Turners & Growers

Passion for Freshness.

Everyday. Everywhere.

Half Year Report

June 2014

Turners & Growers

Half Year Report

June 2014

Contents


FOX FOX
HARVEST WEAR

REPORT OF DIRECTORS

Profit after tax for the Turners & Growers Group is down on last year's result for the six months to June 2014.

RESULTS IN BRIEF

Currency: NZ$'000	**June 2014**	June 2013	Dec 2013
Revenue	**340,961**	369,031	733,697
Profit before tax	**14,404**	21,006	23,420
Profit after tax (before non-controlling interests)	**10,622**	17,755	17,238
Total equity	**276,972**	266,938	268,671

PIPFRUIT

The Pipfruit division has improved its operating profit by 22% over last year. The 2014 New Zealand apple season had an improved start to the year with increased volumes into markets with favourable pricing in Asia compared to the prior year. In Europe and the UK the Group's flagship varieties, Jazz™ and Envy™, are selling at a premium and still gaining market share whereas commodity variety prices have come under pressure. The US market started strong across all varieties and exports into the Group's prime Asian markets – Thailand, Vietnam, Singapore and Hong Kong have increased. Additionally ENZA's global apple programme in the Northern Hemisphere has had a strong finish to the season.

The Group has directed most of its capital expenditure towards the Pipfruit category by upgrading packing facilities, expanding coolstore space and the pending strategic acquisition of Apollo Apples. Apollo Apples is a significant New Zealand based growing, packing and exporting company with over 500 hectares of fruit producing orchards, which will add 20% more export volume to the Pipfruit division.

INTERNATIONAL PRODUCE

The International Produce division experienced a difficult first half of 2014. Supply shortages in most of the regions led to a 13% decrease in revenues. New Zealand sourced cherries, berries and stonefruit decreased markedly compared to 2013. Spring frosts in Chile resulted in heavily reduced volumes of stonefruit and grapes available for export. Additional volume reduction arose from a poor growing season for Australian stonefruit and a lower New Zealand kiwifruit crop from the Group's orchards in Kerikeri. Worldwide overproduction reduced export opportunities for Peruvian asparagus. Exports to the Pacific Islands were very competitive as favourable growing conditions in the islands resulted in reduced availability of import quotas compared to 2013.

Exports of berries, salads and stonefruit from the USA have increased remarkably as a result of favourable growing conditions and strong support from key growers.

NEW ZEALAND PRODUCE

The New Zealand Produce division improved its operating profit by $0.7m, finishing close to break even for the first six months. The domestic growing operations, Status Produce – specialist for hothouse tomatoes and Turners & Growers Horticulture – the Group's citrus growing operation in Kerikeri, both managed to improve their profitability, whilst the wholesale markets performed steadily on the back of good trading in tropical fruit and root crop.

Due to another prolonged summer in New Zealand, tomato volumes in the market have been high. The increased supply had a negative effect on market prices which was offset by higher volumes sold, reduced energy costs and diversification into specialty tomatoes.

The improved result in the citrus category was mainly due to the recovery of lemon prices in New Zealand.

PROCESSED FOODS

The Processed Foods division has underperformed year to date. Fruit available for processing was at an all time low during the first half of the year due to the outstanding quality of the New Zealand apple crop which resulted in an exceptionally high percentage of fruit for export. Submitted volumes to the Group's apple processing plants dropped by 40% compared to prior year which is well below the volume needed to cover the fixed costs for running ENZAFoods' two plants.

Additionally the continued appreciation of the New Zealand Dollar against the Australian Dollar added pressure to the apple juice concentrate margin. The Australian arm of the division, ENZACor Pty Ltd (trading as Fruitmark), traded operationally slightly below last year's levels with the 2013 result also including a gain of $1.6m for the sale of the Group's shares in Fruitmark Belgium.

OTHER

The Other businesses' half year result improved over 2013 and ended up close to break even for 2014.

Results for the Group's crate business were on par with the prior year. In a highly competitive market costs for the transport business increased, mainly for employment and road user charges, which could not be fully recovered despite higher revenues.

