

Half Year Report

June 2005

REPORT OF DIRECTORS

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 preseason 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

REPORT OF DIRECTORS (continued)

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 30 June, of a downtown Auckland property. Following the divestment last December of the former Turners Domestic property in Omahu 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.

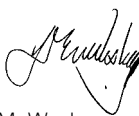
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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 yearly accounts booklet.

The impact in these changes in reporting is outlined in the accompanying notes.



A.I. (Tony) Gibbs,
CHAIRMAN



J.M. Wesley,
CHIEF EXECUTIVE

CONSOLIDATED INCOME STATEMENT

For the 6 months ended 30 June 2005 (Unaudited)

	Note	JUNE 2005 6 Months \$000	JUNE 2004 6 Months \$000
Revenue		246,491	283,289
Cost of sales		(183,636)	(211,074)
Gross profit		62,855	72,215
Other operating income		1,395	754
Administration expenses		(11,719)	(15,232)
Other operating expenses		(44,900)	(47,432)
Operating profit before financing costs		7,631	10,305
Financial income		305	522
Financial expenses		(3,411)	(3,640)
Net financing costs		(3,106)	(3,118)
Share of profit of associates		1,396	879
Profit before tax		5,921	8,066
Income tax expense	4	(1,105)	(2,662)
Profit after tax		4,816	5,404
Attributable to:			
Equity holders of the parent		4,747	5,312
Minority interest		69	92
Profit for the period		4,816	5,404
Earnings per share			
Basic earnings per share (in cents)		7	8
Diluted earnings per share (in cents)		7	8

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

For the 6 months ended 30 June 2005 (Unaudited)

		JUNE	JUNE
		2005	2004
	Note	6 Months	6 Months
		\$000	\$000
Foreign currency translation reserve movement	6	(594)	265
Investors share of revaluation reserve from associates	6	156	–
Change in fair value of equity securities available-for-sale	6	(56)	–
Deferred tax on items taken directly to equity	6	73	–
Net income recognised directly in equity		(421)	265
Profit for the period		4,816	5,404
Total recognised income and expense for the period		4,395	5,669
Attributable to:			
Equity holders of the parent		4,326	5,577
Minority interest		69	92
Total recognised income and expense for the period		4,395	5,669

CONSOLIDATED BALANCE SHEET

As at 30 June 2005 (Unaudited)

	Note	JUNE 2005 \$000	JUNE 2004 \$000	DECEMBER 2004 \$000
ASSETS				
Non-current assets				
Property, plant and equipment	5	196,670	179,878	203,871
Intangible assets		9,438	10,346	9,547
Investments in associates		7,398	6,434	7,795
Other investments		65	115	121
Trade and other receivables		998	639	812
Deferred tax		–	6,058	–
Total non-current assets		<u>214,569</u>	<u>203,470</u>	<u>222,146</u>
Current assets				
Inventories		75,800	119,211	23,233
Biological assets		173	284	32
Trade and other receivables		113,123	130,466	49,049
Taxation receivable		6,710	1,848	5,569
Cash and cash equivalents		6,350	16,295	6,155
Assets classified as held for sale	3	801	1,316	1,316
Total current assets		<u>202,957</u>	<u>269,420</u>	<u>85,354</u>
TOTAL ASSETS		<u>417,526</u>	<u>472,890</u>	<u>307,500</u>
EQUITY				
Share capital	6	138,982	132,496	132,496
Other reserves	6	23,482	11,968	24,167
Retained earnings	6	39,512	38,025	43,071
Total equity attributable to equity holders of the parent		<u>201,976</u>	<u>182,489</u>	<u>199,734</u>
Minority interest		409	444	340
Total equity		<u>202,385</u>	<u>182,933</u>	<u>200,074</u>
LIABILITIES				
Non-current liabilities				
Interest bearing loans and borrowings	7	40,000	45,000	40,000
Trade and other payables		117	190	154
Deferred tax liabilities		1,809	–	1,624
Provisions		–	–	140
Total non-current liabilities		<u>41,926</u>	<u>45,190</u>	<u>41,918</u>
Current liabilities				
Trade and other payables		95,998	134,829	54,303
Interest bearing loans and borrowings		76,500	107,000	10,000
Provisions		717	2,938	1,205
Total current liabilities		<u>173,215</u>	<u>244,767</u>	<u>65,508</u>
Total liabilities		<u>215,141</u>	<u>289,957</u>	<u>107,426</u>
TOTAL EQUITY AND LIABILITIES		<u>417,526</u>	<u>472,890</u>	<u>307,500</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ended 30 June 2005 (Unaudited)

