Together.
Stronger.

MARKET GARDENERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2015

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Financial highlights

- **Group gross sales under management** — $590.385 million
- **Group profit before income tax** — $9.740 million
- **Group profit for the year (after income tax)** — $7.283 million
- **Group total equity** — $93.137 million
- **Group total assets** — $180.188 million

	2015 $'000	2014 $'000
Shareholder distributions		
• Special Bonus Issue (November 2015)		
• 1 for 10 on "A" shares	1,308	-
• 1 for 1 on "B" shares	2,417	-
• 1 for 1 on "C" shares	990	-
• 1 for 10 on "D" shares	233	-
• Supplier shareholder rebate	250	250
• Bonus issue on supplier shareholder rebate of 3 for 1 (2014 : 3 for 1)	750	750
• Final gross dividend on "A" shares : 6 cents per share (2014 : 6 cents per share)	785	801
• (March 2014 - final gross dividend on 2007 Prospectus "D" shares : 2.667 cents per share)	-	68
• November 2015 - final gross dividend on 2013 Prospectus "D" shares : 6 cents per share (November 2014 : 4 cents per 2013 Prospectus "D" shares)	140	92
Total shareholder distributions in relation to the year ended 30 June	6,873	1,961

Chairman's and Chief executive officer's review

This year's annual report clearly demonstrates that our grower-shareholders have a healthy cooperative, which has a genuine focus on its grower's interests and a clear vision of a successful future for our business and for our customers.

Market Gardeners Limited, trading as MG Marketing (MG), has recorded a consolidated net profit before tax of $9.7 million. This was on the back of a record year for sales with a 13.7% increase across the Group. You can refer to the Financial Highlights section of this document for a summary of our results.

This positive result was achieved despite challenges of a changing market, pressure on growers, inflationary pressure on operating costs, competition for business and the unpredictable nature of seasonal weather patterns.

Our success is attributable to three major factors. Firstly, our growers and customers have been very loyal. Secondly, our team of high performing MG staff have again been focused on working together with growers and customers in a smart and efficient way. Thirdly, your Board and Management has been fully focused and committed to positioning MG for the future whilst growing the business.

The year was characterised by generally favourable weather conditions in New Zealand, which resulted in a positive impact on sales of seasonal summer catagories. However, the industry expansion of more glasshouses has had an adverse effect on value and returns of some hot-house products, especially cucumbers and capsicums.

In Australia, our LaManna Group operation had an improved year, increasing sales by 17.2%. They bounced back after a challenging previous year where trading conditions were challenged by an oversupply of bananas that put price pressure on the domestic market. The improved performance was underpinned by increased values, good production conditions and the product diversification strategy that was put in place a number of years ago.

Whilst MG is often measured by the way we achieve the fairest and best possible returns for growers, the positive financial result also means we are increasing grower-shareholder wealth. Equity in our grower-owned cooperative increased, as have the annual distributions which are detailed fully below. This year the Board has also declared a very significant special bonus issue amounting to $4.9m – this is also detailed more fully below.

This performance also reflects the Company's resilience, strength and ability to compete and grow in challenging conditions, demonstrated by the trading profitability and ongoing capital investment.

Being profitable also enables us to move the business forward. We can invest in areas that enable us to successfully navigate a path in the future, leading to further development and growth.

A real success story is the MG Direct model developed by the cooperative. This service provides a direct distribution channel between growers and certain customers with both parties receiving benefits which would not otherwise be achievable. MG staff organise supplies, allocate orders whilst ensuring the right quality product is available at the right time.

MG Direct has proven to be hugely successful throughout the South Island. It has now been replicated in Auckland where it is showing promise and we are certain it will have a positive impact for growers and customers in the North Island.

Another key area of investment is IP development. Progress has been made identifying and trialling new varieties across a number of categories.

We recognise that there are significant opportunities in meeting growing consumer demands for new premium products. Although it is a long and often challenging process to develop and bring new products to market, the benefits associated with having exclusive rights are significant.

Our Joint Venture export partner, Te Mata Exports, is building momentum in terms of expanding into other categories beyond pip fruit with diversification into other key products including cherries, avocados and citrus. The export business is also growing business beyond our traditional international trade partners.

Last year we completed research with growers, staff and customers, which led to the launch of our "Together. Stronger." proposition. This process gave us the chance to reflect on our cooperative and recognise its importance to growers and shareholders, now and in the future.

As a business we are commercially focused while being driven by a set of strong cooperative values.

This work has led to the development of an MG strategic overview, which reflects on our past while recognising the direction, behaviours and attitudes we need to deliver as we move forward.

This strategy is summed up by six pillars that represent our characteristics – resilience, partnerships, value, growth, capability and cooperative behaviour.

These have been developed by what our growers, shareholders, staff and customers tell us they want and expect from the cooperative. You can read more about the characteristics in the 2015 Annual Review.

Chairman's and Chief executive officer's review (continued)

The contribution of our staff in providing consistently high standards and service to growers and customers should not be undervalued.

Having a highly capable workforce and putting our growers first remain key strengths driving our growth agenda.

In last year's review we stated that our plan was to continue to grow and, together with our growers, be stronger in the year ahead.

This year we established the "Growing You" initiative which includes a range of ways to develop a closer working relationship with our growers. The initiative includes a series of professional development workshops for growers, the graduate programme and the Director Internship. You can read more about Growing You later in this review and shareholders would have recently received correspondence from the Board on the Director Internship.

We have also pushed forward with our strategy to be available to assist with any aspect of a members' business operations, whether directly or indirectly, with a view to maximising returns.

Taking a collaborative approach to plan production, project sales, make good business decisions and assess risk will lead to a better long-term result and long-term sustainability.

We are particularly pleased with the feedback received about our improved communication. Throughout the year we have delivered key information through a range of vehicles including our SupplyLine newsletter, shed meetings, website and via our staff who have regular contact with growers and customers. In addition, the Board is currently working through a programme whereby the grower Directors visit active shareholders and growers to discuss concerns that they may have.

MG Marketing has stood the test of time, but has continued to adapt to suit the changing shape of our industry, our growers and our customers.

The cooperative is a very different business to the one started by a small group of pioneering growers in 1923. We have made incredible strides in recent decades and everyone involved in MG Marketing should take great pride in what has been achieved. We have certainly laid down solid foundations on which to build for the future.

Part of this progress forward involves reviewing the constitution. Whilst it largely remains appropriate and reflects our uniqueness, it is clear that changes need to be made to better support the way the business operates now and in the future.

The process to review the constitution commenced in December 2014 and is well underway. The MG Board is committed to a robust process to capture and debate all necessary changes. The full process, including consultation with growers, will carry through into next year. At this time we are anticipating that MG's shareholders will have the opportunity to vote on a revised constitution in late 2016.

In line with our vision of putting growers first, we have continued our focus on making decisions that benefit the wider cooperative, keeping operating costs low, offering a simple organisational structure and upgrading our people's skills.

This year saw our New Zealand and Australian IT departments combined resulting in greater long-term savings and we are identifying more opportunities to share resources and work more closely together.

On the infrastructure front, we are realising the benefits of investment from previous years. The completion of two major projects, the Christchurch branch and the new South Island centralised ripening and distribution facility, highlighted this year's investment programme.

The year in review is also a good indication that we are getting it right with our growers and our customers. We enjoyed tremendous loyalty from growers and have successfully worked alongside supermarkets and independent retailers to increase consumer demand and maximise their sales.

Financial performance

The year's trading is highlighted on page 2 of this Annual Report. The financial results are an important measure of success for our grower-shareholders, providing an indication that we are moving in the right strategic direction and increasing value in the business.

The overall financial performance of the core businesses continues to be strong and this enables MG to build your business whilst investing in infrastructure and initiatives that improves your sales.

Record sales underpinned a strong performance by MG Marketing for the year to 30 June 2015 with Group gross sales under management amounting to $590 million, an increase of 9.6% from 2014.

We delivered solid growth with a net profit before tax of $9.7 million, driven by a solid domestic market and strong overall result in Australia. This compared to $8.8 million last year.

Chairman's and Chief executive officer's review (continued)

Group profit after tax amounted to $7.2 million which is 14.1% higher than the previous year.

Equity has grown to $93.1 million and total assets are now more than $180.1 million.

As in previous years MG presents, in addition to this full Annual Report and financial statements, an Annual Review. If you would like a copy of the Annual Review it can be found on the MG website (www.mgmarketing.co.nz), or by requesting a copy from the Company Secretary (email: dpryor@mgmarketing.co.nz or phone: (03) 343 1794).

Distributions

Based on the financial performance to 30 June 2015, the MG Board of Directors has resolved to return to its shareholders significant distributions totalling $6.8 million (2014: $1.9 million). On 31 July 2015 the Board declared the following distributions in relation to the year ended 30 June 2015:

- Special bonus issue – a fully imputed taxable special bonus issue of:
    - One new "A" share for every ten existing "A" shares; and
    - One new "D" share for every ten existing "D" shares; and
    - One new "B" share for every one existing "B" share; and
    - One new "C" share for every one existing "C" share.
- Supplier shareholder rebate – a taxable rebate of $250,000 to be applied by the Company in paying up in full "C" shares of the Company to be issued at $1.00 each and made in such manner as the Directors determine to those shareholders that are Current Producers that have supplied on a consignment basis during the financial year ended 30 June 2015;
- Bonus issue – a three for one fully imputed taxable bonus issue on the "C" shares issued out of the above rebate. This amounts to $750,000 worth of "C" shares being issued (Shareholders that are Current Producers receive three further "C" shares for every one "C" share you receive from the above rebate). As imputation credits have been attached to the bonus issue shares they are mostly tax paid in the hands of the shareholder;
- Final dividend – a fully imputed taxable gross dividend of six cents on every "A" share and six cents on every "D" share. Once again imputation credits are attached.

The above distributions will be made only to those shareholders entered on the share register with effect from 30 June 2015 and who continue to hold, at the date of the 2015 Annual Meeting, the shares held at 30 June 2015.

The above special bonus issue, rebate, bonus issue and dividends represent $6.87 million being distributed back to MG's loyal and supportive shareholders.

The Board is very pleased to be able to declare the special bonus issue not only because it is a significant distribution of wealth to the shareholders but also because it represents the growth and strength of the cooperative. The last special bonus issue declared was in 2008.

In addition, and as has occurred for many years now, we are pleased to note the support of the shareholders through their high level of reinvestment of their dividends back into more MG shares ("A" and "D" shares). If you would like to participate in the dividend reinvestment plan please contact our Company Secretary, Mr. Duncan Pryor, at MG's Support Office for further information.

Growing You

This year MG launched a series of signature programmes called "Growing You".

The initiative has been established to create a range of ways to develop a closer working relationship with MG's grower shareholders and includes a graduate programme, a series of professional development workshops for growers and the Director Internship.

Grower workshops

The main objective of Growing You is to advance the industry knowledge and skills of MG's growers. As a cooperative company, MG has been built on the back of successful growers and our commitment, beyond profit, is to support and fuel their success to ensure long-term sustainability. The workshops are a tangible example of how we are developing closer working relationships with growers to improve productivity, efficiency and sustainability. The professional development workshops cover a range of relevant topics and include discussions about the opportunities and challenges facing our industry. These workshops will be on-going and tailored separately for the specifics of vegetable and fruit production where appropriate.

Graduate Programme

The graduate programme is being introduced to attract the next generation of skilled employees to MG Marketing and encourage a new group of talent into the business. We are working with tertiary institutions to select and bring in three new graduates annually with a view to retaining the best candidates within MG on a long-term basis. They don't necessarily have to be from a university but need to display the behaviours and attitudes that are valued by our business. The graduates will be exposed to a wide range of skills and experiences by working alongside MG staff throughout the business.

Chairman's and Chief executive officer's review (continued)

Director Internship

The MG Director Internship is designed for those who aspire to director-level roles and to develop potential future MG Board Members. It allows an intern Director to gain valuable experience by having a seat at the Board table for up to 12 months. This is part of the MG Board's strategy to broaden the pool of possible Directors and give those with an interest in governance of MG Marketing a taste of what is involved. The role aims to prepare participants for a governance role, regardless of their current position and particular area of professional expertise. The MG Board believes it will also benefit from a fresh perspective whilst the experience will equip the successful applicant with the practical tools, processes and insights into the governance of MG.

New Zealand Market

The New Zealand Market represents a significant part of MG's business.

Domestic trading conditions were buoyant for the past financial year, reflected by the fact we increased market share across the majority of key categories.

A combination of the sales channels that have been developed by MG and the unique ability of our sales staff to proactively create a wide range of avenues to sell produce, has set us apart from our competitors.

The decision to add to the procurement team in order to make further gains in the domestic market proved to be a good one. Having the right people at the coal-face, supporting growers and acting as a link back to our sales team has been invaluable.

Success was aided by our teams being meticulously organised with growers and supermarkets across the country. This includes planning clear programmes around where volumes are going for the season by using historical information, sales data and our expertise. The programmes were designed to cater for the sale of a whole crop in order to maximise returns.

An important part of the process has been working together with growers to plan for varieties and reduce disparities between supply and market demand. It is heartening to see that more and more growers are seeking the practical advice of our procurement and sales staff.

We are also seeing a greater appetite to partner with growers to replace older varieties with new IP varieties that have a better flavour, appearance and higher yield.

The strength of our domestic business is closely linked to the extensive branch network that gives us the national strength to sell and distribute produce across the country.

Many commentators are talking about the economy softening and weaker confidence in the New Zealand Dairy industry which has a flow on effect to our industry. Consumer behaviour is influenced by news that the country is not growing as quickly as in previous years and this leads to a reduction in general consumer spending.