OTHER ITEMS OF NOTE

Turners & Growers has announced the pending acquisition of Apollo Apples and is still awaiting the approval of the Overseas Investment Office, therefore Apollo Apples is not part of the consolidated Group at half year.

In 2013 properties were sold which contributed $1.2m to other operating income for last year's half year result. There have been no significant property sales for the period ended June 2014.

OUTLOOK

The Group's profitability has been adversely affected by a number of isolated one-off events.
The seasonal nature of the Group's activities results in the majority of the year's profit being recognised in the first half of the year. This is largely because of the increased investment in growing activities, and the increased fruit volumes from the Northern Hemisphere programme. Trading for the remainder of the year is expected to be consistent with 2013's performance for the corresponding period.

K.J. Lutz
CHAIRMAN


Keri Sweet

CONSOLIDATED INCOME STATEMENT

For the 6 months ended 30 June 2014 (Unaudited)

	Notes	**June 2014 6 months $'000**	June 2013 6 months $'000
Revenue	6	**340,961**	369,031
Cost of sales		**(250,113)**	(275,279)
Gross profit		**90,848**	93,752
Other operating income		**4,690**	8,376
Administration expenses		**(13,377)**	(13,535)
Other operating expenses		**(66,121)**	(66,661)
Operating profit		**16,040**	21,932
Financial income		**174**	277
Financial expenses		**(3,571)**	(3,045)
Net financing expenses		**(3,397)**	(2,768)
Share of profit from associates	10	**703**	1,030
Share of profit from joint ventures	10	**1,058**	812
Profit before income tax		**14,404**	21,006
Income tax expense	7	**(3,782)**	(3,251)
Profit for the period from continuing operations		**10,622**	17,755
Attributable to:			
Equity holders of the parent		**10,202**	16,640
Non-controlling interests		**420**	1,115
Profit for the period		**10,622**	17,755
Earnings per share			
Basic and diluted earnings (in cents)	13	**8.7**	14.2

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 June 2014 (Unaudited)

	June 2014 $'000 6 months	June 2013 $'000 6 months
Profit for the period	**10,622**	17,755
Other comprehensive income / (expense)		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation reserve transferred to the income statement	**–**	140
Exchange differences on translation of foreign operations	**(1,307)**	(815)
Effective portion of changes in fair value of cash flow hedges, net of tax	**4,618**	(3,079)
Net change in fair value of cash flow hedges reclassified from equity to income statement	**219**	(266)
Other comprehensive income / (expense) income for the period	**3,530**	(4,020)
Total comprehensive income for the period	**14,152**	13,735
Total comprehensive income for the period is attributable to:		
Equity holders of the parent	**13,779**	12,679
Non-controlling interests	**373**	1,056
	14,152	13,735

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2014 (Unaudited)

