MARKET GARDENERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2013

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Financial highlights

• **Group gross sales under management**	$563.759 million
• **Group profit before income tax**	$7.549 million
• **Group profit for the year (after income tax)**	$4.023 million
• **Group total equity**	$83.081 million
• **Group total assets**	$184.424 million

Shareholder distributions	**2013** $'000	**2012** $'000
• Supplier shareholder rebate	250	250
• Bonus issue on supplier shareholder rebate of 2 for 1 (2012 : 1 for 1)	500	250
• Final gross dividend on "A" shares : 6 cents per share (2012 : 4 cents per share)	778	502
• 30 June 2013 - final gross dividend on "D" shares : 4.667 cents per share (June 2012 : nil cents per share)	129	-
• November 2013 - final gross dividend on "D" shares : 3.333 cents per share (November 2012 : 8 cents per share)	85	209
Total shareholder distributions in relation to the year ended 30 June	1,742	1,211

Chairman’s and Chief executive officer’s review

In this, the 90th year of operations for Market Gardeners Limited, trading as MG Marketing (MG), we have departed from traditional practice to present a composite review by the Chairman, on behalf of the Board of Directors, and the Chief Executive Officer, of the Company’s annual results and operations. This combined statement for the year to 30 June 2013, enables the presentation of a single yet comprehensive report covering MG’s national and international business activities.

For the period in review, MG achieved a strong year of trading across all fronts to deliver a 5.47% improvement in Group sales under management over the previous year. This and related results are shown in the Financial Highlights on the preceding page. The Group’s profit before tax decreased slightly from last year, with a higher tax expense producing an overall lower net profit after tax. Despite this drop in after tax profit, it is pleasing to report your Co-operative has performed very creditably in the face of a number of ongoing challenges at both domestic and international levels.

Our domestic supply and sales business produced a strong result, thanks to a combination of favourable growing conditions, steady buyer demand and improved returns. In contrast to previous years, the period under review, despite the droughts in summer, was largely free of any significant climatic disruptions to growing and harvesting operations. Likewise there were no unplanned interruptions to our distribution networks. In particular, some of the best results achieved on produce volumes and sales were for summer fruit categories, as well as for a selected range of seasonal vegetable lines.

Around the country overall production levels, volumes to market and sales lifted appreciably over previous years. Our branches in Auckland, Hamilton, Palmerston North, Wellington, Nelson, Christchurch, Dunedin and Invercargill all contributed well to the overall result. This result speaks volumes for the strength of our operating network at local levels within the framework of a New Zealand-wide Co-operative of growers and suppliers.

It is also noteworthy that recent partnerships initiated with retail groups, such as the ‘MG Direct’ sales channel in the South Island, have contributed to the year’s success. These arrangements provided, and continue to provide, many of our growers and suppliers with added options for going to market. We intend to pursue further retail trading relationships by fully utilising our procurement and key account teams across more produce sectors, especially where potential exists for sales growth. In the very competitive and frequently marginalised fresh produce business, this ability to work closely with our customers and to plan and manage regular supply arrangements is proving beneficial to all the parties involved.

In Australia, our LaManna Group operations enjoyed a greatly improved year in the absence of any significant damaging weather events, as had occurred in the previous two years. This stability has enabled LaManna to consolidate its investment programme of farm development, product diversification and distribution networks. At the same time it capitalised on improved sales returns, particularly for mainstream banana sales, but also for rising volumes of other produce lines such as citrus, grapes and avocadoes. After a turbulent period of weather disruptions, MG’s investment in LaManna is once again showing improved returns and we are confident further progress will be made in this strategically important market.

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

On the wider international front MG performed satisfactorily during the year, despite trade being constrained by import restrictions affecting a number of traditional lines of seasonal produce. Ongoing bio-security issues between New Zealand and countries such as Australia and North America limited our ability to expand and diversify our business with offshore suppliers. Against this, it is pleasing to report sales of Dole-branded bananas and pineapples continued to increase and retain their leading market positions. Our export activities also gained traction during the year following MG's 2012 investment in Te Mata Exports 2012 Limited (Te Mata Exports), with a number of new product lines being added to the core apple product line.

Across all MG's trading activities, your Board of Directors and executive management team have continued to focus on the core objectives of improving operating efficiency at every level, whilst at the same time lifting earnings productivity on behalf of growers/suppliers. The year in review has seen tangible progress made on both these fronts. Your Company has kept the costs of doing business under firm control. Importantly, it has succeeded in creating additional channels to market, as well as introducing new produce varieties capable of adding value on the sales achieved. The Group's results for the latest period strongly indicate MG is heading on the right track and we look forward to maintaining this momentum.

Financial Performance

This year's trading is highlighted on page two of this report. Once again MG has maintained strong gross sales under management which exceeded $563 million (up from 2012's $534 million), Group profit before income tax exceeded $7.5 million (compared to the prior year's result of $7.6 million) which reflects the improved market conditions experienced in Australia on the LaManna Group result and continued sound results coming from the New Zealand operations. Group Profit after tax amounted to $4.0 million which is down on last years $6.4 million as a result of the increased tax expense this year.

Total assets are now over $184 million, a net increase over 2012's $182 million and reflects the Group's continued reinvestment in the infrastructure required in NZ and Australia.

Group equity has continued to grow and now exceeds $83 million, an increase of almost $4 million from 2012. This increase reflects the net effect of, amongst other things, the dividends and share surrenders, the Group net profit after tax of $4.0 million and the impact of movements in the reserves – namely the asset revaluation, foreign currency and hedging reserves.

Group cash flows from operations have continued to be strong and well managed with over $11 million coming in from operating activities. These inflows have, amongst other things, resulted in debt repayments by the Group of over $4.5 million and the investment in property, plant and equipment of over $5.5 million.

As in recent prior years MG presents, in addition to this Annual Report and financial statements, an Annual Review which includes only the key financial reports. 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).

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

Distributions

Based on the financial performance to 30 June 2013, the MG Board of Directors has resolved to return to its shareholders significant distributions totalling $1.742 million. On 2 August 2013 the Board declared the following distributions in relation to the year ended 30 June 2013:

- 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 Current Producers that have supplied on a consignment basis during the financial year ended 30 June 2013;
- Bonus issue – a two for one fully imputed taxable bonus issue on the "C" shares issued out of the above rebate. This amounts to $500,000 worth of "C" shares being issued (you receive two 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 6 cents on every "A" share and a further 3.333 cents on every "D" share on issue ("D" shares received 4.667 cents on 30 June 2013 and this dividend makes up the balance of the 8 cents minimum annual dividend on "D" shares). 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 2013 and continuing to hold, at the date of the 2013 Annual Meeting, the shares held at 30 June 2013. The above rebate, bonus issue and dividends represent $1.742 million being distributed back to MG's loyal and supportive shareholders.

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 Support Office for further information.

New Zealand Market

The domestic market for fresh fruit and vegetables has been the fundamental basis for MG's commercial activities and our performance for the year in review strongly reinforced this position. Sales volumes and earnings from what was generally good growing conditions lifted considerably compared to recent years across most produce lines. This outcome was attributable to improvements your Co-operative has made, and continues to make, in two critically important respects. These are co-ordinating production and supplies at the grower level, coupled with the development of closer working relationships with our key retail buyers.

At the producer level, we have made good progress with many growers on a new category programme designed to add value to traditional fruit and vegetable lines. Success on this front was achieved by introducing new varieties in our range of summer seasonal products, including summer-fruit and melons. Similarly, positive results were gained for seasonal vegetable lines. Notably, our new pumpkin, Butterkin™, has created its own productive niche in the market. For these and other category initiatives, anticipated returns on sales were met, or frequently exceeded, as buyer demand lifted to keep pace with volumes released.

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

Expanding the range of categories grown also had the effect of extending the growing season, which in turn helped maintain or lift values and sales volumes. The ability to bring new varieties to market and differentiate the produce offered for sale has proven to be a valuable strength for MG. At both strategic planning and practical business levels it enables your Company to work more effectively alongside all parties in the supply chain and especially with our major retail customers.

From an industry-wide perspective it is gratifying to see positive results from our continued efforts at diversifying into new and speciality categories. Whilst it seems obvious, there is in fact a great deal of careful planning and execution required to deliver long-term outcomes in this area. Our goal remains to continue investing in people, new products, systems and equipment that will enable MG to maintain the progress achieved to date and further secure the business prospects for all our participating growers / suppliers.

Growers participating in new category schemes have already experienced the results of the programme's successful expansion. This is particularly the case for IP products developed by MG, as they are owned by your Co-operative and hold exclusive marketing rights with potential for premium prices. Through MG's procurement and sales teams, the Company is keen to discuss opportunities to further develop this programme in specific directions. Our role is to be available to assist with any aspect of Members' business operations, whether directly or indirectly, with a view to maximising returns. This, of course, is exactly what the Co-operative principle stands for in pursuit of shared effort and mutual rewards.

The strong trading performance achieved in the New Zealand market was to no small degree the result of MG's continued investments in improving facilities for handling, storing and distributing ever-increasing produce volumes. At the Penrose branch in Auckland our plans to expand warehousing and storage space are well underway, with the site already excavated for over 400 sq/m of new premises. This extra capacity will assist the Company to cope with anticipated business growth from around the greater Auckland area. Similarly at the Sockburn branch in Christchurch, major building projects are underway or were completed during the year. In March 2013 MG's new Support Office was opened and has proved a practical and worthwhile asset for the Company and its management and administrative teams.

