513	5,904	108
Owing by subsidiaries	–	–	164,487	151,919
GST and other taxes	–	–	85	163
	<u>75,161</u>	<u>62,672</u>	<u>170,999</u>	<u>152,907</u>
Non-current				
Trade receivables	601	794	–	–
Other receivables	2,108	2,131	793	808
Owing by associates	841	855	–	–
	<u>3,550</u>	<u>3,780</u>	<u>793</u>	<u>808</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 TRADE AND OTHER RECEIVABLES (continued)

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Analysis of movements in provision for irrecoverable trade and other receivables:				
Balance at 1 January	340	980	–	300
Exchange differences	2	2	–	–
Reversal of unused provision for receivables	(103)	(304)	–	–
Provision for receivables impairment	198	408	–	–
Receivables written off during the year as uncollectible	(78)	(746)	–	(300)
Balance at 31 December	359	340	–	–

14 INVENTORIES

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Raw materials and consumables	5,343	4,742	–	–
Finished goods and goods for sale	23,891	27,997	–	–
	29,234	32,739	–	–

15 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current assets				
Forward foreign exchange contracts – cash flow hedges	178	–	–	–
Forward foreign exchange contracts – held-for-trading	209	394	–	–
Foreign currency options – held-for-trading	–	45	–	–
	387	439	–	–
Current liabilities				
Forward foreign exchange contracts – cash flow hedges	652	–	41	–
Forward foreign exchange contracts – held-for-trading	295	955	–	13
	947	955	41	13

Instruments used by the Group

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

Forward foreign exchange contracts

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

Foreign currency options

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 BIOLOGICAL ASSETS

		Group		Parent	
		2010	2009	2010	2009
Current	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 January		4,643	5,319	–	–
Increases due to purchases		29,703	24,722	–	–
Change in fair value less estimated point-of-sale costs attributable to physical changes	6	1,515	357	–	–
Change in fair value less estimated point-of-sale costs attributable to price changes	6	(1,416)	(29)	–	–
Decreases due to harvest		(27,419)	(25,726)	–	–
Balance at 31 December		7,026	4,643	–	–
Non-current					
Balance at 1 January		10,568	7,905	–	–
Increases due to purchases		2,656	3,077	–	–
Reclassification to / from property, plant & equipment	18	(88)	106	–	–
Change in fair value	6	154	(27)	–	–
Decrease due to disposals		(7)	(493)	–	–
Balance at 31 December		13,283	10,568	–	–

At 31 December the biological assets were as follows:

	Hectares planted owned		Hectares planted leased		Production owned		Production leased	
	2010	2009	2010	2009	2010	2009	2010	2009
Tomatoes	20	20	–	–	8,554,246	8,985,393	–	–
Apples	82	82	–	17	25,007	68,336	–	29,821
Lemons	102	104	–	–	1,666,301	1,708,139	–	–
Kiwifruit	64	64	31	27	344,391	454,193	281,943	217,865
Navels	–	–	19	18	–	–	229,180	171,752
Mandarins	54	54	16	18	747,687	938,368	91,450	130,772

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 BIOLOGICAL ASSETS (continued)

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

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

- A discount rate of 9.4% has been used in discounting the present value of expected cash flows, which approximates the Group's weighted average cost of capital;
- Notional land rental costs have been included for freehold land;
- Orchards have been valued on a going concern basis;
- Inflation has been allowed on costs and revenues at rates of between 2–3%;
- Costs are based on current average costs and, where applicable, referenced back to industry standard costs. The costs are variable depending on the biological asset's location, planting, age and the varieties being assessed;
- Revenue is based on current pricing and expected levels of production, with an assessment made about the long-term future returns for each variety. Revenue is variable depending on the variety of the biological asset and represents management's best judgement. The underlying price assumptions are as follows:

	Price range (before inflation)		
	2010	2009	
Tomatoes	\$1.90	\$2.50	kg
Apples	\$18–\$30	\$18–\$34	export tce (tray carton equivalent)
Lemons	\$1–\$2	\$1–\$2	kg
Kiwifruit	\$7–\$11	\$7–\$10	tray
Navels	\$1–\$2	\$1–\$2	kg
Mandarins	\$2–\$3	\$1–\$3	kg

- Management have made assessments as to when the newly developed plantings will reach full production. The total average yield is dependant upon the variety of biological asset growth, as well as the underlying age and health of the biological assets.

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

The primary financial risk which the Group is exposed to in respect of agricultural activity occurs due to the length of time between the cash outflow on the purchase, planting and maintenance of trees and vines and the cost of harvesting the fruit and receiving the cash from the sale of the fruit to third parties.

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

17 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current				
Equity securities available-for-sale	329	313	7	7
Balance at 31 December	329	313	7	7

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 PROPERTY, PLANT AND EQUIPMENT

Group	Land & improvements \$'000	Buildings \$'000	Glass-houses \$'000	Motor vehicles \$'000	Hire containers \$'000	Plant & equipment \$'000	Work in progress \$'000	Total \$'000
At 1 January 2009								
Cost or valuation	94,116	108,469	21,137	10,965	17,480	156,201	4,127	412,495
Accumulated depreciation and impairment	(395)	(11,405)	(5,230)	(6,727)	(13,106)	(120,814)	–	(157,677)
Carrying amounts	<u>93,721</u>	<u>97,064</u>	<u>15,907</u>	<u>4,238</u>	<u>4,374</u>	<u>35,387</u>	<u>4,127</u>	<u>254,818</u>
Movements in the year ended 31 December 2009								
Opening carrying amounts	93,721	97,064	15,907	4,238	4,374	35,387	4,127	254,818
Acquisitions	87	2,551	33	376	1,728	7,029	326	12,130
Acquisition of subsidiary	–	–	–	–	–	4	–	4
Transfers	93	2,430	–	–	4	1,291	(3,818)	–
Reclassification from intangibles	–	–	–	–	–	–	8	8
Reclassification to biological assets	–	–	–	–	–	(106)	–	(106)
Reclassifications	11	(144)	–	–	–	133	–	–
Disposals	(3)	(13)	–	(129)	(12)	(183)	37	(303)
Revaluations	3,149	1,251	–	–	–	–	–	4,400
Depreciation write-back on revaluation	170	1,839	–	–	–	–	–	2,009
Depreciation charge	(280)	(3,470)	(635)	(955)	(1,518)	(8,730)	–	(15,588)
Movement in foreign exchange	(38)	(34)	–	3	–	(11)	–	(80)
	<u>96,910</u>	<u>101,474</u>	<u>15,305</u>	<u>3,533</u>	<u>4,576</u>	<u>34,814</u>	<u>680</u>	<u>257,292</u>
At 31 December 2009								
Cost or valuation	97,405	114,165	21,170	9,698	18,303	161,935	680	423,356
Accumulated depreciation and impairment	(495)	(12,691)	(5,865)	(6,165)	(13,727)	(127,121)	–	(166,064)
Carrying amounts	<u>96,910</u>	<u>101,474</u>	<u>15,305</u>	<u>3,533</u>	<u>4,576</u>	<u>34,814</u>	<u>680</u>	<u>257,292</u>
Movements in the year ended 31 December 2010								
Opening carrying amounts	96,910	101,474	15,305	3,533	4,576	34,814	680	257,292
Acquisitions	530	3,190	69	1,133	1,560	5,225	527	12,234
Reclassification to intangibles	–	–	–	–	–	(71)	–	(71)
Reclassification from biological assets	–	–	–	–	–	88	–	88
Reclassifications	(12)	70	–	–	13	179	(250)	–
Disposals	–	(9)	–	(210)	(25)	(35)	–	(279)
Revaluations	226	(136)	–	–	–	–	–	90
Depreciation write back on revaluation	198	2,062	–	–	–	–	–	2,260
Depreciation charge	(278)	(3,558)	(636)	(951)	(1,636)	(8,446)	–	(15,505)
Movement in foreign exchange	(25)	(19)	–	(1)	–	5	–	(40)
	<u>97,549</u>	<u>103,074</u>	<u>14,738</u>	<u>3,504</u>	<u>4,488</u>	<u>31,759</u>	<u>957</u>	<u>256,069</u>
At 31 December 2010								
Cost or valuation	98,136	117,028	21,239	10,183	18,952	166,341	957	432,836
Accumulated depreciation and impairment	(587)	(13,954)	(6,501)	(6,679)	(14,464)	(134,582)	–	(176,767)
Carrying amounts	<u>97,549</u>	<u>103,074</u>	<u>14,738</u>	<u>3,504</u>	<u>4,488</u>	<u>31,759</u>	<u>957</u>	<u>256,069</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Land & improvements \$'000	Buildings \$'000	Glass-houses \$'000	Motor vehicles \$'000	Plant & equipment \$'000	Work in progress \$'000	Total \$'000
At 1 January 2009							
Cost	–	–	–	262	16,294	515	17,071
Accumulated depreciation and impairment	–	–	–	(43)	(13,499)	–	(13,542)
Carrying amounts	–	–	–	219	2,795	515	3,529
Movements in the year ended 31 December 2009							
Opening carrying amounts	–	–	–	219	2,795	515	3,529
Acquisitions	–	–	–	–	1,172	–	1,172
Reclassification from intangible assets	–	–	–	–	–	8	8
Reclassification from investment properties	–	–	–	–	133	–	133
Transfers	–	–	–	–	523	(523)	–
Depreciation charge	–	–	–	(55)	(1,241)	–	(1,296)
	–	–	–	164	3,382	–	3,546
At 31 December 2009							
Cost	–	–	–	262	18,122	–	18,384
Accumulated depreciation and impairment	–	–	–	(98)	(14,740)	–	(14,838)
Carrying amounts	–	–	–	164	3,382	–	3,546
Movements in the year ended 31 December 2010							
Opening carrying amounts	–	–	–	164	3,382	–	3,546
Acquisitions	–	–	–	8	269	–	277
Disposals	–	–	–	(53)	(225)	–	(278)
Depreciation charge	–	–	–	(49)	(1,268)	–	(1,317)
	–	–	–	70	2,158	–	2,228
At 31 December 2010							
Cost	–	–	–	146	18,113	–	18,259
Accumulated depreciation and impairment	–	–	–	(76)	(15,955)	–	(16,031)
Carrying amounts	–	–	–	70	2,158	–	2,228