	Note	Attributable to equity holders of the Parent						
		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 2013		165,147	69,100	(1,195)	40,046	273,098	6,432	279,530
Comprehensive income								
Profit for the period		–	–	–	16,640	16,640	1,115	17,755
Other comprehensive (expense) / income								
Currency translation differences		–	–	(756)	–	(756)	(59)	(815)
Movement in cash flow hedge reserve		–	–	(3,345)	–	(3,345)	–	(3,345)
Foreign currency translation reserve transferred to the income statement		–	–	140	–	140	–	140
Total other comprehensive (expense)		–	–	(3,961)	–	(3,961)	(59)	(4,020)
Total comprehensive (expense) / income		–	–	(3,961)	16,640	12,679	1,056	13,735
Transactions with owners								
Dividends	12	–	–	–	–	–	(504)	(504)
Acquisition of non-controlling interest's share in subsidiary	14	–	–	–	(20,682)	(20,682)	(5,141)	(25,823)
Total transactions with owners		–	–	–	(20,682)	(20,682)	(5,645)	(26,327)
Transfer from asset revaluation reserve due to asset disposal		–	(9,641)	–	9,641	–	–	–
Balance at 30 June 2013		165,147	59,459	(5,156)	45,645	265,095	1,843	266,938
Balance at 1 January 2014		**165,147**	**60,596**	**(4,221)**	**45,949**	**267,471**	**1,200**	**268,671**
Comprehensive income								
Profit for the period		**–**	**–**	**–**	**10,202**	**10,202**	**420**	**10,622**
Other comprehensive (expense) / income								
Currency translation differences		**–**	**(6)**	**(1,254)**	**–**	**(1,260)**	**(47)**	**(1,307)**
Movement in cash flow hedge reserve		**–**	**–**	**4,837**	**–**	**4,837**	**–**	**4,837**
Total other comprehensive (expense) / income		**–**	**(6)**	**3,583**	**–**	**3,577**	**(47)**	**3,530**
Total comprehensive (expense) / income		**–**	**(6)**	**3,583**	**10,202**	**13,779**	**373**	**14,152**
Transactions with owners								
Dividends	12	**–**	**–**	**–**	**(5,851)**	**(5,851)**	**–**	**(5,851)**
Total transactions with owners		**–**	**–**	**–**	**(5,851)**	**(5,851)**	**–**	**(5,851)**
Transfer from asset revaluation reserve due to asset disposal		**–**	**(547)**	**–**	**547**	**–**	**–**	**–**
Balance at 30 June 2014		**165,147**	**60,043**	**(638)**	**50,847**	**275,399**	**1,573**	**276,972**

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2014 (Unaudited)

	Notes	**June 2014 $'000**	December 2013 $'000	June 2013 $'000
Current assets				
Cash and cash equivalents		**17,814**	21,619	22,604
Trade and other receivables	8	**125,673**	87,039	147,672
Inventories		**118,522**	42,170	99,294
Taxation receivable		**1,880**	3,485	1,178
Biological assets		**3,417**	1,267	1,029
Non-current assets classified as held for sale		**–**	1,244	436
Total current assets		**267,306**	156,824	272,213
Non-current assets				
Trade and other receivables	8	**2,007**	2,012	1,182
Available-for-sale investments		**324**	325	210
Biological assets		**16,237**	21,633	14,086
Property, plant and equipment	9	**255,173**	250,773	251,153
Intangible assets		**12,329**	12,346	12,451
Investments in associates	10	**8,210**	7,822	8,753
Investments in joint ventures	10	**8,302**	8,081	6,826
Total non-current assets		**302,582**	302,992	294,661
Total assets		**569,888**	459,816	566,874
Current liabilities				
Trade and other payables		**114,117**	91,351	132,478
Interest bearing loans and borrowings	11	**74,959**	789	64,460
Total current liabilities		**189,076**	92,140	196,938
Non-current liabilities				
Trade and other payables		**4,645**	6,611	6,531
Interest bearing loans and borrowings	11	**78,596**	71,864	78,767
Deferred tax liabilities	7	**20,599**	20,530	17,700
Total non-current liabilities		**103,840**	99,005	102,998
Total liabilities		**292,916**	191,145	299,936
Net assets		**276,972**	268,671	266,938
Equity				
Share capital	12	**165,147**	165,147	165,147
Revaluation and other reserves		**59,405**	56,375	54,303
Retained earnings		**50,847**	45,949	45,645
Total equity attributable to equity holders of the parent		**275,399**	267,471	265,095
Non-controlling interests		**1,573**	1,200	1,843
Total equity		**276,972**	268,671	266,938
Net tangible assets per share		**$2.26**	$2.19	$2.17

K.J. Lutz
Director (Chairman)
2 September 2014

C.A. Campbell
Director (Chair of Finance, Risk & Investment Committee)
2 September 2014

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ended 30 June 2014 (Unaudited)

