Turners & Growers

Fresh taste to the world





Annual Report

December 2012

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

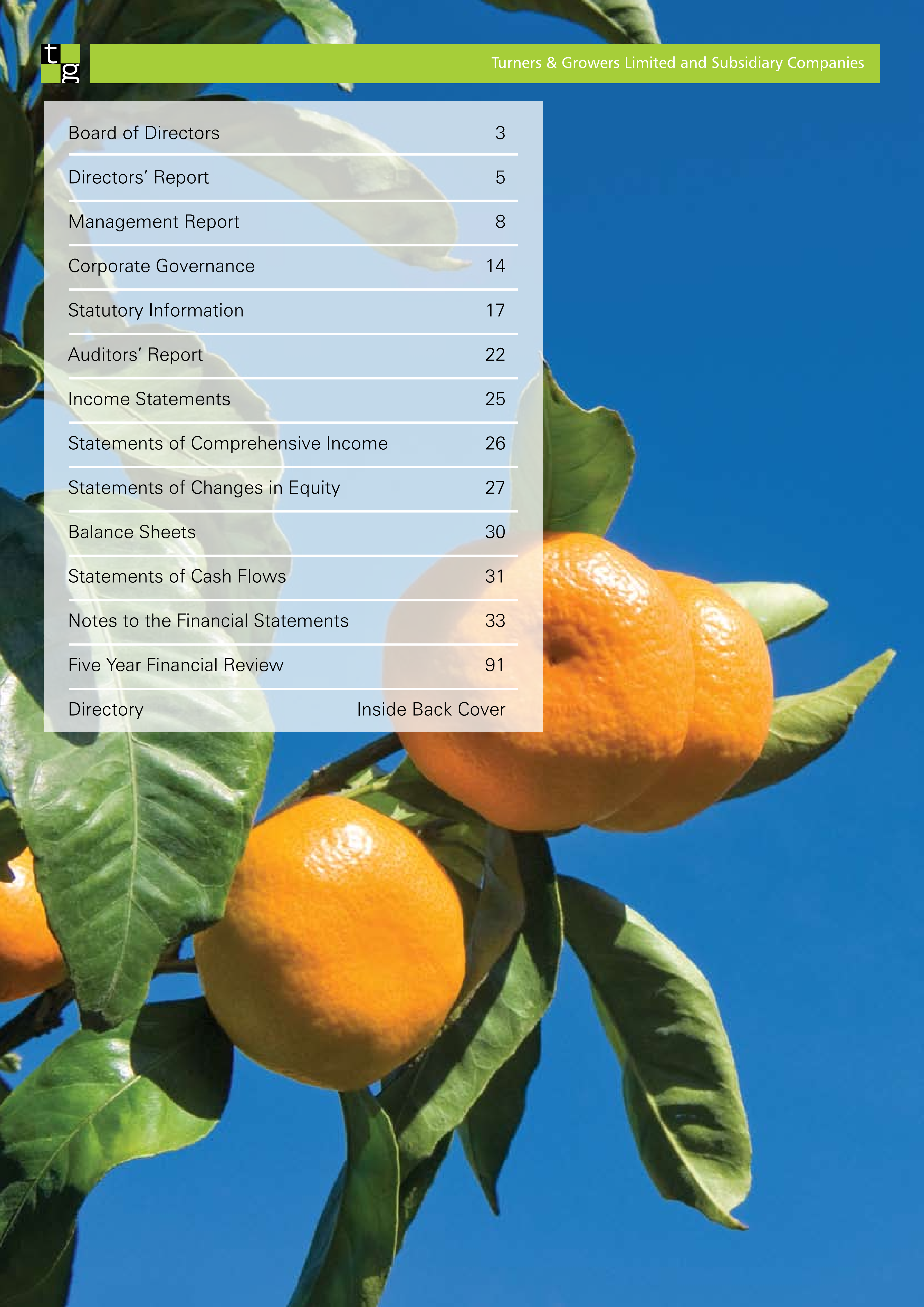
Vision Mission & Values

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.



Board of Directors

The Board of Directors (from left to right): Michael Dossor, Dr Josef Krapf, Klaus Josef Lutz, Carol Campbell, Sir John Anderson KBE, Rob Campbell, Andreas Helber, John Wilson.

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

Director since April 2012.

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

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

Director since April 2012.

Member of the Finance, Risk & Investment Committee and Health & Safety Committee.

Currently Chairman of the New Zealand Venture Investment Fund, PGG Wrightson Limited, Steel & Tube Holdings Limited and NPT Limited and a Director on the Board of Commonwealth Bank of Australia.

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

Director since June 2010.

Chairman of the Finance, Risk & Investment Committee and Health & Safety Committee.

Director and member of the Finance Risk and Investment Committee of NZ Post Limited; Director and Chair of the Audit and Risk Committee of Kingfish Limited, Marlin Global Limited and Barramundi Limited and Director of a number of other private companies.

Previously a partner of Ernst & Young for 20 years, now an owner and director of boutique accounting practice "The Business Advisory Group".

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

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

Chairman of Guinness Peat Group Plc and Summerset Group Holdings Limited, Director of a number of companies including Aquasure Pty Limited, AMP NZ Office Limited and Arco Property Limited, and an adviser to a number of investment companies.

MICHAEL DOSSOR – *Non-independent Director*
Dip AG

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

Chairman of Turners Auctions Limited, Director of Bartel Holdings Limited, Fruit Distributors Limited, McKay Shipping Limited and Allen Blair Properties Limited.

ANDREAS HELBER – *Non-independent Director*

Director since April 2012.

Member of the Finance, Risk & Investment Committee and Health & Safety Committee.

Chief Financial Officer of BayWa, and a member of the supervisory boards of a number of listed and private companies including R+V Pensionsversicherung AG, Eurogreen Schweiz AG (Chairman), Cefetra B.V., RWA Raiffeisen Ware Austria AG (Vice-Chairman), Unser Lagerhaus Warenhandelsgesellschaft m.b.H, and WKN USA LLC.

DR JOSEF KRAPF – *Non-independent Director*
PhD (Agricultural Food Science)

Director since July 2012.

A member of BayWa's executive Board since 2002, and responsible for its fruit division, seeds, fertilisers, crop protection, feedstuff, grain and oilseed businesses. Director of RWA Raiffeisen Ware Austria AG, Cefetra B.V., and Obst vom Bodensee Vertriebsgesellschaft GmbH.

JOHN WILSON – *Independent Director*
B Agr Sc.

Director since April 2012.

A dairy farmer and Chairman of Fonterra Co-Operative Group Limited, where he also serves on the Appointments, Remuneration and Development Committee.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envy
New Zealand
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Directors' Report

Your Directors present the Annual Report including financial statements for Turners & Growers Limited and subsidiary companies for the twelve months ended 31 December 2012.

Consolidated Results

Currency: NZ$'000	**2012**	2011
Revenue	**669,137**	645,114
Profit / (loss) before tax	**(18,054)**	(10,765)
Profit / (loss) after tax (before non-controlling interests)	**(13,278)**	(18,881)
Total equity	**279,530**	285,863

The Turners & Growers Group incurred a loss before tax of $18.1m and a loss after tax (before non-controlling interests) of $13.3m. As a result of the annual revaluation process and impairments the profit has been substantially affected by the write-down of assets, mainly orchard-related land, buildings and improvements, biological assets and intangibles.

Activities

The major focus of Turners & Growers in 2012 was to define goals and the pathways for growth as well as build the organisational structure to implement new strategic initiatives.

The Group's capital expenditure program concentrated on modernisation of its facilities, with major investments in controlled atmosphere storage capabilities in Nelson, and fumigation, chilling and waxing equipment in Hawkes Bay.

The main future growth prospects for the Group are in international trading of both New Zealand grown and internationally sourced apples from selected growing areas. Apple trading has been robust and the Directors are pleased with the significant uplift in returns ENZA was able to provide to its growers for all major apple varieties, especially for Envy™ and Jazz™. The continuing success of Jazz™ in the Northern Hemisphere confirmed that the Group's goal to secure year round supply for its European and North American retail customers provides a win-win situation for all parties involved. ENZA enjoyed increased commission income from offshore plantings compared to 2011. Due to the uplift in volume, Delica continued to perform strongly within its New Zealand and North American operation on apple trading into different regions in Asia.

A key addition to the Delica Australian business in 2012 was the beginning of the import arm, Delica Domestic, which has gained access to the major Australian supermarket chains. ENZAFoods, the Group's manufacturer of processed fruit, continued to increase its sales volume of fruit ingredient products and completed a major capital investment in a new fruit ingredients factory for further growth in this sector.

Following a wet and cool summer the canker fruit disease became widespread in the Riwaka district. Inglis Horticulture was adversely affected and had to remove 20,000 trees. A canker eradication program has been implemented that aims to re-establish good yields for future harvests and prevent the orchard from suffering comparable losses from the disease.

After another consecutive record-breaking year for the Group's tomato grower, Status Produce, future growth is expected from promising results of research and development work on new tomato varieties.

PSA-V was detected on one of the Group's orchards in Kerikeri in October 2012 which led to the removal of some kiwifruit vines. To date, PSA-V has not spread to any of the other orchards due to the dry summer weather conditions. Crucially, there has been no impact to the 2013 kiwifruit harvest and more will be known on any further infections during the spring of 2013, when the symptoms of PSA-V are likely to be more prominent. The potential risk to the kiwifruit orchards is serious and daily monitoring for any signs of infection is mandatory for the Northern operation.

The ENZARed™ and ENZA Summer Kiwi™ developments have continued and are set to produce their first commercial crop in 2014.

In 2012 the Group signed a collaborative marketing agreement with Zespri and exported kiwifruit to South Korea and China under that agreement. For the 2013 year, Turners & Growers and Zespri jointly applied for a full export collaboration to supply kiwifruit to South Korea, China and North America which has recently been approved by Kiwifruit New Zealand.

After the successful launch of an import business, trading as Turners & Growers Fiji, in Suva in 2011, Turners & Growers opened a second branch in Nadi which boosted sales and generated additional profit in 2012 for the new venture. The Fijian operation is now set up to consistently serve retailers, wholesalers and hotel resorts as well as the food service sector on the islands.

Dividend/Distribution Plan

Turners & Growers did not declare or pay a dividend in 2012.

Shareholding

In March 2012, BayWa Aktiengesellschaft acquired 73.07% of the equity securities in Turners & Growers Limited, as a result of a takeover offer made under the Takeovers Code.

During the twelve months shares on issue did not change and as at 31 December 2012 the number of shares on issue stood at 117,010,550.

Annual Meeting

The Annual Meeting of Shareholders is to be held on 27 June 2013. Notice of the meeting will be mailed to shareholders separately in due course.

Acknowledgements

Due to the BayWa takeover and senior management changes, 2012 has been a year of significant change for our staff members. The Board acknowledges the effort and contribution of all staff and thanks each member of the team that helped to make this change successful while still delivering a decent operational performance for the Group.

Directors' Statement

The Annual Report is dated 15 March 2013 and is signed on behalf of the Board by:

K.J. Lutz
CHAIRMAN

C.A. Campbell
DIRECTOR


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Management Report

Introduction

The Turners & Growers Group realised a disappointing loss after tax of $13.3m for the year ended 31st December 2012. Although trading was robust the Group's result was affected by numerous write-downs due to disease and asset impairments.

The export segment enjoyed strong improvements for Delica and Turners & Growers Fiji as well as operational uplifts for ENZA and ENZA Orchards. Domestically, only Status Produce, the Group's tomato grower, could top its 2011 result. This was as a result of improved efficiencies and favourable pricing conditions. Conversely, Domestic Markets, Fruitmark Australia, Inglis Orchards and Turners & Growers Horticulture faced either tough market conditions or suffered from one-off costs and write-downs of assets due to orchard disease and higher risk factors related to future earnings.

Financial Performance

Revenues for the Turners & Growers Group were up by 3.7% over 2011 mainly owed to the growing export businesses of Delica, ENZA and the new import business in Fiji. Gross profit increased at a similar rate due to the export growth.

Operating expenses increased significantly by 6.0%, primarily due to a loss on disposal of a property and the impairment of the Group's glasshouses and plant variety rights (PVR), especially on kiwifruit. Other factors contributing to increased expenses were a provision for impairment of receivables relating to an insolvent former trading partner in Hong Kong, and the further impairment of biological assets. Administration expenses were mainly impacted by restructuring costs.

Net financing costs reduced by 15% due to lower working capital requirements, more favourable interest rates and increased interest income. Share of profit from associates remained on a comparable level with 2011.

The Group's total assets diminished by $24.1m compared to year end 2011. Main factors were the write-down of biological assets and intangible assets, mostly PVR. Despite the significant impairments over the last two financial years, Turners & Growers' equity ratio improved to 61%. A solid net cash flow from operating activities of $24.4m in 2012, provides a sound and favourable position for future growth.

Domestic

Domestic reported a $1.5m segment profit which was significantly down on the prior year. This was mainly due to a lower sales volume, pressure on margins from the retail sector and an oversupply of imported produce in New Zealand. Domestic tomatoes and capsicums enjoyed good margins, however low prices for green vegetables, potatoes and onions kept the overall margin below expectations. An oversupply of Philippine bananas in New Zealand followed by extraordinary low banana prices in the winter months adversely impacted importer margins. Despite savings in operating expenses this significant margin drop could not be compensated.

The crates business tracked slightly below last year's performance as a consequence of additional costs for the launch of a new model of crates and additional transport and crate washing requirements.

Exports

The 2012 New Zealand apple season was late following a cool and wet summer. Consequently apple fruit size on average was smaller and lower volume was available for export. For Jazz™ and ENVY™ pre-season forecasts were achieved while most other varieties fell short.

ENZA significantly increased returns for the independent growers on the major apple varieties especially for Jazz™ (+23%) and Envy™ (+20%). This was due to a number of factors, including high fruit quality and pack-outs, significant uplift in prices in all major markets, successful foreign exchange hedging for apple exports and reduced supply chain costs.

ENZA

ENZA's pipfruit export results increased despite overall lower volumes, due to the higher export quality yield from growers' submissions and a favourable shift in the variety mix to higher value varieties. Continued efficiency enhancements and higher coolstore and packing facility utilisation also helped to achieve operational improvements. One major contributor to higher earnings was the continuing success of Jazz™ in the Northern Hemisphere supported by a higher volume from maturing trees. Thus ENZA's commission income from offshore plantings grew substantially. Due to this success increased plantings in the USA, France and Italy were agreed to with existing and additional growers that will ensure Jazz™ is available all year round for the consumers in the Northern Hemisphere.

In contrast, ENZA's kiwifruit programme did not meet expectations and besides low returns the company had to recognise substantial bad debt provisions and write-downs on its capitalised PVR values. Overall, due to these impairments ENZA's result was considerably down on 2011.

Delica Limited

In 2012, the Delica Group improved its contribution by 24%. Growth continues in all supply regions with Asia at the forefront of sales growth.

Delica New Zealand

Delica New Zealand saw growth in most products in 2012 with volume and margin improving from 2011. The key contributors to the New Zealand result came from apples, berry fruit and citrus. Pipfruit volume increased by 23% to 1.36 million tray carton equivalents (TCEs). Particularly Jazz™ volumes increased significantly with Asian volumes doubling on 2011 volumes. Envy™ volumes tripled as trees matured, with Asian sales representing two thirds of overall Envy™ sales. Overall returns from Asian markets continued to outperform traditional markets.

Delica Australia

Following two exceptionally difficult growing years in Australia, growing conditions stabilised in the latter half of 2012. Early season products performed poorly as the 2011 weather conditions still had an impact, yet crop volumes returned to more regular levels in the mid to late part of 2012 due to more settled weather conditions. This reflected in the revenue leap of 23% for Delica Australia. Citrus, asparagus and table grapes performed well whereas stone fruit was slightly down on 2011. A key addition to the Delica Australian business in 2012 was the beginning of the import arm, Delica Domestic. This has been a successful venture with trading relationships established with all major Australian supermarket chains.

Delica USA

The USA operation performed strongly in 2012 at a sales growth rate of 22%. Staff numbers have remained constant, highlighting that this represents a creditable performance with similar resources to 2011. The berry business showed strong growth as did both the asparagus and the vegetable export business. Despite a tough cherry season, an increase both in volume and margin was achieved in very difficult trading conditions. Pipfruit volumes and margin grew in 2012 with gross profit up over 25%. The Washington State export programme for Pacific Rose and Jazz™ grew with strong performance on Pacific Rose sales into China and Asia and increased Jazz™ sales across a wide range of Asian markets.

Delica South America

The South American operation experienced another year of strong performance with sales revenue increasing 18%. Table grapes sales revenue and gross profit grew by more than a third. Strong programmes into niche markets such as Thailand and Vietnam enjoyed firm support from key suppliers. Delica continued to expand its asparagus programme in the key markets, Australia and Japan, providing most of the sales and margin.

Turners & Growers Fiji

After a successful first year in 2011 in Suva, Turners & Growers Fiji opened a second branch in Nadi that has exceeded expectations and delivered a positive contribution in its first year of operation. It is expected that market share of imported produce from New Zealand and Australia could be increased substantially in the retail, wholesale and the food service sector. The Fijian operation also services hotels and resorts, an additional future growth area for the new venture.

Overall Exports trading has been robust, however the reduction in segment profit from $7.6m in 2011 to $2.9m in 2012 is primarily caused by a bad debt provision and the impairment of kiwifruit plant variety rights held by the Group.

