

Report of Directors

Profit after tax for the Turners & Growers Group is ahead of last year's result for the six months to June 2013.

Domestic

The Domestic division has traded at a similar level to last year. Prices have rebounded from the low levels of 2012, however the volumes sold have decreased slightly. Bonita bananas, sold exclusively through Turners & Growers' sites, have made a strong contribution to the Domestic result. Offsetting this has been the low prices attained on tomato sales, particularly through the summer period.

The Fruit Case Company business unit has had an improved year to date. Crate hireage revenue has improved from last year due to the availability of new crates.

Exports

The 2013 New Zealand apple season has had a strong start with increased volumes and favourable market pricing compared to last year. In particular the Group's flagship varieties, Jazz™ and Envy™, are forecasted to improve on 2012.

ENZA's global apple programme has delivered increased returns to the Group, particularly from the North American market which has seen price and volume increases on 2012 levels, even after a severe hail storm affected the crop harvest. There is continuing demand from apple growers globally to plant ENZA varieties.

Exports of stonefruit from Australia and USA through Delica have increased markedly in comparison to 2012 volumes. However poor growing seasons for New Zealand citrus and stonefruit have led to export volumes being less than the prior year.

Delica's import business in Australia, which is mainly involved in trading apricots, blueberries, asparagus and kiwifruit, has continued to grow in its second year of operation.

Turners & Growers Fiji has experienced solid growth during the first half of 2013. Volumes of fresh produce imported from New Zealand, Australia and USA have increased significantly in comparison to 2012.

Processing

The strength of export returns for fresh New Zealand apples has resulted in a smaller portion of the national crop being available for processing. The reduced volume, combined with the very high New Zealand dollar against the Australian dollar, has had a negative effect on the Apple Juice Concentrate sector of the business. The recent investment into small format and food ingredient processing capability has resulted in very positive sales results.

Growing Operations

Status Produce, the specialist hothouse tomato growing operation, has had a less profitable six months than 2012 despite volumes and growing costs being in line with expectations. The long hot summer in New Zealand was ideal for growing tomatoes, resulting in additional volume from competitors, particularly outdoor growers. The increased supply, in conjunction with reduced demand from consumers "home-growing", had a negative effect on market prices.

The Group's New Zealand pipfruit orchards have achieved significantly improved results compared to the prior period. The 2013 New Zealand apple growing season was characterised by dry conditions resulting in smaller fruit sizes, however this was offset by strong market returns and increased production volumes from maturing plantings.

The extended drought throughout the summer made for a challenging six months for Kerifresh. The small size profile as a result of the growing conditions has impacted the prices attained for citrus. Despite the same issue affecting the kiwifruit crop, returns have been higher due to a successful export programme to Australia.

Other

The Transport and Floramax businesses have both traded in line with the same period in 2012. Fruitmark (the trading name of the Australian subsidiary ENZACor Pty Limited) has had a marked improvement in operating profit over last year. In addition, a one-off gain has been recorded in relation to the sale of its share in a Belgian joint venture.

Other items of note

Turners & Growers acquired the remaining minority shareholding in Delica Limited in May 2013. The acquisition is a strategic step towards a fully integrated export division and provides a significant opportunity to grow the Group's trading to and within Asia.

The Group has recorded gains on the sale of two of its Auckland properties during the first half of the year. The Floramax building in Mount Wellington and the Status site in Mangere have both been leased back from their new owners.

Outlook

The Group is on track to exceed the profitability of 2012.

K.J. Lutz
CHAIRMAN