



Annual Meeting Report 18th June 2008

The 87th Annual Meeting of Turners & Growers Limited was held at the Waipuna Hotel and Conference Centre commencing at 2.30pm today, Wednesday 18th June 2008.

Mr Tony Gibbs chaired the meeting of approximately 130 shareholders, senior employees and invited guests.

Shareholders at the meeting resolved **THAT:**

- Tony Gibbs be re-elected as a Director of the company;
- PricewaterhouseCoopers be reconfirmed as auditors, and the Board be authorised to negotiate their fee and expenses.

It was also confirmed that, consistent with the disclosure made in the annual accounts, that Luis. A. Noboa III was retiring at the conclusion of the AGM and will be appointed as an alternate Director for Michael Dossor.

The addresses by the Chairman and Managing Director are provided as follows:

Chairman's Address 2008 (Tony Gibbs) – full text:

I would like to welcome each of you, to the 87th Annual Meeting of Turners & Growers Limited. Thank you for your attendance and interest.

2007 has been a mixed year for the Group with excellent domestic results offset by poor international apple exports.

The main issue for the Group in 2007 was pipfruit export performance. Despite in-market prices being comparable and in some cases slightly higher than 2006, these were eroded significantly by the strength of the New Zealand dollar against all major trading currencies. ENZA export volume was also marginally less as growers either redeveloped their orchards with new varieties or are exiting the industry altogether. The cost to redevelop orchards on prime horticultural land is a risk that some growers are not willing to take, considering the age profile of the current grower base. High payouts to dairy farmers may also put pressure on land owners for alternative uses.

Whilst the New Zealand apple industry relies on commodity varieties such as Braeburn and Royal Gala attracting a premium price, this is not large enough to mitigate the adverse movements in foreign exchange. We believe the answer is to invest in exclusively controlled varieties that attract superior returns.

We expect that 2008 will be another tough year for apple exports with continuing high exchange rates and volumes at an all time low. The volume reduction is mainly

caused by extensive spring frost damage in the Hawkes Bay - the largest growing region in the country. The drop in national volume will impact all exporters, including ENZA. However in-market prices remain firm and there is no indication that they will fall. The reduced volume will also adversely impact the coolstore and packing operations in Nelson and Hawkes Bay that are volume based business's and need throughput to make profits.

The future however does look bright for ENZA. From 2009 onwards we will see significantly increased volumes of Jazz being sold globally. This will increase considerably ENZA profits and returns to growers.

The board has made a decision to increase the global volume of Jazz to 10.0m tce's from the initial 6.0m tces planned. We believe that the premium price will hold as 10 million tce's is a small volume for a global variety.

Following on from Jazz is the new variety, ENVY. ENVY has generated significant interest and is more suited to the US and Asian market being sweeter, larger and redder. At this stage the feedback from growers and retailers is extremely positive and we believe ENVY has the potential to be as successful if not more so than Jazz.

Jazz and Envy will give ENZA control of two of the premium global apple varieties.

The new pipfruit orchards purchased in 2007 struggled due to the lower than expected pipfruit returns. Currently these orchards are being converted to Jazz and Envy. Reasonable profits are not expected until these plantings reach maturity and start to produce significant volumes of fruit.

The star performers in 2007 have been the Domestic divisions and these have gone from strength to strength. Big improvements began in 2006 with solid domestic prices and further operational efficiencies contributing to the bottom line. The Domestic environment has changed as supermarkets increasingly source their supply directly from growers and by opening their own distribution networks. Turners and Growers is aware of this change and is developing alongside them to ensure we are still an integral part of the supply chain.

Floramax and the Fruitcase Company had improved results from the previous year and have continued this momentum into 2008.

2007 our Transport operation also had a good year - exceeding expectations in a competitive market that is faced with increasing fuel prices and labour shortage issues.

Status Produce, the tomato production unit, experienced an improved year in 2007, with the focus for 2008 to maximize supply in the winter months when prices are at their highest and increase the supply of specialty products in the summer months when prices are at their lowest.

ENZA Foods had an improved year on the back of higher world apple juice concentrate prices. This improvement is continuing in 2008.

Each year I comment on the potential split from the Group and while the profit is moving towards a more acceptable level I do not believe the time is right yet, due to the current state of world markets. All ENZAFoods operations and support functions are now fully stand alone and from a logistical view point, any de-merger will be achieved easily.

Our Managing Director, Jeff Wesley, will comment in more detail about the various divisions, their contribution and outlook for 2008.

2007 Profit

The pretax profit to December 2007 of \$22.1m was slightly down on the previous year of \$23.3m. However, this is the second highest result for the Group despite the poor pipfruit result and minus one off gains in comparison to 2006.