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 PROPERTY, PLANT & EQUIPMENT (continued)

Valuation information

The Monahan Road Mt Wellington properties are revalued annually due to their predisposition to material changes in value, and the potential for the fair value to differ materially from its carrying value. All other properties are revalued at least once every three years on a rolling cycle, other than properties acquired within the last three years which are shown at cost. Properties stated at valuation were revalued in accordance with valuation reports of independent registered valuers.

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

The basis of valuation is an estimated amount for which an asset would be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

The ageing of the most recent valuation reports is as follows:

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Dated between 1 January 2010 and 31 December 2010	56,570	–	–	–
Dated between 1 January 2009 and 31 December 2009	31,830	70,630	–	–
Dated between 1 January 2008 and 31 December 2008	45,740	45,740	–	–
Dated between 1 January 2007 and 31 December 2007	–	17,290	–	–

Property valuation summary

Property	Valuer	Valuation date	Principal valuation approach	Fair Value	
				2010 \$'000	2009 \$'000
220 Fryatt St, Dunedin	Bayleys	Dec 2010	Discounted cash flow	8,878	8,512
2–8 Monahan Road, Mt Wellington	CB Richard Ellis	Nov 2010	Discounted cash flow / direct capitalisation	39,734	38,829
2 Anderson Road, Whakatu	Darroch	Oct 2009	Discounted cash flow / direct capitalisation	22,204	22,831
39 Dakota Crescent, Christchurch*	Telfer Young (Canterbury) Limited	Aug 2008	Discounted cash flow / direct capitalisation	8,328	8,509
29 Stuart Road, Pukekohe*	Churton Valuation Services Limited	Oct 2010	Direct capitalisation	5,181	5,308
Ettrick, State Highway 8, Millers Flat, Otago	Bayleys	Dec 2010	Direct capitalisation	2,693	2,479
20 Mihaere Drive, Palmerston North*	DTZ	Dec 2009	Direct capitalisation	8,686	8,806
24 Kaimiro Street, Hamilton*	Telfer Young (Waikato) Limited	Nov 2008	Direct capitalisation	6,845	6,998
484 Nayland Road, Stoke	Darroch	Dec 2008	Direct capitalisation	16,483	16,970
42 & 60 Favona Road, Mangere	Seagar & Partners	Oct 2008	Direct capitalisation / hypothetical subdivision budget approach / comparable market data	7,739	7,740
153 Harrisville Road, Tuakau	Seagar & Partners	Dec 2008	Comparable market data	1,998	2,024
292 Harrisville Road, Tuakau	Seagar & Partners	Oct 2008	Comparable market data	795	795

*The above properties are included within the Parent entity. For the purposes of the Parent's financial statements they are accounted for as investment properties (refer note 19).

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 PROPERTY, PLANT & EQUIPMENT (continued)

Discounted cash flow

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

Discount rates applied range from 9.5–13.0%.

Terminal yield rates applied range from 8.5–13.0%.

Investment horizon is 10 years.

Rental growth estimated at 1.0–3.0% per annum.

Direct capitalisation

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

Capitalisation rates applied range from 8.1%–12.5%.

Comparative market data

This approach bases the valuation on the sales values of comparable properties.

Hypothetical subdivision budget approach

This approach assesses section values and yields allowing for subdivision costs including profit and risk.

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

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

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Land				
Cost	63,809	63,304	–	–
Accumulated depreciation	(2,297)	(2,007)	–	–
Net book amount	61,512	61,297	–	–
Buildings				
Cost	105,275	102,276	–	–
Accumulated depreciation	(34,654)	(31,329)	–	–
Net book amount	70,621	70,947	–	–

Security

At 31 December 2010 the Group provides first ranking mortgages over landed property assets including investment property. All other assets of wholly owned subsidiaries are subject to a first ranking debenture to secure bank loans (see note 26).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT PROPERTIES

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	–	–	30,052	28,446
Acquisitions	–	–	98	1,706
Transfers to property, plant & equipment	–	–	–	(133)
Fair value adjustments	–	–	(637)	33
Balance at 31 December	–	–	29,513	30,052

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. Refer to note 18 for details of properties held in the Parent entity, methods of valuation and key assumptions.

Valuations done during the year were performed between October and December. Revaluations of investment property are performed with sufficient frequency that management do not deem there to be any difference between their fair value and carrying value as at the year end date.

Security

At 31 December 2010 the Group provides first ranking mortgages over all landed property assets. All other assets of wholly owned subsidiaries are subject to a first ranking debenture to secure bank loans (see note 26).

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)

20 INTANGIBLE ASSETS

Group	Notes	Goodwill \$'000	Software \$'000	Brands \$'000	Plant variety rights \$'000	Other intangibles \$'000	Total \$'000
At 1 January 2009							
Cost		5,343	17,691	6,396	600	532	30,562
Accumulated amortisation		–	(8,855)	(4,190)	–	(10)	(13,055)
Carrying amounts		<u>5,343</u>	<u>8,836</u>	<u>2,206</u>	<u>600</u>	<u>522</u>	<u>17,507</u>
Movements in the year ended 31 December 2009							
Opening carrying amounts		5,343	8,836	2,206	600	522	17,507
Additions		281	1,016	–	2,929	–	4,226
Acquisition of subsidiary	22	15	–	–	–	–	15
Reclassification to property, plant & equipment	18	–	(8)	–	–	–	(8)
Disposals		–	(4)	–	–	–	(4)
Effect of movement in foreign exchange		–	(17)	–	–	–	(17)
Amortisation charge	7	–	(1,660)	(634)	(58)	(10)	(2,362)
		<u>5,639</u>	<u>8,163</u>	<u>1,572</u>	<u>3,471</u>	<u>512</u>	<u>19,357</u>
At 31 December 2009							
Cost		5,639	18,555	6,396	3,529	532	34,651
Accumulated amortisation		–	(10,392)	(4,824)	(58)	(20)	(15,294)
Carrying amounts		<u>5,639</u>	<u>8,163</u>	<u>1,572</u>	<u>3,471</u>	<u>512</u>	<u>19,357</u>
Movements in the year ended 31 December 2010							
Opening carrying amounts		5,639	8,163	1,572	3,471	512	19,357
Additions		–	1,282	–	58	201	1,541
Reclassification from property, plant & equipment	18	–	71	–	–	–	71
Reclassifications		–	–	–	68	(68)	–
Disposals		(11)	–	–	–	–	(11)
Effect of movement in foreign exchange		160	(10)	–	–	–	150
Amortisation charge	7	–	(1,885)	(633)	(172)	(32)	(2,722)
		<u>5,788</u>	<u>7,621</u>	<u>939</u>	<u>3,425</u>	<u>613</u>	<u>18,386</u>
At 31 December 2010							
Cost		5,788	19,826	6,396	3,683	636	36,329
Accumulated amortisation		–	(12,205)	(5,457)	(258)	(23)	(17,943)
Carrying amounts		<u>5,788</u>	<u>7,621</u>	<u>939</u>	<u>3,425</u>	<u>613</u>	<u>18,386</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 INTANGIBLE ASSETS (continued)

