FERRIER HODGSON

CHARTERED ACCOUNTANTS

ENZA LIMITED

INDEPENDENT ADVISER'S REPORT

5 APRIL 2002

INDEPENDENT NEW ZEALAND PRACTICE INTERNATIONALLY AFFILIATED WITH THE FERRIER HODGSON GROUP
LEVEL 16 TOWER CENTRE 45 QUEEN STREET P.O. BOX 982 AUCKLAND 1 NEW ZEALAND
TELEPHONE: 0-9-307 7865 FACSIMILE: 0-9-377 7794

CONTENTS

GLOSSARY

AJC	-	Apple Juice Concentrate
CA	-	Controlled Atmosphere
CAJC	-	Cloudy Apple Juice Concentrate
CJC	-	Carrot Juice Concentrate
EBIT	-	Earnings Before Interest and Tax
EBITDA	-	Earnings Before Interest and Tax, Depreciation and Amortisation
EV	-	Enterprise Value
FAS	-	Free Alongside Ship
FR Partners	-	FR Partners Limited and its subsidiary FRP Orchards Limited
GPG	-	Guiness Peat Group Plc and its subsidiary GPG Orchards Limited
IFS	-	International Fruit Services Limited
NTA	-	Net Tangible Assets
NZAPMB	-	New Zealand Apple & Pear Marketing Board
TCE	-	Tray Carton Equivalent (18 kg)
TFE	-	Tonne Fruit Equivalent

1. INTRODUCTION

ENZA Limited ("ENZA" or "the Company") was formed on 1 April 2000 to take over the business of the New Zealand Apple and Pear Marketing Board ("NZAPMB"). ENZA is a limited liability company where ownership of its shares were originally restricted to pipfruit growers. This was changed at its Annual General Meeting on 12 February 2002.

In July 2001, Guiness Peat Group Plc, through its subsidiary, GPG Orchards Limited, (together referred to as "GPG") and FR Partners Limited, through its subsidiary FRP Orchards Limited (together referred to as "FR Partners"), each acquired 19.99% stake in ENZA.

On 20 March 2002, GPG announced it had reached a conditional agreement with FR Partners to buy its stake in ENZA for $1.20 per share and as required under the Takeovers Code announced its intention to make an offer to buy 100% of ENZA at the same price.

The independent directors of ENZA, being the directors of the Company not associated with either GPG or FR Partners, have requested Ferrier Hodgson & Co ("Ferrier Hodgson") to prepare an independent adviser's report in accordance with Rule 21 of the Takeovers Code. Our appointment as independent adviser has been approved by the Takeovers Panel, in accordance with the Panel Policy on the Approval of Independent Advisers. Our report sets out the following information:

a. an overview of the current status of ENZA including a review of its financial reports;

b. a valuation of ENZA; and

c. an evaluation and opinion on the merits of the offer.

INFORMATION

The sources of information, to which we have had access to and to which we have relied upon, are set out in Section 8 of this report.

RESTRICTIONS

This report should be read in conjunction with the statements and declarations set out in Section 9 regarding our independence, qualifications, general disclaimer and indemnity and the restrictions upon the use of this report.

2. SCOPE OF REPORT

GPG has given notice pursuant to Rule 41 of the Takeovers Code of its intention to make a full offer to acquire all the voting securities of ENZA not already held by GPG.

Rule 21 of the Takeovers Code states that the directors of a target company must obtain a report from an independent adviser on the merits of an offer. The Takeovers Code requires an independent adviser to report on the merits of an offer, but the Code does not set any parameters as to assessing those "merits", other than to note that a report on the "merits" is not just a valuation: it needs to have a much broader focus.

Our report therefore assesses whether the offer and associated terms and conditions are "fair" to the holders of the voting securities to which the takeover notice applies.

There is no statutory definition of "fair" in New Zealand law.

Guidance Note Number 10, issued by the Institute of Chartered Accountants of New Zealand, titled "Guideline on Independent Chartered Accountants Reporting as Experts to Shareholders", states:

> *"... the expression of an opinion as to fairness will generally involve an assessment as to whether a transaction or proposal is just, impartial and equitable".*

Furthermore, the Australian Securities and Investment Commission Policy Statement 75 defines an offer as "fair" if the value of the offer consideration is equal to or greater than the value of the securities that are the subject of the offer. The Policy Statement requires the comparison of values to be made assuming 100% ownership of the target entity.

For the purposes of this report, we have assessed whether the consideration set out in the takeover notice is fair by comparing the value of the consideration to our assessment of the current "fair market value" of 100% of the voting securities of ENZA.

We define "fair market value" as:

> *"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious buyer, and a knowledgeable, willing but not anxious seller, both acting at arms length".*

This report has been prepared for the benefit of the independent directors and ultimately the shareholders of ENZA to assist them in considering whether the consideration and terms and conditions of the offer are fair.

Ferrier Hodgson notes that each shareholder's circumstances and investment objectives are unique. Accordingly, it is not possible to advise what action each shareholder should take in response to the offer. Ferrier Hodgson's advice and opinions are necessarily general in nature and are intended to assist the shareholders to form their own opinions as to what action they should take in the circumstances.

This report should not be used for any other purpose without Ferrier Hodgson's prior written consent.

3. BACKGROUND

3.1 PIPFRUIT INDUSTRY

New Zealand started exporting apples in 1910 when 5,650 cases were exported. In 1916 growers formed the New Zealand Fruitgrowers' Federation in order to "foster, promote and protect the fruit industry."

During the Second World War, Britain considered meat and dairy produce more essential to the war effort than fruit, causing serious problems for New Zealand's fruit growers as nearly 50% of the crop was exported. The Government therefore undertook to buy the whole crop and take responsibility for finding a market for it.

In 1946, the New Zealand Apple and Pear Marketing Board ("NZAPMB") was formed as the sole agency responsible for exporting apples and pears, lasting until 2000.

