INDEPENDENT ADVISER'S REPORT

TURNERS & GROWERS LIMITED

DECEMBER 2011

INDEPENDENT NEW ZEALAND PRACTICE INTERNATIONALLY AFFILIATED WITH THE KORDAMENTHA GROUP
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GLOSSARY OF KEY DEFINITIONS

ACC	Accident Compensation Corporation
AJC	Apple juice concentrate
Bartel	Bartel Holdings Limited
BayWa	BayWa Aktiengesellschaft
Budget	T&G's original budget for FY11
CAGR	Compound annual growth rate
Capex	Capital expenditure
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FCC	Fruit Case Company
FY	Financial year
GFC	Global financial crisis
GPG	Guinness Peat Group Plc
MT	Metric tonnes
NBNZ	National Bank of New Zealand
NTA	Net Tangible Assets
NZD	New Zealand dollar
NZSX	New Zealand Stock Exchange
Offer	Cash offer for 100% of the equity securities in T&G at $1.85 per ordinary share
Options	Unlisted options issued to certain members of T&G management
PVRs	Proprietary variety rights
Rule 22 Report	Report prepared for the Offer by Northington Partners
Shares	T&G's ordinary shares listed on the NZSX
T&G or the Group	Turners & Growers Limited
TCEs	Tray carton equivalents
T_c	Company tax rate
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
Westpac	Westpac Banking Corporation
YTD11	Year to date to 31 October 2011

1. INTRODUCTION

Turners & Growers Limited ("T&G" or "the Group") is a grower, distributor, marketer, importer and exporter of apples and other horticultural produce.

On 10 November 2011 BayWa Aktiengesellschaft ("BayWa") announced:

- its intention to make a cash offer for 100% of the equity securities in T&G at $1.85 per ordinary share ("the Offer"); and

- Guinness Peat Group Plc ("GPG") had entered into a Pre-bid Agreement to accept the Offer in respect of its 63.5% shareholding.

T&G appointed KordaMentha to prepare an independent adviser's report on the Offer in accordance with Rule 21 of the Takeovers Code. Our appointment was subsequently approved by the Takeovers Panel.

1.1 BACKGROUND TO THE OFFER

GPG is an investment holding company. Over recent years there has been speculation over GPG's intentions with its investments. On 11 February 2011, GPG announced its intention to undertake an orderly realisation of its investments, including T&G.

On 19 April 2011, T&G announced it had appointed Goldman Sachs & Partners Limited ("Goldman Sachs") to undertake a strategic review of its business. The Board of Directors of T&G considered that the intrinsic value of the Group was not fully reflected in its share price ($1.65 on the day prior). The purpose of the strategic review was to investigate opportunities to unlock additional value.

On 7 June 2011, T&G and BayWa entered into a confidentiality deed under which BayWa agreed to keep confidential certain information disclosed to it and to use that information for certain purposes, including a due diligence review of T&G for the purposes of making a potential offer to acquire the Group.

On 21 October 2011, GPG entered into exclusive negotiations with BayWa to agree the Offer (to the extent permitted by the Takeovers Code).

On 10 November 2011, BayWa announced its intention to make a cash offer for 100% of T&G at $1.85 per share. At the same time, BayWa announced that GPG had entered into a Pre-bid Agreement to accept the Offer in respect of its 63.5% shareholding.

BayWa dispatched its offer to shareholders on 9 December 2011.

1.2 OFFER TERMS & CONDITIONS

BayWa is offering to acquire all of T&G's ordinary shares listed on the NZSX ("shares") for $1.85 per share and to acquire unlisted options issued to certain members of T&G management ("Options"), discussed at section 1.4 below.

GPG holds 63.5% of the shares and has signed a Pre-bid Agreement with BayWa under which it has agreed to accept the Offer.

The Offer is conditional on BayWa receiving acceptances to take its stake in T&G to more than 50%. However, given the Pre-bid Agreement with GPG this condition will be met.

The Offer is also conditional on BayWa obtaining regulatory consents required under the:

- Overseas Investment Act 2005; and

- Gestzgegen Wettbewerbsbeschrankungen (Act against Restraints of Competition) of 1957 (as amended), of the German Democratic Republic.

The Offer is subject to a range of other conditions that have become relatively standard in takeover offers. These conditions preclude T&G from paying dividends during the Offer period or making any significant purchases or disposals. These conditions are for the benefit of BayWa and may be waived by BayWa at its discretion.

If the Offer is declared unconditional, then for a period of 18 months from 10 November 2011 BayWa (or any related party) will not make any further full or partial takeover offers (under the Takeovers Code) for T&G on terms and conditions more favourable than the Offer (adjusted for any dividends, share issues or similar capital restructurings).

1.3 BAYWA AKTIENGESELLSCHAFT

BayWa is an international trading and services group with headquarters in Munich, Germany and locations in 16 countries throughout Europe and North America. It is publicly listed on the Frankfurt Stock Exchange and has a market capitalisation of approximately EUR 1.1 billion.

The only information we have been privy to concerning BayWa's intentions for T&G is what has been made publically available in the Offer and press releases. In the Offer document BayWa says:

- it intends for T&G to be operated for the first nine to 12 months substantially as it has been operated to date (substantially on a standalone basis) and to support management's plans;
- it intends to seek appropriate representation on the T&G Board (including the role of Chairman) and to participate in decisions relating to T&G and its future, through the Board;
- its plans involve six key themes which it will focus on, being: (1) improved operational efficiencies; (2) streamlining distribution; (3) increasing profitability and volume of apple exports; (4) improved relationships with growers; (5) reviewing its investment in land; and (6) re-focusing on apple production;
- it intends that T&G undertakes a strategic review of its operations. BayWa says that implementation of the results of the strategic review may lead to a range of possible outcomes, including the sale of certain assets;
- should it achieve full control of T&G, it would delist T&G from the NZSX; and
- its current intentions may change after getting input from T&G's management on those plans and depending on the business and economic environment and any other relevant circumstances applicable post acquisition.

1.4 OPTIONS

The consideration offered for each Option depends on the characteristics of each tranche of Options issued, as summarised in the table below:

Table 1.1: Summary of Options at 2 December 2011

Tranche	Expiry Date	Options Outstanding	Offer Price
1A	4 August 2012	500,000	$0.253
1B	4 August 2013	250,000	$0.436
1C	4 August 2014	250,000	$0.569
2A	21 December 2013	234,446	$0.485
2B	21 December 2014	234,444	$0.619
2C	21 December 2015	234,443	$0.731
Total		**1,703,333**	

Source: T&G Management and the Offer
Note: Options are described in detail in an independent adviser's report prepared for the Offer by Northington Partners pursuant to Rule 22 of the Takeovers Code ("Rule 22 Report").

1.5 OTHER

The sources of information, to which we have had access and upon which we have relied, are set out in Appendix 1 of this report. This report should be read in conjunction with the statements and declarations set out in Appendix 2 regarding our independence, qualifications, general disclaimer and indemnity and the restrictions upon the use of this report. References to $ relate to New Zealand dollars, unless specified otherwise. References to years or financial years mean T&G's financial year end 31 December. Please note tables may not add due to rounding.

2. MERITS OF THE OFFER

The Takeovers Code requires the independent adviser to form an opinion as to the merits of the Offer and in doing so, to take into consideration issues wider than just valuation. In this section we consider the fundamentals of T&G; our assessment of value; potential outcomes of the Offer; and the likelihood of alternative offers.

2.1 T&G FUNDAMENTALS

As a result of the global financial crisis ("GFC") in late 2008, T&G's business has been affected by reduced demand in domestic and export markets. Export markets have also been detrimentally impacted by the relatively high New Zealand dollar ("NZD").

Although T&G operates a collection of different operating divisions that span various activities within the horticultural sector, ultimately its financial results are heavily influenced by the performance of the apple industry. Due to static global demand for apples and the relatively high NZD (by historical standards), the New Zealand apple industry has recently generated low returns for growers and other industry participants, including T&G. This is illustrated by grower exit from the New Zealand industry, where number of hectares planted in apples has reduced from 12,585 hectares in 2004 to around 8,500 today.

Between FY09 and FY10, the Group's earnings before interest and tax ("EBIT") increased by 34% with key contributors being the Domestic and Growing divisions. In FY11, the Group's EBIT is forecast to increase by 6% (after adjusting for one-off costs) with some operating divisions exhibiting growth and others declining. Year-to-date to October 2011 ("YTD11"), T&G has performed below T&G's original budget for FY11 ("Budget") but broadly in line with FY10, although results vary by operating division.

Asia has emerged as an attractive growth opportunity for the Group with increasing demand for premium products, including apples and other fresh horticultural produce.

T&G's tomato growing operations have recently observed a significant increase in profitability as a result of increased prices achieved during winter months due to less competition from Australian imports.

Current returns being generated by T&G's growing operations are low as a result of T&G recently replanting its apple orchards with new apple varieties (mainly 'Jazz' and 'Envy'). As these orchards move to full production by 2014 this is expected to result in an improvement in the financial performance of T&G's orchards.

Table 2.1: T&G's key investor metrics

$	FY09	FY10	FY11
Gross dividend	0.14	0.10	0.06
VWAP throughout period	1.33	1.43	1.70
Gross dividend yield	10.8%	7.0%	3.5%
Return on invested capital (1)	3.7%	4.7%	4.7%

Source: Capital IQ and management information
(1) Return on invested capital is EBIT x (1 - T_c) / Net Operating Assets.

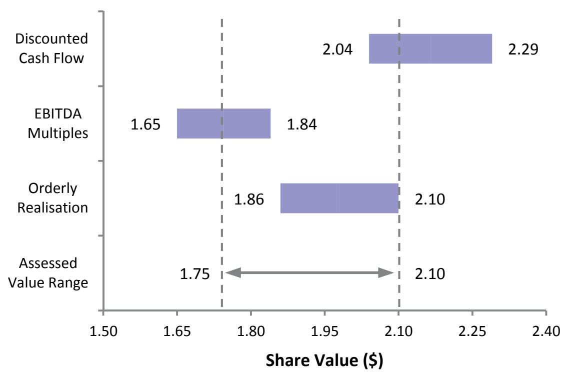
Table 2.1 shows T&G's gross dividend yield for FY11 is 3.5%. Dividend yields have declined in recent years as a result of uncertain economic conditions and an increase in T&G's share price.

T&G's reported net tangible assets ("NTA") as at 31 October 2011 were equivalent to $2.51 per share. However, T&G achieves a relatively low level of earnings on its reported investment in assets. In FY11, T&G is forecasting an after-tax return on the book value of T&G's invested capital of 4.7%.

2.2 PRICING & VALUATION

Our valuation results are summarised in Figure 2.1.

Figure 2.1: Valuation summary



For the purpose of this report, we have assessed a valuation range for T&G's equity between $1.75 and $2.10 per share, with a mid-point of $1.93 per share. Our range has been determined as follows:

- **low-end of the range:** is based on the mid-point of our multiple valuation; and
- **high-end of the range:** is based on the lower quartile of our DCF valuation and the high-end of our orderly realisation of assets approach.

Our discounted cash flow ("DCF") valuation range is higher than our multiple valuation range. This is because the financial projections on which our DCF valuation is based include an increase in earnings and cash flows over the forecast period in excess of market expectations for comparable companies and transactions, whereas the multiple based analysis is based on FY11 forecast earnings.

Our valuation range recognises that T&G's earnings are affected by the relatively high NZD over FY11 and the fact that T&G's orchards have recently been replanted and are yet to reach full production. Therefore, we would expect the multiple valuation approach to represent the low-end of a reasonable range. Offsetting this, the financial projections that we have relied upon in the DCF analysis assume that there will be no adverse weather conditions and no outbreak of pests or foreign disease (beyond those already identified). T&G operates in an industry where it is unlikely that these assumptions will hold true over the long term and therefore there are downside risks to the DCF valuation.

T&G's NTA as at 31 October 2011 were $2.51 per share. However, we have assessed the value of T&G based on undertaking an orderly realisation of assets between $1.86 and $2.10.

The orderly realisation of assets approach is based on the assumption that T&G could realise its assets (net of costs) for between 90% and 100% of reported book value. We consider that this represents an optimistic scenario because:

- T&G is currently undertaking a land and buildings revaluation exercise for financial reporting purposes. Initial feedback from independent property valuers is that there is likely to be a significant write-down in reported carrying values. At the date of this report, T&G management have been unable to provide us with a reliable estimate of the impact of revaluing land and buildings as independent valuations have not yet been prepared but consider that the write-down could lie in a range of $20 million to $30 million; and

- the relatively low level of earnings generated by T&G's business and assets. As set out at Table 2.1, in FY11, T&G is forecasting an after-tax return on the book value of T&G's invested capital of 4.7%. This suggests that current earnings do not support the book value of T&G's assets.

Our valuation range of $1.75 to $2.10 per share represents an estimate of value for 100% of the Group. We would not expect minority parcels of shares to trade at this level (in the absence of a takeover offer).

BayWa's Offer price of $1.85 per share is within our valuation range, but below the mid-point of $1.93 per share.

The premium over the one month volume weighted average price ("VWAP") of T&G's shares prior to GPG's announcement that it would be undertaking an orderly realisation of investments (22%) is at the low-end of the range of premia for control generally observed in successful takeovers of other listed companies of between 20% and 35%. The premia over more recent share prices (e.g. one month VWAP prior to the Offer) is approximately 10%, this is below the control premia typically observed in successful takeovers.

2.3 SHAREHOLDERS

The major shareholders of T&G are shown in Table 2.2.

Table 2.2: T&G major shareholders as at 2 December 2011

Shareholder	Stake
GPG	63.5%
Bartel Holdings Limited	12.3%
Accident Compensation Corporation	6.0%

2.4 POTENTIAL OUTCOMES OF THE OFFER

BayWa acquires 100% of T&G

BayWa is seeking to acquire 100% of T&G's shares. If BayWa acquires 100% of T&G it says the Group would be delisted from the NZSX and become a wholly owned subsidiary of BayWa.

BayWa secures 90% of T&G

In the event that BayWa receives acceptances for 90% of T&G's shares, then it would enact the compulsory acquisition provisions under the Takeovers Code.

In order to secure 90% of T&G, BayWa would require Bartel Holdings Limited ("Bartel") to divest its 12.3% stake.

We understand that Bartel is considering continuing as a minority shareholder and banana supplier to T&G. Should Bartel not sell into the Offer then BayWa would not secure 90% of T&G with the Offer in its current form.

BayWa receives acceptances to take its T&G stake to between 50% and 90%

The Offer, in its current form, could result in BayWa receiving acceptances to take its shareholding between 63.5% and 90% of shares.

If BayWa receives acceptances to take its shareholding to between 63.5% and 90%, it has three courses of action available to it:

- let the Offer close and be the controlling shareholder of T&G, with a number of minority shareholders;
- increase the Offer in the hope of flushing out sufficient shareholders to achieve certain targets. In our opinion, on balance, this is an unlikely course of action unless Bartel agrees to accept that price, as the increased price would have to be paid to all shareholders; and
- let the Offer lapse and launch a new offer. However, given BayWa's stated intention to not make a further full or partial takeover for 18 months from 10 November 2011, this is prohibited for this period, at least.

It is possible that BayWa could take its stake in T&G above 75%, which would provide it with a sufficient majority to pass special resolutions under the Group's constitution and would allow it to exert more control than a simple majority shareholding. The actions of Bartel and whether the Accident Compensation Corporation ("ACC") accepts the Offer in respect of its 6.0% shareholding could be key determinants of whether BayWa achieves a stake in excess of 75%.

With a shareholding between 63.5% and 90%, T&G would remain a listed company controlled by BayWa. As a result, BayWa would have effective control over the day-to-day operations of T&G. The Companies Act and NZSX Listing Rules provide some level of protection to minority shareholders, however BayWa would be entitled to appoint new directors to the Board of T&G and, as a result of its majority shareholding, would control the outcome of any ordinary resolution put to shareholders.

BayWa has not stated its intentions with regard to dividends. However, BayWa would have the ability to set dividends and there is no certainty that any dividends would be paid to shareholders.

We understand that a large number of T&G's small minority shareholders are growers that supply produce to T&G. BayWa's desire to continue these supply arrangements may mean that it is careful not to disenfranchise these shareholders and this could provide some protection to minority shareholders.

Prior to the Offer there was virtually no liquidity in T&G's shares. It appears likely that BayWa's Offer will attract acceptances from some of T&G's shareholders, in addition to GPG. Therefore, it is likely that the remaining free float of T&G shares would decrease following the Offer. This would further limit the liquidity of trading in T&G shares.

After 12 months from the closing of the Offer, BayWa would be entitled to acquire an additional 5% shareholding in T&G per annum under the "Creep" provisions of the Takeovers Code. BayWa would be able to acquire these shares at the market price.

BayWa has stated that it intends for T&G to be operated for the first nine to 12 months substantially as it has been operated to date (on a standalone basis) and to support management's plans. We are not aware of any synergies which have been identified by BayWa. However, it is BayWa's intention to undertake a strategic review of T&G and BayWa says that the results of that strategic review could lead to a range of possible outcomes, including the sale of certain assets.

The Offer fails

Because of the Pre-bid Agreement with GPG, the Offer will not fail unless BayWa's regulatory consents and other standard conditions are not met. KordaMentha is not in a position to issue an informed opinion around the likelihood of obtaining regulatory consent.

However, if the Offer fails to result in a full takeover of T&G, and in the absence of the prospect of alternative offers, it is likely that in the short term the T&G share price will recede from current levels.

Likelihood of BayWa increasing its Offer price

If BayWa increases its price while the Offer is still open, the increased price will be available to all T&G shareholders even those that have already accepted the Offer.

Depending on the reaction of T&G's shareholders to the Offer, BayWa could potentially increase its Offer price in order to secure certain levels of shareholding. However, this possibility is by no means certain and BayWa may be willing to see what acceptances it can generate from the Offer in its current form.

In our opinion, on balance, it is unlikely BayWa would increase its Offer price unless Bartel agrees to accept that price. Otherwise the increased price would have to be paid to all shareholders and BayWa may find it easier to try to reach any strategic targets (e.g. a 75% shareholding) through the "Creep" provisions of the Takeovers Code.

An alternative offer is unlikely

There is, in KordaMentha's opinion, little likelihood of a competing offer. BayWa has, through the Pre-bid Agreement, secured 63.5% of T&G's shares and with that, control of T&G. It is theoretically possible that an alternative and higher offer could be made; however, this is unlikely as it would require BayWa to sell its newly acquired shareholding.

T&G has been subjected to a detailed strategic review, during which a number of parties have been given access to due diligence information. As a result of that process, BayWa and GPG entered into the Pre-bid Agreement. It is therefore very unlikely that any competing bidder will present itself that has not already contemplated some form of investment in T&G, which was not agreed with GPG.

Other merits of the BayWa offer

T&G's share price has traded around the Offer price since the Offer was announced. In the absence of actual and potential takeover speculation, the T&G share price is likely to be lower than the current share price.

BayWa is a large multinational business with a market capitalisation of €1.1 billion. Although it does not have a track record in New Zealand, it has made numerous investments globally and there is, on balance, reason to believe that having BayWa as a majority shareholder could be more beneficial to T&G's business than its current position. BayWa considers it could improve T&G's access to international markets given its existing involvement in the horticulture sector. BayWa's management has said "…maybe we can bring something to the party" and that BayWa's existing fresh fruit and vegetable customers "…in Germany, were asking and demanding for more supply all over the year".[1]

2.5 CONCLUDING REMARKS

Our valuation range for T&G is $1.75 to $2.10 per share, with a mid-point of $1.93. We note that this range represents our estimate of value for 100% of the Group and we would not expect minority parcels to trade at this level (in the absence of a takeover offer).

BayWa's Offer price of $1.85 per share is within our valuation range, but below the mid-point of $1.93 per share.

The key benefits of the Offer for minority shareholders are that the price is within our valuation range, albeit at the low-end of our range, and that it offers liquidity and a potential exit event for T&G shareholders. T&G's shares are very closely held and there is a lack of trading volume. This limits the liquidity available to T&G shareholders and their ability to exit.

BayWa has made it clear that it will not be making another full or partial takeover offer for 18 months from 10 November 2011. Therefore, there may not be a better exit opportunity for T&G's minority shareholders over this period, at least.

For those shareholders with a longer term investment horizon who are willing to remain as minority shareholders there is, on balance, reason to believe that having BayWa as a majority shareholder could be more beneficial to T&G's business than its current position. Furthermore, if Bartel does not accept the Offer, there appears to be a possibility for further offers for T&G's minority shares in the future.

We consider that the Bartel shareholding, and to a lesser extent ACC shareholding, represent strategic parcels of shares, which would be attractive to BayWa in order to gain unfettered control over the Group. This would also allow BayWa to delist T&G from the NZSX and generate efficiency gains for the business.

Small minority shareholders in T&G should watch closely what Bartel and ACC do with their shares. If Bartel does not accept the Offer, then it is likely that any acquisition of its shares in the future would represent an offer under the Takeovers Code[2]. As a result, small minority shareholders would have to be offered the same price as Bartel. If the ACC shareholding were acquired in the future, it could also represent an offer under the Takeovers Code. However, in the event that Bartel and ACC were to decide to sell their shareholdings under the Offer, or in the future, after that transaction minority shareholders are less likely to attract any strategic premium and by that point BayWa may not be offering any premium for control of the business.

In the event that BayWa, or any other party, make another offer in the future any such offer would reflect trading conditions and financial performance at that time. It would be presumptive to assume any future offer would necessarily match or better the current offer.

There is no need for shareholders to accept the Offer early

The closing date for the Offer is Monday, 9 January 2012. This date could be extended by BayWa for a maximum of a further 60 days by giving no less than 14 days' notice. Not accepting the Offer or holding out until near the time the Offer lapses could possibly cause the Offer price to be increased. There is, however, no certainty that the Offer price would be increased. As noted, shareholders should carefully consider the actions of the other substantial security holders, ACC and Bartel, particularly Bartel given it holds a strategic parcel of shares of 12.3%, without which BayWa cannot achieve compulsory acquisition of T&G.