Processing

ENZAFoods delivered a $3.3m segment profit, an improvement on 2011's result, consolidating and building on the improvement achieved over the 2010 year. Sales of the value-added "Fruit Ingredients" diced, sliced and apple sauce products continued to grow, as did retail Freshfields™ Fruit Hitz™ and apple sauce products. The contract manufacturing business also grew significantly. This increase in the value-added and contract processing business was in line with the strategic plan to strengthen the business through diversification, reducing the proportion of the business derived from the fickle commodity juice concentrate market. Despite smaller available Braeburn volumes, ENZAFoods' processed crop was similar to 2011. This was achieved through 30% growth in volume of apples sourced through the "Grow for Process" programme which encourages growers to contract blocks or orchards specifically for processing fruit supply.

With the completion of stage two of the North Island fruit ingredients factory investment, ENZAFoods has expanded its production capabilities to include pouch-pack diced and sliced fruit product, for commissioning in 2013.

Growing

Growing Operations reported a $22.8m segment loss for 2012.

Apple Growing (Inglis Horticulture and ENZA Orchards)

2012 was a difficult year with significant events affecting the performance of the Inglis Horticulture orchard. European canker became widespread in the Riwaka district. Inglis established a canker eradication programme, however heavy tree pruning and the removal of 20,000 badly affected trees has reduced current and medium term production by approximately 10%. As a result of a very wet spring and cool summer, fruit size was smaller than usual with a high ratio of low colour fruit. This resulted in less apples available for export and more fruit being diverted to processing which reduced revenue for the orchards substantially. This continued poor financial performance impacted the orchard valuation for the second year in a row with a significant 2012 write-down. The 2013 crop appears more promising with good crop quality and size.

In contrast, production increased on ENZA's Hawkes Bay orchards by 88%. Excellent fruit quality compensated the smaller fruit size resulting from the cool season. Together with improved returns the orchards operational result jumped to a pleasing level. Due to the continuing high New Zealand Dollar and the high volatility in the export markets, the value of the biological assets had to be decreased further which resulted in a negative contribution for the orchards.

Turners & Growers Horticulture

The Group's citrus and kiwifruit grower faced a challenging year in 2012 with most crop volumes down from the 2011 harvest and down on forecasted quantities. Lemons, mandarins, navels and green kiwifruit all had reduced tonnage. These reductions in volumes along with orchard asset write-downs, especially for kiwifruit and lemon orchards, contributed to the decreased profitability. On a more positive note, ZespriGold™ and ENZAGold™ volumes both increased with the ENZAGold™ producing high quality fruit. The returns for Zespri kiwifruit were up in 2012 and the ZespriGold™ prices should remain reasonably high given the large reduction in volumes nationwide due to PSA-V. The ENZAGold™ kiwifruit returns were lower than anticipated but with the approval of the Collaborative Marketing Agreement with Zespri these returns are due to increase for 2013.

All citrus volumes were down from the "on year" in 2011 which led to improved per unit returns from the domestic and export markets. A favourable Japanese Yen exchange rate gave export mandarins their highest per unit returns with a season average of almost $3 per/kg. Lemon export prices were also up on prior years.

Status Produce

Status Produce posted a record profit for the third year in a row. The 2012 result was 6.0% up on the previous 2011 record and was brought about by a number of internal improvements and external events. Through successful supply and demand planning, full glasshouse production was aligned with peak winter pricing periods generating stronger earnings in the domestic market. Status' growing and operations teams are recognised as leaders in the New Zealand horticulture tomato growing industry and continued to improve process efficiency.

Additional growth is expected from food service customer contracts which were secured as a result of outstanding quality and supply chain excellence delivered during 2012. This channel provides consistent business for Status and is one of the key growth areas for 2013.

Other

FloraMax

The Group's flower division added another year of steady contribution and cash flow. For the whole year, auction turnover was $21.6m, marginally lower than expected. Compared to 2011, stem volumes were down by 3.7%, but average prices were up by 4.3%. This resulted in very similar commission earnings, but lower sundry income streams which are volume, rather than turnover, dependent.

Turners Transport

Revenue and margin were in line with expectations, however, restructuring costs and investment in new services impacted its profitability. In order to improve processes and profitability for the future, a number of new strategic initiatives have been implemented in 2012, such as the installation of telematics equipment in the truck fleet, new routes to the South Island alongside other trial routes, increased driver training and the commencement of a project for an upgrade of the business software.

Fruitmark (trading name of ENZACOR Pty Ltd)

Fruitmark's contribution was disappointing in 2012 compared to the previous year. As the company focuses on importing high quality processed fruit products for the manufacturing and food service sectors and local supply of fresh cut vegetable products to the quick service restaurants, it was heavily impacted by the depressed conditions of the Australian food and fruit based beverage manufacturing market in 2012. 100% juice product consumption trended downward with consumers looking for alternatives based on water. Despite these poor market conditions and one-off restructuring requirements, the company continued to trade profitably.

An area of growth for Fruitmark is sales of apple solids into the bakery, food service and infant markets. There are favourable prospects of expanding into complementary stone fruit products from New Zealand. Additionally there are promising expectations for trading locally processed vegetables into the quick service restaurants. Profitability is expected to return to historically achieved levels in 2013.

People

Turners & Growers is a significant employer and leader in the produce industry employing on average 1,400 people in New Zealand and internationally and this number expands, with employment of seasonal workers, to over 2,200 people during the height of the harvest season. One of management's main strategic goals is to have great people and for Turners & Growers to be recognised as a great place to work.

The last twelve months have been a period of change with the appointment of a new CEO and Executive Leadership Team. The organisational operating model has been redesigned to align with the new strategic direction and full implementation will be completed in 2013. This has lead to increased capabilities in logistics, supply chain management, business development and account management.

A global employee engagement survey was introduced in late 2012 with over 900 people responding. The result demonstrated an engagement level above the New Zealand average which is pleasing considering the transformation the organisation has undertaken. Health and safety importance was the highest response in the engagement survey and we are seeing fewer accidents due to this continued focus.

Investments

The Turners & Growers Group invested $19m in its capital expenditure programme during 2012. Major investments have been the increase in the controlled atmosphere storage capability of the Nelson facility, the enlargement of the fruit ingredient production line of ENZAFoods, a fumigation facility, additional chillers, a waxing machine and other equipment upgrades in Whakatu, the completion of the ENZA administration building in Hastings, the expansion of blueberry plantings in Kerikeri and the SAP kiwifruit upgrade at Turners & Growers Horticulture.

Outlook

The Group experienced heavy write-downs of its assets for the second consecutive year, and management believes that future impairment risks are substantially reduced.

With the new cornerstone shareholder BayWa and the new management team now in place, the Turners & Growers Group is prepared to launch the strategic initiatives that have been confirmed over the last months.

The major focus for 2013 is to continue to improve returns for all stakeholders of the Group especially growers, customers, staff and shareholders. All major fruit varieties of the Group are forecasted to be up on volume for 2013 and the newly formed domestic sales team is looking forward to more stable market conditions in New Zealand. This provides the basis for a significant uplift of the Group's profitability which is supported by improved operating performance in the early months of 2013.

H.R. Hamster-Egerer
CHIEF FINANCIAL OFFICER

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Corporate Governance

Role of the Board

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

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

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

Board membership

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

The Board has identified Mrs C.A. Campbell, Mr R.J. Campbell, Sir J.A. Anderson and Mr J.S. Wilson 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, the Finance, Risk & Investment Committee (FRIC) and the Health & Safety Committee, both of which operate under Board approved charters.

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

The Health & Safety Committee is responsible for overseeing compliance with statutory health and safety regulations and ensuring that appropriate policies and standards are in place and operating effectively. The committee shares the same membership as the FRIC.

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

Interests register

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

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

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

Group management structure

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

Risk identification and management

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

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

Directors' and Officers' insurance

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


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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 2012	Group $'000
Directors of Turners & Growers Limited	
K.J. Lutz (Appointed as Director 3 April 2012)	34
Sir J.A. Anderson (Appointed as Director 3 April 2012)	59
C.A. Campbell	85
R.J. Campbell	90
M.R. Dossor	75
A. Helber (Appointed as Director 3 April 2012)	25
Dr J. Krapf (Appointed as Director 2 July 2012)	15
J.S. Wilson (Appointed as Director 3 April 2012)	59
J.M. Wesley (Resigned as Director 7 March 2012)	2,162
B.M. D'Ath (Resigned as Director 7 March 2012)	194
C.J. Symmans (Resigned as Director 7 March 2012)	12

Directors and Officers composition

At 31 December 2012 the gender composition of the Group's Directors and Officers was as follows:

	Male	Female
Directors	7	1
Officers	7	–

Employees' remuneration

The Group paid remuneration including benefits to 115 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 2012	2011
100 – 110	**22**	22
110 – 120	**10**	14
120 – 130	**11**	11
130 – 140	**16**	12
140 – 150	**6**	7
150 – 160	**5**	5
160 – 170	**8**	4
170 – 180	**4**	6
180 – 190	**2**	4
190 – 200	**3**	1
200 – 210	**7**	8
210 – 220	**1**	–
220 – 230	**3**	4
230 – 240	**–**	2
240 – 250	**–**	1
270 – 280	**2**	–
290 – 300	**1**	2
300 – 310	**1**	–
310 – 320	**2**	–
320 – 330	**–**	3
340 – 350	**–**	1
360 – 370	**2**	2
370 – 380	**2**	–
390 – 400	**1**	–
400 – 410	**1**	–
420 – 430	**–**	1
440 – 450	**–**	1
490 – 500	**–**	1
500 – 510	**1**	–
520 – 530	**1**	–
550 – 560	**–**	1
590 – 600	**1**	–
690 – 700	**2**	–
Total	**115**	**113**

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-11	Purchase (1)	BayWa Acquisition (2)	Sale (3)	Dec-12
B.M. D'Ath	–	–	–	–	–
– held by associated party	17,587	–	–	(17,587)	–
M.R. Dossor	141,659	–	–	–	141,659
C.J. Symmans	5,200	–	(5,200)	–	–
R.J. Campbell	–	–	–	–	–
– held by associated party	10,399	–	(10,399)	–	–
Sir J.A. Anderson	–	30,000	–	–	30,000

As detailed above the only shares acquired or sold during the year 31 December 2012 in which Directors held 'relevant interests' were in relation to:

(1) 30,000 shares acquired on-market by Sir J.A. Anderson at $1.62 per share on 26 September 2012.

(2) Shares sold to BayWa Aktiengesellschaft on 7 March 2012 at $1.85 per share, under the terms of its takeover offer to acquire the equity securities in Turners & Growers Limited.

(3) 17,587 shares sold on-market by B.M. D'Ath at $1.65 per share on 13 December 2012.

All three tranches of Mr J.M. Wesley's share options vested in August 2008, 2009 and 2010. As Mr J.M. Wesley left the Company during 2012 all the share options have been forfeited.

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 $36,762 (2011: $32,288).

Information used by Directors

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

Interested transactions

No Directors disclosed the existence of any transactions with Turners & Growers Limited during the twelve months in which they held an interest, other than 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 Icaza is a senior executive, are interested transactions.

(2) Turners & Growers Fresh Limited, ENZA Limited, and Delica Limited sold produce on behalf of a company with whom Mr B.M. D'Ath is associated. These supplies were made at arms length at the Group's standard commission rates and service charges.

Further details are provided in note 34 of the financial statements.

NZSX waiver from Listing Rule 5.2.3

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

As BayWa Aktiengesellschaft, Bartel Holdings Limited and First NZ Capital Custodians Limited are not considered members of the public for the purpose of the Listing Rules, less than 25% of the quoted securities of Turners & Growers Limited are held by members of the public and therefore the Company does not meet the requirements of Rule 5.2.3.

NZSX granted TUR a waiver from Rule 5.2.3 under the following conditions:

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

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

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

Substantial shareholders

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

The following parties are recorded by the Company as at 9 February 2013 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Markets Act 1988:

BayWa Aktiengesellschaft	85,497,789
Bartel Holdings Ltd – (Pacific Fruit Group)	14,351,326
First NZ Capital Custodians Ltd – (Scales Corporation)	12,059,917

The total number of voting securities issued by the Company as at 9 February 2013 was 117,010,550.

Twenty largest shareholders

As at 9 February 2013

Name	Units	Percentage of issued capital
BayWa Aktiengesellschaft	85,497,789	73.07%
Bartel Holdings Limited	14,351,326	12.26%
First NZ Capital Custodians Limited	12,059,917	10.31%
D.W. Browne, J.F. Browne & M.R. Bangma	236,607	0.20%
R.B. Connell	210,486	0.18%
R.J. Turner, C.E. Turner, Redoubt Trustees & Evans Pennell Trustees	202,689	0.17%
S.J. Turner, C.M. Turner & D.H. Turner	184,008	0.16%
M.R. Dossor	141,659	0.12%
FNZ Custodians Limited	141,450	0.12%
L.R. Hotham	96,077	0.08%
The Wellington Diocesan Board of Trustees	93,000	0.08%
P.J.S. Rowland	88,527	0.08%
ASB Nominees Limited	78,501	0.07%
G.J. King	73,591	0.06%
G. Merkulov	73,591	0.06%
R.A. Dennis	67,260	0.06%
C.F. Harris	62,010	0.05%
M. McCabe & P. McCabe	59,072	0.05%
E.M. Wood, L.A. Wood & B.L. Wood	53,237	0.05%
R.M. Scott	50,404	0.04%
Total 20 shareholders	**113,821,201**	**97.27%**

Spread of security holders

As at 9 February 2013

Range	Total holders	Percentage of total holders	Units	Percentage of issued capital
1 – 499	45	7.80%	11,462	0.01%
500 – 999	90	15.60%	65,897	0.06%
1,000 – 1,999	123	21.32%	169,737	0.15%
2,000 – 4,999	123	21.32%	384,176	0.33%
5,000 – 9,999	83	14.38%	588,465	0.50%
10,000 – 49,999	93	16.12%	1,969,612	1.68%
50,000 – 99,999	11	1.90%	795,270	0.68%
100,000 – 499,999	6	1.04%	1,116,899	0.95%
500,000 – 999,999	–	0.00%	–	0.00%
1,000,000 – above	3	0.52%	111,909,032	95.64%
Total	**577**	**100.00%**	**117,010,550**	**100.00%**

Domicile of shareholders

As at 9 February 2013

Location	Holders	Percentage of total holders	Units
New Zealand	557	96.54%	31,380,874
Australia	14	2.44%	86,804
United States of America	1	0.17%	20,059
Singapore	1	0.17%	10,000
Philippines	1	0.17%	11,766
Bahrain	1	0.17%	2,000
Germany	1	0.17%	85,497,789
Hong Kong	1	0.17%	1,258
Total	**577**	**100.00%**	**117,010,550**

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

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Independent Auditors' Report

Deloitte.

To the shareholders of Turners & Growers Limited

Report on the Financial Statements

We have audited the financial statements of Turners & Growers Limited and group on pages 25 to 90, which comprise the consolidated and separate balance sheets of Turners & Growers Limited, as at 31 December 2012, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

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

Deloitte.

Opinion

In our opinion, the financial statements on pages 25 to 90:

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

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of Turners & Growers Limited and group as at 31 December 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2012:

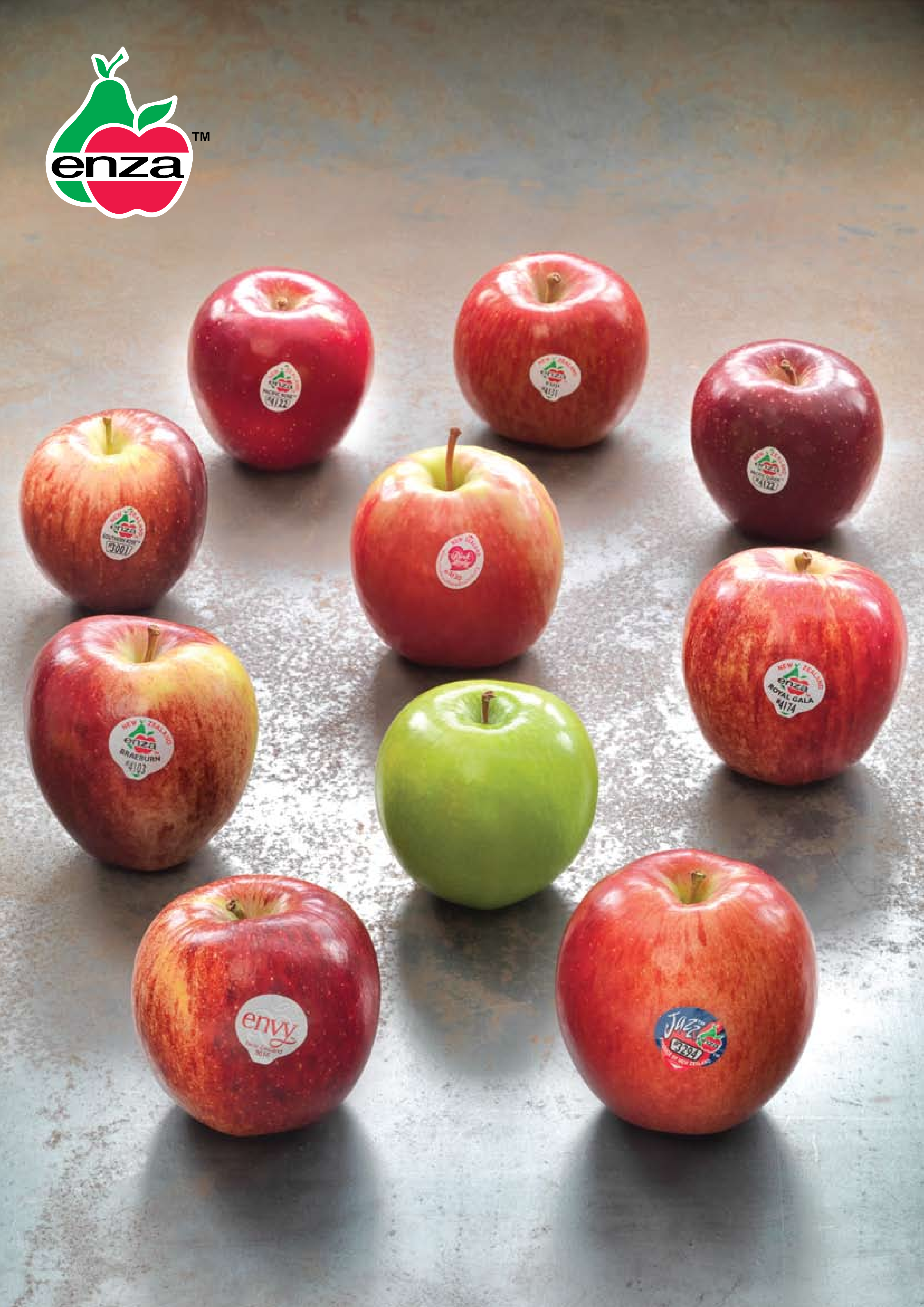
(i) we have obtained all the information and explanations we have required; and