In the domestic flower market, United Flower Growers Ltd (UFG) - MG's joint venture with United Flower Auctions Ltd (UFA) - has had a satisfactory year with improved sales and has made significant changes to its business. In the later part of the year UFG implemented a new strategic plan which had been the cumulation of two years in the planning. Central to these changes has been the increased support and volume from UFA growers / shareholders coming to UFG. To support this plan, UFG has invested in improved auction floor facilities and systems in the major Auckland branch in order cope with this enhanced volume. These services and systems will be expanded to other locations throughout the year ahead. As these are completed, they will enhance the speed and efficiency of sales transactions for customers nationwide and we are confident of further growth in flower sales in the immediate future.

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

Australian Market (LaManna Group)

After two years of industry-wide volatility caused by destructive cyclones and floods, the year in review provided a welcome return to relative normality for LaManna Group and its associated companies in Australia. It enabled LaManna to consolidate its diversification and expansion programme for locally grown and imported produce and to deliver strong earnings growth across all market sectors.

The return to profitability in the year was a very encouraging result and a pointer to further success. Despite this, there are still improvements to be made as the LaManna Group continues to fine-tune its produce supply and distribution operations.

Significant gains were achieved during the year on banana sale returns, aided by a lift in average returns, the first for a decade. Non-banana sale returns also improved with sizeable increases achieved for avocadoes, citrus and mangoes. Whilst bananas comprised some 65% of LaManna's business, the sales mix is improving as investments in other fruit and vegetable lines are taking effect. One fast-growing category is watermelons, which have the potential to substantially boost earnings in the short term.

Fully recovered from the effects of Cyclone Yasi, the Group's Australian Banana Company Pty Ltd's operations increased grower numbers and shed volumes of product packed. The business has the potential to pack up to 1.5 million cartons per year and further lift earning potential. The Group produced a healthy increase overall on imported produce and continues to grow in this area.

LaManna's presence in the Brisbane, Sydney, Melbourne, Adelaide and Perth wholesale markets continued to grow, with returns from all centres lifting over the previous period. The Adelaide and Perth operations performed particularly well, increasing their sales and returns by appreciable margins and providing solid ground for further expansion in the next one to two years.

As both major retail chains implement direct supply strategies with grower groups across all major product categories, the need to restructure supply lines and invest in new produce sources and facilities to better service customers is necessarily an ongoing one. It is encouraging that under the LaManna Group management team led by the Chief Executive Officer, Glen Thompson, steps taken to date have produced positive financial results, which are set to continue as LaManna grows its business.

International Trading

MG's export produce activities were substantially broadened during the year through our joint venture with Te Mata Exports. As a successful exporter of apples at its start-up, this partnership has developed to include additional lines of fruit for sale into offshore markets. This will provide MG's growers and suppliers with new opportunities for lines such as avocadoes, citrus and summer fruit. The export operation will continue to look at new product opportunities which meet the needs of our expanding international customer base and where value can be added.

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

Under this process MG's international team is working closely with LaManna Group representatives in Australia, as well as with MG's North American office in California. Trading links between these Pacific Rim markets offer the prospect of a co-ordinated network providing export and import services for buyers and sellers on an increasingly economic scale. By representing growers in any of these countries, MG is able to work more cost-effectively with international customers and meet their seasonal demands from a wider range of reliable sources.

A major impediment to the expansion of trade during the year was the imposition of border controls and banning the importation / exporting of specific fresh products between countries. As a consequence of these bio-security issues, MG's revenue from a number of imported fruit and vegetable lines suffered during the year.

As these international trading relationships develop, MG, its joint venture partner and subsidiary operations are progressively widening procurement sources and client bases, not only in New Zealand but also in Australia and the USA. This expansion programme is being undertaken with the utmost commercial caution, given the volatility of cross-border trading in fresh produce. Further initiatives will be commensurate with well-performing trade links and proven earnings records that augment income from our domestic operations.

For tropical and sub-tropical fruit imports, MG continued its leadership standing in the local marketplace, despite a disastrous December 2012 typhoon in the Philippines causing major supply disruptions. With our international business partner Dole Asia, now owned by Itochu Corporation, we again held the number one position for bananas and pineapples. Good results were also achieved for other out-of-season lines such as grapes and citrus products. Competition in this import sector is extremely vigorous and MG has devoted considerable attention in the domestic market to profiling the quality, value and reliability of its globally accepted brands.

MG and Dole's joint venture ripening partnership is committed to the banana market it has helped to establish in New Zealand and this can be seen in the construction of a large new storage and ripening facility in Christchurch, adjacent to the existing branch. Plans to develop this state-of-the-art facility as the central distribution point for South Island banana supplies were signed off during the year, and the standalone complex is scheduled to be opened later in the 2013 calendar year.

Annual Meeting of Shareholders

All shareholders are warmly invited to attend the Annual Meeting of the Company, to be held at The Cellar Door, 143 Centennial Avenue, Alexandra on Wednesday 27 November 2013, commencing at 5.30 pm.

Following the meeting, the Directors, Management and staff of MG would be pleased to meet with attendees to discuss any topics of mutual business interest. All attendees are welcome to attend the formal and informal sessions, which includes a dinner to be held the same evening.

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

Directorate and Management

It is appropriate to express a vote of recognition to MG's highly committed and industrious Board of Directors. Their contribution to the year's financial performance has been outstanding and their stewardship exemplary. The stability of tenure as directors and the collective expertise they bring to the Company as a commercial entity are significant drivers behind the effectiveness and success of our operations, both domestically and abroad.

In accordance with the Company's constitution, Messrs Francie Di Leva and John Clarke retire by rotation and being eligible, offer themselves for re-election. One nomination has been validly received for a position as Director, being that of Mr. Mark O'Connor. A postal election will take place prior to the Annual Meeting and full details will be contained in the postal ballot papers to be circulated to Members.

Our MG executive managers comprising Peter Hendry as Chief Executive, Duncan Pryor as Company Secretary and Chief Financial Officer, and Kerry Wells as International Business Manager, and the LaManna executive managers comprising Glen Thompson as Chief Executive and Simon Hardie as Chief Financial Officer, have carried out their responsibilities during the year with considerable success. We are fortunate to have their expert services and to benefit from the individual and collective experience they have gained over many years in the industry. It is also fitting given the importance of staff throughout the organisation that Greig Pullar, the Employee Relations Manager, joined the Company's executive management team during the year.

MG Staff

This review of the year would not be complete without special reference to MG's loyal and dedicated staff members based in New Zealand, Australia and the United States. As the Company has actively sought to diversify and expand, the importance of the role played by all employees in this transformation cannot be over estimated. Change, however desirable or necessary, is often inconvenient to established practices. To their credit, staff at all levels of our organisation have responded positively to the challenges in the field, at distribution centres and offices, and in the retail chain and independent markets we serve.

Such adjustments throughout MG's workforce are vital to our commercial prospects. We will continue to rely on procurement and sales staff to work alongside growers and suppliers, providing relevant information for making the best production choices and harvesting decisions. Likewise our warehousing and logistical staff are crucially important in the safe storage and handling of produce and its transport to market in the best possible condition. Not least, our account managers and marketing support staff are fundamental to the success of creating and maintaining relationships with retail customers at local and overseas levels, whether they are large conglomerates or independent buyers.

In short, our network of staff provides the essential interface between MG's grower-suppliers and many hundreds of customers representing consumers at large. To achieve this they must be highly skilled and have daily access to excellent facilities, modern equipment and continuous support services. Your Company is very mindful of these requirements, in the full knowledge that success is driven not by circumstance, but by design. In acknowledgement of our team of employees and as an expression of thanks for their commitment to the business, all staff members' names are again printed on the cover of the Annual Review.

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

Outlook

MG is well positioned to consolidate and improve its role as a leading supplier and distributor of fresh fruit and vegetables to consumers in New Zealand and overseas. Our results for the year under review have demonstrated your Company's ability to respond to shifting market conditions by diversifying and expanding its produce lines into new and improved categories. Undoubtedly this is the way of the future and we need to continually adapt to meet the changing expectations of our retail buyers and their customers.

In what is a constantly fluctuating trading environment, there are many difficult challenges to be overcome. Rationalisation across the retail sector, competition from direct supply channels, category over-production and bio-security border issues are just some of the obstacles that must be confronted and, wherever possible, resolved. Such tasks can appear daunting at times, but MG has worked diligently over the years to adopt new business strategies and tactics designed to anticipate and meet changing market trends, and not to ignore or resist what is happening domestically and off shore. These decisions are part of an ongoing programme that is starting to pay dividends, notably in areas of managing procurement and supply, and improving returns on produce sold. It is well worth elaborating on this vital process with a view to your Co-operative's business prospects for the next year and beyond.

On the domestic scene, MG's focus on category expansion and specialisation has gained good traction, although there is still much to be done. Increasing numbers of our growers and suppliers have profited from successful trials introducing new varieties of vegetable and fruit lines. Whilst traditional crops remain a core part of our business, the ability to differentiate our produce and command a price premium is a vital factor in lifting market share and earnings. Valuable niche markets have been created in this process, along with extended seasons and greater choice for today's more sophisticated consumers.

Most importantly, MG works closely with both ends of the supply chain to facilitate outcomes under this programme. Buy-in from our retail customers must necessarily be mirrored by our grower-suppliers. As with all produce supplied, continuity, quality and economy are the key drivers. Our procurement, sales and account managers are pivotal in assisting to accomplish these requirements. The same high level of co-ordination applies to direct sales with retail customers. Your Company is acutely aware of the importance of such programmes for the collective security of MG as a Co-operative entity moving forward.

Offshore markets, including our investment in LaManna Group in Australia, are likewise undergoing rapid and frequently unplanned change. After two years of serious trading interruption caused by tropical storms, LaManna is showing steady improvement in sales volumes and returns on an expanding product range. The Australian market, coupled with our wider export and import interests, gives MG a strongly diversified base to support New Zealand operations. Supply and sales synergies within and between our multiple overseas markets will assist your Company to spread its risk and capitalise on foreign exchange earnings.