Weather also has a major impact on our domestic business, not only on growing conditions but it directly affects demand for fresh produce. This was evident last summer with generally settled weather across New Zealand driving sales, particularly in January and February where we experienced record months. However, we cannot forecast similar weather with any certainty.

It is also a constant battle to manage operating budgets with the cost of doing business both in New Zealand and Australia continuing to increase.

With those factors in mind, we are aware that we will need to work even harder with growers and customers to drive business.

Australian Market (LaManna Group)

In Australia, our LaManna Group operation had an improved year, led by improved banana prices. Overall sales increased by 17.2%. The improved result was underpinned by increased values, good production conditions and the product diversification strategy in place.

Mangos showed strong improvement, both in volume for sale and value. The ripening service provision that LaManna provides to growers and retail outlets also performed very well.

The citrus market is building well, as are avocados, with the business selling and ripening a large volume of avocados for supermarkets. LaManna will continue to explore other categories that will enhance grower and customer relationships, along with sales growth.

Our Darwin Banana Farm was impacted by the Banana Freckle outbreak in the Northern Territory, a serious fungal disease that affects the banana plants but not the fruit. This required removal of the plants and prevented the operation from producing bananas from April 2015. Any banana re-planting will not be occurring until May 2016 at the earliest. The Darwin Banana Farm is grateful for the support received from the Government under the ORC programme.

Chairman's and Chief executive officer's review (continued)

The Darwin Farm, through a joint venture entity Darwin Pineapple Farming Company Pty Ltd, is currently in its second year of growing pineapples, as well as establishing a significant passionfruit trial on the property.

Other banana disease issues are affecting the Australian industry and we continue to monitor the affect this may have on the business in the future and options to combat it.

Queensland University of Technology in partnership with LaManna will release a report into our successful trial of growing bananas that are resistant to the world wide Tropical Race 4 Panama disease in October 2015. We believe that this is a significant achievement and we are continuing to work towards commercialising this work.

The "Together. Stronger." proposition employed in New Zealand is also being developed and implemented in Australia. This means looking at ways to develop new and unique products, becoming more involved in growing operations and finding new ways of adding value along the supply chain in order to earn the loyalty of growers and customers.

In a state led initiative, the Melbourne market has now moved to brand new facilities in Epping. At the time of writing this report these operations are bedding in and we look forward to reporting next year on a successful transition to this new facility.

The business is investing in technology to create operational efficiencies. These include the use of tablet applications to support quality assurance and pallet QR stock coding systems, which are being rolled out across the Australian branch network.

International trading

The banana shipping and production issues faced last year were not as prevalent in 2014 and the highlight for international trading was the growth in market share from the previous year. Our valued international trading partner, Dole, continues to work with MG on meeting market needs amid the production challenges they have faced.

We are now sourcing bananas from both the Philippines and Ecuador, providing improved continuity of supply, while reducing our exposure to variables such as weather and disease.

Two of our other largest import categories, citrus and grapes, also faced challenges this year.

Port industrial action in the US across a number of months interrupted supply of Californian citrus. This disruption of flow and significant delays has had an impact on the quality of fresh produce and its shelf life. This was even worse in Australia where produce was further delayed by seven days.

Without a clear understanding of when the product would arrive, gaps in supply were created and promotional activity was not maximised.

Despite all the disruptions and a much lower volume of citrus from the US, our sales were strong and we also increased market share in this category.

We also had quality issues with grapes, due to adverse weather conditions in Australia and Chile making it difficult to bring quality fruit to market on a consistent basis. This was an industry wide issue which ultimately had a detrimental impact on the overall market and returns.

Our import programme remains an integral part of our sales mix and service proposition. Like our domestic procurement division we have skilled and dedicated resource in place, both here in New Zealand and strategically located in California, to maintain our leading market position. Importing fruit and vegetables from production areas that often stretch the shelf life limits remains the key challenge for this business – a challenge which requires constant focus and adaptation in order to achieve the right results for MG and our customers. We are very fortunate to work with global industry leaders, such as Dole and Sunkist, along with many large scale and family growing operations that support MG's in this quest.

MG's joint venture export partner, Te Mata Exports, is continuing to grow in all markets and is producing good returns for New Zealand growers.

The export business is managing controlled growth in all key markets, adapting to seasonal and economic variables to provide the best outcome for the business and results for growers. Apples in particular proved to be another export success story – this is incredibly heartening for apple growers who faced tough times a few years ago, while operating in a global market place suffering from over production and political trading barriers.

Te Mata's diversification strategy is gaining real traction and Te Mata is well positioned for further growth.

Whilst such growth is evident with apples, a much wider range of categories, including cherries, citrus and avocados are enjoying increased export sales this year.

Essentially we are aiming to increase the product range to a wider customer base using our existing supplier relationships and MG's procurement resources, both domestically and off-shore.

Chairman's and Chief executive officer's review (continued)

We see a bright future for exports – New Zealand has the land, water, growing skills and marketing expertise to make further gains internationally and this is an area we will continue to leverage existing markets and push into new markets.

Directorate and Management

Strong governance and management has always been a key part of the business, making important decisions that safeguard and grow MG Marketing.

Our grower-shareholder appointed Board has a broad range of experience and expertise in growing and includes experience working across other sectors and markets. This is supported through the Board's appointment of Special Directors who are appointed for their specialised skills and knowledge.

MG's management team continues to execute the strategic direction set by the board. We have an experienced, proven team who have been part of the business for many years. MG's success is testament to their commitment to the business.

In accordance with the constitution, Alan Franklin and Lynn Crozier retire by rotation and being eligible offer themselves for re-election. As no other valid nominations were received their re-election will be announced at the Annual Meeting on 25 November 2015.

MG people

MG is about people. Staff are not like plant and equipment or other assets – their quality, capability, experience and personality are the lifeblood of our cooperative.

At MG we place enormous value on high performance and personal development. We want our people to succeed in their professional and personal lives, building careers for all our staff and developing the next generation of leaders. That is why people who work at MG, stay with MG.

Although we focus on continuous professional development across all facets of the business, this year we had a particular emphasis on providing specific opportunities for our sales staff and branch management. This has a direct benefit to the growers and customers we work with.

Our logistics and warehousing teams will be the next area to benefit from a targeted training programme as we look to arm our people with the skills to offer the best possible level of service.

At a governance level, all Board Members are offered the opportunity to attend training with the Institute of Directors and we regularly invite advisors and experts from other industries to provide insight and advice.

Looking ahead, we are seeking ways to attract new people to the industry and the graduate programme outlined earlier is one example of how we are doing that. We are also maintaining our focus on retaining our existing staff.

At MG we recognise that the safety of our staff, growers and customers is paramount. All employees are required to undergo relevant safety training and demonstrate ongoing competency. Health and safety also featured prominently in our grower communication this year.

On behalf of the Board and Management, we thank our staff for the hard work and loyal service that has been delivered to our growers and our business.

United Flower Growers Ltd (UFG)

MG's joint venture flower business, UFG, continued to grow sales in a very challenging market.

UFG's capital development programme continued during the year. This comes at a cost but such investment is necessary to position the business for the future. The Auckland operation refurbished part of the building, expanding the UFG floor area that will cater for expected growth and introduced new tenants that are industry specific. The Wellington branch area was expanded and had an auction clock introduced, enhancing sales efficiency.

Investment was also made at the Christchurch branch which undertook some refurbishment to improve cool chain capabilities.

The online auction portal established last year is growing in popularity and is an important tool to grow sales.

The business is conscious that selling flowers can be particularly difficult when there is wider economic uncertainty.

This will require a keen focus on a smart marketing strategy that drives sales outside of traditional high volume windows.

Chairman's and Chief executive officer's review (continued)

Annual Meeting of Shareholders

All shareholders are invited to attend the annual meeting of the Company. This year the event will be held at Rydges Latimer, 30 Latimer Square, Christchurch on Wednesday 25 November 2015, commencing at 5.30pm. Shareholders are welcome to join MG Directors, management and staff to formally or informally discuss topics of interest.

There will be a dinner following on from the meeting at approximately 7.30pm and all shareholders and their partners are welcome to come along (RSVP's are required for catering purposes – details are included in the invitation distributed to all shareholders with the notice of the annual meeting).

Outlook

The year in review has shown that our proposition of "Together. Stronger." powers our performance, with our business achieving record sales and a healthy profit.

This proposition is now part of just how we do business. We continue to ask ourselves every day what are we doing today to make our growers and shareholders more successful, more sustainable and stronger while knowing we can only achieve that by working closely together.

MG Marketing has achieved a great deal over the last twelve months and our plan is to continue to build a strong all-round business, which will allow us to consider and take advantage of opportunities in the future.

Your Board, the MG Management and over 486 staff are committed to representing all grower shareholders and valued suppliers.

As we look forward we have a lot to build on, new opportunities to maximise and challenges to face. We remain focused and committed to the strategic priorities outlined earlier in this review which continually drives us towards a better future for our growers, customers and our cooperative.

At the core of our business remains running an efficient and cost-effective vehicle to market. Our objective is to deliver a grower to customer distribution chain that is based on accurate and timely information, cost-efficiency and an ability to adapt to market conditions.

This is achieved by being a business that is truly focused on grower interests while providing some certainty of demand and returns that can be used to reinvest in our business and feed growth.

Our focus is on shaping the business to remain resilient and profitable in the face of ongoing challenges in the industry.

We will look to position ourselves to take advantage of market opportunities, be part of new markets, develop new sales channels and grow our IP development programme. This also includes investment in growing operations that benefit the cooperative and allow us to grow categories, and therefore returns, for our growers and shareholders.

Although we are confident that our business model of putting our grower-owned cooperative first will remain competitive, we are not complacent.

The industry faces constant pressure from increased compliance and regulatory costs resulting from changes in legislation, strengthening our ongoing focus on finding further efficiencies and savings.

As a cooperative we are different. We rely upon our grower-shareholders to influence the direction our business takes.

We are in a good position to build on our strong foundations and continue to deliver our cooperative difference.

In the midst of this changing landscape, it is important that we work with our network of growers to make sure they are getting the fairest and best returns and are not attracted to business models that result in less long-term value.

We know how important it is to maintain and strengthen relationships with growers and customers. The year ahead will see us find relevant ways to work together at both ends of the supply chain.

Taking a collaborative approach to plan production, project sales, make good business decisions and assess risk will lead to a better long-term result and long-term sustainability.

We assist with almost any aspect of our grower's business operation, whether directly or indirectly, with a view to maximising returns.

Our greatest strength simply lies with our participating growers. The loyalty and support received from our members, the greater the returns for all involved.

This is exactly what the cooperative principle stands for in pursuit of shared effort and mutual rewards.

Putting our growers first and having a highly capable workforce remain the key features driving our growth agenda.

Chairman’s and Chief executive officer’s review (continued)

The expertise that has been built up over more than 90 years means opportunities extend well past the boundaries of New Zealand. Global demand for good quality produce presents a wonderful opportunity for further growth and diversification.

We will pursue commercial strength by way of diversified and profitable domestic and international business opportunities.

We are also actively investing within our business to innovate to meet changing consumer needs, delivering new products to premium domestic and international markets.

Technology is at the forefront of our future efficiencies and growth. The development of our Grower Deliver Advice (GDA) system where we interface with growers online is a good example of how we have modified our way of operating to offset compliance costs that continue to emerge in the business. Over 100 growers are now completing consignments using our bespoke online system with a further 100 expected to be fully active by the end of 2015.

In the years ahead we will look to streamline other processes while not losing site of the high value our growers place on face-to-face interaction.

We want to leave you with a very clear message that MG Marketing has the pace and momentum for continued growth and we will continue to face challenges head–on.

The governance, cooperative, staff development and technological initiatives that we are undertaking will continue to deliver positive outcomes for our growers, shareholders, customers and other partners in years to come.

Finally, we thank our grower-shareholders, for their ongoing support as we work to position our cooperative for the future. As the marketing arm of the growers we work with, we have a bright future and we have much to celebrate.

Brian Gargiulo, MBE
Chairman

24 September 2015

Peter Hendry,
Chief Executive Officer

24 September 2015

Together.
Stronger.

MARKET GARDENERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2015

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2015.

For and on behalf of the Board of Directors:

B.D. Gargiulo, MBE Chairman	B.R. Irvine Director
24 September 2015	24 September 2015

Statement of comprehensive income

For the year ended 30 June

	Note	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Revenue – sale of goods	12	328,922	289,264	107,737	102,814
Cost of sales		290,104	250,440	84,984	80,068
Gross profit		38,818	38,824	22,753	22,746
Other operating income	12	1,859	1,829	907	1,011
Administrative expenses	13	8,285	8,238	5,908	6,068
Other expenses		23,315	22,147	10,141	9,802
Results from operating activities		9,077	10,268	7,611	7,887
Finance income		134	226	2,335	2,492
Finance expense		2,036	2,934	1,539	2,211
Net finance costs / (income)		1,902	2,708	(796)	(281)
Profit before equity earnings and income tax		7,175	7,560	8,407	8,168
Share of profit of equity accounted investees	22	2,565	1,277	-	-
Profit before income tax		9,740	8,837	8,407	8,168
Income tax expense	16	2,457	2,455	1,750	1,903
Profit for the year		7,283	6,382	6,657	6,265
Other comprehensive income					
Items to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences for foreign operations		1,589	(2,864)	-	-
Effective portion of changes in the fair value of cash flow hedges		(67)	686	160	621
Income tax effect on changes in the fair value of cash flow hedges	16	9	(297)	(45)	(174)
Other comprehensive income for the period, net of income tax		1,531	(2,475)	115	447
Total comprehensive income for the year		**8,814**	**3,907**	**6,772**	**6,712**
Profit attributable to:					
Owners of the company		7,170	6,306	6,657	6,265
Non-controlling interest		113	76	-	-
Profit for the year		**7,283**	**6,382**	**6,657**	**6,265**
Total comprehensive income attributable to:					
Owners of the company		8,701	3,831	6,772	6,712
Non-controlling interest		113	76	-	-
Total comprehensive income for the year		**8,814**	**3,907**	**6,772**	**6,712**

The significant accounting policies and notes to the financial statements on pages 18 to 40 form part of and are to be read in conjunction with these financial statements.