		JUNE 2005	JUNE 2004
	Note	6 Months \$000	6 Months \$000
Cash flows from operating activities			
Cash receipts from customers		287,699	342,996
Payments to suppliers and employees		(348,597)	(416,176)
Cash generated from operations	12	(60,898)	(73,180)
Dividends received		1,870	1,585
Interest received		305	338
Interest paid		(2,362)	(1,802)
Income tax paid		(1,965)	(4,335)
		(2,152)	(4,214)
Net cash (outflows) from operating activities		(63,050)	(77,394)
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment	5	3,544	1,173
		3,544	1,173
Cash was disbursed to:			
Purchase of property, plant and equipment	5	(4,742)	(20,619)
Purchase of investments		-	(500)
		(4,742)	(21,119)
Net cash (outflows) from investing activities		(1,198)	(19,946)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from bank loans		71,500	152,000
		71,500	152,000
Cash was disbursed to:			
Dividends paid to parent shareholders		(2,085)	(7,390)
Bank commercial bill facility & term loan repayments		(5,000)	(42,305)
		(7,085)	(49,695)
Net cash inflows from financing activities		64,415	102,305
Net increase in cash and cash equivalents		167	4,965
Foreign currency translation adjustment		28	40
Cash at beginning of period		6,155	11,290
Cash at end of period		6,350	16,295

NOTES TO THE FINANCIAL STATEMENTS

For the 6 months ended 30 June 2005 (Unaudited)

1 STATEMENT OF ACCOUNTING POLICIES

Turners & Growers Limited is a company domiciled in New Zealand. The interim consolidated financial statements of the company for the six months ended 30 June 2005 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

Statement of compliance

The interim consolidated financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for interim financial statements. These are the Group's first half yearly financial statements prepared in accordance with NZ IFRS. NZ IFRS 1 First-time Adoption of New Zealand equivalents to International Financial Reporting Standards has been applied. The consolidated interim financial statements do not include all of the information required for full annual financial statements.

The accounting policies are not consistent with those used in the December 2004 financial report, as the December 2004 financial statements were prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZ GAAP). An explanation of how the transition to IFRS has affected the reported financial position, profit and loss and cash flows of the Group is provided in note 13. This note includes reconciliations of equity and profit or loss for comparative periods reported under NZ GAAP to those reported for those periods under NZ IFRS.

The significant accounting policies as amended under NZ IFRS are set out below and have been applied consistently to all periods presented in these half yearly consolidated financial statements and in preparing an opening NZ IFRS balance sheet at 1 January 2004 for the purposes of the transition to NZ IFRS. Accordingly there is no change in accounting policy or related disclosures.

Basis of preparation

The interim 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 thousands.

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and financial position on an historical cost basis have been applied, with the exception of the following assets stated at their fair value: fixed assets, derivative financial instruments, financial instruments classified as available-for-sale and biological assets.

The preparation of interim financial statements in conformity with NZ IAS 34 Interim Financial Reporting requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These interim consolidated financial statements have been prepared on the basis of NZ IFRS standards and International Financial Reporting Interpretations Council (IFRIC) interpretations in issue that are effective or available for early adoption at the Group's first NZ IFRS annual reporting date, 31 December 2005. Based on these NZ IFRS and IFRIC's, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first NZ IFRS annual financial statements are prepared for the year ended 31 December 2005.

The NZ IFRS that will be effective or available for voluntary early adoption in the annual financial statements for the year ended 31 December 2005 are still subject to change and to the issue of additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first NZ IFRS financial statements are prepared at 31 December 2005.

The Group financial statements consolidate the financial statements of subsidiaries, using the purchase method, and include the results of associates using the equity method.

Basis of consolidation

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent Company. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 STATEMENT OF ACCOUNTING POLICIES** (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All material transactions between subsidiaries or between the Parent Company and subsidiaries are eliminated on consolidation.

Associates

Associates are entities in which the Parent Company, either directly or indirectly, has a significant but not controlling interest. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Foreign currencies**Foreign operations**

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.

The assets and liabilities of all of the group companies (none of which has a currency of a hyper-inflationary 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 sheet date. The revenues and expenses of these foreign operations are translated to New Zealand dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are recognised in the foreign currency translation reserve.

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 sheet 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.

Property, plant and equipment**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. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and 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.

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.

Revaluations

Land 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 buildings are conducted on a systematic basis across the Group so that each asset is revalued at least every three years. Any increase in the value is recognised directly in equity. Any decrease in value that offsets a previous increase in value of the same asset is charged against reserves in equity, any other decrease in value is charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 STATEMENT OF ACCOUNTING POLICIES** (continued)**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:

Buildings & land improvements	20 – 50 years
Plant, furniture and fittings	3 – 12 years
Transport vehicles	5 – 7 years
Motor vehicles	5 years
Office equipment	3 – 10 years
Hire containers	3 – 6 years
Glass houses	33 years

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

Leased assets**Operating leases**

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.

Intangible assets**Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Group's opening NZ IFRS balance sheet at 1 January 2004.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

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 sheet date. Acquired patents, trademarks, brands and licenses are amortised over their anticipated useful lives of 10–20 years.

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 amortised over a period of 3 to 5 years.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 STATEMENT OF ACCOUNTING POLICIES** (continued)***Investments***

Investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of unlisted investments are calculated using a discounted cash flow calculation.

Investments classified as available-for-sale investments are recognised / derecognised by the Group on the date it commits to purchase / sell the investments.

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. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of tomatoes at or before the point of harvest, is based on the present value of the market price of the volumes produced, net of harvesting costs.

Trade and other receivables

Trade receivables are carried at cost less impairment losses. Export produce advances are included within trade 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. 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.