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

Deloitte

Chartered Accountants
15 March 2013
Auckland, New Zealand

This audit report relates to the financial statements of Turners & Growers Limited and group for the year ended 31 December 2012 included on Turners & Growers Limited's website. Turners & Growers Limited's Board of Directors are responsible for the maintenance and integrity of Turners & Growers Limited's website. We have not been engaged to report on the integrity of Turners & Growers Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 15 March 2013 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.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INCOME STATEMENTS

For the year ended 31 December

		Group		Parent	
		2012	2011	**2012**	2011
	Notes	**$'000**	$'000	**$'000**	$'000
Revenue	5	**669,137**	645,114	**3,185**	3,209
Cost of sales		**(494,192)**	(477,184)	**–**	–
Gross profit		**174,945**	167,930	**3,185**	3,209
Other operating income	6	**1,145**	3,866	**27,990**	29,327
Administration expenses	7,8	**(27,491)**	(24,129)	**(54,287)**	(50,707)
Other operating expenses	7,8	**(162,901)**	(153,763)	**(453)**	(9,177)
Operating (loss) / profit		**(14,302)**	(6,096)	**(23,565)**	(27,348)
Financial expenses	9	**(6,914)**	(7,664)	**(8,018)**	(7,944)
Financial income	9	**1,215**	933	**10,851**	9,196
Net financing (costs) / income		**(5,699)**	(6,731)	**2,883**	1,252
Share of profit from associates and joint ventures	24	**1,947**	2,062	**–**	–
(Loss) / profit before income tax		**(18,054)**	(10,765)	**(20,732)**	(26,096)
Income tax credit / (expense)	10	**4,776**	(8,116)	**(1,366)**	(1,465)
(Loss) / profit for the year from continuing operations		**(13,278)**	(18,881)	**(22,098)**	(27,561)
Attributable to:					
Equity holders of the parent		**(15,292)**	(19,930)	**(22,098)**	(27,561)
Non-controlling interests		**2,014**	1,049	**–**	–
(Loss) / profit for the year		**(13,278)**	(18,881)	**(22,098)**	(27,561)
Earnings per share					
Basic earnings (in cents)	30	**(13.1)**	(17.2)		
Diluted earnings (in cents)	30	**(13.1)**	(17.2)		
Dividends per share (in cents)	29	**–**	6*		

*On electing shares only.

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

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	Group 2012 $'000	Group 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
(Loss) / profit for the year		**(13,278)**	(18,881)	**(22,098)**	(27,561)
Other comprehensive income / (expense)					
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of land and improvements and buildings, net of tax	28	**7,399**	4,639	**–**	–
Share of associate's and joint venture's gain on revaluation of land and improvements and buildings, net of tax	28	**651**	–	**–**	–
		8,050	4,639	**–**	–
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	28	**(1,075)**	(7)	**–**	–
Effective portion of changes in fair value of cash flow hedges, net of tax	28	**2,028**	(1,786)	**(37)**	(11)
Net change in fair value of cash flow hedges reclassified from equity to income statement	28	**(1,433)**	2,310	**31**	58
		(480)	517	**(6)**	47
Other comprehensive income / (expense) for the year		**7,570**	5,156	**(6)**	47
Total comprehensive (expense) / income for the year		**(5,708)**	(13,725)	**(22,104)**	(27,514)
Total comprehensive (expense) / income for the year is attributable to:					
Equity holders of the parent		**(7,790)**	(14,774)	**(22,104)**	(27,514)
Non-controlling interests		**2,082**	1,049	**–**	–
		(5,708)	(13,725)	**(22,104)**	(27,514)

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December

		Attributable to equity holders of the Parent						
Group	Notes	**Share capital $'000**	**Revaluation reserve $'000**	**Other reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 January 2011		160,678	59,471	(646)	76,947	296,450	4,379	300,829
Comprehensive income / (expense)								
(Loss) / profit for the year		–	–	–	(19,930)	(19,930)	1,049	(18,881)
Other comprehensive income / (expense)								
Revaluation of land and improvements and buildings	28	–	4,639	–	–	4,639	–	4,639
Currency translation differences	28	–	–	(7)	–	(7)	–	(7)
Movement in cash flow hedge reserve	28	–	–	524	–	524	–	524
Total other comprehensive income / (expense)		–	4,639	517	–	5,156	–	5,156
Total comprehensive income / (expense)		–	4,639	517	(19,930)	(14,774)	1,049	(13,725)
Transactions with owners								
Issue of share capital	28	4,469	–	–	–	4,469	–	4,469
Dividends	29	–	–	–	(5,127)	(5,127)	(174)	(5,301)
Changes in ownership interests in subsidiaries that do not result in loss of control:								
Decrease of non-controlling interest's investment in subsidiary		–	–	–	–	–	(437)	(437)
Investment from non-controlling interest		–	–	–	–	–	302	302
Premium on Group's investment in subsidiary		–	–	–	(160)	(160)	(68)	(228)
Total transactions with owners		4,469	–	–	(5,287)	(818)	(377)	(1,195)
Movement in share option reserve	31	–	–	(46)	–	(46)	–	(46)
Balance at 31 December 2011		165,147	64,110	(175)	51,730	280,812	5,051	285,863

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

STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended 31 December

		Attributable to equity holders of the Parent						
Group	Notes	Share capital $'000	Revaluation reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2012		**165,147**	**64,110**	**(175)**	**51,730**	**280,812**	**5,051**	**285,863**
Comprehensive (expense) / income								
(Loss) / profit for the year		–	–	–	(15,292)	(15,292)	2,014	(13,278)
Other comprehensive income / (expense)								
Revaluation of land and improvements and buildings	28	–	7,399	–	–	7,399	–	7,399
Share of associate's and joint venture's revaluation of land and improvements and buildings	28	–	651	–	–	651	–	651
Currency translation differences	28	–	–	(1,143)	–	(1,143)	68	(1,075)
Movement in cash flow hedge reserve	28	–	–	595	–	595	–	595
Total other comprehensive income		–	8,050	(548)	–	7,502	68	7,570
Total comprehensive income / (expense)		–	8,050	(548)	(15,292)	(7,790)	2,082	(5,708)
Transactions with owners								
Dividends	29	–	–	–	–	–	(625)	(625)
Other		–	–	–	76	76	(76)	–
Total transactions with owners		–	–	–	76	76	(701)	(625)
Movement in share option reserve	31	–	–	(472)	472	–	–	–
Transfer from asset revaluation reserve due to asset disposal		–	(3,060)	–	3,060	–	–	–
Balance at 31 December 2012		**165,147**	**69,100**	**(1,195)**	**40,046**	**273,098**	**6,432**	**279,530**

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

STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended 31 December

Parent	Notes	Share capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2011		160,678	533	3,271	164,482
Comprehensive (expense) / income					
(Loss) / profit for the year		–	–	(27,561)	(27,561)
Other comprehensive income					
Movement in cash flow hedge reserve	28	–	47	–	47
Total other comprehensive income		–	47	–	47
Total comprehensive income / (expense)		–	47	(27,561)	(27,514)
Transactions with owners					
Issue of share capital	28	4,469	–	–	4,469
Dividends	29	–	–	(5,127)	(5,127)
Total transactions with owners		4,469	–	(5,127)	(658)
Movement in share option reserve	31	–	(46)	–	(46)
Balance at 31 December 2011		165,147	534	(29,417)	136,264
Balance at 1 January 2012		**165,147**	**534**	**(29,417)**	**136,264**
Comprehensive income					
(Loss) / profit for the year		**–**	**–**	**(22,098)**	**(22,098)**
Other comprehensive (expense)					
Movement in cash flow hedge reserve	28	**–**	**(6)**	**–**	**(6)**
Total other comprehensive (expense)		**–**	**(6)**	**–**	**(6)**
Total comprehensive (expense) / income		**–**	**(6)**	**(22,098)**	**(22,104)**
Transactions with owners					
Movement in share option reserve	31	**–**	**(472)**	**472**	**–**
Balance at 31 December 2012		**165,147**	**56**	**(51,043)**	**114,160**

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

BALANCE SHEETS

As at 31 December

		Group		Parent		
		2012	2011	**2012**	2011	2010
	Notes	**$'000**	$'000	**$'000**	$'000	$'000
Current assets						
Cash and cash equivalents	12	**15,994**	12,775	**4,193**	2,162	328
Trade and other receivables	13	**75,997**	86,547	**7,605**	7,469	12,162
Inventories	14	**43,103**	34,814	**–**	–	–
Taxation receivable		**3,498**	3,865	**4,390**	7,027	8,380
Biological assets	17	**1,111**	1,344	**–**	–	–
Non-current assets classified as held for sale	16	**16,712**	–	**–**	–	–
Total current assets		**156,415**	139,345	**16,188**	16,658	20,870
Non-current assets						
Trade and other receivables	13	**2,142**	3,556	**147,381**	166,019	147,865
Available-for-sale investments	18	**201**	345	**7**	7	7
Biological assets	17	**16,847**	30,276	**–**	–	–
Property, plant and equipment	19	**253,816**	275,517	**1,648**	2,044	2,672
Investment properties	20	**–**	–	**28,465**	29,132	29,069
Intangible assets	21	**12,960**	18,048	**5,391**	6,973	7,132
Investments in subsidiaries	22	**–**	–	**146,013**	146,013	145,978
Investments in associates and joint ventures	24	**16,314**	15,730	**89**	189	4,559
Total non-current assets		**302,280**	343,472	**328,994**	350,377	337,282
Total assets		**458,695**	482,817	**345,182**	367,035	358,152
Current liabilities						
Trade and other payables	26	**79,034**	80,309	**148,393**	137,823	128,808
Interest bearing loans and borrowings	27	**1,186**	10,028	**–**	10,000	16,500
Total current liabilities		**80,220**	90,337	**148,393**	147,823	145,308
Non-current liabilities						
Trade and other payables	26	**501**	948	**–**	–	–
Interest bearing loans and borrowings	27	**80,185**	80,143	**80,000**	80,000	45,000
Deferred tax liabilities	25	**18,259**	25,526	**2,629**	2,948	3,362
Total non-current liabilities		**98,945**	106,617	**82,629**	82,948	48,362
Total liabilities		**179,165**	196,954	**231,022**	230,771	193,670
Net assets		**279,530**	285,863	**114,160**	136,264	164,482
Equity						
Share capital	28	**165,147**	165,147	**165,147**	165,147	160,678
Other reserves	28,31	**67,905**	63,935	**56**	534	533
Retained earnings		**40,046**	51,730	**(51,043)**	(29,417)	3,271
Total equity attributable to equity holders of the parent		**273,098**	280,812	**114,160**	136,264	164,482
Non-controlling interests		**6,432**	5,051	**–**	–	–
Total equity		**279,530**	285,863	**114,160**	136,264	164,482
Net tangible assets per share		**$2.28**	$2.29	**$0.93**	$1.10	$1.39

K.J. Lutz
Director (Chairman)
15 March 2013

C.A. Campbell
Director
15 March 2013

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December

	Notes	Group 2012 $'000	Group 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Cash flows from operating activities					
Cash was provided from:					
Cash receipts from customers		**960,787**	935,155	**472**	727
Dividends received		**49**	31	**3**	3
Interest received		**741**	236	**847**	227
Income tax refund		**–**	–	**88**	378
Cash was disbursed to:					
Payments to suppliers and employees		**(927,275)**	(898,840)	**(26,418)**	(19,570)
Interest paid		**(6,986)**	(7,567)	**(5,223)**	(4,870)
Income taxes paid		**(2,916)**	(2,433)	**–**	–
Net cash generated by / (used in) operating activities	37	**24,400**	26,582	**(30,231)**	(23,105)
Cash flows from investing activities					
Cash was provided from:					
Dividends received from associates and joint ventures	24	**2,029**	1,442	**–**	–
Dividends received from subsidiaries		**–**	–	**1,260**	5,350
External loan repayments from suppliers, customers and associates and joint ventures		**1,114**	798	**–**	632
Proceeds from sale of property, plant and equipment		**4,553**	1,262	**50**	8
Advances from subsidiaries		**–**	–	**50,637**	46,774
Cash received from non-controlling interests on formation of subsidiaries		**–**	302	**–**	–
Cash acquired on purchase of subsidiary		**–**	139	**–**	–
Cash was disbursed to:					
Purchase of property, plant and equipment, biological assets and investment properties	17,19,20	**(17,305)**	(18,360)	**(679)**	(496)
Purchase of intangible assets	21	**(1,256)**	(2,268)	**(557)**	(1,560)
Purchase of available-for-sale investments	18	**–**	(16)	**–**	–
Purchase of non-controlling interest's share in subsidiary		**–**	(665)	**–**	–
Advances to subsidiaries		**–**	–	**(8,449)**	(48,392)
Purchase of joint venture	24	**(199)**	(200)	**–**	–
External loans to suppliers, customers and associates and joint ventures		**–**	(6,394)	**–**	(750)
Net cash (used in) / generated by investing activities		**(11,064)**	(23,960)	**42,262**	1,566
Cash flows from financing activities					
Cash was provided from:					
Proceeds from bank term loans		**29,400**	45,000	**29,400**	45,000
Cash was disbursed to:					
Dividends paid to parent shareholders	29	**–**	(5,127)	**–**	(5,127)
Dividends paid to non-controlling interests	29	**(625)**	(174)	**–**	–
Bank commercial bill facility and term loan repayments		**(38,480)**	(48,073)	**(39,400)**	(16,500)
Net cash (used in) / generated by financing activities		**(9,705)**	(8,374)	**(10,000)**	23,373
Net increase / (decrease) in cash and cash equivalents		**3,631**	(5,752)	**2,031**	1,834
Foreign currency translation adjustment		**(412)**	113	**–**	–
Cash and cash equivalents at beginning of year		**12,775**	18,414	**2,162**	328
Cash and cash equivalents at end of year	12	**15,994**	12,775	**4,193**	2,162

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 (the Company) is a company domiciled in New Zealand and listed on the New Zealand Stock Exchange. The consolidated financial statements of the Group for the year ended 31 December 2012 comprise the Company and its subsidiaries (the Group) and the Group's interest in associates and joint ventures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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 improvements 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 2012.

These financial statements were authorised for issue by the Board of Directors on 15 March 2013. 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 acquisition method, and include the results of associates and joint ventures using the equity method.

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

Group

- Imputation Credits: Prior year balances restated to account for the Group applying FRS 44 (refer note 11).
- Property, plant and equipment: Prior year balances reclassified to account for reclassification of orchard land and improvements from 'Plant and equipment' to 'Land and improvements' (refer note 19).
- Biological assets: During the year, it was determined that only tomatoes were to be classified as current assets. This has led to a restatement of prior year balances to account for reclassification of all other biological assets from current to non-current (refer note 17).

Parent

- Intercompany receivables owing to the Parent: Due to the downward revaluation of the Group's growing operation in 2010 and 2011, the Company has concluded that the amounts owing to the Parent from those subsidiaries were impaired. In addition, amounts still considered to be collectible were unlikely to have been receivable within twelve months so have been reclassified from current to non-current assets in the Parent financial statements.

	Original 31 Dec 2011 $'000s	Restated 31 Dec 2011 $'000s	Restatement 31 Dec 2011 $'000s
Parent			
Impact on restated Balance Sheet			
Trade and other receivables current	211,225	7,469	(203,756)
Trade and other receivables non-current	–	166,019	166,019
Retained earnings	(8,320)	29,417	37,737
Impact on restated Income Statement			
Administration expenses	(24,735)	(50,707)	(25,972)
Profit / (loss) for the year	(1,589)	(27,561)	(25,972)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Original 31 Dec 2010 $'000s	Restated 31 Dec 2010 $'000s	Restatement 31 Dec 2010 $'000s
Parent			
Impact on restated Balance Sheet			
Trade and other receivables current	170,999	12,162	(158,837)
Trade and other receivables non-current	793	147,865	147,072
Retained earnings	(15,036)	(3,271)	11,765

– Cash receipts from customers and advances to subsidiaries in the Parent cashflow: Historically intercompany charges from the Parent to its subsidiaries have been presented as cash receipts from customers and advances to subsidiaries as the Parent operates a centralised treasury function on behalf the Group. Prior year balances have been restated to exclude these charges.

Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Acquisition related costs are expensed as incurred.

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Foreign operations

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

(iii) Transactions

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

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

Segment reporting

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

Property, plant and equipment

(i) Initial recording

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

(ii) Subsequent costs

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

(iii) Revaluations

Land and improvements 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 improvements 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 date. Any increase in the value is recognised directly in other comprehensive income and accumulated in the asset revaluation reserve. Any decrease in value that offsets a previous increase in value of the same asset is charged against the revaluation reserve, any other decrease in value is charged to the income statement.