Statement of changes in equity

For the year ended 30 June

Group	Share capital $'000	Revaluation reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Total reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2013	16,267	26,242	(752)	93	25,583	39,703	1,528	83,081
Profit for the period	-	-	-	-	-	6,306	76	6,382
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	493	-	493	-	-	493
Translation of foreign operations	-	-	-	(2,968)	(2,968)	-	-	(2,968)
Total other comprehensive income	-	-	493	(2,968)	(2,475)	-	-	(2,475)
Total comprehensive income for the period	-	-	493	(2,968)	(2,475)	6,306	76	3,907
Transactions with owners, recorded directly in equity								
Dividends	268	-	-	-	-	(608)	(35)	(375)
Shares issued	765	-	-	-	-	(750)	-	15
Shares surrendered	(599)	-	-	-	-	-	-	(599)
Balance at 30 June 2014	16,701	26,242	(259)	(2,875)	23,108	44,651	1,569	86,029
Balance at 1 July 2014	16,701	26,242	(259)	(2,875)	23,108	44,651	1,569	86,029
Profit for the period	-	-	-	-	-	7,170	113	7,283
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	(108)	-	(108)	-	-	(108)
Translation of foreign operations	-	-	-	1,639	1,639	-	-	1,639
Total other comprehensive income	-	-	(108)	1,639	1,531	-	-	1,531
Total comprehensive income for the period	-	-	(108)	1,639	1,531	7,170	113	8,814
Transactions with owners, recorded directly in equity								
Dividends	291	-	-	-	-	(652)	(38)	(399)
Shares issued	1,007	-	-	-	-	(1,000)	-	7
Shares surrendered	(1,314)	-	-	-	-	-	-	(1,314)
Balance at 30 June 2015	16,685	26,242	(367)	(1,236)	24,639	50,169	1,644	93,137

The significant accounting policies and notes to the financial statements on pages 18 to 40 form part of and are to be read in conjunction with these financial statements.

Statement of changes in equity (continued)

For the year ended 30 June

Parent	**Share capital $'000**	**Revaluation reserve $'000**	**Hedging reserve $'000**	**Total reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2013	16,267	14,673	(641)	14,032	32,040	62,339
Profit for the period	-	-	-	-	6,265	6,265
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	447	447	-	447
Total other comprehensive income	-	-	447	447	-	447
Total comprehensive income for the period	-	-	447	447	6,265	6,712
Transactions with owners, recorded directly in equity						
Dividends	268	-	-	-	(608)	(340)
Shares issued	765	-	-	-	(750)	15
Shares surrendered	(599)	-	-	-	-	(599)
Balance at 30 June 2014	16,701	14,673	(194)	14,479	36,947	68,127
Balance at 1 July 2014	16,701	14,673	(194)	14,479	36,947	68,127
Profit for the period	-	-	-	-	6,657	6,657
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	115	115	-	115
Total other comprehensive income	-	-	115	115	-	115
Total comprehensive income for the period	-	-	115	115	6,657	6,772
Transactions with owners, recorded directly in equity						
Dividends	291	-	-	-	(652)	(361)
Shares issued	1,007	-	-	-	(1,000)	7
Shares surrendered	(1,314)	-	-	-	-	(1,314)
Balance at 30 June 2015	16,685	14,673	(79)	14,594	41,952	73,231

The significant accounting policies and notes to the financial statements on pages 18 to 40 form part of and are to be read in conjunction with these financial statements.

Statement of financial position

As at 30 June

		Group		Parent	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
EQUITY					
Share capital	6	16,685	16,701	16,685	16,701
Reserves		24,639	23,108	14,594	14,479
Retained earnings		50,169	44,651	41,952	36,947
Total equity attributable to equity holders of the Parent Company		91,493	84,460	73,231	68,127
Non-controlling interest		1,644	1,569	-	-
Total equity		93,137	86,029	73,231	68,127
NON-CURRENT ASSETS					
Property, plant and equipment	8	79,018	78,904	36,388	36,649
Intangible assets	9	31,230	29,843	358	359
Investments in equity accounted investees	22	8,882	8,182	1,330	1,330
Investments in subsidiaries		-	-	1,231	1,231
Trade and other receivables	5 (i)	15,003	15,359	61,397	67,792
Deferred tax assets	16	3,143	2,497	1,588	1,441
Total non-current assets		137,276	134,785	102,292	108,802
CURRENT ASSETS					
Inventories	10	5,345	6,411	2,847	3,847
Trade and other receivables	5 (i)	29,560	34,473	19,372	21,908
Cash and cash equivalents	5 (i)	8,007	3,150	3,286	668
Total current assets		42,912	44,034	25,505	26,423
Total assets		180,188	178,819	127,797	135,225
NON-CURRENT LIABILITIES					
Borrowings	5 (i)	32,570	31,675	18,484	25,727
Trade and other payables	5 (i)	866	699	279	389
Deferred tax liabilities	16	3,787	3,938	1,520	1,611
Total non-current liabilities		37,223	36,312	20,283	27,727
CURRENT LIABILITIES					
Borrowings	5 (i)	97	7,721	-	5,500
Trade and other payables	5 (i)	49,564	47,776	34,214	33,144
Taxation payable		167	981	69	727
Total current liabilities		49,828	56,478	34,283	39,371
Total liabilities		87,051	92,790	54,566	67,098
NET ASSETS		93,137	86,029	73,231	68,127

The significant accounting policies and notes to the financial statements on pages 18 to 40 form part of and are to be read in conjunction with these financial statements.

Statement of cash flows

For the year ended 30 June

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Cash receipts from customers	335,201	290,284	111,917	104,111
Dividends received	689	648	-	-
Interest received	83	192	76	142
Cash was applied to:				
Cash paid to suppliers and employees	(314,316)	(277,904)	(97,438)	(93,732)
Interest paid	(2,137)	(2,828)	(1,648)	(2,242)
Income tax paid	(3,324)	(2,094)	(2,731)	(2,094)
Net cash from operating activities	16,196	8,298	10,176	6,185
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Proceeds from sale of property, plant and equipment	30	64	-	40
Proceeds from loans and advances	539	-	9,185	1,252
Cash was applied to:				
Acquisition of property, plant and equipment	(2,866)	(3,804)	(1,334)	(2,091)
Loans and advances	-	(3,438)	(485)	(6,271)
Net cash (used in) investing activities	(2,297)	(7,178)	7,366	(7,070)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Proceeds from issue of share capital	7	15	7	15
Proceeds from bank and other borrowings	7,656	300	-	300
Proceeds from loans and advances	566	1,219	566	1,109
Cash was applied to:				
Shares surrendered	(1,314)	(599)	(1,314)	(599)
Repayment of borrowings	(15,645)	(7,189)	(13,473)	(3,920)
Dividends paid	(399)	(375)	(361)	(340)
Loans and advances	(349)	(713)	(349)	(713)
Net cash (used in) financing activities	(9,478)	(7,342)	(14,924)	(4,148)
Net increase /(decrease) in cash and cash equivalents	4,421	(6,222)	2,618	(5,033)
Cash and cash equivalents at 1 July	3,150	8,977	668	5,701
Effect of exchange rate fluctuations on cash held	436	395	-	-
Cash and cash equivalents at 30 June	8,007	3,150	3,286	668

The significant accounting policies and notes to the financial statements on pages 18 to 40 form part of and are to be read in conjunction with these financial statements.

Statement of cash flows *(continued)*

Reconciliation of the profit for the period with the net cash from operating activities

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Profit for the year	7,283	6,382	6,657	6,265
Adjustments for:				
Advance to subsidiaries, equity accounted investees and other parties	(756)	3,535	(8,907)	5,223
Depreciation	3,371	3,389	1,531	1,504
Change in derivatives recognised in hedging reserve	(165)	697	160	622
(Increase) in deferred tax on reserves	9	(297)	(45)	(174)
(increase) / decrease in future taxation benefit	(797)	179	(238)	95
Equity accounted earnings of equity accounted investees	(1,282)	(275)	-	-
Unrealised foreign currency translation of subsidiaries	111	(687)	-	-
Impairment of investment	876	-	-	-
Effect of movement in foreign exchange rate on investing / financing activities	-	-	692	(1,187)
Other	70	187	93	164
	8,720	13,110	(57)	12,512
Impact of changes in working capital items:				
Change in inventories	1,066	(891)	1,000	(411)
Change in trade and other receivables	5,269	(4,298)	8,931	(4,763)
Change in taxation receivable / payable	(814)	142	(658)	(172)
Change in trade and other payables	1,955	235	960	(981)
	7,476	(4,812)	10,233	(6,327)
Net cash from operating activities	16,196	8,298	10,176	6,185

The significant accounting policies and notes to the financial statements on pages 18 to 40 form part of and are to be read in conjunction with these financial statements.

Notes to the financial statements

REPORTING ENTITY

Market Gardeners Limited (the "Parent Company") is a cooperative company domiciled in New Zealand and registered under the Companies Act 1993 and the Cooperative Companies Act 1996. The Parent Company is an issuer for the purposes of the Financial Reporting Act 2013.

The consolidated financial statements as at and for the year ended 30 June 2015 comprise the Parent Company and its subsidiaries (collectively the "Group") and the Group's interest in associates and joint arrangements.

The Group and the Parent Company are primarily involved in growing, merchandising, wholesale, ripening, distribution, import and export operations of fresh fruit and produce.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and Financial Reporting Act 2013. For the purpose of complying with NZ GAAP the Parent and Group are for-profit entities.

The financial statements are prepared for the 52-week period ending 3 July 2015 (2014: 52-week period ending 4 July 2014). This is done to ensure comparability given the weekly trading cycles of the Parent and Group. For simplicity the financial statements and accompanying notes will be presented and referred to as 30 June 2015 year end.

STATEMENT OF COMPLIANCE

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"). The financial statements also comply with International Financial Reporting Standards ("IFRS").

BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for land and buildings, and derivative financial instruments which are measured at fair value.

These financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities. No new accounting standards and interpretations that became effective have had a material impact on the financial statements.

1. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates and joint arrangements (equity accounted investees)

Associates and joint arrangements are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates and joint arrangements are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term advances) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Step acquisitions from significant influence to control

When the Group acquires a controlling interest in an investment that was previously equity accounted, goodwill is determined by comparing the fair value of the consideration paid and the fair value of the assets and liabilities acquired at the date that control is obtained. The fair value of the investment immediately prior to acquisition is deducted from the total assets and liabilities acquired to determine goodwill.

Notes to the financial statements (continued)

2. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss except for differences arising on a financial liability designated as a hedge of the net investment in a foreign operation (see (iii) below).

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and brand assets, are translated to New Zealand dollars at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at the exchange rate at the dates of the transactions.

Foreign currency differences in relation to foreign operations are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

(iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised directly in equity, in the FCTR, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the cumulative amount in the FCTR is transferred to profit or loss on disposal.

3. Fair Value hierarchy

Fair values have been categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

4. Use of estimates and judgements

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Revaluation of land and buildings

Every three years the fair value of land and buildings is determined by an independent valuer based on active market values, adjusted for differences in the nature, location or condition of land and buildings. The fair value of land and buildings is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Details relating to the revaluation of land and buildings are shown in note 8.

(ii) Fair value measurement of derivatives

The fair value of forward exchange contracts and interest rate swaps is based on bank quotes.

(iii) Impairment of non-financial/intangible assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a DCF model. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Notes to the financial statements (continued)

4. Use of estimates and judgements (continued)

(iv) Estimation of useful lives and residual values of assets

Estimation of residual values, useful lives and depreciation methods of property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year-end.

5. Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are classified and measured as follows:

(a) Loan and receivables

Loan and receivables consist of trade and other receivables.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(c) Trade and other receivables

Trade and other receivables are subsequently stated at their amortised cost using the effective interest method less impairment losses.

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Non-current				
Finance lease receivables	2,604	2,898	2,604	2,898
Receivable from subsidiaries	-	-	46,394	52,433
Other receivables	18,046	18,108	18,046	18,108
Provision for other receivables	(5,647)	(5,647)	(5,647)	(5,647)
Total non-current trade and other receivables	15,003	15,359	61,397	67,792
Current				
Trade receivables	25,860	27,421	15,489	15,755
Receivable from subsidiaries	-	-	780	413
Other receivables	3,232	6,618	2,635	5,306
Finance lease receivable	361	423	361	423
Derivatives	107	11	107	11
Total current trade and other receivables	29,560	34,473	19,372	21,908
Total trade and other receivables	44,563	49,832	80,769	89,700

The finance lease receivable relates to assets used by the fruit ripening business which is classified as a finance lease. Certain receivables from subsidiaries have been reclassified into non-current in the above table to reflect the underlying time frames in which the receivables will be collected.

Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows.

As detailed in the above table a provision was taken up in prior years against other receivables. When the receipt of other receivables, including any associate receivable, is deferred and / or interest is not paid, then a provision is raised to reflect the fair value discount against the carrying value of the receivable. The fair value discount provision balance as at 30 June 2015 was $1,500,000 (2014: $1,500,000).

