



Annual Meeting Report 10th June 2005

The Annual Meeting of Turners & Growers Limited was held at the Mount Wellington Market Complex commencing 3.00pm today, Friday 10th June 2005.

Mr Gibbs acknowledged the contribution of Michael Dossor as Managing Director, today being his last official function, and introduced Jeff Wesley, the new Chief Executive officer to shareholders.

Shareholders at the meeting resolved that:

- Ø Ross Burney be re-elected a director of the company;
- Ø Tony Gibbs be re-elected a director of the company;
- Ø John Hambling be re-elected a director of the company;
- Ø The appointment of PricewaterhouseCoopers as auditors be reconfirmed and the board be authorised to negotiate their fee and expenses.

The addresses by the Chairman and Managing Director were as follows:

Chairman's Address; (Tony Gibbs);

Today marks the 84th Annual Meeting of the Turners & Growers Group since incorporation, and the first since becoming an NZX-listed company on 29th September 2004. Accordingly we welcome representatives of some of the 700 plus new shareholders since that event.

The joining together of ENZA and Turners & Growers is now an established fact and our staff and management team have moved on - into a fully integrated environment with new focus and new challenges.

The merger brought efficiencies and much has now been achieved in capitalising on these, against a challenging background of exchange rate volatility and exportable fruit availability.

Turners & Growers is an amalgam of seasonal businesses each subject to considerable variation in timing and contribution, in line with prevailing market conditions. Its strength lies in the various counter-cycles of products and operations which tend to smooth out the worst peaks and troughs in overall bottom-line performance.

The business is governed by a price / volume equation. Times of high prices and lower volumes produce higher unit selling margins and commissions. Conversely times of lower prices and higher volumes produce additional revenue units for our transport and hire container operations. So sector performance can differ from year to year depending on those market factors, although the bottom line result can be similar.

Our Domestic business goes from strength to strength, having reaped efficiency gains in staffing numbers, premises relocations, and further close scrutiny of operating costs. Aside from the market operations which are currently ahead of last year, the star performers continue to be Floramax, which is riding a wave of renewed activity in the flower industry, and Fruit Case Company which focuses solely on meeting the needs of its grower and retailer clients in the returnable hire equipment (cases, bins and pallets) business. Our transport operations have also done well in a competitive market facing fuel price hikes and labour shortage issues.

The tomato production unit has had a good quality and volume production season but has been hampered by bountiful industry oversupply impacting selling prices. Strategies are being examined to improve performance in financial returns.

In exports there is a similar price / volume equation but the international market, being more dynamic, is also more susceptible to opportunistic competition from other countries.

The pipfruit export environment remains challenging with a reduction in projected traycarton equivalents both industry-wide and through the company. The impact of this on our market share and profits will remain speculative until returns are in later in the year. Mr Dossor will be commenting further on this.

2004 Profit.

The pretax profit to December was slightly better than our expectations. In September, when the listing profile was compiled, we anticipated a full year Group Operating Surplus before Income tax of \$13.4 million. In the event, the Group came in at \$14.5 million.

Balance Sheet.

Our Total Asset position at 31 December increased from \$275 million to \$306 million during the period. This is substantially to do with a higher than normal capital expenditure programme in relation to certain major assets, coupled with upward asset revaluations in a buoyant property market. Group Liabilities have increased overall by \$11.2 million and Shareholders' equity by \$19.6 million.

Cashflows.

Our banking syndicate, led by ANZ, continues to ably support our internal needs and crop funding requirements. They have a good working relationship and understand the intricacies of our business cycles.

This year our borrowings required for progressive grower export payments are expected to peak shortly and will quickly reduce as the season progresses and overseas receipts are repatriated. We are again targeting our export funding lines to be fully repaid by about end of August or early September.

I remind shareholders that it is the policy of the board not to cover foreign exchange exposures on grower product, although we do cover the company's exposure on its overseas costs and commission earnings by way of option contracts only. This policy has proved both conservative and prudent.

Works programme.

The capital works programme undertaken last year is now substantially complete and the board has significantly restrained the expenditures of further money on projects that do not produce early payback.

The major expansion programmes at Status Produce tomatoes are now finished. The company has 50.4 acres (approximately 20 hectares) under glass and producing, and various upgrades to allied service facilities are also in place.

As mentioned in the annual report, the consolidations of divisional activities are in place in Dunedin, Nelson, and Hastings and a new market facility opened last winter in Christchurch.

Since December the sales of two more unwanted sites have been concluded with a possible sale of a third in the pipeline. This will have the effect of freeing up capital and removing holding costs. Resolution of two onerous lease commitments have occurred and a third - the old Enza head office complex in Wellington - is due to terminate in October. This will bring additional bottom line upside in the next financial year.

