



Market Gardeners Limited
Annual Review 2016

Together.
Stronger.



Together.

MG was established by a small band of resolute growers to leverage greater value for their produce. It was from these humble beginnings that the foundations were laid for a successful co-operative that values the benefits of shared knowledge and collective capability. Today, MG represents 419 grower shareholders.

Stronger.

The ultimate benefits of working as one can be anything from greater financial security, to long-term business sustainability, to collegiality. Delivered through our strong branch network, industry knowledge and local understanding, MG is here to support the growth of all our grower shareholders.



Financial Highlights

Group gross sales under management
\$588.762 million

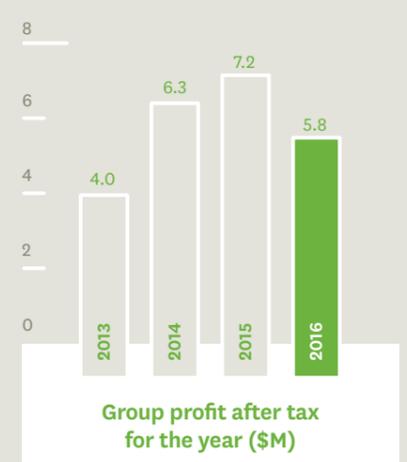
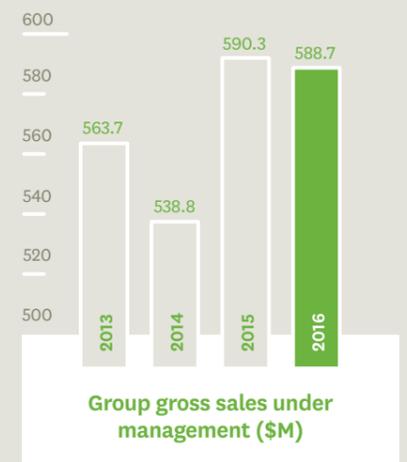
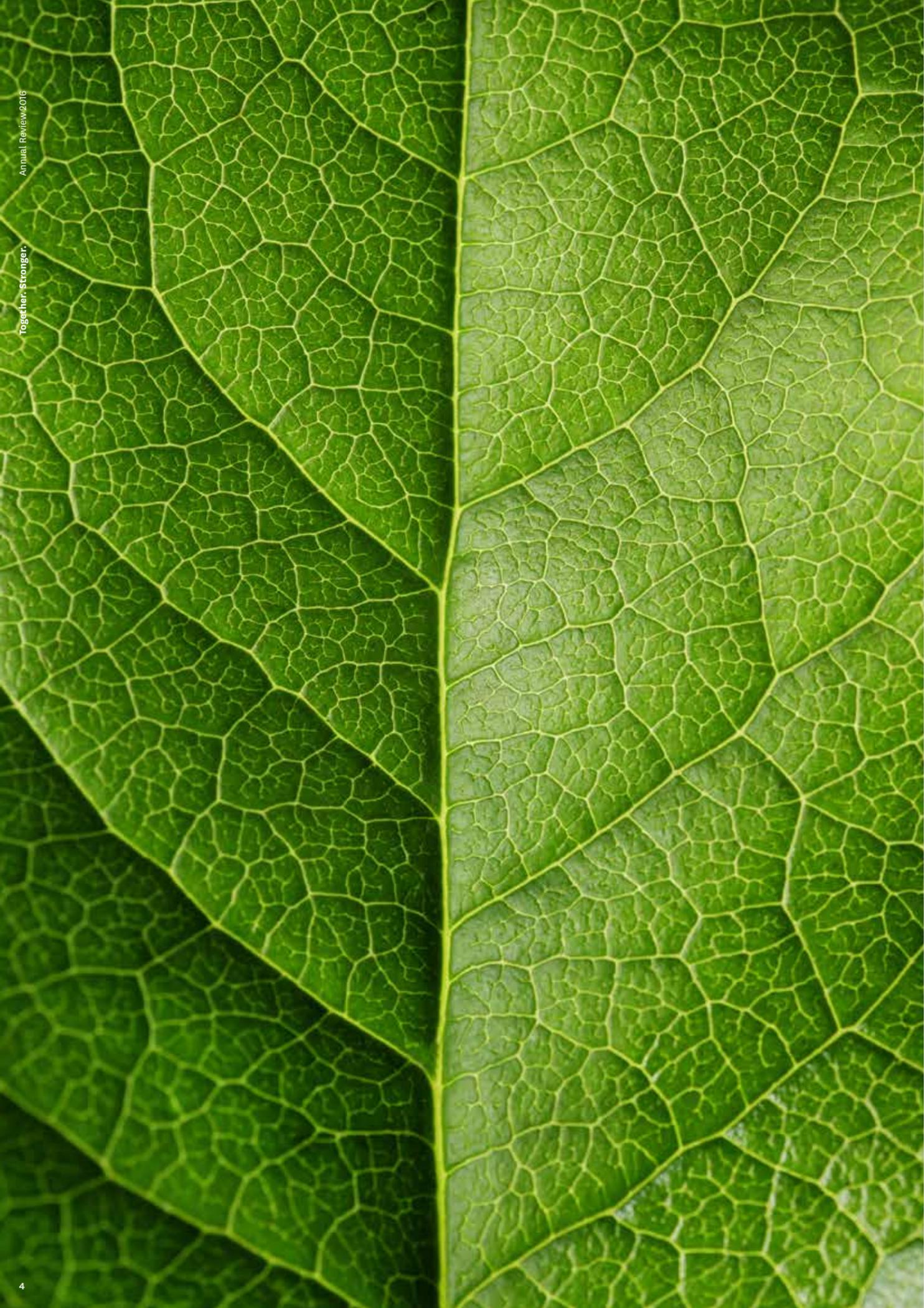
Group profit before income tax
\$8.691 million

Group profit for the year (after income tax)
\$5.806 million

Group total equity
\$103.194 million

Group total assets
\$197.369 million

Shareholder distributions	2016	2015
	\$'000	\$'000
<hr/>		
- Special Bonus Issue (November 2016)		
• 1 for 20 on "A" shares (2015 : 1 for 10)	771	1,308
• 2 for 5 on "B" shares (2015 : 1 for 1)	2,150	2,417
• 2 for 5 on "C" shares (2015 : 1 for 1)	398	990
• 1 for 20 on "D" shares (2015 : 1 for 10)	132	233
- Supplier shareholder rebate (issued as 2016 "C" shares)	250	250
- Bonus issue on supplier shareholder rebate of 3 for 1 (2015 : 3 for 1)	750	750
- Final gross dividend on "A" shares : 6 cents per share (2015 : 6 cents per share)	925	785
- November 2016 - final gross dividend on "D" shares : 6 cents per share (November 2015 : 6 cents per "D" share)	158	140
<hr/>		
Total shareholder distributions in relation to the year ended 30 June	5,534	6,873





Brian Gargiulo, MBE
Chairman



Peter Hendry
CEO

Chairman & CEO's Review



Underpinned by a record year in New Zealand, Market Gardeners Limited, trading as MG Marketing (MG), has recorded a consolidated Group net profit before tax of \$8.69 million.

This compares with \$9.74 million for the previous year, the difference being primarily attributable to a challenging year for the Australian LaManna Group business primarily due to the depressed banana market. Group sales under management were down slightly at \$588 million compared with \$590 million for the previous year. The Financial Highlights section of this document provides a summary of MG's Group results.