Notes to the financial statements (continued)

5. Financial instruments (continued)

The ageing of trade receivables is as follows:

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Not past due	25,073	26,500	16,169	16,347
Past due 1-30 days	1,287	1,227	93	101
Past due 31-60 days	177	180	12	59
Past due 61-90 days	238	364	34	28
Past due greater than 91 days	405	351	201	15
Total trade receivables (gross)	27,180	28,622	16,509	16,550
Provision for doubtful debts	(1,320)	(1,201)	(1,020)	(795)
Total trade receivables (net)	25,860	27,421	15,489	15,755

(d) Financial liability at amortised cost

Financial liabilities at amortised cost consist of trade and other payables and borrowings.

(e) Trade and other payables

Trade and other payables are subsequently carried at amortised cost and due to their short term nature and they are not discounted.

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Non-current				
Derivatives	506	311	99	229
Employee benefits	360	388	180	160
Total non-current trade and other payables	866	699	279	389
Current				
Trade payables	43,783	42,520	30,912	29,999
Derivatives	118	52	118	52
Employee benefits	5,663	5,204	3,184	3,093
Total current trade and other payables	49,564	47,776	34,214	33,144
Total trade and other receivables	50,430	48,475	34,493	33,533

Payables denominated in currencies other than the functional currency comprise $15,301,000 (2014: $13,673,000) of trade payables denominated in Australian dollars and $1,966,000 (2014: $3,309,000) of trade payables denominated in US dollars.

(f) Interest-bearing borrowings

Interest-bearing borrowings are subsequently stated at amortised cost using the effective interest rate method. In 2015 the effective interest rate on bank balances for the Group was 5.42% (2014: 6.54%) and Parent Company was 6.27% (2013: 7.04%).

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Non-current liabilities				
Secured bank loans	30,161	29,307	16,132	23,413
Finance lease liabilities	57	54	-	-
Redeemable "D" shares	2,352	2,314	2,352	2,314
	32,570	31,675	18,484	25,727
Current liabilities				
Current portion of secured bank loans	-	7,322	-	5,500
Current portion of finance lease liabilities	97	399	-	-
	97	7,721	-	5,500
Total borrowings	32,667	39,396	18,484	31,227

The bank loans are secured over land and buildings with a carrying amount of $69,446,000 (2014: $69,167,000).

Notes to the financial statements (continued)

5. Financial instruments (continued)

"D" shares issued under a prospectus dated 14 November 2013 have been classified as non-current liabilities (2014: non-current liabilities) on the basis that the Parent Company and Group has an obligation to pay a minimum fixed dividend and may be redeemed for cash at the end of their term at the option of the shareholder. All shares have a nominal value of $1.00 as permitted by the Cooperative Companies Act 1996. "D" shares carry the right to an annual dividend of 6% gross of imputation credits or the same dividend declared on "A" shares, whichever is the higher. Dividends on "D" shares are accumulating in the event that there are insufficient profits to declare the required dividend and take priority to the dividends on "A" shares.

Further, "D" shares participate in any bonus issue, ordinary or special, in the same manner as "A" shares. Ordinarily "D" shares do not carry the right to vote. "D" shares also participate in a "D" share dividend election plan pursuant to which dividends on "D" shares are able to be reinvested into further "D" shares. "D" shares are only able to be transferred with the specific written approval of the Parent Company's Board. The initial period of issue for "D" shares is to 29 March 2019. The Board may, by giving 4 month's notice, extend this term by successive periods of up to 5 years. At the end of each period, including the initial period, the Parent Company may elect to repay the "D" shares or renew the period (or a shorter period), or a combination of both renewal / repayment. In the event that the Parent Company elects to renew the "D" shares, each "D" shareholder has the right, within 20 business days, to give notice requiring the repayment of some / all of their "D" shares – this is subject to a minimum continued "D" shareholding in the event of a partial repayment. "D" shares may not be redeemed prior to 29 March 2019 and thereafter may only be redeemed at the conclusion of the extended period.

The maturity analysis for non-derivative financial liabilities is as follows:

Group 2015	Balance sheet $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Borrowings	32,667	38,421	921	919	1,794	34,787	-
Trade and other payables	49,806	49,806	46,550	2,896	81	154	125
Total financial liabilities	82,473	88,227	47,471	3,815	1,875	34,941	125
Group 2014							
Borrowings	39,396	47,802	4,721	5,361	5,032	32,688	-
Trade and other payables	48,112	48,112	45,116	2,608	81	172	135
Total financial liabilities	87,508	95,914	49,837	7,969	5,113	32,860	135

Parent 2015	Balance sheet $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Borrowings	18,484	22,039	531	531	1,061	19,916	-
Trade and other payables	34,276	34,276	32,439	1,657	36	64	80
Total financial liabilities	52,760	56,315	32,970	2,188	1,097	19,980	80
Parent 2014							
Borrowings	31,227	38,411	3,042	4,471	4,706	26,192	-
Trade and other payables	33,252	33,252	31,540	1,552	24	58	78
Total financial liabilities	64,479	71,663	34,582	6,023	4,730	26,250	78

(ii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

However, where derivatives qualify for and are designated as a hedging instrument in a cash flow hedge, changes in fair value of the derivative are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to profit or loss in the same period as the hedged item that affects profit or loss.

Notes to the financial statements (continued)

5. Financial instruments (continued)

The maturity analysis for derivative financial instruments is as follows:

	Balance sheet $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Group 2015							
Gross settled derivatives							
Outflow / (inflow)	517	1,260	205	94	188	773	-
Group 2014							
Gross settled derivatives							
Outflow / (inflow)	352	891	164	129	367	231	-
Parent 2015							
Gross settled derivatives							
outflow/ (inflow)	110	347	139	21	43	144	-
Parent 2014							
Gross settled derivatives							
outflow/ (inflow)	270	558	139	104	315	-	-

6. *Share capital*

"A", "B" and "C" shares, which are defined as puttable equity instruments under NZ IAS 32, are classified as equity in the financial statements. In determining this view the key areas of judgement and assumptions were:

- The cash flows that arise from rebates do not substantially restrict the returns to "A", "B" and "C" shareholders.
- "A", "B" and "C" shares are considered to be materially the same financial instrument.

Incremental costs directly attributable to the issue of "A", "B" and "C" shares are recognised as a deduction from equity.

Movements in the Group's issued and paid up share capital are as follows:

	Rebate Shares (Number '000 / $'000)			
	A Shares	**B Shares**	**C Shares**	**Total**
Balance at 1 July 2013	12,975	2,793	499	16,267
Shares issued	283	-	750	1,033
Shares transferred	669	(170)	(499)	-
Shares surrendered	(564)	(33)	(2)	(599)
Balance at 30 June 2014	13,363	2,590	748	16,701
Balance at 1 July 2014	13,363	2,590	748	16,701
Shares issued	298	-	1,000	1,298
Shares transferred	867	(121)	(746)	-
Shares surrendered	(1,261)	(46)	(7)	(1,314)
Balance at 30 June 2015	13,267	2,423	995	16,685

The Board considers all shareholder applications for the surrender / repurchase / redemption of shares on at least a quarterly basis. This process involves a review of the applications, the solvency test as detailed in the Companies Act 1993, the requirements of the Cooperative Companies Act 1996, bank ratios and covenants and the Parent Company's constitution. There have been no changes to these policies and practices from the previous period. The expected cash outflow on the surrender / redemption / repurchase of shares is fixed as being the nominal value of those shares ($1.00 each).

"A", "B" and "C" shares are rebate shares and carry a right to such dividends and rebates as determined by the Board. Rebates may not be paid unless there are sufficient profits from which to pay the minimum dividend due on the "D" shares as detailed in note 5.

Each holder of "A" shares has one vote for each "A" share up to a maximum of 1,000 votes if 1,000 or more "A " shares are held by that holder. Such voting rights are suspended if the shareholder has not transacted business (i.e. is not a Current Producer as defined in the Parent Company's constitution) with the Parent Company or a subsidiary for a period of two years until such time as the shareholder recommences transacting with the Parent Company or a subsidiary.

"B" shares do not carry the right to vote and may be converted to voting "A" shares at the Board's discretion. Any dividend or rebate on "B" shares may be capitalised into further "B" shares.

Notes to the financial statements (continued)

6. *Share capital (continued)*

"C" shares are created from the capitalisation of a supplier shareholder rebate, carry the same rights as "B" shares currently on issue and may be converted to "B" or "A" shares at the Board's discretion.

Upon winding up all shareholders rank equally with regard to the Parent Company's residual assets however any outstanding payment for "D" share dividends shall rank ahead of all other payments to shareholders.

The full terms and conditions applicable to each class of shares are as detailed in the Company's constitution and the terms of offer under the relevant prospectus. The above disclosures are a summary of the key features only.

Shareholders are able to apply to the Board for the surrender of their shares on certain grounds as determined by the Parent Company's constitution and the Cooperative Companies Act 1996.

All shares are surrendered at the lesser of their nominal value of $1.00 or the amount paid up on those shares. Where a shareholder holds over 50,000 but less than 100,000 shares, the Board may limit the surrender of those shares to 20% of the holding in any one year. Where a shareholder holds over 100,000 shares, the Board may limit the surrender of those shares to 10% of the holding in any one year.

In accordance with the Parent Company's constitution the Board may from time-to-time forfeit shares in certain limited circumstances and after following due procedure.

The Parent Company has a first lien on all shares and the proceeds from the sale or surrender of such shares for unpaid amounts in relation to those shares, amounts due under any legislation in relation to those shares and any money, debts or other liabilities owing to the Parent Company or a related company.

Special bonus issue (2015)

On 31 July 2015 the Directors declared a fully imputed taxable special bonus issue of;

- 1 new "A" share for every 10 existing "A" shares;
- 1 new "B" share for every 1 existing "B" share;
- 1 new "C" share for every 1 existing "C" share;
- 1 new "D" share for every 10 existing "D" shares;

for the year to 30 June 2015. The special bonus issue will be accounted for in the period it is declared, namely the year ended 30 June 2016 and occurs prior to the distributions detailed below.

Supplier shareholder rebate (2015)

On 31 July 2015, a taxable rebate of $250,000 was declared by the Directors for the year to 30 June 2015 (2014: $250,000) which is to be applied by the Parent Company in paying up in full "C" shares of the Parent Company to be issued at $1.00 each upon completion at the 2015 Annual Meeting. The rebate will be accounted for in the period it is declared, namely the year ended 30 June 2016.

Bonus issue on supplier shareholder rebate (2015)

On 31 July 2015, the directors declared a three for one (3 for 1) bonus issue on the above "supplier shareholder rebate (2015)". The bonus issue will be accounted for in the period it is declared, namely the year ended 30 June 2016 (the bonus issue for the year ended 30 June 2014 was three for one (3 for 1)).

Final dividend (2015)

On 31 July 2015 the Directors declared a fully imputed taxable gross final dividend of 6 cents per "A" share (2014: 6 cents per "A" share) and 6 cents per "D" share issued under prospectus dated 14 November 2013 (2014: 6 cents per "D" share). The final dividend is to be issued from retained earnings upon completion at the 2015 Annual Meeting. The final dividend will be accounted for in the period the dividend is actually declared, namely the 30 June 2016 financial statements. No interim dividend was declared in the year to 30 June 2015 (2014: $Nil).

7. Other reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Parent Company's net investment in a foreign subsidiary.

(ii) Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

(iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes to the financial statements (continued)

8. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment (other than land and buildings) are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Land and buildings are measured using the revaluation model. The basis of the valuation is highest and best use as determined by an independent valuer, disposal costs are not deducted. Any surplus on revaluation is recorded in other comprehensive income and credited to equity unless it offsets a previous decrease in value recognised in profit or loss, in which case it is recognised in profit or loss. Upon revaluation all accumulated depreciation is netted against the cost of the land and buildings prior to determining the amount by which the land and buildings are to be revalued.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit and loss on a straight-line (SL) and diminishing value (DV) basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets held under a finance lease, where the Group is lessee, are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

- buildings, leasehold improvements and entitlements 1 – 20% SL
- motor vehicles 20 – 25% DV
- plant and equipment 7 – 40% DV
- fixtures and fittings 5 – 60% DV

(iv) Capital work in progress

Capital work in progress is recognised as an asset and is stated at cost less impairment. Expenditure directly attributable to the acquisition or creation of the asset, together with borrowing costs associated with the construction of a long life asset (such as a building), is capitalised up to the time of commissioning of substantially all of the asset. Once commissioned, the asset is transferred out of work in progress and depreciated over its expected useful life.

(v) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's Statement of Financial Position.