Parent	Notes	Software \$'000	Total \$'000
At 1 January 2009			
Cost		15,699	15,699
Accumulated amortisation		(7,321)	(7,321)
Carrying amounts		<u>8,378</u>	<u>8,378</u>
Movement in the year ended 31 December 2009			
Opening carrying amounts		8,378	8,378
Additions		867	867
Reclassification to property, plant & equipment	18	(8)	(8)
Disposals		(2)	(2)
Amortisation charge	7	(1,513)	(1,513)
		<u>7,722</u>	<u>7,722</u>
At 31 December 2009			
Cost		16,557	16,557
Accumulated amortisation		(8,835)	(8,835)
Carrying amounts		<u>7,722</u>	<u>7,722</u>
Movements in the year ended 31 December 2010			
Opening carrying amounts		7,722	7,722
Additions		1,135	1,135
Disposals		(13)	(13)
Amortisation charge	7	(1,712)	(1,712)
		<u>7,132</u>	<u>7,132</u>
At 31 December 2010			
Cost		17,675	17,675
Accumulated amortisation		(10,543)	(10,543)
Carrying amounts		<u>7,132</u>	<u>7,132</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 INTANGIBLE ASSETS (continued)

The amortisation charge is recognised in administration and other operating expenses in the income statement.

(a) Brands

Brands include the value of the ENZA brand which had a book value at 31 December 2010 of \$0.7 million (2009 \$1.3 million). 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 a ten year period from 2002–2011. All other brands are immaterial.

(b) Impairment tests for goodwill

Goodwill relates to the acquisition of Status Produce Limited and Delica Limited (including Delica Australia and Delica North America). Accordingly these entities are the cash generating units to which the total amount of goodwill is allocated (Status 21%, Delica Group 79%). The recoverable amounts are based on value-in-use calculations. That calculation uses cash flow projections based on budgets approved by management to December 2011, and a discount rate of 9.4% which approximates the Group's weighted average cost of capital. Cash flows beyond December 2011 have been extrapolated using a steady growth rate of 3% (a conservative growth factor based on CPI). The calculation supports the carrying amount of the recorded goodwill. Management believes that any reasonable change in the key assumptions used in the calculation would not cause the carrying amount to exceed its recoverable amount.

(c) Plant variety rights (PVR)

In September 2009 the Group purchased the sublicences to Hong Yang kiwifruit which cover a number of territories globally, specifically excluding the UK and China. The purchase of the PVR sublicences gives the Group the exclusive right to propagate and distribute Hong Yang kiwifruit in those territories. The weighted average life of the sublicences is 23 years, which is the period over which the sublicences are being amortised.

In August 2006 the Group purchased rights to ENZAGold™ kiwifruit. The purchase of the PVR sublicences give the Group the exclusive right to propagate and distribute this kiwifruit globally. The weighted average life of the sublicences is 23 years, which is the period over which the sublicences are being amortised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 INVESTMENTS IN SUBSIDIARIES

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

Name of entity	Principal activity	Location	Interest held by Group	
			2010	2009
Aeneid Thirteen Limited	Property holdings	New Zealand	100%	100%
Delica Australia Pty Limited	Fruit export	Australia	49%	49%
Delica Limited	Fruit export	New Zealand	70%	70%
Delica North America Limited	Fruit export	United States of America	53%	53%
EFL Holdings Limited	Non-trading	New Zealand	100%	100%
ENZA Finance Limited	Investment company	New Zealand	100%	100%
ENZA Fresh, Inc.	Pipfruit promotion	United States of America	100%	100%
ENZA Group Services Limited	Investment company	New Zealand	100%	100%
ENZA Investments USA, Inc.	Property holdings	United States of America	100%	100%
ENZA Limited	Pipfruit export	New Zealand	100%	100%
ENZA Orchards Limited	Horticulture operations	New Zealand	100%	100%
ENZA Pipfruit Limited	Pipfruit export	New Zealand	100%	100%
ENZA Commercial Holdings Limited	Non-trading	New Zealand	100%	100%
ENZACOR Pty Limited	Fruit by-product broking	Australia	100%	100%
ENZAFOODS International Limited	Investment company	New Zealand	100%	100%
ENZAFOODS New Zealand Limited	Apple juice concentrate production	New Zealand	100%	100%
ENZAFRUIT (Hong Kong) Limited	Non-trading	Hong Kong	100%	100%
ENZAFRUIT Marketing Limited	Pipfruit marketing	New Zealand	100%	100%
ENZAFRUIT New Zealand (Continent) NV	Pipfruit marketing	Belgium	100%	100%
ENZAFRUIT New Zealand (UK) Limited	Investment company	United Kingdom	100%	100%
ENZAFRUIT New Zealand International Limited	Fruit variety development and propagation	New Zealand	100%	100%
ENZAFRUIT Products Inc.	Fruit variety development and propagation	United States of America	100%	100%
ENZAPak Limited	Non-trading	New Zealand	100%	100%
ENZATree Limited	Fruit variety development and propagation	New Zealand	100%	100%
Fibe Holding N.V.*	Investment company	Belgium	n/a	100%
Fruit Distributors Limited	Investment company	New Zealand	100%	100%
Frutesa	Non-trading	Cayman Islands	100%	100%
Frutesa Chile Limitada	Non-trading	Chile	100%	100%
Horticultural Access Solutions Limited	Investment company	Australia	64%	64%
Horticultural Corporation of New Zealand Limited	Non-trading	New Zealand	100%	100%
Invercargill Markets Limited	Non-trading	New Zealand	100%	100%
Safer Food Technologies Limited	Investment company	New Zealand	100%	100%
Status Produce Limited	Horticulture operations	New Zealand	100%	100%
Taipa Water Supply Limited	Water supply	New Zealand	65%	65%
Turners & Growers Fresh Limited	Fruit and produce			
	wholesale distributors	New Zealand	100%	100%
Turners & Growers Horticulture Limited	Horticulture operations	New Zealand	100%	100%

*In 2010 FIBE Holding NV was merged into ENZAFRUIT New Zealand (Continent) NV

Turners & Growers Limited has a 70% shareholding in Delica Limited, which in turn owns 70% of Delica Australia Pty Limited and 75% of Delica North America Limited. As a result the Group has control in substance and therefore accounts for both companies as subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 INVESTMENTS IN SUBSIDIARIES (continued)

Interests in subsidiaries

	Parent	
	2010	2009
	\$'000	\$'000
Share in subsidiaries	<u>145,978</u>	<u>145,978</u>

The balance date of all subsidiaries is 31 December.

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

22 ACQUISITION OF SUBSIDIARIES

There have been no new subsidiaries acquired by the Group in 2010.

Delica North America Limited

In July 2009, the Group acquired control of Delica North America Limited.

Details of net assets acquired and goodwill are as follows:

	2009	
	Carrying value	Fair value
	\$'000	\$'000
Assets acquired	487	487
Liabilities acquired	(272)	(272)
Net assets acquired	<u>215</u>	<u>215</u>
Non-controlling interest	(64)	(64)
Equity acquired net of non-controlling interest	<u>151</u>	<u>151</u>
Purchase consideration – cash paid	(166)	(166)
Goodwill on acquisition of subsidiary	<u>(15)</u>	<u>(15)</u>

The acquired business contributed revenues of \$5.6 million and a net profit after tax of \$49k to the Group for the period from 1 July to 31 December 2009. If the acquisition had occurred on 1 January 2009 the acquired business would have contributed an additional \$2.2 million revenue and a \$8k net profit.