Acceptance or rejection of the Offer

Acceptance or rejection of the Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

[1] *BayWay chief executive officer, Klaus Lutz, quoted in the New Zealand Herald, 22 November 2011*

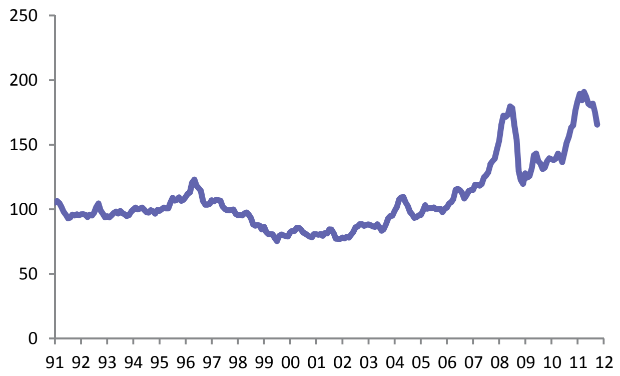
[2] *It is possible that Bartel could break up its shareholding into parcels less than 5% to sell to BayWa under the "Creep" provisions of the Takeovers Code. However, this would affect the strategic importance of this stake and is unlikely.*

3. INDUSTRY PROFILE

3.1 GLOBAL FOOD OVERVIEW

The last decade has seen a significant increase in food prices globally; particularly for basic food commodities. Figure 3.1 shows the food commodity index peaked at new record highs in early 2011, higher than the previous record peak in 2008.

Figure 3.1: Food commodity index



Source: International Monetary Fund: International Financial Statistics.

Increasing food demand has been largely driven by demand from developing economies experiencing income and population growth. A significant part of the growth in the world economy since 2000 has been due to China growing from low incomes per capita to a country with an increasing middle class and rising average incomes.

Other key trends over the past decade that have impacted the global food sector include:

- higher fuel costs have led to increased costs of production and transportation costs;
- competing uses for grains and oilseeds have led to a shift away from farming for human consumption towards crops for bio-fuel production and cattle feed; and
- industrialisation and urbanisation in developing countries.

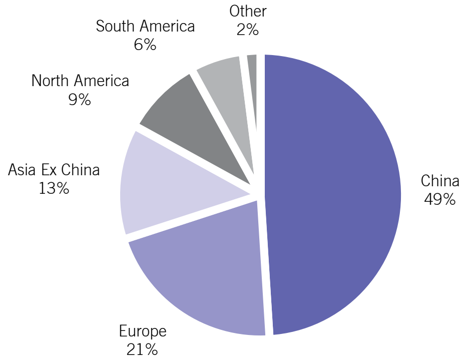
Consumers buying preferences are also changing as they become less accepting of the use of chemicals (pesticides and herbicides) in the production of food and of genetically modified foods. Public awareness campaigns have also raised the awareness of nutrition and the benefits of "healthy eating".

3.2 GLOBAL APPLE OVERVIEW

Global apple production

Since the early 1990's, production of apples in China has accounted for a large share of world production as shown in Figure 3.2.

Figure 3.2: World 2010 apple production by region

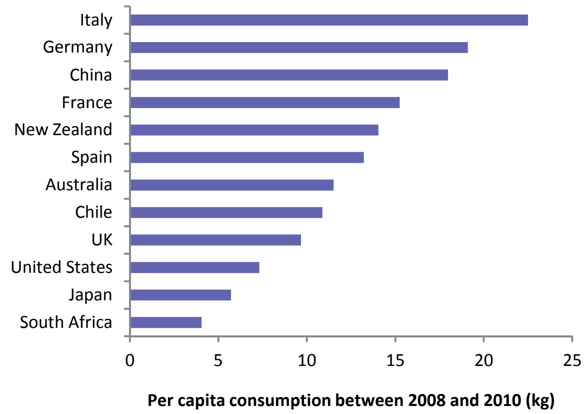


Source: World Apple Review, 2011 Edition

In 2010, China produced nearly 50% of the world's production of apples. Europe and the rest of Asia made up the majority of the rest of production. Oceania (Australia and New Zealand) comprise only 1% of the world's apple production.

Apple consumption

Figure 3.3: Per capita apple consumption



Source: World Apple Review, 2011 Edition

Apple consumption is generally highest among European countries with Italy, Germany and France having consumption of greater than 15kg per capita per annum. China has the highest total consumption of apples anywhere in the world.

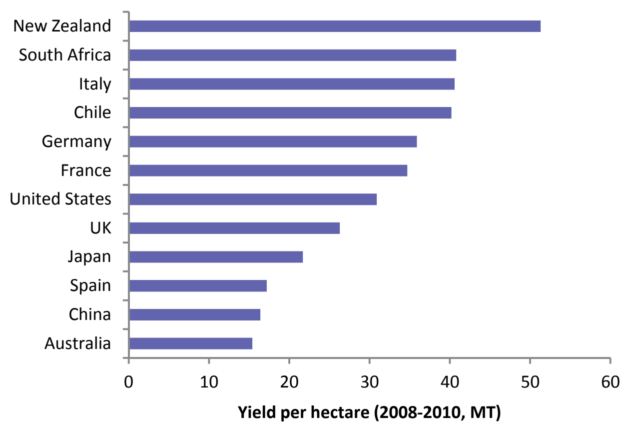
Apple consumption, excluding China, has been gradually reducing over time. However, China's consumption of apples has more than doubled since the early 1990's. The net effect is that total world consumption of apples has been stable around 10kg per capita per annum.

Those countries that do not produce apples are expected to become more important due to stagnant consumption in the major apple producing countries. There are only six regions (as designated by the United Nations) that have little or no production of apples. These regions are Africa (Eastern, Western and Middle), Central America, Caribbean and Southeast Asia.

Yields per hectare

The yield achieved per hectare of apples varies across countries as shown at Figure 3.4. New Zealand achieved the highest yield of 51 metric tonnes ("MT") per hectare between 2008 and 2010. The next highest was 40 MTs per hectare, which was achieved by South Africa, Italy and Chile. China had a relatively low yield at 16.4 MTs per hectare.

Figure 3.4: Yield per hectare



Source: World Apple Review, 2011 Edition

3.3 NEW ZEALAND FRESH PRODUCE OVERVIEW

New Zealand's horticulture exports have grown from $33 million in 1975 to more than $3.3 billion in 2010. Horticulture exports account for approximately 8% of New Zealand's merchandise exports.

Wine has been the main contributor to the dramatic increase in horticulture exports in the last few years. Wine exports in 2005 were $432 million, but grew to $1.04 billion in 2010 and is now New Zealand's largest horticultural export sector, ahead of kiwifruit. Total horticulture exports (excluding wine) were $2.3 billion in 2010.

In 2010 imports of fruit and vegetables were significantly outweighed by exports. New Zealand imports fruit and vegetables that cannot be grown due to the climate (e.g. bananas), and to ensure continued supply during New Zealand's non-growing seasons.

New Zealand's five main markets for horticulture product are Australia, Japan, UK and Ireland, Continental Europe and North America. Total horticultural exports to these five markets accounted for 77% or $2.6 billion of New Zealand's total horticultural exports in 2010. Exports to these markets have increased approximately 85% since 2000. The largest increases in horticultural exports observed over this period were to Australia and North America.

3.4 NEW ZEALAND APPLES

Overview of the New Zealand apple industry

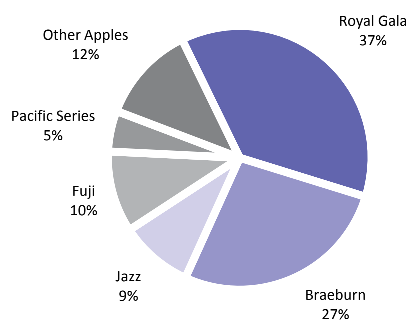
Between 1948 and 2001, apple and pear growers, together with the government, collectively formed and operated the Apple and Pear Marketing Board which was responsible for exporting and marketing New Zealand's pipfruit. In 2001, the industry was deregulated, which allowed individual growers to export and market their own fruit.

The New Zealand apple industry produces on average around 17 million Tray Carton Equivalents ("TCEs") per year. Approximately 60% of these apples are sourced from Hawkes Bay, 30% from Nelson and 10% from the remaining regions. There has been significant consolidation of growers in the last 10 years which has seen export grower numbers reduced from 917 in 2004 to 431 in 2010. The number of hectares planted has reduced from 12,585 hectares in 2004 to around 8,500 today. Despite the reduction in growers and hectares, apple exports still accounted for approximately 10% of New Zealand's total horticulture exports in 2010.

Apple varieties

The introduction and diversification of new apple varieties since 2004 has been important to the New Zealand apple industry. Figure 3.5 shows New Zealand's apple exports by variety.

Figure 3.5: New Zealand apple exports by variety (2010)

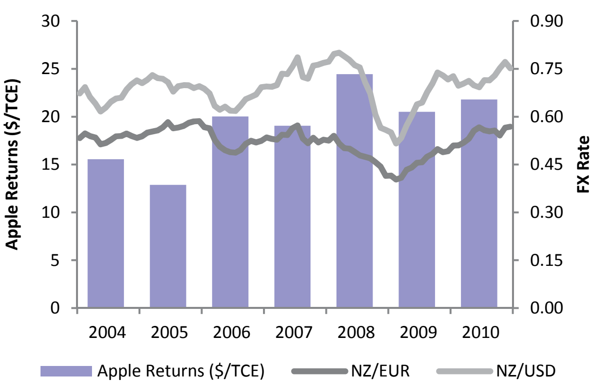


Source: Plant and Food Research: NZ Horticulture 2010, Statistics NZ.

Royal Gala and Braeburn have historically been New Zealand's most popular apples. However their popularity has declined as the industry has launched new varieties such as Jazz, Envy, and the Pacific series. New varieties have been introduced to meet different market preferences. Asian markets prefer a sweeter tasting apple compared to the Northern European and North American countries that prefer a more tart taste.

Figure 3.6 shows average apple returns for 2004 to 2010.

Figure 3.6: Movement in currency and NZD apple returns



Source: Plant and Food Research: NZ Horticulture 2010 and Statistics NZ.

As sales receipts are primarily denominated in foreign currencies an appreciating NZD has a negative impact on apple returns. In 2008 the NZD was relatively weak against the Euro and USD, which resulted in higher returns for New Zealand growers. The relatively high NZD since 2009 has resulted in lower returns to New Zealand's apple industry.

3.5 OTHER KEY T&G CATEGORIES

Outside of apples, T&G also exports a relatively small share of kiwifruit. Under current regulations all sales of New Zealand grown kiwifruit, excluding those sold domestically and to Australia, must be marketed through Zespri Group Limited ("Zespri"). There are some minimal allowable exceptions; however these generally require Zespri's approval.

T&G was proceeding with litigation challenging anti-competitive behaviour, the current regulations and seeking appropriate remedies. However, on 18 October 2011, T&G announced it would not go ahead with parts of the litigation due to the 'severe pressure' on the country's kiwifruit industry, which is affected by the bacterial disease PSA.

T&G management still consider it possible that the New Zealand kiwifruit industry could be deregulated as early as 2013 as a result of scheduled World Trade Organisation meetings that may impact on New Zealand's ability to provide Zespri with a statutory monopoly.

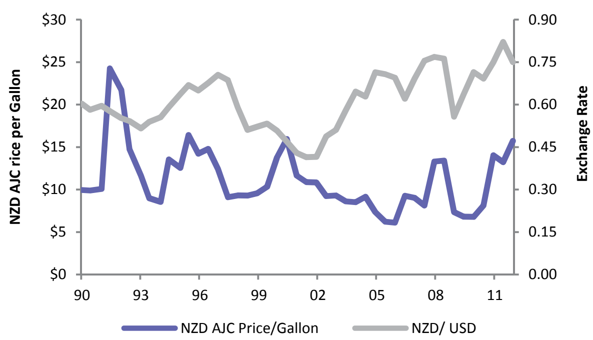
Key products T&G sell domestically include bananas, citrus, potatoes and tomatoes. New Zealand spent $142 million on bananas in 2010, followed by apples ($98 million) and oranges ($42 million). New Zealand imports the highest amount of bananas per capita globally.

New Zealand spent $99.2 million on tomatoes in 2010, making it New Zealand's favourite vegetable ahead of potatoes. Tomato prices are seasonal with higher prices achieved during New Zealand's winter when the market is supplemented with imported tomatoes (historically mainly from Australia).

T&G also processes juices and other value added products (puree, syrup etc). T&G is the largest producer of apple juice concentrate ("AJC") within New Zealand. However, New Zealand's production of AJC is relatively small by global standards. China produces approximately 45% of the world's supply of AJC, which is increasingly consumed domestically in China.

The US$1.5 billion market for AJC is expected to grow around 3-5% annually, as demand grows from emerging markets.

Figure 3.7: AJC Prices in NZD per Gallon



Source: Management information and Reserve Bank of New Zealand

AJC prices declined sharply in the second half of 2008 and the first half of 2009 due to oversupply. Since the first half of 2009 prices have increased to just over $15 per gallon.

4. GROUP OVERVIEW

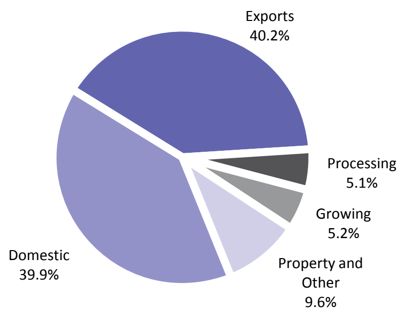
4.1 OVERVIEW

T&G is a grower, distributor, marketer, importer and exporter of fresh horticultural produce. The Group has embarked on a strategy of vertical integration and is involved in a number of elements of the fresh fruit and vegetable supply chain. T&G's business can be broadly categorised into five key operating divisions as follows:

1. **Domestic:** focuses on the wholesale distribution of fresh fruit and produce to the retail trade in New Zealand, and various supporting activities (including the provision of crates, bins and pallets, and transport);
2. **Exports:** focuses on the export of fruit and vegetables. The largest single commodity exported is apples, which is supplemented by other pipfruit, kiwifruit, citrus and tomatoes as well as other fruit and vegetables;
3. **Processing:** focuses on juice processing (mainly AJC) and the manufacture of other fruit ingredients products;
4. **Growing:** focuses on growing fruit and vegetables for distribution in T&G's supply chain. Growing activities include: New Zealand's largest glasshouse grower of tomatoes; apple and pipfruit orchards; New Zealand's largest citrus grower; and kiwifruit orchards; and
5. **Property and other:** includes property ownership (including head office, coolstores and packhouses); a transport fleet; a specialist flower auction company; an Australian-based trader of processed fruit and vegetables for the food and beverage industry; and T&G's corporate overheads.

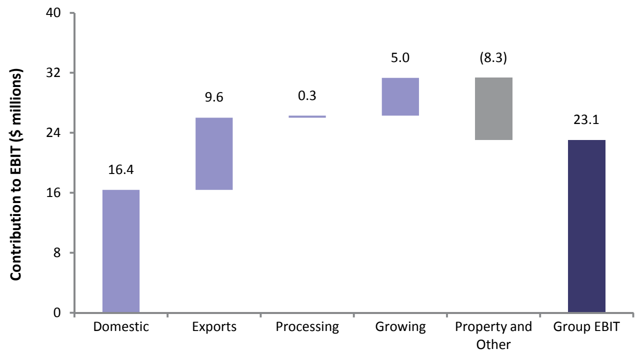
Figures 4.1 and 4.2 illustrate T&G's FY10 turnover and EBIT by division.

Figure 4.1: T&G's turnover by division



Source: Management information
Includes inter-company turnover

Figure 4.2: Contribution to FY10 EBIT by division



Source: Management information
Divisional contribution to EBIT includes internal charges (e.g. the Property division charging internal rent) but before the allocation of corporate overhead.

Figure 4.2 shows that Exports profitability is below that of Domestic, which in FY10 was able to generate EBIT 71% higher than Exports off a similar turnover base. The relatively high NZD had a material impact on the Exports division's profitability, particularly against the Euro.

4.2 HISTORY

T&G had its origins in 1897 when Edward Turner expanded his retail fruit business to include fruit importing and wholesale auctioneering. However, T&G was not incorporated until 1921, as a result of the merger of E Turner and Sons and the Auckland Provincial Fruitgrowers' Co-operative Society.

For approximately the first eighty years of its operation, T&G had a number of associated lines of business, including poultry, eggs, grains, a rural supplies business, fertilizers and chemicals, and ownership of Daihatsu New Zealand Limited, Cawthray Motors Limited, Motorcycle Distributors Limited and Turners Auctions Limited (New Zealand's largest vehicle auction company). Over time, the Group has focused on its core fruit and vegetable production and marketing business and these other ventures have been sold or ceased operating.

In 1992, Noboa Organisation, owner of the Bonita banana brand became a substantial security holder of T&G. Today, through Bartel, it has a 12.3% shareholding in T&G.

In 1994, GPG became T&G's major shareholder after acquiring a 42% shareholding and in 2003, T&G and the ENZA Group merged after New Zealand's apple industry was deregulated. As a result of this transaction, GPG's interest in T&G increased to 78.3%. Subsequently, GPG has reduced its shareholding to 63.5%.

4.3 COMPANY STRUCTURE

T&G's divisions and business segments are shown in Appendix 3.

T&G operates as a collection of integrated operating divisions, sourcing product from growers; owning a small number of growing operations; managing coolstore, packhouse, transport and logistics operations; and undertaking domestic and export trading, wholesaling and marketing.

The inter-relationships between operating divisions, and business segments within those divisions, are complex and as a result many of the divisions and segments are dependent on each other. For example, the Domestic division relies on the Growing division to ensure that it has a strong supply of key product categories that it can provide to key food service customers, such as supermarkets.

4.4 DOMESTIC DIVISION

The Domestic division includes:

- the distribution and marketing of over 200 product lines of fresh produce to supermarkets, grocery independents and the food service trade (referred to as "Markets"); and
- T&G's business segment trading as Fruit Case Company ("FCC"), which supplies New Zealand's produce industry with crates, pallets and bins for packaging, storing, transporting and displaying fresh produce.

The Markets segment imports fruit and vegetable commodities into New Zealand, particularly Bonita bananas, as well as citrus, grapes, Australian vegetables, tomatoes, tropical and Pacific Island product. It also operates a pre-packaging facility in Pukekohe, which packs potatoes, onions and carrots into a variety of bags for sale into supermarkets around New Zealand.

Key issues concerning the competitive environment within each of the Domestic division's business segments include:

- **Markets:** T&G estimates that the New Zealand wholesale produce market is approximately $900 million and T&G has a market share of approximately 40%. Markets' main competitor is Market Gardeners Limited ("MG"), a growers' co-operative that competes with T&G in most of its key product categories. MG imports Dole branded bananas, grapes and pineapples. Other competitors include Freshmax Limited ("Freshmax"), which is private equity owned and headquartered in Australia; and
- **FCC:** T&G management estimate that FCC has a market share of approximately 55-60%. FCC's main competitor is Weck Holdings Limited with a market share of approximately 40%.

T&G management consider that both Markets and FCC are mature business segments and that T&G can expect to maintain its position without achieving significant growth.

Key risks for T&G in the Markets segment include the risk that supermarkets use their market power to negotiate directly with growers or exert pressure on T&G's and growers margins. T&G management consider that these risks are mitigated to some extent as a result of its comprehensive coverage of key product categories and its security of supply in key categories, such as citrus fruit, as a result of owning its growing operations.

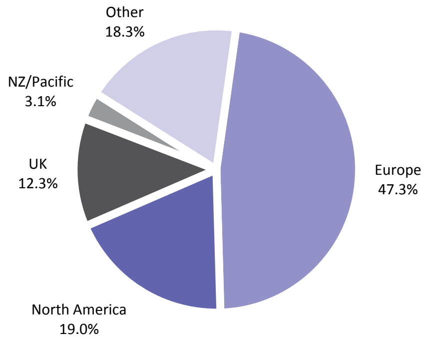
4.5 EXPORTS DIVISION

A description of the segments which make up Exports is at Table 4.1.

Table 4.1: Segments in the Exports division

Segment	Description
ENZA	• ENZA International ("ENZA") is New Zealand's largest exporter of pipfruit. • T&G markets pipfruit under the ENZA brand globally. • T&G has supply rights for growing proprietary varieties ("PVRs") of apples and kiwifruit and earns revenue from planting fees for PVRs and commission from PVRs grown offshore. PVR commissions are expected to be a material contributor to T&G profitability in coming years as trees mature and yields increase. • ENZA is a commission based business and does not take positions buying and selling produce.
Delica	• T&G has a 70% shareholding in Delica Limited ("Delica"), which in turn owns 85% of Delica Australia Pty Limited and 75% of Delica North America Limited. • Delica is the sole exporter of ENZA branded pipfruit to all Asian markets and a major exporter of Australian citrus, grapes and other produce to world markets. • Delica's Peru office is a branch of Delica NZ and is an exporter of South American produce to Asian and North American markets. • Delica is a trading business buying direct from growers and onselling.
Kiwifruit	• T&G currently exports New Zealand kiwifruit to Australia and has recently started supplying international markets with ENZA branded kiwifruit grown offshore from New Zealand. • ENZA branded kiwifruit is also sold in China, Europe, Japan, Korea, New Zealand, North America, India and the Middle East. • T&G grows kiwifruit in Australia, Chile, China, France, Italy, Korea and New Zealand. • T&G's kiwifruit varieties currently include ENZAGold, ENZAGreen, ENZARed, MEGAKIWI and Summerkiwi.
Coolstores	• To be an effective and cost-efficient exporter of pipfruit from NZ, T&G consider that it is critical that it provides associated post-harvest logistics facilities. • T&G has significant levels of excess capacity in its coolstore and packhouse operations.
Pacific Islands	• T&G exports produce throughout the Pacific Islands.

Figure 4.3: ENZA Pipfruit sales volume by market



Source: Management information

Figure 4.3 shows Europe is ENZA's largest export market (it also provides the highest level of grower return) and North America is ENZA's second largest market (it provides the second highest grower return).