(vi) Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements (continued)

8. Property, plant and equipment (continued)

Group	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Cost or valuation						
Balance at 1 July 2013	69,615	1,940	3,575	20,990	1,626	97,746
Additions	24	58	134	782	2,806	3,804
Disposals	(11)	(69)	(423)	(259)	-	(762)
Transfer from non-current asset held for sale	1,744	-	-	-	-	1,744
Transfer to finance lease receivable	-	-	-	-	(1,802)	(1,802)
Reclassification	1,594	49	-	458	(2,101)	-
Effect of movements in exchange rates	(1,164)	(155)	(89)	(969)	-	(2,377)
Balance at 30 June 2014	71,802	1,823	3,197	21,002	529	98,353
Balance at 1 July 2014	71,802	1,823	3,197	21,002	529	98,353
Additions	1,199	611	143	875	38	2,866
Disposals	(47)	(65)	(184)	(51)	(3)	(350)
Reclassification	469	-	-	-	(469)	-
Effect of movements in exchange rates	549	78	69	513	-	1,209
Balance at 30 June 2015	73,972	2,447	3,225	22,339	95	102,078
Accumulated depreciation						
Balance at 1 July 2013	1,444	1,372	3,132	11,691	-	17,639
Depreciation for the year	1,813	144	198	1,234	-	3,389
Disposals	(9)	(59)	(415)	(159)	-	(642)
Reclassification	(507)	-	-	507	-	-
Effect of movements in exchange rates	(106)	(113)	(77)	(641)	-	(937)
Balance at 30 June 2014	2,635	1,344	2,838	12,632	-	19,449
Balance at 1 July 2014	2,635	1,344	2,838	12,632	-	19,449
Depreciation for the year	1,849	147	184	1,191	-	3,371
Disposals	(1)	(59)	(180)	(50)	-	(290)
Effect of movements in exchange rates	43	60	58	369	-	530
Balance at 30 June 2015	4,526	1,492	2,900	14,142	-	23,060
Carrying amounts						
At 1 July 2013	68,171	568	443	9,299	1,626	80,107
At 30 June 2014	69,167	479	359	8,370	529	78,904
At 1 July 2014	69,167	479	359	8,370	529	78,904
At 30 June 2015	69,446	955	325	8,197	95	79,018

Leased plant and equipment

The Group leases certain plant and equipment under a number of finance lease arrangements. The net carrying amount of this leased plant and equipment was $971,000 (2014: $811,000).

Notes to the financial statements (continued)

8. Property, plant and equipment (continued)

Parent	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Cost or valuation						
Balance at 1 July 2013	28,932	133	2,558	10,093	1,626	43,342
Additions	3	57	93	133	1,805	2,091
Disposals	(11)	(54)	(423)	(205)	-	(693)
Transfer from non-current asset held for sale	1,744	-	-	-	-	1,744
Transfer to finance lease receivable	-	-	-	-	(1,802)	(1,802)
Reclassification	1,100	49	-	(49)	(1,100)	-
Balance at 30 June 2014	31,768	185	2,228	9,972	529	44,682
Balance at 1 July 2014	31,768	185	2,228	9,972	529	44,682
Additions	938	-	123	235	38	1,334
Disposals	(47)	-	(184)	(18)	(3)	(252)
Transfer to subsidiary	-	-	-	-	(10)	(10)
Reclassification	459	-	-	-	(459)	-
Balance at 30 June 2015	33,118	185	2,167	10,189	95	45,754
Accumulated depreciation						
Balance at 1 July 2013	237	99	2,258	4,557	-	7,151
Depreciation for the year	670	27	149	658	-	1,504
Disposals	(9)	(50)	(415)	(148)	-	(622)
Balance at 30 June 2014	898	76	1,992	5,067	-	8,033
Balance at 1 July 2014	898	76	1,992	5,067	-	8,033
Depreciation for the year	743	26	141	621	-	1,531
Disposals	(1)	-	(180)	(17)	-	(198)
Balance at 30 June 2015	1,640	102	1,953	5,671	-	9,366
Carrying amounts						
At 1 July 2013	28,695	34	300	5,536	1,626	36,191
At 30 June 2014	30,870	109	236	4,905	529	36,649
At 1 July 2014	30,870	109	236	4,905	529	36,649
At 30 June 2015	31,478	83	214	4,518	95	36,388

Land and buildings

Land and buildings include leasehold improvements and leasehold entitlements. Land and buildings were revalued to fair value as at 30 June 2013 based on the valuations provided as at that date by the following registered, independent valuers: Duke and Cooke Ltd, Truebridge Partners, Coast Valuations, Chadderton Valuation, Herron Todd White, Valuecorp, Integrated Valuation Services. The Directors consider that the fair value of land and buildings is accurately represented by the current carrying value. Land and buildings are both categorised as level 3 in the fair value hierarchy. Fair value of land and buildings was determined by using the following methods:

Investment/Income Approach
This approach capitalises the actual contract and / or potential income at an appropriate market derived rate of return. Capitalisation rates applied range from 8.0% to 11.0% (2014: 8.0% to 11.0%). The valuations are sensitive to the capitalisation rate in that increases in the relative rates have the impact of decreasing the valuation and vice versa.

Sales/ Market comparison approach
This approach analyses comparable sales evidence to a sale price per square metre of floor area (or hectare in the case of land) and makes adjustment to these rates to reflect differences in the location, size and quality of the land and buildings, together with an adjustment for any market movement since the sales occurred.

Notes to the financial statements (continued)

8. Property, plant and equipment (continued)

Depreciated replacement cost approach
This approach involves assessing the replacement cost of building and site improvements, adjusting this cost for depreciation, any obsolescence and the market value of land.

If the land and buildings were measured using the cost model then the carrying value would be $42,003,000 (2014: $41,661,000) for the Group and $16,169,000 (2014: $15,492,000) for the Parent Company.

9. Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates. Goodwill represents any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Brand

Brand intangible assets are acquired by the Group as part of business combinations. Such assets are recorded at fair value at the date of acquisition.

Where a brand is considered to have an indefinite life, no amortisation is provided for in the financial statements but it is subject to an annual impairment test. Brands are an intangible asset of foreign operations with a functional currency of Australian dollars and therefore a foreign exchange translation arises on consolidation.

(iii) Impairment of intangible assets

Goodwill and intangible assets that have indefinite lives are subject to an annual impairment test. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Group	**Goodwill $'000**	**Brand $'000**	**Trademarks $'000**	**Total $'000**
Cost				
Balance at 1 July 2013	19,998	12,782	9	32,789
Goodwill reduction on unfulfilled contract	(75)	-	-	(75)
Effect of movements in exchange rates	(1,709)	(1,155)	-	(2,864)
Balance at 30 June 2014	18,214	11,627	9	29,850
Balance at 1 July 2014	18,214	11,627	9	29,850
Effect of movements in exchange rates	838	550	-	1,388
Balance at 30 June 2015	19,052	12,177	9	31,238
Accumulated amortisation and impairment losses				
Balance at 1 July 2013	-	-	6	6
Amortisation for the year	-	-	1	1
Balance at 30 June 2014	-	-	7	7
Balance at 1 July 2014	-	-	7	7
Amortisation for the year	-	-	1	1
Balance at 30 June 2015	-	-	8	8
Carrying amounts				
At 1 July 2013	19,998	12,782	3	32,783
At 30 June 2014	18,214	11,627	2	29,843
At 1 July 2014	18,214	11,627	2	29,843
At 30 June 2015	19,052	12,177	1	31,230

Notes to the financial statements (continued)

9. Intangible assets (continued)

Parent	Goodwill $'000	Trademarks $'000	Total $'000
Cost			
Balance at 1 July 2013	432	9	441
Goodwill reduction on unfulfilled contract	(75)	-	(75)
Balance at 30 June 2014	357	9	366
Balance at 1 July 2014	357	9	366
Balance at 30 June 2015	357	9	366
Accumulated amortisation and impairment losses			
Balance at 1 July 2013	-	6	6
Amortisation for the year	-	1	1
Balance at 30 June 2014	-	7	7
Balance at 1 July 2014	-	7	7
Amortisation for the year	-	1	1
Balance at 30 June 2015	-	8	8
Carrying amounts			
At 1 July 2013	432	3	435
At 30 June 2014	357	2	359
At 1 July 2014	357	2	359
At 30 June 2015	357	1	358

With the exception of $357,000 of goodwill (in the Parent and Group), which relates to the New Zealand cash generating unit, the goodwill and the indefinite life brand intangible asset of the Group have been allocated to the Australian operation cash generating unit (CGU).

The recoverable amount of the Australian operation cash CGU is based on fair value less costs to sell. The fair value less costs to sell has been estimated using the methodology of capitalisation of maintainable earnings. This constitutes a level 3 measurement in the fair value hierarchy. The recoverable amount of the CGU was determined to be higher than its carrying amount and no impairment loss (2014:$Nil) was recognised.

The key assumptions used in the calculation of recoverable amounts are a normalised maintainable EBITDA, an EBITDA multiple and the determination of surplus assets. These assumptions are a normalised maintainable EBITDA of AUD$4.8 million (2014: AUD$5.1 million), a mid-point EBITDA multiple of 7.0 times (2014: 7.0 times) and surplus assets of AUD$13.2 million (2014: AUD$12.3 million). Normalised maintainable EBITDA is determined based on the historical average EBITDA of the Australian CGU adjusted for any one off or non-core business transactions, synergies and other benefits that may accrue on a willing buyer willing seller basis. The EBITDA of the Australian CGU for the year ended 30 June 2015 was AUD$4.0 million (2014: AUD$4.3 million). Surplus assets includes the recoverable value of Australian associates which is also estimated using the methodology of capitalisation of maintainable earnings.

EBITDA multiples observed in the market for comparable companies in the fresh produce, food and agribusiness sector and recent transactions that have occurred have been considered when the EBITDA multiple is determined and revised as detailed above. Other factors considered when determining the EBITDA multiple include the nature and size of the Australian CGU, the stability and quality of earnings, potential growth rate and risks inherent in the business.

The estimated recoverable amount of the Australian CGU using the mid-point EBITDA multiple is higher than its carrying amount by $1.9 million (2014 $1.0 million). A movement in the EBITDA multiple of minus 0.4 times (2014: minus 0.2 times) would result in the recoverable amount being equal to the carrying value. A movement in the normalised maintainable EBITDA of minus 5% (2014: minus 3%) would result in the recoverable amount being equal to the carrying value. A movement in the surplus asset valuation of minus $1.9 million (2014: minus $1.0 million) would result in the recoverable amount being equal to the carrying value.

Notes to the financial statements (continued)

10. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Inventory	5,345	6,411	2,847	3,847
Inventory subject to contract	2,214	1,527	2,214	1,527
Amount due to supplier	(2,214)	(1,527)	(2,214)	(1,527)
	5,345	6,411	2,847	3,847

In 2015 inventories recognised as cost of sales amounted to $253,776,000 (2014: $217,797,000) for the Group and $69,526,000 (2014: $66,491,000) for the Parent Company. In 2015 the Parent Company and Group write-down of inventories to net realisable value amounted to $Nil (2014: $Nil). In 2015 the Parent Company and Group inventories stated at net realisable value amounted to $Nil (2014: $Nil).

11. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

12. Revenue and other operating income

(i) Revenue – sale of goods

Operating revenue represents the value of traded product and the commission earned from sales made as agent.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of produce transfer usually occurs when the product is despatched.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

In 2015 gross sales under management, which represent the value of traded product and the gross value of sales made as agent, for the Group were $590,385,000 (2014: $538,872,000) and for the Parent Company $358,510,000 (2014: $342,419,000).

(ii) Other operating income – rental income

Rental income from property is recognised in the profit or loss on a straight-line basis over the term of the lease. In 2015 rental income for the Group was $1,839,000 (2014: $1,818,000) and for the Parent Company $906,000 (2014: $1,020,000).

13. Auditor remuneration

	Group		Parent	
Auditor's remuneration comprises:	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**
For audit work:				
• to Market Gardeners Limited and subsidiaries (KPMG)	66	66	66	66
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	85	81	-	-
For other services:				
• to Market Gardeners Limited and subsidiaries (KPMG)	2	2	2	2
• to Market Gardeners Limited (BDO)	6	6	6	6
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	29	47	-	-
Total auditor's remuneration	188	202	74	74

Other audit related services paid to KPMG include fees in respect of the audit of the Parent Company's share register; BDO relate to the audit, account preparation and taxation services for the fruit ripening business; Pitcher Partners relate to internal audit, accounts preparation and taxation services.

Notes to the financial statements (continued)

14. Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in profit or loss when they are due.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any related assets is deducted. Any actuarial gains or losses are recognised in profit and loss or other comprehensive income in the period in which they arise. The calculation is performed using actuarial methodology.

(iii)*Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related benefit is provided.

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Wages and salaries	41,854	39,207	19,266	18,835
Contributions to defined contribution superannuation plans	2,147	1,929	786	697
Increase/(decrease) in liability for long-service leave	247	43	34	23
Total personnel expenses	44,248	41,179	20,086	19,555

15. Leases

(i) Group as a lessee

Operating leases: The Group leases business premises, plant and equipment and motor vehicles under operating leases. Motor vehicle leases are for periods of between 3 and 5 years, business premise leases are for periods of between 1 and 18 years and plant and equipment leases are for periods of between 1 and 5 years.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. During the year ended 30 June 2015 $4,970,000 (2014: $4,766,000) was recognised as an expense in profit or loss in respect of operating leases for the Group and $1,830,000 (2014: $1,820,000) for the Parent Company.

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Less than one year	4,131	3,718	1,948	1,930
Between one and five years	7,601	8,745	2,714	3,397
More than five years	920	1,347	633	804
	12,652	13,810	5,295	6,131

Finance leases: The Group leases certain plant and equipment under a number of finance lease arrangements (see note 8). Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Group as a lessor

Operating leases: The Group leases out some of its property held under operating leases. The Parent Company acts as the lessor of packaging equipment to certain suppliers.

The future minimum lease payments under non-cancellable leases are as follows:

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Less than one year	1,399	1,310	866	784
Between one and five years	3,001	4,170	1,469	2,118
More than five years	10	30	10	30
	4,410	5,510	2,345	2,932

Notes to the financial statements (continued)

16. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries and equity accounted investees to the extent that the timing of the reversal is controlled by the Group and it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deferred tax asset can be utilised.