On 1 April 2000, as a result of the Apple and Pear Industry Restructuring Act 1999, the NZAPMB became ENZA Limited, a company with shareholders restricted to growers. The maximum holding of any one entity was restricted to less than 20%. A new constitution adopted at ENZA's annual general meeting on 12 February 2002 meant both of these shareholding restrictions were removed.

For the year ended 30 June 2001, turnover in New Zealand's horticultural industries was valued at $3.7b, with 43% coming from fruit (fruit exports, either fresh or processed, accounting for $1.2b, household purchases accounting for $0.4b). Apples represent 17% of New Zealand's horticultural exports, with export sales in 2001 of $339m. In 2001, the New Zealand crop was 486,000 tonnes, with 280,000 tonnes (57.6%) exported. The domestic market consumed around 54,000 tonnes of fresh apples and the balance of the crop was processed.

There are approximately 14,000 hectares of apples planted in New Zealand, spread across approximately 1200 growers. The two major growing areas are Hawke's Bay (53% of crop) and Nelson (40% of crop). Otago accounts for most of the remainder.

The largest variety by volume is Braeburn at 35% of the crop, followed closely by Royal Gala at 33% of the crop. The next two main varieties are Fuji at 9% and Pacific Rose™ at 6%. Pear volumes are much smaller and dominated by the export varieties of Buerre Bosc, Doyenne de Comice and Taylors Gold.

3.2 INTERNATIONAL MARKET [1]

The table below shows world apple production by region:

Table 3.1: World Apple Production by Region (thousand tonnes)		
Region	**Average 1997-99**	**Preliminary 2000**
Europe (exc FSU)	13,703	13,984
North America	5,888	5,794
South America	3,067	3,371
Africa	1,588	1,674
Oceania (2)	890	825
F.S.U. (1)	3,920	2,879
China	19,177	22,890
Other Asia (exc FSU)	9,171	9,211
World	57,404	60,628

Source: World Apple Review, 2001 Edition; Belrose Inc.

(1) F.S.U: Former Soviet Union
(2) Australia and New Zealand

China continues to be the dominant contributor to the increase in world apple production. Between 1997 and 2000 Chinese apple production increased from 17.3 million tonnes to 22.9 million tonnes. China's production increase over that period was equal to the entire 2000 production of apples in North America. Apple production in the rest of the world fell slightly.

The following table shows the major international flow of fresh apples by listing the top 10 exporters and top 10 importers by volume.

Table 3.2: Exporters/Importers by Volume						
	Exporters			**Importers**		
Rank	**Country**	**1998 (tonnes)**	**1999 (tonnes)**	**Country**	**1998 (tonnes)**	**1999 (tonnes)**
1	France	766,207	717,772	Germany	707,763	725,206
2	U.S.	582,234	638,926	U.K.	460,369	449,492
3	Chile	575,601	521,715	Russian Fed	358,758	162,145
4	Italy	540,138	569,239	China *	252,645	260,310
5	Netherlands	338,901	434,006	Belg-Lux	248,411	232,541
6	Belg-Lux	335,470	408,823	Netherlands	235,922	338,814
7	New Zealand	291,720	362,183	U.S.	141,971	164,167
8	S Africa	242,000	250,816	Spain	132,909	213,317
9	Argentina	227,520	182,154	Brazil	126,186	66,377
10	Iran	190,000	157,857	Canada	115,278	121,294
	Top Ten	4,089,791	4,243,491	Top Ten	2,780,212	2,733,663
	Total World	5,176,391	5,329,881	Total World	4,506,625	4,768,967
	(Top Ten %)	79.0	79.6	(Top Ten %)	61.7	57.3

Source: World Apple Review, 2001 Edition

Not only is New Zealand in the top 10 exporters by volume, it has the advantage along with Chile, South Africa and Argentina of exporting into Europe, United Kingdom and USA in those countries' off-season.

[1] Source: World Apple Review, 2001 Edition; Belrose Incorporated, USA

The table below shows the average prices for fresh apples achieved by exporter for 1998 and 1999.

Table 3.3: Average Prices for Fresh Apples (US$ per tonne)		
Country	**1998 ($/t)**	**1999 ($/t)**
France	637.63	584.38
U.S.	601.91	582.93
Chile	405.56	497.21
Italy	479.09	475.65
Netherlands	550.55	494.20
Belg-Lux	712.01	504.93
New Zealand	699.59	756.63
S Africa	514.34	390.42
Argentina	519.04	525.28
Iran	157.89	105.25
Top Ten	546.07	524.86
World Total	514.06	498.65

Source: World Apple Review, 2001 Edition

This table clearly shows that New Zealand has been able to secure a premium price for its fruit.

3.3 DEREGULATION IN NEW ZEALAND

The Apple and Pear Industry Restructuring Act and associated regulations introduced significant change to the New Zealand pipfruit industry.

Prior to 2001, NZAPMB held a statutory monopoly right and obligation to export New Zealand pipfruit. For the 2001 season, ENZA took over the operating functions of NZAPMB and a newly constituted New Zealand Apple and Pear Board assumed a regulatory role. A separate body, the Apple and Pear Export Permit Committee, was empowered to authorised the export of fruit independently from, but in a complementary fashion, to ENZA.

In the new environment, ENZA faced a number of regulatory constraints which were aimed at limiting its regulatory monopoly position and attempting to stimulate competition in the domestic industry. These restraints were:

1. a prohibition on acquiring fruit prior to Free Alongside Ship ("FAS");
2. selling no more than 200,000 tray carton equivalent ("TCE") of fruit domestically;
3. restrictions on diversifying the business;
4. not being able to discriminate between grower suppliers other than on normal commercial matters such as variety type, grade, etc; and
5. a requirement to operate its logistics business on an arms length basis, with its own separate management structure.

