

Sunkist Growers, Inc. and Subsidiaries

Financial Review 2006

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 U.S. generally accepted accounting principles 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 two members of senior management 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 provide feedback on the system of internal control 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, 2006, 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.



Richard G. French

Vice President & Chief Financial Officer



Timothy J. Lindgren

President & Chief Executive Officer

Sunkist Growers, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended October 31, 2006 and 2005

In thousands of dollars

	<u>2006</u>	<u>2005</u>
Operations and Comprehensive Loss		
Revenues:		
Fresh fruit sales, all varieties:		
Domestic.	\$ 659,758	\$ 600,052
Export.	<u>233,948</u>	<u>225,218</u>
Total Fresh Fruit Sales	893,706	825,270
Fruit products, all varieties	83,280	48,628
Gain on sale of property and equipment	7,527	1,677
Transportation revenues	84,867	91,506
Royalty income.	23,374	21,479
Sale and lease of packinghouse equipment	9,437	8,700
Other revenues	8,475	<u>8,080</u>
Total Revenues	<u>1,110,666</u>	<u>1,005,340</u>
Costs and Expenses:		
Production costs of fruit products sold.	47,263	37,685
Payments on products fruit delivered and sold	25,565	6,854
Costs of sale and lease of packinghouse equipment	4,228	2,562
General administrative & other expenses	90,116	71,493
Transportation expenses	84,829	91,331
Advertising & promotion expenses.	21,236	19,369
Depreciation & amortization expenses.	4,367	<u>4,747</u>
Total Costs and Expenses	<u>277,604</u>	<u>234,041</u>
Revenues in Excess of Costs and Expenses	<u>833,062</u>	<u>771,299</u>
Payments to Members	864,758	779,142
Payments on products fruit delivered and sold included in Costs and Expenses	<u>(25,565)</u>	<u>(6,854)</u>
Payments to members - net of payments on products fruit delivered and sold	<u>839,193</u>	<u>772,288</u>
Retained Loss Before Income Tax Expense	(6,131)	(989)
Income Tax Expense	<u>1,809</u>	<u>641</u>
Retained Loss	(7,940)	(1,630)
Other Comprehensive Income		
Foreign currency translation adjustment	1	76
Change in minimum pension liability	<u>1,304</u>	<u>923</u>
Comprehensive Loss	<u>\$ (6,635)</u>	<u>\$ (631)</u>

See accompanying notes to consolidated financial statements.

Sunkist Growers, Inc. and Subsidiaries

Consolidated Statements of Financial Position

As of October 31, 2006 and 2005

In thousands of dollars

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 8,137	\$ 4,688
Receivables - trade and other - net	85,759	57,922
Income tax receivable	1,409	1,145
Advances in excess of margins earned	6,420	11,350
Inventory - net	31,653	32,329
Deferred tax assets	894	949
Prepaid expenses	<u>2,499</u>	<u>2,180</u>
Total Current Assets	136,771	110,563
Investments	12,461	10,683
Assets Held for Sale	-	1,134
Property - net	46,230	36,749
Other Assets	<u>9,069</u>	<u>9,775</u>
Total Assets	<u>\$ 204,531</u>	<u>\$ 168,904</u>
Liabilities and Members' Equity		
Current Liabilities:		
Short-term obligations	\$ 43,617	\$ 12,902
Trade payables and other accrued liabilities	30,607	31,210
Payables to members:		
Fresh fruit proceeds	28,334	32,560
Product pools	14,610	10,423
Other	<u>135</u>	<u>175</u>
Total payables to members	<u>43,079</u>	<u>43,158</u>
Total Current Liabilities	117,303	87,270
Deferred Tax Liabilities	108	8
Long-term Obligations	25,724	13,547
Commitments and Contingencies		
Members' Equity		
Capital fund	3,831	3,879
Accumulated other comprehensive loss	(6,348)	(7,653)
Unallocated retained earnings	<u>63,913</u>	<u>71,853</u>
Members' Equity	<u>61,396</u>	<u>68,079</u>
Total Liabilities and Members' Equity	<u>\$ 204,531</u>	<u>\$ 168,904</u>

See accompanying notes to consolidated financial statements.

Sunkist Growers, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended October 31, 2006 and 2005

In thousands of dollars

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Retained loss	\$ (7,940)	\$ (1,630)
Adjustments to reconcile retained loss to net cash used in operating activities:		
Depreciation and amortization	4,368	4,747
Non-cash charge for legal accrual	13,400	-
Provision for losses on trade receivables	779	122
Deferred income taxes	155	(355)
Change in inventory reserve	(302)	(4,440)
Gain on sale of property and equipment	(7,527)	(1,677)
Unrealized gain on investments	(902)	(255)
Changes in assets and liabilities:		
Receivables	(28,616)	10,588
Advances in excess of margins earned	4,930	(3,868)
Investments	(876)	(745)
Inventory	978	(781)
Prepaid expenses	(319)	30
Other assets	706	2,678
Income tax receivables, trade payables and other accrued liabilities	(867)	6,535
Payables to members	(127)	(13,635)
Long-term obligations	82	(994)
Net cash used in operating activities	<u>(22,078)</u>	<u>(3,680)</u>
Cash flows from Investing Activities:		
Purchase of property	(14,449)	(8,876)
Return of capital in investment	-	1,679
Proceeds from sales of property	9,261	2,325
Net cash used in investing activities	<u>(5,188)</u>	<u>(4,872)</u>
Cash flows from Financing Activities:		
Short-term borrowings	30,715	11,621
Payments on long-term debt	-	(10,000)
Net cash provided by financing activities	<u>30,715</u>	<u>1,621</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,449	(6,931)
Cash and Cash Equivalents at Beginning of Year	4,688	11,619
Cash and Cash Equivalents at End of Year	\$ 8,137	\$ 4,688
Supplemental Disclosure of Cash Flow Information:		
Cash paid for:		
Interest	\$ 770	\$ 202
Income taxes	\$ 1,928	\$ 2,977

See accompanying notes to consolidated financial statements.