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

Across all its trading fronts domestically and abroad, MG has shown conclusively it has the business expertise to thrive as a productive and efficient force in the fresh produce industry. Grower and supplier members within our Co-operative trading structure are, of course, at the heart of this commercial enterprise. Through the very process of co-operation in pursuit of success, the Company has changed enormously in its 90 years of existence. There can be no doubt MG will keep changing in order to achieve further success in the years ahead.

On behalf of your Board of Directors and executive management team, it is appropriate to express a hearty "Thank You" to our many customers in the retail sector who have supported our business at many different levels. Tribute must also be made to our valued trading partners in both domestic and import/export markets, whose contribution to our results are extremely important. To our many growers and suppliers who have actively supported MG's supply and distribution networks, we certainly appreciate your endorsement of our business direction and we encourage interest from all Members within our Co-operative. We look forward to progressing our mutual business interests on a continuing and profitable basis.

Finally, MG wishes all its staff, management, suppliers and customers the very best for a most productive and personally fulfilling year.

Brian Gargiulo, MBE
Chairman

19 September 2013

Peter Hendry,
Chief Executive Officer

19 September 2013

MARKET GARDENERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2013

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2013.

For and on behalf of the Board of Directors:

B.D. Gargiulo, MBE Chairman	B.R. Irvine Director
19 September 2013	19 September 2013

Statement of comprehensive income

For the year ended 30 June

	Note	Group 2013 $'000	Group 2012 $'000	Parent Company 2013 $'000	Parent Company 2012 $'000
Revenue – sale of goods	5	300,306	266,789	103,646	103,186
Cost of sales		253,247	227,249	80,544	82,619
Gross profit		47,059	39,540	23,102	20,567
Other operating income	6	1,839	6,424	1,090	5,580
Administrative expenses	7	7,782	9,428	5,401	5,666
Other expenses		31,239	28,973	11,902	11,552
Results from operating activities		9,877	7,563	6,889	8,929
Finance income		339	467	2,414	2,306
Finance expense		3,470	3,916	2,422	2,678
Net finance costs		3,131	3,449	8	372
Profit before equity earnings and income tax		6,746	4,114	6,881	8,557
Share of profit of equity accounted investees	12	803	3,519	-	-
Profit before income tax		**7,549**	**7,633**	**6,881**	**8,557**
Income tax expense	9	3,526	1,186	2,682	956
Profit for the year		**4,023**	**6,447**	**4,199**	**7,601**
Other comprehensive income					
Foreign currency translation differences for foreign operations		(2,832)	(601)	-	-
Change in fair value of land and buildings		3,789	-	2,303	-
Effective portion of changes in the fair value of cash flow hedges		806	(1,205)	730	(650)
Income tax on other comprehensive income	13	(1,118)	319	(552)	182
Other comprehensive income for the period, net of income tax		645	(1,487)	2,481	(468)
Total comprehensive income for the year		**4,668**	**4,960**	**6,680**	**7,133**
Profit attributable to:					
Owners of the company		3,940	6,400	4,199	7,601
Non-controlling interest		83	47	-	-
Profit for the year		**4,023**	**6,447**	**4,199**	**7,601**
Total comprehensive income attributable to:					
Owners of the company		4,585	4,913	6,680	7,133
Non-controlling interest		83	47	-	-
Total comprehensive income for the year		**4,668**	**4,960**	**6,680**	**7,133**

The significant accounting policies and notes to the financial statements on pages 18 to 44 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 2011	15,760	27,765	(520)	3,698	30,943	26,851	1,421	74,975
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	6,400	47	6,447
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	(855)	-	(855)	-	-	(855)
Translation of foreign operations	-	-	-	(632)	(632)	-	-	(632)
Net change in fair value of land and buildings	-	(4,518)	-	-	(4,518)	4,518	-	-
Total other comprehensive income	-	(4,518)	(855)	(632)	(6,005)	4,518	-	(1,487)
Total comprehensive income for the period	-	(4,518)	(855)	(632)	(6,005)	10,918	47	4,960
Transactions with owners, recorded directly in equity								
Dividends	258	-	-	-	-	(490)	-	(232)
Shares issued	506	-	-	-	-	(500)	-	6
Shares surrendered	(482)	-	-	-	-	-	-	(482)
Balance at 30 June 2012	16,042	23,247	(1,375)	3,066	24,938	36,779	1,468	79,227
Balance at 1 July 2012	16,042	23,247	(1,375)	3,066	24,938	36,779	1,468	79,227
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	3,940	83	4,023
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	623	-	623	-	-	623
Translation of foreign operations	-	-	-	(2,973)	(2,973)	-	-	(2,973)
Net change in fair value of land and buildings	-	2,995	-	-	2,995	-	-	2,995
Total other comprehensive income	-	2,995	623	(2,973)	645	-	-	645
Total comprehensive income for the period	-	2,995	623	(2,973)	645	3,940	83	4,668
Transactions with owners, recorded directly in equity								
Dividends	261	-	-	-	-	(516)	(23)	(278)
Shares issued	511	-	-	-	-	(500)	-	11
Shares surrendered	(547)	-	-	-	-	-	-	(547)
Balance at 30 June 2013	16,267	26,242	(752)	93	25,583	39,703	1,528	83,081

The significant accounting policies and notes to the financial statements on pages 18 to 44 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 Company	**Share capital $'000**	**Revaluation reserve $'000**	**Hedging reserve $'000**	**Total reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2011	15,760	17,236	(699)	16,537	17,728	50,025
Total comprehensive income for the period						
Profit for the period	-	-	-	-	7,601	7,601
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	(468)	(468)	-	(468)
Net change in the fair value of land and buildings	-	(4,518)	-	(4,518)	4,518	-
Total other comprehensive income	-	(4,518)	(468)	(4,986)	4,518	(468)
Total comprehensive income for the period	-	(4,518)	(468)	(4,986)	12,119	7,133
Transactions with owners, recorded directly in equity						
Dividends	258	-	-	-	(490)	(232)
Shares issued	506	-	-	-	(500)	6
Shares surrendered	(482)	-	-	-	-	(482)
Balance at 30 June 2012	16,042	12,718	(1,167)	11,551	28,857	56,450
Balance at 1 July 2012	16,042	12,718	(1,167)	11,551	28,857	56,450
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,199	4,199
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	526	526	-	526
Net change in the fair value of land and buildings	-	1,955	-	1,955	-	1,955
Total other comprehensive income	-	1,955	526	2,481	-	2,481
Total comprehensive income for the period	-	1,955	526	2,481	4,199	6,680
Transactions with owners, recorded directly in equity						
Dividends	261	-	-	-	(516)	(255)
Shares issued	511	-	-	-	(500)	11
Shares surrendered	(547)	-	-	-	-	(547)
Balance at 30 June 2013	16,267	14,673	(641)	14,032	32,040	62,339

The significant accounting policies and notes to the financial statements on pages 18 to 44 form part of and are to be read in conjunction with these financial statements.

Statement of financial position

As at 30 June

		Group		Parent Company	
	Note	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
EQUITY					
Share capital	17	16,267	16,042	16,267	16,042
Reserves		25,583	24,938	14,032	11,551
Retained earnings		39,703	36,779	32,040	28,857
Total equity attributable to equity holders of the Parent Company		81,553	77,759	62,339	56,450
Non-controlling interest		1,528	1,468	-	-
Total equity		83,081	79,227	62,339	56,450
NON-CURRENT ASSETS					
Property, plant and equipment	10	80,107	76,504	36,191	30,076
Intangible assets	11	32,783	35,562	435	436
Investments in equity accounted investees	12	8,463	9,398	1,330	1,330
Investments in subsidiaries		-	-	1,231	1,231
Trade and other receivables	15	10,712	9,371	10,712	9,371
Deferred tax assets	13	3,118	4,320	1,523	1,782
Total non-current assets		135,183	135,155	51,422	44,226
CURRENT ASSETS					
Inventories	14	5,520	4,288	3,437	2,624
Trade and other receivables	15	33,000	33,922	73,793	74,146
Cash and cash equivalents	16	8,977	6,670	5,701	2,623
Taxation receivable		-	279	-	196
Non-current assets held for sale		1,744	1,744	1,744	1,744
Total current assets		49,241	46,903	84,675	81,333
Total assets		184,424	182,058	136,097	125,559
NON-CURRENT LIABILITIES					
Loans and borrowings	18	33,226	35,350	24,900	34,524
Trade and other payables	19	1,349	2,024	1,058	1,721
Deferred tax liabilities	13	4,380	3,729	1,598	1,166
Total non-current liabilities		38,955	41,103	27,556	37,411
CURRENT LIABILITIES					
Loans and borrowings	18	14,658	17,170	10,456	1,150
Trade and other payables	19	46,891	44,558	34,847	30,548
Taxation payable		839	-	899	-
Total current liabilities		62,388	61,728	46,202	31,698
Total liabilities		101,343	102,831	73,758	69,109
NET ASSETS		83,081	79,227	62,339	56,450

The significant accounting policies and notes to the financial statements on pages 18 to 44 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 Company	
	Note	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Cash receipts from customers		302,046	270,288	106,574	108,174
Dividends received		948	2,679	-	-
Interest received		338	453	244	278
Cash was applied to:					
Cash paid to suppliers and employees		(287,154)	(261,460)	(94,396)	(100,702)
Interest paid		(3,489)	(3,655)	(2,373)	(2,616)
Income tax paid		(1,424)	(2,454)	(1,424)	(2,514)
Net cash from operating activities	24	11,265	5,851	8,625	2,620
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		119	11,973	16	10,317
Proceeds from loans and advances		-	-	884	-
Proceeds from sale of investment		-	1	-	1
Cash was applied to:					
Acquisition of property, plant and equipment		(5,514)	(4,200)	(5,171)	(2,714)
Acquisition of equity accounted investees		(1)	(629)	-	(629)
Loans and advances		(160)	(510)	(1,044)	(510)
Net cash (used in)/from investing activities		(5,556)	6,635	(5,315)	6,465
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from issue of share capital		11	6	11	6
Proceeds from bank and other borrowings		1,900	5,807	1,900	5,807
Proceeds from loans and advances		502	1,466	459	1,233
Cash was applied to:					
Shares surrendered	17	(547)	(482)	(547)	(482)
Repayment of borrowings		(4,507)	(16,649)	(1,262)	(13,267)
Dividends paid		(278)	(232)	(255)	(232)
Loans and advances		(744)	(521)	(538)	(2,464)
Net cash (used in) financing activities		(3,663)	(10,605)	(232)	(9,399)
Net increase/(decrease) in cash and cash equivalents		2,046	1,881	3,078	(314)
Cash and cash equivalents at 1 July		6,670	4,753	2,623	2,937
Effect of exchange rate fluctuations on cash held		261	36	-	-
Cash and cash equivalents at 30 June		8,977	6,670	5,701	2,623

The significant accounting policies and notes to the financial statements on pages 18 to 44 form part of and are to be read in conjunction with these financial statements.