Operationally, a core focus in the months ahead will be to continue the integration of our computer systems by transferring some of the Turners & Growers legacy systems onto the SAP platform. This is a large project, given the complexity of the domestic business, and is expected to cost around \$2 million over the next twelve months. Once achieved there will be opportunity for further savings and a speedy payback through the elimination of double-handled data into our financial systems.

EnzaFoods.

Last year I intimated that the Board was preparing to split out Enzafoods as a separate company. Although we originally intended to do this ahead of the T&G listing, the importance of getting T&G shares back on the market following the closure of the Unlisted Market took precedence.

In the meantime the board has given further consideration to the matter and has moved to isolate Enzafoods within the group. It now has its own separate board of directors. All its operating systems, computers, bank accounts, etc now continue independent of the remainder of the group. The board still intends this separation will take place "when the time is right", and I am presently unable to indicate when that might be.

Dividend.

The company paid a fully imputed dividend of 12 cents per share on 8th June. The current dividend policy is to pay out a reasonably high percentage of current period profits, consistent with prudence.

Prospects.

In this industry it is not wise to attempt profit predictions this far out from year end. Too many factors have a significant impact. Weather is one, because this ultimately governs production which impacts supply, which in turn affects prices and commissions. Exchange rates play a major part in export earnings and affect the price of imported produce. To some extent export and import activities are countercyclical

but timing of crops and their sale does not usually allow the negatives and positives to balance out.

Industry competition and shifting customer loyalties are a constant. This is a day by day business. We trade in perishables which must flow through to consumption when they are ready for harvest. In many cases this has to occur within hours of picking and irrespective of price and market conditions.

Nevertheless, if one was to speculate what this year's profit may be, we could say only that at this time of year we are similar to the same period last year although the mix is very different. For instance the smaller national apple crop impacts on export results – however our domestic divisions are trading better overall.

Shareholders should be aware that Turners & Growers is one of the first companies in New Zealand to adopt International Financial Reporting Standards and anticipates reporting in this format commencing with the forthcoming half year report due out in August.

The board remains very confident of the future for the Group. Investors need to view performance in the longer rather than the shorter term.

People

Mr Dossor's role as Managing Director concludes today. I will refer to this again later in the meeting. The board thanks Michael for his efforts and achievements and wishes him well for his retirement which will occur in a couple of months time following his introduction of Mr Wesley to various industry partners around the world. I should add that Mr Dossor is to remain on the board as a non-executive director representing the offshore interests of the Noboa Group.

I also take the opportunity of welcoming Mr Wesley to the company and to this meeting. He has been with Turners Auctions for almost nine years and is highly respected for his accomplishments in that company. Turners Auctions was of course a part of the Turners & Growers group until its devolution in 2002, and in this context Jeff is no stranger to the group or its business environment. We are highly confident that he will prove a worthy successor to Michael and will ably lead the company forward to new challenges and achievements.

Finally, the board acknowledges and thanks the staff for their contribution in a highly competitive and fast changing selling environment. The hours worked are not always family-friendly and the board is conscious of these factors.

A. I. (Tony) Gibbs
10th June 2005

Managing Director's address; (Michael Dossor);

It is my pleasure to update Shareholders on the Group's activities since the Annual Report was published, and on prospects for the future.

The New Zealand economy has come through a steady growth period during the last 12 months, and this has been generally good for our Domestic Operations. Current government policies are aimed at slowing down internal growth, using as their principle tool maintaining interest rates at considerably higher levels than our trading partners. Recent surveys show that the New Zealand economy is in fact slowing down, and that the near record high exchange rates that we are experiencing are having a serious impact on the export sector.

It is unlikely that we will see any significant changes to these policies in the period leading up to the election.

We must manage our respective businesses within this environment and make the best of opportunities as they arise.

The Group is generally tracking well in all sectors except its international operations, which have been impacted by the high exchange rates that have pertained over the last 12 months and a reduced pipfruit export crop. The effect of this is real pressure on the net returns to suppliers and growers, and also on the company's margins in all our export activities

Fluctuating exchange rates are nothing new, and it is inevitable that they will come down. When that happens, real and immediate benefits will flow into the export side of our business.

The high exchange rates pertaining over the last 5 months have had a positive effect on the import side of our business, which is a significant component of our domestic marketing operations.

Group consolidation is continuing with further activity on the property rationalisation programme, and the last major consolidation of our IT systems with the replacement of the Domestic Legacy systems by a new single operating system under the SAP platform.

ENZA INTERNATIONAL

The main activity here is the export of pipfruit to worldwide markets. The harvest season is complete, and we are currently around 30% sold in our off-shore markets.

Pipfruit volumes are down on our targets and will be lower than our export volume last year. The principal reason for this is a significantly reduced export crop. Estimated now to be around 16.5 million cartons for this year, as opposed to last year's total export crop of 20.25 million cartons.

Other factors include severe hail damage in Hawkes Bay; some loss of apple production to alternative land uses, particularly in Nelson; and the bi-annual production of some varieties.

We believe our percentage share of the reduced export crop will be similar to last year, at around 35% which equates to 5.5m cartons.