MG's strong performance in the New Zealand market and the post balance date merger of LaManna Group and Premier Fruits Group in Australia has set the foundation for solid future growth and opportunities across the combined business.

For the second year in a row, the Board has declared a very significant special bonus issue (in addition to the normal distributions) amounting to \$3.45 million (last year \$4.94 million) – this is also detailed more fully in this review.

The New Zealand business has gone from strength to strength with strong sales and improved profits. Much of this success can be put down to the quality and experience of MG's people, combined with our "Together.Stronger." proposition,

where MG is creating a more compelling offer for both growers and customers.

Our Co-operative has been, and will continue to be, focused on maximising and providing sustainable returns for our shareholders, suppliers and growers. Part of this is running a cost-effective and efficient vehicle to market.

We continue to work more with our growers and customers, forecasting each entity's requirements, allowing for better business planning and the matching of supply with consumer demand through the development of extensive sales and promotional programmes. This is of significant value to both growers and MG's broad customer base.

This year we extended our New Zealand branch network with the addition of MG Direct (North Island). This follows the success of MG Direct (South Island) which provides a direct distribution channel between growers and certain customers, with both receiving benefits which would not otherwise be achievable.

MG has recently purchased the T&G Global Hamilton facility. The organic growth in the Waikato/Bay of Plenty area and the confidence that MG has in the future opportunities in, and development of, this region were strong motivations for securing this purchase. This adds a valuable asset to an already significant property portfolio throughout New Zealand.



In contrast to New Zealand, Australia's result was impeded by a difficult year, primarily for bananas. Uncharacteristically low product values extended through much of the year, rather than just seasonal lows.

This has put a lot of pressure on the banana industry in terms of financial strain on growers and on the market system itself. Wholesale markets have had significant headwinds, trying to improve returns for growers in a market where values are at historical lows. While volumes were up market values were significantly down, resulting in less revenue and increased costs.

The recent merger of LaManna Group and Premier Fruits Group will be a game-changer for the Group in Australia. Not only will it lessen the influence of bananas on the sales mix of the Group considerably, it will also reduce the market and weather related risks associated with large product categories.

In Australia companies tend to specialise in product categories, which means expansion through organic growth is a slow and arduous process. This merger will dramatically accelerate our growth plans in Australia with combined sales elevating the business to what we believe is the second largest company in

this sector in Australia, and the largest wholesaler in Australasia.

Another major milestone for the Group is that for the first time Group Equity has exceeded \$100 million. This has been achieved through Group profitability supported by net property revaluations (which occur every three years) of \$7.89 million, reflecting the importance of having good properties in good locations and the strength of the MG branch network in general.

The process to review the Constitution commenced in December 2014 under the guidance of an independent legal advisor and specialist in co-operatives, Mr. Alastair Hercus of Buddle Findlay, Wellington. During August & September 2016 the Board invited MG Shareholders to contribute to the process and comment on a draft of the proposed Constitution.

The review confirmed that MG's current Constitution no longer fully reflects how the business now operates and is therefore outdated. The best approach to address the numerous changes required was to prepare a new Constitution for MG's Shareholders to consider (instead of a piecemeal approach with numerous amendments to the existing Constitution).

The new Constitution reflects a "standard" base Constitution appropriate

for a company with a large number of shareholders which was then tailored for Co-operative and Company specific provisions.

This approach has delivered a Constitution that the Board believes is a significant improvement on the existing Constitution by:

- Addressing how Shareholders and the Company operate in the current trading environment;
- Grouping provisions so that issues are addressed together and in a logical order;
- Removing repeated provisions and duplications;
- Simplifying the language where possible.

Shareholders, where eligible to vote, will be asked to vote on replacing the existing Constitution with a new Constitution at this year's AGM.



"Being a valued part of a grower's business requires you to treat their business as if it were your own."

— Richard Cameron,
MG Marketing.

FINANCIAL PERFORMANCE



The year's trading is highlighted on page 3 of this review. As noted earlier the Market Gardeners Group consolidated result was made up by a strong performance in New Zealand and a weaker result in Australia, primarily due to the oversupplied market conditions previously discussed - the 2016 profit before income tax of \$8.69 million compared to the \$9.74 million reported in the prior year reflects this.

Such a strong financial performance has once again allowed MG to invest in infrastructure and initiatives that improve MG's and shareholders' businesses while distributing significant returns to shareholders (including another special bonus issue which is typically one-off in nature and will not occur every year).

Strong sales have continued, albeit impacted by the under-performance of

the Australian market, with Group gross sales under management amounting to \$588 million, which is similar to last year's \$590 million.

Group profit after tax amounted to \$5.80 million compared to the previous year's \$7.28 million.

Total Group Equity exceeded \$100 million for the first time and total assets are now more than \$197 million. This is a particularly pleasing achievement and a far cry from the £1772 and £2660, respectively, reported in 1925—the first financial year for the Co-operative.

In addition to this Annual Review, MG presents an Annual Report inclusive of full financial statements. If you would like a copy of the Annual Report visit the website, mgmarketing.co.nz, or contact the Company Secretary on (03) 343 1794 or email dpryor@mgmarketing.co.nz.

The Board is very pleased to once again declare a special bonus issue. This represents a significant distribution of wealth to the shareholders.

DISTRIBUTIONS



Following another very strong year to 30 June 2016, the MG Board of Directors has resolved to return to its shareholders significant distributions totaling \$5.53 million (2015: \$6.87 million) by way of rebate shares, bonus issues and dividends.

Given the strength of the Group's performance and financial position, this is the second consecutive year that shareholders have received a special bonus issue. The one prior to that was in 2008.

On 7 July 2016 the Board declared the following distributions in relation to the year ended 30 June 2016:

- Special bonus issue – a fully imputed taxable special bonus issue of:
 - One new "A" share for every twenty existing "A" shares; and
 - One new "D" share for every twenty existing "D" shares; and
 - Two new "B" shares for every five existing "B" shares; and
 - Two new "C" shares for every five existing "C" shares.
- 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 a manner as the Directors determine to those shareholders that are Current Producers that have supplied on a consignment basis during the financial year ended 30 June 2016.
- Bonus issue – a three for one fully imputed taxable bonus issue on the "C" shares issued out of the above rebate. This amounts to \$750,000 worth of "C" shares being issued (Shareholders that are Current

Producers receive three further "C" shares for every one "C" share they receive from the above rebate). As imputation credits have been attached to the bonus issue shares they are mostly tax paid in the hands of the shareholder.

- Final dividend – a fully imputed taxable gross dividend of six cents on every "A" share and six cents on every "D" share. Once again imputation credits are attached to this dividend.

The above distributions will be made only to those shareholders entered on the share register with effect from 30 June 2016 who continue to hold, at the date of the 2016 Annual Meeting, the shares held at 30 June 2016.

The above special bonus issue, rebate, bonus issue and dividends represent \$5.53 million being distributed back to MG's loyal and supportive shareholders.

The Board is very pleased to once again declare a special bonus issue. Not only is this a significant distribution of wealth to the shareholders it represents the growth and strength of the Co-operative.

In addition, and as has occurred for many years now, we are pleased to note the support of the shareholders through their high level of reinvestment of their dividends back into more MG shares ("A" and "D" shares). If you would like to participate in the dividend reinvestment plan please contact our Company Secretary, Mr. Duncan Pryor, at MG's Support Office for further information by email dpryor@mgmarketing.co.nz or phone (03) 343 1794.