The requirement to operate its logistics business on an arms length basis was to create a competitive environment where the private sector could invest in coolstore facilities, and to prevent cross subsidisation of ENZA's activities.

For the 2001 export season, the Export Permit Committee issued export permits for 5 million Tray Carton Equivalents of fruit to independent exporters, where those parties were able to show that they were not competing directly with ENZA but developing new markets or market segments.

In May 2001, the Minister of Agriculture announced his intention to further restructure the pipfruit industry by fully deregulating it with effect from 1 October 2001 (i.e. for the 2002 season).

For the 2002 season, ENZA is expecting to export around 60% of the export volume. ENZA advise that there are up to 53 other entities exporting or looking to export pipfruit this season. However only a small number of these are exporting significant volumes. Major competitors are expected to be:

Turners & Growers
Yummy
SAFE
Fresh New Zealand
Mr Apple
Freshco
D M Palmer

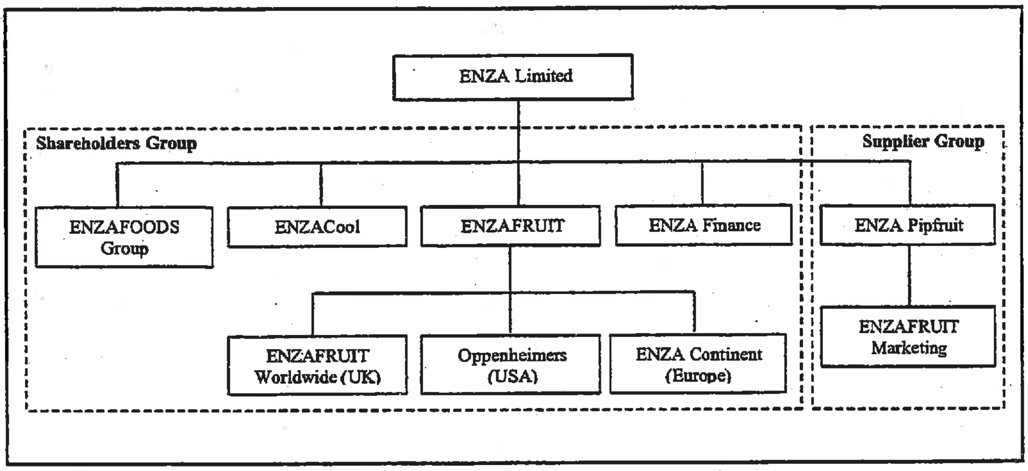
The New Zealand domestic market makes up a further 3,000,000 TCE. Process grade fruit makes up the balance of the total crop.

4. COMPANY PROFILE

4.1 COMPANY STRUCTURE

Set out below is a simplified company structure showing the main operating businesses of the group.

Figure 4.1: Organisation Structure



Following the deregulation of the industry, there needed to be a formal split between the interests of the suppliers and the shareholders, thus the creation of the operating structure represented above. The "Supplier Group" structure is made up of the legal entities, ENZA Pipfruit Limited and ENZAFRUIT Marketing Limited. These two companies enter into contracts with suppliers and buy the fruit, incur all supplier costs and sell the fruit.

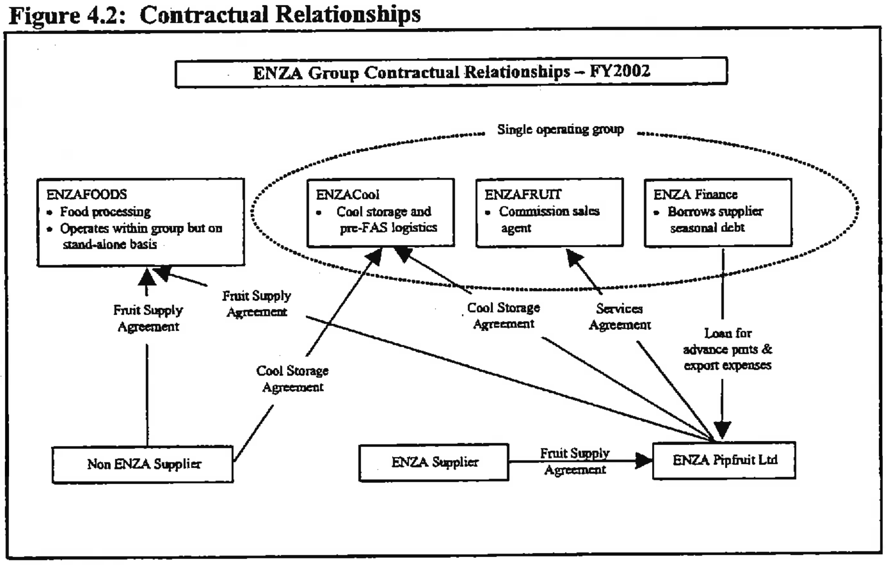
ENZA earns its income by charging the suppliers of pipfruit a commission for selling the fruit (the In-Market Commission) and a commission for providing services from FAS to the market e.g. shipping and insurance (referred to as the FAS Commission). All direct costs are charged to the suppliers and are met from the proceeds of fruit sales prior to any final payout to suppliers.

ENZA Finance Limited has arranged a seasonal bank facility of NZ$125 million which is drawn down by ENZA Finance and on-lent at market rates to the Supplier Group entities to make progress payments to suppliers and meet direct supplier costs such as shipping. The facility is secured against the fruit owned by the Supplier Group, and the facility must be repaid in full before the final payments are made to suppliers. At the end of each season all revenues less costs are paid out to suppliers. As such there are no retained earnings or dividends paid to ENZA.

4.2 CONTRACTUAL RELATIONSHIPS

The following diagram illustrates how the various entities, being ENZA, suppliers and non-supplier growers, contract with each other.