During 2009 Delica North America Limited contributed \$2k to the Group's net operating cash flows, paid \$2k in respect of investments and servicing of finance, paid no tax and did not incur any capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 INVESTMENTS IN ASSOCIATES

Significant associates	Country of incorporation	Balance date	Held %		Group carrying amount	
			2010	2009	2010 \$'000	2009 \$'000
Allen Blair Properties Limited	New Zealand	March	33%	33%	4,700	5,209
David Oppenheimer & Company I, L.L.C.	United States of America	December	15%	15%	1,686	1,262
Delica Pty Limited	Australia	June	25%	–	1,906	–
Fresh Vegetable Packers Limited	New Zealand	June	41%	41%	1,236	1,231
Fruitmark NV/SA	Belgium	December	50%	–	581	–
Inglis Horticulture Limited	New Zealand	December	50%	50%	4,468	7,825
McKay Shipping Limited	New Zealand	December	25%	25%	1,423	1,675
Mystery Creek Asparagus Limited	New Zealand	December	10%	–	147	–
Wawata Limited Partnership	New Zealand	December	50%	–	3,030	–
Worldwide Fruit Limited	United Kingdom	June	50%	50%	263	–
					<u>19,440</u>	<u>17,202</u>

Movements in carrying amounts	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at 1 January	17,202	17,578	7,705	7,705
Acquisition	5,044	–	–	–
Share of (loss) / profit	(1,178)	1,107	–	–
Dividends	(1,676)	(1,103)	–	–
Impairment of investment in associate	–	–	(3,146)	–
Effect of movement in foreign exchange	48	(380)	–	–
Balance at 31 December	<u>19,440</u>	<u>17,202</u>	<u>4,559</u>	<u>7,705</u>

Investments in associates are accounted for in the Group financial statements using the equity method of accounting and are carried at cost less impairment by the parent entity.

Movement in goodwill	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at 1 January	–	–	–	–
Acquisition*	1,443	–	–	–
Effect of movement in foreign exchange	106	–	–	–
Balance at 31 December	<u>1,549</u>	<u>–</u>	<u>–</u>	<u>–</u>

*Acquisition of Delica Pty Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information of associates	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit / (loss) \$'000
2010				
Allen Blair Properties Limited	15,496	(1,252)	662	(836)
David Oppenheimer & Company I, L.L.C.	72,872	(61,632)	52,758	9,392
Delica Pty Limited	1,414	(447)	10,714	589
Fresh Vegetable Packers Limited	3,253	(238)	883	13
Fruitmark NV/SA	5,294	(4,134)	16,430	470
Inglis Horticulture Limited	50,446	(41,510)	7,459	(6,715)
McKay Shipping Limited	7,499	(1,807)	5,151	992
Mystery Creek Asparagus Limited	1,342	(335)	–	–
Wawata Limited Partnership	6,060	–	–	–
Worldwide Fruit Limited	36,446	(35,920)	59,569	526
	<u>200,122</u>	<u>(147,275)</u>	<u>153,626</u>	<u>4,431</u>
2009				
Allen Blair Properties Limited	17,548	(1,762)	10,201	35
David Oppenheimer & Company I, L.L.C.	82,143	(73,733)	39,858	5,228
Fresh Vegetable Packers Limited	3,284	(281)	844	43
Inglis Horticulture Limited	51,804	(36,153)	4,542	(331)
McKay Shipping Limited	8,390	(1,689)	5,525	1,837
Worldwide Fruit Limited	44,306	(45,406)	199,737	–
	<u>207,475</u>	<u>(159,024)</u>	<u>260,707</u>	<u>6,812</u>

Investment in Inglis Horticulture Limited

Refer to note 3 (vi) Critical accounting estimates and judgements.

The Parent's investment in Inglis Horticulture has been impaired by \$3.1 million, to reflect the net assets of Inglis Horticulture at year end.

The Group's investment in Inglis Horticulture is equity accounted so the carrying value reflects the Group's 50% share of net assets of Inglis Horticulture at year end.

At 31 December 2010 the assets of Inglis Horticulture Limited include a deferred tax asset, comprising the tax effect of recognised tax losses, of \$7.7 million (2009: \$6.2 million). The ability to utilise these losses is subject to sufficient taxable profits being earned in the future to absorb the losses, and ultimate 49% shareholder continuity requirements continuing to be met over the period in which tax losses are expected to be utilised.

Other investments in associates

A member of Turners & Growers Group management sits on the Board of David Oppenheimer & Company I, L.L.C. and the transactions between the companies are significant to David Oppenheimer & Company I, L.L.C. As a result the Group is deemed to have significant influence over David Oppenheimer & Company I, L.L.C. and therefore the company is accounted for as an associate of the Group.

Turners & Growers Limited has a 70% share in Delica Limited, which in turn owns 14.6% of Mystery Creek Asparagus Limited. A member of Turners & Growers Group management will sit on the Board of Mystery Creek Asparagus Limited and the transactions between the companies will be significant once Mystery Creek Asparagus Limited is fully operational. As a result the Group is deemed to have significant influence and therefore the company is accounted for as an associate of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFERRED TAXATION

	Assets		Liabilities	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance of temporary differences				
Group				
Fixed assets	–	–	(22,432)	(15,562)
Provisions and accruals	1,586	1,775	–	–
Prepayments	–	–	(1,326)	(1,130)
Cash flow hedges	79	–	–	–
Other items	300	(63)	37	43
	<u>1,965</u>	<u>1,712</u>	<u>(23,721)</u>	<u>(16,649)</u>
Parent				
Fixed assets	–	–	(3,699)	(3,695)
Provisions and accruals	337	373	–	–
	<u>337</u>	<u>373</u>	<u>(3,699)</u>	<u>(3,695)</u>

Movement in temporary differences during the year

	Balance 1 January 2009	Foreign exchange impact	Recognised in income	Recognised in equity	Balance 31 December 2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
Fixed assets	(14,211)	–	(424)	(927)	(15,562)
Provisions and accruals	1,577	–	198	–	1,775
Prepayments	(716)	–	(414)	–	(1,130)
Other items	158	–	(178)	–	(20)
	<u>(13,192)</u>	<u>–</u>	<u>(818)</u>	<u>(927)</u>	<u>(14,937)</u>

	Balance 1 January 2010	Foreign exchange impact	Recognised in income	Recognised in equity	Balance 31 December 2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
Fixed assets	(15,562)	–	(6,236)	(634)	(22,432)
Provisions and accruals	1,775	8	(197)	–	1,586
Prepayments	(1,130)	(2)	(194)	–	(1,326)
Cash flow hedges	–	–	–	79	79
Other items	(20)	5	353	–	338
	<u>(14,937)</u>	<u>11</u>	<u>(6,274)</u>	<u>(555)</u>	<u>(21,755)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFERRED TAXATION (continued)

	Balance 1 January 2009 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 31 December 2009 \$'000
Parent				
Fixed assets	(3,701)	6	–	(3,695)
Provisions and accruals	398	(25)	–	373
	<u>(3,303)</u>	<u>(19)</u>	<u>–</u>	<u>(3,322)</u>

	Balance 1 January 2010 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 31 December 2010 \$'000
Parent				
Fixed assets	(3,695)	(4)	–	(3,699)
Provisions and accruals	373	(36)	–	337
	<u>(3,322)</u>	<u>(40)</u>	<u>–</u>	<u>(3,362)</u>

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000

Expected settlement

Deferred tax assets to be recovered after more than twelve months

	<u>(21,755)</u>	<u>(14,937)</u>	<u>(3,362)</u>	<u>(3,322)</u>
	<u>(21,755)</u>	<u>(14,937)</u>	<u>(3,362)</u>	<u>(3,322)</u>

25 TRADE AND OTHER PAYABLES

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current				
Trade payables	37,727	35,660	615	351
Employee entitlements	8,529	7,519	3,288	2,831
GST and other taxes	895	835	–	–
Accrued expenses	7,953	8,073	738	686
Owing to subsidiaries	–	–	124,126	109,687
Owing to associates	5,385	2,706	–	–
Derivative financial instruments	947	955	41	13
	<u>61,436</u>	<u>55,748</u>	<u>128,808</u>	<u>113,568</u>
Non-current				
Leases payable	144	259	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 INTEREST BEARING LOANS AND BORROWINGS

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current				
Money market borrowings	17,752	10,300	16,500	10,300
	<u>17,752</u>	<u>10,300</u>	<u>16,500</u>	<u>10,300</u>
Non-current				
Secured bank loans and debentures	45,024	50,022	45,000	50,000
Unsecured loans	573	143	–	–
	<u>45,597</u>	<u>50,165</u>	<u>45,000</u>	<u>50,000</u>

Security

At balance date the Group had a term debt facility from the Bank of New Zealand and Rabobank amounting to \$70 million (2009: \$70 million).