(iv) Depreciation

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

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

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

(v) Reclassifications

During the year, orchard structures and land and buildings relating to orchards were reclassified from 'Plant and equipment' to 'Land and improvements'. The prior year balances have also been reclassified to ensure consistency with the current year (refer note 19).

Leased assets

(i) The Group is the lessee

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(ii) The Group is the lessor

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

Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is recorded at cost less any accumulated impairment losses.

(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 date. Acquired patents, trademarks, brands and licenses are amortised over their anticipated useful lives of 10-25 years where they have a finite life.

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

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

(iii) Research and development

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

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

Investment properties

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 and 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 arising from a change in fair value are recognised in the income statement as part of 'other operating income'. Any losses arising from a change in fair value are recognised in the income statement as part of 'other operating expenses'.

Inventories

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

Biological assets

Biological assets are stated at fair value 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 excludes 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Trade and other receivables

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

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

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

Cash and cash equivalents

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

Impairment of non-financial assets

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

(iv) Share based compensation

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

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

Dividends

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

Provisions

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

Trade and other payables

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

Investments and other financial assets

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

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

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

(ii) Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Available-for-sale financial assets

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

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

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

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

The Group assesses at each balance date whether there is objective evidence that a financial asset 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.

Financial guarantees

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

Derivatives and hedging activities

The Group is party to the following financial derivatives:

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

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

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

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

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques as set out in note 35 (e).

Revenue

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

(i) Goods sold and services rendered

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

(ii) Royalty income

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

(iii) Rental income

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

(iv) Interest income

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

(v) Dividend income

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

Expenses

Net financing 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, and interest receivable on funds invested.

Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in 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 date, and any adjustment to tax payable in respect of previous years.

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

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

Goods and Services Tax (GST)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

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

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

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

Standards, amendments, and interpretations effective in 2012

There are no standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group. The following amendment has been adopted by the Group in the current year:

- **NZ IAS 12, 'Amendment to recovery of underlying assets'.** The amendment requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale, and introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. There was no change in the recognition of deferred tax as a result of this amendment.

The following amendment has been early adopted by the Group in the current year:

- **Amendments to NZ IAS 1, 'Presentation of Financial Statements', 2009–2011 Improvement programme.** Reduces the requirements for comparative information which is not necessary for periods beyond the minimum comparative financial statement requirements of NZ IAS 1 in the event of a change in accounting policy, reclassification or restatement. The amendment also requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This has not affected the measurement of any of the items recognised in the balance sheet or the income statement in the current period.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

New standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the External Reporting Board in New Zealand (XRB) have been published that will be mandatory for the Group's accounting periods beginning on or after 1 January 2013. None of these standards have been early adopted by the Group. The relevant new standards, amendments and interpretations include:

- **NZ IAS 27, 'Separate financial statements' (Revised).** NZ IAS 27 is renamed 'Separate Financial Statements' and is now a standard dealing solely with separate financial statements. Application of this standard by the Group and parent entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Parent's investments in the separate parent entity financial statements. The Group will adopt NZ IAS 27 from 1 January 2013.

- **NZ IAS 28, 'Investments in associates and joint ventures'.** Amendments to NZ IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a partial disposal concept. The Group does not expect any material impact from adopting this amendment. The Group will adopt the amendments to NZ IAS 28 from 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **NZ IFRS 9, 'Financial instruments'.** This addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009 and updated in October 2010. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement unless this creates an accounting mismatch. The Group is yet to assess NZ IFRS 9's full impact and intends to adopt NZ IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

- **NZ IFRS 10, 'Consolidated financial statements'.** NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 'Consolidated and Separate Financial Statements', and NZ SIC 12 'Consolidation Special Purpose Entities'. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent / principal relationships. The Group has assessed the impact of adopting this standard and deems there to be no significant impact on its composition. The Group will adopt NZ IFRS 10 from 1 January 2013.

- **NZ IFRS 11, 'Joint arrangements'.** NZ IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. NZ IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group has assessed the impact of adopting this standard and deems there to be no significant impact. The Group will adopt NZ IFRS 11 from 1 January 2013.

- **NZ IFRS 12, 'Disclosures of interests in other entities'.** NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, NZ IFRS 10 and NZ IFRS 11, and replaces the disclosure requirements currently found in NZ IAS 28. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments. The Group will adopt NZ IFRS 12 from 1 January 2013.

- **NZ IFRS 13, 'Fair value measurement'.** NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group will adopt NZ IFRS 13 from 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Goodwill

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

(ii) Valuation of land and improvements and buildings

In accordance with its accounting policy the Group revalues its properties at least once every three years. The valuations, which are performed by independent valuers, are based on the 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 most common and accepted methods for assessing the current market value of a property are the direct capitalisation, discounted cash flow and sales / market comparison approaches. The direct capitalisation and discounted cash flow approaches derive a value based on market capitalisation rates applying to recent comparable transactions, contract rentals, expected future market rentals, maintenance requirements and appropriate discount rates. Under the sales / market comparison approach a value is determined utilising market based evidence and transactions for properties with similar locations, condition and quality of accommodation.

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

As at 31 December 2012, in accordance with its accounting policy, the Group has recorded a gain on revaluation net of tax of $8.1 million (2011: gain of $4.6 million) in equity, primarily arising from an increase in value in buildings. The Group has also recorded a loss on revaluation of $8.2 million (2011: loss of $10.4 million) in the income statement, primarily resulting from a decrease in rural land valuations. Changes in the estimates and assumptions underlying the valuation approaches adopted could have a material effect on the carrying amounts of the properties, with changes in value reflected either directly in equity or through the income statement as appropriate in accordance with the Group's accounting policy.

(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 by independent valuers using a discounted cash flow approach, the most common method of valuation used by the industry.

The discounted cash flow approach involves estimates as to future market pricing and expected levels of production, with an assessment made about the long-term future returns for each variety. Specifically, the valuations of Turners & Growers kiwifruit assets assume that future crops will be impacted by the PSA-V disease based on the pattern of viral spread observed overseas within New Zealand. Due to a positive PSA-V result the valuer has placed no value on kiwifruit vines. Furthermore, the lemon tree and apple tree values have been written down due to concerns over the on-going profitability of these operations.

Costs are based on current average costs and, where applicable, referenced back to industry standard costs. The costs are variable depending on the biological asset's location, planting, age and the varieties being assessed. A suitable discount rate has been determined in order to calculate the present value of those cash flows. The fair value of biological crops (tomatoes, apples, 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 (refer to note 17).

As at 31 December 2012, the Group has recorded in the income statement a decrease in the fair value of biological assets of $15.6 million (2011: decrease of $17.5 million). Changes in the estimates and assumptions supporting the valuations could have a material impact on the carrying value of biological assets and reported profit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(iv) Valuation of investment properties

The Parent's property investments (refer to note 20) are measured at fair value with gains or losses arising from a change in fair value recognised in the income statement. As at 31 December 2012, the Group has recorded in the income statement a decrease in the fair value of investment properties of $679,000 (2011: increase of $63,000). The valuation approaches adopted for investment properties are the same as those used for the valuation of the Group's land and buildings (refer to (ii) above). Changes in these estimates could have a material impact on the carrying value of investment properties and reported profit.

(v) Crate return liability

The Group balance sheet includes a liability of $14.3 million (2011: $13.8 million) for FruitCase 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 Directors' best estimate based on information available at balance date. The Directors' estimate is regularly revised based on the non-return rate of individual crate lines that have been discontinued. Should future non-return rates differ from historic practice and the Directors' estimates, then this could have a material impact on the carrying amount of the liability. If the non-return rate changed by +/- 5% there would be a $0.8 million decrease / increase in the value of the crate deposit liability.

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

(vi) Write-off of tax losses in Inglis Horticulture Limited

As a result of the acquisition of a majority shareholding in the Group by BayWa, shareholder continuity with Turners & Growers' Inglis subsidiary was lost and accumulated tax losses forfeited in 2011. Furthermore, the Directors also considered that it was not probable that sufficient future taxable profit would be generated by Inglis against which the tax losses could be utilised. Consequently, the Directors decided to write off the deferred tax asset of $8.5 million through tax expense. This was a one-off non-cash adjustment in the Group's prior year income statement.

(vii) Provision for transaction fee for sale of business

In 2011, the Directors created a $3.1 million provision for the transaction fee payable on the unconditional sale of a controlling interest in Turners & Growers. The fee represented an obligation to Turners & Growers which did not generate any benefit to Turners & Growers, as the benefit accrued to Turners & Growers shareholders rather than the Company itself and could not be recovered from BayWa (the acquirer) or Guinness Peat Group (the vendor). Consequently the provision was recognised in 'administration expenses' in both the Group and Parent prior year income statement.

(viii) Impairment of investment in subsidiary in parent company

In 2011, due to the downward revaluation of Inglis Horticulture's land, buildings and orchards and the decline in its financial performance, the value of this company was significantly reduced. As a result the Directors concluded that the investment in subsidiary in the Parent accounts was impaired and written down to zero. This resulted in a one-off $8.9 million expense in the Parent prior year income statement with no impact on Group results.

(ix) Valuation of Plant Variety Rights

Due to the increasing spread of PSA-V throughout the New Zealand kiwifruit industry, the Directors decided that the value of the Hong Yang and ENZAGold™ kiwifruit plant variety right sub-licences were impaired and should be written down to zero. This has resulted in a one-off $3 million expense in the Group income statement. There is no impact on the Parent income statement.

(x) Provision for bad debts in China trading program

In 2012 the Directors decided to close ENZA's China trading program and at that time $1.9 million was owed to the Group by our trading representative in China. To date, collection of this debt has been unsuccessful and therefore a bad debt provision has been recognised resulting in a $1.9 million expense in the Group income statement. There is no impact on the results of the Parent.

(xi) Assessment of internal collectibility of intercompany receivables owing to the parent company

The Group's growing activities take place within subsidiaries which are funded by loans from the Parent. Significant changes in the valuation of biological assets (refer note 3(iii)) impact on the expected timing of repayments on the intercompany loans and on the assessment as to the recoverability of the Parent's receivables from subsidiaries. As at 31 December 2012, the Parent has recorded in 'administration expenses' in the income statement an impairment in the intercompany receivable of $25.6 million (2011: $26.0 million). The provision for irrecoverable receivables in the Parent now totals $63.4 million (2011: $37.7 million). As a result, changes in the estimates and assumptions supporting the biological asset valuations could also have a material impact on the carrying amount of intercompany receivables in the Parent financial statements.

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 Chief Executive Officer 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 the performance of the operating segments based on earnings before interest, tax and the share of profit / (loss) of associates and joint ventures, referred to as operating profit / (loss).

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

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

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

Operating segments

The Group comprises the following main operating segments:

Domestic – includes Markets, FruitCase Company and Imports

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

Processing – ENZAFoods New Zealand Limited

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

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

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

	Domestic $'000	Exports $'000	Processing $'000	Growing operations $'000	Other $'000	Total $'000
Year ended 31 December 2012						
Total segment revenue	**152,997**	**421,870**	**57,261**	**59,909**	**75,254**	**767,291**
Inter-segment revenue	**(9,463)**	**(62,893)**	**(19)**	**(14,934)**	**(10,845)**	**(98,154)**
Revenue from external customers	**143,534**	**358,977**	**57,242**	**44,975**	**64,409**	**669,137**
Depreciation	**4,770**	**3,610**	**2,300**	**3,614**	**731**	**15,025**
Amortisation	**979**	**846**	**47**	**318**	**272**	**2,462**
Impairment	**60**	**3,080**	**–**	**863**	**129**	**4,132**
Operating profit / (loss)	**1,508**	**2,899**	**3,319**	**(22,835)**	**807**	**(14,302)**
Year ended 31 December 2011						
Total segment revenue	162,317	351,298	54,228	63,936	78,209	709,988
Inter-segment revenue	(9,035)	(37,088)	(16)	(9,013)	(9,722)	(64,874)
Revenue from external customers	153,282	314,210	54,212	54,923	68,487	645,114
Depreciation	4,915	3,800	2,145	3,841	782	15,483
Amortisation	1,009	1,280	51	286	270	2,896
Operating profit / (loss)	4,970	7,636	2,651	(24,796)	3,443	(6,096)

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENT INFORMATION (continued)

A reconciliation of operating loss to loss before tax is provided as follows:

	Group	
	2012	2011
	$'000	$'000
Operating loss for reportable segments	**(15,109)**	(9,539)
Other segments operating profit	**807**	3,443
Net financing costs	**(5,699)**	(6,731)
Share of profit of associates and joint ventures	**1,947**	2,062
Loss before tax	**(18,054)**	(10,765)

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	**261,900**	276,710
Australia	**88,737**	82,549
Other countries	**318,500**	285,855
	669,137	645,114

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	**287,935**	329,796
Australia	**4,119**	4,656
Other countries	**7,883**	5,119
	299,937	339,571

5 TOTAL REVENUE AND GROSS TURNOVER

	Group		Parent	
	2012	2011	**2012**	2011
Revenue	**$'000**	$'000	**$'000**	$'000
Sales of goods – as principal	**573,776**	548,052	**–**	–
Commissions	**32,185**	29,644	**–**	–
Services	**57,514**	60,022	**121**	150
Royalties	**3,923**	5,775	**–**	–
Rental income	**1,739**	1,621	**–**	–
Rental income from investment property	**–**	–	**3,064**	3,059
Total revenue	**669,137**	645,114	**3,185**	3,209

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 TOTAL REVENUE AND GROSS TURNOVER (continued)

	Group		Parent	
	2012	2011	**2012**	2011
Gross turnover	**$'000**	$'000	**$'000**	$'000
Sale of goods – as principal	**573,776**	548,052	**–**	–
Sale of goods – as agent	**314,770**	307,163	**–**	–
Services	**57,514**	60,022	**121**	150
Royalties	**3,923**	5,775	**–**	–
Rental income	**1,739**	1,621	**–**	–
Rental income from investment property	**–**	–	**3,064**	3,059
	951,722	922,633	**3,185**	3,209

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

6 OTHER OPERATING INCOME

		Group		Parent	
		2012	2011	**2012**	2011
	Notes	**$'000**	$'000	**$'000**	$'000
Fair value adjustments of investment property	20	**–**	–	**–**	63
Net gain on disposal of property, plant and equipment		**–**	285	**9**	–
Net exchange gains		**979**	3,487	**–**	–
Net fair value gain on derivative instruments		**166**	93	**–**	–
Management fee received from subsidiaries	34	**–**	–	**26,718**	23,911
Dividends received from subsidiaries		**–**	–	**1,260**	5,350
Other dividend income		**–**	–	**3**	3
Discount on acquisition of subsidiary	23	**–**	1	**–**	–
Total other operating income		**1,145**	3,866	**27,990**	29,327

7 OTHER OPERATING EXPENSES AND ADMINISTRATION EXPENSES

		Group		Parent	
		2012	2011	**2012**	2011
	Notes	**$'000**	$'000	**$'000**	$'000
Depreciation	19	**15,025**	15,483	**997**	1,104
Amortisation	21	**2,462**	2,896	**2,128**	1,719
Fair value adjustments of investment property	20	**–**	–	**679**	–
Net loss on revaluation of property, plant and equipment		**8,170**	10,372	**–**	–
Net exchange losses		**–**	–	**61**	91
Research and development		**1,029**	759	**65**	24
Rental expense on operating leases		**10,834**	11,400	**466**	435
Loss from changes in fair value of available-for-sale investments		**158**	–	**–**	–
Loss from changes in fair value of biological assets	17	**15,632**	17,517	**–**	–
Net loss on disposal of property, plant and equipment		**1,320**	–	**–**	–
Donations		**–**	25	**–**	5
Impairment of investment in subsidiary	3 (viii)	**–**	–	**–**	8,887
Impairment of glasshouses	19	**383**	–	**–**	–
Impairment of plant variety rights	21	**3,080**	–	**–**	–
Impairment of other intangibles	21	**669**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 OTHER OPERATING EXPENSES AND ADMINISTRATION EXPENSES (continued)

		Group		Parent	
		2012	2011	**2012**	2011
	Notes	**$'000**	$'000	**$'000**	$'000
Transaction fee for sale of business	3 (vii)	**–**	3,100	**–**	3,100
Reversal of unused provision for receivables	13	**(72)**	(50)	**–**	–
Provision for receivables impairment	13	**2,241**	161	**25,622**	25,972
Receivables written off (not provided for)		**56**	305	**–**	33
Directors' fees		**454**	441	**454**	441
Auditors' fees					
PricewaterhouseCoopers					
Audit of the financial statements			524		438
Taxation services			339		321
Other			34*		–
Auditors' fees					
Deloitte					
Audit of the financial statements		**509**	–	**168**	–
Taxation services		**234**	–	**234**	–
Audit services – other auditors		**4**	47	**–**	–

Audit and tax services performed by Deloitte in 2012 comprise the following types of services:
- Audit of statutory financial statements for the Group, Parent and individual subsidiary companies, including offshore subsidiaries with local statutory audit requirements where Deloitte is the auditor.
- Providing advice on the Group's transfer pricing policies.

Taxation services provided by PricewaterhouseCoopers in 2011 include:
- Tax returns, assistance with IRD risk review.
- Tax provision review, review of tax calculations, assurance on tax implications.

*Comprises fees for the license for the financial reporting software to certain group companies other than the Parent.