Key issues concerning the competitive environment within each of the Export division's business segments include:

- **ENZA:** ENZA had an estimated 30% to 35% market share of New Zealand's pipfruit export volumes in FY10. Mr Apple New Zealand Limited ("Mr Apple") is a corporate orchard operation located in the Hawkes Bay. It is both ENZA's largest supplier and biggest New Zealand based competitor. Mr Apple is a subsidiary of Scales Corporation Limited, which has recently been acquired by Direct Capital Investments Limited (a New Zealand private equity firm), which we discuss later. Mr Apple exports direct, particularly in the UK and Ireland, as well as supplying ENZA for export, particularly for Continental Europe. In addition to Mr Apple, there are a large number of relatively small exporters of pipfruit from New Zealand;

- **Delica:** competes with a large number of niche exporters that tend to focus on particular product categories (e.g. an exporter might focus on asparagus only);

- **Kiwifruit:** as a result of the current regulatory environment in New Zealand, T&G is a relatively small operator in a segment where Zespri is dominant;

- **Coolstores:** T&G management do not consider there is an active market for cool storage. Businesses tend to have coolstores in locations strategic to their own business; and

- **Pacific Islands:** T&G competes with a number of niche New Zealand exporters into the Pacific Islands.

T&G considers there are significant opportunities for growth in export product markets largely due to an expected increase in volume and an expectation that exchange rates will become more favourable.

T&G's global PVRs are projected to be a significant driver of T&G's projected increase in export volume. PVRs allow T&G to determine which growers in which geographies grow its ENZA varieties. As well as plantings in New Zealand, T&G's PVRs have been planted in Chile, USA, France, United Kingdom, Continental Europe, Australia and South Africa. T&G expects an increase in volumes as these plantings mature.

T&G also considers that potential kiwifruit deregulation could provide a significant opportunity for T&G to use its ENZA brand and global distribution network to supply its existing customers with kiwifruit. However, given T&G has recently ceased litigation to deregulate the industry and the difficulties being faced by the kiwifruit industry, including the outbreak of PSA disease, this remains uncertain.

T&G has confirmed that none of its orchards or its PVRs on any commercial orchards have been impacted by PSA at 30 November 2011. T&G management have informed us that all necessary precautions are being taken.

Other potential risks for T&G's export business include:

- unfavourable climatic conditions;

- continued relative strength of NZD;

- competition from other suppliers, particularly in the Southern Hemisphere;

- food safety factors having an impact on market access;

- decline in the grower base as a result of the poor grower returns being experienced on apples; and

- Given the recent change in ownership of Mr Apple it remains to be seen if existing supply arrangements will continue.

4.6 PROCESSING DIVISION

T&G's Processing division is made up of ENZAFoods New Zealand Limited ("ENZA Foods"), which produces a range of processed products including AJC, kiwifruit juice, carrot juice and other food ingredients.

T&G is the largest processor of AJC in New Zealand, although New Zealand production is relatively small by global standards.

ENZA Foods is seeking to transition from a processor of AJC to providing a more diversified portfolio of AJC and fruit ingredient and retail products (such as sliced and diced apples, baby food, apple sauces, etc).

AJC prices have increased throughout FY11 and T&G management expect further increases due to China experiencing lower volumes of apples for juicing and increased domestic demand as a result.

Key risks for the Processing operating division include:

- a reduction in the supply of apples in New Zealand, which could arise due to adverse climatic conditions or exit from the industry as a result of low apple grower returns;
- declines in AJC prices; and
- the continued relative strength of NZD.

4.7 GROWING DIVISION

A brief description of the business segments which make up the Growing operating division is shown at Table 4.2.

Table 4.2: Segments in the Growing division

Segment	Description
Status	• Status Produce Limited ("Status") is New Zealand's largest glasshouse grower of tomatoes with 20 hectares in three sites in and around Auckland. • Status produces approximately 9 million kg of tomatoes per annum some of which are exported to Australia, Canada and Japan. • Status operates a multi-purpose packhouse in Auckland that packs tomatoes as well as citrus fruit.
ENZA Orchards	• ENZA Orchards Limited ("ENZA Orchards") consists of three properties totalling 80 hectares. The orchards are in the process of being converted from commodity varieties of apples to new Jazz and Envy apple varieties. As a result, production is currently significantly below capacity.
Kerifresh	• Kerifresh, an operating segment of T&G, is New Zealand's largest citrus grower, having produced: – 2,316 MT of lemons, 909 MT of Satsuma mandarins and 246 MT of Navel oranges in FY10; and – 357,000 trays of Green Hayward kiwifruit, 282,000 trays of Zespri Gold kiwifruit and 5,000 trays of ENZA Gold kiwifruit in FY10.
Inglis	• T&G acquired 100% of Inglis Horticulture Limited ("Inglis") in March 2011. It was previously a joint venture 50% owned by T&G. • T&G has recently replanted the orchard with plantings of apples (including Jazz, Royal Gala, Braeburn and Granny Smith). • The operation is expected to encompass 300ha with full production by 2014.

Current returns being generated by T&G's growing operations are affected by plantings of PVRs (apples and kiwifruit) over the last few years. T&G management estimate that these PVRs will not be in full production until at least 2014.

Like most primary producers, T&G's growing operations are typically relatively small price-takers in the market for product. Status is, however, focused on the production of high quality table tomatoes for sale in the local market and has a leading share of the North Island's tomato production.

T&G management consider that the key opportunity for growth in the Growing operations is the recently planted PVRs coming to full production over the course of the next few years. There would also appear to be some scope for improved returns on product in the event that the NZD were to decline from its current relatively high levels.

Status has been exhibiting strong growth recently. Prices being achieved for tomatoes have been improving as a result of a reduction in the supply of Australian imports. This reduction in supply is expected to continue in the future as a result of local growing conditions in Australia and certain regulations which make it more difficult for importers to access the New Zealand market.

Key risks for the growing division include that the NZD continues to remain at high levels and climatic conditions in New Zealand.

One of the key reasons that T&G has invested in Growing is the security over supply that it provides to its Exports and Domestic businesses.

4.8 PROPERTY AND OTHER DIVISIONS

The Property and Other division is a collection of businesses that provide services to the rest of T&G and third parties (e.g. Property, Transport and Corporate overheads) as well as those business units that are not included in any of the other segments (e.g. ENZACOR Pty ("Fruitmark") and Floramax Limited ("Floramax")). A brief description of the business segments and services is shown at Table 4.3.

Table 4.3: Segments in the Property and Other division

Segment	Description
Fruitmark	• Fruitmark is an Australian based trader of processed fruit and vegetable products for the food and beverage industry. • Key business units of Fruitmark include trading in fruit juice concentrates, frozen fruits, fresh cut vegetables, dehydrated fruits and apple solids. • Fruitmark has recently established a 50% joint venture in Belgium.
Transport	• Transport is T&G's logistics operation and is a refrigerated transporter of fresh produce from growers to auction/distribution centres and on to retailers. It owns/leases a fleet of: – 40 line haul trucks and 35 trailers; – 10 short haul vehicles; and – Forklifts and other flat vehicles. • Approximately 30% to 35% of the Transport segment's revenue is sourced from internal T&G business (including its growing operations), with the balance coming from third party customers. We understand all internal pricing is based on 'market rates'. • The transport division operates in a highly competitive market.
Floramax	• Floramax is New Zealand's leading flower auctioneering business and operates three sites in Auckland, Wellington and Christchurch. • Floramax either earns a brokerage commission or takes a position purchasing and on-selling product.
Property	• The Property division controls T&G's non-growing property interests which are then leased (approximately 90% of lease revenues are from internal charges to other T&G segments). • Key properties include T&G's head office in Mt Wellington and facilities (coolstores, controlled atmosphere facilities, packhouses, etc.) in Nelson and Hastings.
Corporate overheads	• Corporate overheads represent the costs of all group wide support services, including IT, HR, finance, administration and other corporate services.

With the exception of corporate overheads each segment operates in a relatively mature market and has limited growth opportunities, except for Fruitmark, which has achieved growth in the Australian market, albeit from a relatively low base. Fruitmark is reliant on key supply relationships and key trading staff.

4.9 SHAREHOLDERS

T&G currently has 117,010,550 fully paid ordinary shares. The 20 largest ordinary shareholders as at 2 December 2011 are listed in Table 4.4.

Table 4.4: Top 20 Ordinary Shareholders as at 2 December 2011

	No. of Shares	Percentage Holding
GPG (via Ithaca (Custodians) Limited)	74,254,522	63.46%
Bartel Holdings Limited	14,351,326	12.26%
Accident Compensation Corporation	6,966,274	5.95%
B Inglis & J Inglis & G Harford	1,470,419	1.26%
R Inglis & T Inglis & G Roberts	1,470,419	1.26%
Asteron Life Limited	951,236	0.81%
M Tregidga & M Tregidga & Windmill Trustee Limited	621,191	0.53%
H Zingel & L Zingel	434,575	0.37%
D Currey & F Jorgensen	423,522	0.36%
Tea Custodians Limited	360,000	0.31%
Cogent Nominees (NZ) Limited	324,570	0.28%
BT NZ Unit Trust Nominees Limited	320,622	0.27%
N Peters & D Peters & B Robinson	311,970	0.27%
M Goldsmith	303,230	0.26%
FNZ Custodians Limited	278,100	0.24%
R Hambling & J Hambling & Independent Trustees (Tauranga) Limited	262,806	0.22%
Citibank Nominees (New Zealand) Limited	260,624	0.22%
JPMorgan Chase Bank NA	256,456	0.22%
G Tregidga & CST Trustees Limited	251,640	0.22%
M Tregidga & CST Trustees Limited	246,377	0.21%
Total Top 20	**104,119,879**	**88.98%**
Other	12,890,671	11.02%
Total	**117,010,550**	**100.00%**

Source: Computershare

T&G's substantial security holders are GPG, Bartel and ACC.

Table 4.5: Shareholding distribution at 2 December 2011

	Shareholders		Total Shares Held	
	Number	%	Number	%
Under 50,000	1,187	94.51%	7,692,726	6.57%
50,000 - 99,999	31	2.47%	2,154,235	1.84%
100,000 - 499,999	31	2.47%	7,078,202	6.05%
500,000 - 999,999	2	0.16%	1,572,427	1.34%
> 1 million	5	0.40%	98,512,960	84.19%
TOTAL	**1,256**	**100.00%**	**117,010,550**	**100.00%**

Source: Computershare

Table 4.5 shows T&G's shares are very closely held. The three substantial security holders control 81.7% of shares; the next 66 largest shareholders control a further 11.7% of shares; and the remaining 6.6% of shares are held by 1,187 shareholders.

Trading of T&G shares over the three months prior to the announcement of the BayWa offer is summarised in Table 4.6 and shows that less than 0.5% of T&G's issued capital was traded over this period. This highlights the lack of liquidity in the market for T&G's shares as a result of the closely held nature of the Group.

Table 4.6: Share Trading Prior to 10 November 2011

Period	Share Price Low	Share Price High	Volume Weighted Avg Price	Cumulative Volume	% of Issued Capital
1 Week	1.66	1.70	1.67	32,290	0.03%
1 Month	1.65	1.75	1.67	122,130	0.10%
3 Months	1.60	1.80	1.70	571,430	0.49%

Source: Capital IQ

4.10 SHARE PRICE PERFORMANCE

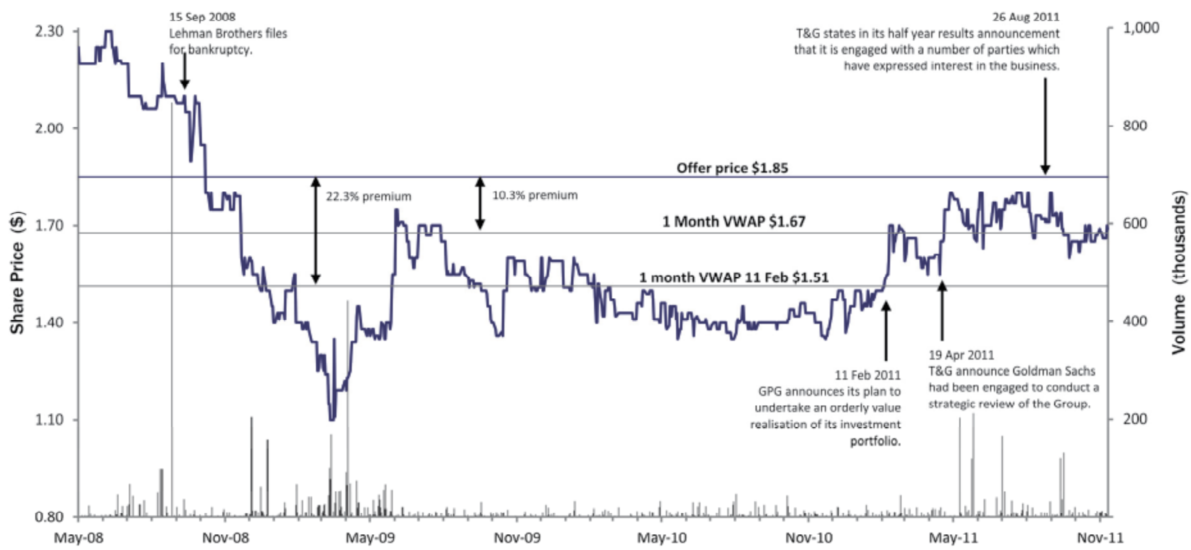
T&G's ordinary shares are traded on the NZSX. Figure 4.4 illustrates the share price of T&G and the volumes of share trades since May 2008.

Prior to the GFC, T&G shares were trading at $2.20 in June 2008. Primarily as a result of the GFC and associated trading conditions, T&G's share price declined to $1.10 by March 2009. The share price bounced back to $1.75 by June 2009. The share price pulled back to trade in a range of $1.35 to $1.60 between August 2009 and early February 2011. Following GPG's announcement that it planned to undertake an orderly realisation of its investments, T&G's share price increased to $1.70 in February 2011. Following T&G's announcement that it was undertaking a strategic review the share price increased to $1.80 in April 2011 and has traded between $1.60 and $1.80 up to BayWa's takeover announcement on 10 November 2011.

Since GPG's announcement that it planned to realise its investments it is likely that T&G's share price has factored in some probability that there would be a takeover offer and a takeover premium would accrue to shareholders. The Offer price of $1.85 per share represents a:

- premium of 8.8% to the closing price of $1.70 on the day before the Offer;
- premium of 10.5% to the VWAP in the month prior to the Offer of $1.67;
- premium of 8.8% to the VWAP in the three months prior to the Offer of $1.70; and
- premium of 22.3% to the VWAP of $1.51 in the month prior to 11 February 2011, when GPG announced its intention to undertake an orderly realisation of its investments.

Figure 4.4: T&G Share Price Performance

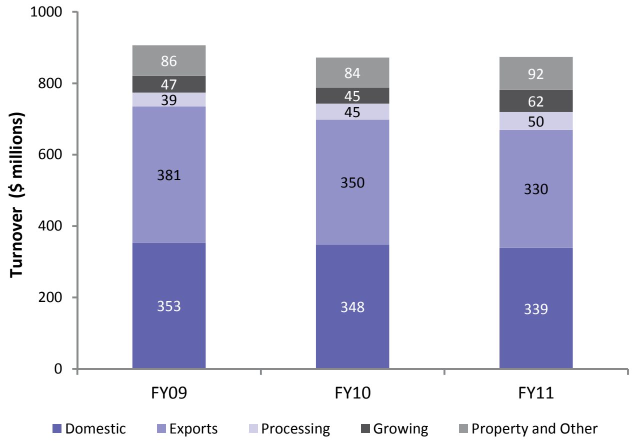


5. FINANCIAL ANALYSIS

5.1 GROUP OVERVIEW

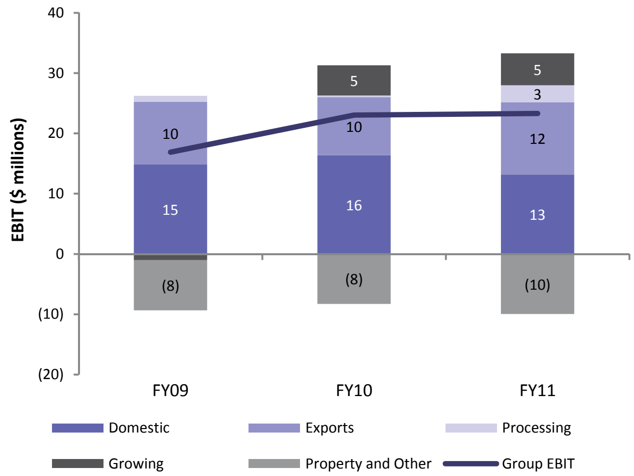
As a result of the GFC in late 2008, T&G's business has been affected by relatively weak demand in domestic and export markets. Export markets have also been detrimentally impacted by the relatively high NZD. Figure 5.1 illustrates the historical and FY11 forecast divisional turnover of T&G since FY09. Figure 5.2 shows T&G's EBIT has increased over the period; however results vary across operating divisions.

Figure 5.1: T&G's turnover by division



Source: Management information
Includes inter-company turnover

Figure 5.2: T&G's EBIT by division



Before allocation of corporate overhead to the operating divisions

Between FY09 and FY10, the Group's EBIT increased by 34% with the key contributor being the Growing division. In FY11, the Group's EBIT is forecast to increase by 1% with some operating divisions (Exports, Processing and Growing) exhibiting growth and others (Domestic and Property and Other) declining.

Table 5.1: FY09 to FY11 financial performance of T&G

$ millions	FY09	FY10	FY11F
EBITDA	**35.2**	**41.3**	**41.5**
Depreciation and amortisation	(18.0)	(18.2)	(18.2)
EBIT	**17.2**	**23.1**	**23.3**
Income from associates	1.1	(1.2)	1.3

Source: Management information

Table 5.1 shows a summary of T&G's financial performance from FY09 to FY11. Key points to note include:

- FY09 was affected by T&G's tomato growing subsidiary, Status, incurring losses as a result of a bacterial disease that resulted in a ban in exports and oversupply in the domestic market;
- T&G's profitability improved between FY09 and FY10 largely as a result of rectifying the specific issue noted above for tomatoes and improved growing conditions; and
- FY11 profitability is forecast to be slightly ahead of FY10. The original budget for FY11 assumed EBIT growth of $5.8 million (25%), however this has been revised downwards for reasons we discuss later.

T&G incurs a relatively high depreciation and amortisation expense ($18.2 million in FY10) and capital expenditure ("capex") costs, as we discuss later. Table 5.2 compares the depreciation and capex costs of comparable companies to T&G's.

Table 5.2: Depreciation and capex costs of comparable companies

	Depreciation/ EBITDA	Capex/ EBITDA
T&G	45.8%	43.4%
Comparable companies	31.3%	42.1%

Calculations are based on the average depreciation, capex and EBITDA over the last three years. Comparable companies are set out in Appendix 4. Our calculations include the current year forecast for T&G.

Table 5.2 shows that T&G's depreciation charge is significantly higher than comparable companies, as a proportion of its EBITDA. However, T&G's capex costs are broadly similar to comparable companies. As a result, we consider that EBITDA is a better measure of relative financial performance because it is before making an allowance for costs of depreciation, which can be based on different accounting policies and approaches. EBIT is the key measure of financial performance adopted by T&G management for analysis of business segments, therefore our financial analysis has focused on this measure, which we then adjust to arrive at EBITDA for valuation purposes.

5.2 SUBSIDIARIES & ASSOCIATES

The financial analysis of T&G is complicated by the fact that some of the Group's business segments have minority shareholders. The treatment of subsidiaries and associates is important from a valuation perspective. For example, T&G's EBIT reflects 100% of the contribution of Delica NZ, but T&G only owns 70% of Delica NZ. Our valuation takes this into account. Significant subsidiaries of T&G that have minority interests and significant associates are set out at Table 5.3.

Table 5.3: Subsidiaries and associates as at 30 November 2011

Entity	2010 Earnings $'000	Subsidiaries % Interest	Associates % Interest
Delica Limited	3,348	70%	
Delica Australia Pty Limited	718	60%	
Delica North American Limited	454	53%	
David Oppenheimer & Co. 1, LLC	1,409		15%
Worldwide Fruit Limited	263		50%
McKay Shipping Limited	248		25%
Alan Blair Properties Limited	(276)		33%
Fruitmark NV/SA	235		50%
Delica Pty Limited	294		30%
Fresh Vegetable Packers Limited	5		41%
Wawata Limited Partnership	Nil		50%
Mystery Creek Asparagus Limited	Nil		10%

(1) Subsidiaries are included within T&G's reported EBIT.
(2) Associates exclude Inglis which is now wholly owned. This means Table 5.3 does not agree to T&G's 2010 Annual Report.

5.3 YEAR-TO-DATE OCTOBER 2011

YTD11, T&G has performed below Budget but broadly in line with FY10, although results vary by operating division. Table 5.4 compares the EBIT performance of operating divisions over YTD11 to Budget.

Table 5.4: YTD11 Contribution to EBIT vs. Budget

$ millions	Actual	Budget	Variance
Domestic	9.7	12.0	(2.4)
Exports	14.5	16.3	(1.8)
Processing	2.3	2.4	(0.1)
Growing	4.3	2.7	1.6
Property and Other	(9.0)	(6.5)	(2.5)
Total EBIT	**21.8**	**26.9**	**(5.2)**

Source: Management information
Overheads are included in Property and Other

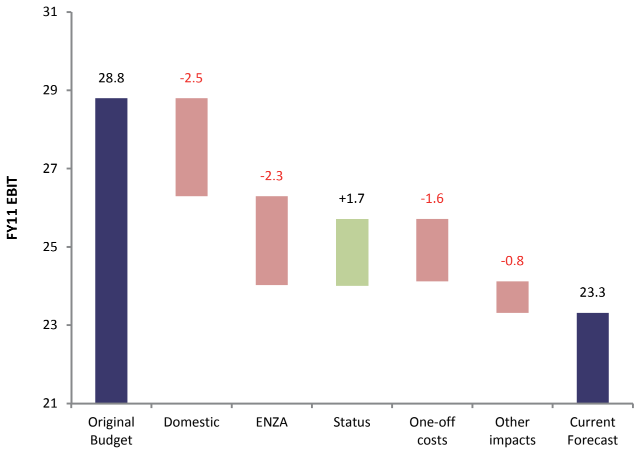
Key points to note for the YTD11 results include:

- Domestic's EBIT performance YTD11 is below Budget as a result of a reduction in activity and earnings for both its Markets and FCC segments. Key drivers for this result include price pressure from competitors in the banana category and decreased consumption of fruit and vegetables due to increased spending on convenience foods, which T&G management partly attribute to the Rugby World Cup held in New Zealand;
- Exports' performance is behind YTD11 Budget. A key reason is that the NZD has remained higher than was budgeted and this has affected export returns;
- Processing YTD11 EBIT is slightly behind Budget;
- Growing's YTD11 results are significantly ahead of Budget, largely as a result of the strong performance of Status; and
- Property and Other's financial performance is below Budget, largely as a result of one-off corporate costs incurred as part of T&G's strategic review and kiwifruit litigation costs.