At 31 December 2010 the Group provides first ranking mortgages over all landed property assets. All other assets of wholly owned subsidiaries are subject to a first ranking debenture to secure bank loans.

Borrowings 2011

The banking facilities for 2011 are as follows:

Facility type	Amount	Expiry date
Term debt facility	\$70m	14 May 2012
Seasonal facility	\$90m	30 November 2011
Money market facility	\$25m	14 May 2012
Overdraft facility	\$3.0m	uncommitted
Overdraft facility (AUD)	\$1.5m	uncommitted
Overdraft facility (AUD)	\$2.5m	uncommitted

Interest rates

As at 31 December 2010 the interest rate on the \$45 million non-current borrowings is 4.56% (31 Dec 2009: 4.13%), fixed for periods up to five months.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Terms and principal repayment schedule				
Later than one, not later than two years	45,239	–	45,000	–
Later than two, not later than five years	358	50,022	–	50,000
Later than five years	–	143	–	–
	<u>45,597</u>	<u>50,165</u>	<u>45,000</u>	<u>50,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 CAPITAL AND RESERVES

	2010 Shares 000's	2009 Shares 000's	2010 \$'000	2009 \$'000
Share capital				
Balance at 1 January	105,372	100,300	160,678	155,007
Shares issued in lieu of dividends	–	5,072	–	5,671
Shares issued under T&G distribution plan	7,599	–	–	–
Balance at 31 December	112,971	105,372	160,678	160,678

At 31 December 2010, the authorised share capital comprised 112,970,877 ordinary shares (2009: 105,371,929).

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

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

During the year, the Group issued 7,598,948 ordinary shares as bonus shares under the Turners & Growers Distribution Plan. In 2009 the Group increased shareholders' equity to \$5,671,193 by issuing 5,071,748 additional shares as part of the dividend reinvestment plan.

		Group		Parent	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Reserves					
Foreign currency translation reserve					
Balance at 1 January		(654)	1,590	–	–
Exchange difference on translation of foreign operations		(171)	(2,244)	–	–
Balance at 31 December		(825)	(654)	–	–
Asset revaluation reserve					
Balance at 1 January		57,796	52,314	–	–
Revaluations		2,309	6,409	–	–
Deferred tax	24	(634)	(927)	–	–
Balance at 31 December		59,471	57,796	–	–
Cash flow hedge reserve					
Balance at 1 January		–	–	–	–
Revaluations		(474)	–	(41)	–
Deferred tax	24	79	–	–	–
Balance at 31 December		(395)	–	(41)	–
Share option reserve					
Balance at 1 January		518	411	518	411
Share option expense	30	56	107	56	107
Balance at 31 December		574	518	574	518

Foreign currency translation reserve

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

Asset revaluation reserve

The revaluation reserve relates to land and buildings.

Cash flow hedge reserve

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

Share option reserve

The share option reserve relates to share options issued to senior management.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28 DIVIDENDS

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Ordinary shares				
Cash, on ordinary shares	420	4,359	420	4,359
Shares in lieu of dividend, on ordinary shares	–	5,671	–	5,671
	<u>420</u>	<u>10,030</u>	<u>420</u>	<u>10,030</u>

On 26 April 2010 bonus fully paid ordinary shares (bonus shares) equivalent to 10 cents per share were issued under the Turners & Growers Distribution Plan, together with an offer from the Company to buy back and cancel those bonus shares in exchange for cash. The payments made to shareholders who accepted the offer to buy back the bonus shares were treated as dividends. The net position resulted in 7,598,948 additional shares allotted and a cash dividend of \$419,784.

In 2010 no supplementary dividends were paid / provided to shareholders. There were no imputation credits attached to dividends in 2010.

29 EARNINGS PER SHARE

	Group	
	2010	2009
	\$'000	\$'000
Net profit for the year after non-controlling interests	4,953	8,635
	Number of Shares	
	2010	2009
Basic earnings per share		
Opening shares	105,371,929	107,899,129*
Share issued in lieu of dividends – 24 April 2009 (5,071,748 shares)	–	112,970,877
Share issued in lieu of dividends – 26 April 2010 (7,598,948 shares)	112,970,877	–
Weighted average number of ordinary shares	110,555,869	111,386,824
Earnings per share (in cents)	4.5	7.8
Diluted earnings per share		
Opening number of options	2,000,000	2,000,000
Weighted average number of options	2,000,000	2,000,000
Weighted average number of shares and options	112,555,869	113,386,824
Diluted earnings per share (in cents)	4.4	7.6

*Following the requirement in NZ IAS 33 'Earnings per Share' the 2009 comparative has been re-stated as if the share issue occurring during 2010 relating to the dividend distribution plan, which was without consideration, had occurred at the beginning of the earliest period presented, i.e. 1 January 2009.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 OPTIONS

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

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

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 \$257,150 and the Group is amortising this value over the life of the options. The 2010 amortisation expense is \$7,461 (2009: \$22,225).

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

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

The options have been valued using the Cox, Ross & Rubinstein model for stock options (REUTERS) applying the closing share price on the 19 December 2006 of \$2.41.

The options are valued at \$337,800 and the Group is amortising this value over the life of the options. The 2010 amortisation expense is \$48,316 (2009: \$85,106).

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 COMMITMENTS

	Group		Parent	
	2010	2009	2010	2009
Capital commitments	\$'000	\$'000	\$'000	\$'000
Amount committed to capital expenditure	2,621	5,180	1,030	904

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

Operating leases payable

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

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Non-cancellable operating lease commitments:				
Within one year	9,042	7,392	1,043	1,330
One to two years	2,766	3,564	696	907
Two to five years	9,115	10,604	687	1,335
Over five years	5,105	6,548	–	–
	<u>26,028</u>	<u>28,108</u>	<u>2,426</u>	<u>3,572</u>

The Group leases premises, plant and 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 and equipment. Transactions undertaken with subsidiary companies were completed on an arm's length basis.

Operating leases receivable

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

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Non-cancellable operating lease commitments:				
Within one year	1,713	1,405	2,609	2,775
One to two years	885	1,042	1,820	2,245
Two to five years	197	657	693	2,640
	<u>2,795</u>	<u>3,104</u>	<u>5,122</u>	<u>7,660</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 COMMITMENTS (continued)

Operating leases receivable amounts are generated from the following properties:

	Group		Parent	
	2010	2009	2010	2009
Land and buildings	\$'000	\$'000	\$'000	\$'000
Cost or valuation at 31 December	14,837	14,390	29,513	30,052
Depreciation	(318)	(799)	–	–
Carrying amounts	14,519	13,591	29,513	30,052
Depreciation charged during the year	397	380	–	–

All properties, including those leased to third parties, are revalued on a cyclical basis (refer note 18). This results in accumulated depreciation up to the date of revaluation being reversed and subsequently the asset is depreciated on the revalued amount from the date of revaluation.