8 EMPLOYEE BENEFIT AND EXPENSE

		Group		Parent	
		2012	2011	**2012**	2011
	Note	**$'000**	$'000	**$'000**	$'000
Wages and salaries		**67,785**	66,122	**9,281**	8,233
Other employment costs		**11,820**	9,263	**2,624**	1,444
Contributions to defined contribution plans		**979**	764	**118**	89
Share options expense	31	**–**	(46)	**–**	(46)
Termination benefits		**4,088**	–	**4,088**	–
		84,672	76,103	**16,111**	9,720

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 NET FINANCING COSTS

	Notes	Group 2012 $'000	Group 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Finance costs					
Interest paid on bank borrowings		**6,914**	7,664	**5,197**	5,039
Interest paid on intercompany borrowings	34	**–**	–	**2,821**	2,905
Total finance costs		**6,914**	7,664	**8,018**	7,944
Finance income					
Interest income		**(992)**	(889)	**(569)**	(504)
Interest received on intercompany balances	34	**–**	–	**(10,108)**	(8,631)
Other dividend income		**(49)**	(31)	**–**	–
Net fair value gain on interest rate swap		**(174)**	(13)	**(174)**	(61)
Total finance income		**(1,215)**	(933)	**(10,851)**	(9,196)
Net finance costs / (income)		**5,699**	6,731	**(2,833)**	(1,252)

10 INCOME TAX EXPENSE

Taxation on profit before tax	Notes	Group 2012 $'000	Group 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Income tax expense					
Current tax		**3,252**	5,504	**1,685**	1,879
Deferred tax	25	**(8,028)**	2,612	**(319)**	(414)
Total income tax (credit) / expense		**(4,776)**	8,116	**1,366**	1,465
Deferred tax expense					
Origination and reversal of temporary differences		**(8,028)**	(5,858)	**(319)**	(414)
Write off of tax losses	3 (vi)	**–**	8,470	**–**	–
Total deferred tax		**(8,028)**	2,612	**(319)**	(414)
Reconciliation of effective tax rate					
Loss before tax		**(18,054)**	(10,765)	**(20,732)**	(26,096)
Income tax at 28%		**(5,055)**	(3,014)	**(5,805)**	(7,307)
Non-deductible items		**32**	666	**7,290**	8,305
Non-taxable items		**(738)**	94	**48**	1,003
Revaluation of land and buildings		**577**	1,929	**(3)**	–
Write off of tax losses	3 (vi)	**–**	8,470	**–**	–
Under / (over) statement of prior year's provision		**141**	(474)	**248**	(378)
Other		**267**	445	**(412)**	(158)
Income tax (credit) / expense		**(4,776)**	8,116	**1,366**	1,465

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 IMPUTATION CREDITS

	Group		Parent	
	2012	2011	**2012**	2011
Imputation credit account	**$'000**	$'000	**$'000**	$'000
Imputation credits available for use in subsequent reporting periods	**1,521**	3,130	**506**	245
	1,521	3,130	**506**	245

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

Prior years comparatives have been restated to account for the Group applying FRS 44 'New Zealand Additional Disclosures' which requires imputation credits to be recorded on an accruals basis.

12 CASH AND CASH EQUIVALENTS

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Bank deposits and cash	**15,994**	12,775	**4,193**	2,162
	15,994	12,775	**4,193**	2,162

13 TRADE AND OTHER RECEIVABLES

		Group		Parent	
		2012	2011	**2012**	2011
	Notes	**$'000**	$'000	**$'000**	$'000
Current					
Trade receivables		**69,614**	80,028	**259**	30
Short-term loans		**643**	520	**196**	303
Prepayments		**2,638**	2,326	**754**	400
Derivative financial instruments	15	**823**	206	**–**	5
Owing by associates and joint ventures	34	**1,935**	2,680	**66**	66
Owing by subsidiaries	34	**–**	–	**6,045**	5,761
GST and other taxes		**344**	787	**285**	904
		75,997	86,547	**7,605**	7,469
Non-current					
Trade receivables		**577**	695	**–**	–
Other receivables		**1,230**	1,700	**–**	–
Owing by associates and joint ventures	34	**335**	1,161	**–**	–
Owing by subsidiaries	34	**–**	–	**147,381**	166,019
		2,142	3,556	**147,381**	166,019

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 TRADE AND OTHER RECEIVABLES (continued)

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Analysis of movements in provision for irrecoverable trade and other receivables:				
Balance at 1 January	**267**	359	**37,737**	11,765
Reversal of unused provision for receivables	**(72)**	(50)	**–**	–
Provision for receivables impairment	**2,241**	161	**25,622**	25,972
Receivables written off during the year as uncollectible	**(132)**	(203)	**–**	–
Balance at 31 December	**2,304**	267	**63,359**	37,737

14 INVENTORIES

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Raw materials and consumables	**7,463**	7,154	**–**	–
Finished goods and goods for sale	**35,640**	27,660	**–**	–
	43,103	34,814	**–**	–

The cost of inventories recognised as an expense and included in cost of sales amounted to $418 million (2011: $403 million). The Group wrote down inventories by $0.08 million (2011: $0.05 million).

15 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Current assets				
Forward foreign exchange contracts – cash flow hedges	**520**	142	**–**	5
Forward foreign exchange contracts – held-for-trading	**86**	64	**–**	–
Foreign currency options – cash flow hedges	**217**	–	**–**	–
	823	206	**–**	5
Current liabilities				
Forward foreign exchange contracts – cash flow hedges	**16**	–	**–**	–
Forward foreign exchange contracts – held-for-trading	**119**	219	**–**	–
Interest rate swap – held-for-trading	**65**	238	**64**	238
	200	457	**64**	238

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 12 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.

Interest rate swaps

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

16 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Land	**11,567**	–	**–**	–
Buildings	**5,145**	–	**–**	–
Total	**16,712**	–	**–**	–

(i) 3 Monahan Road, Mt Wellington

In October 2012, the Group's management committed to sell the land and building at 3 Monahan Road currently occupied by Floramax. No impairment loss was recognised on reclassification of the land and buildings as held for sale at 31 December 2012. The sale of 3 Monahan Road was completed on 23 January 2013 for $7.9 million.

(ii) 42 and 60 Favona Road, Mangere

In October 2012, the Group's management committed to sell the land and buildings currently occupied by Status Produce Limited at 42 and 60 Favona Road. Efforts to sell the land and buildings have commenced. No impairment loss was recognised on reclassification of the land and buildings as held for sale at 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 BIOLOGICAL ASSETS

		Group		Parent	
		2012	2011	**2012**	2011
Current	Notes	**$'000**	$'000	**$'000**	$'000
Balance at 1 January		**1,344**	1,290	**–**	–
Capitalised costs		**26,545**	24,042	**–**	–
Change in fair value less costs to sell	7	**423**	(143)	**–**	–
Decreases due to harvest		**(27,201)**	(23,845)	**–**	–
Balance at 31 December		**1,111**	1,344	**–**	–
Non-current					
Balance at 1 January		**30,276**	19,019	**–**	–
Increases due to subsidiary acquisition	23	**–**	24,826	**–**	–
Increases due to purchases		**1,114**	–	**–**	–
Capitalised costs		**12,324**	11,791	**–**	–
Change in fair value less costs to sell – crop	7	**(935)**	(2,486)	**–**	–
Decrease due to harvest		**(10,715)**	(7,732)	**–**	–
Change in fair value less costs to sell – trees and vines	7	**(15,120)**	(14,888)	**–**	–
Decrease due to disposals		**(97)**	(254)	**–**	–
Balance at 31 December		**16,847**	30,276	**–**	–

At 31 December the biological assets were as follows:

	Hectares planted owned		Hectares planted leased		Production owned		Production leased	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Tomatoes	**20**	20	**–**	–	**8,858,037**	9,043,823	**–**	–
Apples	**234**	234	**20**	20	**478,915**	577,562	**9,400**	19,663
Lemons	**97**	104	**5**	–	**1,252,469**	1,643,686	**41,289**	–
Navels	**–**	–	**20**	20	**–**	–	**550,110**	561,811
Mandarins	**54**	54	**16**	16	**879,110**	2,082,037	**276,904**	228,035
Kiwifruit	**52**	64	**44**	31	**291,309**	456,379	**334,831**	282,883
Blueberries	**11**	4	**–**	–	**–**	–	**–**	–

Production units:

- Tomatoes: kgs
- Apples: export tce (tray carton equivalent)
- Citrus (lemons, navels and mandarins): kgs for export, tag 1 and tag 2 grades
- Kiwifruit: class 1 trays
- Blueberries: no production in 2012

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 BIOLOGICAL ASSETS (continued)

Biological asset valuations undertaken by independent registered valuers were:

– Duke & Cooke Ltd – Inglis Horticulture Nelson orchards and ENZA Hastings apple orchards

– Property Solutions (BOP) Ltd - Kerikeri kiwifruit, navel, mandarin, lemon, and blueberry orchards

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

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

Biological assets are categorised as bearer biological assets and are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Fair value is based on the assets' present location and condition and therefore excludes 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. In the majority of cases biological assets have been valued on an income approach (discounted cash flows) with reference back to underlying market based valuations for land and buildings, to ensure the total combined carrying value of biological assets and fixed assets are at fair value. The independent valuer uses valuation techniques which are inherently subjective and involve estimation. Included in the biological asset valuation is a provision for the fair value of the existing crop on the biological asset.

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

(a) Discount rates ranging between 11–22% have been used in discounting the present value of expected cash flows, which approximates the Group's weighted average cost of capital adjusted for risk premium;

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

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

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

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

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

	Price range (before inflation)		
	2012	2011	
Tomatoes	**$2–$5**	$2–$5	kg
Apples	**$19–$30**	$19–$30	export tce (tray carton equivalent)
Lemons	**$1–$3**	$1–$3	kg
Kiwifruit	**$6–$13**	$7–$12	tray
Navels	**$1–$2**	$1–$2	kg
Mandarins	**$1–$4**	$1–$3	kg

Weighted average prices in 2012 are generally assumed to be at the lower end of the price ranges compared to 2011.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 BIOLOGICAL ASSETS (continued)

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

(h) One kiwifruit orchard owned by Turners & Growers in Kerikeri has been identified as having PSA-V. Strict processes have been put in place to contain the bacteria to a local area and at this stage it does not appear to have spread elsewhere. PSA-V symptoms tend to be low over the hot summer months and do not show again until spring, so although continual assessment of the orchards is being undertaken, there will be a better indication as to whether it has spread further in the spring of 2013. Due to this positive PSA-V result and the possible spread of PSA-V, the value placed on kiwifruit vines has been reduced to zero. Valuation of kiwifruit orchard improvements and structures on Zespri Gold orchards have also taken into account the possibility of needing to regraft to a new, more resistent variety.

(i) Lemon trees have also reduced in value this year due to concerns over the ongoing profitability of the lemon operation. There has been a value placed on a new variety of lemon tree rootstock that produces more volume per tree than the older rootstock variety. The older rootstock variety has had no value placed on it.

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. This risk includes exposure to adverse movements in foreign exchange rates arising from sales to parties located overseas.

18 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Non-current				
Balance at 1 January	**345**	345	**7**	7
Shares issued	**14**	–	**–**	–
Fair value adjustment	**(158)**	–	**–**	–
Balance at 31 December	**201**	345	**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. As a result, a fair value adjustment of $158k (2011: Nil) was taken through the income statement in the current year (refer note 7).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT

Group	Land and improvements $'000	Buildings $'000	Glass-houses $'000	Motor vehicles $'000	Hire containers $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
At 1 January 2011								
Cost or valuation	98,644	117,028	21,239	10,183	18,952	165,833	957	432,836
Accumulated depreciation and impairment	(1,095)	(13,954)	(6,501)	(6,679)	(14,464)	(134,074)	–	(176,767)
Carrying amounts	97,549	103,074	14,738	3,504	4,488	31,759	957	256,069
Movements in the year ended 31 December 2011								
Opening carrying amounts	97,549	103,074	14,738	3,504	4,488	31,759	957	256,069
Acquisitions	206	1,420	116	296	453	8,144	3,634	14,269
Acquisition of subsidiary (note 23)	16,518	1,311	–	57	–	6,672	258	24,816
Reclassifications	6,066	(280)	107	–	–	(5,818)	(75)	–
Disposals	(145)	(351)	–	(31)	(1)	(70)	(124)	(722)
Revaluations	(9,726)	3,002	–	–	–	(1,639)	–	(8,363)
Depreciation write-back on revaluation	294	4,416	–	–	–	217	–	4,927
Movement in foreign exchange	(4)	(14)	–	23	–	(1)	–	4
Depreciation charge	(507)	(3,784)	(639)	(877)	(1,502)	(8,174)	–	(15,483)
	110,251	108,794	14,322	2,972	3,438	31,090	4,650	275,517
At 31 December 2011								
Cost or valuation	113,459	122,324	21,476	10,022	18,210	168,893	4,650	459,034
Accumulated depreciation and impairment	(3,208)	(13,530)	(7,154)	(7,050)	(14,772)	(137,803)	–	(183,517)
Carrying amounts	110,251	108,794	14,322	2,972	3,438	31,090	4,650	275,517
Movements in the year ended 31 December 2012								
Opening carrying amounts	**110,251**	**108,794**	**14,322**	**2,972**	**3,438**	**31,090**	**4,650**	**275,517**
Acquisitions	**182**	**3,371**	**86**	**420**	**1,557**	**8,859**	**1,716**	**16,191**
Reclassification to assets held for sale	**(11,567)**	**(5,145)**	**–**	**–**	**–**	**–**	**–**	**(16,712)**
Reclassifications	**500**	**1,699**	**25**	**–**	**–**	**155**	**(2,379)**	**–**
Disposals	**(4,543)**	**(977)**	**–**	**(67)**	**–**	**20**	**(183)**	**(5,750)**
Revaluations	**1,003**	**1,352**	**–**	**–**	**–**	**–**	**–**	**2,355**
Depreciation write-back on revaluation	**(844)**	**(1,504)**	**–**	**–**	**–**	**–**	**–**	**(2,348)**
Movement in foreign exchange	**(7)**	**(4)**	**–**	**(10)**	**–**	**(8)**	**–**	**(29)**
Depreciation charge	**(792)**	**(3,838)**	**(647)**	**(764)**	**(1,354)**	**(7,630)**	**–**	**(15,025)**
Impairment	**–**	**–**	**(383)**	**–**	**–**	**–**	**–**	**(383)**
	94,183	**103,748**	**13,403**	**2,551**	**3,641**	**32,486**	**3,804**	**253,816**
At 31 December 2012								
Cost or valuation	**99,040**	**120,474**	**21,595**	**9,816**	**19,419**	**163,540**	**3,804**	**437,688**
Accumulated depreciation and impairment	**(4,857)**	**(16,726)**	**(8,192)**	**(7,265)**	**(15,778)**	**(131,054)**	**–**	**(183,872)**
Carrying amounts	**94,183**	**103,748**	**13,403**	**2,551**	**3,641**	**32,486**	**3,804**	**253,816**

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	**Land and improvements $'000**	**Buildings $'000**	**Motor vehicles $'000**	**Plant and equipment $'000**	**Work in progress $'000**	**Total $'000**
At 1 January 2011						
Cost	127	960	146	18,113	12	19,358
Accumulated depreciation and impairment	(91)	(564)	(76)	(15,955)	–	(16,686)
Carrying amounts	36	396	70	2,158	12	2,672
Movements in the year ended 31 December 2011						
Opening carrying amounts	36	396	70	2,158	12	2,672
Acquisitions	–	–	–	481	15	496
Transfers	–	–	–	12	(12)	–
Depreciation charge	(1)	(21)	(29)	(1,053)	–	(1,104)
Disposals	–	(8)	–	(12)	–	(20)
	35	367	41	1,586	15	2,044
At 31 December 2011						
Cost	127	952	146	18,432	15	19,672
Accumulated depreciation and impairment	(92)	(585)	(105)	(16,846)	–	(17,628)
Carrying amounts	35	367	41	1,586	15	2,044
Movements in the year ended 31 December 2012						
Opening carrying amounts	**35**	**367**	**41**	**1,586**	**15**	**2,044**
Acquisitions	**–**	**48**	**–**	**600**	**19**	**667**
Reclassifications	**–**	**–**	**–**	**15**	**(15)**	**–**
Other reclassifications	**(34)**	**–**	**–**	**–**	**–**	**(34)**
Depreciation charge	**–**	**(22)**	**(15)**	**(960)**	**–**	**(997)**
Disposals	**–**	**–**	**(22)**	**(10)**	**–**	**(32)**
	1	**393**	**4**	**1,231**	**19**	**1,648**
At 31 December 2012						
Cost	**92**	**968**	**8**	**8,920**	**19**	**10,007**
Accumulated depreciation and impairment	**(91)**	**(575)**	**(4)**	**(7,689)**	**–**	**(8,359)**
Carrying amounts	**1**	**393**	**4**	**1,231**	**19**	**1,648**

Reclassification

During the year, orchard structures and buildings and land related to orchards were reclassified from 'Plant and equipment' to 'Land and improvements'. The prior year balances have also been reclassified to ensure consistency with the current year.