Figure 4.2: Contractual Relationships



4.3 ENZACool

ENZACool is the vehicle by which ENZA offers cool storage and Controlled Atmosphere Storage ("CA") to its suppliers and other non-ENZA growers. Following deregulation, the ENZACool group of companies has been amalgamated and now operates as an integrated business under ENZA Limited. ENZACool operates in both the North and South Island and comprises the following principal assets:

Table 4.1: Breakdown of Cool Store Capacity

Location	Capacity (TCE)	Owned/Leased
Williams St, Hastings	1,366,936	Owned
Apollo Coolstores, Hastings	952,850	Leased
Whakatu Coolstores, Hastings	2,093,713	Owned
Spring Creek (currently for sale)	95,501	Owned
405 Nayland Rd, Nelson	1,151,500	Owned
455 Nayland Rd, Nelson	629,314	Leased
Fryatt St, Port of Dunedin	377,986	Owned
Ettrick, Central Otago	111,148	Owned
Total TCE Capacity	6,778,948	

Storage facilities offer standard air storage and controlled atmosphere storage facilities.

Increased competition and recent smaller than expected crops have seen a reduction in turnover through the coolstores. This has, however, been partly countered through operating cost reductions.

To help reduce downtime during out-of-season periods in what is essentially a fixed cost business, ENZACool has been developing services to businesses outside of the pipfruit industry, specifically looking at dairy and fishing exporters.

ENZA's capacity was historically targeted for peak capacity equivalent to nearly the total New Zealand crop. However, from 2002 ENZA is expecting to handle around 60% of the total crop and as a consequence has excess capacity. ENZA is developing a strategy for shedding surplus capacity, including converting some cool stores to cold stores.

4.4 ENZAFOODS GROUP

The ENZAFOODS Group, which is also known as the ENZA Commercial Holdings Group, is comprised of three companies:

- ENZA Commercial Holdings Ltd;
- ENZAFOODS NZ Ltd (100% subsidiary of ENZA Commercial); and
- ENZACOR Pty Ltd (100% subsidiary of ENZA Commercial).

ENZAFOODS' New Zealand business operates in two locations: Hastings and Nelson, and produces a range of processed products including but not limited to:

- apple juice concentrate ("AJC")
- apple solids
- kiwifruit juice
- cloudy apple juice concentrate ("CAJC")
- pear concentrates
- apple aromas
- blackcurrant juice
- boysenberry juice
- carrot juice

Of these commodities, AJC is by far the main focus of ENZAFOODS. ENZAFOODS exports worldwide and is a major supplier of AJC to local juice companies in New Zealand such as Frucor Beverages.

AJC average prices "appear to have moved in cycles of four to five years duration"[1] and appear currently to be at or around the bottom of the cycle. This appears to be largely as a result of international oversupply and new entrants with discounted product. Over the past five years total world apple production has increased by over 20% (about 9 million tonnes), with most of this growth coming from China. Chinese production of AJC this year is forecast to reach 1.6 million tonne fruit equivalent ("TFE"), up from 1.3 million last year, resulting in ongoing downward pressure on AJC prices.

[1] World Apple Review, 2001 Edition, Belrose Inc.

The combined operation consists of three plants, one juice concentrate plant in Hastings, one juice concentrate plant in Nelson and one fruit solid plant in Nelson. Permanent staff number 82 with peak seasonal staff of around 220.

ENZACOR Pty Ltd, trading as Fruitmark, is an Australian based operation also operating in the fruit juice and fruit pulp market. A large percentage of its business is taking New Zealand product and on-selling into the Australian market. It also sells and markets a range of dehydrated fruit and orange juice concentrate.

ENZAFOODS continues to look at market development through niche markets and the apple solid segment. There is also increased focus on new product development and presentation and the introduction of new technologies to improve efficiencies.

4.5 ENZAFRUIT

ENZAFRUIT is the trading name of ENZA Limited and also refers to its main operations of procuring, marketing, and distributing pipfruit for growers.

To assist in this function, ENZAFRUIT has a number of subsidiary companies. These include International Fruit Services Limited ("IFS") which arranges all international freight for the movement of fruit. IFS is 67% owned by ENZAFRUIT.

ENZAFRUIT has international affiliates in the United States, Europe and United Kingdom to facilitate sales and distribution. This includes a 50% shareholding in ENZAFRUIT Worldwide Limited and a 15% shareholding in David Oppenheimer & Co. ENZAFRUIT Worldwide is a joint venture with United Kingdom based food and produce wholesaler, Geest Plc. ENZAFRUIT Worldwide has also entered into marketing arrangements with Northcourt Group which has traditionally marketed around half of the United Kingdom pipfruit production in New Zealand's off season. This allows ENZAFRUIT Worldwide to offer 12 month supply to supermarket customers.

In addition, ENZAFRUIT provides stepped, upfront advance payments to suppliers for products to be sold on behalf of the suppliers until the final price is established.

The role of ENZAFRUIT is to secure supply from suppliers and facilitate sale of the fruit on the international market. This is a complete "one stop shop", organising all marketing, freight, storage, etc.

Revenues for ENZA consist of two forms of commission charged to ENZA suppliers. The first is known as the In Market Commission which is based on the In Market revenues and represents a commission for selling the fruit. The second commission is known as the FAS Commission and is based on the FAS value of the fruit. This commission is for all services provided by ENZA to ENZA suppliers for organising the shipping of the fruit and all other associated logistical operations.