Income tax	**Group**		**Parent**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current tax expense	3,163	2,568	1,807	1,977
Prior period adjustment to current tax	83	5	226	5
	3,246	2,573	2,033	1,982
Deferred tax – origination and reversal of temporary differences	(789)	(118)	(283)	(79)
Tax (credit)/expense	(789)	(118)	(283)	(79)
Total income tax expense	2,457	2,455	1,750	1,903

Reconciliation of income tax expense

	Group		**Parent**	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Profit before tax	9,740	8,837	8,407	8,168
Income tax using the Parent Company's domestic tax rate	2,727	2,474	2,354	2,287
Add/(deduct) taxation effect of:				
Effect of tax rates in foreign jurisdictions	53	53	-	-
Tax impact of equity accounted investees	(2)	(86)	-	-
Non-deductible expenses	75	401	58	57
Tax exempt income	(303)	(280)	(83)	(70)
Group loss offset	-	-	(566)	(379)
Current year losses for which no deferred tax asset is recognised	80	47	-	-
Under/(over) provided in prior periods	(171)	34	(13)	8
Prior year losses for which no deferred tax was recognised	(2)	(188)	-	-
Total income tax expense	2,457	2,455	1,750	1,903

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Group	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant and equipment	-	-	(2,927)	(3,005)	(2,927)	(3,005)
Derivatives	183	103	(30)	(3)	153	100
Provisions and other	2,960	2,394	(830)	(930)	2,130	1,464
Tax assets/(liabilities)	3,143	2,497	(3,787)	(3,938)	(644)	(1,441)

Notes to the financial statements (continued)

16. Income tax (continued)

Parent	Assets 2015 $'000	Assets 2014 $'000	Liabilities 2015 $'000	Liabilities 2014 $'000	Net 2015 $'000	Net 2014 $'000
Property, plant and equipment	-	-	(660)	(678)	(660)	(678)
Derivatives	61	79	(30)	(3)	31	76
Provisions and other	1,527	1,362	(830)	(930)	697	432
Tax assets/(liabilities)	1,588	1,441	(1,520)	(1,611)	68	(170)

Movement in temporary differences during the year

Group	Balance 1 July 13 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 14 $'000
Property, plant and equipment	(3,857)	818	34	(3,005)
Derivatives	297	-	(197)	100
Provisions and other	1,522	12	(70)	1,464
Losses carried forward	776	(712)	(64)	-
	(1,262)	118	(297)	(1,441)

Group	Balance 1 July 14 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 15 $'000
Property, plant and equipment	(3,005)	86	(7)	(2,927)
Derivatives	100	94	(41)	153
Provisions and other	1,464	609	57	2,130
	(1,441)	789	9	(644)

Parent Company	Balance 1 July 13 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 14 $'000
Property, plant and equipment	(1,074)	396	-	(678)
Derivatives	250	-	(174)	76
Provisions and other	749	(317)	-	432
	(75)	79	(174)	(170)

Parent Company	Balance 1 July 14 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 15 $'000
Property, plant and equipment	(678)	18	-	(660)
Derivatives	76	-	(45)	31
Provisions and other	432	265	-	697
	(170)	283	(45)	68

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Imputation credits				
The imputation credits are available to shareholders of the Parent Company:				
Through the Parent Company	10,843	9,472	10,843	9,472
Through subsidiaries	218	152	-	-
Imputation credits at 30 June	11,061	9,624	10,843	9,472

Notes to the financial statements (continued)

17. Financial risk management

Exposure to credit, interest rate, foreign currency, market and liquidity risks arises in the normal course of the Group's business.

Credit risk

Management has a credit policy in place under which each new significant customer is individually analysed for credit worthiness by reference to independent sources where available before the standard payment and delivery terms and conditions are offered. Where available, the Group reviews external ratings. In order to determine which customers are classified as having payment difficulties, the Group reviews each debtor when receipts become past due. Generally, the Group does not require collateral in respect of trade and other receivables.

The carrying amount of financial assets represents the Group's maximum credit exposure. The Group has no undue concentrations of credit risk.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. It is the Group's policy to provide credit and liquidity enhancement only to wholly owned subsidiaries, associates, shareholders and grower/suppliers.

Market risk

The Group enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks. The Board provides oversight for risk management and derivative activities. The Board determines the Group's financial risk policies and objectives and provides guidelines for derivative instrument utilisation. The Board also establishes procedures for control and valuation, risk analysis, counterparty credit approval and ongoing monitoring and reporting. These policies are implemented by management and reviewed and monitored by the Group's internal audit function.

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the Parent Company's functional currency, New Zealand dollars ($), which is also the presentation currency of the Group. The foreign currencies in which foreign currency transactions are primarily denominated are Australian dollars (AUD) and US dollars (USD).

The Group manages its foreign exchange risk in respect of significant overseas investments through determining the expected foreign currency dividend and revenue streams and borrowing in that currency. The Group hedges all material trade debtors and creditors denominated in a foreign currency.

	Group		Parent	
2015	**USD**	**AUD**	**USD**	**AUD**
Trading foreign currency risk	**$'000**	**$'000**	**$'000**	**$'000**
Due within 12 months				
Bank	169	4,223	57	167
Trade receivables	603	9,240	-	-
Trade payables	(2,091)	(12,246)	(1,490)	(1,316)
Net balance sheet exposure before hedging activity	(1,319)	1,217	(1,433)	(1,149)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	1,490	1,316	1,490	1,316
Net unhedged exposure	171	2,533	57	167
2014				
Trading foreign currency risk				
Due within 12 months				
Bank	238	2,182	3	118
Trade receivables	1,492	10,779	-	-
Trade payables	(3,796)	(11,206)	(2,201)	(975)
Net balance sheet exposure before hedging activity	(2,066)	1,755	(2,198)	(857)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	2,201	975	2,201	975
Net unhedged exposure	135	2,730	3	118

Notes to the financial statements (continued)

17. Financial risk management (continued)

The Group's exposure to foreign currency risk at balance date can be summarised as follows:

The following borrowings are denominated in Australian dollars and are designated as hedges against the investment in the Australian operations, subsidiaries, associates and in the case of the Australian finance leases, the particular element of Australian plant and equipment that is subject to the finance lease:

	2015 AUD $'000	2014 AUD $'000
Investment foreign currency risk		
Net investment (including intangible assets that arise on consolidation) in Australian operations	36,667	35,157
Foreign currency denominated borrowings		
Secured bank borrowings	(4,350)	(11,350)
Net unhedged exposure	32,317	23,807

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have decreased the Group's profit before income tax by approximately $31,000 for the year ended 30 June 2015 (2014: $27,000). The Group policy of entering into forward exchange contracts has been allowed for in this calculation. The impact of such a foreign currency movement is generally mitigated by a similar movement in the pricing of the associated produce sold.

Interest rate risk

The Group manages interest rate risk through policies determined by the Board. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

Interest rate risk – repricing analysis 2015 Group	**Total $'000**	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Fixed rate instruments						
Finance lease receivable	2,965	181	180	361	1,083	1,160
Finance lease liabilities	(154)	(54)	(44)	(29)	(27)	-
Total fixed rate instruments	2,811	127	136	332	1,056	1,160
Variable rate instruments and related derivatives						
Cash and cash equivalents	8,007	8,007	-	-	-	-
Secured bank loans	(30,161)	(30,161)	-	-	-	-
"D" shares	(2,352)	-	-	-	(2,352)	-
Effect of interest rate swaps	-	17,957	-	-	(17,957)	-
Total variable rate instruments and related derivatives	(24,506)	(4,197)	-	-	(20,309)	-
Parent						
Fixed rate instruments						
Finance lease receivable	2,965	181	180	361	1,083	1,160
Total fixed rate instruments	2,965	181	180	361	1,083	1,160
Variable rate instruments and related derivatives						
Cash and cash equivalents	3,286	3,286	-	-	-	-
Secured bank loans	(16,132)	(16,132)	-	-	-	-
"D" shares	(2,352)	-	-	-	(2,352)	-
Effect of interest rate swaps	-	4,489	-	-	(4,489)	-
Total variable rate instruments and related derivatives	(15,198)	(8,357)	-	-	(6,841)	-

Notes to the financial statements (continued)

17. Financial risk management (continued)

Interest rate risk – repricing analysis **2014** **Group**	**Total** **$'000**	**6 months or less** **$'000**	**6-12 months** **$'000**	**1-2 years** **$'000**	**2-5 years** **$'000**	**More than 5 years** **$'000**
Fixed rate instruments						
Finance lease receivable	3,321	212	211	423	1,269	1,206
Finance lease liabilities	(453)	(201)	(198)	(54)	-	-
Total fixed rate instruments	2,868	11	13	369	1,269	1,206
Variable rate instruments and related derivatives						
Cash and cash equivalents	3,150	3,150	-	-	-	-
Secured bank loans	(36,629)	(36,629)	-	-	-	-
"D" shares	(2,314)	-	-	-	(2,314)	-
Effect of interest rate swaps	-	14,358	-	(9,000)	(5,358)	-
Total variable rate instruments and related derivatives	(35,793)	(19,121)	-	(9,000)	(7,672)	-

Parent

Fixed rate instruments						
Finance lease receivable	3,321	212	211	423	1,269	1,206
Total fixed rate instruments	3,321	212	211	423	1,269	1,206
Variable rate instruments and related derivatives						
Cash and cash equivalents	668	668	-	-	-	-
Secured bank loans	(28,913)	(28,913)	-	-	-	-
"D" shares	(2,314)	-	-	-	(2,314)	-
Effect of interest rate swaps	-	9,000	-	(9,000)	-	-
Total variable rate instruments and related derivatives	(30,559)	(19,245)	-	(9,000)	(2,314)	-

At 30 June 2015 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $32,000 (2014: $192,000). Interest rate swaps have been taken into account in this calculation.

Capital management

The Group's capital includes share capital, reserves and retained earnings.

The Board recognises the need for and at all times looks to maintain a strong capital base whilst applying cooperative principles. These principles form the basis for rebates to transacting shareholders, distributions to shareholders in general and the surrender of share capital to those shareholders leaving the cooperative.

At all times the Board balances these requirements in order to provide the base for the future and returns for the present.

The allocation of capital and funding is, to a large extent, driven by the opportunities available and the returns able to be achieved. The process of allocating capital to specific businesses or geographic segments is undertaken by the Parent Company Board.

The Group's capital management allocation is regularly considered and reviewed by the Board. There have been no material changes in the Group's management of capital during the period.

Notes to the financial statements (continued)

17. Financial risk management (continued)

Hedging

Interest rate hedges

The Group has a policy of having, on average, between 70 and 100 percent of its exposure to changes in interest rates on borrowings on a fixed rate basis. Interest rate swaps, denominated in Australian and New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The swaps mature over the next five years following the maturity of the related loans and have fixed swap interest rates ranging from 2.79 percent to 5.92 percent (2014: 3.18 percent to 5.92 percent). At 30 June 2015, the Group had interest rate swaps with a notional contract amount of $26,957,000 (2014: $17,358,000). The Group classifies interest rate swaps as cash flow hedges.

The net fair value of swaps at 30 June 2015 was $623,000 payable (2014: $304,000 payable).

Forecast transactions

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges. The net fair value of forward exchange contracts used as hedges of forecast transactions at 30 June 2015 was $106,000 receivable (2014: $49,000 payable) comprising assets of $107,000 (2014: $3,000) and liabilities of $1,000 (2014: $52,000).

Recognised assets and liabilities

The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 30 June 2015 was $Nil (2014: $Nil) recognised in fair value derivatives.

Hedge of net investment in foreign operation

The Group hedges part of its net investment in Australian operations by borrowing in Australian dollars. The fair value of the Australian dollar loan is designated as the hedge instrument of the net investment. For quantification of the hedge relationship refer to the section on foreign currency exchange risks.

Classification and fair values

	Derivatives $'000	Loans and receivables $'000	Other amortised cost $'000	Total $'000	Fair value $'000
Group					
2015					
Total assets	107	49,498	2,965	52,570	52,570
Total liabilities	624	-	82,473	83,097	83,097
2014					
Total assets	11	49,650	3,321	52,982	52,982
Total liabilities	363	-	87,508	87,871	87,871
Parent					
2015					
Total assets	107	80,983	2,965	84,055	84,055
Total liabilities	217	-	52,760	52,977	52,977
2014					
Total assets	11	87,036	3,321	90,368	90,368
Total liabilities	281	-	64,479	64,760	64,760

Derivatives, loans and receivables and other amortised cost are all categorised as level 2 fair values.

18. Capital Commitments

As at 30 June 2015 the Group had capital commitments of $Nil (30 June 2014: $500,000 for the extension and refurbishment of the Christchurch branch main floor). The Parent Company had capital commitments of $Nil (30 June 2014: $500,000).

19. Contingencies

The Group and Parent Company had the following contingencies.

The Parent Company guarantees the LaManna Group and associates borrowings of $14,029,000 (2014: $7,715,000).

Trade indemnities and guarantees issued $1,550,000 for associate companies (2014: $800,000 for an associate company).

In the normal course of operations the Group may be subject to potential claims or warranties. There are no individual matters which require individual disclosure.

Notes to the financial statements (continued)

20. Related parties

The immediate parent and ultimate controlling party of the Group is Market Gardeners Limited. The following transactions are conducted on normal commercial terms.

From time to time the Parent Company makes advances to associates and subsidiaries. Associate advances are not interest bearing where they are considered to be part of the investment or are otherwise interest bearing at the Parent Company's average cost of borrowing. Advances to subsidiary companies are not interest bearing with the exception of certain advances which are made to allow the subsidiary to acquire an investment.

Sales of goods and services and purchases of goods and services transactions with subsidiaries detailed in the table below includes sales and purchases of produce, property rentals, management fees and interest charges.

