A BayWa Company

Directors' Report

The T&G Global Group is pleased to announce a net profit after tax of $12.5 million for the six months ended 30 June 2015, an improvement on last year by 18%. The Group also saw an improvement in revenue of 9% to $371 million for the first six months of the year.

These improvements were driven by a good performance in the Pipfruit division, steady trading in the New Zealand Produce, International Produce, and Processed Foods divisions, and the first time consolidation of Apollo Apples (2014) Limited in the Group's half year result.

Despite the hail storms experienced around all New Zealand growing regions earlier in the year and a late start to the 2015 season, the Pipfruit division saw an improvement in exports particularly to Asian markets and this, combined with better trading margins achieved for exports, led to a positive impact on the division's earnings and an improved return for the orchards. Increased planting revenues received from the expansion of the global variety development programme for Jazz™ and Envy™ in the northern hemisphere and a strong finish to the North American season also contributed to the Pipfruit division's success for the first six months of the year.

The New Zealand Produce division saw steady trading for the six months to June, with the New Zealand domestic market in particular benefitting from a strong citrus season and lower operating expenses.

The International Produce division also saw an improvement in its operating result from last year. The supply shortages from the first six months of 2014 were not repeated this year as better growing conditions led to more consistent volumes and pricing being achieved. The Group is also seeing the benefits of having a trading office located in China with this office not only generating revenue through direct imports, but also facilitating business for the Group's other trading offices located elsewhere. Along with this, strong summerfruit and berryfruit seasons and the continued growth in its Fiji trading operation saw this division achieve an increase of 93% in its operating profit to $2.4 million for the six months to June.

Operational efficiencies and a significant increase in fruit volumes contributed to a turnaround for the Processed Foods division, from a loss of $1.6 million for the same period in the prior year to an operating profit of $0.4 million for the six months ended 30 June 2015.

The Group's result also benefitted from the consolidation of Apollo Apples (2014) Limited for the first time in the six months to June with Apollo contributing $28 million of revenue and an operating profit of $2 million to the Group.

The above factors as well as synergies created in the Pipfruit division saw the Group improve its operating profit markedly by 24% to $19.8 million.

Total assets as at 30 June 2015 have increased by 28% or $156.8 million compared to last year. This was due primarily to the acquisition of Apollo Apples' assets, an increase in the value of the Group's biological assets, increased trading activities, and the Group's ongoing capital investment programme.

Subsequent to 30 June 2015, a new joint venture was formed in Australia with a focus on expanding the Group's presence in the asparagus category.

This exciting venture is another step towards the Group's vision of extending and improving our range of premium fresh produce offerings to consumers around the world.

K.J. Lutz
CHAIRMAN

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