

Turners and Growers Limited
Report of Directors
30 June 2010

Profit before tax for the half year to June 2010 was \$10.1m compared to \$8.6m reported in June 2009.

Profit after tax has been impacted by the Government budget announcement on 20 May 2010 which removes the ability to depreciate buildings for tax purposes. Turners & Growers is a large property holder and the budget change has caused a one-off, non-cash accounting entry to tax expense and deferred tax of \$4.9m.

Many other New Zealand companies that own buildings have been caught by the legislation change and after-tax profits will be distorted accordingly. After adjusting for the depreciation anomaly the after-tax profit is \$7.1m compared to \$6.0m reported for the six months to June 2009.

Results in brief:

	June 2010 \$'000	June 2009 \$'000	June 2008 \$'000	June 2007 \$'000
Profit before tax	10,085	8,639	13,195	8,173
Taxation on profits	(2,985)	(2,592)	(4,497)	(2,509)
Budget tax adjustment	(4,851)	-	-	-
Profit after tax	2,249	6,047	8,698	5,664
Abnormal items	4,851	-	(3,600)	-
Adjusted profit after tax	7,100	6,047	5,098	5,664
Total equity	295,363	287,770	273,597	248,903

DOMESTIC

Domestic markets had a good first six months and contribution is up on last year and budget. The first quarter produced an outstanding result with firm sale prices and reasonable volumes passing through the markets. The high New Zealand Dollar, particularly against the US, has had a positive impact on our Imports division. The second quarter suffered from poor demand and over-supply caused by a relatively mild autumn, however prices have now stabilised and we are optimistic for a strong finish to the year.

Turners Transport division is recovering from the economic down turn and year to date to June, Transport has performed exceptionally well and its contribution is over double that of last year. The expansion into the South Island has been very successful and management have worked hard restructuring the business to optimise performance.

FloraMax and the Fruit Case Company have both performed creditably and are tracking slightly ahead of last year.

Exports

A large hail event in the Hawkes Bay, New Zealand's largest growing region, considerably reduced the national crop available to export. Despite this, ENZA's export crop remained similar to 2009 although behind original expectations. The season got off to a late start and at the end of June sales are substantially behind the same period last year. We expect to catch up in the second half of the year and do not believe there will be price pressure due to the reduced New Zealand crop. Any gains from in-market prices have been eroded due to the appreciating value of the New Zealand Dollar.

Turners & Growers Asian focused exporter Delica has performed well in 2010 even though one of the main early season export crops, Australian grapes, failed due to extreme weather conditions. For the first six months Delica's total contribution is similar to 2009 and they are expecting to better this by year end. The Delica business has expanded in Peru and North America and we expect continued off-shore growth in the future.

Growing Operations

The Status Produce glasshouse tomato business has had a good six month production season. Product quality has been excellent and this has been reflected in strong prices. Status increased its export programme in 2010 to Australia, Canada and Japan and also increased its supply into the food service sector, taking excess volume from the local market which has kept prices on the market floor firm. We are expecting a strong finish to the year and profits to be substantially up on 2009.

The Kerifresh business, our citrus and kiwifruit growing operation in Kerikeri, has had a better six months compared to last year. The comprehensive restructuring undertaken in 2008 and 2009 has yielded positive results and this is starting to flow through to the bottom line. Large tracks of kiwifruit are being grafted with ENZA's new exclusive kiwifruit varieties and will fully producing within the next couple of years. While the results are up on the prior year they have fallen below expectations due to the low mandarin crop caused by drought and the subsequent drop in packhouse throughput.

The ENZA pipfruit orchards in Hawkes Bay were affected by the hail event at the start of the season and one of the large orchards was a complete write-off. Fortunately the costs were covered by hail insurance and the impact on profit was not significant.

The Inglis joint venture in Nelson produced good quality apples this year and harvested more fruit than it budgeted. Volumes have lifted according to expectations and a full crop will be produced in 2014.

ENZAFOODS

This is another difficult year for ENZAFoods with depressed world apple juice concentrate prices and a very high New Zealand Dollar. All efforts are being made to keep costs to a minimum and management are looking to diversify further into food service products that are not impacted by commodity prices. ENZAFoods is down on last year and while still profitable, the year end result is expected to be lower than 2009.

FRUITMARK

ENZA's trader of dehydrates, apple juice concentrate, frozen fruits and fresh cut produce has operated well in 2010 and continues to grow profits. This business has been very successful and has now started a joint venture in Belgium trading frozen fruit products. It has partnered with local traders and we expect this business to grow rapidly.

PROPERTIES

Our properties are our major tangible asset and it is important that they are kept up to date, in good condition and relevant to our business needs.

We have recently completed an upgrade of the Kerifresh site in Kerikeri. New coolstore facilities have been built and were used for the first time this season eliminating the need to use third party storage that we could not rely on in the long term. New administration facilities are almost complete and staff will now be housed in accommodation befitting the largest employer in Kerikeri.

Turners & Growers Auckland site is also under review and the Board is investigating a possible reconfiguration and upgrade.

KIWIFRUIT

Turners & Growers is continuing its strong campaign to ensure that its innovative new kiwifruit varieties are able to be exported without restriction and the company has welcomed a Private Members Bill lodged by the Government's support Party, Act that will allow the unrestricted export of new PVR kiwifruit varieties.

OUTLOOK

Most Domestic divisions have had a good six months and profits are up on 2009. While the industry is impacted by events outside of the Company's control at this stage we expect the year end forecast, excluding one-off tax adjustments, to be up on last year.