DIRECTORATE AND MANAGEMENT

Just as the MG business is continually evolving, so is the MG Board. This year Rebecca Turley was appointed as the recipient of the inaugural MG Director Internship. The Internship is part of the Growing You initiative and also forms part of the Board's strategy to broaden the knowledge and experience base of our shareholders and their families, giving those with an interest in governance an insight of what is involved.

While Rebecca does not hold voting rights, she has been able to fully participate in Board matters and gain experience in corporate governance through her attendance at all MG Board meetings.

In accordance with the Company's constitution, Mark O'Connor and John Clarke retire by rotation. After 18 years on the Board, John has elected not to stand again.

John has been a significant contributor to the Board throughout this time and has seen the Company grow substantially. John's business acumen and strong representation of the grower community is acknowledged. He will be a loss to the Board, however, we wish him well for his future endeavours.

Mark O'Connor has put himself forward for re-election, along with four other nominees (Diana Baird, Joanna Lim, Michael Russell and Alan Thompson) for the two vacant positions. Voting papers for the postal ballot will be sent to shareholders together with the notice of meeting.

Brian D Gargiulo (MBE), Chairman, Elected Director.

Brian brings over 30 years of Board experience, with a vast knowledge of the MG Marketing business, its partnerships and relationships. Brian was awarded an MBE for services to horticulture in 1986. He is a lifetime Canterbury greenhouse tomato and raspberry grower.

Current MG appointments include: Chairman of the Board, Chair of the Executive Committee, member of Remuneration & Nomination Committee and Audit Committee. Director and Chairman

of the LaManna Group of Companies and member of the LaManna Audit Committee. Past appointments and directorships include: Director of Horticulture NZ, President of the NZ Vegetable & Potato Growers' Federation, Council member of Lincoln University Board. Chartered Fellow of the IOD*.

Tom M Treacy, Appointed Special Director.

Tom has dedicated most of his professional career to MG Marketing, spending 18 years as CEO until he retired in 2011 and joined as a Board Member in December of that year. During his time as CEO he oversaw a period of tremendous growth and his ongoing involvement at a strategic level is highly valued. Until December 2015 Tom was also a Director of LaManna Group and certain subsidiaries.

Alan G Franklin, Elected Director.

Alan was appointed to the MG Marketing Board in 2010. Alan's family has been growing for five generations in Auckland since 1906. Member of the IOD*.

Andrew G Fenton, Elected Director.

Andrew joined the Board in 2002. He has more than 35 years in the avocado and kiwifruit industry through the Bay of Plenty-based Phoenix Partnership and Beresford Orchards Ltd. He has extensive commercial and governance experience in businesses and industry groups.

Andrew is currently a director of New Zealand Horticultural Export Authority, Kiwifruit New Zealand, President of the NZ Fruitgrowers' Federation, Chairman of the NZ Fruitgrowers' Charitable Trust, a Member of NZ Kiwifruit Growers Inc. and Chairman of Huddart Parker Building Co. Ltd. Chairman of the MG Remuneration & Nomination Committee and director of LaManna Bananas Pty Ltd. Andrew was previously the President of Horticulture NZ and Chairman of Satara Co-operative Group Ltd. Chartered Fellow of the IOD*.

MG Board of Directors from left to right:

Lynn Crozier, Tom Treacy, Mark O'Connor, Alan Franklin, Brian Gargiulo (Chair), Kerry Wells*, John Clarke, Peter Hendry*, Rebecca Turley (Director Intern), Bruce Irvine, Andrew Fenton, Duncan Pryor (Company Secretary & Chief Financial Officer)*

*Executive Management Attendees



After 18 years on the Board, John Clarke has elected to retire. He has been a significant contributor throughout this time and has seen the Company grow substantially.

John R Clarke, Elected Director.

John joined the MG Marketing Board in 1998. He is a director and shareholder in the substantial vegetable growing ventures Woodhaven Gardens Ltd and Kapiti Green Ltd in the Horowhenua. John provides a wealth of knowledge and passion derived from more than 30 years working inside his family-owned business.

Bruce R Irvine B.Com, LLB, CA, Deputy Chairman, Appointed Special Director.

Bruce joined the MG Marketing Board in 1994. He comes with an extensive business background and previously held the position of Managing Partner of the Christchurch office of Chartered Accountants, Deloitte, between 1995 and 2007. Bruce is also Chairman of

Christchurch City Holdings Limited, and a director of Heartland Bank, PGG Wrightson and a number of other public and private companies.

Bruce is also Chair of the MG and LaManna Group Audit Committees, Director of LaManna Bananas Pty Ltd and member of MG's Remuneration & Nomination Committee. Chartered Fellow of the IOD* and Accredited Fellow of the CAANZ**.

Rebecca J Turley B.Com (Agri & Rural Valuation), Intern Director.

Rebecca joined MG Marketing in January 2016 as an Intern Director. She is a Registered Valuer and currently works at Rabobank in Christchurch. Rebecca comes from a family farm in Mid and South Canterbury. Member of the IOD*.

Lynn T Crozier, Elected Director.

Lynn joined the MG Marketing Board in 2012. Today Lynn, through a family owned and operated business since the 1960's, is a major grower of potatoes, onions and carrots in Central Canterbury. Member of the MG Audit Committee. Member of the IOD*.

Mark R O'Connor, Elected Director.

Mark joined the MG Marketing Board in November 2014. He is a Director and shareholder of a family-owned market gardening business in Nelson on the Waimea Plains. Member of the MG Audit Committee. Member of the IOD*.

*Institute of Directors in New Zealand.

**Chartered Accountants Australia and New Zealand.



MG PEOPLE

MG Executive Management Team
 Greig Pullar (National Operations Manager); Chris Hibbert (Chief Information Officer); Kerry Wells (International Business Manager); Peter Hendry (Chief Executive Officer); Jerry Prendergast (National Key Account & Brand Development Manager); Peter Lange (Imports Manager); Roger Georgieff (National Procurement Manager); Duncan Pryor (Company Secretary & Chief Financial Officer); Brian Buchanan (Internal Audit).

MG's people are its greatest asset and we place enormous value on ensuring they can perform to their full potential. We want our people to succeed in their professional and personal lives and therefore invest in equipping them with the skills that are of value to our growers and customers. After all, our people are our brand.

At MG we recognise that the safety of our staff, growers and customers is paramount. All employees are required to participate and comply with MG's health and safety programmes. Health and safety also featured prominently in our SupplyLine publication this year.

The increasing complexities of having to deal with, and administer, new health and safety and compliance regulations is a further obligation for growers and the industry in general. Notwithstanding this, health and safety is important to everyone. Not only do we want our staff to help growers expand their business, we want to ensure that they know about,

understand and are compliant with these legislative changes. To assist in this process MG has included a number of relevant articles in SupplyLine and has partnered with a specialist provider of health and safety products.

A focus for the Procurement Team has been growers' sustainable long-term viability. We have empowered our staff to focus on understanding our growers' business, how we can help develop their business, and improve returns for them through industry knowledge and an understanding of the demands of the retail market.

One of the key issues the industry faces is the perennial problem of oversupply and the effect on returns. We have seen a very good example of that in Australia this year where the market has been grossly over-supplied with bananas, causing a great deal of financial strain on growing operations.