5.4 FY11 FORECAST

T&G has updated its FY11 forecast to reflect YTD11 results. T&G expects FY11 EBIT of $23.3 million, down from Budget of $28.8 million.

Figure 5.3: FY11 EBIT: changes between Budget and Forecast



The key changes to the FY11 forecast from FY11 Budget are highlighted in Figure 5.3 and include:

- **Domestic:** The Domestic operating division's performance has been below expectations due to price pressure from competitors together with reduced domestic demand;
- **ENZA:** T&G had budgeted a material uplift in ENZA's performance in FY11. While current performance is above FY10, it is still below budget and the full year forecast reflects this;
- **Status:** As previously discussed, Status's performance has exceeded expectations and as a result the full year forecast has been revised upwards;
- **One-off costs:** T&G had originally budgeted for one-off costs of approximately $0.5 million; these are now forecast to be $1.6 million above budget. Major one-off costs are those associated with the strategic review process and the kiwifruit litigation; and
- **Other impacts:** include lower than expected prices being achieved in some fruit categories and the lack of domestic consumption of fruit and vegetables noted above.

5.5 FINANCIAL PROJECTIONS

KordaMentha's valuation analysis relies upon T&G's forecast for FY11 and four years of financial projections for FY12 to FY15. Some of the key assumptions underlying these projections are set out by division later in this section.

T&G's financial projections for FY12 to FY15 were prepared in February/March 2011. As a result, there are some areas in the projections where T&G management have confirmed that the projections should be adjusted to reflect reasonable expectations of future earnings for the Group as at the date of this report.

At the time the financial projections were prepared the Budget represented T&G management's best expectation of financial performance for FY11. Since that time T&G has not achieved Budget and FY11 forecasts have been revised downwards. T&G management have confirmed that based on FY11 results it would be reasonable to assume that there is more downside risk to the financial projections than upside potential.

For valuation purposes, we have made some adjustments to the financial projections, which we discuss later in the report.

We are unable to disclose T&G's financial projections in our report. T&G consider this information to be commercially sensitive and therefore confidential.

5.6 DOMESTIC DIVISION

The Domestic operating division is a key value driver for T&G and contributed 35% of the Group's EBIT in FY10[1]. Figure 5.4 shows the financial performance of the Domestic segments over FY09 to FY11.

Figure 5.4: Domestic division – financial performance

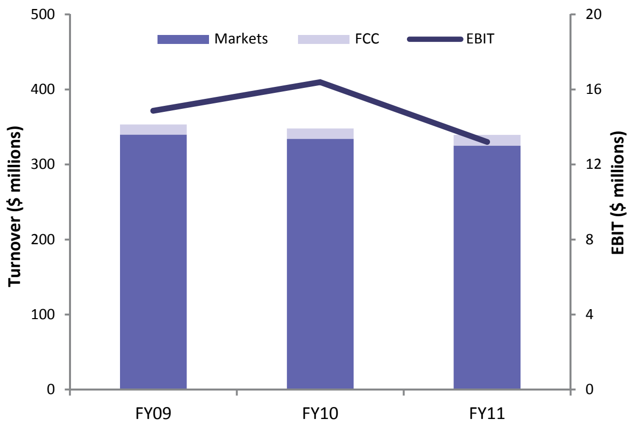


Table 5.5 shows EBIT of the Domestic segments over FY09 to FY11.

Table 5.5: Domestic division – EBIT summary by segment

$ millions	FY09	FY10	FY11 Forecast
Markets	10.7	12.1	9.2
FCC	4.2	4.3	4.0
Domestic EBIT	**14.9**	**16.4**	**13.2**

Source: Management information

Recent performance

The Markets segment performed well in FY09 and FY10. The relatively high NZD positively impacted performance of imported lines, especially bananas. However, in FY11 Markets' performance has been affected by volume and price pressure from competitors in the banana category together with reduced domestic demand.

FCC results in FY11 have been impacted by irregular weather patterns across New Zealand, which have caused some fluctuation in demand.

Financial projections

The financial projections assume that Domestic's EBIT will recover in FY12 (to levels observed in FY10). This is expected as a result of a return to 'normal' trading conditions for the banana category. Thereafter it is projected that the Domestic division will maintain its existing share of the market.

[1] *The 35% contribution by the Domestic Division to EBIT is calculated after the allocation of corporate overheads*

5.7 EXPORTS DIVISION

The Exports operating division is another key value driver for T&G. It contributed 14% of the Group's EBIT in FY10[2]. Figure 5.5 shows the financial performance of the Exports segments over FY09 to FY11.

Figure 5.5: Exports division – financial performance

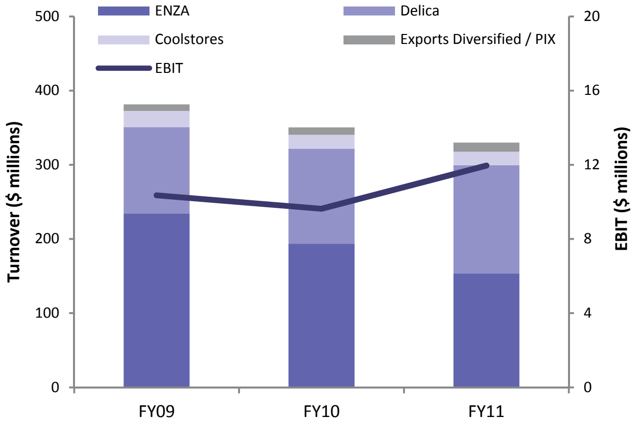


Table 5.6 shows the EBIT of the Exports segments over FY09 to FY11.

Table 5.6: Exports division – EBIT summary by segment

$ millions	FY09	FY10	FY11 Forecast
ENZA	10.9	9.6	10.3
Delica	3.4	4.5	5.1
Coolstores	(4.5)	(5.1)	(4.2)
Pacific Islands	0.5	0.6	0.8
Exports EBIT	**10.4**	**9.6**	**12.0**

Source: Management information

Recent performance

T&G management have informed us that the GFC has constrained demand and pricing of ENZA's premium pipfruit varieties in many markets. In conjunction with the relatively strong NZD this has made for difficult trading conditions. Local climate conditions (e.g. frost) have also affected the supply and quality of pipfruit from New Zealand.

Delica has seen wider Asia emerge as a leading market with increasing demand for premium products.

T&G's management consider the coolstores to be an integral part of the pipfruit export business. However, based on charging the use of coolstores at market prices, coolstores are loss-making. T&G has significantly more capacity in its coolstores than its current needs. Furthermore, the seasonal nature of T&G's business means that it utilises coolstores and packhouses for a minority of the year.

[2] *The 14% contribution by the Export Division to EBIT is calculated after the allocation of corporate overheads*

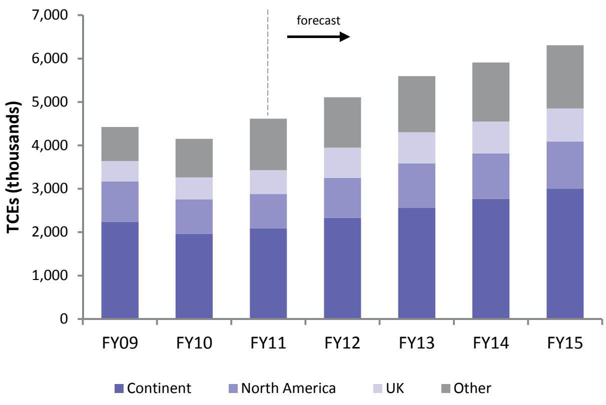
Financial projections

ENZA

T&G has projected that ENZA's revenue and earnings will increase materially between FY11 and FY15 largely as a result of increased volumes of apples and a projected depreciation of the NZD.

Figure 5.6 shows projected volumes of apple exports from New Zealand.

Figure 5.6: Projected volumes of apples exported from New Zealand



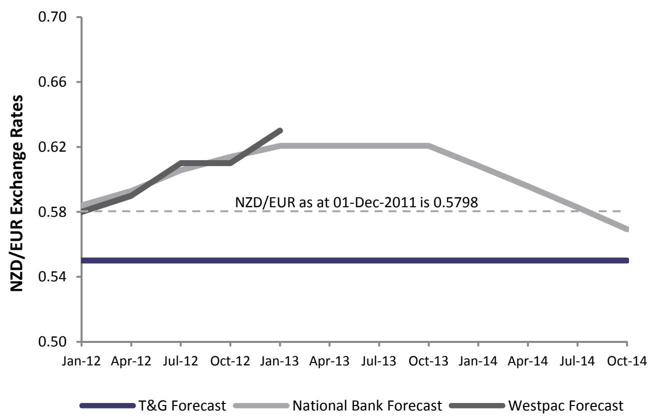
The graph above shows that T&G is projecting increased volumes of apples exported, particularly to Continental Europe.

For the purposes of our valuation analysis, we have made an adjustment to the forecast profitability of ENZA in order to address those issues observed in YTD11 that resulted in ENZA not achieving its Budget.

Figure 5.7 shows T&G's projected depreciation of the NZD/EUR against the current spot rate and latest forecasts available from the National Bank of New Zealand Limited ("NBNZ") and Westpac Banking Corporation ("Westpac").

The graph shows that T&G's projected depreciation of the NZD is more aggressive than forecasted by NBNZ and Westpac. This result is not surprising as the projections were prepared in February/March 2011 when the NZD/EUR spot rate fluctuated between 0.5100 and 0.5500. Although there has been a recent marked depreciation of the NZD against major trading partners, the spot rate at 1 December 2011 of 0.5798 is higher than T&G's projections. For the purposes of our valuation analysis we have made an adjustment to the assumed rates.

Figure 5.7: Forecast NZD/EUR forecast exchange rates

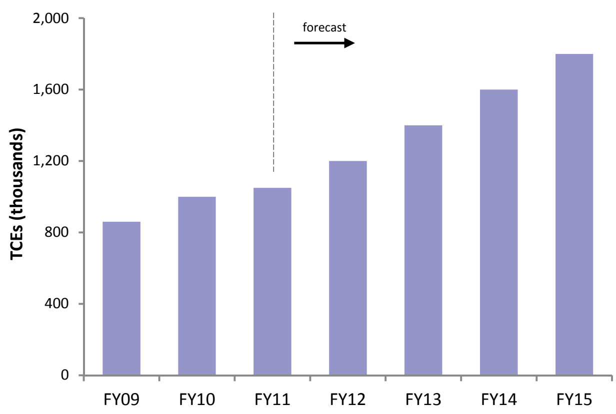


T&G's kiwifruit projections were prepared prior to the outbreak of PSA, and as a result management have provided us with a reduced kiwifruit forecast for valuation purposes.

Delica

T&G is projecting that Delica will continue its recent trend of strong earnings growth. In FY10 EBIT grew by 32% and is forecast to grow by 13% in FY11. The key driver of growth is an anticipated increase in the volume of apples exported to Asia. Figure 5.8 shows Delica's projected volumes of apples exported.

Figure 5.8: Delica's projected apple volumes exported



Coolstores

The financial projections assume a modest improvement in the financial performance of Coolstores due to an increase in output from T&G's orchards.

Pacific Islands

T&G management are projecting continued growth in Pacific Island exports.

5.8 PROCESSING DIVISION

The Processing operating division contributed 1% of the Group's EBIT in FY10[3] but T&G is forecasting for EBIT to increase significantly by 10 times (to $2.8 million) in FY11. Figure 5.9 shows the financial performance of the Processing segments over FY09 to FY11.

Figure 5.9: Processing division – financial performance

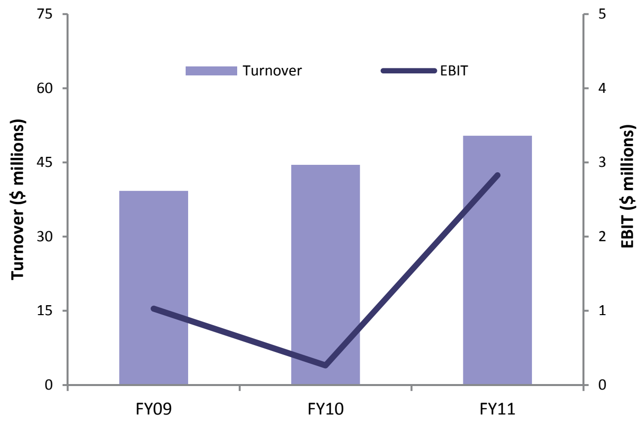


Table 5.7 shows EBIT of the Processing division over FY09 to FY11.

Table 5.7: Processing division – EBIT summary by segment

$ millions	FY09	FY10	FY11 Forecast
ENZA Foods	1.0	0.3	2.8
Processing EBIT	**1.0**	**0.3**	**2.8**

Source: Management information

Recent performance

AJC prices have been impacted by global oversupply from China and the relatively strong NZD. As a result, the Processing division was broadly breakeven in FY10. However, there has been an uplift in performance in FY11 as a result of improved AJC prices.

Financial projections

T&G is projecting growth in earnings from ENZA Foods as a result of an expected improvement in AJC prices. Current AJC prices have increased above the levels projected but T&G consider there is risk that these prices could decline and consider the projections reasonable.

[3] *The 1% contribution by the Processing Division to EBIT is calculated after the allocation of corporate overheads*

5.9 GROWING DIVISION

The Growing operating division is a large division of T&G but contributed only 12% of the Group's EBIT in FY10[4]. T&G is forecasting EBIT growth of 6% in FY11. Figure 5.10 shows the financial performance of the Growing segments over FY09 to FY11.

Figure 5.10: Growing division – financial performance

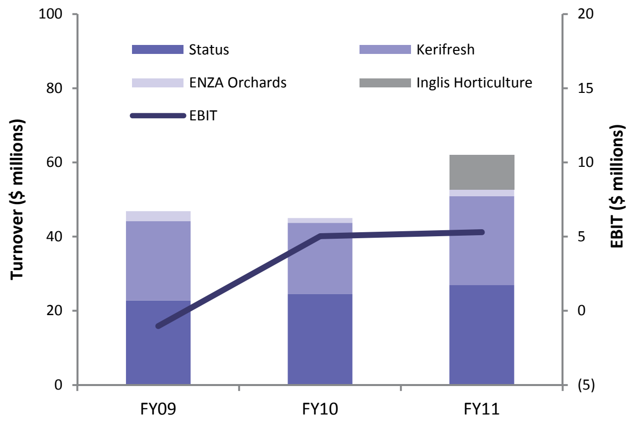


Table 5.8 shows the EBIT of the Growing segments over FY09 to FY11.

Table 5.8: Growing division – EBIT summary by segment

$ millions	FY09	FY10	FY11 Forecast
Status	(0.5)	3.8	6.2
Kerifresh	(0.5)	1.2	1.7
ENZA Orchards	0.0	0.1	(0.3)
Inglis	–	–	(2.3)
Growing EBIT	**(1.0)**	**5.0**	**5.3**

Source: Management information

Recent performance

T&G's Growing operations have recently been generating relatively low levels of earnings given the investment in assets required. Key reasons T&G management have provided for the observed low return on assets include:

- a large proportion of T&G's orchards have either been planted with new PVRs or are at early stages of their development with full production not expected for a number of years; and
- the relatively high NZD has necessarily affected all growers' returns, including T&G's.

[4] *The 12% contribution by the Growing Division to EBIT is calculated after the allocation of corporate overheads*

Financial projections

Status

In February 2011, T&G budgeted a moderate increase in the profitability of Status. However, based on the strong performance of Status YTD11, as a result of increased prices achieved during winter months due to less competition from Australian imports and increased exports, T&G have forecast an EBIT result for FY11 that is 38% ahead of Budget.

On the basis of FY11 forecast results the FY12 to FY15 projections appear to understate a reasonable expectation of Status's profitability. After discussion with T&G management, our valuation analysis includes an adjustment to projections to allow for better trading conditions.

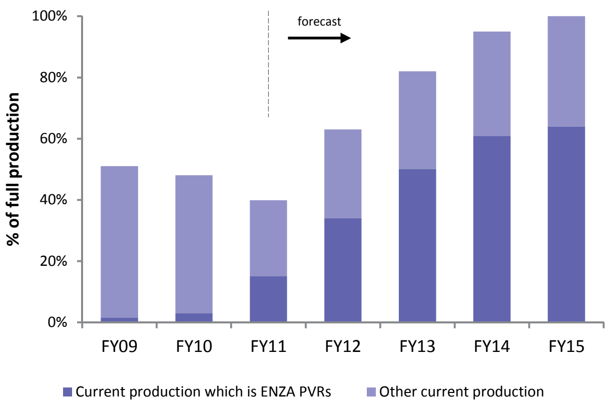
Kerifresh

Kerifresh profitability is projected to grow broadly in line with growth observed in FY10 and forecast for FY11.

ENZA Orchards

ENZA Orchards profitability is expected to improve due to tree maturity. Figure 5.11 shows projected pipfruit production in ENZA Orchards over the projection period.

Figure 5.11: ENZA Orchards pipfruit production



Inglis

Inglis is projected to increase production as a result of recent re-plantings maturing and getting to full production by FY14. However, even on the basis full production is met, Inglis is expected to achieve a breakeven result and there appear to be downside risks to the projections.

5.10 PROPERTY AND OTHER DIVISION

Figure 5.12 shows the financial performance of the Property and Other division's segments over FY09 to FY11.

Figure 5.12: Property and Other division – financial performance

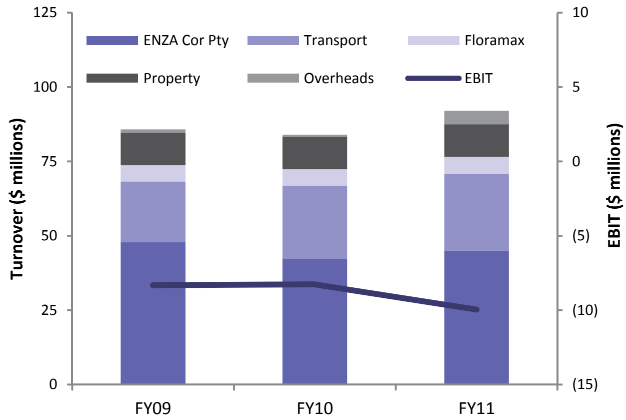


Table 5.9 shows the EBIT of the Property and Other segments over FY09 to FY11.

Table 5.9: Property and Other division – EBIT summary by segment

$ millions	FY09	FY10	FY11 Forecast
Fruitmark	2.2	2.2	2.6
Transport	0.8	1.8	1.6
Floramax	1.1	1.3	1.3
Property	5.3	5.5	5.4
Overheads	(17.3)	(19.1)	(21.2)
Property and Other EBIT	**(8.0)**	**(8.3)**	**(10.3)**

Source: Management information

Recent performance

Property and Other has historically been loss-making due to corporate overheads being included in this category. All segments other than corporate overheads have been profitable in FY09 and FY10 and are forecast to remain profitable in FY11. Key contributors are the Property segment and Fruitmark. Approximately 90% of the revenue generated by the Property segment is internal charges from other T&G segments. The remaining 10% of revenue accrues from sub-leasing coolstore space at Hastings.

Financial projections

Most of the segments within Property and Other are projected to have relatively flat earnings except Fruitmark, which is forecast to have EBIT growth of 18% in FY11 and projected to have annual growth of 14% from FY11 to FY15; and Transport is expecting improved profits as a result of working closer with FCC to generate cost efficiencies.

5.11 FINANCIAL POSITION

Table 5.10 shows T&G's balance sheet at FY10 and 31 October 2011.

Table 5.10 – T&G's consolidated balance sheet

$ millions	FY10	YTD11
Debtors	78.7	75.4
Inventories	29.2	37.7
Creditors	(61.6)	(75.4)
Net Working Capital	**46.3**	**37.7**
Cash and cash equivalents	18.4	17.2
Fixed assets	256.1	278.7
Biological assets	20.3	45.3
Tax deferrals and payables	(15.2)	(16.8)
Other assets	19.8	15.3
Intangible assets	18.4	17.5
Total Other Assets	**317.8**	**357.3**
Debt	(63.3)	(83.5)
Net Assets	**300.8**	**311.5**
Equity	(296.4)	(306.2)
Minority interests	(4.4)	(5.2)
Total Equity	**(300.8)**	**(311.5)**
Net tangible assets	282.4	293.9
Net debt	44.9	66.3
Net operating assets	327.3	360.3
Net tangible assets per share	2.41	2.51
Net debt per share	0.38	0.57
Net operating assets per share	2.79	3.08

Notes:

(1) Net Tangible Assets defined as Net Assets less Intangible Assets (As at 31 October 2011 $311.5 million - $17.5 million = $293.9 million).

(2) Net debt defined as debt less cash (As at 31 October 2011, $83.5 million - $17.2 million = $66.3 million).

(3) Net Operating Assets defined as NTA plus Net Debt

Source: Management information

Key points to note on T&G's balance sheet include:

- T&G's fixed assets totalled $256 million at FY10 and comprised land and buildings ($201 million), plant & equipment ($32 million), glass houses ($15 million), motor vehicles and hire containers ($8 million) and work in progress ($1 million);
- biological assets are made up of orchards and crops, including tomatoes, lemons, kiwifruit and apples. Biological assets have been valued annually by management, except for Inglis, which has historically been valued independently. Due to the current adverse market conditions all significant biological assets will be independently valued in 2011;
- fixed assets and biological assets have increased between FY10 and YTD11 by 8.8% and 123% respectively mainly due to the acquisition of Inglis in April 2011; and
- intangible assets consist mainly of software ($7.6 million), goodwill arising from historical acquisitions ($5.8 million) and PVRs ($3.4 million).

In March 2011, T&G purchased those shares in Inglis that it did not already own. As a result of the transaction, the Group has access to tax losses of approximately $8 million. Management have advised us that in the event that BayWa acquires GPG's shareholding the unused tax losses would be forfeited. Therefore, our valuation analysis ascribes no value to the tax losses.

5.12 FIXED ASSETS

T&G's land and buildings are valued periodically for financial reporting purposes. The head office property, in Mt Wellington, is valued annually and other properties are valued at least once every three years. Table 5.11 shows the key properties, the date of valuation, valuer and the valuation approaches adopted.