Notes to the financial statements

1. Reporting entity

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

Financial statements are presented for the Parent Company and consolidated financial statements. The consolidated financial statements of Market Gardeners Limited as at and for the year ended 30 June 2013 comprise the Parent Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

2. Basis of preparation

(a) Statement of compliance

The financial statements 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 financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 19 September 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Land and buildings which are carried at fair value;
- Derivative financial instruments which are measured at fair value; and
- Financial instruments classified as available for sale which are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Parent Company's functional currency. All financial information presented in New Zealand dollars has, where denoted by "$'000", been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 11 – valuation and recoverable amount of intangible assets;
- Note 13 – recognition of deferred tax assets; and
- Note 17 – cooperative share capital classification.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates 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.

(b) 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 the Statement of Comprehensive Income 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 the Statement of Comprehensive Income.

(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 the Statement of Comprehensive Income. When the hedged net investment is disposed of, the cumulative amount in the FCTR is transferred to the Statement of Comprehensive Income as an adjustment to the profit / loss on disposal.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

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 measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, being the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Cash and cash equivalents comprise cash balances and call deposits and are classified as "loans and receivables" financial instruments.

Accounting for finance income and expense is discussed in note 3 (m).

Investments in equity securities held by the Group are classified as available-for-sale, except for investments in equity securities of subsidiaries and associates which are measured at cost in the separate financial statements of the Parent Company.

Trade and other receivables are stated at their cost plus GST (if any) less impairment losses and are classified as "loans and receivables" financial instruments.

Interest-bearing loans and borrowings, trade and other payables are stated at amortised cost using the effective interest rate method and are classified as "other amortised cost" financial instruments.

(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 hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

Cash flow hedges - Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge 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.

(iii) Share capital

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

"D" shares are classified as a liability as the dividend payments on those shares are not discretionary. Dividends thereon are recognised as interest expense in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment 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 at fair value. 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 transferred directly to equity unless it offsets a previous decrease in value recognised in other comprehensive income, in which case it is recognised in other comprehensive income. 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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(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.

(e) 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 subject to an annual impairment test.

Subsequent measurement - Goodwill is 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. The brand value is denominated in Australian dollars and therefore a foreign exchange translation arises on consolidation.

(f) 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.

(g) 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.

(h) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

(i) Impairment of equity instruments

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(ii) Impairment of receivables

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on number of days overdue taking into account the historical loss experience in portfolios with a similar amount of days overdue.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. 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.

(i) 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.

(j) 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.

(k) 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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

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.

(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.

(l) Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

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.

(m) Finance income and expenses
Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method. Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

(n) Income tax expense
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 for financial reporting purposes and the amounts used for taxation purposes. 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.

(o) New standards, amendments and interpretations

A number of new standards, amendments and interpretations are not yet effective for the year ended 30 June 2013 and have not been applied in preparing these financial statements. The relevant standards are detailed below. At the time of the annual report the impact of each relevant standard had not yet been determined:

- NZ IFRS 9 Financial Instruments (issued November 2009) issued as a wider project to replace NZ IAS 39. NZ IFRS 9 retained but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of the classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in NZ IAS 39 on impairment of financial assets and hedge accounting continues to apply. The amended standard will be effective for the 2016 Group financial statements.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

- NZ IFRS 9 Financial Instruments (issued October 2010) adds the requirements related to classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. The standard will be effective for the 2016 Group financial statements.

- NZ IFRS 10 Consolidated Financial Statements introduces a new approach to determining which investees should consolidate and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when; it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change. NZ IFRS 10 supersedes IAS 27(2008) and SIC-12 Consolidation – Special Purpose Entities. The standard will be effective for the 2014 Group financial statements.

- NZ IFRS 11 Joint Arrangements focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It: distinguishes joint arrangements between joint operations and joint ventures; always requires the equity method for jointly controlled entities that are now called joint ventures; and are stripped of the free choice of using the equity method or proportionate consolidation. NZ IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities - Non Monetary Contributions by Ventures. The standard will be effective for the 2014 Group financial statements.

- NZ IFRS 12 Disclosure of Interests in Other Entities contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate: the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows. The standard will be effective for the 2014 Group financial statements.

- NZ IFRS 13 Fair Value Measurement replaces the fair value measurement guidance contained in individual IFRS's with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRS's. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard will be effective for the 2014 Group financial statements.

- NZ IAS 28 Investments in associates and Joint Ventures (2011). This amendment to the standard provides clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of the ownership changes where a joint venture becomes an associate and visa versa. The amendments also introduce a "partial disposal" concept. The standard will be effective for the 2014 Group financial statements.

(p) Comparative information

Certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Land and buildings

The fair value of land and buildings is based on market values. The market 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 10.

(b) Derivatives

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

Notes to the financial statements (continued)

5. Revenue – sale of goods

Revenue from the sale of goods represents the value of traded product and the commissions earned from sales made as agent. Gross sales under management represent the value of traded product and the gross value of sales made as agent. In 2013 gross sales under management for the Group were $563,759,000 (2012: $534,481,000) and for the Parent Company $342,929,000 (2012: $323,218,000).

6. Other operating income

	Group 2013 $'000	Group 2012 $'000	Parent Company 2013 $'000	Parent Company 2012 $'000
Bad debts recovered	2	2	2	2
Net gain / (loss) on sale of property, plant and equipment	(76)	4,563	(23)	4,548
Rental income	1,913	1,859	1,111	1,030
Total other income	1,839	6,424	1,090	5,580

7. Administrative expenses

The following items of expenditure are included in administrative expenses:

	Group 2013 $'000	Group 2012 $'000	Parent Company 2013 $'000	Parent Company 2012 $'000
Auditor's remuneration comprises:				
For audit work:				
• to Market Gardeners Limited and subsidiaries (KPMG)	64	64	64	64
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	81	81	-	-
For other services:				
• to Market Gardeners Limited and subsidiaries (KPMG)	2	2	2	2
• to Market Gardeners Limited (BDO)	5	5	5	5
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	47	81	-	-
Total auditor's remuneration	199	233	71	71

Other audit related services paid to KPMG include fees in respect of the Group compliance with NZ IFRS and the audit of the Parent Company's share register. Other audit related services paid to Pitcher Partners relate to internal audit, accounts preparation and taxation services.

8. Personnel expenses

	Group 2013 $'000	Group 2012 $'000	Parent Company 2013 $'000	Parent Company 2012 $'000
Wages and salaries	38,820	37,532	18,261	18,694
Contributions to defined contribution superannuation plans	1,890	1,871	641	573
Increase/(decrease) in liability for long-service leave	227	(82)	17	3
Total personnel expenses	40,937	39,321	18,919	19,270

9. Income tax expense in the statement of comprehensive income

	Group 2013 $'000	Group 2012 $'000	Parent Company 2013 $'000	Parent Company 2012 $'000
Current tax expense	2,537	2,232	2,289	1,400
Prior period adjustment to current tax	254	(50)	254	137
	2,791	2,182	2,543	1,537
Deferred tax - origination and reversal of temporary differences	735	(996)	139	(581)
Deferred tax - reduction in tax rate	-	-	-	-
Tax credit/(expense)	735	(996)	139	(581)
Total income tax expense	3,526	1,186	2,682	956

Notes to the financial statements (continued)

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
9. Income tax expense in the statement of comprehensive income (continued)	**$'000**	**$'000**	**$'000**	**$'000**
Profit before tax	7,549	7,633	6,881	8,557
Income tax using the Parent Company's domestic tax rate	2,114	2,137	1,927	2,396
Add/(deduct) taxation effect of:				
Effect of tax rates in foreign jurisdictions	62	27	-	-
Difference in effective tax rate of equity accounted investees	17	(116)	-	-
Non-deductible expenses	1,336	1,074	838	670
Tax exempt income	(383)	(517)	(70)	(128)
Group loss offset	-	-	(309)	(462)
Current year losses for which no deferred tax asset was recognised	(11)	-	-	-
Under/(over) provided in prior periods	391	162	296	61
Deferred tax – reversal on sale of property	-	(1,581)	-	(1,581)
Total income tax expense	3,526	1,186	2,682	956

Imputation credits

The imputation credits are available to shareholders of the Parent Company:				
Through the Parent Company	7,922	5,993	7,922	5,993
Through subsidiaries	118	96	-	-
Imputation credits at 30 June	8,040	6,089	7,922	5,993