	Notes	**June 2014 6 months $'000**	June 2013 6 months $'000
Cash flows from operating activities			
Cash was provided from:			
Cash receipts from customers		**460,105**	444,274
Dividends received		**–**	1
Interest received		**172**	212
Cash was disbursed to:			
Payments to suppliers and employees		**(521,950)**	(494,950)
Interest paid		**(3,185)**	(2,767)
Income taxes paid		**(1,692)**	(1,515)
Net cash used in operating activities	19	**(66,550)**	(54,745)
Cash flows from investing activities			
Cash was provided from:			
Dividends received from associates and joint ventures		**931**	702
External loan repayments from suppliers, customers and associates and joint ventures		**220**	492
Proceeds from sale of property, plant and equipment		**1,318**	19,802
Proceeds from sale of joint venture		**–**	3,666
Cash was disbursed to:			
Purchase of property, plant and equipment and biological assets		**(11,708)**	(5,320)
Purchase of intangible assets		**(676)**	(608)
Purchase of available-for-sale investments		**–**	(10)
Purchase of non-controlling interest's share in subsidiary		**–**	(16,985)
Deferred consideration on purchase of non-controlling interest		**(2,064)**	–
Purchase of additional investment in joint venture		**–**	(225)
Net cash (used in) / generated by investing activities		**(11,979)**	1,514
Cash flows from financing activities			
Cash was provided from:			
Proceeds from bank term loans		**81,400**	70,300
Cash was disbursed to:			
Dividends paid to parent shareholders		**(5,851)**	–
Dividends paid to non-controlling interests		**–**	(504)
Bank commercial bill facility and term loan repayments		**(246)**	(10,032)
Net cash generated by financing activities		**75,303**	59,764
Net (decrease) / increase in cash and cash equivalents		**(3,226)**	6,533
Foreign currency translation adjustment		**(579)**	77
Cash and cash equivalents at beginning of period		**21,619**	15,994
Cash and cash equivalents at end of period		**17,814**	22,604

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


Turners & Growers

NOTES TO THE FINANCIAL STATEMENTS

For the 6 months ended 30 June 2014 (Unaudited)

1 GENERAL INFORMATION

Turners & Growers Limited (the Company) and Subsidiary Companies (the Group) market and distribute selected horticultural products both domestically and internationally. The Group is domiciled in New Zealand and listed on the New Zealand Stock Exchange.

2 BASIS OF PREPARATION

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

These condensed interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with generally accepted accounting practice in New Zealand, NZ IAS 34 'Interim Financial Reporting' and IAS 34 ' Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the 2013 Annual Report, which has been prepared in accordance with NZ IFRS.

The interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993. The Group is designated as a profit oriented entity for financial reporting purposes.

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

3 STATEMENT OF ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim financial statements are consistent with those used in the December 2013 Annual Report. To ensure consistency with the current period, certain comparative balances have been reclassified to align with current year presentation, the most significant item being a $14m reclassification between 'Trade and other receivables' and 'Trade and other payables' in the prior year.

Standards, amendments and interpretations effective in 2014

There are no standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that would be expected to have a material impact on the Group.

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2013 apart from the extension of the useful lives on hire containers, which have been extended from 7 years to 15 years since 1 January 2014.

If the useful lives of the hire containers had not been changed, this would have resulted in a further $564,000 of depreciation charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 6 months ended 30 June 2014 (Unaudited)

5 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 Executive Officer and Chief Financial 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 share of profit / (loss) from 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

At 1 January 2014, the Group changed the structure of its internal organisation, resulting in a change to the composition of its reportable segments. Segment information for the prior period has been restated to reflect the change in the reportable segments.

The Group comprises the following main business segments:

Pipfruit – Growing, Packing, Coolstore, Sales and Marketing of pipfruit worldwide.

International Produce – International trading activities other than pipfruit. Major markets are Asia, Australia and the Pacific, sourced from New Zealand, Australia, North and South America.

New Zealand Produce – Growing and trading activities within New Zealand. This incorporates the New Zealand Wholesale markets and the Tomato and Citrus growing operations.

Processed Foods – Processed food manufacture and sales in New Zealand and trading activities in Australia.

Other – Transport, crate hireage, flower auctions, properties and corporate costs.

