



TURNERS & GROWERS LIMITED AND SUBSIDIARY COMPANIES  
HALF YEARLY ANNOUNCEMENT TO JUNE 2005

The Board announces the results for the half year to 30th June 2005. These have been prepared under N.Z. International Financial Reporting Standards (IFRS) and the comparative figures have been restated accordingly.

The figures are unaudited.

\$000			
OPERATING REVENUE	(05) 248,191	(04) 284,565	-12.8%
EBITDA	(05) 18,941	(04) 22,129	-14.4%
Depreciation	(05) (9,082)	(04) (10,197)	-10.9%
Amortisation	(05) (832)	(04) (564)	+47.5%
EBIT	(05) 9,027	(04) 11,368	-20.6%
Interest Income	(05) 305	(04) 338	-9.8%
Interest Expense	(05) (3,411)	(04) (3,640)	-6.3%
OPERATING SURPLUS BEFORE INCOME TAX	(05) 5,921	(04) 8,066	-26.6%
Income Tax	(05) (1,105)	(04) (2,662)	-58.5%
OPERATING SURPLUS AFTER INCOME TAX	(05) 4,816	(04) 5,404	-10.9%
Minority Interests In deficit of subsids	(05) (69)	(04) (92)	-25.0%
NET SURPLUS	(05) 4,747	(04) 5,312	-10.6%

DIRECTORS' COMMENTARY

The group profit before tax (unaudited) for the half year to June 2005 was \$6 million, compared with the first half result for 2004 of \$7.5 million (restated this year under IFRS at \$8 million). The most significant contributor to this reduction has been the export apple sector.

ENZA INTERNATIONAL

The season got off to a late start owing to summer climatic factors, with a significant reduction in the availability of exportable product. While it is probable that ENZA has maintained its export market share, this overall reduction has translated into a significant shortfall in tray-carton equivalents (tces) actually shipped, with a final figure in the region of about 5.5 million tces.

The late start to the season has been further compounded by a generally oversupplied European market which also held carryover stocks of last season's northern hemisphere fruit. Coupled with recent weak consumer demand over a broad range of fruit and produce generally, these factors have had a marked impact on returns to our grower clients and on group commissions. The intransigently high exchange rates, remaining well above pre-season budget levels in most core currencies, have also reduced overall returns.

United Kingdom fruit sales have been steadier than in Europe and it is to be hoped that prices will hold up in the later part of the season. North America has generally achieved good prices to date with the US dollar rate being the main challenge. However some evidence of weakness is emerging with the arrival of northern hemisphere new season varieties, and because of unnecessarily low price offers from other NZ exporters.

The problems in the apple industry affect all global producers. While there is serious concern about New Zealand growers continuing to pull out trees of the traditional varieties or exit the industry, Enza remains confident of a longer term future for the new Jazz variety in which it holds exclusive world-wide production and marketing rights. The next two or three years will see increasing quantities of this variety becoming available for overseas sale. The pricing premium this variety is commanding is both necessary and reassuring.

The Board continues to be pleased with the investment in the Latitude 41 Packhouse in Nelson which performed most effectively for its clients and the group during its second packing season, and is looking to replicate the facility in Hawkes Bay on the Whakatu site.

FRESH DOMESTIC SECTOR

The industry environment continues to be both competitive and dynamic. The company appears to be holding market share with results up on the equivalent six months in 2004.

One strategic objective of management has been the endeavour to earn profits in the traditionally quiet winter months when the product range is much reduced and mainly of the lower value winter vegetable

items. Despite the loss of some suppliers to direct sales deals with the major two chains, our markets are showing resilience and better profits than were achieved in the equivalent period last year. Continuing careful management of infrastructure costs has assisted this outcome.

The import business which has been under pressure in recent weeks appears to be back on track. The domestic flower operation continues its recent successful recovery and is earning above budget. The board recently took a decision to move out of the joint venture flower export business with which the group was involved owing to a continuing unacceptable performance.

The Fruit Case Company returnable container system has also performed well and above budget in the half year and should continue to meet expectations for the full year.

Turners Transport is slightly behind budget but should recover this in the second half of 2005. Operating costs continue to challenge with increases in fuel costs driven by new taxes, and some shortages of skilled drivers.

#### ENZAFOODS

This company now operates as a stand alone entity within the group. A separate board of directors meets regularly and specifically to guide its activities. Overall the processing group expects to exceed its current budget for the full year to December. The company has benefited from availability of more reject fruit for processing during 2005 and continues to explore innovative ways to grow its activities both onshore and overseas. One current initiative is a proposed joint venture with a company in Thailand to produce a new type of packaged pineapple product. Trials on this will be commenced by Christmas, and if successful could lead to a more significant investment later in a full scale production facility. Another innovation is the distribution of school lunch box style packs of an apple based liquid fruit snack under the name Enza "Fruit Hitz".

#### PRODUCTION AND PACKING SECTOR

The Status Produce glasshouse tomato business has had a less successful six months than last year. The period has seen weak domestic prices, particularly during the summer, coupled with some restructuring of the product mix to achieve improved financial performance later in the year. This resulted in some loss of production during an unbudgeted early rotation of crop cycles. Some rationalisation was undertaken with the aim of strengthening export opportunities and thereby relieving pressure on domestic pricing. Assuming light levels improve with the longer days this business should start to produce better returns in the second, and traditionally stronger, half of the year.

The Status packing lines achieved good results in the first half in both tomatoes and mandarins.

#### PROPERTY PORTFOLIO

All glasshouse expansion projects are now complete and the company is looking for a period of consolidation in this sector.

Several unrequired properties have recently been relinquished, most notably the old ENZA head office lease in Bolton Street Wellington, and sales have been made of a building in central Wellington, and since 30th June of a downtown Auckland property. Following the divestment last December of the former Turners Domestic property in Omaha Road, Hastings, a small part of the Williams Street site in Hastings has now also been sold. There is an intention to release other parts of this site as opportunities present.

#### OUTLOOK

The main factor impacting performance currently has been the export pipfruit situation. The company has done much soul-searching to find ways to address performance in this very important part of the business and a number of new initiatives are under development which we hope will significantly improve our returns and that of our supplier partners. Our medium and longer term future in pipfruit is also predicated on our involvement with Jazz, which we are confident will prove a strong strategic advantage.

Apart from prices and exchange rates, our concern is the continuing loss of New Zealand production as growers move to alternative land use, thereby reducing volume available for export.

Fortunately the group is not wholly reliant on a single business activity and good things are happening elsewhere. However, it will also be important for us to achieve a better level of earnings in the tomato production business. Unlike pipfruit this business has short crop cycles and is therefore more readily able to adjust production to suit anticipated medium term market conditions.

Overall therefore we estimate our full year result may be down somewhat on last year, although not by large amounts. At this time of the year it is impossible to predict a result with any accuracy.

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Turners & Growers with its principal shareholder, GPG Group has become an early adopter of International Financial Reporting Standards. The accounts which accompany this report have been prepared in the new format which has involved some adjustment to opening balances and comparative figures as reported in last year's half year accounts booklet.