Our continued focus is on trying to match the supply with demand and

Looking ahead, we are seeking ways to attract new people to the industry.

we believe that your Co-operative is leading the way in this endeavour.

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

Looking ahead, we are seeking ways to attract new people to the industry and the graduate programme is one example of how we are doing that (see Growing You later in this review). In 2017 we will also see the implementation of a sales academy programme designed

to promote people within the business into sales roles. Retaining and further up-skilling our current team is an ongoing process critical to ensuring the service we provide to both growers and customers is exceptional. On behalf of the Board and Management, we thank our staff for the hard work and loyal service that has been delivered to our growers, customers and our business. As is now customary, we recognise the importance of the MG group team members and the significant contribution they make to the business by featuring their names in this Annual Review.

Stephen Abbott Sam Addamo Maria Alameda Allpa Alapati Roseni Alapati Ali Al-Milhim Pifalati Aiofaki Domenic Aloi Vincent Aloi Pio Ami Laina Dev Anand Pranesh Andhyala Philip Anthony Raymond Aramoana Patricia Ashurst Adam Attana Charlie Attana Usouli Awilivil Pokkula Babu Kerry Baird David Baker Reynart Ballocanag Jan Ballocanag Joshua Ballocanag Rachel Barker Peter Barrett David Barrie Joseph Basile Robyn Beer Caroline Bendall Colin Bennett Ajesh Bhai Beena Bhanu Raj Kumar Bhoian Kelli Billion Andrew Body Robert Bolge Jay Bolstad Carol Bonham Justin Booth Christopher Borsato Robert Borsato Kim Boustridge Shaun Bowie Kyle Bradley Leah Bradley Michael Breitmeyer Anna Brenmuht Neil Bridgers Grant Broughton Brian Buchanan Hayden Bockland Rahul Buksh Dylan Bulzoni Daniele Bunn Luke Burgess Tarela Burns Dylan Burnside Peter Butcher Trudy Butler Damien Byng David Byrne Grant Caddigan Ashley Cain Frank Calabrese Mark Callegari Richard Cameron Wayne Campbell Garth Campbell Allan Canlas Jeanette Cannistra John Careswell Valerio Carrizo Chiuu Kat Chai Albert Chalmers Owen Charleston Jason Chartres Ming Chin Georgia Christians Helena Chung Dylan Cincotta Frank Cittadini John Clarke Samuel Coffey Aaron Condon Lucas Core Ricardo Correia Rocco Corrone Gavin Cosgriff Mark Cossar Jonathon Cox Robert Craven Grant Creighton Marcello Crisara Leith Crooks Andrew Cross Lynn Crozier Melinda Curran Walter Currie Antonina D'Agata Brian Dale Marilyn Dale Colin Davis Shane Davis Michael Debono Frank Demarte Thomas Derham Joseph Devlin Peter Dilkes Jonathan Dillon Daniel Djuric Leon Dodds David Dohnt Chris Donay Phillipa Dunn Derrick Dyson Jackie Eastwood Jacob Edwards James Elisara Epati Elisara Soli David Ericson Peter Evans Joanne Everingham Jim Evgeniadis Xavier Falo Wayne Farrow Antonio Fasano Laurie Femia Andrew Fenton Eric Field Blair Fisher Douglas Fisher Wayne Fletcher Senituli Folaumoeloa Lindsay Francis Angela Francis George Francis Robert Franco Alan Franklin David Freeman Cameron Friend Aaron Friend David Gannon Romeo Garcia Floyd Gardiner Matthew Gardiner Jessica Gardner Dominic Gargiulo Brian Gargiulo Abraham Garza Colin Gass Gerry Gastelo Roger Georgieff Warrick Gibson Ivan Gilbert John Giuffre Paul Goodard Matthew Gordon Daniel Gowans Brent Graham Murray Green Andrew Greenwood Liz Greenwood Danita Grobelski Adam Grove Martin Grundlingh Dean Hamill Naleen Harakh Simon Hardie Mark Harding Errol Hattersley Alex Hendry Peter Hendry Maria Henry Adam Heremaia Chris Hibbert Simon Hickey Iain Higgins Truce-Anne Hillary TJ Hirini Alexander Hirster Graeme Hirst Van Hoa Tran Mark Hobbs Phillip Holberton Steven Holder Rob Mollier Matthew Horsnell Katherine Hossen Matthew House Ross Howard Jye Howson Martic Hrabanov Carol Hu Colin Hudgson Reginald Hume Henry Hunt Robert Hunter Pio Hurinui Peter Hurring Kevin Hutt Valentino Iacopetta Michael Ioppolo Bruce Irvine Jeremy James Adam Jeffery Samuel Jessup Matthew Jewell Yi Jiang Narendra Jina Maxwell Johansson Hapimana Johnson Caryl Johnson Abby Jones Rebecca Jordan Manickathan Joseph Haydn Judge Nicky Kahukwa Manase Kailea Madhavi Kanjula Pearson Karamaena Lopasita Katoa Raminder Kaur Tanielia Kavapalu Chun Ke Gavin Keldge Tina Kennington Jack Keys Irshad Khan Jason King Dodina Kisona Dylan Kitching-Walker Martin Kolattukudy Mandeep Kumar Shane Ladd Siulaati Lakalaka Peter Lange Penoni Lavaki Lawrence Lavery Humphrey Lawrence Neti Leatigaga Opetala Leatigaga Kent Lee Su Lee Hazel Lees Eroni Leifua Chris Leone Gavin Levy Michael Lia Jian Lin Carol Lissington William Little Daniel Little XiuGe Liu Peter Lopes Duc Ma Esmath Mabaleka Stuart MacDonald Alistair MacDonald Ryan Macek Ross Madaffer Brad Mahar Jim Maloney Dayal Manu Sam Marson Clare Martin Patrick Marzano Scott Mason Hamish Mason Poasa Matai Blu Iulia Matamua Elise Mathews Suzanne Mattingly Taueli Mauga Michael May Aaron Mayne Daniel Mazengia Murray McBride Patricia McCallum Alexander McCallum Margaret McCarrigan Brett McGuire Yvonne McIlwain