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

	Pipfruit $'000	International Produce $'000	New Zealand Produce $'000	Processed Foods $'000	Other $'000	Total $'000
Six months ended 30 June 2014						
Total segment revenue	**114,347**	**90,130**	**74,018**	**42,935**	**26,437**	**347,867**
Inter-segment revenue	**(231)**	**–**	**(412)**	**–**	**(6,263)**	**(6,906)**
Revenue from external customers	**114,116**	**90,130**	**73,606**	**42,935**	**20,174**	**340,961**
Depreciation	**2,135**	**129**	**1,222**	**1,236**	**1,538**	**6,260**
Amortisation	**26**	**27**	**9**	**8**	**601**	**671**
Operating profit	**16,837**	**1,259**	**(397)**	**(1,568)**	**(91)**	**16,040**
Six months ended 30 June 2013						
Total segment revenue	126,226	103,412	70,185	51,041	25,363	376,227
Inter-segment revenue	(101)	–	(558)	–	(6,537)	(7,196)
Revenue from external customers	126,125	103,412	69,627	51,041	18,826	369,031
Depreciation	2,404	224	1,351	1,179	1,975	7,133
Amortisation	17	4	3	31	918	973
Operating profit	13,862	5,715	(1,070)	3,792	(367)	21,932

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 6 months ended 30 June 2014 (Unaudited)

5 SEGMENT INFORMATION (continued)

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

	June 2014 6 months $'000	June 2013 6 months $'000
Operating profit for reportable segments	**16,040**	21,932
Net financing costs	**(3,397)**	(2,768)
Share of profit from associates and joint ventures	**1,761**	1,842
Profit before tax	**14,404**	21,006

Breakdown of revenue from all business operations is as follows:

Analysis of revenue by category		
Sales and commissions	**302,811**	330,011
Services	**34,989**	35,635
Royalties	**2,376**	2,592
Rental income	**785**	793
	340,961	369,031

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	**130,760**	137,195
Australia	**42,826**	47,161
Other countries	**167,375**	184,675
	340,961	369,031

Total non-current assets other than financial instruments and deferred tax assets by geographic area are:

New Zealand	**285,739**	282,912
Australia	**3,323**	3,589
Other countries	**11,189**	6,768
	300,251	293,269

6 TOTAL REVENUE AND GROSS TURNOVER

	June 2014 6 months $'000	June 2013 6 months $'000
Revenue from sales, commissions, services, royalties and rental income	**340,961**	369,031
Gross turnover	**467,780**	504,087

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.

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)

For the 6 months ended 30 June 2014 (Unaudited)

7 INCOME TAXES

Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period and adjusted for any permanent and timing differences.

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of the assets and liabilities, using the estimated average annual effective income tax rate for the interim periods presented.

8 TRADE AND OTHER RECEIVABLES

During the six months ended 30 June 2014 the provision for irrecoverable trade and other receivables decreased by $55,000 (six months ended 31 December 2013: $121,000 decrease; six months ended 30 June 2013: $1.9m decrease). There were no material bad debts written off for the six months ended 30 June 2014 (six months ended 30 June 2013: $1.9m written off).

9 PROPERTY, PLANT AND EQUIPMENT

Asset acquisitions and disposals	**June 2014 6 months $'000**	June 2013 6 months $'000
Cost of assets acquired	**10,484**	5,085
Net book value of assets disposed	**960**	533
Profit on assets disposed	**(358)**	(15)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Significant associates and joint ventures	Country of incorporation	Held %		Contribution to net profit / (loss)	
		June 2014	June 2013	**June 2014 6 months $'000**	June 2013 6 months $'000
Associates					
Allen Blair Properties Limited	New Zealand	**33%**	33%	**118**	129
David Oppenheimer & Company I, L.L.C	United States of America	**15%**	15%	**362**	436
David Oppenheimer Transport Inc.	United States of America	**15%**	15%	**122**	85
Fresh Vegetable Packers Limited	New Zealand	**41%**	41%	**3**	9
McKay Shipping Limited	New Zealand	**25%**	25%	**83**	391
Mystery Creek Asparagus Limited	New Zealand	**15%**	15%	**15**	(20)
				703	1,030
Joint ventures					
Delica Pty Limited	Australia	**50%**	43%	**(4)**	(22)
Fruitmark NV/SA	Belgium	**0%**	0%	**–**	64
Premier Fruit New Zealand Limited	New Zealand	**50%**	50%	**–**	–
Wawata General Partner Limited	New Zealand	**50%**	50%	**318**	176
Worldwide Fruit Limited	United Kingdom	**50%**	50%	**744**	594
				1,058	812
				1,761	1,842