	Group		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Transactions with subsidiaries				
Sales of goods and services	-	-	5,856	5,574
Purchases of goods and services	-	-	6,990	7,543
Closing advances/receivables	-	-	47,174	52,846
Transactions with associates and joint arrangements				
Sales of goods and services	2,710	3,567	1,007	965
Purchases of goods and services	23,891	22,756	19,681	19,729
Closing advances/receivables	13,085	13,725	13,085	13,725
Closing loans/payables	908	56	810	-

For the year ended 30 June 2015 there has been no expense recognised or any movement in provisions relating to outstanding balances with subsidiaries or associates (2014: $Nil expense / movement).

The Parent Company is a participating employer in a defined contribution superannuation fund. During the year the Parent Company made employer contributions to the fund as disclosed in note 14. In addition, the Parent Company leased premises and motor vehicles on an operating lease basis from the superannuation fund. These lease payments represented $188,000 and $706,000 of the Parent Company and Group lease costs respectively (2014: $188,000 and $716,000). The Parent Company does not guarantee the performance or value of the superannuation fund but does appoint the Trustees of the fund who at balance date were the Chairman Mr B.D. Gargiulo, MBE; a Director Mr A.G. Fenton; the Chief Executive Mr P.S. Hendry; the Company Secretary Mr D.J. Pryor and Mr D.J. Stock (Barrister and Solicitor).

Key management personnel compensation

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and for executive officers contributes to a defined contribution superannuation plan on their behalf.

Like most cooperatives the Parent Company and Group has frequent transactions with its grower Director's (sales to, agency sales for and purchases from Director's) in the ordinary course of business.

Key management personnel compensation comprised:	**2015 $'000**	**2014 $'000**
Director's fees and remuneration	1,317	1,281
Gross value of Director's sales	23,283	18,420
Commission charged on Director's sales (as above)	2,794	2,211
Gross value of Director's other transactions (prepacking services, sundry expense recharges and sundry other expenses)	161	195
Short-term employee benefits	2,277	2,198

Notes to the financial statements (continued)

21. Subsidiary with material non-controlling interest – LaManna Bananas Pty Ltd

Summary presentation of the subsidiary entity LaManna Bananas Pty Ltd (Group), consolidated financial statements.

(a) Summarised statement of financial position	**2015 $'000**	**2014 $'000**
Total equity	22,233	19,609
Total non-current assets	34,896	32,080
Total current assets	17,884	17,446
Total assets	52,780	49,526
Total non-current liabilities	14,672	6,175
Total current liabilities	15,875	23,742
Total liabilities	30,547	29,917
NET ASSETS	22,233	19,609
(b) Summarised statement of comprehensive income		
Profit for the year	2,835	1,908
Other comprehensive income for the year	(218)	43
Total comprehensive income for the year	2,617	1,951

22. Group entities

(i) Significant subsidiaries	**Country of incorporation and principle place of business**	**2015 %**	**2014 %**	**Balance date**	**Principal activity**
Hansons Lane International Holdings Ltd	New Zealand	100	100	30 June	Investment Holding
Blackbyre Horticulture Ltd	New Zealand	100	100	30 June	Property Holding
Market Fresh Wholesale Ltd	New Zealand	100	100	30 June	Property Holding
Phimai Holdings Ltd	New Zealand	100	100	30 June	Property Holding
Southland Produce Markets Ltd	New Zealand	100	100	30 June	Property Holding
MG Group Holdings Ltd	New Zealand	100	100	30 June	Asset Holding
Market Gardeners (USA) Inc.	USA	100	100	30 June	Produce Sourcing and Exporting
LaManna Bananas Pty Ltd	Australia	96	96	30 June	Produce Wholesale
Verona Fruit Pty Ltd	Australia	100	100	30 June	Produce Wholesale
LaManna Bananas (Adelaide) Pty Ltd	Australia	100	100	30 June	Produce Wholesale
Fruitology Pty Ltd	Australia	100	100	30 June	Produce Broker
Australian Banana Company Pty Ltd	Australia	100	100	30 June	Produce Packing & Wholesale
Carbis Bananas Pty Ltd	Australia	100	100	30 June	Investment Holding
LaManna Bananas Property One Pty Ltd	Australia	100	100	30 June	Property Holding
LaManna Bananas Property Two Pty Ltd	Australia	100	100	30 June	Property Holding
LaManna Group Holdings Three Pty Ltd	Australia	100	100	30 June	Investment Holding

(ii) Investments in equity accounted investees (associates and joint arrangements)

Fresh Vegetable Packers Ltd (1)	New Zealand	36	36	30 June	Vegetable Packing
United Flower Growers Ltd (2)	New Zealand	50	50	30 June	Flower Wholesale
Te Mata Exports 2012 Ltd (2)	New Zealand	50	50	31 December	Produce Exporting
J. S. Ewers Ltd (1)	New Zealand	-	-	31 March	Produce Grower
Fresh Choice W.A. Pty Ltd (2)	Australia	50	50	30 June	Produce Wholesale
Darwin Banana Farming Co. Pty Ltd (2)	Australia	50	50	30 June	Banana Production
Darwin Pineapple Farming Co. Pty Ltd (2)	Australia	50	50	30 June	Pineapple Production
Innisfail Banana Farming Co. Pty Ltd (2)	Australia	50	50	30 June	Banana Production

(1) = associate, (2) = joint arrangement

Notes to the financial statements (continued)

22. Group entities (continued)

The Group is presumed to have significant influence over Fresh Vegetable Packers Ltd through its 36% shareholding and over J.S. Ewers Limited due to the management agreement in place that allows the Group to exert significant influence over the decisions made by the Company.

The interests in the Australian incorporated companies detailed in the table above are the actual interests held by the Group. As LaManna Bananas Pty Ltd is a 96% (2014: 96%) owned subsidiary company, all of its subsidiaries (being the other Australian incorporated subsidiaries listed above) are effectively 96% (2014: 96%) owned by the Group and its associate companies, Fresh Choice W.A. Pty Ltd, Darwin Banana Farming Company Pty Ltd, and Innisfail Banana Farming Company Pty Ltd are effectively 48% (2014: 48%) owned by the Group. Darwin Pineapple Farming Company Pty Ltd is 50% (2014: 50%) owned by Darwin Banana Farming Company Pty Ltd and is therefore effectively 24% (2014: 24%) owned by the Group.

The Group's share of profit in its equity accounted investees for the year was $2,565,000 (2014: $1,277,000).

None of the associates or joint arrangements are considered to be individually material and are measured under the equity method.

The summary of financial information for individually immaterial but collectively material equity accounted investees (associates and joint arrangements) is as follows:

	Pre-tax Profit/(loss) from continuing operations $'000	Post-tax Profit/(loss) from discontinued operations $'000	Other comprehensive income $'000	Total Post-tax Comprehensive income $'000	Carrying amount $'000
2015	7,648	(667)	-	4,616	8,882
2014	3,184	-	-	2,225	8,182

23. Accounting standards issued but not yet effective

A number of new standards, amendments and interpretations that could be expected to have a material impact on the financial statements, which are not yet effective for the year ended 30 June 2015 and have not been applied in preparing these financial statements, are detailed below. At the time of the annual report the impact of each relevant standard had not yet been determined:

- NZ IFRS 9 (2014) *Financial instruments* addresses the classification, measurement and derecognition of financial assets, financial liabilities, impairment of financial assets and hedge accounting. The application date of standard is 1 January 2018. The application date for the Group is 1 July 2018.
- NZ IFRS 15 *Revenue from Contacts with Customers* replaces NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue* and related revenue interpretations. The core principle of NZ IFRS 15 is that an entity recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The application date of standard is 1 January 2017. The application date for the Group is 1 July 2017.
- *Equity Method in Separate Financial Statements (Amendments to NZ IAS 27)*. The amendments require an entity preparing separate financial statements to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with NZ IFRS 9 Financial Instruments, or using the equity method. The application date of the standard is 1 January 2016. The application date for the Parent is 1 July 2016.

24. Subsequent events

There were no reportable events subsequent to 30 June 2015 (30 June 2014: Nil).

Independent Auditor's Report

To the Shareholders of Market Gardeners Limited

Report on the Company and Group Financial Statements

We have audited the accompanying financial statements of Market Gardeners Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 11 to 40. The financial statements comprise the statements of financial position as at 30 June 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation and fair presentation of the company and group financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the company and group.

Opinion

In our opinion, the financial statements on pages 11 to 40 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Market Gardeners Limited and the group as at 30 June 2015 and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

24 September 2015

Christchurch

Statutory information

1. Directors' fees & remuneration

Parent Company The following people held office as Director of the Parent Company during the year and received the following remuneration and other benefits for acting as such:	*** Directors' fees**	*** Special project and other fees**	**Other benefits**
J.R. Clarke	55,000	4,000	1,313
L.T. Crozier	55,000	4,167	1,313
F.P. Di Leva (Deputy Chairman, Retired 30 September 2014)**	17,187	168,500	656
A.G. Fenton	55,000	9,833	1,313
A.G. Franklin	55,000	5,000	1,313
B.D. Gargiulo, MBE. (Chairman)	111,000	55,500	1,313
B.R. Irvine (Deputy Chairman from 26 November 2014)	56,146	7,833	1,313
T.M. Treacy	55,000	2,750	1,313
M.R. O'Connor (Appointed 26 November 2014)	32,083	3,500	765
	491,416	261,083	10,612

Subsidiary Company The following people held office as Director of subsidiary company LaManna Bananas Pty Ltd and received the following remuneration and other benefits for acting as such:			
A.G. Fenton	58,722	50,198	-
B.D. Gargiulo, MBE. (Chairman)	101,429	74,436	-
P.C.L. Holberton	58,722	14,250	-
B.R. Irvine	58,722	37,158	-
T.M. Treacy	58,722	41,757	-
	336,317	217,799	-

Other than for subsidiary company LaManna Bananas Pty Ltd as detailed in the table above, no director of a subsidiary company receives any remuneration or other benefits from the subsidiary company for acting as such.

Any remuneration or other benefits received by employees, as employees, are included in the relevant bandings in the table below.

* Messrs Fenton, Gargiulo, Irvine and Treacy as directors of LaManna Bananas Pty Ltd and Mr Gargiulo as Chairman of all LaManna Bananas Pty Ltd subsidiary and associate companies, receive meeting fees and travel allowances from the Parent Company which are included in the Subsidiary Company table above.

During the course of the year, Mr B. Gargiulo attended 78 meetings (for the Parent Company, subsidiaries and associates) and the other directors attended up to 34 meetings in both Australia and New Zealand. Travel time and executive meetings were in addition to those meetings attended.

** Mr F. Di Leva retired on 30 September 2014. Included in his Special project and other fees is a retirement allowance of $165,000.

2. Auditors' remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note 13 of the attached financial statements to 30 June 2015.

3. Cooperative Companies Act 1996 Declaration

In compliance with clause 10 of the Cooperative Companies Act 1996 the Board of Directors of Market Gardeners Limited unanimously resolved on 31 July 2015 that, in their opinion, the Parent Company had been a cooperative company throughout the period 1 July 2014 to 30 June 2015. This opinion was based on the fact that, more than 60% of the voting rights were held by transacting shareholders and that the Parent Company continued to carry on its principal cooperative activities as detailed in its constitution.

Statutory information (continued)

4. Executive employees' remuneration

During the year the following numbers of employees received remuneration in excess of $100,000:

Remuneration range	Number of employees	Remuneration range	Number of employees
100,000 to 109,999	11	230,000 to 239,999	2
110,000 to 119,999	14	240,000 to 249,999	2
120,000 to 129,999	12	250,000 to 259,999	1
130,000 to 139,999	7	260,000 to 269,999	1
140,000 to 149,999	10	270,000 to 279,999	1
150,000 to 159,999	8	280,000 to 289,999	1
160,000 to 169,999	7	400,000 to 409,999	1
170,000 to 179,999	6	410,000 to 419,999	1
180,000 to 189,999	4	420,000 to 429,999	1
190,000 to 199,999	4	430,000 to 439,999	1
200,000 to 209,999	3	580,000 to 589,999	1
210,000 to 219,999	1		

The remuneration details of those employees paid outside New Zealand have been converted into New Zealand dollars. Remuneration includes an employee's remuneration, together with the value of other benefits received such as vehicle usage, medical insurance and telephone rentals.

The remuneration of subsidiary company's employees, including those outside New Zealand, is included in the above table.

5. Interests register

The following entries were recorded in the interest's register of the Parent Company and its subsidiaries during the accounting period.

General disclosures

Like most cooperative companies, Market Gardeners Limited has frequent transactions with its grower Directors (sales to, agency sales for and purchases from Directors) in the ordinary course of business. For additional information refer to note 20 of the attached financial statements to 30 June 2015.

The following are the new disclosures made in the general interests register of the Parent Company and its subsidiaries:

Directors' interests in companies and other entities which have or may have material ongoing dealings with the Company and / or Group.