Lynn McKay Andrew McKenzie Mitchell McKeown Derek McKinnel Shaun McLaren Venus Mehta Gregory Melbusch Nehemiah Nelson James Meola Dale Metcalf Mark Middleton Salvatore Milanese Jason Milas Anne Miller Ernesto Miranda Amassia Moala John Mokdassi Mounir Mokdassi Shane Moon Daniel Moor Rufino Morales Steven Morice Daniel Morling Joseph Morling Benjamin Morton Kevin Munroe Jordan Murch-Holler Allan Murray Frank Musico Vince Musico Ricky Musolino Con Mylonopoulos Isaiiah Nanai-Stewart Ritika Nand Vikashni Nand Mahes Naran Fetuiaki Nau Allison Nelson Jeffrey Neumann Daniel Neumann Jimmy Nguyen Reghan Nicol Jason Noble Timothy North Jimmy North Peter Northern Steven Oakes Samantha O'Connell Mark O'Connor Wayne O'Halloran Graeme Oldham Sean O'Neill Brendan O'Neill Connor O'Neill Mau Ono Anthony Ord Roger O'Sullivan Richard Ott Tupou Otutaha Colin Owen Noel Owen Senitu Pakome Jim Panagis Justin Parsons Sunil Patel Monika Patel Aroni Pauvuale Craig Perry Alan Peters Darryl Peterson Teagan Pick Geoffrey Pirrone Maria Poblete Rochelle Pogson Timothy Poorter Adelle Porter Skye Powell-Jones Anup Prakash Derek Pregl Jerry Prandergast Goldie Price Duncan Pryor Greig Pullar Lawrence Purcell Luke Radan Karen Radway Amit Ram Adam Ramsay Abdul Rashid Jade Paul Reeves Sharon Reid Brett Reid Daniel Reid Darren Reid Ian Reisima Margaret Rella Greg Rich Micah Richards Wendy Richards Shane Ricket Catherine Ridden Jason Roberts Joel Roberts Lance Robertson John Roderick Benjamin Ross Aaron Rout Frank Ruggiero Natasha Rus Jamie Russ Michael Russell Mick Ryan Joseph Sajimon Lealofi Sasulu Brendan Schelwa Christopher Schroeder Paolo Sciancalopora Shane Scott Diane Scott Vainga Sefesi Mitu Sekhawat Tai Sese Bruce Sheed Rebecca Sheed Bixia Shen Sam Singh Gajay Singh Praneel Singh Paramjit Singh Parmpal Singh Andrew Sinnott Indiana Sinnott Nathan Smart Glenn Smith Glen Smith Mitchell Smith Alualu Soiso David Spedding Edwin Spiteri Raymond Steele Jared Stevens Anthony Stone Simone Strathairn Grant Stumbles Giuseppe Surace Wayne Swift Salesi Taholo Bonnie Tamatea Kelekolio Tapueluelu Angelo Taranto Antonio Taranto Mario Taranto Cameron Taylor Dharendra Thapa Jim Thomaforis Glen Thompson David Tiata Romero Toailoa Alfred Toailoa Bernard Toailoa Shaolin Toailoa Penisimani Tonga Matamaru Tongia Peteru Topeto Cyril Torrance Poukei Touhuni Doug Trask Sandy Trask Tom Treacy Joseph Trimboli Henry Trott Natasha Trovato Jermaine Tuhi Tolovae Tuilaepa Katopau Tuilaepa Taukolo Tupou Rebecca Turley Carl Turner Craig Tymensen Tamango Uaruta Afano Vaega Joseph Van Der Loo James Van Elewyk Irina Vassilieva Con Velonias Quan Anh Vo John Waddington Shane Wadsworth Michael Wagner Alan Wake Jonathan Wake Pete Walshie Xian Wang Wayne Watkins Ross Watson Jenny Watt Wayne Webley Kerry Welts Kelly Wetere Hamish White Heshan Wickramaryake Ken Willey Jacob Williams Elliot Williams Amanda Williams Whitney Wilson Wing Wong Jared Woodcock Kelvin Woodmass Ethan Woodmass Ivanna Woollams Karena Wu Yu-Cheng Yen Tony Zannino Andre Zittersteln Joseph Zofrea





NEW ZEALAND

The New Zealand market, which represents a significant part of MG's business, had a record year, both in terms of gross sales under management and profit before tax, at \$381 million and \$10.73 million, respectively.

There was no single dominating factor in this success, but more the result of much hard work and planning in recent years. Other than some localised events, the weather has been more settled this year. A warmer than normal winter is expected to create some production gaps, the impact of which may be evident in the new financial year.

The New Zealand economy remains robust and the associated confidence is reflected in consumer spending. Our strategic pillars, launched in 2014 with our "Together.Stronger." proposition is bearing dividends, as it recognises the strength of the Co-operative derived through growers, shareholders and MG working together.

Following the success of MG Direct (South Island), we have now replicated this model in the North Island. We are continuously adapting to the changing market, with emphasis on streamlining supply chains, reducing costs and working with customers.

The other major investment in the North Island was the purchase of our own building in Hamilton. We continue to experience solid growth in the Waikato and surrounding regions and this investment underpins that confidence.

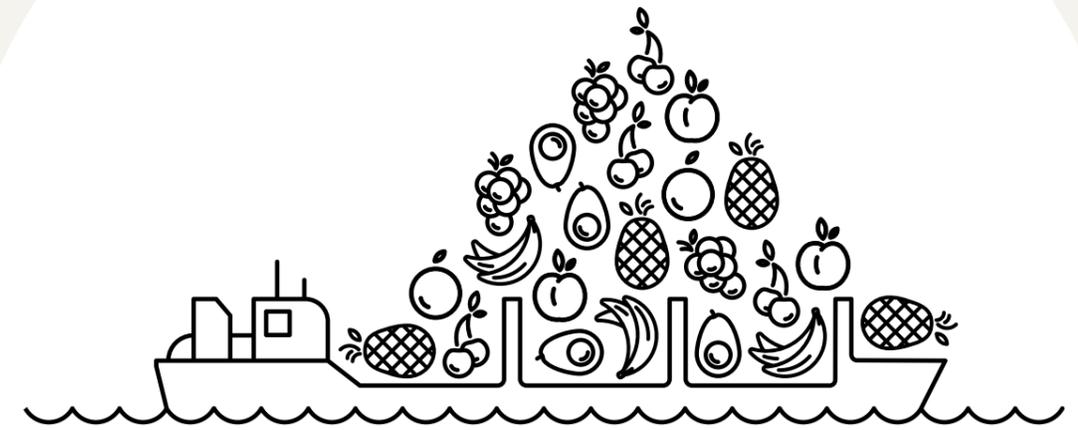
Growing our domestic business in New Zealand is a primary focus, and our procurement team has been very adept at matching supply with demand. This has involved a great deal of planning with the growing community around category management and promotional activity to assist with moving volume and maintaining values within the industry.

MG continues to place emphasis on the successful launch and marketing of new products and investment in the development of intellectual property (IP). We recently purchased marketing rights and trademarks from Fresh New Zealand for a range of fruit (Summerfruit and tree fruit) varieties. MG can now offer its growers the latest varieties from some of the best breeding programmes in the world. The growth in Summerfruit volumes from licensed varieties has led our marketing activity for both the category and your company. MG has a dedicated resource who looks after this specialised area, working directly with

breeders and growers to identify and develop IP and varieties that produce greater yields or higher returns and generate new customer demand.

We are also working hard on expanding growing seasons. Berry fruit is one sector in particular where growers have extended their season well into winter by growing their fruit under plastic tunnel houses. It is this type of innovation that creates value, growth and satisfies the changing needs of the consumer.

Allied to this extension of growing seasons, the Procurement Team continues to work hard on ensuring that our geographically diversified growers can maintain continuity of supply for our customers.



INTERNATIONAL TRADING

Banana production and shipping issues continue to impact the business. Despite these challenges and with the support of our valued international trading partner, Dole, we maintained supply to our key customers throughout the year. Competition increased throughout the year and added new challenges to what is becoming a crowded market. Weaker market returns resulted in lower revenues, however, the banana category remains an integral component of the business

and we will continue to work with Dole on maintaining our market leadership position.

We are fortunate to have such international brands as Dole and Sunkist in our stable, but there are many other longstanding suppliers who are of significant importance to our business. The growing strength of our international network replicates the way we build relationships with our domestic growers and shareholders, by working closely alongside them.

Weather variables and distance to market will always be an influencing factor in the demanding import sector. Providing quality product in a reliable manner to customers under these conditions is what we pride ourselves on and the business continues to grow as new products and extended seasons are brought to market. The merger in Australia of LaManna Group and Premier Fruits offers new opportunities for trade between New Zealand and Australia, along with North America.

