

# Sunkist Growers, Inc. and Subsidiaries

## Financial Review 2005

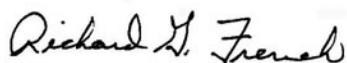
### Management Report on Financial Statements

The following financial statements and related financial information of Sunkist Growers, Inc. and Subsidiaries (“the Company”) were prepared by Management, which has the primary responsibility for the integrity of the financial information. Except for the effects of accounting for certain fresh fruit revenues on a gross basis rather than on a net basis as discussed in the following financial statements, these statements have been prepared in conformity with accounting principles generally accepted in the United States of America and include amounts that are based on Management’s best estimates and judgments. Financial information elsewhere in this annual report is consistent with that in the financial statements.

Management has established and is responsible for maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial statements and the protection of assets from unauthorized use or disposition. The system of internal control includes, among other things, an independent Audit Committee of the Board of Directors, careful selection of personnel, division of responsibilities, internal audits, and the application of formal policies and procedures consistent with high standards of accounting and administrative practices.

The Audit Committee, composed of non-employee directors plus one senior officer of the Company, meets periodically with the independent auditors, the Company’s internal auditors, and Management, to evaluate Management’s performance in maintaining adequate accounting procedures and reporting processes. The independent auditors and the internal auditors have free access to the Audit Committee, without Management present, to discuss the results of their audit work and their opinions as to the adequacy of the internal controls in place and the quality of financial reporting.

Management recognizes and cautions that there are inherent limitations in the effectiveness of any system of internal control. However, Management believes that, for the year ended October 31, 2005, the Company’s system of internal controls, as described above, provided reasonable assurance as to the integrity and reliability of the financial statements and related financial information and the safeguarding of assets.



R. G. French

*Vice President, Finance & Chief Financial Officer*



Jeffrey D. Gargiulo

*President & Chief Executive Officer*

# Sunkist Growers, Inc. and Subsidiaries

## Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended October 31, 2005 and 2004

<i>In thousands of dollars</i>	2005	2004
<b>Operations and Comprehensive Loss</b>		
<b>Revenues:</b>		
Fresh fruit sales, all varieties:		
Domestic	\$ 600,052	\$ 587,083
Export	225,218	229,334
Total Fresh Fruit Sales	<u>825,270</u>	<u>816,417</u>
Fruit products, all varieties	48,628	38,055
Gain on sale of property and equipment	1,677	5,830
Transportation revenues	91,506	77,214
Royalty income	21,479	20,958
Sale and lease of packinghouse equipment	8,700	9,492
Other revenues	8,080	6,983
Total Revenues	<u>1,005,340</u>	<u>974,949</u>
<b>Costs and Expenses:</b>		
Production costs of fruit products sold	37,685	28,960
Payments on products fruit delivered and sold	6,854	7,362
Costs of sale and lease of packinghouse equipment	2,562	3,405
General administrative & other expenses	71,493	68,784
Transportation expenses	91,331	77,518
Advertising & promotion expenses	19,369	14,433
Depreciation & amortization expenses	4,747	5,954
Total Costs and Expenses	<u>234,041</u>	<u>206,416</u>
<b>Revenues in Excess of Costs and Expenses</b>	<u>771,299</u>	<u>768,533</u>
<b>Payments to Members</b>	779,142	779,395
Payments on products fruit delivered and sold included in Costs and Expenses	<u>(6,854)</u>	<u>(7,362)</u>
<b>Payments to members - net of payments on products fruit delivered and sold</b>	<u>772,288</u>	<u>772,033</u>
<b>Retained Loss Before Income Tax Expense</b>	(989)	(3,500)
<b>Income Tax Expense</b>	<u>641</u>	<u>3,464</u>
<b>Retained Loss</b>	(1,630)	(6,964)
<b>Other Comprehensive Income (Loss)</b>		
Foreign currency translation adjustment	76	(4)
Change in minimum pension liability	923	(1,964)
<b>Comprehensive Loss</b>	<u>\$ (631)</u>	<u>\$ (8,932)</u>

See accompanying notes to consolidated financial statements.