Director	Nature of Interest	Company / Entity
As directors of the Parent Company, Market Gardeners Ltd		
A. G. Fenton	Director	Huddart Parker Building Ltd
	Chairman / Trustee	NZ Fruitgrowers Charitable trust
	Member	NZ Kiwifruit Growers Inc
	Shareholder	Zespri Group Ltd
	Director / Shareholder	Beresford Orchards Ltd
L. T. Crozier	Director / shareholder	Change of company name from Kirwen Holdings Ltd to Lynchris Packing Ltd
M. R. O'Connor	Director / shareholder	Appleby Fresh Ltd
(appointed November 2015)	Director / shareholder	Market Gardeners Ltd (as detailed below)
	Partner	O'Connor – Dayman partnership
	Partner	Mountainview Forest partnership
	Director	Vegetables NZ Ltd
	Director	Waimea Community Dam Ltd

Statutory information (continued)

5. Interests register (continued)

Director	Nature of Interest	Company / Entity
As directors of the subsidiary company, LaManna Bananas Pty Ltd		
A. G. Fenton	Member	NZ Kiwifruit Growers Inc
B. R. Irvine	Director Director	Godfrey Hirst Australia Ltd and subsidiaries Air Rarotonga Ltd
In addition to the above new disclosures, a number of directors disclosed changes to existing disclosures (such as being appointed Chairman), resignations from other directorships held and previously disclosed in the interests register and changes in shareholdings in the Parent Company (as detailed below).		

Particular disclosures

Upon his appointment as a Director of Market Gardeners Ltd, Mr M. R. O'Connor declared an interest by virtue of a shareholding in Market Gardeners Ltd (as disclosed below) together with an interest in all directors remuneration and other benefits received or paid by the Parent Company including (without limitation) Director's fees, Special directors / project fees (if any), Committee fees (if any), liability insurance and indemnity from the company, Southern Cross medical insurance.

(a) Share dealings

The following are the shareholdings of Directors of the Parent Company. The changes in the shareholdings are in accordance with the Parent Company's normal operating policies and constitution which are applied equally to all shareholders.

	30 June 2015				30 June 2014			
	A Shares	B Shares	C Shares	D Shares	A Shares	B Shares	C Shares	D Shares
J.R. Clarke	709,430	155,858	62,072	-	630,739	160,298	48,897	-
Held by a company of which he is a shareholder and director	1,813	-	-	-	1,743	-	-	-
L. Crozier	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	10,113	19,195	6,192	-	6,000	17,644	5,664	-
A.G. Fenton	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director (formally held by a trust)	9,912	18	16	11,036	9,906	24	-	11,036
A.G. Franklin	89,622	11,245	4,752	107,175	84,503	9,109	3,858	104,378
B.D. Gargiulo, MBE. (Chairman)	394,824	308	24	18,515	379,566	269	39	18,032
Messrs Gargiulo and Irvine as Directors of MG Group Holdings Ltd (100% subsidiary company of Market Gardeners Ltd)	117,208	-	-	-	97,339	19,869	-	-
M.R. O'Connor	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	116,746	47,371	20,912	-	95,031	51,106	14,160	-
T.M. Treacy	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	6,354	-	-	220,952	6,109	-	-	215,186

Statutory information (continued)

5. Interests register (continued)

The above table discloses the shareholdings of Directors of the Parent Company. The changes in the shareholdings are in accordance with the Parent Company's normal operating policies and constitution which are applied equally to all shareholders. "A", "B" and "C" shares are rebate shares.

(b) Directors' & officers' indemnity and insurance

The Parent Company, its subsidiaries and associates have effected Directors' and Officers' liability insurance on behalf of the Directors and Officers of those entities and have also entered into indemnities with those Directors and Officers as permitted by the relevant parent, subsidiary or associate company's constitution.

(c) Use of company information

During the accounting period, the Boards of the Parent Company and subsidiary companies did not receive any notices from Directors of the Parent Company or subsidiary companies requesting the use of company information received in their capacity as Directors which would not otherwise have been available to them.

(d) Interest in actual or proposed transactions of the Parent Company

No declarations in actual or proposed transactions of the Parent Company were made during the accounting period.

6. Changes in accounting policies

The attached financial statements to 30 June 2015 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The accounting policies set out in the attached financial statements have been applied consistently to all periods presented in those financial statements and by Group entities.

7. Donations

During the year the Parent Company made donations of $10,000 (2014: $16,000), the Group $17,000 (2014: $21,000).

8. Directors of subsidiaries

As at 30 June 2015:

Messrs B.D. Gargiulo (MBE), B.R. Irvine and P.S. Hendry (CEO) were the Directors of Blackbyre Horticulture Ltd, Bowdens Mart Ltd, Bray Frampton Ltd, Cockerill and Campbell (2007) Ltd, Hansons Lane International Holdings Ltd, Market Fresh Wholesale Ltd, Market Gardeners Orders (Christchurch) Ltd, Market Gardeners Orders Wellington Ltd, MG Marketing Ltd, MG New Zealand Ltd, Phimai Holdings Ltd, Quitachi Ltd, LaManna Ltd, LaManna Bananas (NZ) Ltd, Southland Produce Markets Ltd, MG Group Holdings Ltd.

Messrs B.D. Gargiulo (MBE) and D. Trask were the directors of Market Gardeners (USA), Inc.

Messrs B.D. Gargiulo (MBE), A.G. Fenton, P.C.L. Holberton, B.R. Irvine and T.M. Treacy were the directors of LaManna Bananas Pty Ltd.

Messrs B.D. Gargiulo (MBE), G. Thompson and T.M. Treacy were the directors of Verona Fruit Pty Ltd, Fruitology Pty Ltd, LaManna Bananas (Adelaide) Pty Ltd and Carbis Bananas Pty Ltd.

Messrs B.D. Gargiulo (MBE), T.M. Treacy and R. Borsato were the directors of Australian Banana Company Pty Ltd.

Messrs B.D. Gargiulo (MBE) and G. Thompson were the directors of SureStak Pty Ltd, Gold Tyne Pty Ltd, LaManna Group Pty Ltd, LaManna Fresh Pty Ltd, LaManna Fruit Pty Ltd, LaManna Bananas Property One Pty Ltd, LaManna Bananas Property Two Pty Ltd, LaManna Group Holdings Three Pty Ltd, LaManna Group Holdings Four Pty Ltd and LaManna Group Holdings Five Pty Ltd.

Corporate governance statement

The Board of Market Gardeners Ltd (MG) is committed to ensuring that the Company and wider Group implements and adheres to high levels of good corporate governance principles and ethical standards.

Role of the Board
The Board's primary objective is the creation of sustainable shareholder value through following appropriate strategies and ensuring they are implemented effectively by management. The Board has delegated to the CEO, management and subsidiary company boards, the day to day leadership of the group's operations.

The majority of the Board is elected by shareholders with special directors able to be appointed by the shareholder appointed grower directors. Under the Companies Act 1993 and the Cooperative Companies Act 1996 the Board has overall responsibility for the governance, management and supervision of the Company and wider Group.

Its responsibilities include general stewardship, working with management to set the Company and Group's strategic direction, providing leadership, monitoring management and financial performance, monitoring compliance and risk management and ensuring that there are effective policies, procedures and guidelines in place to ensure these responsibilities are performed to a high standard of accepted business practice and financial accountability. To this end the Board, primarily through the audit committee, continues to review and update its policies and practices, and those of the Group, to keep pace with both domestic and international developments in this area. It is important to note that developments occur frequently and the Board continues to reaffirm its commitment to maintaining high quality policies, procedures and practices into the future, throughout the Group.

Board Operations and Membership
The Board is committed to the principle that there should be a balance of independence, skills, knowledge and experience among the directors. The current Board of Directors consists of 6 shareholder appointed Directors (Messrs Gargiulo, Clarke, Fenton, Franklin, Crozier and O'Connor) and 2 Special Directors (Messrs Irvine and Treacy). Notwithstanding normal business operations, none of the MG Directors are directly involved in the day-to-day management of the Company's operations. From time to time the board appoints Special Directors - Mr Irvine who has been on the MG board since December 1994 and Mr Treacy who was appointed in December 2011.

Like most cooperatives, MG has frequent transactions with its grower directors (sales to, agency sales for and purchases from Directors or their businesses / companies). These transactions are entered into in the normal course of business. A register of interests is maintained and regularly updated documenting interests disclosed by all Board members. The statutory disclosure section of this annual report documents all disclosures made in the current year.

With regards to appointments of Directors for subsidiary and associate companies which form part of the Group, the MG Board considers and makes all appointments of the MG representative directors. As associate companies are only partly owned, MG only appoints certain representative directors to such entities. The remaining directors are appointed by the other shareholders in those companies. As LaManna Bananas Pty Ltd (LaManna), a 96% subsidiary, has non-controlling interest shareholders, the independent director on the LaManna board, Mr Holberton, has been nominated to specifically represent the minority shareholder interests in addition to normal Director duties and responsibilities.

MG's constitution has specific procedures for the appointment and retirement of MG Directors, eligibility requirements (such as active and minimum shareholdings) and automatic retirement rotations every three years. The MG Board met 16 times during the financial year (13 times last financial year), in addition to attending to committee matters between meetings. These meetings include conference calls to address any matters or issues arising between set meeting dates. In addition to the meetings of the Parent Company, Directors of the subsidiary and associate companies also met throughout the year. The outcomes of such meetings, key business issues and the performance of such companies are reported through to each meeting of the MG Board by MG's representative Directors.

Group Management Structure
The core business of the Group is transacted in New Zealand by Market Gardeners Ltd and in Australia by LaManna Bananas Pty Ltd and its subsidiaries and associates. MG is represented on the boards of the subsidiary and associate companies by members of the MG Board and / or senior management.

The Board delegates the management of the day-to-day affairs of the Company to the Senior Management Team under the leadership of the CEO. MG's Chief Executive together with the Company Secretary/Chief Financial Officer and International Business Manager attend all MG Board meetings. Similarly LaManna's Chief Executive, Chief Financial Officer and certain other senior executives of LaManna and MG attend all LaManna Group company board meetings.

In the case of all operating entities, budgets, strategic plans and monthly reporting are the key tools utilised in assessing and monitoring management's performance throughout the year.

Corporate governance statement (continued)

Board Remuneration
MG obtains external professional advice on remuneration to be paid to Directors on a two to three yearly basis. The recommendations of the external advisor are, if required and after consideration by the Remuneration Committee and full Board, submitted as a resolution to shareholders at the Company's annual meeting. No change is being sought in the current year.

For the year under review, no directors' fees were paid to MG Directors that are also MG representative directors of any subsidiary or associate companies except Fresh Vegetable Packers Ltd. As a result, members of MG's Board acting as representative directors on subsidiary and associate company boards are remunerated by MG with special project fees. These fees are disclosed in the schedule of statutory disclosures detailed in the attached annual report and are based on the external professional advice sought for directors fees as detailed above. The Independent Director on the LaManna board is remunerated directly by LaManna. These fees are also set by reference to the external professional advice referred to above and are disclosed in the schedule of statutory disclosures detailed in the attached annual report.

Shareholder Relations
The Board actively fosters constructive relationships with its shareholders as appropriate. The Board is at all times aware of the need to protect the interests of the Company, Company's shareholders and act in their best interests.

The Company encourages shareholder participation at the annual meeting. In addition to this, the Board has expanded its regular communication programme with all shareholders.

Risk Management
It is a key role of the Board to ensure that risk management processes are in place and operating effectively. The Board has undertaken a number of steps to ensure this is carried out including:

- Determined the nature and extent of risk the Board is willing to take to meet the company's strategic objectives through an agreed risk framework;
- Set up internal control processes to ensure management efficiently manage resources in compliance with the risk framework;
- In conjunction with the CEO and management, reviewed the effectiveness of compliance with risk management policies and systems; and
- Mandated (as part of its charter), the audit committee to monitor detailed risk management procedures on it's behalf.

Board Committees

Audit Committee
This sub-committee of the MG Board met 4 times during the year (5 times last year) in its chartered role of reviewing all financial, management, auditing, compliance and risk factors affecting the Company and Group. As a sub-committee of the MG Board, it is made up of three Directors, one of whom (Mr Irvine) is a special director, with appropriate accounting skills and knowledge, who is the chairman of the committee. Its meetings are attended by MG's Chief Executive, Chief Financial Officer, Internal auditor and the Company's external auditors, KPMG, as required.

As in the past, the focus of this Committee was on the accuracy of external financial reporting and in ensuring that all branches and divisions of MG were subject to an internal audit together with considering the future direction of the internal audit function and its responsibilities / duties within the Group. The LaManna Group also has an Audit Committee and continues to develop the internal audit function – to date the LaManna Group has been subject to limited internal audit reviews which are undertaken on a targeted basis and has appointed an external provider to undertake internal audit visits.

The Audit Committee continues to monitor domestic and international developments in corporate governance best practices, procedures and policies, however this has not resulted in any significant modifications in the current year. The audit committee oversees the Internal Audit function.

In New Zealand, MG has an Internal Auditor who is responsible for checking all aspects of the New Zealand Company's operational and financial activities. All internal audit reports are presented to and considered by the Audit Committee. This function provides assistance to the Board and management in the discharge of their duties in ensuring that appropriate controls exist within the Group.

Corporate governance statement (continued)

Remuneration and Nomination Committee
The Remuneration and Nomination Committee consists of the MG Chairman, Deputy Chairman and one other director (Mr A.G. Fenton)(Chairman of this committee). The committee is responsible for the review and administration of director's fees, establishing coherent remuneration policies and practices, and the remuneration of the MG Chief Executive and senior management personnel. As a result of the independent Review Committee review that occurred during the year, this committee has since been renamed as the Remuneration and Nomination Committee to better reflect its chartered responsibilities. The Remuneration and Nomination Committee Charter has been updated further to reflect Institute of Directors best practice recommendations.

Executive Committee
As a sub-committee of the MG Board, the Executive Committee comprises the Chairman and the Deputy Chairman (as required). Its role is to assist the MG Chief Executive in the discharge of his duties and meets as required prior to and between Board meetings.

Annual Review
This corporate governance code, and the associated policies and procedures are reviewed on an annual basis.