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 as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment

The carrying amounts of the Group's assets, other than biological assets, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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 goodwill the recoverable amount is estimated at each balance sheet date. Goodwill was tested for impairment at 1 January 2004, the date of transition to NZ IFRS.

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 receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset.

The recoverable amount of other 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 in respect of goodwill is not reversed.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 STATEMENT OF ACCOUNTING POLICIES** (continued)

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.

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.

Employee entitlements**Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

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.

Short term employee benefits

Employee entitlements to salaries and wages and annual leave, to be settled within 12 months of the reporting date represent present obligations resulting from employee's services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

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 stated at cost.

Derivative financial Instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Revenue**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 Goods and Services Tax 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 sheet date.

Investment income

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the Group's right to receive payments is established.

Rental income

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Expenses

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and dividend income.

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 sheet 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 sheet 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Current assets held for sale

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, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2 SEGMENT INFORMATION**

Segment information is presented in the consolidated interim financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	DOMESTIC	EXPORTS	PROCESSING	OTHER	ELIMINATIONS	CONSOLIDATED
	2005	2005	2005	2005	2005	2005
	\$000	\$000	\$000	\$000	\$000	\$000
Total revenues	<u>100,179</u>	<u>131,947</u>	<u>21,192</u>	<u>24,615</u>	<u>(31,442)</u>	<u>246,491</u>
Segment result	<u>3,076</u>	<u>3,002</u>	<u>619</u>	<u>934</u>	<u>-</u>	<u>7,631</u>
	DOMESTIC	EXPORTS	PROCESSING	OTHER	ELIMINATIONS	CONSOLIDATED
	2004	2004	2004	2004	2004	2004
	\$000	\$000	\$000	\$000	\$000	\$000
Total revenues	<u>90,798</u>	<u>171,751</u>	<u>23,703</u>	<u>20,968</u>	<u>(23,931)</u>	<u>283,289</u>
Segment result	<u>1,327</u>	<u>8,767</u>	<u>702</u>	<u>(491)</u>	<u>-</u>	<u>10,305</u>

3 CURRENT ASSETS HELD FOR SALE

The Cable Street property was sold during February 2005. This asset was classified as 'Held for sale' on 1 January 2004, on transition to NZ IFRS.

4 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.

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.

5 PROPERTY, PLANT AND EQUIPMENT**Acquisitions and disposals**

During the six months ended 30 June 2005, the Group acquired assets with a cost of \$4,742,000 (six months ended 30 June 2004 \$20,619,000). Assets with a net book value of \$2,378,000 were disposed of during the six months ended 30 June 2005 (six months ended 30 June 2004 \$767,000), resulting in a net gain on disposal of \$1,166,000 (six months ended 30 June 2004 gain of \$406,000). The book value and net gain on sale of property, plant and equipment includes those assets classified as 'Held for sale'.

6 CAPITAL AND RESERVES**Share capital**

During the six months ended 30 June 2005, the Group increased shareholder's equity by issuing shares as part of the dividend reinvestment plan to the value of \$6,486,000 (six months ended 30 June 2004: \$1,128,000).

Dividends

During the six months ended 30 June 2005, the Group paid dividends of \$8,570,000 (six months ended 30 June 2004: \$8,518,000).

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	SHARE CAPITAL	TRANSLATION RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	SHARE OF ASSOCIATES REVALUATION RESERVE	RETAINED EARNINGS	TOTAL	MINORITY INTEREST	TOTAL EQUITY
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2004	131,368	-	42	11,597	64	41,231	184,302	352	184,654
Total recognised income and expense	-	265	-	-	-	5,312	5,577	92	5,669
Dividend payment	-	-	-	-	-	(8,518)	(8,518)	-	(8,518)
Shares issued	1,128	-	-	-	-	-	1,128	-	1,128
Balance at 30 June 2004	<u>132,496</u>	<u>265</u>	<u>42</u>	<u>11,597</u>	<u>64</u>	<u>38,025</u>	<u>182,489</u>	<u>444</u>	<u>182,933</u>
Balance at 1 January 2005	132,496	(423)	48	24,478	64	43,071	199,734	340	200,074
Total recognised income and expense	-	(594)	(38)	55	156	4,747	4,326	69	4,395
Transfer between reserves	-	-	-	(264)	-	264	-	-	-
Dividend payment	-	-	-	-	-	(8,570)	(8,570)	-	(8,570)
Shares issued	6,486	-	-	-	-	-	6,486	-	6,486
Balance at 30 June 2005	<u>138,982</u>	<u>(1,017)</u>	<u>10</u>	<u>24,269</u>	<u>220</u>	<u>39,512</u>	<u>201,976</u>	<u>409</u>	<u>202,385</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**7 INTEREST BEARING LOANS AND BORROWINGS**

This note provides information about interest-bearing loans and borrowings issued and repaid during the periods presented.

Interest bearing borrowings

A term loan from the bank of \$5.0 million on which interest was paid at a floating rate of 7.1%, was repaid during the six months ended 30 June 2005.