4.6 CAPITAL STRUCTURE

ENZA has 60,000,000 fully paid up shares on issue. This is distributed amongst 1,092 holders as at 2 March 2002. The top 10 shareholders are listed below:

Table 4.2: Top 10 Shareholders as at 2 March 2002

	No. of Shares	Percentage Holding
FRP Orchards Limited	11,999,999	19.99%
GPG Orchards Limited	11,999,000	19.99%
Latimer Holdings Limited	1,968,772	3.28%
C A J van der Voort & E M van der Voort	924,255	1.54%
Alandale Orchards Limited	420,246	0.70%
Woods Orchards Limited	397,290	0.66%
Wai-West Horticulture Limited	396,471	0.66%
William John Edmund Lynch	359,333	0.59%
Waimea Orchards (Richmond) Limited	357,144	0.59%
Tollemache Orchards Limited	353,613	0.59%
	29,176,123	48.59%

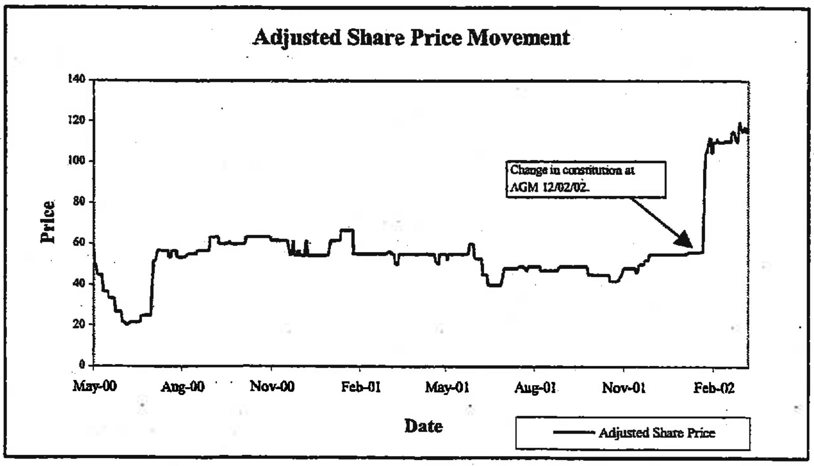
Table 4.3 below shows the distribution of the shareholders:

Table 4.3: Analysis of Shareholding as at 2 March 2002

	Shareholders		Total Shares Held	
	Number	%	(000's)	%
Under 5,000	341	31.23	664	1.11
5,000-9,999	143	13.10	1,014	1.69
10,000-99,999	527	48.26	17,742	29.57
100,000-999,999	78	7.14	14,612	24.35
Over 1,000,000	3	0.27	25,968	43.28
	1,092	100.00	60,000	100.00

We note from the above distribution that 97% of the equity is held by 608 parties and 68% of the total equity is held by only 81 parties.

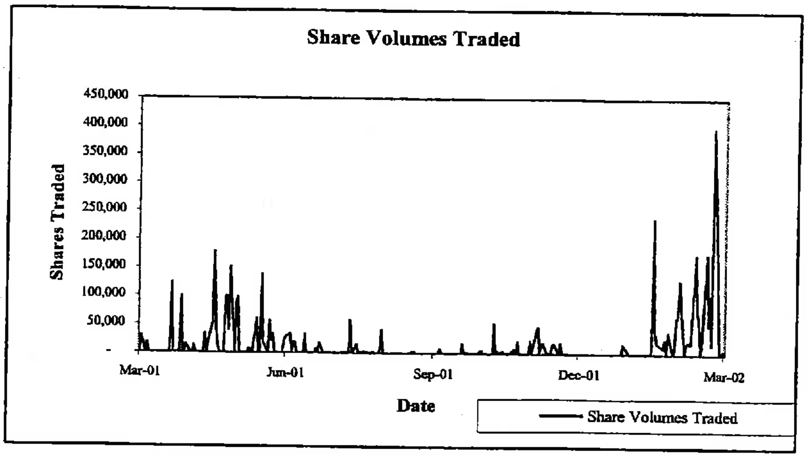
Figure 4.4: Adjusted Share Price



The share price above has been adjusted to account for the 3 for 1 share split that occurred in February 2001. At the Annual General Meeting on 12 February 2002, the shareholders approved the adoption of a new constitution which, among other things, removed the restriction that only pipfruit growers could be shareholders. With this restriction lifted, the share price increased within a few days from around 56¢ per share to in excess of $1.10 per share.

The weighted average share price from 14 February 2002 to 19 March 2002, the period immediately prior to the announcement of the takeover offer, was $1.10 per share, with 1,067,000 shares traded (2% of total shares). Based on an offer of $1.20 per share, the takeover offer premium is 10¢ per share or 9% over the marginal retail price, being the normal daily price, attracting no premium for control.

Figure 4.5: Share Volumes Traded



We note that the increase in volume in February and March this year corresponds to the period post the adoption of the new constitution, which allowed non-pipfruit growers to become shareholders.

5. FINANCIAL ANALYSIS

Table 5.1: Statement of Financial Performance - Group

As at 30 September	2000 Actual ($000's)	2001 Actual ($000's)	2002 Budget ($000's) *(see 1 below)*
Net Operating Revenue	758,976	640,565	472,540
Expenses	(726,179)	(601,222)	(448,066)
EBITDA	**32,797**	**39,343**	**24,474**
Depreciation	(9,138)	(17,938)	(16,176)
EBIT	**23,659**	**21,405**	**8,298**
Finance Costs	(12,566)	(9,249)	(4,118))
Non-recurring Items	(48,638)	(29,019)	-
Operating Surplus/(Loss) Before Taxation	(37,545)	(16,863)	4,180
Provision for Tax	279	(4,550)	-
Operating Surplus/(Loss) After Taxation	(37,266)	(21,413)	4,180
Earnings of Associated Companies	(600)	1,041	
Net Surplus/(Loss)	(37,866)	(20,372)	4,180

Note1: 2002 figures above are based on ENZA's 2002 budget adjusted by Ferrier Hodgson to reflect sensitivities to FX rates. The FX rates adopted are an average of forecasts by leading New Zealand banks.

Whilst the result for 2001 shows a $20m loss, there were a number of large one-off losses including the shareholder settlement on foreign exchange losses of $20.9 million, nearly $2.5 million in one-off compliance costs, $2 million of relocation costs and a write-off of the Company's remaining exposure to its Chilean investments of $3.6 million.