# Sunkist Growers, Inc. and Subsidiaries

## Consolidated Statements of Financial Position

For the Years Ended October 31, 2005 and 2004

<i>In thousands of dollars</i>	2005	2004
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,688	\$ 11,619
Receivables - trade and other - net	57,922	68,632
Income tax receivable	1,145	-
Advances in excess of margins earned	11,350	7,482
Inventory - net	32,329	27,108
Deferred tax assets	949	693
Prepaid expenses	2,180	2,210
Total Current Assets	<u>110,563</u>	<u>117,744</u>
<b>Investments</b>	10,683	11,362
<b>Assets Held for Sale</b>	1,134	-
<b>Property - net</b>	36,749	34,402
<b>Other Assets</b>	9,775	12,453
Total Assets	<u>\$ 168,904</u>	<u>\$ 175,961</u>
<b>Liabilities and Members' Equity</b>		
<b>Current Liabilities:</b>		
Short-term obligations	\$ 12,902	\$ 11,281
Trade payables and other accrued liabilities	31,210	22,716
Income tax payable	-	890
Payables to members:		
Fresh fruit proceeds	32,560	53,818
Product pools	10,423	2,745
Other	175	152
Total payables to members	<u>43,158</u>	<u>56,715</u>
Total Current Liabilities	87,270	91,602
<b>Deferred Tax Liabilities</b>	8	107
<b>Long-term Obligations</b>	13,547	15,464
<b>Commitments and Contingencies</b>		
<b>Members' Equity</b>		
Capital fund	3,879	3,957
Accumulated other comprehensive loss	(7,653)	(8,652)
Unallocated retained earnings	71,853	73,483
<b>Members' Equity</b>	<u>68,079</u>	<u>68,788</u>
Total Liabilities and Members' Equity	<u>\$ 168,904</u>	<u>\$ 175,961</u>

See accompanying notes to consolidated financial statements.

# Sunkist Growers, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

For the Years Ended October 31, 2005 and 2004

<i>In thousands of dollars</i>	2005	2004
<b>Cash Flows from Operating Activities:</b>		
Retained loss	\$ (1,630)	\$ (6,964)
Adjustments to reconcile retained loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,747	5,954
Provision for losses on trade receivables	122	275
Deferred income taxes	(355)	(343)
Change in inventory reserve	(4,440)	5,049
Gain on sale of property and equipment	(1,677)	(5,830)
Unrealized gain on investments	(255)	(211)
Changes in assets and liabilities:		
Receivables - trade and other - net	10,588	(7,746)
Advances in excess of margins earned	(3,868)	1,183
Investments	(745)	(241)
Inventory	(781)	2,163
Prepaid expenses	30	(1,324)
Other assets	2,678	5,428
Trade payables, other accrued liabilities and income taxes	6,535	3,663
Payables to members	(13,635)	3,329
Deferred compensation and pension obligation	(994)	(696)
Net cash (used in) provided by operating activities	<u>(3,680)</u>	<u>3,689</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property	(8,876)	(5,661)
Dividend received	-	1,194
Return of investment	1,679	-
Proceeds from sales of property	2,325	6,159
Net cash (used in) provided by investing activities	<u>(4,872)</u>	<u>1,692</u>
<b>Cash Flows from Financing Activities:</b>		
Short-term borrowings	11,621	(53)
Payments on long term debt	(10,000)	-
Net cash provided by (used in) financing activities	<u>1,621</u>	<u>(53)</u>
<b>Net (decrease) Increase in Cash and Cash Equivalents</b>	<b>(6,931)</b>	<b>5,328</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>11,619</b>	<b>6,291</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u>4,688</u></b>	<b>\$ <u>11,619</u></b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for:		
Interest	\$ 202	\$ 1,080
Income taxes	\$ 2,977	\$ 2,810

See accompanying notes to consolidated financial statements.

## Sunkist Growers, Inc. and Subsidiaries

### Consolidated Statements of Changes in Members' Equity

For the Years Ended October 31, 2005 and 2004

#### Changes in Members' Equity

	Capital Fund	Accumulated Other Comprehensive Loss	Unallocated Retained Earnings	Total
<b>Balance, October 31, 2003:</b>	\$ 4,067	\$ (6,684)	\$ 80,447	\$ 77,830
Net capital fund refund	(110)	—	—	(110)
Foreign currency translation adjustment	—	(4)	—	(4)
Additional minimum pension liability	—	(1,964)	—	(1,964)
Retained loss for 2004	—	—	(6,964)	(6,964)
<b>Balance, October 31, 2004</b>	<b>3,957</b>	<b>(8,652)</b>	<b>73,483</b>	<b>68,788</b>
Net capital fund refund	(78)	—	—	(78)
Foreign currency translation adjustment	—	76	—	76
Change in minimum pension liability	—	923	—	923
Retained loss for 2005	—	—	(1,630)	(1,630)
<b>Balance, October 31, 2005</b>	<b>\$ 3,879</b>	<b>\$ (7,653)</b>	<b>\$ 71,853</b>	<b>\$ 68,079</b>

See accompanying notes to consolidated financial statements.