8 FINANCIAL INSTRUMENTS**Foreign currency**

The Group undertakes transactions denominated in foreign currencies from time to time and resulting from 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 to manage these exposures.

The Group has not applied hedge accounting. Changes in the fair value of forward exchange contracts that economically hedge transactions in foreign currency for which hedge accounting is not applied are recognised in the income statement. The carrying amount and fair value of financial instruments at 30 June 2005 is (\$210,000) (30 June 2004: carrying amount and fair value of \$293,000).

9 CAPITAL EXPENDITURE COMMITMENTS	JUNE	JUNE
	2005	2004
	\$000	\$000
Amount committed to capital expenditure	<u>2,247</u>	<u>9,423</u>

10 CONTINGENT GAINS & LOSSES	JUNE	JUNE
	2005	2004
	\$000	\$000
	<u>6,698</u>	<u>\$000</u>

The following matters have not been recognised in the financial statements because of the uncertainty associated with their outcomes.

Contingent losses**Maximum amount payable under the guarantee**

Bonds & sundry facilities	385	334
Conduit tax relief regime	335	539
Guarantees of bank facilities for an associated company	3,210	3,539
Guarantees of bank facilities for subsidiary companies	2,726	2,747
Guarantees in respect of VAT liabilities for subsidiary companies	42	1,473
	<u>6,698</u>	<u>8,632</u>

11 RELATED PARTY TRANSACTIONS

The Group handles imported bananas supplied by the Pacific Fruit Group of Ecuador of which Mr. L.A. Noboa is an associated person. The fruit is handled on a consignment arrangement under which the supplier retains ownership and the Group receives a selling commission. All transactions are conducted at arms length and at normal commercial rates. The sales value of the produce sold on behalf of Pacific Fruit Group during the six months ended 30 June 2005 was \$16.9 million (six months ended 30 June 2004: \$20.2 million). A balance of \$2.0 million is owing by the Group as at 30 June 2005 (30 June 2004: owing by the Group \$2.2 million).

Interests associated with three other directors, Mr. A.I. Gibbs, Mr. B.M. D'Ath and Mr. W.J.E. Lynch and one executive staff member Mr. L.J. Sowerby sold produce through the Group during the period. Revenue generated on these sales during the six month ended 30 June 2005 was approximately \$1.2 million (six months ended 30 June 2004: \$1.0 million). Transactions involving packaging, coolstorage and containers amounted to \$231,000 (2004: \$359,000). All transactions were conducted at arms length and on the company's normal commercial terms.

There were no loans to directors by the company or associated parties at 30 June 2005.

The key management personnel compensations are as follows

	JUNE	JUNE
	2005	2004
	6 Months	6 Months
	\$000	\$000
Short-term employee benefits	<u>690</u>	<u>688</u>
	<u>690</u>	<u>688</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO REPORTED PROFIT BEFORE FINANCING COSTS	JUNE 2005 6 Months \$000	JUNE 2004 6 Months \$000
Operating profit before financing costs	7,631	10,305
Adjusted for:		
Depreciation expense	9,082	10,197
Fair value movement in derivatives	(88)	(291)
Fair value movement in long term receivables	(21)	87
Change in biological assets	(141)	(56)
Provision for trade receivables impairment	68	(57)
Amortisation of intangibles	832	564
Profit on sale of property, plant and equipment	(1,166)	(407)
	16,197	20,342
Impact of changes in working capital items		
(Increase) in debtors and prepayments	(64,258)	(85,840)
Increase in creditors and provisions	39,730	85,356
(Increase) in inventories	(52,567)	(93,038)
	(77,095)	(93,522)
Cash generated from operations	(60,898)	(73,180)

13 EXPLANATION OF TRANSITION TO NZ IFRS

As stated in note 1, these are the Group's first consolidated interim financial statements prepared in accordance with NZ IFRS.

The accounting policies set out in note 1 have been applied in preparing the consolidated interim financial statements for the six months ended 30 June 2005, the comparative information presented in these financial statements for the six months ended 30 June 2004 and for the year ended 31 December 2004 and in the preparation of an opening NZ IFRS balance sheet at 1 January 2004 (the Group's date of transition).

In preparing its opening NZ IFRS balance sheet, comparative information for the six months ended 30 June 2004 and financial statements for the year ended 31 December 2004, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous NZ GAAP). An explanation of how the transition from previous NZ GAAP to NZ IFRS has affected the Group's financial position, income statement and cash flows is set out in the following tables and the notes that accompany the tables.

NZ IFRS 1 elections

The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Groups' opening NZ IFRS balance sheet as at 1 January 2004.

As permitted by NZ IFRS 1, the Group has elected to transfer the balance of the foreign currency translation reserve to retained earnings at the date of transition to NZ IFRS.

The Group has decided not to use the election in NZ IFRS 1 to set the fair value as the deemed cost of property, plant and equipment or of intangible assets. The Group continues to revalue property to fair value and record other costs at historical cost.

The Group has not used the election to recognise any cumulative actuarial gains and losses, in excess of the 10% "corridor" in full, as this exemption is not applicable to the Group.