At this stage of the year it is difficult to predict the 2008 forecast. Depending on the pipfruit export outcome the best I can say is that we expect our operating profit to exceed that of 2007.

Balance Sheet

Our Total Asset position at 31 December increased from \$347 million to \$372 million during the period. This is mainly to do with a high capital expenditure programme, upward asset revaluations on prime property assets and a higher inventory level. Group Liabilities have increased overall by \$4.8 million and Shareholders' equity by \$20.6 million.

Cashflows

For the 2008 year the banking syndicate for seasonal grower funding has reduced from 4 banks to 2. A portion of seasonal funds will be borrowed in foreign currencies again this year, against receivable balances, taking advantage of lower interest rates and reducing foreign exchange exposure. By doing this there will be substantial savings to be passed on to Growers.

ANZ continues to lead the syndicate and has a close and supportive relationship with the Group.

Board policy continues being not to cover foreign exchange exposures on pipfruit exports.

Share Value

At year end the asset backing per share was \$2.73 compared to a current trading price of around \$2.30. As mentioned in my previous statements, Turners and Growers shares are backed by significant property assets in desirable commercial locations. Shareholders should feel comfortable that we have a sturdy balance sheet.

Dividend

In 2008 we introduced a new "Distribution Plan" replacing the traditional Dividend and Dividend Reinvestment Plan. Under this scheme shareholders received a distribution in the form of bonus fully paid ordinary shares with an offer from T&G to buy back those shares. The distribution under the new plan was at 10 cents per share and allotted or settled on 28 March 2008.

The board decided to implement this plan for capital management purposes while also providing shareholders the flexibility of retaining, selling on market, or receiving cash for their shares.

Investments and Assets

In March 2008 we were successful in purchasing the controlling shares in Kerifresh Limited a grower/packer for mandarin, lemon, kiwifruit and soon to be oranges, in KeriKeri North of Auckland.

The takeover was a long and drawn out process that received a significant amount of media coverage. The result is we now have approximately 98.5% of the shares in Kerifresh and the Takeovers Panel has given us approval to acquire the remaining shares in the company. Total assets and Total Equity acquired is approximately \$41 million and \$26 million respectively. Kerifresh has debt of approximately \$12 million that will be added to Turners & Growers core debt.

Now that we have control of Kerifresh the hard work has only just begun. Kerifresh has not made any profits for some years and considerable work will need to be done to improve the performance of this company. The benefits will be that Turners & Growers will now be the grower, packer, provider of crates, transporter and the domestic and export marketer. In the future we will be merging the operation with Kapiro orchards, the mandarin and kiwifruit orchard purchased in June 2007.

There a number of other investments in various categories that are being investigated. These investments will require reasonable capital expenditure and for the time being have been put on hold so that we can concentrate on reducing debt as a result of the Kerifresh purchase. Our expansion program we will continue with later in the year.

In 2007 we exported a small quantity ENZA branded kiwifruit to Australia with some success. We are continuing this programme in 2008 with increased volumes.

Turners and Growers have exclusive rights to varieties of Green, Gold and Red Kiwifruit and will license their growing on and offshore. Currently we cannot, apart from Australia, export kiwifruit grown in New Zealand.

Now for an update on the progress of our pipfruit investment in Inglis Horticulture in Riwaka Nelson. Current plantings are ahead of schedule and at the end of 2008, 212 Hectares will be planted with 427,000 trees. At full production this will produce 660,000 tray carton equivalents. These plantings are predominantly Jazz and Envy and we are confident that this joint venture will be very successful.

The Future

Over the last 12 months there have been some significant investments and now it is time to catch our breath, consolidate and reduce some debt. 2008 will be a difficult year, especially for the apple business, but I am confident that the future is bright with considerable revenues from Jazz & Envy coming on stream from 2009 onwards

The extra revenue generated from pipfruit will provide capital to invest, as we intend to continually grow and produce more profits for shareholders.

Turners and Growers equity has grown almost 100 million in the 5 years since the ENZA merger in 2002. I predict we will grow at least that again in the next 5 years.

We are carefully investing in the future success of this company and have some exciting times ahead.

People

The recent growth and success of Turners & Growers could not be achieved without the enthusiasm and dedication of the many staff throughout the Group. The board acknowledges and thanks the staff for their contribution throughout the year.

A.I (Tony) Gibbs - 18 June 2008

Managing Director's address (Jeff Wesley):

Mr. Wesley followed the popular PowerPoint format from previous years commenting on each of the main businesses and units explaining: what each unit does, contributes to the Group, what happened in 2007, and their prospects for 2008 and beyond.

Copies of Jeff Wesley's PowerPoint presentation are available on the NZX or upon email requests to paul.knight@turnersandgrowers.com.

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