Valuation information

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Dated between 1 January 2012 and 31 December 2012	**187,369**	–	**–**	–
Dated between 1 January 2011 and 31 December 2011	**19,965**	163,255	**–**	–
Dated between 1 January 2010 and 31 December 2010	**–**	16,790	**–**	–
Dated between 1 January 2009 and 31 December 2009	**–**	31,830	**–**	–

Property valuation summary

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

				Fair value	
Property	**Valuer**	**Valuation date**	**Principal valuation approach**	**2012 $'000**	2011 $'000
220 Fryatt St, Dunedin	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**8,700**	8,598
2–8 Monahan Road, Mt Wellington**	CB Richard Ellis	Nov 2012	Direct capitalisation approach / discounted cash flow	**35,940**	38,471
2 Anderson Road, Whakatu	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**26,000**	21,576
39 Dakota Crescent, Christchurch*	Telfer Young (Canterbury)	Oct 2011	Direct capitalisation approach	**8,380**	8,350
29 Stuart Road, Pukekohe*	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**6,510**	5,055
Ettrick, State Highway 8, Millers Flat, Otago	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**2,675**	2,626
20 Mihaere Drive, Palmerston North*	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**6,750**	8,550
24 Kaimiro Street, Hamilton*	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**7,035**	6,624
484 Nayland Road, Stoke	Bayleys	Dec 2012	Direct capitalisation approach	**36,200**	36,023
42 & 60 Favona Road, Mangere**	CB Richard Ellis	Dec 2012	Direct capitalisation approach / discounted cash flow	**9,815**	10,481
153 Harrisville Road, Tuakau	Telfer Young (Waikato)	Oct 2011	Market comparison approach	**2,850**	2,838
292 Harrisville Road, Tuakau	Telfer Young (Waikato)	Oct 2011	Market comparison approach	**1,570**	1,564
Trotter Road, Hastings	Duke & Cook	Dec 2012	Income approach	**2,332**	1,670
Evenden Road, Hastings	Duke & Cook	Dec 2012	Income approach	**4,697**	4,225
657 Main Road, Motueka	Duke & Cook	Dec 2012	Income approach	**16,823**	19,497
Kerikeri orchards and packhouse	Property Solutions	Dec 2012	Depreciated replacement cost approach / sales comparison approach	**29,138**	32,851
3800 Sint-Truiden, Belgium	Vangronsveld & Vranken	Mar 2012	Market comparison approach	**1,919**	1,364

*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 20).

**These valuations include land and buildings that have been designated as non-current assets held for sale (refer note 16). Excluded from this valuation is land and buildings sold during the year at 7/8 Monahan Road.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Discounted cash flow

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

Discount rates applied range from 9.0%–14.0% (2011: 10.3%–13.0%).

Terminal yield rates applied range from 7.8%–13.5% (2011: 8.5%–13.0%).

Investment horizon is 11 years (2011: 10 years).

Rental growth estimated at 1.5%–3.8% per annum (2011: 1.0%–3.8%).

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 7.3%–12.5% (2011: 8.1%–12.0%).

Sales comparison approach

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

Income approach

This approach adopts the sustainable gross income that can be generated less direct business overheads projected over a defined period of the asset life.

Depreciated replacement cost approach

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

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

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

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Freehold land and improvements				
Cost	**87,521**	81,060	**–**	–
Accumulated depreciation	**(5,290)**	(3,463)	**–**	–
Carrying amounts	**82,231**	77,597	**–**	–
Buildings				
Cost	**89,731**	107,569	**–**	–
Accumulated depreciation	**(23,677)**	(38,646)	**–**	–
Carrying amounts	**66,054**	68,923	**–**	–

Security

At 31 December 2012 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 27).

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 INVESTMENT PROPERTIES

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**–**	–	**29,132**	29,069
Acquisitions	**–**	–	**12**	–
Fair value adjustments	**–**	–	**(679)**	63
Balance at 31 December	**–**	–	**28,465**	29,132

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 19 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 2012 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 27).

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)

21 INTANGIBLE ASSETS

Group	Notes	Goodwill $'000	Software $'000	Brands $'000	Plant variety rights $'000	Other intangibles $'000	Total $'000
Cost		5,788	19,826	6,396	3,683	636	36,329
Accumulated amortisation		–	(12,205)	(5,457)	(258)	(23)	(17,943)
Carrying amounts		5,788	7,621	939	3,425	613	18,386
Movements in the year ended 31 December 2011							
Opening carrying amounts		5,788	7,621	939	3,425	613	18,386
Additions		977	1,591	–	–	–	2,568
Reclassifications		–	–	–	(15)	15	–
Effect of movement in foreign exchange		(8)	(2)	–	–	–	(10)
Amortisation charge	7	–	(1,870)	(633)	(367)	(26)	(2,896)
		6,757	7,340	306	3,043	602	18,048
At 31 December 2011							
Cost		6,757	21,399	6,396	3,668	650	38,870
Accumulated amortisation		–	(14,059)	(6,090)	(625)	(48)	(20,822)
Carrying amounts		6,757	7,340	306	3,043	602	18,048
Movements in the year ended 31 December 2012							
Opening carrying amounts		**6,757**	**7,340**	**306**	**3,043**	**602**	**18,048**
Additions		**–**	**1,206**	**–**	**50**	**–**	**1,256**
Disposals		**–**	**(11)**	**–**	**–**	**(15)**	**(26)**
Effect of movement in foreign exchange		**(100)**	**(7)**	**–**	**–**	**–**	**(107)**
Amortisation charge	7	**–**	**(2,274)**	**(201)**	**36**	**(23)**	**(2,462)**
Impairment		**–**	**–**	**(105)**	**(3,080)**	**(564)**	**(3,749)**
		6,657	**6,254**	**–**	**49**	**–**	**12,960**
At 31 December 2012							
Cost		**6,657**	**16,584**	**6,396**	**3,717**	**635**	**33,989**
Accumulated amortisation and impairment		**–**	**(10,330)**	**(6,396)**	**(3,668)**	**(635)**	**(21,029)**
Carrying amounts		**6,657**	**6,254**	**–**	**49**	**–**	**12,960**

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 INTANGIBLE ASSETS (continued)

Parent	Notes	Software $'000	Total $'000
At 1 January 2011			
Cost		17,675	17,675
Accumulated amortisation		(10,543)	(10,543)
Carrying amounts		7,132	7,132
Movements in the year ended 31 December 2011			
Opening carrying amounts		7,132	7,132
Additions		1,560	1,560
Amortisation charge	7	(1,719)	(1,719)
		6,973	6,973
At 31 December 2011			
Cost		19,235	19,235
Accumulated amortisation		(12,262)	(12,262)
Carrying amounts		6,973	6,973
Movements in the year ended 31 December 2012			
Opening carrying amounts		**6,973**	**6,973**
Additions		**557**	**557**
Disposals		**(11)**	**(11)**
Amortisation charge	7	**(2,128)**	**(2,128)**
		5,391	**5,391**
At 31 December 2012			
Cost		**13,805**	**13,805**
Accumulated amortisation		**(8,414)**	**(8,414)**
Carrying amounts		**5,391**	**5,391**

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 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 and were fully amortised at 31 December 2012 (2011: $0.1 million). The value of the ENZA brand was determined by an independent valuation, dated 17 April 2002. This asset was amortised within the Group using the straight line method over a ten year period from 2002–2012.

(b) Impairment tests for goodwill

Goodwill relates to the acquisition of Status Produce and the Delica Group (including Delica Australia, Delica North America and Fresh Food Exports 2011). Accordingly these entities are the cash-generating units to which the total amount of goodwill is allocated (Status 18%, Delica Group 82%). The recoverable amounts are based on value-in-use calculations. The calculation uses cash flow projections based on budgets approved by management to December 2013, and a discount rate of 10.8% (2011: 9.4%) which approximates the Group's weighted average cost of capital. Cash flows beyond December 2013 have been extrapolated using a steady growth rate of 2% (2011: 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.

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

Due to the spread of PSA-V throughout the New Zealand kiwifruit industry, the Directors have decided that the Hong Yang and ENZAGold™ kiwifruit plant variety right sublicences are impaired. These have been impaired at 31 December 2012 resulting in a $3.0 million expense in the Group income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 INVESTMENTS IN SUBSIDIARIES

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

Name of entity	Principal activity	Location	2012	2011
Aeneid Thirteen Limited	Property holdings	New Zealand	**100%**	100%
Delica Limited	Fruit export	New Zealand	**70%**	70%
Delica Australia Pty Limited	Fruit export	Australia	**60%**	60%
Delica Domestic Pty Limited	Non-trading	Australia	**49%**	49%
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%
ENZASunrising (Holdings) Limited	Non-trading	Hong Kong	**51%**	51%
ENZACOR Pty Limited	Fruit by-product broking	Australia	**100%**	100%
ENZAFOODS International Limited	Investment company	New Zealand	**100%**	100%
ENZAFOODS New Zealand Limited	Apple juice concentrate production	New Zealand	**100%**	100%
ENZAFRUIT (Hong Kong) Limited	Non-trading	Hong Kong	**100%**	100%
ENZAFRUIT Marketing Limited	Pipfruit marketing	New Zealand	**100%**	100%
ENZAFRUIT New Zealand (Continent) NV	Pipfruit marketing	Belgium	**100%**	100%
ENZAFRUIT New Zealand (UK) Limited	Investment company	United Kingdom	**100%**	100%
ENZAFRUIT New Zealand International Limited	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%
Fresh Food Exports 2011 Limited	Fruit export	New Zealand	**53%**	53%
Fruit Distributors Limited	Investment company	New Zealand	**100%**	100%
Frutesa	Non-trading	Cayman Islands	**100%**	100%
Frutesa Chile Limitada	Non-trading	Chile	**100%**	100%
Horticultural Access Solutions Limited	Investment company	Australia	**47%**	47%
Horticultural Corporation of New Zealand Limited	Non-trading	New Zealand	**100%**	100%
Inglis Horticulture Limited	Horticulture operations	New Zealand	**100%**	100%
Invercargill Markets Limited	Non-trading	New Zealand	**100%**	100%
Kerifresh Growers Trust 2012	Non-trading	New Zealand	**63%**	–
Kerifresh Growers Trust 2011	Non-trading	New Zealand	**60%**	60%
Kerifresh Growers Trust 2010	Non-trading	New Zealand	**72%**	72%
Safer Food Technologies Limited	Investment company	New Zealand	**100%**	100%
Status Produce Limited	Horticulture operations	New Zealand	**100%**	100%
Taipa Water Supply Limited	Water supply	New Zealand	**65%**	65%
Turners & Growers Fiji Limited	Fruit export	Fiji	**70%**	70%
Turners & Growers Fresh Limited	Fruit and produce wholesale distributors	New Zealand	**100%**	100%
Turners & Growers Horticulture Limited	Horticulture operations	New Zealand	**100%**	100%

Turners & Growers Limited has a 70% shareholding in Delica Limited, which in turn owns 85% of Delica Australia Pty Limited, 70% of Delica Domestic Pty Limited, 75% of Delica North America Limited and 75% of Fresh Food Exports 2011 Limited. As a result the Group has control in substance and therefore accounts for these companies as subsidiaries.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 INVESTMENTS IN SUBSIDIARIES (continued)

Interests in subsidiaries

	Parent	
	2012	2011
	$'000	$'000
Share in subsidiaries	**146,013**	146,013

The balance date of all subsidiaries is 31 December.

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

23 ACQUISITION OF SUBSIDIARY

During the 2012 year, there were no new subsidiaries acquired by the Group.

Inglis Horticulture Limited

In 2011, the Group bought out the other shareholders and acquired the remaining interest in Inglis Horticulture Limited through the issue of new shares in the Company. Previously the Group held a 50% interest in Inglis Horticulture Limited.

Details of net assets acquired are as follows:

	2011	
	Carrying value $'000	**Fair value $'000**
Assets acquired		
Cash and cash equivalents	138	138
Trade and other receivables	548	548
Biological assets	24,826	24,826
Property, plant and equipment	24,816	24,816
Deferred tax assets	8,483	8,483
	58,811	58,811
Liabilities acquired		
Trade and other payables	(475)	(475)
Interest bearing loans and borrowings	(42,139)	(42,139)
Deferred tax liabilities	(7,260)	(7,260)
	(49,874)	(49,874)
Net assets acquired	8,937	8,937
Purchase consideration – carrying value of investment in associate at acquisition date	(4,468)	(4,468)
Purchase consideration – shares issued	(4,468)	(4,468)
Discount on acquisition of subsidiary	1	1

The acquired business contributed revenues of $8.5 million and a net loss after tax of $22.2 million to the Group for the period from 14 March to 31 December 2011. If the acquisition had occurred on 1 January 2011 the acquired business would have contributed an additional $1.8 million revenue and a further $2k to the net loss.

During 2011 Inglis Horticulture Limited contributed $723k to the Group's net operating cash flows, paid $82k in respect of investments and servicing of finance, paid no tax and utilised $778k for capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Significant associates and joint ventures	Country of incorporation	Balance date	Held % 2012	Held % 2011	Group carrying amount 2012 $'000	Group carrying amount 2011 $'000
Associates						
Allen Blair Properties Limited	New Zealand	March	**33%**	33%	**3,829**	4,642
David Oppenheimer & Company I, L.L.C	United States of America	December	**15%**	15%	**1,035**	1,165
David Oppenheimer Transport Inc.	United States of America	December	**15%**	15%	**404**	407
Fresh Vegetable Packers Limited	New Zealand	June	**41%**	41%	**943**	1,271
McKay Shipping Limited	New Zealand	December	**25%**	25%	**1,411**	1,166
Mystery Creek Asparagus Limited	New Zealand	March	**10%**	10%	**87**	109
					7,709	8,760
Joint ventures						
Delica Pty Limited	Australia	December	**30%**	30%	**1,413**	1,866
Fruitmark NV/SA	Belgium	December	**50%**	50%	**2,084**	1,309
Premier Fruit New Zealand Limited	New Zealand	December	**50%**	50%	**35**	32
Wawata General Partner Limited	New Zealand	December	**50%**	50%	**3,090**	3,197
Worldwide Fruit Limited	United Kingdom	June	**50%**	50%	**1,983**	566
					8,605	6,970
Total investment in associates and joint ventures					**16,314**	15,730

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

In 2011, the Group acquired the remaining interest in Inglis Horticulture Limited. Refer to note 23 for details.

Movements in carrying amounts	Group 2012 $'000	Group 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Balance at 1 January	**15,730**	19,440	**189**	4,559
Acquisition	**199**	200	**–**	–
Disposals	**–**	(4,468)*	**(100)**	(4,370)*
Share of profit through income statement	**2,613**	2,062	**–**	–
Impairment of investment through income statement	**(666)**	–	**–**	–
Dividends	**(2,029)**	(1,442)	**–**	–
Asset revaluation reserve in associate and joint venture	**651**	–	**–**	–
Effect of movement in foreign exchange	**(184)**	(62)	**–**	–
Balance at 31 December	**16,314**	15,730	**89**	189

*Acquisition of Inglis Horticulture Limited as a subsidiary.

Investments in associates and joint ventures 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

	Group		Parent	
	2012	2011	**2012**	2011
Movements in carrying amounts	**$'000**	$'000	**$'000**	$'000
Movement in goodwill				
Balance at 1 January	**1,543**	1,549	**–**	–
Effect of movement in foreign exchange	**(62)**	(6)	**–**	–
Impairment of goodwill	**(367)**	–	**–**	–
Balance at 31 December	**1,114**	1,543	**–**	–

Summarised financial information of associates and joint ventures	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Profit / (loss) $'000**
2012				
Allen Blair Properties Limited	**12,470**	**(867)**	**1,900**	**(1,960)**
David Oppenheimer & Company I, L.L.C.	**83,300**	**(79,055)**	**528,975**	**3,814**
David Oppenheimer Transport Inc.	**2,457**	**(1,557)**	**12,668**	**1,586**
Delica Pty Limited	**828**	**(243)**	**9,040**	**948**
Fresh Vegetable Packers Limited	**2,557**	**(257)**	**1,254**	**68**
Fruitmark NV/SA	**9,917**	**(6,028)**	**43,551**	**1,594**
McKay Shipping Limited	**8,607**	**(2,964)**	**6,324**	**1,989**
Mystery Creek Asparagus Limited	**3,408**	**(2,797)**	**216**	**(219)**
Premier Fruit New Zealand Limited	**70**	**–**	**–**	**–**
Wawata General Partner Limited	**6,603**	**(423)**	**859**	**(605)**
Worldwide Fruit Limited	**37,979**	**(34,012)**	**207,279**	**2,430**
	168,196	**(128,203)**	**812,066**	**9,645**
2011				
Allen Blair Properties Limited	15,280	(1,213)	1,895	316
David Oppenheimer & Company I, L.L.C	86,240	(74,838)	522,086	3,341
David Oppenheimer Transport Inc.	493	(1,413)	11,626	1,037
Delica Pty Limited	1,119	(263)	8,798	518
Fresh Vegetable Packers Limited	3,356	(257)	1,038	84
Fruitmark NV/SA	9,832	(7,216)	39,774	1,494
McKay Shipping Limited	8,155	(3,489)	5,064	(27)
Mystery Creek Asparagus Limited	3,532	(2,787)	6	(269)
Premier Fruit New Zealand Limited	64	–	–	–
Wawata General Partner Limited	6,394	–	–	–
Worldwide Fruit Limited	35,426	(34,297)	201,167	608
	169,891	(125,773)	791,454	7,102

Impairment of associates and joint ventures

During the year the Directors have determined that the carrying amounts of the investments in Fruit Vegetable Packers Limited and Delica Pty Limited were impaired. These have been written down as at 31 December 2012 with an impairment charge of $666k going to the Group income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 DEFERRED TAXATION

Balance of temporary differences	Assets 2012 $'000	Assets 2011 $'000	Liabilities 2012 $'000	Liabilities 2011 $'000
Group				
Fixed assets	**3,483**	37	**(24,426)**	(25,872)
Provisions and accruals	**2,183**	1,634	**–**	–
Prepayments	**–**	20	**–**	(2,216)
Cash flow hedges	**4**	–	**–**	(12)
Tax losses	**8**	–	**–**	–
Other items	**501**	958	**(12)**	(75)
	6,179	2,649	**(24,438)**	(28,175)
Parent				
Fixed assets	**–**	–	**(2,790)**	(3,309)
Provisions and accruals	**161**	361	**–**	–
	161	361	**(2,790)**	(3,309)