Growers have also seen increased returns with an increase of 20% on the 2000 year's $16.49 return per TCE to a figure of $19.83 per TCE in 2001.

Table 5.2: Statement of Financial Position - Group

As at	30-Sept-00 Actual ($000's)	30-Sept-01 Actual ($000's)	30-Sept-02 Budget ($000's)	31-Dec-02 Forecast ($000's)
Assets Employed				
Current Assets	150,547	110,181	49,048	40,083
Non-current Assets	95,907	82,497	78,507	77,309
Total Assets	246,454	192,678	127,555	117,392
Financed By				
Current Liabilities	116,289	80,348	10,988	11,033
Non Current Liabilities	35,053	34,988	35,045	35,000
Equity	95,112	77,342	81,522	71,359
Total Liabilities and Shareholders Funds	246,454	192,678	127,555	117,392

ENZA has resolved to move its financial year end to 31 December, as this more accurately reflects the off season state of the business. For the three months from 1 October 2002 to 31 December 2002, ENZA will incur net expenditure in the order of

$10.2 million. This is normal expenditure for this period as ENZA has ongoing operating costs but no revenue. This will result in a one-off diminishment of shareholders funds. The forecast equity ratio for 30 September and 31 December is 64%.

Table 5.3: Statement of Cash Flows

As at 30 September	**2000 Actual ($000's)**	**2001 Actual ($000's)**	**2002 Budget ($000's)**
Cash Flows from Operating Activities			
Cash was Provided From:	775,034	675,199	472,540
Cash Disbursed:	763,566	621,875	452,284
Net Cash From Operating Activities	11,468	53,324	20,256
Cash Flows from Investing Activities	606	2,610	-
Cash was Applied to:			
Cash Outflow for Fixed Assets	11,808	5,663	11,613
Net Cash from Investing Activities	(11,202)	(3,053)	(11,613)
Cash Flows Used in Financing Activities	290,123	184,100	184,100
Cash was Applied to:	300,048	199,108	184,100
Net Cash Used in Financing Activities	(9,925)	(15,008)	-
Net Increase in Cash Held	(9,659)	35,263	8,643
Add Opening Cash Brought Forward	1,858	(7,801)	27,462
Ending Cash Carried Forward	(7,801)	27,462	36,133

6. VALUATION

In general terms, it is recognised that the value of a share or interest in an entity represents the present value of the net cashflow expected from that investment. Cashflows can be in the form of either dividends and share sale proceeds or a residual sum from the liquidation of the business.

In determining value, the following usual methods are considered:

Discounted Cashflows

This method requires a formal business model and discounts free cashflows after excluding depreciation and allowing for expenditure on capital items. As a prerequisite, it requires long term forecasts. This approach is particularly suitable where the future performance of a company is likely to be significantly different from its past performance or where cashflows are expected to fluctuate substantially over time, due to major capital expenditure or for other reasons.

Capitalisation of Earnings

This method is a proxy for discounted cashflows. The method requires an assessment of the maintainable profit stream (normally at the operating level - EBITDA or EBIT) of the company, together with the determination of a rate of return relative to that particular business for the purpose of capitalising the maintainable earnings amount. This approach is normally applied when valuing large or controlling interests in a company, where the purchaser has an element of control over the level of gearing of the entity. The capitalisation of earnings approach is most readily applied when the historical earnings pattern of a company is sufficiently stable, and future earnings are predictable.

Capitalisation of Dividends

This method requires an assessment of the maintainable dividends, together with the determination of a dividend yield appropriate to that business for the purpose of capitalising the maintainable dividend. This approach is normally applied when valuing small or minority shareholdings.

Net Asset Value

This method requires an assessment of the realisable value of the Company's assets and liabilities, together with the expenses and losses (including taxation) that would be incurred if a break up or liquidation of the Company were a possibility.

Industry Rules of Thumb

Industry rules of thumb are sometimes used in particular industries. These rules of thumb may offer a secondary market based approach to test values determined according to a capitalised earnings or discounted cashflow method. In certain instances, they may provide the primary basis according to which the market determines value. As such, industry rules of thumb must be considered where appropriate.

6.1 METHOD OF VALUATION

Generally the preferred method of valuation is the discounted cashflow method. However in circumstances where the industry, and therefore the business, is undergoing dramatic adjustments due to deregulation it is impossible to project reliable ongoing cashflows.

Where reliable cashflow forecasts are not available the appropriate valuation methodology is the capitalisation of earnings approach. In using this approach, we are assuming that the base earnings amount to be capitalised represents the annuity that the business will generate in perpetuity. This value is then capitalised by an appropriate multiple to determine the Enterprise Value ("EV") of the business. The EV represents the total value of the business, so the market value of net debt must be subtracted to calculate the value of equity.

An appropriate multiple is typically determined by reference to comparing the actual multiples observed for listed companies comparable to the entity being valued. These multiples then need to be considered in the context of the valuation. The observed multiples may be of companies that are not direct comparisons and they are often in different markets such as United States of America or Europe where the differences in the capital markets affect the observed multiples. A third factor which needs to be accommodated is that the multiples will be for normal share trading of marginal retail sales, and will not reflect any premium for control. Control premiums can be observed from comparable takeover prices, but it can be difficult to identify multiples reflecting premiums for control in companies in the same sector or industry. Premiums for control have been observed to be in the order of 20% to 30% of the share price in the period prior to the takeover offer being announced.

6.2 CAPITALISATION MULTIPLES

In determining the valuation of ENZA, we have identified the following international fruit and produce distributors and processors as comparable companies for our analysis.