10. Property, plant and equipment

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 2011	75,468	2,456	3,758	19,567	116	101,365
Additions	171	32	294	1,283	2,416	4,196
Transfer to assets held for sale	(1,744)	-	-	-	-	(1,744)
Disposals	(6,121)	(255)	(250)	(366)	-	(6,992)
Reclassification	-	-	-	-	-	-
Effect of movements in exchange rates	(272)	(40)	(22)	(227)	-	(561)
Balance at 30 June 2012	67,502	2,193	3,780	20,257	2,532	96,264
Balance at 1 July 2012	67,502	2,193	3,780	20,257	2,532	96,264
Additions	2,819	82	237	873	1,503	5,514
Transfer to assets held for sale	-	-	-	-	-	-
Disposals	(3)	(184)	(358)	(481)	(17)	(1,043)
Revaluations	(665)	-	-	-	-	(665)
Reclassification	1,112	-	-	1,280	(2,392)	-
Effect of movements in exchange rates	(1,150)	(151)	(84)	(939)	-	(2,324)
Balance at 30 June 2013	69,615	1,940	3,575	20,990	1,626	97,746

Notes to the financial statements (continued)

10. Property, plant and equipment (continued)

	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Accumulated depreciation						
Balance at 1 July 2011	2,426	1,397	3,182	9,969	-	16,974
Depreciation for the year	1,666	208	375	1,536	-	3,785
Disposals	(136)	(192)	(219)	(278)	-	(825)
Effect of movements in exchange rates	(14)	(22)	(16)	(122)	-	(174)
Balance at 30 June 2012	3,942	1,391	3,322	11,105	-	19,760
Balance at 1 July 2012	3,942	1,391	3,322	11,105	-	19,760
Depreciation for the year	1,640	177	216	1,529	-	3,562
Disposals	(1)	(95)	(333)	(370)	-	(799)
Revaluations	(3,990)	-	-	-	-	(3,990)
Reclassification	(45)	8	1	36	-	-
Effect of movements in exchange rates	(102)	(109)	(74)	(609)	-	(894)
Balance at 30 June 2013	1,444	1,372	3,132	11,691	-	17,639
Carrying amounts						
At 1 July 2011	73,042	1,059	576	9,598	116	84,391
At 30 June 2012	63,560	802	458	9,152	2,532	76,504
At 1 July 2012	63,560	802	458	9,152	2,532	76,504
At 30 June 2013	68,171	568	443	9,299	1,626	80,107
Parent Company						
Cost or valuation						
Balance at 1 July 2011	29,900	285	2,498	8,415	116	41,214
Additions	37	32	188	41	2,416	2,714
Transfer to assets held for sale	(1,744)	-	-	-	-	(1,744)
Disposals	(4,489)	(163)	(250)	(255)	-	(5,157)
Reclassification	-	-	-	-	-	-
Balance at 30 June 2012	23,704	154	2,436	8,201	2,532	37,027
Balance at 1 July 2012	23,704	154	2,436	8,201	2,532	37,027
Additions	2,819	-	232	618	1,503	5,172
Transfer to assets held for sale	-	-	-	-	-	-
Disposals	(3)	(21)	(110)	(6)	(17)	(157)
Revaluations	1,300	-	-	-	-	1,300
Reclassification	1,112	-	-	1,280	(2,392)	-
Balance at 30 June 2013	28,932	133	2,558	10,093	1,626	43,342
Accumulated depreciation						
Balance at 1 July 2011	492	196	2,243	3,370	-	6,301
Depreciation for the year	420	19	165	678	-	1,282
Disposals	(119)	(122)	(219)	(172)	-	(632)
Balance at 30 June 2012	793	93	2,189	3,876	-	6,951
Balance at 1 July 2012	793	93	2,189	3,876	-	6,951
Depreciation for the year	481	14	156	686	-	1,337
Disposals	(1)	(8)	(87)	(5)	-	(101)
Revaluations	(1,036)	-	-	-	-	(1,036)
Balance at 30 June 2013	237	99	2,258	4,557	-	7,151

Notes to the financial statements (continued)

10. Property, plant and equipment (continued)

	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Carrying amounts						
At 1 July 2011	29,408	89	255	5,045	116	34,913
At 30 June 2012	22,911	61	247	4,325	2,532	30,076
At 1 July 2012	22,911	61	247	4,325	2,532	30,076
At 30 June 2013	28,695	34	300	5,536	1,626	36,191

Security
Property, plant and equipment forms part of and is security for bank loans and finance leases (refer to note 18).

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 $1,025,000 (2012: $1,260,000).

Land and buildings
Land and buildings include leasehold improvements and leasehold entitlements. Land and buildings (and non-current assets held for sale) were revalued to net current value as at 30 June 2013 based on the valuations provided as at that date by the following registered valuers: Duke and Cooke Ltd ($8,890,000), Truebridge Partners ($47,875,000), Coast Valuations ($95,000), Chadderton Valuation ($1,010,000), Herron Todd White ($1,705,000), Valuecorp ($6,469,000), Integrated Valuation Services ($2,470,000).

Fair value
The Directors consider that the fair value of land and buildings is approximated by their carrying value. The most recent independent valuations are reflected in the 30 June 2013 financial statements. If the land and buildings were measured using the cost model then the carrying value would be $41,133,000 (2012: $37,722,000) for the Group and $14,561,000 (2012: $9,354,000) for the Parent Company.

11. Intangible assets

Group	Goodwill $'000	Brand $'000	Trademarks $'000	Total $'000
Cost				
Balance at 1 July 2011	22,289	14,124	9	36,422
Goodwill reduction on unfulfilled contract	(200)	-	-	(200)
Effect of movements in exchange rates	(396)	(259)	-	(655)
Balance at 30 June 2012	21,693	13,865	9	35,567
Balance at 1 July 2012	21,693	13,865	9	35,567
Effect of movements in exchange rates	(1,695)	(1,083)	-	(2,778)
Balance at 30 June 2013	19,998	12,782	9	32,789
Accumulated amortisation and impairment losses				
Balance at 1 July 2011	-	-	4	4
Amortisation for the year	-	-	1	1
Balance at 30 June 2012	-	-	5	5
Balance at 1 July 2012	-	-	5	5
Amortisation for the year	-	-	1	1
Balance at 30 June 2013	-	-	6	6
Carrying amounts				
At 1 July 2011	22,289	14,124	5	36,418
At 30 June 2012	21,693	13,865	4	35,562
At 1 July 2012	21,693	13,865	4	35,562
At 30 June 2013	19,998	12,782	3	32,783

Notes to the financial statements (continued)

11. Intangible assets (continued)

Parent Company	Goodwill $'000	Trademarks $'000	Total $'000
Cost			
Balance at 1 July 2011	632	9	641
Goodwill reduction on unfulfilled contract	(200)	-	(200)
Balance at 30 June 2012	432	9	441
Balance at 1 July 2012	432	9	441
Balance at 30 June 2013	432	9	441
Accumulated amortisation and impairment losses			
Balance at 1 July 2011	-	4	4
Amortisation for the year	-	1	1
Balance at 30 June 2012	-	5	5
Balance at 1 July 2012	-	5	5
Amortisation for the year	-	1	1
Balance at 30 June 2013	-	6	6
Carrying amounts			
At 1 July 2011	632	5	637
At 30 June 2012	432	4	436
At 1 July 2012	432	4	436
At 30 June 2013	432	3	435

With the exception of $432,000 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. The carrying amount of the CGU was determined to be lower than its recoverable amount and no impairment loss (2012:$Nil) was recognised.

The key assumptions used in the calculation of recoverable amounts are a normalised maintainable EBITDA and an EBITDA multiple. These assumptions are a normalised maintainable EBITDA of AUD$6.7 million and a mid point EBITDA multiple of 5.0 times. 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.

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 EBITDA multiple is determined. 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 equal to its carrying amount. Using the high point EBITDA multiple (of the range observed for the relevant industry) of 5.5 times the recoverable amount of the Australian CGU would be $4.0 million above the carrying value.

12. Investments in equity accounted investees (associates)

The Group's share of profit in its equity accounted investees for the year was $803,000 (2012: $3,519,000).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:	Total assets $'000	Total liabilities $'000	Revenues $'000	Profit $'000
2012				
Equity accounted investees in aggregate	41,918	31,122	116,172	6,654
2013				
Equity accounted investees in aggregate	43,363	33,467	127,899	1,628

Notes to the financial statements (continued)

13. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Property, plant and equipment	-	-	(3,857)	(3,141)	(3,857)	(3,141)
Derivatives	306	550	(9)	(3)	297	547
Provisions	2,036	2,048	(514)	(585)	1,522	1,463
Losses carried forward	776	1,722	-	-	776	1,722
Tax assets/(liabilities)	3,118	4,320	(4,380)	(3,729)	(1,262)	591

	Assets		Liabilities		Net	
Parent Company	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Property, plant and equipment	-	-	(1,074)	(578)	(1,074)	(578)
Derivatives	259	457	(9)	(3)	250	454
Provisions	1,264	1,325	(515)	(585)	749	740
Tax assets/(liabilities)	1,523	1,782	(1,598)	(1,166)	(75)	616

Movement in temporary differences during the year

Group	**Balance 1 July 11 $'000**	**Recognised in Profit and Loss $'000**	**Recognised in equity $'000**	**Balance 30 June 12 $'000**
Property, plant and equipment	(3,338)	193	4	(3,141)
Derivatives	198	-	349	547
Provisions	1,343	135	(15)	1,463
Losses carried forward	1,073	668	(19)	1,722
	(724)	996	319	591

Group	**Balance 1 July 12 $'000**	**Recognised in Profit and Loss $'000**	**Recognised in equity $'000**	**Balance 30 June 13 $'000**
Property, plant and equipment	(3,141)	78	(794)	(3,857)
Derivatives	547	(67)	(183)	297
Provisions	1,463	124	(65)	1,522
Losses carried forward	1,722	(870)	(76)	776
	591	(735)	(1,118)	(1,262)

Notes to the financial statements (continued)

13. Deferred tax assets and liabilities (continued)

Parent Company	Balance 1 July 11 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 12 $'000
Property, plant and equipment	(961)	383	-	(578)
Derivatives	272	-	182	454
Provisions	542	198	-	740
	(147)	581	182	616

Parent Company	Balance 1 July 12 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 13 $'000
Property, plant and equipment	(578)	(148)	(348)	(1,074)
Derivatives	454	-	(204)	250
Provisions	740	9	-	749
	616	(139)	(552)	(75)

There are no unrecognised deferred tax assets and liabilities.