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

32 CONTINGENCIES

The Group and Parent have the following guarantees:

	Group		Parent	
	2010	2009	2010	2009
Contingent liabilities	\$'000	\$'000	\$'000	\$'000
Bonds and sundry facilities	80	80	80	80
Guarantees of bank facilities for associated companies	17,918	13,101	15,000	10,000
Guarantees of bank facilities for subsidiary companies	6,264	5,861	6,264	5,861
Guarantee of letter of credit for subsidiary company	65	69	–	–
Guarantees in respect of VAT liabilities for subsidiary companies	41	48	–	–
	24,368	19,159	21,344	15,941

33 RELATED PARTY TRANSACTIONS

Identity of related parties

The Parent has a related party relationship with its subsidiaries (see note 21), associates (see note 23) and with its Directors and Executive Officers.

Ultimate parent

Guinness Peat Group plc (GPG plc), the major shareholder and ultimate parent company of Turners & Growers Limited, indirectly owns approximately 65.73% (2009: 65.55%) of the ordinary shares of the Parent.

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 RELATED PARTY TRANSACTIONS (continued)

Directors and Executive Officers

All transactions with Directors and Executive Officers are conducted at arm's length and on the Group's normal commercial terms.

	2010 \$'000	2009 \$'000
Directors / Executive Officers (Mr A.I. Gibbs and Mr B.M. D'Ath / Mr L.J. Sowerby)		
– Sales value of produce sold through the Group (consignment)	7,479	8,435
– Sale of apples to the Group for processing	44	68
– Purchase of packaging, coolstorage, container hire from the Group	819	941
– Balance owing to the Group at 31 December	–	–
– Balance owed by the Group at 31 December	–	9
Director (Mr B.M. D'Ath)		
– Provision of consultancy services to the Group through a company associated with Mr B.M. D'Ath	100	100
– Balance owing by the Group at 31 December	–	–
Delica Directors / Management		
– Loans owing to Group (including capitalised interest) at 31 December	1,558	1,605

Loans are advanced to two directors and key management of Delica Limited, a subsidiary of Turners & Growers Limited, 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 borrowers' property. Interest is payable on the loans at 1% above the Group's cost of borrowings.

Alternate Director (Mr L.A. Noboa III)

– Sales value of produce sold through the Group (consignment)	–	31,996
– Sale of produce to the Group	18,167	5,063
– Balance owing to the Group at 31 December	–	–

The Noboa Group indirectly own approximately 12.42% (2009: 12.39%) of the ordinary shares of the Parent.

The Group handles imported bananas, mangoes and pineapples supplied by the Noboa Group of Ecuador of which Mr L.A. Noboa III is an associated person. During the last quarter of 2009 the business model changed from a consignment to a traded basis. Under a consignment arrangement the supplier retains ownership of the fruit and the Group receives a selling commission. Under a trading arrangement the Group takes ownership of the fruit.

Key management personnel compensation

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Short-term employee benefits	1,731	1,858	1,731	1,858
Share based payment expense	56	107	56	107
	<u>1,787</u>	<u>1,965</u>	<u>1,787</u>	<u>1,965</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 RELATED PARTY TRANSACTIONS (continued)

Associates

The Group has entered into transactions with its associates during the year (refer note 23 for a listing of associates).

	Notes	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Sales of pipfruit exported by the Group		54,642	52,832	–	–
Purchase of apples from associate company		9,362	2,858	–	–
Provision of services by the Group		3,568	2,420	–	54
Balance owing to the Group at 31 December	13	7,976	2,368	5,904	108
Balance owed by the Group at 31 December	25	5,385	2,706	–	–

All transactions are conducted at arm's length and on the Group's normal commercial terms.

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

Subsidiaries

During the year, the Parent has entered into transactions with its subsidiaries (refer note 21 for a listing of subsidiaries).

		Parent	
		2010	2009
	Notes	\$'000	\$'000
Revenue from subsidiaries			
Interest received on inter-company balances	9	6,952	6,787
Rental income from investment property		2,551	2,482
Management fees	6	19,120	17,919
Other		22	24
Costs from subsidiaries			
Interest paid on inter-company borrowings	9	2,801	2,183
Rental expense		158	158
Balance owing to Parent at 31 December	13	164,487	151,919
Balance owing by Parent at 31 December	25	124,126	109,687

The net receivables of \$40.4 million (2009: \$42.2 million) relate to advances due to and from subsidiaries.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT

The Group is subject to a number of financial risks which arise as a result of its activities, including importing, exporting and domestic trading. Treasury activities are performed by a central Treasury function and the use of financial derivatives is governed by Group policies approved by the Board of Directors.

The Group does not engage in speculative transactions 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 Summary of Significant Accounting Policies (refer note 2).

a) Market risk

(i) Foreign exchange risk

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

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

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

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

	Contract value		Fair value	
	2010	2009	2010	2009
Group	\$'000	\$'000	\$'000	\$'000
Sale commitments forward foreign exchange contracts	17,434	12,073	102	284
Purchase commitments forward foreign exchange contracts	12,987	27,410	(662)	(846)
Sale commitments foreign currency options	–	1,850	–	45
			(560)	(517)
	Contract value		Fair value	
	2010	2009	2010	2009
Parent	\$'000	\$'000	\$'000	\$'000
Sale commitments forward foreign exchange contracts	–	278	–	(4)
Purchase commitments forward foreign exchange contracts	648	206	(41)	(9)
			(41)	(13)

The foreign currency options were valued using the Black-Scholes model for option pricing. Key assumptions used in the valuation were as follows:

- valuation dated 31 December 2009
- volatility for the underlying forward price 6.00%–8.49%
- risk free interest rate 2.74%–2.98%
- time to expiry 0.05–0.21 years

As at 31 December 2010 there were no foreign currency options in place.

All contracts are for less than one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

Exchange rate sensitivity

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

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

	Group				Parent			
	-7%	-7%	+7%	+7%	-7%	-7%	+7%	+7%
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Pre-tax profit	(1,157)	283	1,064	(479)	(285)	(182)	248	158
Equity	(775)	197	713	(333)	(191)	(127)	166	110

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

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 NZ IFRS do not require the Group to make detailed disclosures about seasonal risks, however, the 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.

Sensitivity of ENZA exports EBIT to changes in foreign exchange rates effective for the season

	2010	2009
Group	\$'000	\$'000

Impacts of a 7% increase in the New Zealand Dollar to the British Pound:

Decrease in pre-tax profit for the year	(107)	(78)
Decrease in equity shareholders' funds	(75)	(55)

Impacts of a 7% increase in the New Zealand Dollar to the US Dollar:

Decrease in pre-tax profit for the year	(52)	(68)
Decrease in equity shareholders' funds	(36)	(47)

Impacts of a 7% increase in the New Zealand Dollar to the Euro:

Decrease in pre-tax profit for the year	(508)	(647)
Decrease in equity shareholders' funds	(356)	(453)

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 options 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 75% of forecasted purchases.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

(ii) Interest risk

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

Interest rate risk is identified by forecasting cash flow requirements, short-term through to long-term. Short-term seasonal funding is provided by a syndicate of three 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 on-going activities, which are repriced at the option of the borrower on roll-over dates.

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

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

	2010		2009	
	Interest bearing \$'000	Non-interest bearing \$'000	Interest bearing \$'000	Non-interest bearing \$'000
Less than six months	62,525	–	60,300	–
Between six months and one year	–	–	–	–
Between one and two years	36	–	22	–
Between two and five years	–	788	–	143
	62,561	788	60,322	143

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

	2010		2009	
	Weighted average interest rate	Loans \$'000	Weighted average interest rate	Loans \$'000
Currency				
Australian dollars	6.02%	1,706	7.93%	22
New Zealand dollars	4.66%	61,643	4.09%	60,443

Interest rate sensitivity

At year end all loans are at fixed rates for defined periods of up to five months, after which interest rates will be reset. Additionally the Group has overnight deposits that are subject to fluctuations of interest rates. If the Group's year end loan and deposit balances had remained the same throughout the year and interest rates moved by 1.5% then the impact would be a \$662k gain or loss on pre-tax profits (2009: \$732k).