TE MATA EXPORTS 2012 LTD

MG's joint venture export partner, Te Mata Exports, continues to build on a strong foundation of quality suppliers and customers. Over the last two years, the business has diversified the product offering and leveraged off well-established relationships across all major trading regions.

The export diversification strategy continues to assist with top and bottom line growth, especially in summer fruit and citrus. Apples, which are the base business product, also enjoyed another strong year in both volume and sales. It is once again very pleasing to provide healthy returns to growers that have allowed them to further invest in their operations and infrastructure.

We are excited about the future for this business and will be increasing resource to deliver the strategic growth plans in place. The strategy of gaining supplier support through the delivery of strong market returns, is serving these growth prospects well.





AUSTRALIA

LaManna Group Board of Directors and Executive Management Attendees

Glen Thompson (Chief Executive Officer)*; Tom Treacy; Duncan Pryor B.Com, CA (Secretary to the Board)*; Simon Hardie (Chief Financial Officer)*; Brian Gargiulo MBE (Chairman); Philip Holberton; Bruce Irvine B.Com, LLB, CA; Andrew Fenton. * Executive Management Attendees



Anthony Di Pietro CEO & Director of LaManna Premier Group

Anthony Di Pietro, Director, is the Group Chief Executive Officer of the LaManna Premier Group. Anthony is also Chairman of Melbourne Victory Football Club competing in Australia's national football competition, the Hyundai A-League.



Mark LoGiudice Director of Lamanna Premier Group

Mark LoGiudice, Director, is a Director of the Crawford Group of Companies, a property development, management and investment group. Mark is also President of the Carlton Football Club, competing in the Australian Football League.

The 4 July 2016 merger of LaManna Group and Premier Fruits Group will future proof our Australian operation. In its first full year of trading (2016 / 2017 financial year) combined gross sales under management are expected to be over AU\$500 million.

Premier Fruits Group's strength and its different offerings in the vegetable and fruit categories provides greater diversification which, when coupled with cost synergies and sheer scale, offers great prospects for the merged Group in the future. Both companies have head offices close to each other in Melbourne and operations in all main centres throughout Australia so our immediate focus will be to consolidate the two businesses in order to realise the expected synergies the merger offers.

The Premier Fruits Group also brings additional strengths in the form of a quality management team. Their CEO, Mr. Anthony Di Pietro, has been appointed to the CEO role for the merged LaManna Premier Group. Anthony has extensive knowledge of the Australian market, having been in the industry all his working life. The Di Pietro family name is synonymous with the fruit and vegetable market in Australia.

Anthony's appointment will allow LaManna CEO, Glen Thompson, to follow his long-stated desire to step back from the top job. Glen

will stay with the Group and assist Anthony in bedding down the merger.

As a result of the merger, Philip Holberton retired and Anthony Di Pietro and Mark Logiudice were appointed as directors of LaManna Bananas Pty Ltd, the parent company of the LaManna Premier Group. Other changes to the LaManna board during the year saw Tom Treacy retire on 31 December 2015 and the appointment of MG's CEO Peter Hendry.

As noted last year, our Darwin Banana Farm was seriously impacted by the Banana Freckle outbreak in the Northern Territory; a serious fungal disease that affects the banana plants but not the fruit. This required the removal of all plants across significant areas of the Northern Territory and prevented our operation from producing bananas from April 2015. Replanting will commence once the region has been declared freckle free. In the meantime, however, the joint venture farming operation with Piñata Farms Pty Ltd is performing well and continues to use available land for a broader range of products.

Our operations in Melbourne have now enjoyed a full year in the new Epping market. Our locations, along with Premier's sites, are well positioned in the market and this is reflecting strong sales and good prospects for the merged business.



UNITED FLOWER GROWERS LTD (UFG)

MG's joint venture flower business had a record year in both sales and profitability. We have a very loyal grower shareholder base that supports UFG, which is critical to the success of this business. Our focus is on building and expanding on this base to achieve greater efficiencies.

We continue to work on different initiatives for the business and are confident that the record figures set for the year will be a stepping-stone for future expansion both in reach and range of product.

This year the Christchurch branch has moved to a more centrally located facility. This move is expected to be temporary as the premises are not adequate for the current growth the Christchurch business is experiencing with significant increases in customer numbers and volumes sold.

The cloud auction - online auction portal - continues to gain momentum with both metro and regional customers taking advantage of this added service. It is initiatives like this that will drive further growth, efficiencies and profitability in the years to come.

**MG'S CORE PURPOSE
IS TO GROW THE
OVERALL WEALTH AND
PROFITABILITY OF THE
CO-OPERATIVE, ITS
SHAREHOLDERS AND
GROWERS THROUGH
RELEVANT INITIATIVES
WHILE MAINTAINING
CO-OPERATIVE
PRINCIPLES
TOGETHER. STRONGER.**

RESILIENCE

Show true leadership to grow the business and overcome challenges by making decisions that protect the future of our grower Co-operative and make sure the benefits are enjoyed by generations to come.

PARTNERSHIPS

Expand the level of communication to keep our grower shareholders up-to-date and support a positive delivery of our shared vision, direction and values.

VALUE

Keep reviewing the benefits our grower shareholders receive while finding new and relevant ways to add value.

GROWTH

Diversify and expand produce lines locally as well as make our Co-operative attractive to off-shore markets so we can grow our export activity.

CAPABILITY

Continue to have the best people, doing the right job, with the right tools to support the wide range of needs of our grower network.

CO-OPERATIVE BEHAVIOUR

Work hard together to make sure the benefits of our co-operative model drive growth, value, trust and a willingness to work closely alongside each other.



ANNUAL MEETING OF SHAREHOLDERS

All shareholders are invited to attend MG's Annual Meeting of Shareholders. This year the event will be held at the Rutherford Hotel, 27 Nile Street, Nelson, on Wednesday 23 November 2016, commencing at 5.30pm. Shareholders are welcome to join MG directors, management and staff to formally or informally discuss topics of interest.

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

OUTLOOK

MG Marketing looks to the future with great confidence. The merger of LaManna Group and Premier Fruits Group in Australia is a significant step for the combined Group and provides a great opportunity to deliver a much-improved financial performance and to further strengthen our balance sheet.

The benefits will not be restricted to Australia but spread across the Group with strong growth expected in trade between New Zealand, Australia and North America. Anticipated growth is based on additional sales channels, an increased range of products and a greater consistency of supply.

New Zealand is also in a strong position. Having achieved record sales and profits in the year under review, coupled with an increase in market share, the foundations of the business have never been stronger.

However, this is not a time for complacency. Rather it is a time for targeted and well-managed growth strategies. Your board and management have considered initiatives and have a path forward that is expected to reap further rewards for the business, building on MG's equity for the benefit of all shareholders.

Allied to the introduction of the Growing You programme and the desire to develop a closer working relationship with MG's grower shareholders, we continue to look for ways to add value. This looks beyond the day-to-day trading activity and comprises a range of support such as advice, industry knowledge, new product developments, branding and packaging.

Continuing to invest in our people will support this. Bringing new people into the business is critical for the longevity of the industry. Continuing to invest in grower workshops, the graduate programme, the director internship and the sales academy is essential if we want to be able to add true value to our grower shareholders.

Coupled with this investment in people is an investment in our culture. The "Together.Stronger." philosophy is now well embedded and we need to ensure that this becomes a foundation of the new merged business in Australia. An open environment with good communication will be critical.

