



Annual Meeting Report 28th June 2006

The Annual Meeting of Turners & Growers Limited was held at the Mount Wellington Market Complex commencing 2.30pm today, Wednesday 28th June 2006.

The Chairman, Mr Tony Gibbs noted the retirement of John Hambling as a member of the Board and as Company Secretary following the meeting.

Shareholders at the meeting resolved **THAT:**

- Ø Brian D'Ath be re-elected a director of the company;
- Ø Bill Lynch be re-elected a director of the company;
- Ø Luis Noboa 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 are summarised as follows:

Chairman's Address; (Tony Gibbs);

Mr Gibbs said that the biggest issue impacting the Company during 2005 was the terrible industry-wide performance of the international apple market caused by oversupply in some varieties, weaker markets and high exchange rates, among other factors.

As the largest apple exporter Enza must maintain a steady, pre-planned and systematic shipping programme to clear the crop in an orderly manner, keeping faith with market obligations, upon which our reputation for reliability depends.

The Company is fortunate to be supported by a very unique and strong off-shore marketing infrastructure and long-standing partnerships with importers who understand the industry's dynamics and who endeavour to deliver consistent outcomes, often in very competitive market conditions, to Enza's grower supply base.

The fruit and produce industry is often fickle and very much subject to supply, demand, weather and pricing factors beyond the company's direct control, we have the comfort of a wide and diversified produce range and a number of complimentary businesses that support each other throughout the various cycles and counter-cycles.

The Board has identified that T&G's competitive advantage is its ability to withstand adverse market conditions. This can be enhanced through vertical integration, where strategically sensible and was the thinking behind T&G becoming involved in the tomato growing business several years ago. These processes have further extended activities into other areas such as commercial pack-house operators. Last year the Group invested in a new apple packhouse situated within its Whakatu Cool store complex in Hastings.

After the dreadful apple export season of 2005 the board felt it important to demonstrate Enza's underlying long-term faith in the export pipfruit industry. An opportunity arose to which the Board gave serious consideration. Ultimately in December 2005 T&G entered a substantial 50/50 joint venture with the Inglis family of Riwaka, in the Nelson district, to acquire and develop apple orchards and extensive new plantings of Enza's Jazz variety. The

board is excited by the opportunities this represents and by our clear statement of faith in New Zealand horticulture.

The apple export business is achieving better than at the same time last year on the back of a reduced national crop of which T&G estimates it holds in the region of 40% market share. With so much fruit yet to be sold, it is too soon to project the future with certainty. The domestic businesses are generally performing satisfactorily although always on the lookout to improve performance. The best that can be said is the Board would be very disappointed if our group-wide performance did not exceed that of 2005

Mr Gibbs then commented briefly on the full year financial statements which are presented for the first time using New Zealand International Reporting Standards. In relation to current share value Mr Gibbs noted that asset backing at end of year stood at \$2.91 compared to a current trading price of around \$2.60. He reminded shareholders that this total of \$2.91 is virtually 100% represented by hard core property assets comprising only good quality commercial properties in desirable commercial locations that are leased almost exclusively to T&G business units at commercial arms-length rates.

A major sale of the Williams Street, Hastings property has been finalised with the capital that has been freed up largely being reallocated into the Inglis Riwaka Orchards joint venture.

The full separation of EnzaFoods remains on the agenda, and as indicated last year, will occur when the Board judges the time to be right. Any listing of Foods needs to be highly successful and the Board must ensure it is fully sustainable in the light of the present volatility in the apple growing industry.

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

In conclusion Mr Gibbs observed that while markets fluctuate constantly according to produce availability, seasonal trends and fashions, weather and production factors, there is no reason that Turners & Growers should not continue to be the acknowledged industry leader for the foreseeable future, given its all-round market coverage, knowledge and worldwide connections. The Board foresees in the future an increasingly global focus for our company which is the logical growth response to a relatively static domestic population. The company's increasing horticultural production partnerships around the world confirm its determination to be a quality supplier of fresh product to markets in both hemispheres.

Managing Director's address; (Jeff Wesley);

Mr Jeff Wesley gave a Powerpoint Slide presentation outlining the Group's operating results and activities during the 2005 financial year.

Overall revenues had dropped over two years by \$110m mainly as a result of the apple export business. However this had been offset by operating cost reductions and increased profits in associates, producing an overall lift in Profit before Tax to \$16.1m in 2005.

Shareholders' equity had also lifted over the two years from \$181m in 2003 to \$200m in 2004 and \$216m in 2005.

Speaking on the strategic environment Mr Wesley noted the following characteristics prevalent within New Zealand and most Western countries:

- 60%-90% of fresh produce distribution is going through supermarket chains.
- Frequent over supply conditions of commodity products exist
- Price destruction occurs when supply exceeds demand by small volumes
- There is long term price erosion of those commodities at a time when growing costs are increasing
- Returns to growers are below their cost of production

- Efforts by growers to decommo­ditise their offerings
- Increasing rationalisation of the grower base to fewer bigger growers of commodities and niche operators.

Mr Wesley then spoke on each of the nine main business units and the investment units, outlining in each case what the unit does, what happened in 2005, and their prospects for 2006 and beyond.

In conclusion Mr Wesley expressed his confidence in a bright future, which will see -

- The company taking further steps to become vertically integrated (grower, packer, shipper, marketer) in profitable categories in the domestic market – as it has already done with Status Tomatoes.
- The company expanding its global focus to grow proprietary and other key fruit categories in overseas countries for international distribution – as it has already done with Jazz™.
- Further reduction of corporate overheads.
- Every operating division improving its performance.

Copies of the above presentations are attached.

J. A. Hambling
28th June 2006

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