Table 6.1: Comparable Company Analysis

Company	Market Cap. (local currency)	Market Cap. NZD(m)	Net debt	EV	Actual EBITDA	Forecast EBITDA	Actual EV/ EBITDA	Forecast EV/ EBITDA
United States								
Dole Food Company	1742.2	3959.5	475.0	2217.2	315.5	n/a	7.0	n/a
Fresh Del Monte Produce Inc	1060.2	2409.5	334.0	1394.2	226.4	231.4	6.2	6.0
United Kingdom								
Albert Fisher Group Plc	32.4	108.0	93.0	125.4	24.7	23.9	5.1	5.2
Geest Plc	558.7	1862.4	60.0	618.7	60.4	69.1	10.2	9.0
New Zealand								
Turners & Growers	77.2	77.2	15.7	92.9	21.2	n/a	4.4	n/a
AVERAGE							**6.6**	**6.7**
AVERAGE (excl. Geest)							**5.7**	

** source Bloomberg, Broker reports, Company Announcements*

Table 6.2: Comparable Transactions					
Date	Target	Acquirer	EV	EBITDA	EV/EBITDA
May 2001	Acquisition of a 55% shareholding in Cedenco Foods Ltd	SK Foods International	25.1	4.6	5.4

source: Company Reports

6.3 NET TANGIBLE ASSET VALUE

The audited financial statements for the year ended 30 September 2001 show net book value of shareholder equity at $77.3 million. With 60 million shares on issue, this represents a Net Tangible Asset ("NTA") backing of $1.29 per share.

However, there are two items which need to be adjusted to determine an appropriate NTA for ENZA.

Fixed assets include a capitalised value for the SAP project of $14.86 million, which we believe should be deducted as this asset is being written off by ENZA. This would leave an NTA of $1.04 per share.

The notes to the accounts state that Government Valuation of land and buildings, including leasehold improvements is $64.9 million compared to a book value of $33.6 million.

We have reviewed independent property valuations undertaken by Rolle Limited, dated November 1998, for the major buildings owned by ENZA.

Table 6.3: Rolle Limited 1998 Property Valuations		
	Value	
Location	Going Concern ($'000)	Alternate Use ($'000)
Andersons Road, Whakatu	24,500	8,200
Whakatu Coolstores, Hastings	23,600	9,725
405 Nayland Road, Nelson	30,800	7,640
Spring Creek (alternate use value)	500	500
Fryatt Street, Port of Dunedin	6,575	1,720
Ettrick, Central Otago	2,750	530
	88,725	28,315
2002 Cold Store Alterations (at cost as advised by ENZA)	2,400	2,400
Belgium owned property (value as advised by ENZA)	1,700	1,700
	92,825	32,415

If we adopt the going concern value for land and buildings, and write off the SAP asset value, we derive an NTA of $2.00 per share.

The alternate use value of $32.4 million is consistent with ENZA's book value and the book value NTA of $1.04, after adjusting for the SAP write off.

The Rolle Limited valuation can be viewed at the Company's premises.

6.4 GOING CONCERN VALUE

Ferrier Hodgson values the equity in ENZA in the range of $65 million to $85 million. With 60.0 million shares on issue, this equates to a value of between $1.08 and $1.42 per share.

This valuation range implies the following multiples for the operating results:

Table 6.4: Multiples Implied by Valuation		
Multiple	**Low Value**	**High Value**
EBITDA Multiple - 2002 forecast	4.1	4.9
EBIT Multiple[1] - 2002 forecast	6.3	7.6

[1] to "normalise" the EBIT multiple, we have removed the SAP software depreciation.

The implied multiples from our valuation are consistent with the observed multiple for Turners & Growers, but less than the multiples observed for the other entities such as Dole, Fresh Del Monte and Geest. We believe this is valid as ENZA is a significantly smaller entity with substantial exposure to foreign exchange and commodity price risks.

6.5 VALUE OF TAX LOSSES

The accumulated taxable losses are currently $26.7 million (tax effect $8.8 million). This is an asset of ENZA to the extent that it shelters future assessable income and can be utilised against future profits. However these losses can only be retained by ENZA if there is a minimum of 49% continuity of shareholders from the time the losses were incurred until the losses are utilised against future assessable income.

We have been advised that if GPG acquires a majority shareholding (50.1% or greater) of ENZA then any tax losses, incurred prior to August 2000 and not utilised at the time of the takeover, will be lost. We understand that these taxable losses are up to $15.7 million. If GPG acquires approximately 70% or more of ENZA (depending upon other shareholder changes) then all of the accumulated tax losses, not utilised at the time of the takeover, will be forfeited.

We have calculated a present value of the current accumulated losses to the extent that they do shelter income for the current shareholders over the next four to five years. We have assessed the present value at between $5.3 and $5.9 million, compared to a face value of $8.8 million. This equates to 9 cents to 10 cents per share.

7. SUMMARY AND OPINION

Based on the earnings potential of ENZA, and taking into account the uncertainty surrounding the newly deregulated state of the industry, we have assessed the value of ENZA as:

TABLE 7.1 - Valuation Summary	Low $m	High $m
Total value of operating business	100.0	120.0
Value of tax losses	5.3	5.9
Less Core Debt	(35.0)	(35.0)
Net Value of Equity	70.3	90.9
Shares on Issue	60.0	60.0
Value Per Share	1.17	1.52

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 take consideration of issues wider than just the valuation.

Based on our assessed valuation range of $1.17 to $1.52, the offer is within our valuation range but at the low end.

In assessing the merits of the offer, there are a number of legal and commercial issues to consider.

GPG currently owns 19.9% of ENZA, the maximum level of ownership allowed without moving to acquire a controlling stake (i.e. more than 50%). GPG has entered into a conditional contract to buy FR Partners' 19.9% stake for an agreed price of $1.20. Given FR Partners' knowledge of ENZA, we can only assume that they consider this to be a fair price based on their investment criteria, their commitment of resources to ENZA and their alternative investment opportunities. If GPG are successful in acquiring a further 10.3% from other shareholders, then GPG will have secured effective control of the Company.