The Group does not have compound financial instruments and therefore has not used the election not to separate a compound financial instrument into a separate liability and equity component, as this exemption is not applicable to the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)**13 EXPLANATION OF TRANSITION TO NZ IFRS** (continued)**Reconciliation of net profit or loss**

	Note	30 JUNE 2004 6 MONTHS \$000			31 DECEMBER 2004 12 MONTHS \$000		
		EFFECT OF NZ TRANSITION			EFFECT OF NZ TRANSITION		
		GAAP	TO NZ IFRS	NZ IFRS	GAAP	TO NZ IFRS	NZ IFRS
Revenue		283,289	–	283,289	558,048	–	558,048
Cost of sales		(211,074)	–	(211,074)	(424,508)	–	(424,508)
Gross profit		72,215	–	72,215	133,540	–	133,540
Other operating income	<i>o</i>	406	348	754	1,444	1,799	3,243
Administrative expenses		(15,232)	–	(15,232)	(27,722)	1	(27,721)
Other operating expenses	<i>p</i>	(47,590)	158	(47,432)	(89,322)	(1,941)	(91,263)
Operating profit before financing costs		9,799	506	10,305	17,940	(141)	17,799
Financial income		510	12	522	1,072	14	1,086
Financial expenses		(3,640)	–	(3,640)	(6,750)	–	(6,750)
Net financing costs		(3,130)	12	(3,118)	(5,678)	14	(5,664)
Share of profit of associates		879	–	879	2,237	195	2,432
Profit before tax		7,548	518	8,066	14,499	68	14,567
Income tax expense		(2,825)	163	(2,662)	(4,643)	(924)	(5,567)
Profit for the period		4,723	681	5,404	9,856	(856)	9,000
Attributable to:							
Equity holders							
of the parent		4,631	681	5,312	9,719	(864)	8,855
Minority interest		92	–	92	137	8	145
Profit for the period		4,723	681	5,404	9,856	(856)	9,000
Basic earnings per share (cents)		7	1	8	14	(1)	13
Diluted earnings per share (cents)		7	1	8	14	(1)	13

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 EXPLANATION OF TRANSITION TO NZ IFRS (continued)

Reconciliation of equity

Note	Previous GAAP \$000	Effect of transition to NZ IFRS 1 Jan 04		Previous GAAP \$000	Effect of transition to NZ IFRS 30 June 04		Previous GAAP \$000	Effect of transition to NZ IFRS 31 Dec 04		NZ IFRS \$000
		\$000	\$000		\$000	\$000		\$000	\$000	
Non current assets										
Property, plant and equipment	<i>a</i>	174,433	(536)	173,897	183,956	(4,078)	179,878	207,427	(3,556)	203,871
Property held for sale		515	(515)	–	509	(509)	–	–	–	–
Intangible assets	<i>b</i>	5,892	665	6,557	6,118	4,228	10,346	5,731	3,816	9,547
Investments in associates	<i>c</i>	3,490	2,989	6,479	3,447	2,987	6,434	4,585	3,210	7,795
Other investments	<i>d</i>	1,609	(1,497)	112	1,429	(1,314)	115	1,426	(1,305)	121
Trade and other receivables	<i>e</i>	–	734	734	819	(180)	639	1,057	(245)	812
Deferred tax assets	<i>m</i>	3,382	3,059	6,441	2,836	3,222	6,058	221	(221)	–
Total non-current assets		<u>189,321</u>	<u>4,899</u>	<u>194,220</u>	<u>199,114</u>	<u>4,356</u>	<u>203,470</u>	<u>220,447</u>	<u>1,699</u>	<u>222,146</u>
Current assets										
Inventories		26,173	–	26,173	119,211	–	119,211	23,233	–	23,233
Biological assets	<i>f</i>	–	228	228	–	284	284	–	32	32
Trade and other receivables	<i>g</i>	46,808	(2,553)	44,255	132,491	(2,025)	130,466	54,567	(5,518)	49,049
Taxation receivable		–	–	–	1,223	625	1,848	–	5,569	5,569
Cash and cash equivalents		11,290	–	11,290	16,295	–	16,295	6,155	–	6,155
Assets classified as held for sale	<i>h</i>	1,481	515	1,996	749	567	1,316	1,554	(238)	1,316
Total current assets		<u>85,752</u>	<u>(1,810)</u>	<u>83,942</u>	<u>269,969</u>	<u>(549)</u>	<u>269,420</u>	<u>85,509</u>	<u>(155)</u>	<u>85,354</u>
Total assets		<u>275,073</u>	<u>3,089</u>	<u>278,162</u>	<u>469,083</u>	<u>3,807</u>	<u>472,890</u>	<u>305,956</u>	<u>1,544</u>	<u>307,500</u>
Equity										
Share capital		131,368	–	131,368	132,496	–	132,496	132,496	–	132,496
Other reserves	<i>l,i,k</i>	9,796	1,907	11,703	10,061	1,907	11,968	27,175	(3,008)	24,167
Retained earnings	<i>n</i>	39,751	1,480	41,231	35,864	2,161	38,025	41,002	2,069	43,071
Total equity attributable to equity holders of the parent		<u>180,915</u>	<u>3,387</u>	<u>184,302</u>	<u>178,421</u>	<u>4,068</u>	<u>182,489</u>	<u>200,673</u>	<u>(939)</u>	<u>199,734</u>
Minority interest		<u>159</u>	<u>193</u>	<u>352</u>	<u>251</u>	<u>193</u>	<u>444</u>	<u>112</u>	<u>228</u>	<u>340</u>
Total equity		<u>181,074</u>	<u>3,580</u>	<u>184,654</u>	<u>178,672</u>	<u>4,261</u>	<u>182,933</u>	<u>200,785</u>	<u>(711)</u>	<u>200,074</u>
Non-current liabilities										
Interest-bearing loans and borrowings		42,305	–	42,305	45,000	–	45,000	40,000	–	40,000
Trade and other payables		1,328	–	1,328	190	–	190	154	–	154
Deferred tax liabilities	<i>m</i>	–	–	–	–	–	–	–	1,624	1,624
Provisions		793	–	793	–	–	–	140	–	140
Total non-current liabilities		<u>44,426</u>	<u>–</u>	<u>44,426</u>	<u>45,190</u>	<u>–</u>	<u>45,190</u>	<u>40,294</u>	<u>1,624</u>	<u>41,918</u>
Current liabilities										
Trade and other payables	<i>j</i>	47,664	(491)	47,173	138,221	(3,392)	134,829	53,672	631	54,303
Interest-bearing loans and borrowings		–	–	–	107,000	–	107,000	10,000	–	10,000
Provisions		1,909	–	1,909	–	2,938	2,938	1,205	–	1,205
Total current liabilities		<u>49,573</u>	<u>(491)</u>	<u>49,082</u>	<u>245,221</u>	<u>(454)</u>	<u>244,767</u>	<u>64,877</u>	<u>631</u>	<u>65,508</u>
Total liabilities		<u>93,999</u>	<u>(491)</u>	<u>93,508</u>	<u>290,411</u>	<u>(454)</u>	<u>289,957</u>	<u>105,171</u>	<u>2,255</u>	<u>107,426</u>
Total equity and liabilities		<u>275,073</u>	<u>3,089</u>	<u>278,162</u>	<u>469,083</u>	<u>3,807</u>	<u>472,890</u>	<u>305,956</u>	<u>1,544</u>	<u>307,500</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**13 EXPLANATION OF TRANSITION TO NZ IFRS** (continued)