Movement in temporary differences during the year

Group	Balance 1 January 2011 $'000	Foreign exchange impact $'000	Recognised in income $'000	Recognised in equity $'000	Acquisition of subsidiary $'000	Balance 31 December 2011 $'000
Fixed assets	(22,432)	1	5,834	(2,299)	(6,939)	(25,835)
Provisions and accruals	1,586	4	30	–	13	1,633
Prepayments	(1,326)	–	(548)	–	(321)	(2,195)
Cash flow hedges	79	1	–	(92)	–	(12)
Inglis tax losses	–	–	(8,470)	–	8,470	–
Other items	338	3	542	–	–	883
	(21,755)	9	(2,612)	(2,391)	1,223	(25,526)

Group	Balance 1 January 2012 $'000	Foreign exchange impact $'000	Recognised in income $'000	Recognised in equity $'000	Acquisition of subsidiary $'000	Balance 31 December 2012 $'000
Fixed assets	**(25,835)**	**–**	**5,669**	**(777)**	**–**	**(20,943)**
Provisions and accruals	**1,633**	**–**	**550**	**–**	**–**	**2,183**
Prepayments	**(2,195)**	**–**	**2,195**	**–**	**–**	**–**
Cash flow hedges	**(12)**	**–**	**–**	**16**	**–**	**4**
Tax losses	**–**	**–**	**8**	**–**	**–**	**8**
Other items	**883**	**–**	**(394)**	**–**	**–**	**489**
	(25,526)	**–**	**8,028**	**(761)**	**–**	**(18,259)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 DEFERRED TAXATION (continued)

Parent	Balance 1 January 2011 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 31 December 2011 $'000
Fixed assets	(3,699)	390	–	(3,309)
Provisions and accruals	337	24	–	361
	(3,362)	414	–	(2,948)

Parent	Balance 1 January 2012 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 31 December 2012 $'000
Fixed assets	**(3,309)**	**519**	**–**	**(2,790)**
Provisions and accruals	**361**	**(200)**	**–**	**161**
	(2,948)	**319**	**–**	**(2,629)**

	Group 2012 $'000	Group 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Expected settlement				
Deferred tax assets and liabilities to be recovered within twelve months	**2,302**	155	**161**	361
Deferred tax assets and liabilities to be recovered after more than twelve months	**(20,561)**	(25,681)	**(2,790)**	(3,309)
	(18,259)	(25,526)	**(2,629)**	(2,948)

26 TRADE AND OTHER PAYABLES

	Notes	Group 2012 $'000	Group 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Current					
Trade payables		**39,523**	36,345	**923**	956
Employee entitlements		**9,757**	9,124	**4,148**	3,546
GST and other taxes		**228**	78	**–**	–
Accrued expenses		**10,180**	12,598	**1,152**	3,551
Owing to subsidiaries	34	**–**	–	**142,106**	129,532
Owing to associates and joint ventures	34	**4,806**	7,871	**–**	–
Derivative financial instruments	15	**200**	457	**64**	238
Crate return liability		**14,340**	13,836	**–**	–
		79,034	80,309	**148,393**	137,823
Non-current					
Deferred payments		**100**	414	**–**	–
Leases payable		**401**	534	**–**	–
		501	948	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 INTEREST BEARING LOANS AND BORROWINGS

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Current				
Money market borrowings	**1,186**	10,028	**–**	10,000
	1,186	10,028	**–**	10,000
Non-current				
Secured bank loans and debentures	**80,042**	80,000	**80,000**	80,000
Unsecured loans	**143**	143	**–**	–
	80,185	80,143	**80,000**	80,000

Security

At balance date the Group had a term debt facility from the Bank of New Zealand and Rabobank amounting to $95 million (2011: $100 million).

At 31 December 2012 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 2013

The banking facilities for 2013 are as follows:

Facility type	Amount	Expiry date
Term debt facility	$95m	30 June 2014
Seasonal facility	$60m	30 November 2013
Money market facility	$25m	30 June 2014
Overdraft facility	$3m	uncommitted
Overdraft facility (AUD)	$1.5m	uncommitted
Overdraft facility (AUD)	$1.6m	uncommitted

Interest rates

As at 31 December 2012 the weighted average interest rate on the $80 million non-current borrowings is 3.70% (2011: 3.92%), fixed for periods up to five months.

	Group		Parent	
	2012	2011	**2012**	2011
Terms and principal repayment schedule	**$'000**	$'000	**$'000**	$'000
Later than one, not later than two years	**80,018**	–	**80,000**	–
Later than two, not later than five years	**24**	80,000	**–**	80,000
Later than five years	**143**	143	**–**	–
	80,185	80,143	**80,000**	80,000

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

28 CAPITAL AND RESERVES

Share capital	**2012 Shares 000's**	2011 Shares 000's	**2012 $'000**	2011 $'000
Balance at 1 January	**117,011**	112,971	**165,147**	160,678
Shares issued for acquiring Inglis Horticulture Limited	**–**	2,828	**–**	4,469
Shares issued under T&G Distribution Plan	**–**	1,212	**–**	–
Balance at 31 December	**117,011**	117,011	**165,147**	165,147

At 31 December 2012, the authorised share capital comprised 117,010,550 ordinary shares (2011: 117,010,550).

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

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

In 2011, the Group increased shareholders' equity by issuing 2,828,006 shares to acquire Inglis Horticulture Limited to the value of $4,468,349 and by issuing 1,211,667 ordinary shares on 27 April 2011 as bonus shares under the Turners & Growers Distribution Plan.

	Group		Parent	
Reserves	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Foreign currency translation reserve				
Balance 1 January	**(832)**	(825)	**–**	–
Exchange differences on translation of foreign operations	**(1,143)**	(7)	**–**	–
Balance at 31 December	**(1,975)**	(832)	**–**	–
Asset revaluation reserve				
Balance at 1 January	**64,110**	59,471	**–**	–
Revaluations, net of tax	**7,399**	4,639	**–**	–
Share of associates' and joint venture's gain on revaluation, net of tax	**651**	–	**–**	–
Transfer to retained earnings due to asset disposal	**(3,060)**	–	**–**	–
Balance at 31 December	**69,100**	64,110	**–**	–
Cash flow hedge reserve				
Balance at 1 January	**129**	(395)	**6**	(41)
Effective portion of changes in fair value of cash flow hedges, net of tax	**2,028**	(1,786)	**(37)**	(11)
Net change in fair value of cash flow hedges reclassified from equity to income statement	**(1,433)**	2,310	**31**	58
Balance at 31 December	**724**	129	**–**	6

Foreign currency translation reserve

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

Asset revaluation reserve

The revaluation reserve relates to land and improvements 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 DIVIDENDS

	Group		Parent	
	2012	2011	**2012**	2011
Ordinary shares	**$'000**	$'000	**$'000**	$'000
Cash paid to Parent shareholders	**–**	5,127	**–**	5,127
Cash paid to non-controlling interests in Group subsidiaries	**625**	174	**–**	–
	625	5,301	**–**	5,127

In 2011 bonus fully paid ordinary shares (bonus shares) 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 unimputed dividends. The net position resulted in 1,211,667 additional shares allotted and a cash dividend of $5,126,618.

In 2012 dividends of $625,000 (2011: $174,000) were paid to non-controlling interests by Group subsidiaries.

In 2012 no dividends were paid or declared to shareholders.

30 EARNINGS PER SHARE

	Group	
	2012	2011
	$'000	$'000
Net loss for the year attributable to equity holders of the Parent	**(15,292)**	(19,930)

	Number of shares	
	2012	2011
Basic earnings per share		
Opening shares	**117,010,550**	112,970,877
Shares issued for Inglis Horticulture acquisition – 14 March 2011 (2,828,006 shares)	**–**	115,798,883
Bonus shares issued – 27 April 2011 (1,211,667 shares)	**–**	117,010,550
Weighted average number of ordinary shares	**117,010,550**	116,056,551
Earnings per share (in cents)	**(13.1)**	(17.2)
Diluted earnings per share		
Opening number of options	**1,703,333**	1,853,333
Options forfeited	**(1,536,666)**	(150,000)
Weighted average number of options	**693,899**	1,806,895
Weighted average number of shares and options	**117,704,449**	117,863,446
Diluted earnings per share (in cents)	**(13.1)**	(17.2)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 OPTIONS

On the 4 August 2005 the Board approved an option scheme for the previous Managing Director of the Group. During the year ended 31 December 2012, these options were forfeited following the Managing Director's departure after BayWa's acquisition of the majority shareholding in the Group.

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

The options were valued using the Cox, Ross & Rubinstein model for stock options (REUTERS) applying the closing share price on 4 August 2005 of $2.20. These options were valued at $257,150 (2011: $257,150) and have been fully amortised. As at 31 December 2012 $257,150 of options were forfeited following the Managing Director's departure from the Group.

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

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

The options have been valued using the Cox, Ross & Rubinstein model for stock options (REUTERS) applying the closing share price on the 19 December 2006 of $2.41. During the year 536,666 options valued at $215,141 were forfeited. At 31 December 2012 the remaining options have been valued at $56,300 (2011: $337,800) and have been fully amortised.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 OPTIONS (continued)

Movement in share option reserve	2012 Options	2011 Options	2012 $'000	2011 $'000
Balance at 1 January	**1,703,333**	1,853,333	**528**	574
Options forfeited	**(1,536,666)**	(150,000)	**(472)**	–
Expense	**–**	–	**–**	(46)
Balance at 31 December	**166,667**	1,703,333	**56**	528

32 COMMITMENTS

Capital commitments

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

	Group		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Amount committed to capital expenditure	**1,395**	4,928	**–**	1,063

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	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Within one year	**8,461**	7,216	**2,728**	3,001
One to two years	**6,113**	3,229	**1,292**	2,047
Two to five years	**10,418**	9,274	**779**	743
Over five years	**12,224**	3,368	**–**	–
	37,216	23,087	**4,799**	5,791

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	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Within one year	**1,364**	1,360	**2,621**	2,566
One to two years	**905**	507	**1,638**	1,315
Two to five years	**677**	530	**1,090**	725
Over five years	**–**	77	**–**	77
	2,946	2,474	**5,349**	4,683

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 COMMITMENTS (continued)

Operating leases receivable amounts are generated from the following properties:

	Group		Parent	
	2012	2011	**2012**	2011
Land and buildings	**$'000**	$'000	**$'000**	$'000
Cost or valuation at 31 December	**10,446**	14,514	**28,465**	29,132
Accumulated depreciation	**(118)**	(412)	**–**	–
Carrying amounts	**10,328**	14,102	**28,465**	29,132
Depreciation charged during the year	**250**	362	**–**	–

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

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

33 CONTINGENCIES

The Group and Parent have the following guarantees:

	Group		Parent	
	2012	2011	**2012**	2011
Contingent liabilities	**$'000**	$'000	**$'000**	$'000
Bonds and sundry facilities	**80**	80	**80**	80
Guarantees of bank facilities for associated companies	**2,729**	2,913	**–**	–
Guarantees of bank facilities for subsidiary companies	**–**	–	**5,991**	6,241
	2,809	2,993	**6,071**	6,321

34 RELATED PARTY TRANSACTIONS

Identity of related parties

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

Ultimate parent

BayWa Aktiengesellschaft (BayWa), the major shareholder and ultimate parent company of Turners & Growers Limited, owns 73.07% (2011: Guinness Peat Group plc. 63.46%) of the ordinary shares of the Parent. Pacific Fruit Group indirectly owns 12.26% (2011: 12.26%) and Scales Corporation owns 10.31% (2011: nil) of the ordinary shares of the Parent. The balance is owned by the public.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 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.

	2012 $'000	2011 $'000
Directors / Executive Officers (Mr B.M. D'Ath and Mr L.J. Sowerby)		
Mr B.M. D'Ath resigned as a Director on 7 March 2012 and Mr L.J. Sowerby resigned as an Executive Officer on 8 September 2011.		
– Sale value of produce sold through the Group (consignment)	**3,142**	4,834
– Sale of apples to the Group for processing	**1**	158
– Purchase of packaging, coolstorage, container hire from the Group	**172**	322
– Provision of consultancy services to the Group through a company associated with Mr B.M. D'Ath	**–**	33
Delica Directors / Management		
– Loans owing to Group (including capitalised interest) at 31 December	**886**	1,228

Loans are advanced to a director and key management of Delica Limited and a director of Delica Australia Pty 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.

During the year ended 31 December 2011 Delica Limited purchased an additional 15% shareholding in Delica Australia Pty Limited from its Managing Director for $665,397.

	2012 $'000	2011 $'000
Fresh Food Exports 2011 Limited Director (Mr A.J. Greensmith)		
– Sale value of produce sold to the Group through a company associated with Mr A.J. Greensmith	**1,747**	2,039
– Purchase of services from and commissions paid to the Group through a company associated with Mr A.J. Greensmith	**220**	194
– Balance owing to the Group at 31 December	**60**	9
– Balance owed by the Group at 31 December	**376**	587
Alternate Director (Mr L.A. Noboa Icaza)		
– Sale of produce to the Group	**13,687**	14,386

The Noboa Group indirectly owns approximately 12.26% (2011: 12.26%) of the ordinary shares of the Parent.

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

Key management personnel compensation

	Group		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Short-term employee benefits	**2,369**	2,845	**2,369**	2,845
Share-based payment expense	**–**	(46)	**–**	(46)
Termination benefits	**2,278**	–	**2,278**	–
	4,647	2,799	**4,647**	2,799

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 RELATED PARTY TRANSACTIONS (continued)

Associates and joint ventures

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

		Group		Parent	
		2012	2011	**2012**	2011
	Notes	**$'000**	$'000	**$'000**	$'000
Associates					
Sale of pipfruit exported by the Group		**35,928**	29,841	**–**	–
Purchase of pipfruit from associates		**13,674**	6,998	**–**	–
Provision of services by the Group		**5**	126	**–**	–
Provision of services to the Group		**80**	–	**–**	–
Balance owing to the Group at 31 December	13	**1,108**	1,856	**66**	66
Balance owed by the Group at 31 December	26	**4,806**	7,871	**–**	–
Joint ventures					
Sale of pipfruit exported by the Group		**20,925**	19,977	**–**	–
Purchase of produce from joint ventures		**3,950**	–	**–**	–
Provision of services by the Group		**64**	–	**–**	–
Balance owing to the Group at 31 December	13	**1,162**	1,985	**–**	–

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

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

Associates of BayWa

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

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Sale of pipfruit exported by the Group	**3,882**	–	**–**	–
Provision of services to the Group	**1,721**	–	**–**	–

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

Subsidiaries

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

		Parent	
		2012	2011
	Notes	**$'000**	$'000
Revenue from subsidiaries			
Interest received on intercompany balances	9	**10,108**	8,631
Rental income from investment property	5	**3,064**	2,497
Management fees	6	**26,718**	23,911
Dividends from subsidiaries	6	**1,260**	5,350
Other		**24**	22
Costs from subsidiaries			
Interest paid on intercompany borrowings	9	**2,821**	2,905
Rental expense		**289**	158
Balance owing to Parent at 31 December	13	**153,426**	171,780
Balance owed by Parent at 31 December	26	**142,106**	129,532

The net receivables of $11.3 million (2011: $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)

35 FINANCIAL RISK MANAGEMENT

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

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

a) Market risk

(i) Foreign exchange risk

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

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

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

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

	Contract value		**Fair value**	
	2012	2011	**2012**	2011
Group	**$'000**	$'000	**$'000**	$'000
Sale commitments forward foreign exchange contracts	**60,937**	15,179	**563**	–
Purchase commitments forward foreign exchange contracts	**8,688**	15,253	**(92)**	(13)
Sale commitments foreign currency options	**24,894**	–	**217**	–
			688	(13)

	Contract value		**Fair value**	
	2012	2011	**2012**	2011
Parent	**$'000**	$'000	**$'000**	$'000
Purchase commitments forward foreign exchange contracts	**–**	100	**–**	5
			–	5

The table above measures the fair value of forward exchange contracts as at 31 December 2012 and 31 December 2011. The options were valued using the Black-Scholes model for option pricing. Key assumptions used in valuing the foreign currency options using the Black-Scholes model were as follows:

- valuation date 31 December 2012
- volatility for the underlying forward price 8.63% – 14.44%
- risk free interest rate 2.75% – 3.13%
- time to expiry 0.49 to 1.87 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 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%
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Pre-tax profit / (loss)	**(139)**	(634)	**125**	556	**72**	13	**(62)**	(12)
Equity	**(358)**	(456)	**315**	401	**52**	10	**(45)**	(8)

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

(ii) Interest risk

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

Interest rate risk is identified by forecasting cash flow requirements, short-term through to long-term. Short-term seasonal funding is provided by a syndicate of 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.

	2012		2011	
	Interest bearing $'000	**Non-interest bearing $'000**	Interest bearing $'000	Non-interest bearing $'000
Less than six months	**81,228**	**–**	90,028	–
Between six months and one year	**–**	**–**	–	–
Between one and two years	**–**	**–**	–	–
Between two and five years	**–**	**143**	–	143
	81,228	**143**	90,028	143

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

	2012		2011	
	Weighted average interest rate	**Loans $'000**	Weighted average interest rate	Loans $'000
Australian dollars	**8.47%**	**1,228**	7.12%	28
New Zealand dollars	**3.70%**	**80,000**	3.97%	90,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 FINANCIAL RISK MANAGEMENT (continued)

Interest rate derivatives

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

Swaps currently in place cover approximately 43.75% (2011: 18.75%) of the principal outstanding. The fixed interest rates average 3.07% (2011: 4.54%). The variable rates are set at the BBR 90 day settlement rate, which at balance date was 2.69% (2011: 2.72%). The contracts require settlement of net interest receivable or payable each 90 days as appropriate, and are settled on a net basis.