For many years we have had a strong focus on developing our domestic business and, as shown by this year's performance, we have been very successful.

We will continue to build on this strength and success through processes that will see MG partnering with its growers to ensure a secure supply base and to make it easier and more efficient for both customers and growers to transact that business. Better forecasting will assist in this process and ensure that growers have a sustainable future by better matching and linking supply with customer demand.

Technology will continue to drive our efficiencies and growth. The development of our Grower Delivery Advice (GDA) system, where we interface with growers online, is a good example of how we have modified our way of operating to offset operating costs that continue to emerge in the business. We now have over 200 growers completing consignments using our bespoke online system. MG will continue to innovate and bring different sales models into the market place, linking growers and customers more efficiently and effectively.

In the year ahead we will look to further streamline other processes while still embracing the importance of face-to-face contact and strong communication disciplines.

Retail customers will also see MG's continued focus on the domestic business through investment in resourcing and the depth of people we bring to the market place. Such investments will not only drive the customers' businesses but also those of the growers and MG.

Expansion of our export business is also important in providing sales channels for growth. This expansion includes diversification into new categories as well as the consolidation of existing lines. Exports are a significant opportunity for New Zealand as a whole and the produce industry is no exception. As we are with our domestic business we are looking to grow the export arm with investments in resources to procure and market New Zealand produce through an existing and expanding export supply chain. That said, we will continue to manage this process in order to have an appropriate level of return without undue risk.

We are extremely excited about the next financial year and once again thank our grower-shareholders for their ongoing support as we work together to grow our Co-operative for a stronger future.



Brian Gargiulo, MBE
Chairman

22 September 2016



Peter Hendry
CEO

22 September 2016



“Behind every strong business is a network of family, key staff and excellent business support”

— Donald Heckler,
Mill Creek Orchard, Motueka



GROWING YOU

We are now into our second year of the Growing You programme and are already seeing tangible results.

The aim of the programme is to create a range of ways to develop a closer working relationship with MG's grower shareholders and includes a series of professional development workshops for growers, the director internship and, going forward, the sales academy that will target people internally and also those who haven't attended university.



"Our commitment to the development of the industry begins at the front gate."

— Peter Hendry, CEO.



GROWER WORKSHOPS

This year we undertook one very successful grower workshop. Such workshops are a tangible example of how we are developing closer working relationships with growers to improve productivity, efficiency and sustainability of their growing operation.

The workshops cover a range of relevant topics and include discussions about the opportunities and challenges facing our industry. These workshops will be on-going and tailored separately for the specifics of fruit and vegetable categories where appropriate. We have learnt much from these workshops and are looking at fine-tuning and enhancing them for the future.

GRADUATE PROGRAMME & SALES ACADEMY

The graduate programme is designed to attract the next generation of skilled employees to MG Marketing and encourage a new group of talent into the business.

Introduced this year, the programme has been extremely successful and we have learnt significantly from it and these learnings are being integrated into our future plans.

We will also build on the three graduates that were part of our programme this year with another three in the coming year. In addition, we will also be looking to bring three or four people into our Sales Academy.

Again, we have partnered closely with different educational providers, especially Lincoln University, to provide these high quality programmes.

DIRECTOR INTERNSHIP

Rebecca Turley joined MG Marketing in January 2016 as an Intern Director which has also been another successful initiative. The MG Director Internship is designed for those who aspire to director-level roles and have an interest in corporate governance. It allows an Intern Director to gain valuable experience by having a non-voting seat at the Board table for approximately 12 months.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	GROUP	
	2016	2015
	\$'000	\$'000
Revenue – sale of goods	305,876	328,922
Cost of sales	266,045	290,104
Gross profit	39,831	38,818
Other operating income	1,873	1,859
Administrative expenses	8,563	8,285
Other expenses	24,783	23,315
Results from operating activities	8,358	9,077
Finance income	82	134
Finance expense	1,659	2,036
Net finance costs	1,577	1,902
Profit before equity earnings and income tax	6,781	7,175
Share of profit of equity accounted investees	1,910	2,565
Profit before income tax	8,691	9,740
Income tax expense	2,885	2,457
Profit for the year	5,806	7,283

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
Net cash from operating activities	10,579	16,196
Net cash (used in) investing activities	(13,637)	(2,297)
Net cash (used in) financing activities	(1,359)	(9,478)
Net (decrease) / increase in cash and cash equivalents	(4,417)	4,421
Cash and cash equivalents at 1 July	8,007	3,150
Effect of exchange rate fluctuations on cash held	(114)	436
Cash and cash equivalents at 30 June	3,476	8,007

This annual review is a summary of the full annual report and financial statements. Copies of the full documents can be found on the MG website (mgmarketing.co.nz).