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

(iii) Price / commodity risk

The Group has no exposure to price / commodity risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk

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

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Bank balances	18,414	11,245	328	–
Derivative financial instruments	387	439	–	–
Trade receivables (net of bad debt provision)	64,935	57,311	1	340
Loans	2,398	2,407	882	866
Owing by associates	7,976	2,368	5,904	108
Owing by subsidiaries	–	–	164,487	151,919
Other receivables	163	168	85	163
	<u>94,273</u>	<u>73,938</u>	<u>171,687</u>	<u>153,396</u>

Trade receivable analysis

Amounts due up to 1 month beyond maximum trade credit period	10,764	1,048	–	7
Amounts due between 1 and 2 months beyond maximum trade credit period	735	215	–	–
Amounts due between 2 and 3 months beyond maximum trade credit period	1,392	1,290	–	9
Amounts due between 3 and 6 months beyond maximum trade credit period	259	849	–	–
Amounts due more than 6 months beyond maximum trade credit period	226	1,352	–	–
Total amounts due beyond maximum trade credit period (gross)	13,376	4,754	–	16
Impairment provision – trade receivables	(359)	(340)	–	–
Total amounts due beyond maximum trade credit period (net)	13,017	4,414	–	16
Trade receivables within maximum credit period	51,918	52,897	1	324
Total trade receivables	64,935	57,311	1	340

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 13 for an analysis of the impairment provision).

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

Loan analysis

Group loans relate to external loans to suppliers, customers and associates. All loans are within the agreed credit periods. In 2009 the Group issued redeemable preference shares in Worldwide Fruit Limited that mature in 2014. At 31 December 2010 these are carried at \$841k and are included in non-current trade and other receivables.

Board policy requires security to be taken for loans to third parties. This security ranges from charges over property, assets and personal guarantees. The largest loan at \$5.8 million is to a related party for working capital purposes and is secured over the party's pipfruit crop. The next largest loan at \$1.6 million (including capitalised interest) is secured over unlisted company shares last valued in April 2007 at \$1.7 million. All other loans are immaterial and covered by personal guarantees.

Other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

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

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

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

The amounts disclosed below are contractual undiscounted cash flows.

	Less than 6 months \$'000	Between 6 months and one year \$'000	Between one and two years \$'000	Between two and five years \$'000
Group 2010				
Bank overdrafts and interest bearing loans and borrowings	18,666	1,140	46,009	358
Trade and other payables	46,610	42	67	–
Balance owing to associates	5,385	–	–	–
Derivative financial instruments – held-for-trading				
– inflows	11,681	3,136	–	–
– outflows	(11,815)	(3,088)	–	–
Derivative financial instruments – cash flow hedges				
– inflows	14,681	986	–	–
– outflows	(15,101)	(1,040)	–	–
Financial guarantees	24,368	–	–	–
	<u>94,475</u>	<u>1,176</u>	<u>46,076</u>	<u>358</u>
Group 2009				
Bank overdrafts and interest bearing loans and borrowings	11,336	1,036	2,074	50,916
Trade and other payables	44,597	72	69	89
Balance owing to associates	2,706	–	–	–
Derivative financial instruments – held-for-trading				
– inflows	38,473	3,222	–	–
– outflows	(39,053)	(3,159)	–	–
Financial guarantees	19,159	–	–	–
	<u>77,218</u>	<u>1,171</u>	<u>2,143</u>	<u>51,005</u>
Parent 2010				
Bank overdrafts and interest bearing loans and borrowings	17,527	1,027	45,770	–
Trade and other payables	1,353	–	–	–
Balance owing to subsidiaries	124,126	–	–	–
Derivative financial instruments – cash flow hedges				
– inflows	84	564	–	–
– outflows	(89)	(600)	–	–
Financial guarantees	21,344	–	–	–
	<u>164,345</u>	<u>991</u>	<u>45,770</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

	Less than 6 months \$'000	Between 6 months and one year \$'000	Between one and two years \$'000	Between two and five years \$'000
Parent 2009				
Bank overdrafts and interest bearing loans and borrowings	11,331	1,031	2,063	50,773
Trade and other payables	1,037	–	–	–
Balance owing to subsidiaries	109,687	–	–	–
Derivative financial instruments – held-for-trading				
– inflows	481	–	–	–
– outflows	(494)	–	–	–
Financial guarantees	15,941	–	–	–
	<u>137,983</u>	<u>1,031</u>	<u>2,063</u>	<u>50,773</u>

As at 31 December 2010 no event has occurred to trigger financial guarantees in place. The Group also believes it is unlikely for such an event to occur in the future.

For cash flow hedges, the impact on the profit and loss is expected to occur at the same time as the cash flows occur. Refer note 26 for details on bank overdrafts and interest bearing loans and borrowings.

Capital risk management

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

There are a number of externally imposed bank financial covenants required as part of seasonal and term debt facilities. These covenants are calculated monthly and reported to the banks quarterly. The covenants vary for seasonal and term debt due to the security offered by the Group for these facilities.

The key covenants are as follows:

Interest cover

As measured at the end of each quarter, the ratio of EBIT to interest expenses for the preceding twelve month period shall not be less than 2.25:1.

Gearing ratio

As measured at the end of each quarter, total liabilities shall not at any time exceed 45% of total tangible assets.

Contingent liabilities

Contingent liabilities of the Group shall not at any time exceed 7% of total tangible assets.

There were no breaches of financial covenants during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

d) Fair value

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

	2010		Group	
	Carrying	Fair	Carrying	Fair
	value	value	value	value
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	18,414	18,414	11,245	11,245
Available-for-sale investments	329	329	313	313
Trade and other receivables	67,496	67,496	59,886	59,886
Balance owing by associates	7,976	7,976	2,368	2,368
Derivative financial instruments – held-for-trading	209	209	439	439
Derivative financial instruments – cash flow hedges	178	178	–	–
Liabilities				
Interest bearing loans and borrowings	63,349	63,349	60,465	60,465
Trade and other payables	46,719	46,719	44,827	44,827
Balance owing to associates	5,385	5,385	2,706	2,706
Derivative financial instruments – held-for-trading	295	295	955	955
Derivative financial instruments – cash flow hedges	652	652	–	–

	2010		Parent	
	Carrying	Fair	Carrying	Fair
	value	value	value	value
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	328	328	–	–
Available-for-sale investments	7	7	7	7
Trade and other receivables	882	882	1,369	1,369
Balance owing by subsidiaries	164,487	164,487	151,919	151,919
Balance owing by associates	5,904	5,904	108	108
Liabilities				
Bank overdraft	–	–	1,308	1,308
Interest bearing loans and borrowings	61,500	61,500	60,300	60,300
Trade and other payables	1,353	1,353	1,037	1,037
Balance owing to subsidiaries	124,126	124,126	109,687	109,687
Derivative financial instruments – held-for-trading	–	–	13	13
Derivative financial instruments – cash flow hedges	41	41	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

d) Fair value (continued)

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

i) Debtors, creditors, accruals and bank overdraft

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

ii) Investments

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

iii) Non-current liabilities

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

iv) Foreign exchange contracts

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

Fair value measurement hierarchy

Effective 1 January 2009, the Group adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2010				
Assets				
Financial assets at fair value through profit or loss	–	209	–	209
Derivative financial instruments – cash flow hedges	–	178	–	178
Available-for-sale investments				
– Equity securities	–	329	–	329
Total assets	–	716	–	716
Liabilities				
Financial liabilities at fair value through profit or loss	–	295	–	295
Derivative financial instruments – cash flow hedges	–	652	–	652
Total liabilities	–	947	–	947
At 31 December 2009				
Assets				
Financial assets at fair value through profit or loss	–	439	–	439
Available-for-sale investments				
– Equity securities	–	313	–	313
Total assets	–	752	–	752
Liabilities				
Financial liabilities at fair value through profit or loss	–	955	–	955
Total liabilities	–	955	–	955

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement hierarchy (continued)

Parent	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
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At 31 December 2010

Liabilities

Derivative financial instruments – cash flow hedges	–	41	–	41
Total liabilities	–	41	–	41

At 31 December 2009

Liabilities

Financial liabilities at fair value through profit or loss	–	13	–	13
Total liabilities	–	13	–	13