14. Inventories	Group 2013 $'000	Group 2012 $'000	Parent Company 2013 $'000	Parent Company 2012 $'000
Inventory	5,520	4,288	3,437	2,624
Inventory subject to contract	2,007	2,260	2,007	2,260
Amount due to supplier	(2,007)	(2,260)	(2,007)	(2,260)
	5,520	4,288	3,437	2,624

In 2013 inventories recognised as cost of sales amounted to $221,090,000 (2012: $197,589,000) for the Group and $66,945,000 (2012: $68,934,000) for the Parent Company. In 2013 the Parent Company and Group write-down of inventories to net realisable value amounted to $Nil (2012: $Nil). In 2013 the Parent Company and Group inventories stated at net realisable value amounted to $Nil (2012: $Nil).

Notes to the financial statements (continued)

15. Trade and other receivables

	Note	Group 2013 $'000	Group 2012 $'000	Parent Company 2013 $'000	Parent Company 2012 $'000
Non-current					
Finance lease receivables		1,589	1,816	1,589	1,816
Derivatives		-	-	-	-
Prepayments and other receivables		14,770	10,702	14,770	10,702
Provision for prepayments and other receivables		(5,647)	(3,147)	(5,647)	(3,147)
Total non-current trade and other receivables		10,712	9,371	10,712	9,371
Current					
Trade receivables	20	25,838	26,492	14,898	15,614
Receivable from subsidiaries		-	-	53,242	53,540
Prepayments and other receivables		6,881	7,146	5,372	4,708
Finance lease receivable		249	272	249	272
Derivatives		32	12	32	12
Total current trade and other receivables		33,000	33,922	73,793	74,146
Total trade and other receivables		43,712	42,293	84,505	83,517

Receivables for the Group denominated in currencies other than the functional currency comprise $11,102,000 (2012: $10,790,000) of trade receivables denominated in Australian dollars and $Nil (2012: $Nil) of trade receivables denominated in US dollars. The finance lease receivable relates to assets used by the fruit ripening business which is classified as a finance lease. Details of the impairment of trade receivables are shown in note 20. The movement in the provision for prepayments and other receivables detailed above includes $2,500,000 for a related party. The residual balance of that related party loan at 30 June 2013 amounted to $2,764,000 which is repayable on demand. Certain portions of the loan were secured by plant and equipment.

16. Cash and cash equivalents

The effective interest rate on bank balances for the Group in 2013 was 6.47% (2012: 6.47%) and Parent Company in 2013 was 6.80% (2012: 6.79%).

17. Capital and reserves

a) Issued and paid up share capital	**Rebate Shares (Number '000 / $'000)** A Shares	B Shares	C Shares	Total
Balance at 1 July 2011	11,992	3,018	750	15,760
Shares issued	264	-	500	764
Shares transferred	771	(21)	(750)	-
Shares surrendered	(457)	(25)	-	(482)
Balance at 30 June 2012	12,570	2,972	500	16,042
Balance at 1 July 2012	12,570	2,972	500	16,042
Shares issued	272	-	500	772
Shares transferred	646	(146)	(500)	-
Shares surrendered	(513)	(33)	(1)	(547)
Balance at 30 June 2013	12,975	2,793	499	16,267

The Parent Company and Group have adopted the amendments to NZ IAS 32 and NZ IAS 1 and as a result the "A", "B" and "C" shares, which are defined as puttable equity instruments under those amendments, 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.

The number of shares and value of those puttable equity instruments classified as equity are detailed in the tables above. 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).

Notes to the financial statements (continued)

17. Capital and reserves (continued)

"D" shares have been classified as current liabilities (2012 : 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. As a result, the above table represents the dollar value and number of shares on issue and the movements in each class of share. "D" shares are classified as current liabilities (2012 : non-current liabilities) under NZ IFRS and are excluded from the above table. Refer to note 18 for further disclosures.

From time to time the Directors declare distributions including rebates, bonus issues and dividends. These distributions are accounted for in the period in which the actual declaration is made. As a result, the November 2012 announcement of a $250,000 taxable rebate (capitalised into "C" shares), a bonus issue of one for one on this rebate amounting to $250,000 (capitalized into "C" shares) and a fully imputed taxable gross final dividend of 4.0 cents on all "A" and 8.0 cents on all "D" shares, is accounted for in the year ended 30 June 2013.

"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 below.

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.

"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.

b) 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.

Notes to the financial statements (continued)

17. Capital and reserves (continued)

c) Revaluation reserve

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

d) 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.

e) Supplier shareholder rebate (2013)

On 2 August 2013, a taxable rebate of $250,000 was declared by the Directors for the year to 30 June 2013 (2012: $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 2013 Annual Meeting. The rebate will be accounted for in the period it is declared, namely the year ended 30 June 2014.

f) Bonus issue on supplier shareholder rebate (2013)

On 2 August 2013, the directors declared a two for one (2 for 1) bonus issue on the above "supplier shareholder rebate (2013)". The bonus issue will be accounted for in the period it is declared, namely the year ended 30 June 2014 (the bonus issue for the year ended 30 June 2012 was one for one (1 for 1)).

g) Final dividend

On 2 August 2013 the Directors declared a fully imputed taxable gross final dividend of 6 cents per "A" share (2012 : 4 cents per "A" share) and 3.333 cents per "D" share (when combined with the 4.667 cents per "D" share dividend paid in July 2013 amounts to 8 Cents per "D" share) (2012: 8 cents per "D" share). This final dividend is to be issued from retained earnings upon completion at the 2013 Annual Meeting. The final dividend will be accounted for in the period the dividend is actually declared, namely the 30 June 2014 financial statements. No interim dividend was declared in the year to 30 June 2013 (2012: $Nil).

18. Loans and borrowings

This note provides information about the contractual terms of the Parent Company and Group's interest-bearing loans and borrowings. For more information about the Parent Company and Group's exposure to interest rate and foreign currency risk, see note 20.

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Secured bank loans	32,780	31,903	24,900	31,903
Finance lease liabilities	446	826	-	-
Redeemable "D" shares	-	2,621	-	2,621
	33,226	35,350	24,900	34,524
Current liabilities				
Current portion of secured bank loans	11,664	16,611	7,900	1,150
Current portion of finance lease liabilities	438	559	-	-
Redeemable "D" shares	2,556	-	2,556	-
	14,658	17,170	10,456	1,150
Total loans and borrowings	47,884	52,520	35,356	35,674

The bank loans are secured over land and buildings with a carrying amount of $68,171,000 (2012: $63,560,000) (see note 10) and non-current assets held for sale $1,744,000 (2012: $1,744,000).

As at 30 June 2013 the Group has classified its New Zealand Rabobank borrowings in accordance with the contractual arrangements whereby a portion of the debt is classified as current debt and the balance as non current debt.

In the prior year (30 June 2012), notwithstanding the contractual arrangements with Rabobank, as a result of an Australian interpretation of Australian equivalents to IFRS, as at 30 June 2012, all Australian Rabobank borrowings amounting to NZ$10,095,000 were classified as current. As a result of renegotiating the banking facilities in June 2013 these facilities are now classified in accordance with the contractual arrangements in the year to 30 June 2013. In addition to these financial statements the Board prepares an Annual Review for distribution to its shareholders. The 2012 Annual Review was prepared on the basis that the appropriate portion of the debt was classified as term debt. With the renegotiation of the facility terms the disclosure of current and term debt is the same in these financial statements and the 2013 Annual Review.

Notes to the financial statements (continued)

18. Loans and borrowings (continued)

"D" shares have been classified as current liabilities (2012 : 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. "D" shares carry the right to an annual dividend of 8% 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 was to 30 June 2013 but this has been extended to the earlier of the issuance of a new "D" share prospectus (if any) and 30 June 2014. "D" shares may not be redeemed prior to that time.

19. Trade and other payables	**Group**		**Parent Company**	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Non-current				
Derivatives	908	1,596	908	1,596
Employee benefits	441	428	150	125
Total non-current trade and other payables	1,349	2,024	1,058	1,721
Current				
Trade payables	41,739	39,288	31,888	27,540
Derivatives	173	345	16	37
Employee benefits	4,979	4,925	2,943	2,971
Total current trade and other payables	46,891	44,558	34,847	30,548
Total trade and other payables	48,240	46,582	35,905	32,269

Payables denominated in currencies other than the functional currency comprise $12,913,000 (2012: $14,940,000) of trade payables denominated in Australian dollars and $3,075,000 (2012: $1,205,000) of trade payables denominated in US dollars.

20. Financial instruments

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.

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.

Notes to the financial statements (continued)

20. Financial instruments (continued)

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 the presentation currency of the Group. The foreign currencies in which 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.

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.

Quantitative disclosures

Credit risk

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

The status of trade receivables at the reporting date is as follows:

	Group		Parent Company	
Trade receivables	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Not past due	24,763	25,955	15,450	15,885
Past due 1-30 days	1,238	872	30	167
Past due 31-60 days	283	138	18	23
Past due 61-90 days	296	93	16	14
Past due greater than 91 days	293	422	13	55
Total trade receivables (gross)	26,873	27,480	15,527	16,144
Provision for doubtful debts	(1,035)	(988)	(629)	(530)
Total trade receivables (net)	25,838	26,492	14,898	15,614
Provision for doubtful debts				
Opening provision	988	1,003	530	489
Bad debts written off	(273)	(432)	(53)	(82)
Increase in provision	320	417	152	123
Closing provision	1,035	988	629	530

Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities and for derivatives that are settled on a gross cash flow basis.