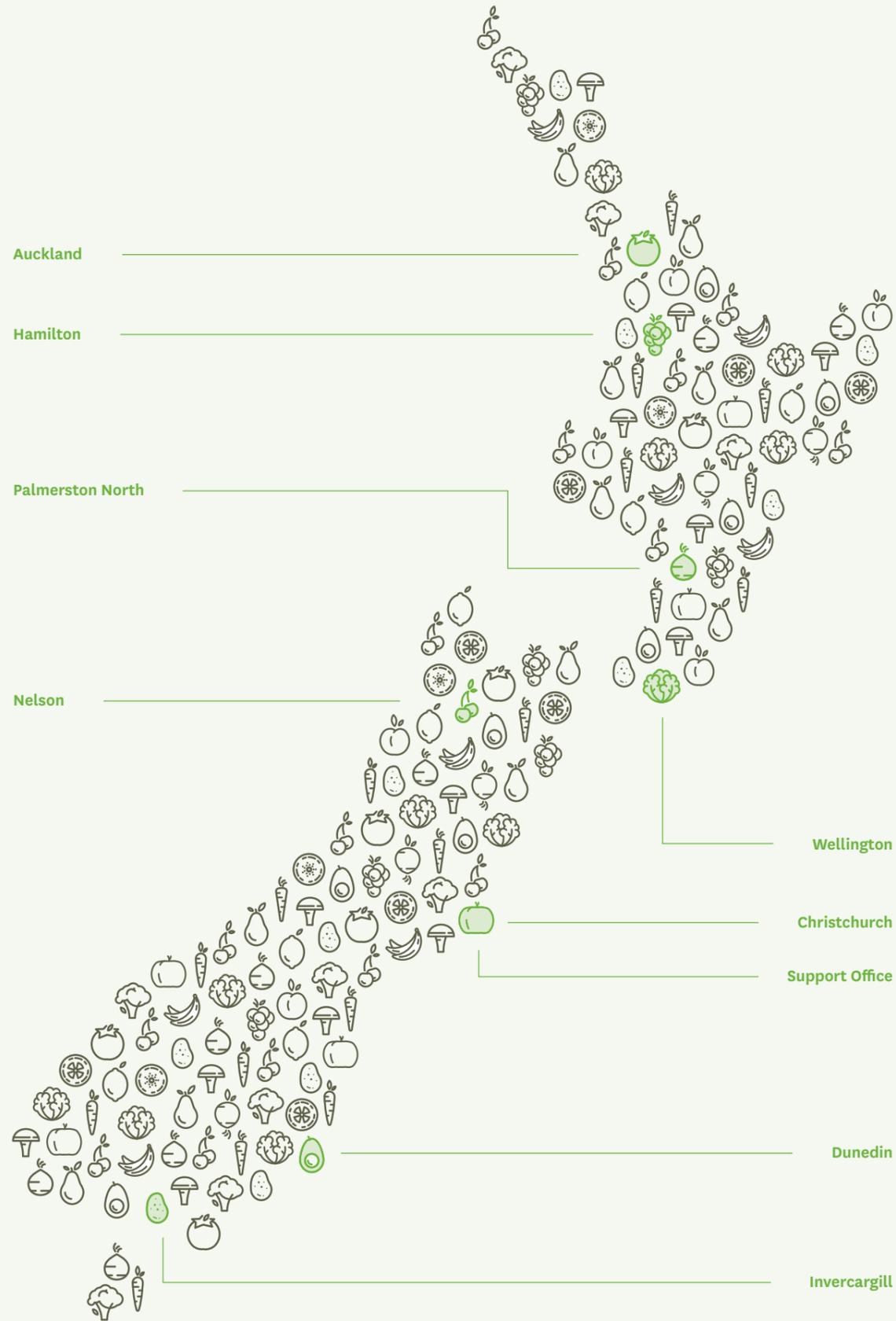
BALANCE SHEET

AS AT 30 JUNE 2016

	GROUP	
	2016	2015
	\$'000	\$'000
Equity		
Share capital	21,802	16,685
Reserves	29,983	24,639
Retained earnings	49,389	50,169
Total equity attributable to equity holders of the Parent Company	101,174	91,493
Non-controlling interest	2,020	1,644
Total equity	103,194	93,137
Non-current assets		
Property, plant and equipment	99,190	79,018
Intangible assets	33,170	31,230
Investments in equity accounted investees	6,913	8,882
Trade and other receivables	14,146	15,003
Deferred tax assets	3,436	3,143
Total non-current assets	156,855	137,276
Current assets		
Inventories	4,811	5,345
Trade and other receivables	32,227	29,560
Cash and cash equivalents	3,476	8,007
Total current assets	40,514	42,912
Total assets	197,369	180,188
Non-current liabilities		
Borrowings	32,078	32,570
Trade and other payables	1,424	866
Deferred tax liabilities	7,616	3,787
Total non-current liabilities	41,118	37,223
Current liabilities		
Borrowings	31	97
Trade and other payables	52,333	49,564
Taxation payable	693	167
Total current liabilities	53,057	49,828
Total liabilities	94,175	87,051
Net assets	103,194	93,137

This annual review is a summary of the full annual report and financial statements. Copies of the full documents can be found on the MG website (mgmarketing.co.nz).

SUPPORTING OUR GROWERS NATION WIDE



BRANCH REGISTER, BANK & ADVISERS

NEW ZEALAND

New Zealand Branches

Auckland Branch, National Banana Ripening & MG Direct (NI)

801-803 Great South Rd
PO Box 12 370, Penrose
Auckland 1642
Phone: +64 9 270 7110
Fax: +64 9 270 7111
Branch Manager: Kerry Baird
National Banana
Ripening: Graeme Hirst

Hamilton

24 Kaimiro Street
Pukete Industrial Estate
PO Box 675, Hamilton 3240
Phone: +64 7 849 2866
Fax: +64 7 849 2864
Manager: Brian Dale

Palmerston North

1 Mihaere Drive
PO Box 9112, Terrace End
Palmerston North 4441
Phone: +64 6 357 8076
Fax: +64 6 357 5103
Manager: William Little

Wellington

34 Jamaica Drive
Grenada North
PO Box 51 044, Wellington 5249
Phone: +64 4 232 3499
Fax: +64 4 232 3477
Manager: Jade Reeves

Nelson

30 Pascoe Street
PO Box 170, Nelson 7040
Phone: +64 3 548 5859
Fax: +64 3 546 4264
Manager: Jamie Russ

Christchurch

68 Waterloo Road, Hornby
Christchurch 8042
PO Box 16 404, Christchurch 8441
Phone: +64 3 349 2070
Fax: +64 3 349 2069
Manager: Jeff Neumann

Dunedin

Cnr Midland & Otaki Streets
PO Box 2056, Dunedin 9044
Phone: +64 3 455 4004
Fax: +64 3 455 6656
Manager: Wayne Hume

Invercargill

162 Mersey Street
PO Box 209, Invercargill 9840
Phone: +64 3 218 2919
Fax: +64 3 218 2882
Manager: Lynzy Francis

Registered Office, Support Office, Marketing, Imports & MG Direct (SI)

78 Waterloo Road, Hornby
Christchurch 8042
PO Box 8581, Christchurch 8440
Phone: +64 3 343 0430
Fax: +64 3 343 0929

New Zealand Bank & Advisors

Bankers

Rabobank New Zealand Branch,
(Primary facilities provider)
Bank of New Zealand, Christchurch,
(Transactional facilities — New Zealand)

Share Registrar

Computershare Registry Service Ltd,
Private Bag 92119, Auckland

Legal Advisers

Chapman Tripp,
Barristers & Solicitors,
Christchurch and Wellington.
David Stock,
Barrister & Solicitor Christchurch.
Alastair Hercus,
Buddle Findlay Wellington

Auditors — Parent Company & Group

KPMG, Chartered Accountants
Christchurch

INTERNATIONAL

Australia

LaManna Premier Group Australia Registered Office

103-107 Hyde Street
Footscray, Vic 3011, AUS
Phone: +61 3 9687 0044
Fax: +61 3 9689 5253
Chief Executive: Glen Thompson,
Anthony Di Pietro (from 4 July 2016)

Australian Banana Company Pty Ltd

101-103 Upper Daradgee Road
Daradgee, QLD 4860, AUS
Phone: +61 7 4063 1600
Fax: +61 7 4063 3958

Brisbane Market

Building C – Brisbane Markets
P O Box 48, Rocklea, QLD 4106, AUS
Phone: +61 7 3278 2844
Fax: +61 7 3278 2866

Melbourne Market

Store 63-69, 5 Produce Drive
(off 315 Cooper St),
Epping, VIC 3076, AUS
Phone: +61 3 8405 4500
Fax: +61 3 8405 4599

Adelaide

C31 Adelaide Produce Markets,
Burma Road, Pooraka, SA 5095, AUS
Phone: +61 8 8349 5022
Fax: +61 8 8349 5789

Fresh Choice (W.A.) Pty Ltd

Market City, 280 Bannister Road
Canning Vale, Perth, WA 6155, AUS
Phone: +61 8 9455 2355
Fax: +61 8 9455 2371

Sydney Market

Stand 1-4 E Shed, Store 135 B Shed
P O Box 323, Sydney Markets
NSW 2129, AUS
Phone: +61 2 9648 1267
Fax: +61 2 9648 0577

USA

Market Gardeners (USA) Inc.

5001 E Commercentre Drive
Bakersfield, California
CA 93309-1687, USA
Phone: +1 661 322 4044
Fax: +1 661 322 4274
Manager: Doug Trask B.BA

International Bank & Advisors

Bankers

Rabobank Australia Branch
(Primary facilities provider)
Australia and New Zealand Banking Group
Ltd, Melbourne
(Transactional facilities — Australia)

Legal Advisers

Arnold Bloch Leibler,
Melbourne

Auditors — LaManna Bananas Pty Ltd

Pitcher Partners,
Chartered Accountants
Melbourne

Together. Stronger.