T&G is currently undertaking an exercise to revalue its land and buildings for financial reporting purposes. T&G management have advised us that early indications from independent property valuers suggest that there is likely to be a significant write down of the reported carrying value of assets. At the date of this report, T&G management have been unable to provide us with a reliable estimate of the impact of revaluing land and buildings but consider that it could lie in a range of $20 million to $30 million.

Table 5.11 – Break down of fixed assets

Property	Valuer	Val Date	Principal Valuation Approach	Carrying Value Dec 2010 Annual Report
220 Fryatt St, Dunedin	Bayleys	Dec 10	DCF	8.9
2 Monahan Rd, Auckland	CBRE	Nov 10	DCF/ DC	41.1
2 Anderson Road, Whakatu	Darroch	Oct 09	DCF/ DC	22.6
39 Dakota Cres, ChCh	Telfer Young	Aug 08	DCF/ DC	8.4
29 Stuart Rd, Pukekohe	Churton Valuation	Oct 10	DC	5.3
Ettrick, Otago	Bayleys	Dec 10	DC	2.7
20 Mihaere Drive, P. North	DTZ	Dec 09	DC	8.7
24 Kaimiro St, Hamilton	Telfer Young	Nov 08	DC	6.9
484 Nayland Road, Stoke	Darroch	Dec 08	DC	19.5
42+60 Favona Rd, Mangere	Seagar & Partners	Oct 08	DC/ Comp. data	10.3
153 Harrisville, Tuakau	Seagar & Partners	Dec 08	Comparable market data	3.5
292 Harrisville Road, Tuakau	Seagar & Partners	Oct 08	Comparable market data	1.5
Other				61.1
Total				**200.6**

Note: DCF refers to the Discounted Cash Flow valuation approach and DC refers to the Direct Capitalisation of earnings approach

Source: Management information

5.13 NET WORKING CAPITAL

Net working capital requirements are affected by seasonality in the pipfruit business. The Group's net working capital has a seasonal swing between the year-end balance and peak requirements in May/June of between approximately $70 million and $80 million in FY09 and FY10.

5.14 NET DEBT

At 31 October 2011, T&G had debt of $83.5 million offset by cash of $17.2 million to give net debt of $66.3 million. Net debt has increased due to the consolidation of Inglis in 2011.

T&G also has a seasonal funding facility which is utilised from February to November. This facility is used to make progress payment to growers, on which T&G charges interest.

Generally, T&G's overseas buyers pay for produce in June to October. To assist growers with smoothing their cash flows T&G use the debt facility to make progress payments to growers between when the produce is picked and delivery to the final buyer. The facility peaks in the month of June.

We have not included the seasonal funding facility in our net debt calculations because the seasonal facility is for the benefit of growers and T&G on-charge interest to growers, which results in T&G receiving a small profit. The seasonal facility is secured by the growers produce and no security is provided by T&G except for $10 million of guarantees.

For valuation purposes we have calculated net debt of $80 million based on T&G's average debt balance for the 12 months to October 2011, after deducting average cash and excluding the seasonal funding facility.

6. VALUATION

6.1 VALUATION METHODOLOGIES

There are four methodologies commonly used for valuing businesses:

- DCF analysis;
- capitalisation of earnings;
- estimate of proceeds from an orderly realisation of assets; and
- industry rules of thumb.

Each of these valuation methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of businesses involved.

Discounted cash flow

It is a fundamental principle that the value of an asset or business is represented by its expected future cash flows, discounted to present value at a rate which reflects the risk inherent in those cash flows. This approach, referred to as the DCF methodology, is particularly suited to situations where a business is in a growth phase or requires significant additional investment to achieve its projected earnings.

The DCF methodology requires considerable judgement in estimating future cash flows and the valuer generally places significant reliance on medium to long term projections prepared by management. The DCF valuation methodology can also be very sensitive to changes in underlying assumptions. Notwithstanding these limitations, DCF valuations are highly appropriate where current earnings are not representative of reasonable expectations of future earnings.

Capitalisation of earnings

The capitalisation of earnings methodology requires an assessment of the maintainable earnings of the business and the selection of an appropriate capitalisation rate, or earnings multiple. This methodology is most appropriate where there is a long history of relatively stable returns and capital expenditure requirements are neither large nor irregular. In practice, it is often difficult to obtain accurate forecasts of future cash flows and therefore the capitalisation of earnings methodology is often used as a surrogate for the DCF methodology.

Three commonly used approaches to the capitalisation of earnings methodology are the capitalisation of:

- EBITDA by an appropriate EBITDA multiple to obtain an enterprise value (which comprises the value of the enterprise's debt and equity);
- EBIT by an appropriate EBIT multiple to obtain an enterprise value; or
- tax-paid profits at an appropriate price earnings ("PE") multiple to obtain the value of the subject business' equity.

PE multiples are commonly used in the context of the share market, however EBITDA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes. The choice between EBITDA and EBIT multiples is usually not critical and typically gives broadly similar results. However, T&G incurs relatively high depreciation and amortisation costs when measured against comparable companies. Accordingly, we have used an EBITDA multiple to avoid any distortions caused by different accounting policies.

Realisation of assets

The realisation of assets approach is based on an estimate of the proceeds from an orderly sale of assets. This methodology is more commonly applied to businesses that are not going concerns. The valuation result reflects liquidation values and typically attributes no value to any goodwill associated with on-going trading.

Industry rules of thumb

In some industries, businesses are valued using well established 'rules of thumb'. Generally these rules of thumb are used as a cross-check for other valuation methodologies.

Our valuation approach

KordaMentha has adopted the DCF, capitalisation of earnings and realisation of assets methodologies. We are not aware of any industry rules of thumb appropriate for valuing T&G's business.

Where a company is operating in a mature industry and has relatively stable earnings, the capitalisation of earnings methodology can provide a reliable means of valuing the company.

T&G operates in a fairly mature industry; however, its earnings are heavily dependent upon commodity prices and exchange rates which are inherently cyclical. Furthermore, T&G's earnings are currently relatively low as a proportion of its asset base and T&G's orchards have been recently replanted with a number of apple varieties that are yet to reach full production. Given these circumstances, it is important that the results of our multiple valuation are cross-checked to the DCF.

We have also undertaken valuation analysis using a high level estimate of the realisation of assets for T&G. We have adopted this approach after considering the relatively high level of the Group's NTA relative to its share price and the Offer price.

Any valuation by its very nature must attribute a current value that reflects the expected future financial performance of the subject business. Consequently, information regarding the expected future performance such as financial projections is vital to the valuation exercise. We have reviewed the forecasts and projections prepared by T&G's management and have discussed these with T&G management.

As already discussed, after undertaking a high-level review of the projections we have identified some areas warranting adjustment in the projections. The projections were prepared in February/March 2011, at which time FY11 EBIT was budgeted to be $28.8 million whereas forecast for FY11, as at the date of this report is $23.3 million. We consider there to be more downside risk to the original financial projections than upside potential. We have undertaken the DCF analysis on the amended financial projections.

Even after allowing for adjustments to financial projections, it is important to note that T&G's projections are based upon an assumption of no material disruptions to the Group's operations, no adverse weather conditions, and no outbreak of pests or foreign diseases (not already known). T&G operates in an industry where it is unlikely that these assumptions will hold true over the very long term.

6.2 CAPITALISATION OF EARNINGS

To apply the capitalisation of earnings methodology it is necessary to determine an appropriate EBITDA multiple as well as an estimate of EBITDA to which the multiple is applied.

Normalised earnings

T&G has incurred a number of one-off costs during FY11, largely associated with the strategic review process undertaken to investigate opportunities to realise the intrinsic value of the Group and Zespri litigation costs. One-off costs are mostly made up of professional fees, which are expected to be non-recurring. Management estimate that these costs will be approximately $2.12 million by the end of FY11. For the purposes of our valuation, we have added back these one-off costs to increase FY11 EBITDA from $41.54 million to $43.66 million.

EBITDA multiple

Comparable multiples are generally derived by using two sources of information: (1) earnings multiples based on the current share price of comparable trading companies; and (2) earnings multiples based upon recent transactions involving acquisitions of comparable companies.

Trading multiples

We have considered trading multiples for a number of listed horticultural produce companies. These companies are involved in all aspects of food production, including growing, sourcing, importing, packaging, distributing and marketing fresh fruits and vegetables.

Observed trading multiples should be adjusted for various factors such as relative size, growth, profitability, risk and return on investment. It is also important to note that trading multiples are based upon trading in small parcels of shares, and exclude a control premium.

There are no listed New Zealand companies that operate in all of T&G's market segments. The only New Zealand listed companies that are even broadly comparable to T&G are PGG Wrightson Limited ("PGGW"), Satara Co-operative Group Limited ("Satara") and Seeka Kiwifruit Industries Limited ("Seeka").

PGGW provides products and services to farmers, growers and processors in New Zealand. It primarily provides inputs to New Zealand's agricultural and horticultural industries. Although PGGW is not directly comparable to T&G it is exposed to similar risks such as exchange rates, commodity prices and the horticulture industry.

Satara and Seeka provide post-harvest and orchard services to the kiwifruit industry. They are therefore not as large and diversified as T&G and are very exposed to the PSA disease currently affecting New Zealand's kiwifruit industry. As a result, their valuation multiples are very low and we have not placed any reliance on them.

Due to the lack of New Zealand listed companies similar to T&G we have also included international companies that are broadly comparable based upon their industries of operation and size (including market capitalisation and turnover).

Appendix 4 shows EBITDA trading multiples for listed companies that are broadly comparable to T&G. Key results of our analysis at Appendix 4 include that the median multiple of:

- historical EBITDA for the sample is 6.9x (based on latest 12 months of available data);
- current year forecast EBITDA for the sample is 6.5x; and
- forecast FY12/FY13 EBITDA for the sample is 5.1x.

Appendix 4 shows that there are a number of fundamental differences between T&G and many of the comparable companies, including segments in which they operate; current earnings performance; growth prospects; and size (as evidenced by market capitalisation). In particular, we note that many of the comparable companies appear to be experiencing better trading conditions than T&G, which is projecting EBITDA growth of 6% in FY11 (after adjusting for one-off costs) compared to median growth in EBITDA of 22% for the sample of comparable companies. In the absence of other factors this would suggest that T&G should trade at a discount to the average of the comparable companies.

It appears that Fresh Del Monte Produce Inc. ("Fresh Del Monte") and Total Produce plc ("Total Produce") have the most comparable businesses to T&G. However, they operate in different geographical areas and Fresh Del Monte is considerably larger. Total Produce has a forecast EBITDA multiple of 4.5x and Fresh Del Monte's is 6.6x. If control premia of say 25% were added to these multiples this would increase them to 5.6x and 8.3x respectively, with an average of 7.0x.

Kagome Co. Limited. ("Kagome") is a large Japanese business that is focussed on the manufacture and sale of tomato based products. Its market capitalisation is $2.6 billion and therefore it is much larger than T&G and its relatively high EBITDA multiple is not directly comparable.

Transaction multiples

Transaction multiples typically include a premium for control, which usually reflects expected synergies, as well as the prevailing economic environment and other non-quantifiable factors.

Appendix 5 shows the EBITDA multiples implied by our sample of comparable transactions. The details of the transactions are also set out in Appendix 5.

The majority of the comparable transactions have occurred within a range of 5.7x to 7.7x historical EBITDA. The median of the transactions is 7.0x historical EBITDA. Please note that in most cases only historical EBITDA data is available for the transactions not EBITDA forecasts. It is typical for forecast multiples to be lower than historical multiples.

The comparable transaction multiples have occurred over two time periods, pre and post the beginning of the GFC. The transactions, in the sample, prior to the GFC have a median EBITDA multiple of 7.4x and the remaining transactions have a median EBITDA multiple of 6.6x.

The acquisition of 47% of Affco Holdings Limited ("Affco") occurred at the lowest transaction multiple, in our sample, of 4.6x. This lower than average transaction multiple reflects specific issues faced by Affco and the meat industry.

The high-end of the range for our transaction multiples is based on the acquisitions of Tegel Foods Limited ("Tegel") and Scales Corporation Limited ("Scales").

Tegel was acquired by Affinity Equity Partners in a secondary market private equity deal. Tegel has a track record of earnings growth and profitability as well as a strong market position in its market segments. The EBITDA multiple for Tegel of 7.6x would likely be lower if it was based on current year earnings. We would expect Tegel to trade at a premium to T&G after recognising that T&G's earnings are more susceptible to commodity prices and exchange rates, and T&G has limited control over the global market for apples.

As discussed, 79.7% of Scales was recently acquired by Direct Capital. The implied historical EBITDA multiple was 7.7x. However, Scales' earnings are low (resulting in a higher multiple) and we understand that the deal represented a 49% discount to the latest reported NTA of Scales. The shareholding was acquired from South Canterbury Finance Limited ("SCF"), which is in receivership and this may have affected the price achieved.

Capitalisation of earnings valuation

Interpretation of the trading and transaction multiples is inherently subjective. In determining the appropriate multiple to apply to T&G's current year forecast EBITDA we have made allowances for the following factors:

- observed trading multiples should be adjusted for various factors such as relative size, growth, profitability, risk and return on investment;
- trading multiples are based upon trading in small parcels of shares, and exclude a control premium; and
- transaction multiples typically include a premium for control, which usually reflects expected synergies, the prevailing economic climate and other non-quantifiable factors.

We have assessed an appropriate EBITDA multiple for T&G in a range of 6.5x to 7.0x, after taking into account the:

- median EBITDA multiple (based on current year forecasts) of the comparable listed companies is 6.5x. However, many of the comparable companies appear to be experiencing better trading conditions than T&G. In the absence of other factors this would suggest that T&G should trade at a discount to the comparable companies;
- average trading EBITDA multiple of Total Produce and Fresh Del Monte, after making an allowance for a control premium of say 25% is 7.0x;
- comparable transactions which have occurred post-GFC, and excluding Affco, are in the range of 5.7x to 7.7x, with a median of 6.7x historical EBITDA. These multiples are based on available historical earnings and we would expect multiples based on current year forecasts to be lower;
- relative size of T&G to the comparable listed companies and transactions; and
- control premium that would apply to a 100% shareholding in T&G.

Figures 6.1 and 6.2, over the page, summarise the results of our comparable company and transaction multiple analysis.

Applying our assessed EBITDA multiple range of 6.5x to 7.0x to normalised FY11 EBITDA of $43.66 million, results in a valuation range of $1.65 to $1.84 per T&G share, as shown at Table 6.1.

Table 6.1: T&G multiple based valuation summary

$ millions	Valuation Range	
	Low	High
FY11 EBITDA	43.66	43.66
Multiple	6.5x	7.0x
Enterprise Value	**283.8**	**305.6**
Minority Interests	(18.9)	(18.9)
Investment in Associates	9.7	9.7
Net Debt	(80.0)	(80.0)
Options	(1.0)	(1.0)
Equity Value	**193.6**	**215.4**
Shares Outstanding (m)	117.0	
Value per Share ($)	**1.65**	**1.84**

Other important valuation parameters in our analysis include:

Minority Interests: T&G owns majority stakes in certain companies, including Delica, and its subsidiaries. We have undertaken the valuation as if T&G owned 100% of each of these businesses, and then deducted an estimate of the value of the cash flows attributable to minority interests.

Investment in Associates: T&G has minority shareholdings in a number of associates, as discussed. We have undertaken the valuation excluding T&G's share of the projected income from associates and added the value of T&G's share of the associates as a surplus asset.

Net debt: we have deducted net debt of $80 million, based on T&G's average net debt balance for the 12 months to October 2011.

Options: prior to making the Offer, BayWa obtained the Rule 22 Report. The Rule 22 Report did not consider the fairness of the Offer only whether the consideration offered for the Options is fair and reasonable in comparison to the amount offered for ordinary shares (i.e. $1.85 per share). The report writer (Northington Partners) concluded *"…that in our opinion the consideration offered for non-voting securities (being the Options) is fair and reasonable in comparison with the terms offered for the voting securities (being the [shares])".* A copy of the Rule 22 Report accompanied the Offer document. In broad terms, we concur with that conclusion, however, after adopting our valuation of the shares; and reviewing volatility measures of broadly comparable companies, we have assessed an estimate of the value of the Options at $1 million for the purposes of our report.

Figure 6.1: Comparable Transaction Historical EBITDA Multiples

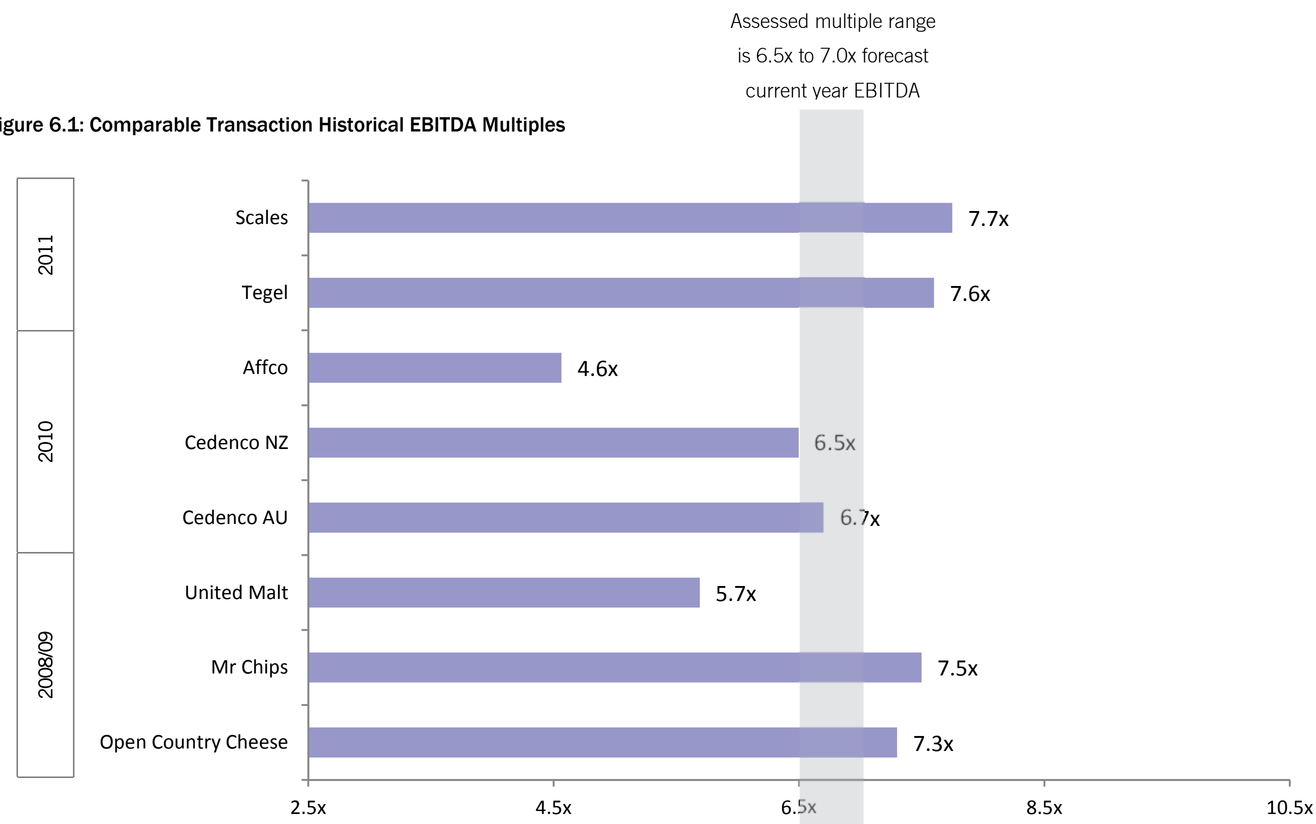
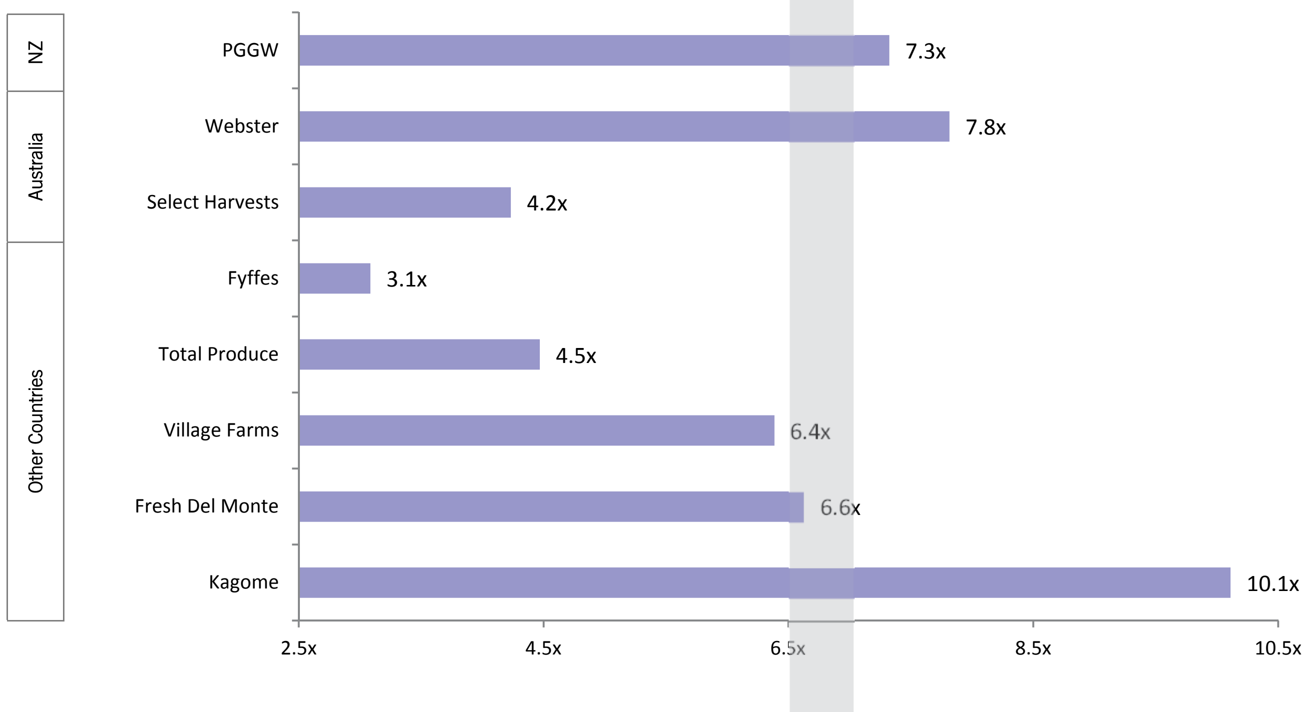


Figure 6.2: Comparable Company Forecast EBITDA Multiples



Note: excludes those comparable companies where forecast data is not available

6.3 DCF VALUATION

Key valuation parameters that we have used in our DCF valuation are set out below.