Group 2013	**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**
Non-derivative financial instruments							
Loans and borrowings	47,884	53,110	4,650	12,140	4,850	31,470	-
Trade and other payables	47,159	47,159	44,284	2,433	95	202	145
Total financial liabilities	95,043	100,269	48,934	14,573	4,945	31,672	145
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	1,049	2,229	426	847	302	654	-
Group 2012							
Non-derivative financial instruments							
Loans and borrowings	52,520	55,807	4,557	12,241	37,086	1,923	-
Trade and other payables	44,641	44,641	41,797	2,416	80	208	140
Total financial liabilities	97,161	100,448	46,354	14,657	37,166	2,131	140
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	1,929	3,533	332	307	1,235	1,659	-

Notes to the financial statements (continued)

20. Financial instruments (continued)

Parent Company 2013	**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**
Non-derivative financial instruments							
Loans and borrowings	35,356	39,288	2,726	9,328	4,112	23,122	-
Trade and other payables	34,981	34,981	33,416	1,415	22	56	72
Total financial liabilities	70,337	74,269	36,142	10,743	4,134	23,178	72
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	892	1,950	320	674	302	654	-
Parent Company 2012							
Non-derivative financial instruments							
Loans and borrowings	35,674	37,819	1,038	888	35,893	-	-
Trade and other payables	30,636	30,636	29,072	1,439	5	56	64
Total financial liabilities	66,310	68,455	30,110	2,327	35,898	56	64
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	1,621	3,163	315	290	899	1,659	-

Foreign currency exchange risk

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

	Group		**Parent Company**	
2013	**USD**	**AUD**	**USD**	**AUD**
Trading foreign currency risk	**$'000**	**$'000**	**$'000**	**$'000**
Due within 12 months				
Bank	399	2,357	1	11
Trade receivables	1,074	9,439	-	-
Trade payables	(2,709)	(9,516)	(1,585)	(760)
Net balance sheet exposure before hedging activity	(1,236)	2,280	(1,584)	(749)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	1,611	760	1,585	760
Net unhedged exposure	375	3,040	1	11
2012				
Trading foreign currency risk				
Due within 12 months				
Bank	282	3,204	53	261
Trade receivables	405	8,444	-	-
Trade payables	(1,546)	(9,923)	(1,174)	(877)
Net balance sheet exposure before hedging activity	(859)	1,725	(1,121)	(616)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	1,174	877	1,174	877
Net unhedged exposure	315	2,602	53	261

Notes to the financial statements (continued)

20. Financial instruments (continued)

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:

	2013 AUD $'000	2012 AUD $'000
Investment foreign currency risk		
Net investment (including intangible assets that arise on consolidation) in Australian operations	34,180	33,035
Foreign currency denominated borrowings		
Secured bank borrowings	(11,350)	(11,350)
Net unhedged exposure	22,830	21,685

Interest rate risk - repricing analysis **2013** **Group**	**Note**	**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		1,838	125	125	250	750	588
Finance lease liabilities		(884)	(241)	(197)	(382)	(64)	-
Total fixed rate instruments		954	(116)	(72)	(132)	686	588
Variable rate instruments and related derivatives							
Cash and cash equivalents		8,977	8,977	-	-	-	-
Secured bank loans		(44,444)	(44,444)	-	-	-	-
"D" shares	18	(2,556)	(2,556)	-	-	-	-
Effect of interest rate swaps		-	40,183	(18,362)	(12,821)	(9,000)	-
Total variable rate instruments and related derivatives		(38,023)	2,160	(18,362)	(12,821)	(9,000)	-
Parent Company							
Fixed rate instruments							
Finance lease receivable		1,838	125	125	250	750	588
Total fixed rate instruments		1,838	125	125	250	750	588
Variable rate instruments and related derivatives							
Cash and cash equivalents		5,701	5,701	-	-	-	-
Secured bank loans		(32,800)	(32,800)	-	-	-	-
"D" shares	18	(2,556)	(2,556)	-	-	-	-
Effect of interest rate swaps		-	28,421	(6,600)	(12,821)	(9,000)	-
Total variable rate instruments and related derivatives		(29,655)	(1,234)	(6,600)	(12,821)	(9,000)	-

Notes to the financial statements (continued)

20. Financial instruments (continued)

Interest rate risk - repricing analysis **2012** **Group**	**Note**	**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		2,088	136	136	272	816	728
Finance lease liabilities		(1,385)	(298)	(260)	(324)	(503)	-
Total fixed rate instruments		703	(162)	(124)	(52)	313	728
Variable rate instruments and related derivatives							
Cash and cash equivalents		6,670	6,670	-	-	-	-
Secured bank loans		(48,514)	(48,514)	-	-	-	-
"D" shares	18	(2,621)	(2,621)	-	-	-	-
Effect of interest rate swaps		-	47,159	-	(21,934)	(25,225)	-
Total variable rate instruments and related derivatives		(44,465)	2,694	-	(21,934)	(25,225)	-
Parent Company							
Fixed rate instruments							
Finance lease receivable		2,088	136	136	272	816	728
Total fixed rate instruments		2,088	136	136	272	816	728
Variable rate instruments and related derivatives							
Cash and cash equivalents		2,623	2,623	-	-	-	-
Secured bank loans		(33,053)	(33,053)	-	-	-	-
"D" shares	18	(2,621)	(2,621)	-	-	-	-
Effect of interest rate swaps		-	31,825	-	(6,600)	(25,225)	-
Total variable rate instruments and related derivatives		(33,051)	(1,226)	-	(6,600)	(25,225)	-

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.

Sensitivity analysis
At 30 June 2013 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 $19,000 (2012: $13,000). Interest rate swaps have been taken into account in this calculation.

Notes to the financial statements (continued)

20. Financial instruments (continued)

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 $35,000 for the year ended 30 June 2013 (2012: $10,000). 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.

Hedging

Interest rate hedges

The Group has a policy of ensuring that between 70 and 100 percent of its exposure to changes in interest rates on borrowings is 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 3.18 percent to 5.92 percent (2012: 3.18 percent to 5.92 percent). At 30 June 2013, the Group had interest rate swaps with a notional contract amount of $42,536,000 (2012: $47,159,000). The Group classifies interest rate swaps as cash flow hedges.

The net fair value of swaps at 30 June 2013 was $1,065,000 payable (2012: $1,904,000 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 2013 was $16,000 receivable (2012: $25,000 payable) comprising assets of $32,000 (2012: $12,000) and liabilities of $16,000 (2012: $37,000).

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 2013 was $Nil (2012: $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	Available for sale $'000	Other amortised cost $'000	Total $'000	Fair value $'000
Group						
2013						
Total assets	32	50,819	-	1,838	52,689	52,689
Total liabilities	1,081	-	-	95,043	96,124	96,124
2012						
Total assets	12	47,863	-	2,088	49,963	49,963
Total liabilities	1,941	-	-	97,161	99,102	99,102
Parent						
2013						
Total assets	32	88,336	-	1,838	90,206	90,206
Total liabilities	924	-	-	70,337	71,261	71,261
2012						
Total assets	12	84,040	-	2,088	86,140	86,140
Total liabilities	1,633	-	-	66,310	67,943	67,943

Fair value hierarchy

The fair value hierarchy levels are defined as set out below. The Group's financial instruments above are all categorised as level 2 fair values.

- 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).

Notes to the financial statements (continued)

21. Operating leases

Leases as lessee Non-cancellable operating lease rentals are payable as follows:	**Group** **2013** **$'000**	 **2012** **$'000**	**Parent** **2013** **$'000**	 **2012** **$'000**
Less than one year	3,838	4,315	1,918	2,011
Between one and five years	9,370	4,721	3,542	4,347
More than five years	1,121	110	769	110
	14,329	9,146	6,229	6,468

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.

During the year ended 30 June 2013 $4,038,000 (2012: $3,744,000) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases for the Group and $1,915,000 (2012: $1,927,000) for the Parent Company.

Leases as lessor

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:

Less than one year	1,504	1,515	979	970
Between one and five years	1,033	804	1,011	804
More than five years	202	46	202	46
	2,739	2,365	2,192	1,820

22. Capital commitments

Capital commitments as at 30 June	4,200	2,647	4,200	2,368

As at June 2013 the Group had capital commitments of $4,200,000 of which $1,100,000 is for a building extension in Auckland and $3,100,000 is for a centralised ripening and distribution centre in Christchurch (30 June 2012: $2,647,000 of which $2,368,000 was for the new Support Office building in Christchurch and $279,000 for leasehold improvements in Auckland). The Parent Company had capital commitments of $4,200,000 (30 June 2012: $2,368,000 for the new Support Office building in Christchurch).

23. Contingencies

The Group and Parent Company had the following contingencies.

The Parent Company guarantees the LaManna Group and associates borrowings of $13,702,000 (2012: $14,886,000).

Trade indemnities and guarantees issued $2,576,500 (2012: $1,900,000) of which $1,776,500 was for the benefit of a related party (2012: not a related party), and $800,000 for an associate company (2012: Nil).