	NZ IFRS Adjustments		
	1 Jan	30 June	31 Dec
	2004	2004	2004
	\$000	\$000	\$000
a Property, plant and equipment			
NZ IAS 16 depreciation adjustment	129	138	121
Reversal of depreciation on held for sale assets	–	(58)	–
Reclassification of software assets to intangibles	(665)	(4,158)	(3,677)
	<u>(536)</u>	<u>(4,078)</u>	<u>(3,556)</u>

In order to comply with NZ IAS 16, an adjustment has been made in relation to the depreciation method applied to various assets. This resulted in an increase to the book value of property, plant and equipment. To comply with NZ IAS 38 all software assets are to be reclassified as intangibles.

	1 Jan	30 June	31 Dec
	2004	2004	2004
	\$000	\$000	\$000
b Intangible assets			
Reclassification of software assets to intangibles	665	4,158	3,677
Write back of goodwill amortisation	–	70	139
	<u>665</u>	<u>4,228</u>	<u>3,816</u>

As stated in note (a), all software assets have been reclassified as intangibles. NZ IFRS 3 requires that goodwill is not amortised and accordingly goodwill amortisation for June and December 2004 has been reversed.

	1 Jan	30 June	31 Dec
	2004	2004	2004
	\$000	\$000	\$000
c Investment in associates			
Investments reclassified as associates	<u>2,989</u>	<u>2,987</u>	<u>3,210</u>

Equity investments previously classified as investments have been reclassified as investments in associates and equity accounted in accordance with NZ IAS 28. These adjustments include an equity accounted earnings adjustment, a decrease in the other investments by the cost of the investment and an increase in the minority interest by their share of equity accounted income.

	1 Jan	30 June	31 Dec
	2004	2004	2004
	\$000	\$000	\$000
d Other investments			
Reclassification as associates	(1,314)	(1,314)	(1,314)
Available for sale investments /Reclassifications	(183)	–	9
	<u>(1,497)</u>	<u>(1,314)</u>	<u>(1,305)</u>

In accordance with NZ IAS 39, equity investments classified as available-for-sale have been recognised at fair value.

As explained in note (c), certain equity investments have been reclassified as investments in associates which has decreased "Other investments".

NOTES TO THE FINANCIAL STATEMENTS (continued)**13 EXPLANATION OF TRANSITION TO NZ IFRS** (continued)

	NZ IFRS Adjustments		
	1 Jan 2004 \$000	30 June 2004 \$000	31 Dec 2004 \$000
e Non-current trade and other receivables			
Reclassification to non current assets	932	–	–
Effective interest rate adjustment	(198)	(180)	(245)
	<u>734</u>	<u>(180)</u>	<u>(245)</u>

There has been reclassification of other investments and current trade receivables to non current assets.