Forecast Period: The DCF valuation is based on T&G's forecast for FY11 and four years of financial projections for FY12 to FY15. The key assumptions underlying these projections are discussed in Section 5.

Terminal Value Assumptions: Terminal value is calculated by assuming terminal year unlevered free cash flows grow in perpetuity at the terminal growth rate. We have adopted a terminal growth rate of 2.0%, which is in line with current inflation forecasts. This implies that cash flows are flat in real terms after the final year of discrete cashflows. This is a critical input into the DCF valuation and as a result we highlight its sensitivity.

The low-end of our valuation range is derived by valuing discrete cash flows until FY14 and then applying a terminal value calculation. The high-end of the valuation range is derived by valuing discrete cash flows until FY15 and then applying a terminal value calculation. T&G's projections for FY15 assume a significant uplift in profitability. For valuation purposes, we consider that a hypothetical potential purchaser may discount uncertain and substantial earnings growth as far into the future as FY15 and assume terminal growth rates from FY14.

Valuation Date: 30 November 2011.

Weighted Average Cost of Capital: We have estimated T&G's post-tax, nominal Weighted Average Cost of Capital ("WACC") at 9.6%. The WACC has been determined as follows:

$$WACC = R_d(1-T_c)\frac{D}{D+E} + R_e\frac{E}{D+E}$$

where:

R_d = Pre-tax cost of debt = 7.5%

T_c = Marginal corporate tax rate = 28%

D / (D + E) = Target gearing (where E represents market capitalisation) = 38%

R_e = Cost of equity = 12.1%

We have determined the cost of equity using the Brennan-Lally specification of the Capital Asset Pricing Model, which uses the following formula:

$$R_e = R_f(1-T_i) + \beta_e[R_m - R_f(1-T_i)]$$

where:

R_f = Risk free rate = 4.2% (long term government bond yield)

T_i = Investors' effective tax rate on interest, dividends and capital gains = 28%

β_a = Asset Beta = 0.75 (based upon a review of the betas of comparable companies)

β_e = Equity Beta = β_a (1+D/E) = 1.2

R_m- R_f (1- T_i) = Expected return, after investor taxes, on the market portfolio of equity investments = 7.5%

The results of our DCF valuation are summarised in Table 6.2.

Table 6.2: T&G DCF valuation summary

$ millions	Low	High
Enterprise Value	**328.3**	**357.9**
Minority Interests	(18.9)	(18.9)
Investment in Associates	9.7	9.7
Net Debt	(80.0)	(80.0)
Options	(1.0)	(1.0)
Equity Value	**238.1**	**267.7**
Shares Outstanding (m)	117.0	
Value Per Share ($)	**2.04**	**2.29**

Our DCF valuation range for T&G is between $2.04 and $2.29 per share, with a midpoint of $2.17 per share.

Table 6.3 shows that relatively small changes in key assumptions around WACC and terminal growth rates can have a material impact on the results of the DCF valuation. For example a change of 0.25% in terminal growth, at our WACC of 9.6%, results in a change in value of 8 to 9 cents per share.

Table 6.3: Sensitivity to changes in WACC and terminal growth

		WACC		
		9.1%	**9.6%**	**10.1%**
Terminal Growth Rate	**1.75%**	+0.13	-0.08	-0.26
	2.00%	+0.22	–	-0.19
	2.25%	+0.32	+0.09	-0.12

6.4 ORDERLY REALISATION OF ASSETS

T&G has a high level of fixed assets (mainly land and buildings) relative to its earnings. However, we understand that these assets are not surplus to the business but represent necessary investment in order to undertake T&G's operations.

T&G management have informed us that due to the nature of T&G's business it is essential that it has large coolstore and storage facilities close to its growers and export points throughout New Zealand. This network of storage facilities allows T&G to control the freshness of its produce and have a quick turnaround from orchard to packhouse.

The coolstores are typically only utilised for part of the year (less than six months) which is driven by T&G's seasonality. If the storage facilities were utilised all year round then earnings generated by those assets would be higher and more in line with what would be expected for the investment required.

The coolstores are also specialised buildings that have limited alternative uses. T&G could store products for other growers and produce, like kiwifruit and other products that require climate control environments (e.g. meat products, if additional capex were spent to alter the facilities). However, given economic conditions in the kiwifruit and meat sectors, this is unlikely.

At 31 October 2011, T&G's NTA per share were $2.51, which is 36% higher than the Offer price of $1.85. Accordingly, we have looked at a valuation approach that considers an orderly realisation of T&G's assets.

The following assumptions have been made:

- assets are realised at the end of FY14 (i.e. approximately three years from the date of this report);
- net proceeds from the sale of assets (including the costs of winding up the business and any related expenses) are between 90% and 100% of the book value of assets. We consider these represent best case scenarios;
- the assets would continue to generate the cashflows projected in our DCF analysis to the end of FY14; and
- proceeds are discounted at our assessed WACC of 9.6%.

Table 6.4 – Price per share for orderly realisation of assets

$	90%	100%
Price per share	1.86	2.10

Table 6.4 shows, on the assumption that T&G is able to realise its assets (net of costs) for between 90% and 100% of reported book value, the value per share of T&G would be between $1.86 and $2.10. As at today, we consider this represents an optimistic case, after taking into account that it is unlikely that T&G could realise its assets (net of costs) for between 90% and 100% of reported book value given the early indications from the revaluation exercise that T&G is undertaking for financial reporting purposes and the earnings performance of those assets.

A recent broadly comparable New Zealand transaction involved the sale of Scales for $44 million, which represented a discount of 49% to the reported book value of NTA. Scales owns coolstores and packhouses and is involved in exporting apples through Mr Apple, T&G's largest supplier and competitor. This transaction highlights the potential difference between book and market values, however, it is likely that the transaction was affected by the insolvency of the divesting shareholder.

The analysis highlights that adopting an orderly realisation of assets approach is unlikely to result in a valuation for T&G's shares at levels implied by the Group's NTA. Table 2.1 shows in FY11, T&G is forecasting an after-tax return on the book value of T&G's invested capital of 4.7%. This is significantly below any reasonable estimate of T&G's cost of capital and suggests that current earnings do not support the reported book value of T&G's assets.

We also understand that T&G's strategic review considered a number of different strategies to realise value for the business before GPG accepted the Offer to sell its shareholding in T&G as a going concern.

6.5 BROKER VALUATIONS

T&G is covered by Forsyth Barr and Goldman Sachs. The brokers' most recent valuations of T&G are summarised in Table 6.5. Both brokers have revised their valuations following the release of T&G's most recent half-year result.

Table 6.5 Broker recommendations on T&G Shares

Broker	Date	Guidance	WACC	DCF	EBITDA ($m)	
					FY11	FY12
Forsyth Barr	Nov-11	Hold	11.4%	$1.76	44.1	48.3
Goldman Sachs	Oct-11	Hold	9.6%	$1.60	44.8	48.6
Average				**$1.68**	**44.5**	**48.5**

The average DCF valuation of the brokers is $1.68 per share. The Offer price of $1.85 represents a 10.1% premium over the average of the brokers' DCF valuations.

In addition to its DCF valuation analysis, Goldman Sachs also undertook an analysis of transaction multiples in order to estimate potential proceeds in the event of an exit of GPG. Under this analysis Goldman Sachs: (1) applied an EBITDA multiple of approximately 7x FY11 estimated EBITDA; (2) arrived at a share price estimate of approximately $2.00, after deducting net debt of $72.3 million; and (3) concluded on a target price of $1.80, representing the average of the results of its DCF and transaction multiple analysis.

6.6 SYNERGIES

If BayWa is successful in reaching a shareholding of 90% of T&G, it would move to compulsory acquisition and delist T&G from the NZSX. At this point, BayWa would be able to eliminate public company costs such as registry fees, NZSX charges, annual reports and shareholder communications. T&G management estimate these costs will be approximately $500,000 in FY11. Capitalised using an EBITDA multiple of say 7.0x, this saving represents approximately 3 cents per T&G share. If BayWa does not reach the 90% share ownership level these savings are not available.

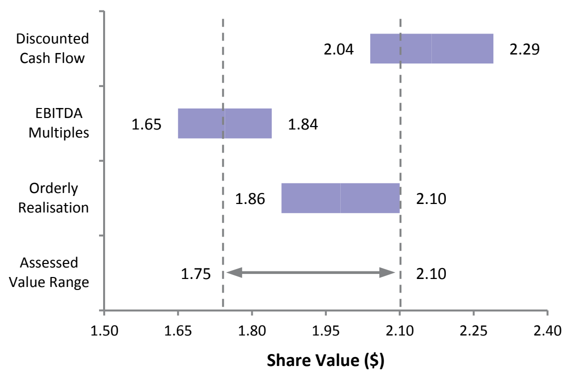
Depending on the level of shareholding, which BayWa ends up with in T&G, there could be some additional revenue and cost synergies available to BayWa. However, BayWa says that it intends for T&G to operate as a standalone business for the next nine to 12 months, at least, and it is not clear if it has any plans to merge any of its existing business units with those of T&G.

On balance, we consider it reasonable to assume that BayWa has made its acquisition of T&G bearing in mind the potential to extract synergies from combining its fruit and vegetables business with T&G, in some form. We have been unable to quantify any potential synergy benefits from combining the businesses and at this stage the quantum of any synergies is highly uncertain.

6.7 SUMMARY

Our valuation results are summarised in Figure 6.3.

Figure 6.3: Valuation summary



For the purpose of this report, we have assessed a valuation range for T&G's equity between $1.75 and $2.10 per share, with a mid-point of $1.93 per share. Our range has been determined as follows:

- **low-end of the range:** is based on the mid-point of our multiple valuation; and
- **high-end of the range:** is based on the lower quartile of our DCF valuation and the high-end of our orderly realisation of assets approach.

Our DCF valuation range is higher than our multiple based valuation range. This is because the financial projections on which our DCF valuation is based include an increase in earnings and cash flows over the forecast period in excess of market expectations for comparable companies and transactions, whereas the multiple based analysis is based on FY11 forecast earnings.

Our valuation range recognises that T&G's earnings are affected by the relatively high NZD over FY11 and the fact that T&G's orchards have recently been replanted and are yet to reach full production. Therefore, we would expect the capitalisation of earnings to represent the low-end of a reasonable valuation range. Offsetting this, however, the financial projections that we have relied upon in the DCF analysis assume that there will be no adverse weather conditions and no outbreak of pests or foreign disease (beyond those already identified). T&G operates in an industry where it is unlikely that these assumptions will hold true over a very long term and therefore there are downside risks to the DCF valuation.

T&G's NTA as at 31 October 2011 were $2.51 per share. However, we have assessed the value of T&G based on undertaking an orderly realisation of assets between $1.86 and $2.10.

The orderly realisation of assets approach is based on the assumption that T&G could realise its assets (net of costs) for between 90% and 100% of reported book value. We consider that this represents an optimistic scenario because:

- T&G is currently undertaking a land and buildings revaluation exercise for financial reporting purposes and initial feedback from independent property valuers is that there is likely to be a significant write-down in reported carrying values. At the date of this report, T&G management have been unable to provide us with a reliable estimate of the impact of revaluing land and buildings but consider that it could lie in a range of $20 million to $30 million; and
- the relatively low level of earnings generated by T&G's business and assets due to a combination of factors, including the current macroeconomic environment. As set out at Table 2.1, in FY11, T&G is forecasting an after-tax return on the book value of T&G's invested capital of 4.7%. This suggests that current earnings do not support the reported book value of T&G's assets.

APPENDIX 1: SOURCES OF INFORMATION

DOCUMENTS RELIED UPON

Documents relied upon include, but are not limited to, the following:

- T&G's Annual Report 2009 and 2010;
- T&G and GPG shareholder notices;
- T&G Information Memorandum, prepared in connection with its strategic review;
- T&G website: www.turnersandgrowers.com;
- T&G Constitution;
- T&G Board Minutes;
- T&G Management Accounts – FY08 to YTD11 (actual) and FY11 to FY15 (forecast and projected);
- Statistics New Zealand website www.stats.govt.nz;
- Treasury website www.treasury.govt.nz;
- Capital IQ website www.capitaliq.com;
- Reuters Knowledge website www.knowledge.reuters.com;
- NZSX website www.nzx.co.nz;
- International Monetary Fund website www.imf.org;
- Horticulture New Zealand website www.hortnz.co.nz;
- Plant & Food Research website www.plantandfood.co.nz;
- Analyst reports by Forsyth Barr and Goldman Sachs;
- World Apple Review – 2011 Edition (annual industry review);
- The World Apple Report – Dec 2010 to Dec 2011 (monthly industry review);
- 2010 Report on State of Kiwifruit Sector in New Zealand;
- Fresh Facts – New Zealand Horticulture 2010 (report prepared by Horticulture New Zealand and Plant & Food Research);
- Financial statements of the comparable companies set out in Appendix 4; and
- Other publically available information.

We have also had discussion with some of T&G's Directors and management executives in relation to the nature of the business operations, and T&G's specific risks and opportunities for the foreseeable future.

RELIANCE UPON INFORMATION

In forming our opinion we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by T&G and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audited the accounting or other records of T&G. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

APPENDIX 2: QUALIFICATIONS & DECLARATIONS

QUALIFICATIONS

KordaMentha is an independent New Zealand Chartered Accounting practice, internationally affiliated with the KordaMentha group. The firm has established its name nationally through its provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because it has no business advisory, audit or tax divisions, avoids any potential conflicts of interest which may otherwise arise. This places the firm in a position to act as an independent adviser and prepare an independent report as required under Rule 21 of the Takeovers Code.

The persons responsible for preparing and issuing this report are Grant Graham (BCom, CA); Shane Bongard (BCom (Hons)); and Shaun Hayward (BCom and BProp). All three have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

DISCLAIMERS

It is not intended that this report should be used or relied upon for any purpose other than as an expression of KordaMentha's opinion as to merits of the proposed takeover of T&G by BayWa. KordaMentha expressly disclaims any liability to any equity security holder that relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose.

This report has been prepared by KordaMentha with care and diligence and the statements and opinions given by KordaMentha in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by KordaMentha or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of this report, provided that this shall not absolve KordaMentha from liability arising from an opinion expressed recklessly or in bad faith.

INDEMNITY

T&G has agreed that, to the extent permitted by law, it will indemnify KordaMentha and its partners, employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. T&G has also agreed to indemnify KordaMentha and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person except where KordaMentha or its partners, employees and officers are guilty of negligence, misconduct or breach of law in which case KordaMentha shall reimburse such costs.

INDEPENDENCE

KordaMentha does not have at the date of this report, and has not had, any shareholding in, or other relationship, or conflict of interest with T&G that could affect its ability to provide an unbiased opinion in relation to this transaction. KordaMentha has been confirmed as being free of conflict by the Takeovers Panel for the purposes of the Takeovers Code.

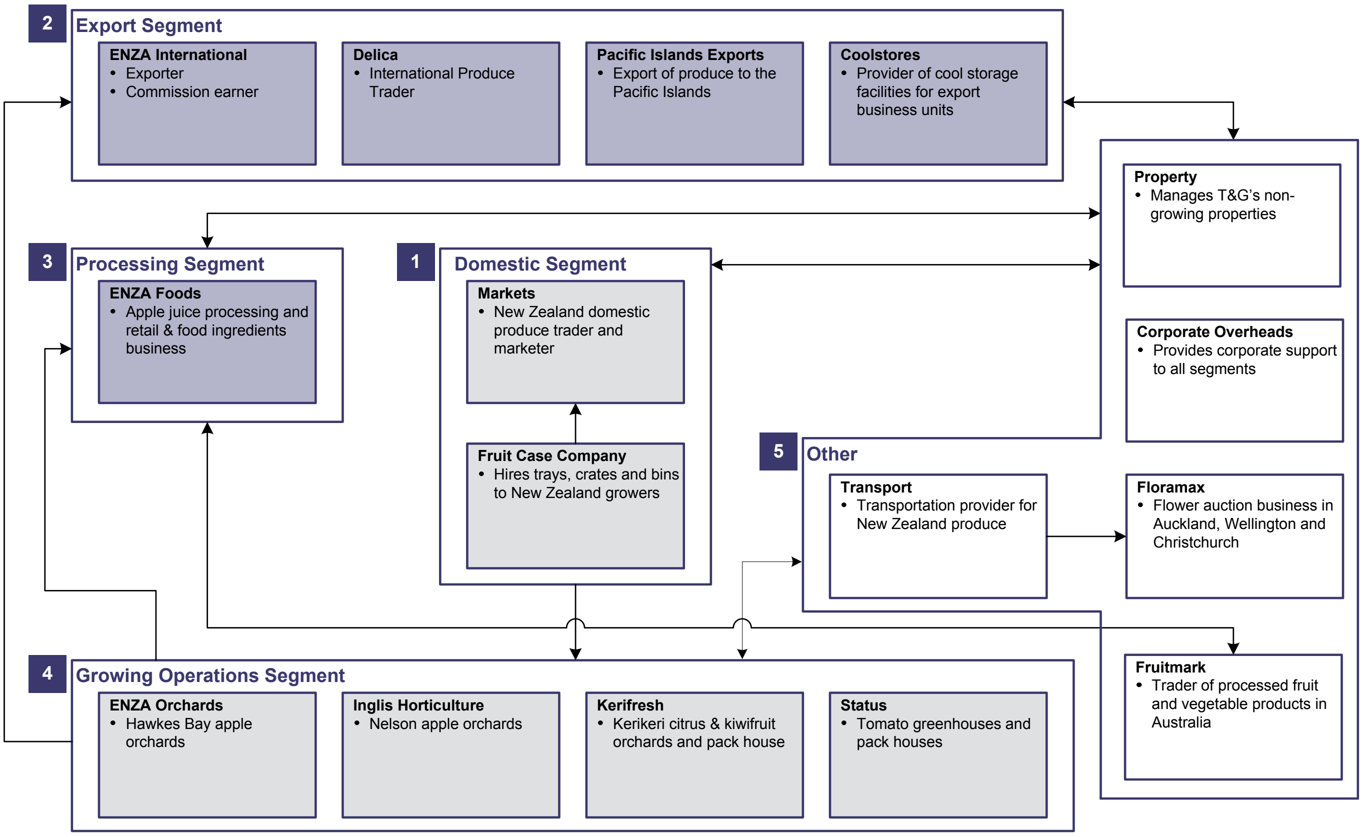
KordaMentha will receive a fee for the preparation of this report. This fee is not contingent on the success or implementation of the Offer or any transaction complementary to it. KordaMentha has no direct or indirect pecuniary interest or other interest in this transaction.

We note for completeness that a draft of this report was provided to T&G and its legal advisers, solely for the purpose of verifying the factual matters contained in the report. While minor changes were made to the drafting, no material alteration to any part of the substance of this report, including the methodology or conclusions, were made as a result of issuing the draft.

CONSENT

KordaMentha consents to the issuing of this report, in the form and context in which it is included, in the information to be sent to T&G shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without the prior written consent of KordaMentha as to the form and context in which it appears.

APPENDIX 3: BUSINESS SEGMENTS



APPENDIX 4: COMPARABLE COMPANIES

Table A4.1: Trading multiples for horticultural produce companies

Company	Country of Domicile	Market Cap (NZ $m)	Price/NTA	EV/EBITDA			EV/EBIT			EBITDA Growth[3]
				Historical[2]	Current	Prospective	Historical[2]	Current	Prospective	
T&G[1]	NZ	216	0.77x	7.7x	7.0x	6.0x	13.8x	12.0x	9.8x	6%
Satara	NZ	8	0.27x	4.1x	n/a	n/a	9.0x	n/a	n/a	n/a
Seeka	NZ	17	0.28x	2.7x	n/a	n/a	3.7x	n/a	n/a	n/a
PGGW	NZ	288	1.07x	9.2x	7.3x	6.5x	11.6x	8.4x	7.5x	25%
Webster	Australia	56	0.68x	10.7x	7.8x	5.9x	23.3x	15.1x	9.6x	37%
Select Harvests	Australia	141	0.87x	8.1x	4.2x	4.3x	10.6x	5.0x	5.0x	92%
Fyffes	Ireland	210	0.93x	3.0x	3.1x	3.2x	4.3x	4.7x	5.0x	10%
Total Produce	Ireland	229	3.26x	4.5x	4.5x	4.3x	6.6x	6.7x	6.5x	(2%)
Village Farms	Canada	63	1.17x	6.7x	6.4x	4.4x	10.8x	n/a	n/a	19%
Fresh Del Monte	Cayman Is.	1,943	1.14x	7.0x	6.6x	6.1x	10.4x	9.8x	8.8x	25%
Kagome	Japan	2,557	1.78x	9.3x	10.1x	9.9x	16.7x	16.8x	15.8x	(9%)
Median			**1.00x**	**6.9x**	**6.5x**	**5.1x**	**10.5x**	**8.4x**	**7.5x**	**22%**
Mean			**1.15x**	**6.5x**	**6.3x**	**5.6x**	**10.7x**	**9.5x**	**8.3x**	**25%**

Source: Capital IQ and company financial statements

(1) T&G is based on the Offer price of $1.85, and net debt of $80 million. It is shown for comparative purposes and is excluded from the mean and medians.

(2) Based on the latest 12 months of available data.

(3) Growth in EBITDA is calculated between the last financial year and the consensus broker estimate for the current financial year.

Satara Co-operative Group

Satara Co-operative Group Limited ("Satara") provides post-harvest services to the kiwifruit and avocado industries in New Zealand. It undertakes fruit packing, fruit testing, picking and transport, pest monitoring, cool storage, and associated services; and orchard contracting and management services to the kiwifruit industry. Satara, through its leased orchard activities, also grows and supplies kiwifruit to Zespri for export. Satara is headquartered in Te Puke, New Zealand.