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)

24. Reconciliation of the profit for the period with the net cash from operating activities	**Group**		**Parent Company**	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Profit for the year	4,023	6,447	4,199	7,601
Adjustments for:				
Advance to subsidiaries, equity accounted investees and other parties	445	186	238	1,741
Amortisation of intangible assets	1	1	1	1
Payable on purchase of investment	-	(500)	-	(500)
Depreciation	3,562	3,785	1,337	1,282
Goodwill reduction on unfulfilled contract	-	200	-	200
Change in derivatives recognised in hedging reserve	880	(1,204)	730	(650)
Increase in deferred tax on reserves	(1,118)	319	(552)	182
(Increase)/decrease in future taxation benefit	1,853	(1,314)	691	(763)
Equity accounted earnings of equity accounted investees	393	(9)	-	-
Unrealised foreign currency translation of subsidiaries	(647)	(88)	-	-
Receivable on sale of assets	32	27	-	27
Loss/(gain) on sale/disposal of non-current assets	76	(4,563)	23	(4,548)
Loss on revaluation of property, plant & equipment	476	-	17	-
Capital work in progress expensed	17	-	17	-
Interest capitalised on long-term assets constructed	(50)	-	(50)	-
Effect of movement in foreign exchange rate on investing / financing activities	-	-	(1,153)	(277)
Dividend on "D" shares capitalised	197	130	197	130
	10,140	3,417	5,695	4,426
Impact of changes in working capital items:				
Change in inventories	(1,232)	1,870	(813)	714
Change in trade and other receivables	(419)	1,492	(989)	(2,166)
Change in taxation receivable / payable	1,118	(1,104)	3,637	(925)
Change in trade and other payables	1,658	176	1,095	571
	1,125	2,434	2,930	(1,806)
Net cash from operating activities	11,265	5,851	8,625	2.620

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

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.

Transactions with subsidiaries				
Sales of goods and services	-	-	4,598	4,472
Purchases of goods and services	-	-	7,734	5,495
Closing advances/receivables	-	-	53,242	53,540
Closing loans/payables	-	-	1,883	657
Transactions with associates				
Sales of goods and services	3,453	3,643	695	520
Purchases of goods and services	21,925	23,505	18,253	16,140
Closing advances/receivables	11,435	10,970	11,435	10,511
Closing loans/payables	410	1,262	388	751

Notes to the financial statements (continued)

25. Related parties (continued)

During the year G.D.W. Gargiulo & Son Ltd (a company owned by Mr Gargiulo, MBE (Chairman) and associated parties) provided pre-packing and other services to Market Gardeners Ltd of $106,713 (2012: $44,468).

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 8. In addition, the Parent Company leased premises and motor vehicles on an operating lease basis from the superannuation fund. These lease payments represented $186,000 and $734,000 of the Parent Company lease costs respectively (2012: $167,000 and $752,000). 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; the Deputy Chairman Mr F.P. Di Leva; the Chief Executive Mr P.S. Hendry; the Company Secretary Mr D.J. Pryor and Mr D.J. Stock (Barrister and Solicitor).

In September 2012, Mr Mario Di Leva (the son of an Market Gardeners Ltd Director) took ownership and became a director of Brenics Transport Ltd (Brenics). From that date, Brenics provided Market Gardeners Ltd with transport services totalling $11,478,229 (2012: not a related party).

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. Key management personnel compensation comprised:

	2013 $'000	2012 $'000
Directors fees and remuneration	1,250	1,379
Short-term employee benefits	2,105	2,041

26. Group entities

Significant subsidiaries	Country of incorporation	2013 %	2012 %	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
Mainland Tomatoes Ltd	New Zealand	100	100	30 June	Property 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

Equity accounted investees (associates)

Fresh Vegetable Packers Ltd	New Zealand	34	34	30 June	Vegetable Packing
United Flower Growers Ltd	New Zealand	50	50	30 June	Flower Wholesale
Te Mata Exports 2012 Ltd	New Zealand	50	50	31 December	Produce Exporting
J. S. Ewers Ltd	New Zealand	-	-	31 March	Produce Grower
Fresh Choice W.A. Pty Ltd	Australia	50	50	30 June	Produce Wholesale
Darwin Banana Farming Company Pty Ltd	Australia	50	50	30 June	Banana Production
Innisfail Banana Farming Company Pty Ltd	Australia	50	50	30 June	Banana Production

The Group is presumed to have significant influence 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.

Notes to the financial statements (continued)

26. Group entities (continued)

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% (2012: 96%) owned subsidiary company, all of its subsidiaries (being the other Australian incorporated subsidiaries listed above) are effectively 96% (2012: 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% (2012: 48%) owned by the Group.

27. Subsequent events

There were no reportable events subsequent to 30 June 2013 (30 June 2012: Nil).

KPMG

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 12 to 44. The financial statements comprise the statements of financial position as at 30 June 2013, 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.

Directors' Responsibility for the Company and Group Financial Statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group 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) and International Standards on Auditing. 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 of the financial statements that give a true and fair view of the matters to which they relate 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 12 to 44:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 30 June 2013 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Market Gardeners Limited as far as appears from our examination of those records.

KPMG

19 September 2013

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	1,181
L.T. Crozier	55,000	3,000	1,181
F.P. Di Leva (Deputy Chairman)	68,750	14,250	1,181
A.G. Fenton	55,000	4,500	1,181
A.G. Franklin	55,000	4,000	1,181
B.D. Gargiulo, MBE. (Chairman)	111,000	83,000	1,181
B.R. Irvine	55,000	9,050	1,181
T.M. Treacy	55,000	3,000	1,181
	509,750	124,800	9,448

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	* 67,700	* 46,358	-
B.D. Gargiulo, MBE. (Chairman)	* 116,936	* 70,715	-
P. Holberton	67,700	14,375	-
B.R. Irvine	* 67,700	* 35,404	-
T.M. Treacy	* 67,700	* 51,923	-
	387,736	218,775	-

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.

2. Auditors' remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note 7 of the attached financial statements to 30 June 2013.

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 resolved on 2 August 2013 that, in their opinion, the Parent Company had been a cooperative company throughout the period 1 July 2012 to 30 June 2013. 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	21	220,000 to 229,999	2
110,000 to 119,999	13	230,000 to 239,999	1
120,000 to 129,999	6	240,000 to 249,999	3
130,000 to 139,999	7	250,000 to 259,999	3
140,000 to 149,999	8	260,000 to 269,999	1
150,000 to 159,999	7	270,000 to 279,999	1
160,000 to 169,999	5	310,000 to 319,999	1
170,000 to 179,999	4	370,000 to 379,999	1
180,000 to 189,999	4	390,000 to 399,999	1
190,000 to 199,999	2	420,000 to 429,999	1
200,000 to 209,999	1	490,000 to 499,999	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 25 of the attached financial statements to 30 June 2013.

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	Shareholder	Eastpack Ltd
All directors	50% investment shareholding by Market Gardeners Ltd	Te Mata Exports 2012 Ltd

Statistory 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	Shareholder	Eastpack Ltd
Messrs Gargiulo, Irvine, Fenton and Treacy	50% investment shareholding by Market Gardeners Ltd	Te Mata Exports 2012 Ltd
In addition to the above new disclosures, a number of directors disclosed changes to existing disclosures (such as being appointed Chairman) and resignations from other directorships held and previously disclosed in the interests register.		

Particular disclosures

No additional particular disclosures were declared during the year to 30 June 2013.

(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 2013				30 June 2012			
	A Shares	B Shares	C Shares	D Shares	A Shares	B Shares	C Shares	D Shares
J.R. Clarke	556,142	180,927	31,612	-	488,280	197,655	32,440	-
Held by a company of which he is a shareholder and director	1,676	-	-	-	1,615	-	-	-
L. Crozier	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	5,000	3,675	1,942	-	5,000	2,469	1,206	-
F.P. Di Leva	80,529	29	12	292,684	77,543	45	2	263,624
A.G. Fenton	-	-	-	-	-	-	-	-
Held by a trust in which he is a trustee and beneficiary	9,906	16	8	10,769	9,902	16	4	10,769
A.G. Franklin	80,200	7,628	2,560	172,166	75,257	7,278	2,412	155,072
B.D. Gargiulo, MBE. (Chairman)	364,898	233	36	17,212	351,443	219	14	15,504
Messrs Gargiulo, Irvine and Di Leva as Directors of Mainland Tomatoes Ltd (100% subsidiary company of Market Gardeners Ltd)	72,662	44,546	-	-	50,528	66,680	-	-
T.M. Treacy	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	5,873	-	-	86,080	5,657	-	-	77,534

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 2013 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 (2012: $10,000), the Group $15,000 (2012: $13,000).

8. Directors of subsidiaries

As at 30 June 2013:

Messrs B.D. Gargiulo (MBE), B.R. Irvine and F.P. Di Leva 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, Mainland Tomatoes 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 and Fruitology Pty Ltd.

Messrs B.D. Gargiulo (MBE), T.M. Treacy and G. Thompson were the directors of 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) reaffirms its commitment 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 majority of the Board is elected by shareholders with independent 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 of Directors currently consists of 6 shareholder appointed Directors (Messrs Gargiulo, Di Leva, Clarke, Fenton, Franklin and Crozier) 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 independent 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. In the event of a potential or actual interest arising from any such transactions, declarations are made by the relevant director and a register of interests is maintained. Details of all interests are reviewed by the Board periodically throughout the year with all new entries disclosed in the annual report.

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 those shareholders 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 12 times during the year (11 times last 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)

Audit Committee
This sub-committee of the MG Board met 3 times during the year (4 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 independent and 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 recently 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.

Board Remuneration
As in the past, 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. Independent Directors on the LaManna board are 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.

Internal Audit
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.

As noted above, in Australia the LaManna Group Audit Committee is continuing to develop its own internal audit function. To date LaManna has been subject to limited internal audit reviews which are undertaken on a targeted basis and were reviewed and controlled by the LaManna board. To date these reviews have been undertaken by the LaManna Group auditors, Pitcher Partners, and primarily focus on surprise stocktake procedures.

Remuneration Committee
The Remuneration Committee consists of the MG Chairman, Deputy Chairman (Chairman of this committee) and one other director (Mr A.G. Fenton). 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.

Executive Committee
As a sub-committee of the MG Board, the Executive Committee comprises the Chairman and the Deputy Chairman. 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.