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 6 months ended 30 June 2014 (Unaudited)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

	June 2014 6 months	June 2013 6 months
Equity carrying value of investments at the beginning of the period	**15,903**	16,314
Share of changes in associates' and joint ventures' post acquisition surplus and reserves:		
– Surplus	**1,761**	1,842
– Additional investment in joint venture	**–**	225
– Foreign currency translation movements	**(221)**	(72)
– Disposal of investments	**–**	(2,028)
– Dividends received during the period	**(931)**	(702)
Equity carrying value of investments at the end of the period	**16,512**	15,579

Due to the purchase of the remaining non-controlling interest in Delica Limited and Delica Australia Limited in 2013, the Group's share in its joint venture Delica Pty Limited has increased from 43% to 50%.

11 INTEREST BEARING LOANS AND BORROWINGS

During the six months ended 30 June 2014, term loans of $7m were borrowed at an interest rate of 4.42% from the BNZ and Rabobank, money market loans of $12.4m were borrowed at an interest rate of 4.45% from the BNZ and seasonal funding loans of $62m were borrowed from the BNZ and Rabobank at an average interest rate of 4.27% (six months ended 31 December 2013: seasonal funding loans of $49m were repaid to BNZ / Rabobank / Westpac, money market loans of $14.3m were repaid to BNZ and term loans of $10m were repaid to BNZ / Rabobank, six months ended 30 June 2013: term loans of $10m were repaid and $7m borrowed at an interest rate of 3.74% from the BNZ and Rabobank, money market loans of $14.3m were borrowed at an interest rate of 4.35% from the BNZ and seasonal funding loans of $49m were borrowed from the BNZ / Rabobank / Westpac at an average interest rate of 3.56%).

12 CAPITAL AND RESERVES

Share capital

During the six months ended 30 June 2014 there was no change to share capital (six months ended 31 December 2013: no change; six months ended 30 June 2013: no change).

Dividends

During the six months ended 30 June 2014, a cash dividend of $5.9m was declared and paid to shareholders (six months ended 31 December 2013: no dividend declared or paid to shareholders; six months ended 30 June 2013: no dividend declared or paid to shareholders).

During the six months ended 30 June 2014, no dividends were paid to non-controlling interests (six months ended 31 December 2013: $572,000; six months ended 30 June 2013: $504,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 6 months ended 30 June 2014 (Unaudited)

13 EARNINGS PER SHARE

	June 2014 $'000	June 2013 $'000
Net profit for the year attributable to equity holders of the Parent	**10,202**	16,640

	June 2014	June 2013
	Number of shares	
Basic earnings per share		
Opening shares	**117,010,550**	117,010,550
Weighted average number of ordinary shares	**117,010,550**	117,010,550
Earnings per share (in cents)	**8.7**	14.2
Options		
Opening number of options	**111,111**	166,667
Options forfeited	**–**	–
Weighted average number of options	**111,111**	166,667
Weighted average number of shares and options	**117,121,661**	117,177,217

The options do not have a dilutive effect as the average market price of ordinary shares does not exceed the exercise price of the options.

14 ACQUISITION OF NON-CONTROLLING INTEREST SHARE IN SUBSIDIARY

In the prior year, the Group acquired the remaining 30% of the issued shares of Delica Limited for a purchase price of $25.8m. The carrying amount of the non-controlling interests in Delica Limited on the date of acquisition was $5.1m. The Group derecognised non-controlling interests of $5.1m and recorded a decrease in equity attributable to owners of the Group of $20.7m.

Additional costs of $23,000 were incurred as part of the acquisition of Delica Limited and these costs have also been recorded as a decrease in equity attributable to owners of the Group.