Seeka Kiwifruit Industries

Seeka Kiwifruit Industries Limited ("Seeka") provides post-harvest and orchard services to the New Zealand kiwifruit and avocado industries. Its post-harvest services comprise fruit picking, cool storage, logistics management, and associated services. Seeka also provides grower and marketing services, such as local and Australian fruit marketing programs. Seeka grows kiwifruit on approximately 196 orchards located in the Coromandel, Waikato, and Bay of Plenty regions. Seeka is headquartered in Te Puke, New Zealand.

PGGW

PGG Wrightson Limited ("PGGW") provides various products, services, and solutions to farmers, growers, and processors in New Zealand and internationally. PGGW is involved in various merchandising activities, such as rural supplies stores, which offer animal health and nutrition products, grain and seed, chemicals, clothing, leisure goods, and gardening equipment; and offers supplies for horticultural crops. It also engages in the purchase, sale, and export of livestock; and offers a selection of rural, lifestyle, residential, commercial, and industrial properties. PGGW is also involved in the research, development, manufacture, and distribution of seeds and grains; and purchase, manufacture, and distribution of animal feeds and other animal nutritional products. PGGW is based in Christchurch, New Zealand.

Webster

Webster Limited ("Webster") is a diversified food and agribusiness company engaged in the production, processing, and marketing of vegetables and walnuts in Australia, Europe, and Asia. It owns or manages approximately 2,200 hectares of walnut orchards. Webster was founded in 1831 and is based in Forth, Australia.

Select Harvests

Select Harvests Limited ("Select Harvests") engages in processing, packaging, marketing, and distributing edible nuts, dried fruits, seeds, and a range of natural health foods. It is also involved in growing, processing, and selling almonds to the food industry from its own almond orchards. Select Harvests owns approximately 4,100 acres, and leases another 4,500 acres of almond orchards located in north west Victoria, Australia. In addition, it provides management services to external owners of almond orchards. Select Harvests markets a range of nut and fruit based products for retailers, distributors, and food manufacturers in Australia. It exports products to Asia, Europe, and the Middle East. Select Harvests is based in Thomastown, Australia.

Fyffes

Fyffes plc ("Fyffes") imports and distributes tropical produce. Fyffes engages in the production, procurement, shipping, ripening, distribution, and marketing of bananas, pineapples, and melons. It distributes its products under the Fyffes and Turbana brand names. It operates primarily in Europe, the United States, and Central and South America. Fyffes was founded in 1888 and is headquartered in Dublin, Ireland.

Total Produce

Total Produce plc ("Total Produce") engages in growing, sourcing, importing, packaging, distributing, and marketing fresh fruits, vegetables, and flowers in Europe. Its products include apples, pears, grapes, bananas, pineapples, watermelons, oranges, grapefruits, lemons, limes, peaches, nectarines, plums, apricots, avocados, salad produce, onions, leeks, beans, peas, shoots and stems, roots, potatoes, and tomatoes. Total Produce sells its fresh produce to the retail, wholesale, foodservice, and processing sectors. Total Produce also engages in the distribution of consumer goods and health foods to the grocery, pharmacy, optical, and health food sectors. Total Produce was incorporated in 2006 and is based in Dundalk, Ireland.

Village Farms

Village Farms International, Inc. ("Village Farms") owns and operates agricultural greenhouse facilities in British Columbia, Canada and Texas. It produces, markets, and sells tomatoes, bell peppers, and cucumbers. Village Farms also markets and distributes its own and third party produce, primarily to supermarkets and fresh food distribution companies, as well as company-operated distribution centres. Village Farms operates approximately 230 acres of greenhouse facilities and markets an additional 160 acres of greenhouse. Village Farms is headquartered in Delta, Canada.

Fresh Del Monte

Fresh Del Monte Produce Inc. ("Fresh Del Monte") produces, transports, sources, markets, and distributes fresh fruit and vegetables worldwide. It also offers prepared fruit and vegetables, juices, beverages, snacks, and poultry and meat products. Fresh Del Monte provides various fresh-cut fruit products, such as bananas, pineapples, melons, tomatoes, grapes, apples, pears, peaches, plums, nectarines, cherries, citrus, avocados, blueberries, kiwifruit, strawberries, and mangos; and fresh-cut vegetable products primarily consisting of potatoes, onions, bell peppers, and cucumbers, as well as prepared salads, such as coleslaw and potato salad. It offers fresh produce under the DEL MONTE, UTC, and Rosy brands; and prepared fruits and vegetables, juices, beverages, and snacks under the DEL MONTE, Fruit Express, Just Juice, and Fruitini brands. Fresh Del Monte markets and distributes its products to retail stores, food clubs, wholesalers, distributors, and foodservice operators. It was founded in 1886 and is based in George Town, Cayman Islands.

Kagome

Kagome Co., Limited. ("Kagome") engages in the manufacture and sale of food and beverage products based on tomatoes and various other vegetables in Japan. It offers tomato juice and tomato-based condiments, such as ketchup and tomato sauce. Kagome's food products include seasonings, ready-to-heat rice-based meals, and frozen foods. It is also involved in the production of health supplements; and beverages, such as vegetable drinks. In addition, Kagome engages in purchase, manufacture, and sale of seed and seedlings, and fruit and vegetables. Kagome was founded in 1899 and is headquartered in Nagoya, Japan.

APPENDIX 5: COMPARABLE TRANSACTIONS

Table A5.1: Comparable transactions

Target	Acquirer	Target Location	Date	% Acquired	Transaction Size	EBITDA Multiple*	EBIT Multiple*
Costa Group	Paine & Partners	AUS	Jul-11	50%	n/a	n/a	n/a
Scales	Direct Capital	NZ	May-11	80%	NZ$44	7.7x	11.1x
Belvedere Orchards	Select Harvests	AUS	Apr-11	100%	A$19.5	n/a	n/a
Tegal Foods	Affinity Equity Partners	NZ	Jan-11	100%	NZ$463	7.6x	n/a
Affco	Talley's Group	NZ	Jul-10	47%	NZ$88	4.6x	9.1x
Cedenco NZ	Imanaka	NZ	Jun-10	100%	NZ$29	6.5x	n/a
Cedenco AU	Kagome	AUS	Jun-10	100%	A$91.0	6.7x	n/a
United Malt	GrainCorp	AUS	Oct-09	100%	A$757	5.7x	6.4x
Mr Chips	JR Simplot	NZ	Jul-08	100%	NZ$71	7.5x	8.8x
Open Country Cheese	Dairy Trust	NZ	Jul-08	48%	NZ$104	7.3x	n/a
Median						**7.0x**	**9.0x**
Median – excluding pre GFC and Affco transactions						**6.7x**	**8.8x**

Source: Capital IQ, company financial statements, independent appraisal reports, company announcements, and other public information.

** Transaction multiples are historical, except for Open Country Cheese which is prospective.*

Costa Group

Costa Group of Companies ("Costa Group") produces, markets, imports, and exports fresh fruits, vegetables, and grains in Australia and internationally. Costa Group also provides transport, warehousing, and logistics services for supermarkets, manufacturers, growers, and importers in Australia. Costa Group is headquartered in Geelong, Australia.

Costa Group announced in July 2011 it would raise additional equity through a placement to Paine & Partners, LLC ("Paine & Partners"). Paine & Partners took a 50% shareholding in the transaction.

Costa Group's intention is to use the proceeds to pursue long term strategic growth and to facilitate a number of potential growth opportunities.

Scales

Scales operates in shipping, trading, cold storage, and transportation businesses. A major subsidiary of Scales is Mr Apple, which is engaged in growing, packaging, and exporting apples. Mr Apple is based in Hastings and Scales in Christchurch, New Zealand.

SCF was the major shareholder of Scales with a 79.71% shareholding. In May 2011, Direct Capital entered into an agreement with the receivers to acquire the shares held by SCF.

Belvedere Orchards

Belvedere Orchards has almond orchards of approximately 1,500 acres. It also has water rights to support farming businesses. The assets are located in New South Wales, Australia.

Select Harvests agreed to acquire the Belvedere Orchards for A$19.5 million in April 2011.

Tegel

Tegel Foods Limited ("Tegel") is engaged in breeding, hatching, processing, marketing, and distributing poultry products in New Zealand; it also produces animal feed products. Tegel offers poultry products to supermarkets, retail outlets, and foodservice customers. Tegel is based in Auckland, New Zealand.

Affinity Equity Partners ("Affinity Equity") won a bid to acquire the assets of Tegel in a secondary market private equity transaction.

Affco

Affco Holdings Limited ("Affco") is engaged in the procurement, processing, and marketing of meat and associated products; primarily in New Zealand. Affco offers chilled and frozen meat to retailers and supermarkets; and bulk items to food manufacturing and small goods businesses. It also produces hides and pelts, calf skins, protein meals, casings, and pharmaceutical blood serums. Affco is headquartered in Hamilton, New Zealand.

Talleys Group Limited ("Talleys") made an offer to acquire the remaining 47.17% stake in Affco from Toocooya Nominees Limited and other shareholders for $88.2 million in June 2010.

Talleys reached the 90% shareholding threshold in October 2010 and subsequently moved to compulsorily acquire the remaining Affco shares.

Cedenco

Cedenco Foods Limited ("Cedenco") produced and sold agricultural food products in New Zealand, Australia, and internationally. It offered fruit and vegetable powders, such as sweet corn, pumpkin, and tomato powders and paste; apple and pear, kiwifruit, and onion pastes; frozen sweet corn and pumpkin purees; and individually quick frozen sweet corn, peas, celery, broccoli, onion, capsicum, kiwifruits, and carrots. Cedenco's head office was based in Auckland, New Zealand but it also had significant operations in Australia.

Cedenco went into receivership in November 2009 and during the course of the receivership a sales process was undertaken. In June 2010 agreements were signed for the sale of the New Zealand and Australian operations, separately.

Imanaka Limited. ("Imanaka") and Kagome entered into agreements to acquire Cedenco's New Zealand and Australian assets, respectively.

The significant operations of Cedenco in New Zealand were its growing and processing of a large variety of fruit and vegetables. In Australia growing and processing tomatoes for tomato paste comprised the vast majority of its operations. Both the New Zealand and Australian operations also purchased raw material from third party growers to be processed by their facilities.

United Malt

United Malt Holdings, LP ("United Malt") is engaged in the production of malt for use in the brewing, distilling, and food industries. United Malt was founded in 2006 and is based in Sydney, Australia. It has operations in the United States, Canada, and the United Kingdom.

It was announced in October 2009 that GrainCorp Limited. ("GrainCorp") had agreed to acquire United Malt from its private equity shareholders. GrainCorp completed the acquisition in November 2009.

Mr Chips

Mr Chips Holdings Limited ("Mr Chips") produces and processes frozen and chilled french fries and potato products for fast food, catering, and restaurant sectors in New Zealand and Australia. Mr Chips was incorporated in 1985 and is based in Auckland, New Zealand.

In May 2008 Simplot Australia Pty Limited ("Simplot Australia") entered into agreements with five shareholders of Mr Chips whereby Simplot Australia agreed to make an offer for Mr Chips and the shareholders were locked-in to sell their shares. The shareholders would then purchase shares in Simplot NZ immediately following the completion of the takeover. These five shareholders owned 81.65% of the shares in Mr Chips.

In July 2008 Simplot Australia made its offer to acquire 100% of the equity in Mr Chips. The acquisition was completed in October 2008.

Open Country Cheese

Open Country Cheese Company Limited ("Open Country Cheese") produces and exports chesses. It offers its products to various markets, including New Zealand, Australia, Indonesia, Asia, Latin America, West Indies, Russia, the United Kingdom, Morocco, Algeria, Egypt, and Saudi Arabia. Open Country Cheese was incorporated in 2001 and is based in Waharoa, New Zealand.

Dairy Trust Limited offered to acquire the remaining 47.6% stake in Open Country Cheese Company in July 2008 for NZD 49.3 million in cash. On 12 September 2008, the offer was declared unconditional.

Independent Adviser's Report

Prepared Pursuant to Rule 22 of the New Zealand Takeovers Code in Relation to a Full Takeover Offer for Turners and Growers Limited

Prepared for:

BayWa AG

November 2011

Purpose of the Report

- This report is **not** a report on the merits of the offer.
- This report has been obtained by the offeror.
- The purpose of this report is solely to compare the consideration and terms offered for the different classes of securities, and to certify as to the fairness and reasonableness of that consideration and terms as between the different classes.
- A separate independent adviser's report on the merits of the offer, commissioned by the directors of Turners and Growers Limited, must accompany Turners and Growers Limited's target company statement.
- The offer should be read in conjunction with this report and the separate independent adviser's report on the merits of the offer.

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ABBREVIATIONS AND DEFINITIONS

Abbreviations used in this report are as follows:

BayWa	BayWa AG, a company registered in Germany
Code	The Takeovers Code
Executives	T&G's Chief Executive Officer and other senior executives
Exercise Period	The time between the First Exercise Date and the Expiry Date
Exercise Price	The exercise price for a particular Tranche of Options, subject to adjustment under the terms for the Option Scheme
Expiry Date	The final date upon which a particular Tranche of Options are able to be exercised
First Exercise Date	The first date on which the Options issued under a particular Tranche can be exercised by an Executive and converted into Ordinary Shares
Initial Exercise Price	$2.75, being the Exercise Price on the issue date of each Tranche
NZSX	The main board equity security market operated by NZX
NZX	NZX Limited
Northington Partners	Northington Partners Limited
Offer	The full takeover offer that BayWa intends to make for all of the voting and non-voting securities on issue in T&G
Option Offer Price	The cash payment offered by T&G for each Option
Options	The 1,703,333 options issued and currently outstanding to the Executives under the Option Scheme
Option Scheme	T&G's executive Option scheme
Ordinary Shares	The 117,010,550 ordinary shares of T&G on issue and which are tradable on the NZSX
Share Offer Price	A cash payment of $1.85 per Ordinary Share offered by T&G
Tranche	Each, or any of, the six tranches of Options issued by T&G, as the context requires
T&G or Company	Turners and Growers Limited

1.0 INTRODUCTION AND SUMMARY OF OUR ASSESSMENT

1.1 INTRODUCTION

BayWa AG ("**BayWa**"), a company registered in Germany, intends to issue a Takeover Notice to Turners & Growers Limited ("**T&G**") on or about 10 November 2011 indicating its intention to make a full takeover offer ("**Offer**") for all the equity securities on issue in T&G.

Under New Zealand company law, T&G has two classes of equity securities:

- 117,010,550 issued ordinary shares ("**Ordinary Shares**") which are tradable on the New Zealand Stock Exchange, being the main board equity security market operated by NZX Limited ("**NZX**"); and
- 1,703,333 options ("**Options**") which (as summarised in Table 1 below) have been issued in six tranches (each a "**Tranche**") under an option scheme ("**Option Scheme**") to the Chief Executive Officer and other senior executives of T&G ("**Executives**").

The Ordinary Shares are voting securities and the Options are non-voting securities. Each Tranche of Options constitutes a separate class of non-voting securities for the purposes of the Takeovers Code ("**Code**").

Table 1: Summary of Options as at 9 November 2011

Tranche	Issue Date	First Exercise Date	Expiry Date	Options Outstanding	Initial Exercise Price
1A	4 August 2005	4 August 2008	4 August 2012	500,000	$2.75
1B	4 August 2005	4 August 2009	4 August 2013	250,000	$2.75
1C	4 August 2005	4 August 2010	4 August 2014	250,000	$2.75
2A	21 December 2006	21 December 2009	21 December 2013	234,446	$2.75
2B	21 December 2006	21 December 2010	21 December 2014	234,444	$2.75
2C	21 December 2006	21 December 2011	21 December 2015	234,443	$2.75
				1,703,333	

Source: T&G/BayWa

Key terms and conditions of the Offer are as follows:

- **Offer Price for Ordinary Shares:** A cash payment of $1.85 per Ordinary Share ("**Share Offer Price**");
- **Offer Price for Options:** The cash payment offered per Option varies across each Tranche of Options remaining on issue, as set out in Table 2 below ("**Option Offer Price**").

Table 2: Offer Price for Options

Tranche	Option Offer Price
1A	$0.253
1B	$0.436
1C	$0.569
2A	$0.485
2B	$0.619
2C	$0.731

Source: BayWa Takeover Notice

- **Minimum Acceptance Condition:** The Offer is conditional upon BayWa receiving acceptances that would confer on it 50% or more of the voting rights in T&G.
- **Other Conditions:** The Offer is also conditional on certain regulatory approvals in New Zealand and Germany, as well as a number of other matters that are standard for an offer of this type**.**

Rule 8(4) of the Code requires that if non-voting securities are included in a full offer, the consideration and terms offered for non-voting securities must be fair and reasonable in comparison with the consideration and terms offered for voting securities and as between classes of non-voting securities. In this particular case, the Code therefore requires that:

(i) The consideration and terms offered for the Options must be fair and reasonable compared to the consideration and terms offered for the Ordinary Shares; and

(ii) The consideration and terms offered for each Tranche of Options must be fair and reasonable as between all of the Tranches.

With the approval of T&G, BayWa has undertaken limited due diligence on the Company and has obtained access to information in relation to the Option Scheme. This report has been prepared based on information provided to us by BayWa and T&G.

1.2 SUMMARY OF OUR ASSESSMENT

A Rule 22 report is not required to consider the merits of the Offer for the Ordinary Shares, and we offer no opinion on whether the Share Offer Price of $1.85 is fair and reasonable. Rather, we have interpreted our role as one of determining whether the Option Offer Price (offered for each Tranche of Options) is fair and reasonable in comparison to the amount offered for the Ordinary Shares and as between each Tranche.

Our assessment is based on the following framework:

- The total consideration of $1.85 per share for the Ordinary Shares provides the benchmark for our assessment. Although we make no attempt to determine whether the Share Offer Price is itself fair and reasonable, the Share Offer Price is the starting point from which we determine the relative fairness of the Offer for each Tranche of Options.
- That is, we need to determine the underlying fair value of the Options issued under each Tranche, assuming an initial fair value for the Ordinary Shares of $1.85. Our assessment also takes into account the current rules that govern the Option Scheme, with particular emphasis on the rules that are relevant in the event of a successful takeover offer for T&G.
- The assessment then rests on a comparison of the consideration offered for the Options in each Tranche to the underlying fair value of the Options.

Our estimate of the current fair value range of the Options in each Tranche is set out in Table 3 below.

Table 3: Estimated Fair Value Range for Options

Tranche	Options Outstanding	Low Value per Option	High Value per Option	Mid Point Value per Option	Total Tranche Value[1]
1A	500,000	$0.225	$0.281	$0.253	$126,500
1B	250,000	$0.380	$0.492	$0.436	$109,000
1C	250,000	$0.506	$0.633	$0.569	$142,250
2A	234,446	$0.422	$0.548	$0.485	$113,706
2B	234,444	$0.548	$0.689	$0.619	$145,121
2C	234,443	$0.647	$0.815	$0.731	$171,378
	1,703,333				**$807,955**

[1] Calculated as Options Outstanding x Mid Point Value Per Option (subject to rounding). Source: Northington Partners Analysis

The Option Offer Prices (as set out in Table 2) have been set equal to our assessed mid-point value for each Tranche of Options (as set out in Table 3). As such, we believe that the Executives should realise the same value for the Options from either accepting the Offer or retaining the Options and pursuing the best strategy available under the rules of the Trust Deed governing the Options. On this basis, we conclude that the Option Offer Price for each Tranche of Options is fair compared to the Share Offer Price.

We also note that:

- Both the holders of the Ordinary Shares and the Executives will be paid cash if they accept the Offer, and the Offer to each group is effectively conditional on the same set of general conditions. On this basis, we conclude that the terms of the Offer for the Ordinary Shares and each Tranche of the Options are equivalent.
- The Option Offer Price for each Tranche has been determined using the same valuation framework, with adjustments only to account for differences in the Expiry Dates for each Tranche.

We therefore certify that in our opinion the consideration and terms offered for non-voting securities (being the Options) is fair and reasonable in comparison with the terms offered for the voting securities (being the Ordinary Shares). We also conclude that the terms offered for each Tranche of Options is fair and reasonable as between all of the Tranches.

2.0 SCOPE OF THIS REPORT

2.1 BACKGROUND

BayWa intends to issue a Takeover Notice to T&G on or about 10 November 2011 indicating its intention to make a full takeover offer for all of the equity securities on issue in T&G.

There are 117,010,550 Ordinary Shares on issue which are tradeable on the NZSX, and 1,703,333 Options currently on issue under T&G's Option Scheme. The Ordinary Shares are considered voting securities and the Options are considered non-voting securities for the purposes of the Code.

The Options were issued to the Executives in three Tranches in August 2005 and three Tranches in December 2006. When issued, an Executive had the right to convert each Option into one Ordinary Share upon payment of an exercise price ("**Exercise Price**"), which was initially set at a level of $2.75 per Option ("**Initial Exercise Price**"). While all of the Options in each Tranche have the same Initial Exercise Price, each Tranche has a different Exercise Period and therefore represents a separate class of non-voting securities.

Further details of the terms and conditions of the Option Scheme are included in Section 3.2.

2.2 REQUIREMENTS OF TAKEOVERS CODE

T&G is a publicly listed company on the NZSX and is a "Code Company" as defined by Rule 3 of the Code. The takeover process initiated by BayWa must therefore comply with the provisions set out in the Code relating to the offer procedure.

Pursuant to Rule 8(2) of the Code, a full offer must include offers in respect of all the securities in each class of equity securities of the target company (other than those that are already held by the offeror). Furthermore, Rule 8(4) of the Code requires that if non-voting securities are included in a full offer, the consideration and terms offered for non-voting securities must be fair and reasonable in comparison with the consideration and terms offered for voting securities and as between classes of non-voting securities. In this particular case, the Code therefore requires that:

(i) The consideration and terms offered for the Options must be fair and reasonable compared to the consideration and terms offered for the Ordinary Shares; and

(ii) The consideration and terms offered for each Tranche of Options must be fair and reasonable as between all of the Tranches.

For the purposes of the Code, T&G's Ordinary Shares are regarded as one class of equity security and each Tranche of the Options is regarded as a separate class of equity security given the different features of each Tranche. BayWa as offeror must obtain a report pursuant to Rule 22 of the Code from an independent adviser which certifies that, in the adviser's opinion, the offer complies with Rule 8(4).