In accordance with NZ IAS 39, loan receivables are measured at amortised cost.

The application of the effective interest rate calculation has decreased non-current trade and other receivables across all periods.

	1 Jan 2004 \$000	30 June 2004 \$000	31 Dec 2004 \$000
	f Biological assets		
Fair value of biological assets	<u>228</u>	<u>284</u>	<u>32</u>

Consistent with NZ IAS 41, biological assets are measured at fair value less estimated point-of-sales costs. Under NZ GAAP, biological assets were measured at cost.

	1 Jan 2004 \$000	30 June 2004 \$000	31 Dec 2004 \$000
	g Current trade and other receivables		
Fair value of derivatives	308	601	–
Remeasurement of doubtful debts	355	463	–
Reclassification of deferred tax	(2,464)	(2,464)	–
Trade and other receivables reclassified as non-current	(752)	–	–
Taxation receivable disclosed separately on the balance sheet	–	(625)	(5,518)
	<u>(2,553)</u>	<u>(2,025)</u>	<u>(5,518)</u>

In accordance with NZ IAS 39, all derivative financial instruments have been recognised as assets or liabilities at fair value. The doubtful debt provision has been remeasured under NZ IAS 39.

Assets recognised for carry forward tax losses have been reclassified as a deferred tax asset. Other taxation and trade receivable balances have been reclassified in the balance sheet.

	1 Jan 2004 \$000	30 June 2004 \$000	31 Dec 2004 \$000
	h Assets classified as held for sale		
Reclassified as a current asset	515	509	–
Revaluation adjustment for held for sale assets	–	–	(296)
Reversal of depreciation on held for sale assets	–	58	58
	<u>515</u>	<u>567</u>	<u>(238)</u>

The Group classified and disclosed certain properties as 'Held for sale' under NZ GAAP. The Group has early adopted NZ IFRS 5 before its effective date of 1 January 2005 and continues to classify and disclose these properties as 'Held for sale'. Assets that are 'Held for sale' are not depreciated or revalued.

The upward revaluation of properties classified as 'Held for sale' under NZ GAAP in the period to 31 December 2004 has been reversed.

NOTES TO THE FINANCIAL STATEMENTS (continued)**13 EXPLANATION OF TRANSITION TO NZ IFRS** (continued)

	NZ IFRS Adjustments		
	1 Jan 2004 \$000	30 June 2004 \$000	31 Dec 2004 \$000
i Translation reserve			
Transfer foreign currency translation reserve to retained earnings	(1,208)	(1,208)	(1,208)
Transfer to retained earnings on liquidation of a subsidiary	–	–	69
	<u>(1,208)</u>	<u>(1,208)</u>	<u>(1,139)</u>

As permitted by NZ IFRS 1, the Group has elected to transfer the balance of the foreign currency translation reserve to retained earnings at the date of transition to NZ IFRS. Under NZ GAAP, a transfer was made from the translation reserve to retained earnings on liquidation of a subsidiary.

	1 Jan 2004 \$000	30 June 2004 \$000	31 Dec 2004 \$000
	j Trade and other payables (current)		
Employee benefits/long service leave adjustments	(491)	(454)	334
Reclassification of trade and other payables to provisions	–	(2,938)	–
Fair value of derivatives	–	–	297
	<u>(491)</u>	<u>(3,392)</u>	<u>631</u>

In accordance with NZ IAS 19, the provision for long service leave is calculated as the present value of the future benefit that employees have earned in return for their service in the past periods. Under NZ GAAP, this provision was recognised when the employees long service leave days had vested.

The fair value of financial derivatives in accordance NZ IAS 39 has been recognised in trade payables for December 2004.

k Revaluation reserve

Under NZ IFRS, land and buildings are carried at fair value, with changes in fair value of individual assets reflected in the asset revaluation reserve. Any cumulative decrease in the value of an individual asset is required to be recognised immediately in the income statement. Under previous NZ GAAP, any decrease in the value of assets is assessed on a class basis, with decreases in the value of individual assets being set off against increases in the value of other assets within the same class.

1 January 2004 adjustments

At 1 January 2004 the balance relating to previous individual assets downward valuations has been transferred from the asset revaluation reserve to retained earnings. The effect is to increase the "Revaluation reserve" and decrease "Retained earnings" by \$2,548k.

31 December 2004 adjustments	Note	\$000s
Adjustments made on transition	<i>above</i>	2,548
Deferred tax adjustments made on transition		<u>(1,891)</u>
		657
Assets classified as 'Held for sale'	<i>h</i>	(296)
Revaluation of assets	<i>below</i>	(1,685)
Deferred tax		<u>(2,871)</u>
		<u>(4,195)</u>

Under NZ IFRS, any upwards revaluation is recognised directly in a revaluation reserve except to the extent that the increase in value reverses a previous revaluation deficit on the same asset charged in the income statement.