The effect of changes in the ownership interest of Delica Limited on the equity attributable to owners of the Group is summarised as follows:

	June 2014 6 months $'000	June 2013 6 months $'000
Carrying amount of non-controlling interests acquired	**–**	5,141
Consideration paid to non-controlling interests	**–**	(16,962)
Repayment of loans by Delica Limited directors	**–**	(582)
Deferred consideration	**–**	(8,256)
Excess of consideration paid recognised in equity	**–**	(20,659)
Acquisition related legal fees	**–**	(23)
Net effect in equity	**–**	(20,682)

There were no transactions with non-controlling interests in 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 6 months ended 30 June 2014 (Unaudited)

15 FINANCIAL INSTRUMENTS

Foreign currency

The Group undertakes transactions denominated in foreign currencies from time to time and as a result of these activities, exposures in foreign currency arise. It is the Group's policy to hedge foreign currency risks as they arise. The Group uses forward exchange contracts and foreign currency options to manage these exposures.

Interest rates

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating rates. The Group uses interest rate swaps from time to time to manage these exposures.

The method of recognising the gain or loss on derivatives depends on whether the derivative is designated as a hedging instrument. Changes in the fair value of derivative instruments designated as cash flow hedges are accounted for in other comprehensive income and accumulated in the cash flow hedge reserve, and changes in the fair value of derivatives designated as fair value hedges are recorded in the Income Statement. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement.

The carrying amount and fair value of financial instruments at 30 June 2014 is $4.9m (31 December 2013: carrying amount and fair value of $69,000; and 30 June 2013: ($3.6m)).

a) Fair value

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Cash and cash equivalents
- Available-for-sale investments
- Trade and other receivables
- Balances owing by and to associates and joint ventures
- Derivative financial instruments – held-for-trading
- Derivative financial instruments – cash flow hedges
- Interest bearing loans and borrowings
- Trade and other payables

b) Fair value measurement hierarchy

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2014 and 31 December 2013.

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 liabilities, 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).

At 30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss	–	281	–	281
Foreign currency options – cash flow hedges		1,026		1,026
Derivative financial instruments – cash flow hedges	–	4,248	–	4,248
Available-for-sale investments				
– Equity securities	–	325	–	325
Total assets	–	5,880	–	5,880
Liabilities				
Financial liabilities at fair value through profit or loss	–	3	–	3
Derivative financial instruments – cash flow hedges	–	656	–	656
Total liabilities	–	659	–	659

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 6 months ended 30 June 2014 (Unaudited)

15 FINANCIAL INSTRUMENTS (continued)

At 31 December 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss	–	230	–	230
Foreign currency options – cash flow hedges	–	33	–	33
Derivative financial instruments – cash flow hedges	–	643	–	643
Available-for-sale investments				
– Equity securities	–	325	–	325
Total assets	–	1,231	–	1,231
Liabilities				
Financial liabilities at fair value through profit or loss	–	6	–	6
Foreign currency options – cash flow hedges		216		216
Derivative financial instruments – cash flow hedges	–	615	–	615
Total liabilities	–	837	–	837

16 CAPITAL COMMITMENTS

	June 2014 $'000	June 2013 $'000
Amount committed to capital expenditure	**11,939**	2,479

17 CONTINGENCIES

The Group have the following guarantees:

Contingent liabilities	**June 2014 $'000**	June 2013 $'000
Maximum amount payable under the guarantees		
Bonds and sundry facilities	**80**	80
Guarantees of bank facilities for associated companies	**2,569**	2,884
	2,649	2,964

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 6 months ended 30 June 2014 (Unaudited)

18 RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its associates and joint ventures, and with its Directors. The Group also have related party relationships with its ultimate parent BayWa Aktiengesellschaft (BayWa) and with BayWa's subsidiaries and associated companies.

BayWa Aktiengesellschaft (BayWa), the major shareholder and ultimate parent company of Turners & Growers Limited, owns 73.07% (30 June 2013: 73.07%) of the ordinary shares of the Parent. Pacific Fruit Group indirectly own 12.26% (30 June 2013: 12.26%) and Scales Corporation own 10.31% (30 June 2013: 10.31%) of the ordinary shares of the Parent. The balance is owned by the public.