This report has been prepared to meet the requirements of Rule 22 of the Code. The appointment of Northington Partners Limited ("**Northington Partners**") to prepare the Rule 22 report was approved by the Takeovers Panel on 3 November 2011.

2.3 ASSESSMENT APPROACH

Rule 22 of the Code requires that the independent adviser's report certifies that the consideration and terms are fair and reasonable in comparison with the consideration and terms offered for voting securities and as between the classes of non-voting securities. The exact meaning of the words "*fair*" and "*reasonable*" is not prescribed in the Code and there is no well accepted, authoritative New Zealand reference that clearly establishes what should be considered for an assessment of this nature.

Statutory requirements within the Australian market are defined in somewhat more detail. The Australian Securities and Investments Commission has issued a policy statement regarding “Independent Expert Reports to Shareholders”, which sets out some fundamental requirements for a report that is completed in similar circumstances to those relating to this Offer.

According to the policy statement, an offer is “fair” if the value of the consideration to be paid under the offer is equal to or greater than the value of the securities that are subject to the offer. An offer is deemed to be “reasonable” if it is fair. An offer may also be reasonable if it is unfair but where other significant factors mean that the shareholders should accept the offer in the absence of any higher bid before the close of the offer.

We believe that these definitions provide a useful starting point for assessing the fairness and reasonableness of the consideration offered for each class of equity securities under the Offer. Fairness is determined largely from the results of a comparative valuation exercise, while the reasonableness of the Offer is related to a general assessment of a range of other non-price terms that may be relevant in this case.

For this particular assessment, we have adopted the following framework to determine whether the consideration offered for each Tranche of Options is fair and reasonable in comparison to the offer price per share for the Ordinary Shares, and as between the Tranches of Options:

(i) Comparison of the gross consideration offered for all of the voting and non-voting securities is examined on a before investor tax basis.

(ii) The Share Offer Price of $1.85 provides the benchmark for our assessment in relation to the Options. Although we make no attempt to determine whether this Share Offer Price is itself fair and reasonable, the Share Offer Price is the starting point from which we determine the relative fairness of the Offer for each class (i.e. Tranche) of Options.

(iii) That is, we need to determine the underlying fair value of each Tranche of Options, assuming an initial fair value for the Ordinary Shares of $1.85. Our assessment also takes into account the current rules that govern the Option Scheme.

(iv) The assessment then rests on a comparison of the net consideration offered for each Tranche of Options to the underlying fair value of each Tranche of Options.

We believe that the assessment of the Offer terms relating to the Ordinary Shares in comparison to the Offer terms relating to each Tranche of Options is inconsequential in this case. Both the holders of the Ordinary Shares and the Executives will receive cash consideration if the Offer is accepted, and the Offer to each group of stakeholders is effectively contingent on the same set of conditions. On this basis, we conclude that the terms of the Offer are equivalent as between the voting and non-voting securities.

Our overall assessment therefore concentrates on a comparison of the consideration that will be offered for each class of security, based on an examination of the following factors:

- The consideration offered for the Ordinary Shares and each Tranche of Options;
- The differential between the Exercise Price for each Tranche of Options and the Offer price for the Ordinary Shares;
- The current rights of the Executives in relation to the Options, specifically with regard to the circumstances and timing of the conversion into Ordinary Shares; and
- The circumstances under which an Executive’s rights to the Options are relinquished.

We again note that we have not attempted to assess the underlying value of the Ordinary Shares, but have used the Share Offer Price as the benchmark for our assessment of the relativities between the offers for the different classes of securities.

2.4 PRIMARY SOURCES OF INFORMATION

The sources of information that we have relied on in preparing this report are set out in Appendix I.

2.5 LIMITATIONS AND RELIANCE ON INFORMATION

This report is subject to all of the limitations and restrictions set out in Section 5.0. In particular, in preparing this report, Northington Partners has relied on information supplied by BayWa and T&G and has assumed the honesty and accuracy of this information. Northington Partners accepts no responsibility for inaccurate information supplied by BayWa or T&G, or for any failure by BayWa or T&G to provide relevant information.

Our assessment is reliant on a number of key assumptions that have been outlined in this report. Should any of these assumptions not be accurate, then the valuation assessment and our conclusions could be materially affected.

Subject to this limitation, we have obtained all of the information that we consider is necessary for preparing the report.

3.0 TURNERS AND GROWERS EQUITY SECURITIES

3.1 BACKGROUND TO OFFER PARTICIPANTS

BayWa AG is an international trading and services group with headquarters in Munich and locations in 16 countries throughout Europe and the US. It is publicly listed on the Frankfurt Stock Exchange with a market capitalisation of approximately EUR 1 billion.

T&G is recognised as New Zealand's leading distributor, marketer and exporter of premium fresh produce. T&G operates in both domestic and international markets and was listed on the NZSX in 2004. T&G's largest shareholder is the Guinness Peat Group plc, which controls 63.46% of T&G's shares.

3.2 KEY TERMS OF T&G EQUITY SECURITIES

3.2.1 Ordinary Shares

There are currently 117,010,550 Ordinary Shares on issue in T&G. Each Ordinary Share confers on the holder:

(i) The right on a poll at a meeting of shareholders to one vote on each resolution;

(ii) The right to an equal share in dividends authorised by the Board; and

(iii) The right to an equal share in the distribution of the surplus assets of the Company.

3.2.2 Options

T&G authorised the issue of 2,000,000 Options in six Tranches: 1,000,000 Options were granted to the Chief Executive in August 2005 (Tranches 1A to 1C) and a further 1,000,000 Options were granted to other key employees in December 2006 (Tranches 2A to 2C). Since their issue, a total of 296,667 Options have been forfeited from Tranches 2A to 2C in line with the rules of the Option Scheme. As summarised in Table 4 below, a total of 1,703,333 Options remain outstanding as at 9 November 2011.

Table 4: Summary of Options as at 9 November 2011

Tranche	Issue Date	First Exercise Date	Expiry Date	Options Outstanding	Exercise Price
1A	4 August 2005	4 August 2008	4 August 2012	500,000	$2.75
1B	4 August 2005	4 August 2009	4 August 2013	250,000	$2.75
1C	4 August 2005	4 August 2010	4 August 2014	250,000	$2.75
2A	21 December 2006	21 December 2009	21 December 2013	234,446	$2.75
2B	21 December 2006	21 December 2010	21 December 2014	234,444	$2.75
2C	21 December 2006	21 December 2011	21 December 2015	234,443	$2.75
				1,703,333	

Source: T&G/BayWa

Summary of the Share Option Deeds

Each Executive participating in the Option Scheme has an individual Share Option Deed setting out the relevant terms and conditions of the Options. We understand that all the Share Option Deeds for Tranches 2A, 2B and 2C have the same terms and conditions, varying only as to the number of Options granted to a particular Executive. Tranches 1A, 1B and 1C were issued to the Chief Executive and, with the exception of an additional "rights issue" adjustment mechanism and a variation of terms in relation to resignation, have substantially the same terms as the other Options on issue. A summary of the material terms of the Share Options Deeds are set out in Table 5 below.

Table 5: Summary of Material Terms of the Option Scheme

Material Term	Commentary
Initial Exercise Price	$2.75
Payment Terms	No consideration has been paid for the Options. Following exercise, the applicable Exercise Price (adjusted if necessary in the manner described below to take account of any rights issues or reconstruction) must be paid in full on the settlement date.
Notice Requirements	A notice of exercise must be in the prescribed form and must be in accordance with the Securities Markets Act 1988. Options in each Tranche may be exercised individually or in blocks.
Trading	The Options are not able to be traded or transferred to other parties.
Dividend	The Options attract no dividend rights.
Voting	The Options carry no voting rights.
Bonus Issues and Reconstruction Adjustment Mechanism	In the event of a bonus issue of Ordinary Shares, the number of Ordinary Shares issued for each Option on exercise will be adjusted to take account of the bonus issue. In the event of a reconstruction (such as a consolidation or subdivision), the number of Ordinary Shares over which the Options are exercisable will be adjusted on the same ratio with an equivalent adjustment to the Exercise Price.
Cash (Rights) Issue Adjustment Mechanism	In the event of any rights issues (other than the dividend reinvestment plan) the Exercise Price for Options in Tranches 1A, 1B and 1C is adjusted based on a specific formula. There is no equivalent adjustment mechanism for Options in Tranches 2A, 2B or 2C.
Compulsory Acquisition	In the event an entity issues a compulsory acquisition notice, all the Options are able to be exercised at the Exercise Price within ten days of receipt of an acquisition notice by T&G.
Forfeiture & Expiry	▲ Options will expire at the end of the relevant Exercise Period. ▲ In the event of the resignation of the Executive who holds Options in Tranches 1A to 1C, any Options able to be exercised immediately prior to their resignation may be exercised within 6 months of ceasing employment. All other relevant Options are forfeited. In the event of a resignation of an Executive who holds Options in Tranches 2A to 2C, no Options may be exercised by that Executive and they are forfeited. ▲ In the event of death, illness, or redundancy the Board of T&G has limited discretion to allow personal representatives to exercise the Options, and to adjust the Exercise Period of the Options as it deems appropriate.
Ranking of Ordinary Shares	Any Ordinary Shares allotted on the exercise of an Option rank equally in all respects with other Ordinary Shares on issue.

Source: Northington Partners Analysis

Impact of the Issue of Bonus Ordinary Shares on the Option Scheme

Since the first issue date of the Options, T&G has made a number of bonus issues that have an impact on the implementation of the Option Scheme. Table 6 summarises the relevant transactions.

Table 6: Issue of Bonus Ordinary Shares

Date	Description
April 2007	A one-for-five bonus issue in respect of the year ended 31 December 2006.
March 2008	A bonus issue in accordance with T&G's profit distribution plan of 10 cents per share in respect of the year ended 31 December 2007.
April 2010	A bonus issue in accordance with T&G's profit distribution plan of 10 cents per share in respect of the year ended 31 December 2009.
April 2011	A bonus issue in accordance with T&G's profit distribution plan of 6 cents per share in respect of the year ended 31 December 2010.

Source: T&G Annual Reports.

The practical effect of the bonus issues is two-fold: first, under the Option Scheme, an adjustment is made to the number of Ordinary Shares that will be granted if and when each Option is exercised to account for the "dilutionary" impact of the bonus issue on the value of the share underlying the Option. For valuation purposes, there is also a decrease in the effective Exercise Price that is paid for each Ordinary Share issued on exercise of each Option. A summary of the impact of the bonus issues is set out in Table 7.

Table 7: Summary of Ordinary Shares to be Issued on Option Conversion

Option Tranche	Outstanding Options	Bonus Issue Adjustment	Ordinary Shares to be issued on Conversion	Implied Exercise Price Per Share
1A	500,000	202,894	702,894	1.96
1B	250,000	101,447	351,447	1.96
1C	250,000	101,447	351,447	1.96
2A	234,446	95,147	329,593	1.96
2B	234,444	95,147	329,591	1.96
2C	234,443	95,147	329,590	1.96
Total	**1,703,333**	**691,229**	**2,394,562**	**1.96**

Source: T&G, BayWa and Northington Partners Analysis

4.0 VALUATION OF THE OPTIONS

4.1 INTRODUCTION TO THE VALUATION FRAMEWORK

Each of the Options on issue effectively provides an Executive with the right to purchase an Ordinary Share at some time in the future at a fixed price. Because the Executive is not obligated to eventually make the purchase unless it is in their best interest to do so, the Options can be viewed as a variant of a standard call option[1]. An Executive will rationally only choose to convert Options of a particular Tranche into Ordinary Shares if the market price of the Ordinary Shares exceeds the Exercise Price of that Tranche. If the market price is lower than the Exercise Price at the expiry of the Exercise Period, the Executive will obviously choose to let the Options expire by taking no further action.

From a valuation viewpoint, key features of the Option Scheme are as follows:

- All of the Options were issued with the same Initial Exercise Price of $2.75. However, as discussed in Section 3.2.2, the impact of the bonus issues is that the effective Exercise Price for each underlying share that is issued when an Option is exercised is now $1.96; and
- The Options for each Tranche can be exercised, in whole or in part, at any time during the Exercise Period. In option pricing terms, this means that the Options can be characterised as Bermudan options with an exercise window of 4 years.

Because the rights attached to the Options will only have value in the future if the T&G Ordinary Share price exceeds the Exercise Price before the Expiry Date, current value is related to an assessment of the likelihood that the Ordinary Share price will exceed the Exercise Price before the Expiry Date of a particular Tranche. There are a number of mathematical models with which to determine the probability that the Options will have a positive payoff in the future, and which 'translate' that probability into an Option value today. We use some standard models as the basis for our assessment, on the assumption that the underlying T&G shares will continue to trade on the NZSX for the remaining life of the Option Scheme.

Unfortunately, although the analogy between the rights attached to the Options and a standard call option is reasonably strong, the Option Scheme also has some features that are commonly attached to more complex employee share option schemes. These features include the following:

- The rights attached to the Options are not tradeable; and
- Subject to certain exceptions, the rights attached to the Options lapse if the Executive ceases to be a full time employee of T&G.

Option features of this type are more difficult to value than standard equity options for a number of reasons, and mean that the well known Black-Scholes valuation formula is inappropriate. The Black-Scholes model was derived for simple European-style[2] options on a non-dividend paying share, assuming that the option instrument trades in a liquid market and has a relatively short time to maturity (6 – 9 months). Because most of these conditions do not hold for the rights attached to the Options, values derived from the Black-Scholes model are likely to be inaccurate and, in this case, will overstate the underlying fair value.

From a valuation perspective, the key complications relate to the fact that the Options are non-tradeable and are effectively cancelled if the employee leaves the Company prior to the Expiry Date. This type of option is therefore often exercised earlier than is optimal for standard options, thereby reducing the payoff

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[1] A call option provides the holder with the right, but not the obligation, to purchase an asset at a fixed price either during, or at the termination of, a specified future period.

[2] European-style options can only be exercised on the expiration date, while American-style options can be exercised at any time prior to maturity. The rights attached to the Options are American-style, but only after the completion of the vesting period on the First Exercise Date.

that could have been received had the option been retained for the full term. Expected dividend payments during the life of the option also reduce the value because of the corresponding decrease in the value of the underlying share.

Although there are a range of alternative models available that attempt to incorporate the impact of the features of employee share options, implementation is difficult because all alternative models require an extra set of parameters. Unfortunately, appropriate values for the additional parameters cannot be directly observed and there is usually no useful data that can be used to estimate the values.

The usual approach to deal with these issues is to use a standard option pricing model to estimate some benchmark values, initially ignoring the value impacts of the employee option features. Appropriate value discounts to reflect factors such as non-tradability and the potential for forfeiture can then be derived from available empirical studies.

4.2 ASSESSED VALUATION RANGE

Table 8 presents the most important parameters for the benchmark valuation model, along with the selected values.

Table 8: Key Parameters for Benchmark Valuation Model

Parameter	Discussion	Chosen Value
Initial Share Value	Set equal to the Share Offer Price of $1.85.	$1.85
Exercise Price	All Options were issued with an Exercise Price of $2.75. However, pursuant to the Trust Deeds governing the Options Scheme, the effective Exercise Price has been adjusted to account for the impact of pro-rata bonus share issues. For valuation purposes, the current Exercise Price for each Ordinary Share issued on exercise of an Option is $1.96.	$1.96
Volatility	This parameter determines the likelihood that the Ordinary Share price will exceed the Exercise Price prior to Expiry Date. The higher the volatility, the greater the probability that the Option will finish in-the-money, and the greater the current Option value. This parameter cannot be directly observed, and we have based our range on the recent market volatility of T&G share prices. These values are consistent with standard benchmarks for share price volatilities.	35% - 40%
Expected Dividends	In the last two financial years, distributions to ordinary shareholders have been made by way of a profit distribution plan rather than through the payment of ordinary dividends. As discussed in Section 3.2, distributions via the profit distribution plan result in adjustments to the number of Ordinary Shares which the Executives will receive for each Option, effectively protecting the value of the Options from the otherwise detrimental impact of distributions. Without any indication to the contrary, we assume that future distributions will also be made using the same profit distribution plan framework, and that projections of future dividends (for valuation purposes) are set to zero.	Nil
Expiry Dates and Exercise Feature	Each of the allotments of Options within each Tranche has a maturity structure analogous to what is known as a “partial window” option, in that the rights attached to each allotment can only be exercised during a “window” over the full term of the Option Scheme. For example, the rights for the allocated Options under Tranche 2C cannot be exercised until December 2011, and can then be exercised at any time until the Expiry Date for that Tranche in December 2015. However, because it can be shown that it is not optimal to force the early exercise of an Option on a non-dividend paying share, an accurate representation of the maturity structure of this Option Scheme will have no impact on the estimated benchmark value of the Options. We can therefore assume that the Options are only exercisable at the Expiry Date for each Tranche.	Equal to the Expiry Date for each Tranche

Source: Northington Partners Analysis

Given the assumptions made in relation to the effective exercise date and future dividend stream, the theoretical values for the Options can in this case be appropriately determined using the standard Black-Scholes model. These starting values, prior to any allowance for factors such as lack of marketability and the inability to transfer the rights attached to the Options, are set out in Table 9. Prior to making the appropriate adjustments, the presented values represent an absolute upper limit for the actual fair value of each Tranche of Options.

Table 9: Upper Limit for Value of Options

	Benchmark Value Per Option	
Tranche	Low (Volatility 35%)	High (Volatility 40%)
1A	$0.273	$0.317
1B	$0.473	$0.540
1C	$0.629	$0.709
2A	$0.536	$0.608
2B	$0.683	$0.767
2C	$0.815	$0.907

Source: Northington Partners Analysis

Market evidence in relation to valuation discounts for the employee option features of the Options is relatively limited. While there are a number of model adjustments that can be implemented to estimate the impact of vesting requirements, forfeiture provisions, and non-transferability, it is usually not possible to test the validity of the additional assumptions needed to parameterise the models simply because traded prices for this type of option are not available.

Because most of these factors will usually lead the Executives to exercise their rights to take up the Ordinary Shares earlier than appears to be optimal, the simplest adjustment to the standard pricing model involves a reduction in the assumed time to maturity. A reduction in the assumed life of the Option leads to a decrease in the assessed current value of the Option. While this approach is intuitively appealing, there is again no market data from which to determine what the most appropriate reduction in the option term may be in any particular case.

The appropriate valuation discount to apply to the theoretical model prices therefore remains largely a matter of judgement. Although market rules of thumb suggest discounts between 20% and 50% from the values derived from the most appropriate variant of the Black-Scholes model, our analysis suggests that the appropriate discount in this case should be towards the lower end of the range. This conclusion reflects that the provisions governing the application of the Option Scheme provides for some leniency in circumstances where an Executive ceases employment with T&G. While leaving the Company would normally result in a forfeiture of rights under the Option Scheme, the T&G Board does have the discretion to permit an Executive to exercise some of their rights granted under the Option Scheme in circumstances such as retirement, redundancy, illness or death.

On this basis, we have adopted a valuation discount range of between 10% and 20% for the Options. The resulting mid-point of the value range for each Tranche is presented in Table 10.

Table 10: Estimated Fair Value Range for Options

Tranche	Options Outstanding	Low Value per Option	High Value per Option	Mid Point Value per Option	Total Tranche Value[1]
1A	500,000	$0.225	$0.281	$0.253	$126,500
1B	250,000	$0.380	$0.492	$0.436	$109,000
1C	250,000	$0.506	$0.633	$0.569	$142,250
2A	234,446	$0.422	$0.548	$0.485	$113,706
2B	234,444	$0.548	$0.689	$0.619	$145,121
2C	234,443	$0.647	$0.815	$0.731	$171,378
	1,703,333				**$807,955**

[1] Calculated as Options Outstanding x Mid Point Value Per Option. Note subject to rounding.

Source: Northington Partners Analysis

5.0 QUALIFICATIONS, DECLARATIONS AND CONSENTS

5.1 DECLARATIONS

This report is dated 9 November 2011 and has been prepared by Northington Partners at the request of BayWa to fulfil the reporting requirements pursuant to Rule 22 of the Code. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to BayWa for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the security holders of T&G that are subject to the Offer, and Northington Partners consents to the distribution of this report to those people. The engagement terms did not contain any term which materially restricted the scope of our work.

5.2 QUALIFICATIONS

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D, Steven Grant B.Com, LLB (Hons), and Nick Winstone B.Com, LLB (Hons) . Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues. Greg Anderson also has a high level of expertise and extensive experience in valuing complex financial instruments including options, swaps, and hybrid debt and equity securities.

Northington Partners has been responsible for the preparation of numerous Independent Reports in relation to takeovers, mergers, and a range of other transactions subject to the Code and NZX Listing Rules.

5.3 INDEPENDENCE

Northington Partners has not been previously engaged on any matter by BayWa or T&G or (to the best of our knowledge) by any other party to the proposed transaction. None of the Directors or employees of Northington Partners have any other relationship with any of the Directors or substantial security holders of the parties involved in the proposed Offer.

The preparation of this Rule 22 report will be Northington Partners' only involvement in relation to the proposed transaction. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

5.4 DISCLAIMER AND RESTRICTIONS ON THE SCOPE OF OUR WORK

In preparing this report, Northington Partners has relied on information provided by BayWa and T&G. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its Directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

5.5 INDEMNITY

BayWa has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report; except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

BayWa has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

Northington Partners Limited

Greg Anderson
Director

www.northington.co.nz

Appendix I - Sources of Information Used in This Report

Other than the information sources referenced directly in the body of the report, this assessment is also reliant on the following sources of information:

- Share Option Deed dated 4 August 2005 between Turners & Growers Limited and Jeffery Michael Wesley in respect of Tranches 1A, 1B and 1C;
- A Share Option Deed dated 21 December 2006 being representative of the share option deeds of all Executives in respect of Tranches 2A, 2B and 2C;
- Turners and Growers Limited Annual Reports;
- Various emails from Macquarie Capital (New Zealand) Limited relating to the Option Scheme, including details provided to BayWa by T&G on the number of Options currently on issue, as well as the number that have been forfeited and/or converted to Ordinary Shares under the rules of the Option Scheme and the impact of the bonus issues of Ordinary Shares; and
- A copy of the draft Takeover Notice, with the latest version provided on 9 November 2011.