In the year to 31 December 2004 assets with cumulative negative revaluations were revalued upwards and the revaluation gain of \$1,685k was recognised in the income statement within "Other operating income". Under NZ GAAP this upward revaluation was recognised in the revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS (continued)**13 EXPLANATION OF TRANSITION TO NZ IFRS** (continued)**l Fair value reserve**

As explained in note d, in accordance with NZ IAS 39, equity investments classified as available-for-sale have been recognised at fair value. The effect is to increase "Other investments" and the "Fair value reserve".

m Deferred tax

The above changes increased/(decreased) the deferred tax asset as follows based on a tax rate of 33 per cent:

	<i>Note</i>	<u>NZ IFRS Adjustments</u>		
		1 Jan 2004 \$000	30 June 2004 \$000	31 Dec 2004 \$000
Property, plant and equipment	<i>a, below</i>	2,764	2,916	(556)
Biological assets	<i>f</i>	(76)	(94)	(11)
Derivatives	<i>g</i>	(102)	(199)	98
Receivables and payables	<i>g,j</i>	(83)	(43)	81
Available for sale investments	<i>d</i>	(21)	(21)	(23)
Employee benefits	<i>j</i>	(132)	(150)	111
Intangible assets	<i>below</i>	(1,755)	(1,651)	(1,545)
Tax losses carry forward reclassified	<i>below</i>	2,464	2,464	–
Increase/(decrease) in deferred tax		<u>3,059</u>	<u>3,222</u>	<u>(1,845)</u>

Under NZ GAAP, land and buildings were revalued creating a revaluation reserve. Partly, this reflected revaluation of items over and above their original cost. On the basis that those assets were held for use (rather than for sale), no deferred tax liability was recorded on the revaluation above cost under NZ GAAP. NZ IAS 12 requires a deferred tax liability to be recognised to reflect the future income embodied in the asset's carrying value.

NZ IAS 12 requires a deferred tax liability to be recorded in relation to the Group's brand assets that were acquired in a business combination to reflect the future taxable income embodied in the asset's carrying value. Under NZ GAAP, no deferred tax liability was recorded. This has resulted in an increase in the deferred tax liability of \$1,545k at 31 December 2004, of \$1,651k at 30 June 2004 and of \$1,755k at 1 January 2004.

Under NZ GAAP the Group recognised an asset for the carry forward of unused tax losses. Under NZ IFRS this has been reclassified from trade and other receivables to deferred taxation. The benefit was utilised during 2004.

NOTES TO THE FINANCIAL STATEMENTS (continued)**13 EXPLANATION OF TRANSITION TO NZ IFRS** (continued)**n Retained earnings**

The effect of the above adjustments on retained earnings is as follows:

		NZ IFRS Adjustments		
	<i>Note</i>	1 Jan 2004 \$000	30 June 2004 \$000	31 Dec 2004 \$000
Property, plant and equipment	<i>a</i>	129	138	179
Investment in associates	<i>c</i>	1,252	1,252	1,447
Biological assets	<i>f</i>	228	284	32
Receivables and payables	<i>g,j</i>	247	283	(243)
Derivative financial instruments	<i>g,j</i>	308	601	(297)
Employee benefits		400	454	(334)
Reclassification of revaluation reserves	<i>k</i>	(2,548)	(2,548)	(794)
Transfer from foreign currency translation reserve	<i>i</i>	(1,208)	(1,208)	(1,208)
Deferred tax	<i>m</i>	2,507	2,670	2,991
Goodwill	<i>b</i>	–	70	139
Minority interest		165	165	157
Total adjustment to equity		<u>1,480</u>	<u>2,161</u>	<u>2,069</u>
Attributable to:				
Minority interest		165	165	157
Equity holders of the parent		1,315	1,996	1,912
		<u>1,480</u>	<u>2,161</u>	<u>2,069</u>

Notes to the reconciliation of net profit or loss

The effect of the above adjustments on the income statement is as follows:

	<i>Note</i>	30 June 6 Months 2004 \$000	31 Dec 12 Months 2004 \$000
o Other operating income			
Fair value of biological assets	<i>f</i>	56	–
Fair value of derivatives	<i>g,j</i>	293	–
Property, plant and equipment reversal of a previous negative revaluation		–	1,705
Reclassification		(1)	94
		<u>348</u>	<u>1,799</u>
p Other operating expenses			
Depreciation	<i>a</i>	9	50
Goodwill amortisation reversed	<i>b</i>	70	139
Loss on long term debtors	<i>e</i>	(84)	(148)
Fair value of biological assets	<i>f</i>	–	(196)
Provision for doubtful debts	<i>g</i>	108	(355)
Fair value of derivatives	<i>g,j</i>	–	(605)
Employee benefits/long service leave	<i>j</i>	54	(734)
Reclassification		1	(92)
		<u>158</u>	<u>(1,941)</u>

14 POST BALANCE DATE EVENTS

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

15 SEASONALITY OF BUSINESS

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

DIRECTORY

DIRECTORS

A.I. Gibbs, Chairman (non-executive)
J.A. Hambling, Company Secretary
R.A. Burney, Non-executive Director
B.M. D'Ath, Independent Director
M.R. Dossor, Non-executive Director
W.J.E. Lynch, Independent Director
L.A. Noboa III, Non-executive Director
M.G. Tregidga, Independent Director

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J.M. Wesley

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