The Takeovers Code allows entities which own greater than 50% of a business to increase their holding in that entity in one of two ways:

1. to "creep" by a maximum of 5% per annum; and

2. to make an offer to all shareholders for a pro-rata share of all or any percentage of the shares outstanding.

This means that GPG has effectively paid the "premium for control" and can continue to acquire further shares in the future without having to necessarily offer any further premiums.

If GPG does not acquire a further 10.3% of the issued shares in order to pass the 50% threshold, it cannot, without the passing of a special resolution of shareholders, acquire the shares of FR Partners. This will leave the Company with the two shareholders retaining, in the short term at least, their respective holdings.

If FR Partners cannot sell to GPG then either it must find an alternative buyer for the parcel, seek to sell the parcel to a number of buyers, or remain a shareholder of ENZA.

We have noted that some of the tax losses will be forfeited if GPG acquires 50.1% or more of the shares in ENZA and all the tax losses will be forfeited if it acquires 70% or more. In these circumstances the value of the losses are lost to those shareholders who remain shareholders of ENZA but are captured in the offer price of $1.20, by those who accept the offer.

GPG has a conditional acceptance for 19.9% of the shares, which with their existing holding gives them 39.8% of the Company. If they acquire a further 10.3% they will have a secured effective control of the Company. Given their position, and that the offer price is within our valuation range, we consider the offer is fair.

8. SOURCES OF INFORMATION

8.1 SOURCES OF INFORMATION

The statements and opinions expressed in this report are based on the following main sources of information.

During the course of preparing this report, Ferrier Hodgson has had discussions with and/or received information from the management and independent directors of ENZA.

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

- ENZA Ltd Financial Report 1999, 2000, 2001
- ENZA Management Reports, including information on:
  - ENZAFOODS
  - ENZA Finance
  - ECHL Ltd
  - ENZACool etc
- ENZA Constitution, 12 February 2002
- ENZA Limited Review of Financial Model, Deloitte Touche Tohmatsu, September 2001
- World Apple Review – Belrose Inc
- ENZA Operational Review – Cameron & Co Dec 2000
- ENZA Independent Valuation Report – Grant Samuel & Assoc August 2000
- ENZA Website – www.enza.co.nz
- NZ Stock Exchange
- Australian Stock Exchange
- Westpac Banking Corporation Economic Forecasts – March 2002
- Bank of New Zealand Economic Forecasts
- Herald Stock Watch

Ferrier Hodgson has been provided with all the information believed necessary for the preparation of this report.

Ferrier Hodgson believes sufficient information has been provided to the shareholders to enable them to understand all the relevant factors and reach an informed decision in respect of the offer for the ordinary shares of ENZA.

8.2 RELIANCE ON 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 ENZA 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 nor conducted an appraisal of any assets. We have not carried out any form of due diligence or audit the accounting or other records of ENZA. We do not warrant that our enquiries would reveal any matter, which an audit, due diligence review or extensive examination might disclose.

The information provided to Ferrier Hodgson included forecasts of the future revenues and expenditures, profits and cashflows of ENZA prepared by the management of ENZA or its advisers. Ferrier Hodgson has assumed that these forecasts were prepared fairly and honestly based on information available to management at the time. It is assumed the forecasts do not reflect any material bias, either positive or negative.

Ferrier Hodgson in no way guarantees or otherwise warrants the achievability of the forecasts of future profits and cashflows prepared by ENZA. Forecasts by their very nature are uncertain. They are predictions by management of future events which are beyond their control. Some assumptions will inevitably not materialise and unanticipated events and circumstances will likely occur, many of which are beyond the control of management. Therefore the actual results achieved may vary significantly from those in the forecast.

9. QUALIFICATIONS, DECLARATIONS AND CONSENT

9.1 QUALIFICATIONS

Ferrier Hodgson is an independent New Zealand Chartered Accounting practice, internationally affiliated with the Ferrier Hodgson group that is represented in Australia, throughout Asia in North America, the United Kingdom and Europe. 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 Michael Stiassny BCom, LLB, CA and Stephen Panckhurst MBA, BMS. Both have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

9.2 DISCLAIMERS

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Ferrier Hodgson's opinion as to whether the offer is fair and reasonable to ENZA shareholders not associated with GPG. Ferrier Hodgson expressly disclaims any liability to any ENZA shareholder who relies or purports to reply 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 Ferrier Hodgson with care and diligence and the statements and opinions given by Ferrier Hodgson 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 Ferrier Hodgson 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 Ferrier Hodgson from liability arising from an opinion expressed recklessly or in bad faith.

9.3 INDEMNITY

ENZA has agreed that, to the extent permitted by law, it will indemnify Ferrier Hodgson 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, wilful misconduct or breach of law. ENZA has also agreed to indemnify Ferrier Hodgson 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 Ferrier Hodgson or its partners, employees and officers are found liable for or guilty of negligence or wilful misconduct in which case Ferrier Hodgson shall reimburse such costs.

9.4 INDEPENDENCE

Ferrier Hodgson does not have at the date of this report, and has not had, any shareholding in or other relationship with ENZA, GPG or related companies that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to this transaction. Ferrier Hodgson considers itself to be independent in terms of the Takeovers Code.

Ferrier Hodgson has had no part in the formulation of the offer or any undertaking in relation to this transaction. Its only role has been in the preparation of this report.

Ferrier Hodgson 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. Ferrier Hodgson 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 ENZA's independent directors, 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, was made as a result of issuing the draft.

9.5 CONSENT

Ferrier Hodgson consents to the issuing of this report in the form and context in which it is included in the information to be sent to ENZA's 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 Ferrier Hodgson as to the form and context in which it appears.

Ferrier Hodgson & Co

Ferrier Hodgson & Co