Directors

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

	June 2014 6 months $'000	June 2013 6 months $'000
Fresh Food Exports 2011 Limited Director (Mr A.J. Greensmith)		
– Sales value of produce sold to the Group through a company associated with Mr A.J. Greensmith	**59**	195
– Purchase of services from and commissions paid to the Group through a company associated with Mr A.J. Greensmith	**37**	45
– Balance owing to the Group at 30 June	**–**	4
– Balance owing by the Group at 30 June	**200**	201
Alternate Director (Mr L.A. Noboa Icaza)		
– Sale of produce to the Group	**9,209**	7,858
– Balance owing by the Group at 30 June	**185**	–

The Noboa Group indirectly owns approximately 12.26% (2013: 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	**June 2014 6 months $'000**	June 2013 6 months $'000
Short-term employee benefits	**1,323**	1,774
Termination benefits	**–**	450

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 6 months ended 30 June 2014 (Unaudited)

18 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 10 for a listing of associates and joint ventures).

	June 2014 6 months $'000	June 2013 6 months $'000
Associates		
– Sales of pipfruit exported by the Group	**12,606**	12,557
– Purchase of pipfruit from associates	**9,348**	6,566
– Provision of services by the Group	**9**	3
– Provision of services to the Group	**415**	29
– Balance owing to the Group at 30 June	**9,012**	8,722
– Balance owing by the Group at 30 June	**–**	17
Joint ventures		
– Sales of pipfruit exported by the Group	**6,077**	8,382
– Purchase of pipfruit from associates	**52**	1,156
– Provision of services by the Group	**794**	37
– Provision of services to the Group	**–**	33
– Balance owing to the Group at 30 June	**5,066**	5,424
– Balance owing by the Group at 30 June	**21**	144
Associates of BayWa		
– Sale of pipfruit exported by the Group	**2,324**	3,105
– Provision of services to the Group	**132**	506
– Balance owing to the Group at 30 June	**2,204**	2,947
– Balance owing by the Group at 30 June	**127**	532
BayWa		
– Provision of services to the Group	**–**	74

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 6 months ended 30 June 2014 (Unaudited)

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

	June 2014 6 months $'000	June 2013 6 months $'000
Profit for period	**10,622**	17,755
Adjusted for:		
Depreciation expense	**6,260**	7,133
Amortisation of intangibles	**671**	973
Fair value movement in derivatives	**(49)**	(153)
Fair value movement in long term receivables	**10**	–
Fair value movement on biological assets	**(4,243)**	(3,850)
Movement in provision for receivables impairment	**(55)**	(1,931)
Profit on sale of property, plant and equipment	**(358)**	(1,153)
Profit on sale of joint venture	**–**	(1,638)
Share of profit from associates and joint ventures	**(1,761)**	(1,842)
Movement in deferred tax through income statement	**60**	(742)
Effective interest on deferred consideration	**181**	–
	11,338	14,552
Impact of changes in working capital items		
(Increase) in debtors and prepayments*	**(23,566)**	(65,779)
Increase in creditors and provisions*	**37,597**	56,544
(Increase) in inventories	**(90,167)**	(56,690)
(Increase) in taxation receivable	**(1,752)**	(3,372)
	(77,888)	(69,297)
Net cash flows used in operating activities	**(66,550)**	(54,745)

* Excludes investing activities.

20 EVENTS OCCURRING AFTER THE BALANCE DATE

The Group had previously announced the acquisition of Apollo Apples Limited and the acquisition of a 50% shareholding in Apollo Foods Limited, both pending consent from the Overseas Investment Office (OIO). Consent for the acquisitions is still pending although this is expected to be obtained from the OIO post balance date.

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

21 SEASONALITY OF BUSINESS

The pipfruit export and domestic produce businesses are subject to seasonal fluctuations, with a peak demand in the domestic business in the summer months and the completion of the pipfruit export programme before the last quarter of the year.

DIRECTORY

DIRECTORS

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

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