Our off-shore markets continue to perform well through Oppenheimer in America, our own office in Europe, and our 50% joint venture company Worldwide Fruit in the United Kingdom. The value of the ENZA brand is proving its worth in all major markets, and our new exclusive variety “Jazz” is shaping up to becoming a mainstream variety for the future.

The Group’s non-pipfruit exports have been affected by the strong New Zealand dollar, but we have had some good results with tomatoes both to Australia and Japan, avocados principally to Australia, mandarins from an increased supply base to Japan, and our Pacific Island export programme is running around 20% ahead of last year at this time.

ENZAFOODS

ENZA Foods Group is tracking ahead of last year on the back of an increased volume of processing fruit as compared to last year, and a very strong performance YTD from its Australian subsidiary, Fruitmark

The Board have just signed off on a joint venture deal in Thailand to set up a semi commercial plant, utilising ENZA Foods pouch pack technology for the packaging of pineapple.

This pouch pack technology, designed by ENZA Foods, has proved very successful with sliced and diced apples, and we are excited about the potential of introducing it to a new fruit category. Work on the development is underway, with the first production expected towards the end of the year.

DOMESTIC MARKET ACTIVITY

The Domestic market operations have performed solidly through the first 5 months of this year.

Generally supply and sales of most product lines have been steady, and we are now working from a much lower cost base within this sector.

The Group’s import operations continue to benefit from the strong dollar, and are contributing to stronger results.

Fruit Case company (crate, pallet and bin hire), Turners Transport (specialist transport services), and Floramax (flower wholesaling), are performing satisfactorily.

The Glasshouse construction programme at Status has recently been completed. Production and quality are very good. However market prices at the moment are weak, but historically they improve through the winter months.

Floramax has recently recorded an all-time record monthly sales figure, highlighting its current growth path and consolidating its position as the country’s leading flower wholesaler.

PROPRIETARY VARIETIES

Global Programme

Our global programme with proprietary varieties is developing rapidly according to plan. The main varieties being commercialised under this programme at present are Pacific Rose and Jazz apples. This year, we will market around 400,000 cartons of these varieties globally, with 130,000 cartons produced in New Zealand and the balance grown under contract in Washington, USA; and in France.

Next year (2006) we will market 750,000 under the programme and the following year (2007) it increases to 1.25 million cartons.

These varieties are meeting with very strong international demand, and because the plantings are restricted, they will sell at a premium.

In the future, this programme will become one of the cornerstones of our supply base, and with the Northern Hemisphere production it provides a year round supply through our European office and overseas agencies.

PROPERTY ISSUES

We have successfully disposed of a surplus property in Cable Street, Wellington at a price significantly above book value. We have finalised arrangements to exit the onerous Bolton Street lease in October this year. A negotiated settlement on the make good component of the lease has been reached at below our provision.

We have negotiated an early exit settlement from our lease of the Gibbons Coolstore in Nelson, again at a figure below what was provided.

THE FUTURE

The New Zealand based activities are over-all tracking ahead of last year at this point in time. We now believe our export pipfruit volume will be around 5.5 million cartons, and if we are able to achieve the target prices through the off-shore selling season, which runs through until the end September early October, then the contribution from this sector of the business, while down on last year, will be pretty much to expectation.

Overall therefore present year to date Group performance is similar to last year.

If the New Zealand dollar weakens between now and the end of August, then there will be upside in our commission earnings from overseas sales.

We have a number of initiatives underway to increase our export market share.

The company has a strong balance sheet backed by solid assets, a talented and dedicated staff, and is well placed to take advantage of future opportunities within the wider industry.

A key component of this future is our new chief executive, Mr Jeff Wesley.

INTRODUCING JEFF WESLEY

Jeff is known to many within the company having worked as the Chief Executive Officer and Managing Director of Turners Auctions Ltd for the last 8½ years. Initially as a division of the Turners & Growers Group and more recently as a stand-alone public listed company.

Upon leaving school Jeff spent 5 years in the legal profession before deciding to travel the world in search of adventure. During this period, Jeff visited over 50 different countries including a 6-month period living in Japan and a 15-month period living in Australia. Gaining an NZCE (Mech), Jeff worked for various New Zealand based manufacturing companies, including 5 years with AHI (metal containers) who were significant suppliers of packaging to the food and beverage industries.

In 1988, Jeff gained an MBA from Auckland University and entered the management consulting profession, specialising in customer research, quality systems and company turnarounds.

Prior to joining Turners Auctions in October 1996, Jeff and his American partner ran a successful management consulting company with offices in Scottsdale (Arizona), Burbank (California), and Auckland.

Jeff has two adult sons and lives with his wife of 31 years, Sue, in Auckland.

I am sure shareholders will join with the Board in welcoming Jeff back to the Group, and wish him all the best as he steers the company into its next stage of development.

M.R. Dossor
10th June 2005

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