Interest rate sensitivity

At year end all loans are at fixed rates for defined periods of up to 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 $1.2 million gain or loss on pre-tax profits (2011: $1.39 million).

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

(iii) Price / commodity risk

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

b) Credit risk

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

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**15,994**	12,775	**4,193**	2,162
Derivative financial instruments	**823**	206	**–**	5
Trade receivables (net of bad debt provision)	**70,191**	80,723	**259**	30
Loans	**1,873**	2,220	**196**	303
Owing by associates and joint ventures	**2,270**	3,841	**66**	66
Owing by subsidiaries (net of bad debt provision)	**–**	–	**153,426**	171,780
GST and other taxes	**344**	787	**285**	904
	91,495	100,552	**158,425**	175,250

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 FINANCIAL RISK MANAGEMENT (continued)

	Group		Parent	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Trade receivable analysis				
Amounts due up to 1 month beyond maximum trade credit period	**15,898**	9,346	**–**	–
Amounts due between 1 and 2 months beyond maximum trade credit period	**1,586**	703	**–**	–
Amounts due between 2 and 3 months beyond maximum trade credit period	**239**	568	**–**	–
Amounts due between 3 and 6 months beyond maximum trade credit period	**376**	74	**4**	–
Amounts due more than 6 months beyond maximum trade credit period	**514**	274	**–**	–
Total amounts due beyond maximum trade credit period (gross)	**18,613**	10,965	**4**	–
Impairment provision – trade receivables	**(2,304)**	(267)	**(4)**	–
Total amounts due beyond maximum trade credit period (net)	**16,309**	10,698	**–**	–
Trade receivables within maximum credit period	**53,882**	70,025	**259**	30
Total trade receivables	**70,191**	80,723	**259**	30

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, associates and joint ventures. All loans are within the agreed credit periods. In 2009 the Group was issued redeemable preference shares in Worldwide Fruit Limited that mature in 2014. At 31 December 2012 these are valued at $490k (2011: $909k) and are included in current loans receivable from associates and joint ventures as it is expected that the remaining balance will be repaid within the next twelve months.

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

Other receivables

All balances are part of normal business practice. No balances are impaired in the Group. In the Parent there is a provision for irrecoverable receivables relating to amounts owing from subsidiaries of $63.4 million (2011: $37.7 million).

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

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 2012				
Bank overdrafts and interest bearing loans and borrowings	**2,666**	**1,480**	**81,480**	**185**
Trade and other payables	**64,271**	**95**	**291**	**115**
Balance owing to associates and joint ventures	**4,806**	**–**	**–**	**–**
Derivative financial instruments – held-for-trading				
– inflows	**9,109**	**785**	**663**	**331**
– outflows	**(9,201)**	**(794)**	**(687)**	**(346)**
Derivative financial instruments – cash flow hedges				
– inflows	**15,859**	**36,084**	**37,452**	**–**
– outflows	**(15,838)**	**(35,400)**	**(37,436)**	**–**
Financial guarantees	**2,809**	**–**	**–**	**–**
	74,481	**2,250**	**81,763**	**285**
Group 2011				
Bank overdrafts and interest bearing loans and borrowings	11,592	1,568	3,136	81,711
Trade and other payables	62,947	88	514	256
Balance owing to associates and joint ventures	7,871	–	–	–
Derivative financial instruments – held-for-trading				
– inflows	7,697	144	50	–
– outflows	(7,989)	(199)	(96)	–
Derivative financial instruments – cash flow hedges				
– inflows	17,206	5,291	302	–
– outflows	(17,089)	(5,265)	(303)	–
Financial guarantees	2,993	–	–	–
	85,228	1,627	3,603	81,967

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 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 2012				
Bank overdrafts and interest bearing loans and borrowings	**1,480**	**1,480**	**81,480**	**–**
Trade and other payables	**2,075**	**–**	**–**	**–**
Balance owing to subsidiaries	**142,106**	**–**	**–**	**–**
Derivative financial instruments – held-for-trading				
– inflows	**458**	**404**	**663**	**331**
– outflows	**(514)**	**(417)**	**(687)**	**(346)**
Financial guarantees	**6,071**	**–**	**–**	**–**
	151,676	**1,467**	**81,456**	**(15)**
Parent 2011				
Bank overdrafts and interest bearing loans and borrowings	11,568	1,568	3,136	81,568
Trade and other payables	4,507	–	–	–
Balance owing to subsidiaries	129,532	–	–	–
Derivative financial instruments – held-for-trading				
– inflows	163	63	50	–
– outflow	(297)	(121)	(96)	–
Derivative financial instruments – cash flow hedges				
– inflows	100	–	–	–
– outflows	(95)	–	–	–
Financial guarantees	6,321	–	–	–
	151,799	1,510	3,090	81,568

As at 31 December 2012 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 27 for details on bank overdrafts and interest bearing loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 FINANCIAL RISK MANAGEMENT (continued)

d) Capital risk management

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

There are a number of externally imposed bank financial covenants required as part of seasonal and term debt facilities. These covenants are calculated monthly and reported to the banks quarterly. The 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 EBITA (as defined within the banking agreement) to interest expenses for the Guaranteeing Group for the preceding twelve month period shall not be less than 2.5:1.

Gearing ratio

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

Contingent liabilities

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

In addition, the Group also make the following undertakings:

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

At all times, the aggregate of Adjusted Guaranteeing Group EBITA (as defined within the banking agreement) and EBITA (as defined within the banking agreement) of the Finance Group at all times shall not be less than 90% of the total Adjusted Turners & Growers Group EBITA (as defined within the banking agreement) for the preceding twelve month period.

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

e) Fair value

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

	Group			
	2012		2011	
	Carrying value $'000	**Fair value $'000**	Carrying value $'000	Fair value $'000
Assets				
Cash and cash equivalents	**15,994**	**15,994**	12,775	12,775
Available-for-sale investments	**201**	**201**	345	345
Trade and other receivables	**72,408**	**72,408**	83,730	83,730
Balance owing by associates and joint ventures	**2,270**	**2,270**	3,841	3,841
Derivative financial instruments – held-for-trading	**86**	**86**	64	64
Derivative financial instruments – cash flow hedges	**737**	**737**	142	142
Liabilities				
Interest bearing loans and borrowings	**81,371**	**81,371**	90,171	90,171
Trade and other payables	**64,772**	**64,772**	63,805	63,805
Balance owing to associates and joint ventures	**4,806**	**4,806**	7,871	7,871
Derivative financial instruments – held-for-trading	**184**	**184**	457	457
Derivative financial instruments – cash flow hedges	**16**	**16**	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 FINANCIAL RISK MANAGEMENT (continued)

	Parent			
	2012		2011	
	Carrying value $'000	**Fair value $'000**	Carrying value $'000	Fair value $'000
Assets				
Cash and cash equivalents	**4,193**	**4,193**	2,162	2,162
Available-for-sale investments	**7**	**7**	7	7
Trade and other receivables	**740**	**740**	1,237	1,237
Balance owing by subsidiaries	**153,426**	**153,426**	171,780	171,780
Balance owing by associates and joint ventures	**66**	**66**	66	66
Derivative financial instruments – cash flow hedges	**–**	**–**	5	5
Liabilities				
Interest bearing loans and borrowings	**80,000**	**80,000**	90,000	90,000
Trade and other payables	**2,075**	**2,075**	4,507	4,507
Balance owing to subsidiaries	**142,106**	**142,106**	129,532	129,532
Derivative financial instruments – held-for-trading	**64**	**64**	238	238

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement hierarchy

The following table presents the Group and Parent's assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

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 2012				
Assets				
Financial assets at fair value through profit or loss	**–**	**86**	**–**	**86**
Foreign currency options – cash flow hedges	**–**	**217**	**–**	**217**
Derivative financial instruments – cash flow hedges	**–**	**520**	**–**	**520**
Available-for-sale investments				
– Equity securities	**–**	**201**	**–**	**201**
Total assets	**–**	**1,024**	**–**	**1,024**
Liabilities				
Financial liabilities at fair value through profit or loss	**–**	**184**	**–**	**200**
Derivative financial instruments – cash flow hedges	**–**	**16**	**–**	**–**
Total liabilities	**–**	**200**	**–**	**200**
At 31 December 2011				
Assets				
Financial assets at fair value through profit or loss	–	64	–	64
Derivative financial instruments – cash flow hedges	–	142	–	142
Available-for-sale investments				
– Equity securities	–	345	–	345
Total assets	–	551	–	551
Liabilities				
Financial liabilities at fair value through profit or loss	–	457	–	457
Total liabilities	–	457	–	457

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement hierarchy (continued)

Parent	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
At 31 December 2012				
Assets				
Available-for-sale investments				
– Equity securities	**–**	**7**	**–**	**7**
Total assets	**–**	**7**	**–**	**7**
Liabilities				
Financial liabilities at fair value through profit or loss	**–**	**64**	**–**	**64**
Total liabilities	**–**	**64**	**–**	**64**
At 31 December 2011				
Assets				
Derivative financial instruments – cash flow hedges	–	5	–	5
Available-for-sale investments				
– Equity securities	–	7	–	7
Total assets	–	12	–	12
Liabilities				
Financial liabilities at fair value through profit or loss	–	238	–	238
Total liabilities	–	238	–	238

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)

35 FINANCIAL RISK MANAGEMENT (continued)

f) Financial instruments by category

Assets	Loans and receivables $'000	Assets at fair value through profit or loss $'000	Derivatives used for hedging $'000	Available-for-sale $'000	Total $'000
Group					
At 31 December 2012					
Cash and cash equivalents	**15,994**	**–**	**–**	**–**	**15,994**
Available-for-sale financial assets	**–**	**–**	**–**	**201**	**201**
Trade and other receivables	**72,408**	**–**	**–**	**–**	**72,408**
Balance owing by associates and joint ventures	**2,270**	**–**	**–**	**–**	**2,270**
Derivative financial instruments	**–**	**86**	**737**	**–**	**823**
	90,672	**86**	**737**	**201**	**91,696**
At 31 December 2011					
Cash and cash equivalents	12,775	–	–	–	12,775
Available-for-sale financial assets	–	–	–	345	345
Trade and other receivables	83,730	–	–	–	83,730
Balance owing by associates and joint ventures	3,841	–	–	–	3,841
Derivative financial instruments	–	64	142	–	206
	100,346	64	142	345	100,897
Parent					
At 31 December 2012					
Cash and cash equivalents	**4,193**	**–**	**–**	**–**	**4,193**
Available-for-sale financial assets	**–**	**–**	**–**	**7**	**7**
Trade and other receivables	**740**	**–**	**–**	**–**	**740**
Balance owing by subsidiaries	**153,426**	**–**	**–**	**–**	**153,426**
Balance owing by associates and joint ventures	**66**	**–**	**–**	**–**	**66**
	158,425	**–**	**–**	**7**	**158,432**
At 31 December 2011					
Cash and cash equivalents	2,162	–	–	–	2,162
Available-for-sale financial assets	–	–	–	7	7
Trade and other receivables	1,237	–	–	–	1,237
Balance owing by subsidiaries	171,780	–	–	–	171,780
Balance owing by associates and joint ventures	66	–	–	–	66
Derivative financial instruments	–	–	5	–	5
	175,245	–	5	7	175,257

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 FINANCIAL RISK MANAGEMENT (continued)

f) Financial instruments by category (continued)

Liabilities	Other financial liabilities $'000	Liabilities at fair value through profit or loss $'000	Derivatives used for hedging $'000	Total $'000
Group				
At 31 December 2012				
Borrowings	**81,371**	**–**	**–**	**81,371**
Trade and other payables	**64,772**	**–**	**–**	**64,772**
Balance owing to associates and joint ventures	**4,806**	**–**	**–**	**4,806**
Derivative financial instruments	**–**	**184**	**16**	**200**
	150,949	**184**	**16**	**151,149**
At 31 December 2011				
Borrowings	90,171	–	–	90,171
Trade and other payables	63,805	–	–	63,805
Balance owing to associates and joint ventures	7,871	–	–	7,871
Derivative financial instruments	–	457	–	457
	161,847	457	–	162,304
Parent				
At 31 December 2012				
Borrowings	**80,000**	**–**	**–**	**80,000**
Trade and other payables	**2,075**	**–**	**–**	**2,075**
Balance owing to subsidiaries	**142,106**	**–**	**–**	**142,106**
Derivative financial instruments	**–**	**64**	**–**	**64**
	224,181	**64**	**–**	**224,245**
At 31 December 2011				
Borrowings	90,000	–	–	90,000
Trade and other payables	4,507	–	–	4,507
Balance owing to subsidiaries	129,532	–	–	129,532
Derivative financial instruments	–	238	–	238
	224,039	238	–	224,277

Seasonality

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 EVENTS OCCURRING AFTER THE BALANCE DATE

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

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

For the year ended 31 December	Group 2012 $'000	Group 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Loss for the year	**(13,278)**	(18,881)	**(22,098)**	(27,561)
Adjusted for:				
Depreciation expense	**15,025**	15,483	**997**	1,104
Amortisation of intangibles	**2,462**	2,896	**2,128**	1,719
Fair value (gain) / loss on derivatives	**(340)**	(106)	**(174)**	(61)
Fair value loss / (gain) on investment properties	**–**	–	**679**	(63)
Fair value loss / (gain) on biological assets	**15,632**	17,517	**–**	–
Effective interest on long-term receivables	**13**	39	**–**	–
Movement in provision for receivables impairment	**2,037**	(92)	**25,622**	25,972
Loss / (profit) on the sale of property, plant and equipment	**1,320**	(285)	**(9)**	–
Loss on the revaluation of property, plant and equipment	**8,170**	10,372	**–**	–
Movement in share option reserve	**–**	(46)	**–**	(46)
Fair value loss on available-for-sale investments	**158**	–	**–**	–
Loss on disposal of associate	**–**	–	**100**	–
Impairment of investment in subsidiary	**–**	–	**–**	8,887
Impairment of glasshouses	**383**	–	**–**	–
Impairment of plant variety rights	**3,080**	–	**–**	–
Impairment of other intangible assets	**669**	–	**–**	–
Share of (profit) / loss of associates and joint ventures	**(2,613)**	(2,062)	**–**	–
Impairment of investment in associate and joint venture	**666**	–	**–**	–
Movement in deferred tax through income statement	**(8,028)**	2,612	**(319)**	(414)
Discount on acquisition of non-controlling interest's share of subsidiary	**–**	(1)	**–**	–
Dividends received from subsidiaries	**–**	–	**(1,260)**	(5,350)
	38,634	46,327	**27,764**	31,748
Impact of changes in working capital items				
Decrease / (increase) in debtors and prepayments*	**9,034**	(17,198)	**(29,549)**	(35,459)
(Decrease) / Increase in creditors and provisions*	**(1,763)**	18,843	**(8,981)**	5,911
(Increase) / decrease in inventories	**(8,622)**	(5,580)	**–**	–
Decrease / (increase) in taxation receivable	**395**	3,071	**2,633**	2,256
	(956)	(864)	**(35,897)**	(27,292)
Net cash generated by / (used in) operating activities	**24,400**	26,582	**(30,231)**	(23,105)

*Excludes investing activities.

FIVE YEAR FINANCIAL REVIEW

	Dec 12	Dec 11	Dec 10	Dec 09	Dec 08
	12 Months	12 Months	12 Months	12 Months	12 Months
	$'000	$'000	$'000	$'000	$'000
	NZIFRS	NZIFRS	NZIFRS	NZIFRS	NZIFRS
REVENUE					
Continuing activities	**669,137**	645,114	599,227	589,955	570,132
PROFIT					
Pre-tax (loss) / profit	**(18,054)**	(10,765)	17,084	13,697	21,728
Net (loss) / profit	**(13,278)**	(18,881)	6,326	9,529	14,128
FUNDS EMPLOYED					
Paid up capital	**165,147**	165,147	160,678	160,678	155,007
Retained earnings and reserves	**107,951**	115,665	135,772	130,074	128,124
Non-controlling interests	**6,432**	5,051	4,379	3,196	4,148
Non-current liabilities	**98,945**	106,617	67,496	65,361	68,450
Current liabilities	**80,220**	90,337	79,188	66,048	61,428
	458,695	482,817	447,513	425,357	417,157
ASSETS					
Property, plant and equipment	**253,816**	275,517	256,069	257,292	254,818
Other non-current assets	**48,464**	67,955	54,988	51,220	47,956
Current assets	**156,415**	139,345	136,456	116,845	114,383
Total assets	**458,695**	482,817	447,513	425,357	417,157
STATISTICS					
Number of ordinary shares on issue – '000	**117,011**	117,011	112,971	105,372	100,300
Earnings per share – cents	**(13)**	(17)	4	8	13
Net tangible assets per security	**$2.28**	$2.29	$2.50	$2.61	$2.69
Percentage of shareholders' funds to total assets	**61%**	59%	67%	69%	69%
Ratio of current assets to current liabilities	**1.95**	1.62	1.72	1.77	1.86
Ratio of debt to equity*	**0.64**	0.69	0.49	0.45	0.45
DIVIDENDS (PAID AND PROPOSED)					
Cents per share on paid up capital	**–**	6**	10**	10	10**
Total amount	**–**	5,127	420	10,030	1,023

*Debt includes trade payables.

**On electing shares only.


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NEW ZEALAND
APPLES

Directory

DIRECTORS

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

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