Derivatives

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

Equity securities

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

e) Financial instruments by category

Assets	Loans and receivables \$'000	Assets at fair value through profit or loss \$'000	Derivatives used for hedging \$'000	Available- for-sale \$'000	Total \$'000
Group					
At 31 December 2010					
Cash and cash equivalents	18,414	–	–	–	18,414
Available-for-sale investments	–	–	–	329	329
Trade and other receivables	67,496	–	–	–	67,496
Balance owing by associates	7,976	–	–	–	7,976
Derivative financial instruments	–	209	178	–	387
	<u>93,886</u>	<u>209</u>	<u>178</u>	<u>329</u>	<u>94,602</u>
At 31 December 2009					
Cash and cash equivalents	11,245	–	–	–	11,245
Available-for-sale investments	–	–	–	313	313
Trade and other receivables	59,886	–	–	–	59,886
Balance owing by associates	2,368	–	–	–	2,368
Derivative financial instruments	–	439	–	–	439
	<u>73,499</u>	<u>439</u>	<u>–</u>	<u>313</u>	<u>74,251</u>
Parent					
At 31 December 2010					
Cash and cash equivalents	328	–	–	–	328
Available-for-sale investments	–	–	–	7	7
Trade and other receivables	882	–	–	–	882
Balance owing by subsidiaries	164,487	–	–	–	164,487
Balance owing by associates	5,904	–	–	–	5,904
	<u>171,601</u>	<u>–</u>	<u>–</u>	<u>7</u>	<u>171,608</u>
At 31 December 2009					
Available-for-sale investments	–	–	–	7	7
Trade and other receivables	1,369	–	–	–	1,369
Balance owing by subsidiaries	151,919	–	–	–	151,919
Balance owing by associates	108	–	–	–	108
	<u>153,396</u>	<u>–</u>	<u>–</u>	<u>7</u>	<u>153,403</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

e) Financial instruments by category (continued)

Liabilities	Other financial liabilities \$'000	Liabilities at fair value through profit or loss \$'000	Derivatives used for hedging \$'000	Total \$'000
Group				
At 31 December 2010				
Borrowings	63,349	–	–	63,349
Trade and other payables	46,719	–	–	46,719
Balance owing to associates	5,385	–	–	5,385
Derivative financial instruments	–	295	652	947
	<u>115,453</u>	<u>295</u>	<u>652</u>	<u>116,400</u>
At 31 December 2009				
Borrowings	60,465	–	–	60,465
Trade and other payables	44,827	–	–	44,827
Balance owing to associates	2,706	–	–	2,706
Derivative financial instruments	–	955	–	955
	<u>107,998</u>	<u>955</u>	<u>–</u>	<u>108,953</u>
Parent				
At 31 December 2010				
Borrowings	61,500	–	–	61,500
Trade and other payables	1,353	–	–	1,353
Balance owing to subsidiaries	124,126	–	–	124,126
Derivative financial instruments	–	–	41	41
	<u>186,979</u>	<u>–</u>	<u>41</u>	<u>187,020</u>
At 31 December 2009				
Bank overdraft	1,308	–	–	1,308
Borrowings	60,300	–	–	60,300
Trade and other payables	1,037	–	–	1,037
Balance owing to subsidiaries	109,687	–	–	109,687
Derivative financial instruments	–	13	–	13
	<u>172,332</u>	<u>13</u>	<u>–</u>	<u>172,345</u>

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)

35 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 24 February 2011 the Directors voted in favour of a distribution plan. The distribution plan allocates bonus shares to shareholders and provides the option to sell the bonus shares for cash through an off-market buy-back facility. The distribution will be un-imputed and will be 6 cents per share with a record date of 18 April 2011 and an allotment date of 27 April 2011.

On 24 February 2011 the Board of Turners & Growers resolved to purchase the balance of Inglis Horticulture Limited shares from our joint venture partners by issuing 2,828,006 shares in Turners & Growers at a price of \$1.58 per share.

As these events occurred after the balance sheet date, the financial effect has not been recognised in these financial statements.

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

	Group		Parent	
	2010	2009	2010	2009
For the year ended 31 December	\$'000	\$'000	\$'000	\$'000
Profit for the year	6,326	9,529	(226)	3,899
Adjusted for:				
Depreciation expense	15,505	15,588	1,317	1,296
Amortisation of intangibles	2,722	2,362	1,712	1,513
Fair value loss / (gain) on derivatives	215	(224)	(146)	178
Fair value loss / (gain) on investment properties	–	–	637	(33)
Fair value (gain) on biological assets	(253)	(301)	–	–
Fair value movement in long term receivables	19	–	–	–
Movement in provision for trade receivables impairment	19	(640)	–	–
(Profit) / loss on the sale of property, plant & equipment	(177)	(115)	8	1
Movement in provision for share options	56	107	56	107
Impairment of investment in associates	–	–	3,146	–
Share of loss / (profit) of associates	1,178	(1,107)	–	–
Movement in deferred tax through income statement	6,274	819	40	19
Discount on acquisition of non-controlling interest's share of subsidiary	–	(600)	–	–
Dividends received from subsidiaries	–	–	(960)	(700)
	<u>25,558</u>	<u>15,889</u>	<u>5,810</u>	<u>2,381</u>
Impact of changes in working capital items				
(Increase) / decrease in debtors and prepayments	(6,951)	(3,347)	125	(1,178)
Increase / (decrease) in creditors and provisions	2,884	(1,710)	852	(361)
Decrease / (increase) in inventories	3,833	(287)	–	15
(Increase) / decrease in taxation receivable	(1,035)	(1,051)	(2,283)	247
	<u>(1,269)</u>	<u>(6,395)</u>	<u>(1,306)</u>	<u>(1,277)</u>
Net cash inflow from operating activities	<u>30,615</u>	<u>19,023</u>	<u>4,278</u>	<u>5,003</u>

FIVE YEAR FINANCIAL REVIEW

	Dec 10 12 Months \$'000 NZIFRS	Dec 09 12 Months \$'000 NZIFRS	Dec 08 12 Months \$'000 NZIFRS	Dec 07 12 Months \$'000 NZIFRS	Dec 06 12 Months \$'000 NZIFRS
REVENUE					
Continuing activities	599,227	589,955	570,132	515,003	550,297
EARNINGS					
Before net interest, tax, depreciation and amortisation	40,152	36,960	44,564	42,227	44,319
Before net interest and tax	21,925	19,010	27,740	26,454	27,650
PROFIT					
Pre-tax operating profit	17,084	13,697	21,728	22,052	23,313
Net profit	6,326	9,529	14,128	14,029	16,970
FUNDS EMPLOYED					
Paid in capital	160,678	160,678	155,007	155,007	145,799
Retained earnings and reserves	135,772	130,074	128,124	107,281	97,464
Total shareholders' equity	296,450	290,752	283,131	262,288	243,263
Non-controlling interests	4,379	3,196	4,148	2,273	679
Non-current liabilities	67,496	65,361	68,450	40,732	9,116
Current liabilities	79,188	66,048	61,428	66,782	93,512
Total funds employed	447,513	425,357	417,157	372,075	346,570
ASSETS					
Property, plant & equipment	256,069	257,292	254,818	219,074	197,656
Other non-current assets	54,988	51,220	47,956	44,472	33,873
Current assets	136,456	116,845	114,383	108,529	115,041
Total assets	447,513	425,357	417,157	372,075	346,570
STATISTICS					
Number of ordinary shares on issue – '000	112,971	105,372	100,300	96,187	77,040
Earnings per share – cents	4	8	13	16	22
Net tangible assets per share	\$2.50	\$2.61	\$2.69	\$2.57	\$2.98
Percentage of shareholders' funds to total assets	66%	68%	68%	70%	70%
Ratio of current assets to current liabilities	1.72	1.77	1.86	1.63	1.23
Ratio of debt to equity*	0.49	0.45	0.46	0.41	0.42
DIVIDENDS (PAID AND PROPOSED)					
Cents per share on paid up capital	10**	10	10**	14	12
Total amount	420	10,030	1,023	10,786	8,896

*Debt includes trade payables

**On electing shares only



Directory

DIRECTORS

A.I. Gibbs, Chairman and Independent Non-executive Director
J.M. Wesley, Managing Director
B.M. D'Ath, Executive Director
A.M. Eisen, Non-executive Director
M.R. Dossor, Non-executive Director
R.J. Campbell, Non-executive Director
C.A. Campbell, Independent Non-executive Director
C.J. Symmans, Independent Non-executive Director

REGISTERED OFFICE

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Mt. Wellington Markets Complex,
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